

HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

JSE share code: HYP

ISIN: ZAE000190724

JSE bond issuer code: HYPI

(Approved as a REIT by the JSE)

(“Hyprop” or “the Company” or “the Group”)



PRE-CLOSE OPERATIONAL UPDATE

Further to the publication of Hyprop’s annual results for the year ended 30 June 2024 (“FY2024”) on 17 September 2024, the Company is pleased to provide an operational update for the four months ended 31 October 2024 (“the period”).

INTRODUCTION

Hyprop is a specialist retail property fund with a high-quality portfolio. Our strategy of owning and managing dominant retail centres located in vibrant mixed-use precincts in key economic nodes in South Africa and Eastern Europe is a key differentiator that allows us to create spaces where people connect.

As a total returns-focused fund, we are committed to strategically allocating our resources to investments that not only enhance yield but also drive overall returns. This balanced and wholistic approach ensures that we deliver long-term sustainable growth for all our stakeholders.

SOUTH AFRICA (SA) PORTFOLIO

Key trading metrics continued to improve, other than foot count which was in line with the comparative period, showing the results of our continuing efforts to enhance the relevance and competitiveness of our nine centres (four in the Western Cape and five in Gauteng). Both tenants’ turnover and trading density continue to grow because of our ongoing repositioning initiatives and leasing strategies aimed at optimising our tenant mix, coupled with improved consumer sentiment. The pleasing performance also reflects our investments over the last few years, not only in centre and tenant upgrades and improvements but also in energy, backup power and water projects at all our centres, particularly in areas most affected by infrastructure decay, to ensure our tenants and shoppers can continue to trade without disruption.

The improving trend in rent reversions continued, with a positive weighted average reversion rate of 6.7% (FY2024: 5.8%) during the period. Retail vacancies continue to be well controlled at 2% and the office vacancies significantly improved to 17.7%, from 27.4% for the comparative period.

The SA portfolio’s key trading metrics for the period are detailed below:

Trading Metric	Year	Jul	Aug	Sep	Oct	Total for 4-month period
Tenants’ Turnover (R'000)	2022	1 980 526	1 831 177	1 861 824	1 971 497	7 645 024
	2023	2 114 184	1 971 900	2 015 574	2 004 941	8 106 599
	2024	2 132 301	2 160 544	2 093 016	2 139 223	8 525 084
<i>Variance % 2023 vs 2022</i>		6.7%	7.7%	8.3%	1.7%	6.0%
<i>Variance % 2024 vs 2023</i>		0.9%	9.6%	3.8%	6.7%	5.2%
Trading Density (R)	2022	3 186	2 947	2 987	3 151	3 068
	2023	3 369	3 138	3 207	3 182	3 224
	2024	3 342	3 384	3 289	3 385	3 350
<i>Variance % 2023 vs 2022</i>		5.7%	6.5%	7.3%	1.0%	5.1%
<i>Variance % 2024 vs 2023</i>		-0.8%	7.9%	2.6%	6.4%	3.9%

Foot Count ('000)	2022	6 675	6 168	6 251	6 786	25 881
	2023	7 313	6 675	6 871	7 018	27 878
	2024	6 995	7 035	6 858	6 931	27 819
Variance % 2023 vs 2022		9.6%	8.2%	9.9%	3.4%	7.7%
Variance % 2024 vs 2023		-4.4%	5.4%	-0.2%	-1.2%	-0.2%
Retail Vacancy (%)	2022	2.0%	1.5%	1.3%	1.3%	-
	2023	1.4%	1.6%	1.7%	1.4%	-
	2024	2.1%	2.0%	2.0%	2.0%	-
Collections (R'000)	2022	255 298	279 779	313 384	248 591	1 097 053
	2023	250 677	290 193	311 921	273 013	1 125 805
	2024	313 753	360 877	283 204	326 576	1 284 409
Variance % 2023 vs 2022		-1.8%	3.7%	-0.5%	9.8%	2.6%
Variance % 2024 vs 2023		25.2%	24.4%	-9.2%	19.6%	14.1%

Table Bay Mall's retail vacancy and collections are included from July 2024.

