

Delta Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/005129/06)
JSE share code: DLT
ISIN: ZAE000194049
(Approved as a REIT by the JSE)
("Delta" or "the Company" or "the Group" or "the Fund")

SHORT-FORM ANNOUNCEMENT

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE PERIOD ENDED 31 AUGUST 2023

SALIENT FEATURES

- * Weighted average lease expiry 15.8 months (February 2023: 13.2 months)
- * Weighted average debt maturity 10.9 months (February 2023: 6.3 months)
- * SA REIT Loan to value 60.0% (February 2023: 61.4%)
- * SA REIT Cost to income 45.4% (August 2022: 47.4%)
- * Average rental collections 101.5% (February 2023: 101.0%)
- * SA REIT NAV per share R3.7 (February 2023: R3.6)
- * Interest cover ratio 1.3 times (February 2023: 1.4 times)
- * Property operating expenses R219.4m (August 2022: R239.4m)

INTRODUCTION

Guided by a newly appointed executive team, Delta is implementing its strategy. Its focus is on achieving maximum total return on capital, maintaining alignment with a diversified, risk managed real estate investment portfolio.

In the long term, Delta is dedicated to providing an exceptional tenant experience, ensuring superior sustainable returns, fostering employee development and optimising its portfolio.

The financial performance of the Group improved despite the economic environment continuing to be challenging. The positive financial performance is mainly attributed to the implementation of the Group's strategy, which incorporates portfolio optimisation through disposal of selected properties, reduction of debt, cost optimisation, renewing of leases and reducing vacancies with the aim of improving profitability, Loan-to-value ("LTV") and Interest cover ratio ("ICR").

FINANCIAL RESULTS

	Unaudited 31 August 2023	Unaudited 31 August 2022	% change
Rental income (R'million)	573.8	631.7	(9.2)
Profit/ (loss) for the period (R'million)	56.4	(305.6)	118.5
Basic and diluted earnings per share (cents)	9.5	(43.0)	122.1
Basic and diluted headline earnings per share (cents)	9.6	9.5	1.1
SA REIT funds from operations per share (cents)	8.1	9.2	(12.0)
SA REIT NAV per share	R3.7	R4.3	(14.0)
Average value per property (including assets held for sale)	R8 225.6/m ²	R8 353.7/m ²	(1.5)

Rental income decreased by 9.2% from R631.7 million to R573.8 million, largely driven by a decline in rental income due to rental reversions and a marginal increase in vacancies. Property operating expenses contracted by 8.4% while administrative expenses increased by 1.8%, well below the inflation rate. The containment of costs is due to the cost optimisation strategy of the Group.

Delta reported a R12.5 million fair value gain, mainly on its investment in Grit Real Estate Income Group ("Grit"). Dividend income of R5.8 million was received from its investment in Grit. Finance costs on borrowings increased by 13.0% from R207.1 million to R234.4 million due to prevailing high interest rates which negatively increased the weighted average cost of funding by 2% to 10.1%.

Cash generated for the period amounted to R355.2 million, consisting of cash from operations of R334.2 million, interest income of R7.5 million and net proceeds from property disposal of R13.5 million. The cash was utilised to settle finance costs of R221.6 million, taxation of R49.7 million, net capex of R19.6 million and net debt of R60.4 million.

DEBT REFINANCING AND DISPOSALS

Debt totalling R3.1 billion which was mainly on a month-to-month basis was renewed, positively impacting the Group's weighted average debt maturity by 73.0%. In addition, Delta concluded a revolving credit facility of R37.5m with Nedbank, which will be utilised for working capital, capital expenditure and tenant installations.

Delta successfully transferred one property for R44 million during the period under review. Post the interim period, an additional property was sold for a gross consideration of R5.4 million. Four properties contracted with conditions precedent are expected to transfer within the next six months for a total consideration of R118.6 million. The proceeds of these disposals will be utilised to reduce the Group's debt facilities.

LETTING AND VACANCIES

Delta renewed 23 leases totalling 97 045m² and concluded 5 526m² of new leases. Consequently, the weighted average lease expiry has improved to 15.8 months. During the interim period, vacancies increased from 32.9% to

34.5% mainly due to 5 363m² reduction in the CMH property GLA upon remeasurement.

The weighted average rental across the portfolio decreased from R125.33/m² to R114.64/m² compared to the prior period mainly due to rental reversions predominantly related to the Limpopo portfolio.

Rental collection remains a key focus area for the Group. Delta's average rental collections against billing remained high at 101.5% for the review period, with tenant arrears decreasing from R140.9 million to R120.1 million.

DIVIDEND

Delta's SA REIT Funds from operations per share amounts to 8.1 cents for the period ended 31 August 2023 (31 August 2022: 9.2 cents per share).

In consideration of the Solvency and Liquidity Test performed in terms of section 46 of the Companies Act, the Board resolved not to declare an interim dividend for the period ended 31 August 2023 (31 August 2022: Nil).

PROSPECTS

The Group is implementing its strategy and is optimistic that its on the right trajectory to achieve positive outcomes as demonstrated in these results. The Group has successfully revived its stakeholder engagements nationwide and continues to have positive engagement with its stakeholders, these engagements have led to negotiations for both lease renewals and new leases. The Group anticipates securing new leases for currently vacant properties and continuing lease renewals, which will result in an improvement of the weighted average lease expiry and ensuring a sustained positive cash generation. In addition, there is measured progress in divesting non-core properties, considering prevailing market conditions.

The prospects paragraph has not been audited, reviewed, or reported on by the Group's independent external auditors. The content of this short-form announcement is the responsibility of the board of directors of Delta. This short-form announcement is a condensed version of the full announcement in respect of the unaudited condensed consolidated interim results for the period ended 31 August 2023 and does not contain full or complete details of the financial results.

Any investment decisions made by investors and/or shareholders should be based on consideration of the full announcement as a whole and shareholders are encouraged to review the full announcement, which is available on the JSE cloudlink at <https://senspdf.jse.co.za/documents/2023/jse/isse/HLT/ie2023.pdf> website and on the Group's website <https://www.deltafund.co.za/financials-results/>. Copies of the full announcement can be requested by contacting the Company Secretary at vasta.mhlongo@deltafund.co.za

By order of the Board

P Langeni
(Chairman)

S Masinga
(CEO)

24 November 2023

Date of release: 28 November 2023

Directors: P Langeni¹ (Chairman), S Masinga¹ (CEO), Z Mhlontlo¹ (CFO), DN Motau², MJN Njeke³, S Zilwa², A Phakathi²

1. Executive 2. Independent non-executive 3. Lead independent director

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Transfer secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

<http://www.deltafund.co.za>