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REVIEWED INTERIM RESULTS, CASH DIVIDEND AND NOTIFICATION OF FINANCIAL ASSISTANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

Burstone Group Limited
(Previously Investec Property Fund)
Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number: 2008/011366/06
Share code: BTN
Bond code: BTN
ISIN: ZAE000180915
Income tax reference number: 9332/719/16/1
("**Burstone**" or "the **Group**")

The board of directors of Burstone is pleased to announce the results for the six months ended 30 September 2023.

HIGHLIGHTS

The first six months of Burstone's 2024 financial year (1H24) has been characterised by focused efforts to integrate the Group internationally following the internalisation transaction; strong operational performances from the underlying Group portfolios; and continued uncertainty in the global economic and interest rate environment.

Against this backdrop, highlights for the period include:

- Successfully completed the internalisation of the business in July 2023, and consequently rebranded as the Burstone Group in September 2023.
- Significant strides made in integrating the business across the Group's South African, European and Australian platforms.
- Achieved strong operational performances in the South African and European portfolios:
  - The South African portfolio remains stable and achieved 2.0% growth in like-for-like NPI against a persistently challenging economic backdrop.
  - The European PEL portfolio reported an increase in like-for-like NPI of 7.9%, driven by continued growth in contracted rent. Overall performance was further bolstered by cost containment initiatives.
- As expected, Group results were however, adversely impacted by higher funding costs which occurred only in the second half of the prior year.
- Results were therefore in line with the Group's expectations, with DIPS declining by 5.0% to 51.07cps (Sep-22: 53.78cps).
- The dividend payout ratio was 95% with an interim dividend of 48.52cps (Sep-22: 51.09cps).
- The Group maintains its previous guidance and expects to deliver DIPS growth of 0% to 2% in FY24. This equates to expected growth in DIPS of 5% to 9% in 2H24.
- The balance sheet remains healthy, with a defined plan to decrease loan to value ("LTV") over time (Sep-23: 43%). The Group has low near-term refinancing risk and interest rate risk has been effectively managed and the Group is actively assessing early refinancing options.

FINANCIAL INFORMATION

	Reviewed 30 September 2023	Restated* Reviewed 30 September 2022	Movement
Revenue (ZAR'000)	**986 427**	915 738	7.7%
Operating profit (ZAR'000)	**656 485**	661 028	(0.7%)
Distributable earnings per share (cents)	**51.07**	53.78	(5.0%)
Net asset value per share (ZAR)	**1 621**	1 736	(6.6%)
Basic and diluted earnings per share	**55.57**	92.56	(40.0%)[1]
Headline and diluted earnings per share	**59.06**	93.45	(36.8%)[1]

* Restated for the treatment of recoveries of electricity and water that had previously been presented on a net basis. This restatement has no impact on the statement of financial position, statement of changes in equity, statement of cash flows and basic and diluted earnings per share.

[1] Impacted by exchange differences arising from the translation of the investment in the foreign entity as a result of the business combination and higher finance costs.

FINANCIAL REVIEW

Performance highlights

The underlying South African and European portfolios continued to achieve strong rental growth, delivering 2.0% and 7.9% year on year like-for-like NPI growth, respectively.

The South African portfolio benefited from improved vacancy rates over the period and strong performances in the retail and industrial portfolios. Negative reversions persist (largely in the office sector) in the absence of market rental growth although the Group is seeing signs of rental growth in certain sectors. Arrears remain well managed and cost to income ratios are stable.

The PEL portfolio delivered strong rental growth driven by the ability to capture positive ERV. Vacancy rates remain at very low levels. Arrears have been well managed, and the Group has extracted cost savings in the European platform with further savings expected over the next two years. Reversion rates have seen positive growth in excess of 5%.

As expected, overall Group operational performance was however, dampened by higher funding costs which occurred only in the second half of the prior year and did not impact 1H23. There has been a material shift in Euribor of c.4% since September 2022. As communicated previously, funding costs increased in the PEL platform in the second half of the prior year to the Euribor cap of c.1.6% plus margin. These higher funding costs are now fully reflected in 1H24 and equate to an increase of 53% for the half year.