In the four months ended 31 October 2024, we welcomed several new stores to our centres, some of which were “firsts” for South Africa, and also refurbished and “right-sized” (expanding some spaces and reducing others) stores, where necessary.

In the Western Cape, Canal Walk has been enhanced by some exciting new concepts. These include Old School, a retailer specialising in the sale of South African sports supporters’ jerseys and other merchandise; Baseus, one of the world’s fastest-growing consumer electronics brands launched its first store in the country; and the first stand-alone store for Silki, which sells luxurious skin, hair and body care products. There is also a new Shift Espresso Bar, which offers coffee for both the aficionado and the casual drinker, as well as halaal options; Refinery Junior, a children’s clothing store; and Chateau Gateaux.

Canal Walk completed several store refurbishments, namely, Converse, Mr Price Sport, Nedbank and Sissy Boy during the period – tenants are now in fresh-look stores. Bargain Books, Miladys and Sneaker Factory relocated to new spaces.

Somerset Mall continues to be fully let with high demand for retail space. The centre welcomed Hi-tec, Samsonite, Steve Madden, MIMIQ, a costume jewellery and accessories store and Chateau Gateaux. @Home relocated and upsized their store to offer shoppers the best in luxurious homeware and furniture.

We are adding 5 500m² of GLA to Somerset Mall as phase 1 of its major redevelopment and expansion project. The project planning is progressing well with most council and other regulatory approvals obtained. Construction work will commence later this financial year and is expected to be complete at the end of July 2026. The project will add 50 new stores to the vibrant centre, focusing on affordable luxury and athleisure as well as family entertainment and the food journey. Somerset Mall’s redevelopment will include a restroom refurbishment and retiling of the entire centre ensuring it remains dominant in its catchment area.

Table Bay Mall has made progress in implementing its leasing strategy and repositioning initiatives, and ensuring the team is adequately resourced. As such, the centre has opened four new stores, Hungry Lion, Teawesome, which offers premium boba teas, Contempo, the fast-growing local women’s fashion retail chain and Skechers. Sorbet Hair Bar underwent a store revamp and moved into its refreshed space in October 2024.

The centre is currently installing additional generators to ensure uninterrupted power supply during trading hours and is on track to be finalised during the first quarter of 2025. In terms of bolstering the resources, six new employees have been appointed – three to key roles to focus on implementing the leasing strategy and repositioning initiatives.

At Capegate, several stores opened in October 2024. These include Bootlegger Coffee Company, Yokico, a children’s stationary store, Petshop and Vaperite. Toy Kingdom, Clicks and Jet were among some of the retailers that refurbished their stores. Meanwhile, PNA and Computer Mania both relocated and doubled their footprints. The refurbishment of the roof to prepare for the 5 MW solar plant is almost complete and we expect the solar installation to be in place by the end of FY2025. Capegate is undertaking a minor upgrade of the food court and main fashion mall passage to improve the flow as well as enlarge the seating and kiosk spaces in the food court.

New store openings in Rosebank Mall included the first Cable & Co (fashion and footwear) in Gauteng, Ajmaan, which sells modesty clothing as well as Continental Linen, Waxit and Ribz N Wings which all opened during the period. Several stores such as Pick n Pay Clothing, Matador and Sportsman Warehouse completed refurbishments, while the Lindt store underwent a refurbishment and expansion. In July 2024 the Soko District became fully let.

The Mall Offices' foyer and lift upgrade was completed in August 2024 and a Mugg & Bean kiosk opened in the office foyer area. All of Rosebank Mall's pay stations were upgraded with Tap & Go/Apple Pay capabilities.

