ACCELERATE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration No 2005/015057/06)
LEI: 378900D514788C447E45
JSE code: APF ISIN code: ZAE000185815
Bond Company code: APFE
(REIT status approved)
("Accelerate" or "the Company" or "the Fund")

Unaudited interim consolidated condensed financial results
for the six month period ended 30 September 2023

Key indicators

Indicator	2023	2022
Revenue (R'000)	469 767	443 516
Basic and diluted (loss)/earnings per share (R)	(6,85)	17,11
Basic and diluted headline (loss)/earnings per share (R)	(2,08)	17,11
Vacancies by GLA*	17,7%	19,9%
Weighted average lease expiry (years)**	3,6	3,9
Interest cover ratio (times)***	1,7	1,9
SA REIT Loan-to-value (%)	47,7	42,1
SA REIT Net asset value per share (R)	4,06	5,00
% Interest bearing debt hedged	79,1	70,0
Funds from operations/distributable earnings (R'000)	26,964	110 659

* Vacancies by GLA will decrease to 12,5% post the conclusion of signed sales currently at various stages of completion.
** The reduced WALE is due to lease renewals underway at Fourways Mall (5-year anniversary from opening). Once these 5-year renewals are concluded the WALE is expected to return to normalised levels.
*** Accelerate's funders have approved the extension of covenant relief in place to 31 March 2024. The relaxed ICR covenant is 1,7x (normalised 2,0x).

Introduction

Notwithstanding stronger retail sales reported across most categories, the property sector continued to face significant headwinds, in particular from higher interest rates, fuel costs, load shedding and above-inflation municipal rate increases. Low economic growth and companies adopting a hybrid working model continued to impact especially the B- and C-grade office sector, as traditional tenants can afford to trade up as a result of significant rental reversions in A- and P-grade offices.

Accelerate, however, continues to steadily make progress on strengthening its financial position through various strategic initiatives, including the disposal of non-core assets, and optimising value extraction from its flagship asset, Fourways Mall.

Results overview

Revenue improved by R26,2 million or 5% to R469,8 million mainly due to a better trading performance in the retail sector and prior period Covid-19 effects dissipating in the reporting period.

Despite the revenue improvement, distributable income decreased due to:

Rising interest rates
Sustained double-digit growth in municipal and utility costs
Elevated expenses for providing power backup during ongoing loadshedding.

Consequently, the Group's SA REIT Funds from Operations contracted to R26,9 million from R110,7 million in the prior six-month period.

Strengthening our financial position

Interest rates are at 14-year highs with expectations of a "higher-for-longer" environment that will continue to place significant pressure on domestic trading conditions. Considering an aggregate 425 basis points increase in interest rates since February 2022, Accelerate's executive team continues to prioritise the improvement of the Group's overall credit metrics and reducing debt as key focus areas.

To this end, the board of directors ("the board") has approved property disposals of approximately R1,1 billion as well as a potential rights issue ("Potential Rights Issue") of up to R300 million to be fully underwritten by one of the Company's major shareholders. Shareholders will be kept updated in this regard with details to follow in due course.

Asset disposals are at various stages of completion and include:

The Leaping Frog property that transferred on 30 October 2023 (R125 million)
The disposal of Eden Meander that became unconditional (only subject to Competition Commission and shareholder approval) in November 2023. The Group anticipates net proceeds of R520 million at a yield of 7,5%
R350 million of various other smaller disposals that are expected to transfer prior to March 2024.

The conclusion of these objectives will see a reduction in the overall Fund LTV of approximately 9% to 38,5% and an improvement in the ICR of 0,3 times.

Managing and improving ICR levels

The Fund's ICR has come under pressure due to:

The disposal of Accelerate's European retail portfolio and resultant repayment of low-interest-rate offshore debt
Increased funding margins experienced during and post COVID-19

The 425 basis points interest rate increases since February 2022.

As a result, the Fund has applied for, and received approval, from its funders to temporarily reduce its ICR covenant level to 1,7 times to 31 March 2024 in order to allow for initiatives underway to be concluded and take effect.

Diversification of funding

Current undrawn facilities remain at approximately R101,4 million. This is expected to increase significantly as a result of property disposals underway. Management continues to drive funding diversification to create a more balanced pool of funders to:

Manage prudential exposure limits
Encourage competitive pricing
Build adequate liquidity buffers
Increase the tenor of the debt expiry profile.

During the prior 12 to 18 months, the Fund has made meaningful progress in diversifying its funding base by raising R775,0 million.