Considering the above-mentioned factors, 1H24 Group DIPS declined by 5.0% to 51.07cps (Sep-22: 53.78cps).

Balance sheet highlights

The balance sheet remains sound supported by pro-active capital and interest rate management.

The LTV increased marginally to 43% (Mar-23: pro-forma 42.0%) following:

- The implementation of the internalisation for R850 million;
- Net capex and investments in assets of c.R300 million;
- Offset by net asset sales of c.R1.1 billion at a c.2% discount to book value.

The Group has a clear plan to reduce LTV. In the short-term the Group will lower the LTV to c.41% largely through further asset sales. Burstone continues to adopt a disciplined approach to capital recycling to manage gearing. Additional actions to reduce LTV will include for example, further capital optimisation and the implementation of the Group's funds management strategy.

NAV per share remained stable at R16.21 (Mar-23: R16.17) largely reflecting fair value uplifts in PEL offset by the FX impact on increased borrowings.

The debt book remains well diversified. The Group has R1.1 billion of debt maturing in FY24 (including R0.7 billion of short-term commercial paper) and has R1.1 billion in unutilised committed facilities to cover refinancing risk. Management is cognisant of the volatile interest rate environment and maintains an 95% hedge against Group debt.

Europe in-country debt is 93% hedged by way of a cap at a weighted average interest rate of 1.4%. The platform therefore has limited interest rate risk for the next 2 years and potential higher interest rate costs are expected to be largely offset by NPI growth and cost savings initiatives that will be implemented.

PROSPECTS AND GUIDANCE

The strategic focus of the Group over the past six months has been on its repositioning from a property investment business into an integrated international real estate fund and asset management company. Burstone's longer-term focus will be on the roll out of a capital light fund management model, exploring value-add / core plus opportunities, and implementing a holistic sustainability strategy that creates broader stakeholder value that is impactful. The Group's immediate focus will be on maintaining the stability of the current portfolio, enhancing the quality of recurring earnings, maximising operational synergies, and effectively managing the Group's capital allocation given the opportunities that are arising from the current market dislocation.

South Africa

The South African macroeconomic backdrop remains muted, and the property sector faces many challenges, not limited to rising municipal costs and an energy crisis which contributes to an increasing cost of occupation. While the South African portfolio has stabilised and is performing to expectations, it is expected to deliver low growth that is reflective of the operating environment.

Initiatives to reduce the Group's client's cost of occupation will become increasingly necessary to drive bottom line earnings. With the portfolio now largely de-risked, the focus will be on maintaining the quality and relevance of the portfolio and accelerating the capital recycling program, to redeploy into core-plus and value-add opportunities.

Europe

Given sector dynamics, growth in contracted rent is expected to continue within the PEL platform, as the management team actively works to capture ERV growth. In addition, positive earnings growth will be supported by a capping out of funding costs for 2 years and cost savings initiatives. The Group has already extracted cost savings in the European platform with further savings of around €1 to €2 million expected over the next two years.

Australia

The Irongate Australia Fund Management Platform ("Irongate") (in which the Group has a 50/50 joint venture) has performed well in a tough market. The platform is well positioned to take advantage of any dislocation in the market as REITS are looking to de-lever.

Balance sheet

Burstone's balance sheet remains robust with LTV expected to return to c.41% in the short-term. The Group continues to proactively recycle capital and has low near-term refinancing risk with interest rate risk appropriately managed. Funding costs are however, expected to increase as maturing debt is refinanced and re-hedged in the new higher interest rate environment. Implementation of the Group's growth and cost savings and initiatives are key to absorbing these higher funding costs.

Overall Group

The rollout of the funds management strategy is expected to create new revenue streams that will further buffer earnings and reduce LTV. There has been significant market interest in working with the Irongate platform and the management team are actively focused on growing new strategies and sourcing capital. Together with strategies in Europe and South Africa, this remains a growth vector that the Group expects to build to scale over the medium to longer term.