Exciting developments occurred at Hyde Park Corner during the period. The Forum (a new events venue) and Workshop 17 (flexible office space) both opened in October. The centre also welcomed new outlets for strong global brands such as Birkenstock and Ted Baker, Avenue 2A which houses international luxury brands, Colourbox, an international and local luxury lifestyle brands retailer, Kids Around, a luxury and premium children's fashion brand and Health Works, a health store that offers both products and a blend of traditional healing and cutting edge services.

The Glen welcomed Porter & Craft, a luxury leather goods retailer and Cannafica during the period.

Clearwater Mall opened both Continental Linen and Chateau Gateaux in August 2024. McDonald's and Cajees Time Zone, a specialist watch retailer, both completed their refurbishments in August and September, respectively, while Cell C relocated to new premises.

To further enhance the tenant mix, Woodlands welcomed Curve Gear, a men's apparel and footwear retailer as well as the health shop, Wellness Warehouse. Cellini Luggage took beneficial occupation in September, with the opening planned for the end of November 2024. Capitec Bank and restaurant, O'galito, completed upgrades to their spaces.

EASTERN EUROPE (EE) PORTFOLIO

The EE portfolio continued to achieve strong operational results to 31 October 2024, notably in tenants' turnover and trading density, and reflects the dominant market positions and relevance of our centres. Additionally, our asset management initiatives and investments in upgrades have distinguished us from competitors, allowing us to benefit from the overall growth in retail within the region.

As at 31 October 2024, the EE portfolio's retail vacancy rate was an impressive 0.2%.

The EE portfolio's key trading metrics for the period are detailed below:

Trading Metric	Year	Jul	Aug	Sep	Oct	Total for 4-month period
Tenants' Turnover (€'000)	2022	40 194	36 830	44 798	43 987	165 810
	2023	43 986	41 386	46 850	50 436	182 658
	2024	50 100	45 808	54 183	53 605	203 696
Variance % 2023 vs 2022		9.4%	12.4%	4.6%	14.7%	10.2%
Variance % 2024 vs 2023		13.9%	10.7%	15.7%	6.3%	11.5%
Trading Density (€)	2022	241	221	272	268	251
	2023	264	251	285	304	276
	2024	297	272	321	318	302
Variance % 2023 vs 2022		9.8%	13.6%	4.6%	13.4%	10.2%
Variance % 2024 vs 2023		12.4%	8.3%	12.6%	4.6%	9.4%
Foot count ('000)	2022	2 111	1 989	2 218	2 301	8 618
	2023	2 159	2 093	2 266	2 334	8 851
	2024	2 222	2 140	2 304	2 325	8 990
Variance % 2023 vs 2022		2.3%	5.2%	2.2%	1.5%	2.7%

Variance % 2024 vs 2023		2.9%	2.2%	1.7%	-0.4%	1.6%
Vacancy (%)	2022	0.9%	0.9%	0.9%	0.5%	-
	2023	0.4%	0.4%	0.4%	0.5%	-
	2024	0.2%	0.2%	0.2%	0.2%	-
Collections (€'000)	2022	6 854	7 133	7 606	7 042	28 635
	2023	6 818	7 485	7 783	7 617	29 703
	2024	7 596	7 740	8 560	8 149	32 046
Variance % 2023 vs 2022		-0.5%	4.9%	2.3%	8.2%	3.7%
Variance % 2024 vs 2023		11.4%	3.4%	10.0%	7.0%	7.9%

In Croatia, both City Center one East and City Center one West reported growth in all key metrics, including foot count, despite the non-working Sundays Trade Act, which allows retailers to operate only 16 Sundays per calendar year and they are not allowed to trade on public holidays.

During the period, City Centre one East welcomed s.Oliver, the famous German fashion brand, and 4F, a Polish retailer of high-quality sports equipment.

City Center one West launched jewellery stores Zaks and clothing outlet Levi's. Fashion retailers Europa 92 and s.Oliver relocated their stores while H&M underwent a complete renovation during the period.

