

FORTRESS REAL ESTATE INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2009/016487/06)

JSE share code: FFB ISIN: ZAE000248506

Bond company code: FORI

LEI: 378900FE98E30F24D975

(“Fortress” or the “Company”)



TRADING STATEMENT AND UPDATE ON FULL-YEAR GUIDANCE

Introduction

Shareholders and noteholders are referred to the circular published on 30 November 2023 (the “circular”) relating to the scheme of arrangement in terms of which Fortress repurchased all of the Fortress B (“FFB”) shares in issue in consideration for 0.060207 NEPI Rockcastle N.V. (“NEPI Rockcastle”) shares for every FFB share in issue (the “Scheme”), together with the conversion of all of the Fortress A (“FFA”) shares in issue into FFB shares following the implementation of the Scheme and certain consequential amendments to the memorandum of incorporation (“MOI”) of Fortress (the “FFA conversion”). Unless otherwise defined, terms defined in the circular bear the same meaning in this announcement.

The Scheme was implemented on 19 February 2024 and the FFA conversion was implemented on 26 February 2024. Following the implementation of the Scheme and the FFA conversion, Fortress only has one class of share in issue, comprising 1 169 980 307 FFB shares. Unrelated to the Scheme, but as a consequence thereof, Fortress entered into four separate settlement agreements with its empowerment partners, resulting in Fortress retaining 7 730 313 of the NEPI Rockcastle consideration shares in settlement of loan and redemption claims owing to the Company (the “Empowerment settlement transactions”).

As a result of the implementation of the Scheme and the Empowerment settlement transactions, Fortress’ shareholding in NEPI Rockcastle has reduced from 160 135 676 shares at 31 December 2023 to 107 001 304 shares.

Trading statement

For both 1H2023 and FY2023, no dividends were declared by the Company to either FFA or FFB shareholders due to the restriction contained in the MOI, prohibiting the board from declaring dividends in certain circumstances.

Following the implementation of the Scheme and the FFA conversion, the restriction to previous dividend declarations no longer applies and the board has a policy of distributing 100% of distributable earnings to shareholders on a bi-annual basis, based on the Fortress distribution methodology as defined in the circular.

The table below illustrates the anticipated dividend per share for 1H2024, subject to board approval and the declaration by the board of an interim dividend. No dividends were declared for the prior comparable period of 1H2023.

	1H2024	1H2023	% change
Distributable earnings (R’000)	952 868	800 947	19.0
Number of FFA shares in issue	Nil	1 164 733 176 ¹	
Number of FFB shares in issue	1 169 980 307 ²	1 005 676 675 ¹	
- FFA interim dividend (cents per share)	n/a	Nil	
- FFB interim dividend (cents per share)	81.44	Nil	n/a

Notes:

1. Net of treasury shares.
2. Comprises the FFB shares, which converted from FFA shares on 26 February 2024.

Update to FY2024 guidance

In addition, Fortress provides an update to its FY2024 guidance in respect of forecast distributable earnings and dividend per share, as illustrated in the table below. The reduction in the forecast distributable earnings for 2H2024 compared to 1H2024 is primarily due to the reduction in the number of NEPI Rockcastle shares held by Fortress and the reintroduction of a dividend post implementation of the Scheme.

	FY2024	FY2024 (previously published guidance)	% change
Forecast distributable earnings (R'000)	1 660 000 – 1 720 000	1 930 000	(14.0) – (10.9)
Number of FFB shares in issue	1 169 980 307 ¹	1 005 676 675	n/a
1H2024 dividend			
- FFB interim dividend (cents per share)	81.44	Nil	n/a
2H2024 dividend			
- FFB interim dividend (cents per share)	60.44 – 65.57	Nil	n/a

Note:

1. Comprises the converted FFB shares.

The forecast is based on the following assumptions:

Fortress-specific assumptions

1. There is no unforeseen failure of material tenants in our portfolio.
2. Contractual escalations and market-related renewals will be achieved with no major change in vacancy rates.
3. Tenants will be able to absorb the recovery of rising utility costs, municipal rates and electricity interruption costs.
4. There are no changes to current tax legislation in the jurisdictions in which the Company operates.

Macroeconomic and regulatory assumptions

1. There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure.
2. The South African Reserve Bank repurchase rate remains unchanged during the forecast period.
3. The key European Central Bank interest rates remain unchanged during the forecast period.

The financial information contained in this announcement has not been reviewed or reported on by the Company's auditors.

29 February 2024

Lead sponsor



Joint sponsor



Debt sponsor