In addition to the funds management model, the Group is seeing several opportunities in value-add and core plus assets, where Burstone's strong management capabilities can be leveraged.

Maintaining the overall quality of the Group's portfolio is important and the level of capex will be managed accordingly. The Group does anticipate incurring an ongoing level of capex spend which does drag cashflows and short-term earnings.

Performance in the second half of the year (2H24) will be underpinned by:

- Further operational efficiencies;
- Positive impact from the recent management company internalisation;
- Cost reduction measures and continued revenue growth in the European business; and
- A continued focus on the Group's strategic priorities.

Global interest rates remain persistently high, and are expected to continue to negatively impact results, with rate increases larger than originally anticipated. The year-on-year impact in the second half of the year will however be lower, as the higher funding costs were already in the base in the second half of FY23.

Taking the above into account, the Group maintains its previous guidance, and expects to deliver DIPS growth of 0% to 2% in FY24. This equates to expected growth in DIPS of 5% to 9% in 2H24.

An important component of Burstone's growth strategy will be the effective allocation of capital towards several opportunities that are presenting themselves. Growing the Group's funds management business will require co-investment by the Group and the Group wishes to remain agile in terms of its ability to participate in any market dislocation. The board will continue to assess the appropriateness of the dividend payout in light of its long-term strategy and after considering its LTV position, capex funding requirements and any potential tax leakage.

The above guidance assumes that current normalised trading conditions will persist and does not consider the impact of any unforeseen circumstances, potential business failures or the occurrence of any other factors that are beyond the Group's control.

With an underlying quality asset base and a robust balance sheet, Burstone has strong foundations for future growth. The Group believes that its integrated international offering will be a key differentiator as it implements its strategic plan over the new few years.

ADDITIONAL INFORMATION: KEY FINANCIAL DATA

	6 months ended 30 September 2023	Year ended 31 March 2023
Group information		
Group GAV	**R37bn**	R37bn
Third-party capital under management	**R5.4bn**	R5.4bn
LTV (gearing)	**43%**	42%
Total Group debt (ZAR and Euro)	**R11.0bn**	R10.5bn
Debt maturity (years)	**2.9**	3.3
Interest cover ratio	**2.8x**	2.8x
Hedge percentage on total Group debt	**95%**	85%
Weighted average all-in cost of funding (ZAR and Euro)	**5.6%**	5.3%
South African property portfolio		
Number of properties	**77**	79
Asset value	**R14.2bn**	R14.6bn
Base NPI growth	**2.0%**	5.3%
Cost to income (excl. bad debts)	**24.2%**	22.8%
GLA (m^2)	**996 100**	1 013 700
Vacancy (by GLA)	**3.7%**	3.9%
WALE (years)	**2.8**	2.9
In-force escalations	**6.8%**	6.8%
% of space expiring let	**90%**	90%
PEL European property portfolio		
Number of properties	**32**	33
Asset value	**€1.1bn**	€1.1bn
Base NPI growth	**7.9%**	7.4%
Cost to income (excl. bad debts)	**8.7%**	8.4%
GLA (m^2)	**1 124 649**	1 135 630
Vacancy (by GLA)	**0.9%**	0.9%
WALE (years)	**5.2**	5.2
Average positive reversions on renewals and new leases	**5.7%**	8.6%
% of space expiring let	**96%**	98%
PEL debt quantum	**€568m**	€588m
LTV (gearing)	**49%**	53%
Hedge percentage on debt	**93%**	90%
Average all-in cost of funding	**3.9%**	3.7%
Interest rate risk hedged at	**1.4%**	1.4%

FY24 INTERIM DIVIDEND

The Group hereby declares an H1 FY24 interim dividend of 48.51248 cps (R391m) in respect of the six months ended 30 September 2023. This represents a 95% payout ratio of H1 FY24's distributable earnings of 51.06577cps.