In Bulgaria, The Mall's new tenants included Jeff de Bruges, a new premium chocolatier concept; Intesa, a locksmith; Stilna jena, a Bulgarian ladies fashion brand; Sunday habit, a Bulgarian influencers' merchandise shop; and Elenski Balkandjii, a farmer's deli shop. Intersport and Dunk Shop both increased their store size and upgraded to the newest and all-inclusive concept stores, respectively. FiBank, Cortefiel, Springfield, Women's Secret and Bakers have undergone full renovations.

In North Macedonia, Skopje City Mall continues to refine its tenant mix and will soon welcome Gerry Weber, M House roastery café and mobile operator M-tel. Cineplexx has undergone a comprehensive upgrade, with more luxurious seating, a modernised foyer, a renovated children's area, a new sales counter and a cashier counter for people with disabilities (a regional first). Skopje City Mall is now the only centre in North Macedonia offering a state-of-the-art cinema as part of its entertainment offering.

ENVIRONMENTAL

Energy

At Rosebank Mall the gas generator and battery storage power project site has been handed over to the contractor. Completion of the project is scheduled for the last quarter of FY2025.

As an update from our previous communication regarding the exploration of Power Purchase Agreements ("PPAs") for solar energy at our centres, the service provider at The Glen has completed its due diligence. We are now awaiting the final tariffs before the PPA can be signed. At CapeGate, the due diligence has also been completed by the service provider, and the City of Cape Town has granted its approval. The only outstanding requirement, recently mandated by NERSA, is the Grid Code Compliance study conducted by their third-party contractor. Once this study is completed, the PPA can be finalised and signed and installation of the solar plant can commence.

At Canal Walk and Somerset Mall, we have submitted our consumption data to two parties with the aim of wheeling green energy from third-party suppliers/generators. In addition to the cost and capital expenditure savings, this approach will help reduce the centres' carbon emissions.

Water

At Woodlands a trial project to convert one of the existing water-cooled air conditioning package units to an air-cooled package unit was successfully completed. This change not only saves water but also transitions from ozone-depleting refrigerants to less harmful alternatives. Similarly, the air conditioning package unit for Woolworths was converted, resulting in water savings and a reduced impact on the ozone layer.

Following the external water audits conducted at the Gauteng centres, projects for potable water storage solutions have begun at Clearwater Mall, Woodlands and Hyde Park Corner, with an expected completion date of December 2024. Projects at The Glen and Rosebank Mall are set to start in January 2025 and are anticipated to be completed by March 2025.

We have appointed Aquafection to conduct water audits across the SA portfolio, and the appropriate plans and execution strategies will be prioritised based on the findings.

The water monitoring and training project in Gauteng commenced in October 2024. The project will involve reviewing existing data, installing meters and loggers, and providing water-wise training for key staff at our centres.

Waste

As part of our Roadmap to Zero Waste, Canal Walk, Somerset Mall, Woodlands, and The Glen have all achieved net zero waste status, and are currently in the process of applying for accreditation with the Green Building Council South Africa.

Additionally, the integration of Table Bay Mall within the Group's waste management strategy is progressing. We are currently working on the waste yard registration for the centre.

BALANCE SHEET, CAPITAL AND CASHFLOW MANAGEMENT

During the period, the Company completed the disposal of the sub-Saharan Africa (SSA) portfolio to Lango Real Estate Limited. This resulted in an improvement in the 30 June 2024 LTV ratio from 36.4% to 35.2%, and the interest cover ratio for the year ended 30 June 2024 increased from 2.47 times to 2.62 times, both calculated on a pro-forma basis. The Group was released from all guarantees provided to lenders to the SSA portfolio on implementation of the disposal.

The Group's liquidity position remains strong with cash collections from tenants in the SA and EE portfolios of 99% of net billings for the period, R575 million of cash on hand and R1.2 billion of available bank facilities at the end of the period, after payment of the FY2024 dividend of R1.06 billion.