Progress on key focus areas

Fourways Mall Strategy and Initiatives:

Launched in 2019, Fourways Mall ("FWM" or "the Mall") has consistently posted double-digit turnover and trading density growth post Covid-19, albeit off a low base. This has stabilised during the review period, with a 5,1% annualised growth in trading densities on a year-on-year basis.

Vacancies at the Mall remained fairly flat with a minimal increase of 760m2 from 14 349m2 in March 2023 to 15 109m2 for this reporting period. Management continues to focus on reducing vacancies with the overall vacancy (including Headlease) of 17,0%. Approximately 3 722m2 of new tenants (since March 2023) are already trading, with the balance at various stages of fitout.

New tenants who are trading or are in the process of opening include:

Volvo and Chery Fourways
McDonalds
Police
Hacket London
Senqu
John Dory's

FWM's overriding strategy is to become the first-choice family-orientated entertainment and shopping destination in the region. In order to ensure a focused, execution-driven approach that extracts maximum value from FWM, Management is currently re-evaluating the property and asset management functions of the Mall.

A new and revitalised strategy is currently being formulated to address:

The overall retail experience and offering (addressing the entire LSM categories of the catchment area as well as ensuring that the retail offering remains competitive)
Increasing the dwell time in the Mall (enabled by a superior entertainment and food offering)
Increasing the variety of offerings of the Mall by rightsizing the current Mall tenants
Attracting shoppers from beyond the immediate catchment area.

Key initiatives already underway include:

The appointment of Flanagan and Gerard, a well-known, independent and experienced retail expert to asset manage Fourways Mall. Details of the appointment will be shared with shareholders in due course.
Upgrading signage and wayfinding in and around Fourways Mall
Finalising the Fourways Mall solar project
Improving internal and external aesthetics
Optimising tenant mix in order to cater more holistically to the current market.

Capex spend

Accelerate has earmarked a minimum of R200 million to be spent on Fourways Mall, comprising the Group's 50% contribution. The capex spend will primarily be funded through the proceeds of non-core asset disposals.

Letting and increasing revenue streams

On a year-on-year basis, Accelerate's portfolio vacancy level reduced by 2,2%, however, compared to March 2023, overall Fund vacancies increased marginally by 1,3% from 16,4% to 17,7%. Due to the high vacancy levels of some of the non-core assets being disposed of, it is expected that the overall portfolio vacancy will reduce to approximately 12,5% on transfer of the concluded disposal agreements.

The bulk of the Fund's vacancies still remain in the B- and C-grade office space (Charles Crescent) as well as low-income per square meter industrial space.

Solar conversion initiative

The Group is progressing well with solar installations at Cedar Square and other earmarked properties, including at Fourways Mall, BMW Fourways, The Buzz, and Waterford. These power alternatives will not only ensure reliable electricity supply for tenants but will reduce the Group's carbon footprint and save on increasing utility costs.

Change in board composition

On 1 August 2023, Ms M de Lange joined Accelerate as an executive and the chief financial officer. Ms de Lange replaced Mr PA Grobler who temporarily fulfilled the role as chief financial officer.

Related party settlement

The related party settlement as disclosed in the 31 March 2023 results will be amended to a transaction that will lead to balances due to and from the related party being offset with no cash outflow for Accelerate. Full details will be announced in due course.

Dividends

In order to further improve the Fund's financial position no dividend has been declared for the period ending 30 September 2023.

General

This short-form announcement is the responsibility of the directors of Accelerate. The announcement is only a summary of the full announcement and does not contain full or complete details.

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on the Company's website (www.acceleratepf.co.za) and on SENS:
https://senspdf.jse.co.za/documents/2023/jse/isse/apf/HY2023.pdf

Copies of the full announcement may also be requested from the registered office of Accelerate by emailing Margi Pinto at margi@acceleratepf.co.za, or Investor relations, Mr Morne Reinders at morne@articulate.com or the Company's equity sponsor at jsesponsor@standardbank.co.za at no charge during office hours.

Any forward-looking statements included in this announcement have not been reviewed or reported on by the Fund's external auditors.

Johannesburg
18 December 2023

Investor relations
Articulate Capital Partners: Mr Morne Reinders
Tel: 082 480 4541
Email: morne@articulatepartners.com

Company Secretary
Ms Margi Pinto
Cedar Square Shopping Centre, Management Office, 2nd Floor, Cnr Willow Ave and Cedar Rd, Fourways, Johannesburg, 2055

Sponsor
The Standard Bank of South Africa Ltd
(Registration number 1962/000738/06)
Baker Street, Rosebank, 2196
PO Box, 61344, Marshalltown, 2107

Debt sponsor
Rand Merchant Bank (a division of FirstRand Bank Ltd)
1 Merchant Place, corner of Fredman Drive and Rivonia Road, Sandton, 2196