In accordance with Burstone's status as a REIT, shareholders are advised that the cash dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividends on the shares will be deemed to be dividends for South African tax purposes in terms of section 25BB of the Income Tax Act. Compliance with REIT regulations requires payment of a dividend within 4 months of the Group's FY24 year-end.

Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are however exempt from dividend withholding tax ("Dividend Tax") in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the CSDP or broker, as the case may be, in respect of uncertificated Shares, or the Group, in respect of certificated Shares, a declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is exempt from dividends tax in terms of section 64F and a written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform the CSDP, broker or the Group, as the case may be, should the circumstances affecting the exemption change or if the beneficial owner ceases to be the beneficial owner.

If resident shareholders have not submitted the above-mentioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable in South Africa as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 22 February 2017, any dividend received by a non-resident from a REIT are subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ('DTA') between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 38.80998 cps. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Group, in respect of certificated shares:

- A declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform, the CSDP, broker or the Group, as the case may be, should the circumstances affecting the reduced rate change or if the beneficial owner ceases to be the beneficial owner.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the Group, as the case may be, to arrange for the above-mentioned documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend, if such documents have not already been submitted.

Salient dates relating to the interim dividend

Declaration of dividend	Thursday, 16 November 2023
Last day to trade in order to receive distribution (cum-dividend)	Tuesday, 5 December 2023
Shares trade ex-dividend	Wednesday, 6 December 2023
Record date for shareholders to receive dividend	Friday, 8 December 2023
Dividend payment date	Monday, 11 December 2023

Shares may not be rematerialised or dematerialised between Wednesday, 6 December 2023 and Friday, 8 December 2023, both days inclusive.

The above dates and times are subject to change. Any change will be released on SENS.

FINANCIAL ASSISTANCE

Notice in terms of section 45(5) of the Companies Act No. 71 of 2008, as amended

Shareholders are advised that at the annual general meeting of the Group held on 3 August 2023, shareholders approved and passed a special resolution in terms of section 45 of the Companies Act No. 71 of 2008, as amended (the Act) authorising the Group to provide financial assistance to among others, related or inter-related companies of the Group.

Shareholders are hereby notified that in terms of S45(5)(b) of the Act, as amended, the board of directors of the Company authorised the issue of guarantees and suretyships to third parties for finance and other facilities granted by those third parties to wholly-owned subsidiaries of the Company during the period 1 April 2023 to 30 September 2023.

The board has confirmed that, after considering the reasonable foreseeable financial circumstances of the Company, it is satisfied that immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test, as contemplated in terms of section 4 of the Act, and that the terms under which such financial assistance was given were fair and reasonable to the Company.

On behalf of the board

Moss Ngoasheng (Independent Non-Executive Chairman), Andrew Wooler (Group Chief Executive)

16 November 2023

FURTHER INFORMATION

The directors of Burstone are responsible for the preparation and fair presentation of this short-form announcement and its contents.

The reviewed interim condensed consolidated financial results for the six months ended 30 September 2023 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Group's registered office together with the financial statements identified in the auditor's report. The report is also available in the full announcement.

This short-form announcement is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full viewed announcement which can be accessed from Thursday 16 November 2023 using the following JSE link:
https://senspdf.jse.co.za/documents/2023/jse/isse/BTNE/H1FY24.pdf

Alternatively, the full announcement is available on the Group's website:
https://www.burstone.com/investor-relations/latest-announcements

The full announcement is also available at the Group's registered offices for inspection at no charge, during office hours. Copies of the full announcement may be requested by contacting Investor Relations on: investorrelations@burstone.com

LINK TO RESULTS CALL

The Group will host a presentation on the interim results via webcast today at 14:00 (SA time). A virtual question and answer session will be accommodated during the presentation.

The webcast can be accessed at: https://www.burstone.com/investor-relations/latest-announcements

For further information please contact:
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Johannesburg
16 November 2023

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