In October 2024 GCR affirmed Hyprop's long-term international and national issuer ratings of BB- and A+(ZA) respectively, with a stable outlook. The short-term international and national issuer ratings were also affirmed at B and A1(ZA) respectively, also with a stable outlook. GCR noted in their rating notification that the Group has, inter alia:

- made substantial progress on its portfolio repositioning and re-tenanting programme to improve the quality and growth profile in its core South Africa and Eastern European retail property portfolios;
- a strong liquidity position;
- a well-laddered debt maturity profile, with most facilities maturing in the medium to long term.

The €20 million term facility which matures in December 2024 is in the process of being refinanced with a new euro revolving credit facility, which should be implemented before the December holiday period. In addition, various early refinance initiatives are underway to extend the maturity dates of R1 billion of facilities as well as reduce the margins on these facilities by between 17 and 100 bps (average reduction of 51 bps). It remains our intention to refinance maturing bonds issued under the DMTN programme through the capital markets on/close to their maturity.

83% of the Group's interest rate exposure was hedged at 31 October 2024 with an average hedge duration of 1.7 years. 62% (by nominal value) of rand interest rate hedges comprise interest rate caps and collars, with the remainder of the interest rate hedges being swaps.

A total of R550 million was approved by the board of directors of Hyprop ("**Board**") for capital expenditure in the SA portfolio for FY2025, further illustrating the Group's ability and commitment to enhancing its centres' dominant positions. New projects totalling R301 million have commenced, with R131 million spent to date.

IN CLOSING

As a result of the continued improvements in our centres' operational performance both in South Africa and Eastern Europe, the implementation of the sale of the SSA portfolio, the sustained renewed optimism in South Africa following the establishment of the Government of National Unity, stable electricity supply as well as the recent reduction in interest rates by central banks, Hyprop is well-placed for growth. Additionally,

- a significant amount of the historically underspent capital expenditure for the SA portfolio has been caught up;
- the Group's direct exposure to the SSA portfolio has been eliminated; and
- the Group's liquidity and balance sheet are strong,

resulting in an improvement in the Group's overall risk environment.

In light of the above, the Board will review the Group's dividend policy with a view to progressively increasing the payout ratio. Any changes to the dividend policy will be communicated with the Group's interim results for the six months ending 31 December 2024 which are scheduled to be published in March 2025.

As a Group, we have established the following strategic priorities that guide our efforts:

- Driving the implementation of sustainable solutions to reduce the impact of the infrastructure challenges we face in South Africa;
- Expedite organic growth opportunities, for example, the Somerset Mall expansion in the South African portfolio;
- Ensure the SA and EE centres enhance their relevance and dominance, as well as retain and grow their market shares;
- Reviewing the portfolios annually to evaluate the case for recycling of assets and to consider new growth opportunities;
- Dispose of our shareholding in Lango and redeploy that capital into new growth opportunities; and
- Ensure our balance sheet is healthy and strong.

With these priorities in place, we are well-positioned to pursue new opportunities without being hindered by past structural, financial and asset-related issues.

Hyprop's value proposition is strong. Our strategy focuses on owning and managing dominant retail centres in mixed-use precincts in key economic nodes within South Africa and Eastern Europe. With a robust balance sheet and prudent capital management, a streamlined business model, and a commitment to investing in our people and environmental initiatives, we can drive sustained growth and value creation for all our stakeholders over the long term.

Hyprop's interim results for the six months ended 31 December 2024 are scheduled to be released in March 2025.

A virtual presentation and Q&A session will be hosted by Absa CIB on Wednesday, 27 November 2024 at 10:00. Please register <https://events.teams.microsoft.com/event/25687415-1f29-4ae6-90e6-df7fc81c0b60@5be1f46d-495f-465b-9507-996e8c8cdbc6> if you wish to join the presentation. A recording of the presentation will be available on Hyprop's website thereafter.

27 November 2024

Sponsor

JAVACAPITAL