



REBOSIS
PROPERTY FUND

MARKET UPDATE

AUGUST | 2018

Baywest Mall, Port Elizabeth, Eastern Cape

Investment community feedback

		Analyst A	Analyst B	Share- holders
Disposal programme	Execution risk and earnings impact on disposing of high yielding assets	X	X	X
Cross currency swap	Direct and indirect exposure, non-recurring capital gains	X	X	
New Frontier strategy and risk	Further capital injections on LTV risk, increased exposure with put options and loans against lower earnings	X	X	X
Cash flow disparity	Materially lower than EBIT and significant increase in trade receivables	X	X	X
Earnings growth	Once-offs FY2019, deferred payments and post disposals	X		X
Vendor loan	Income versus dividend yield and value of underlying collateral	X		
Forest Hill City and Baywest Mall	Vacancy, leasing strategy, income gap post warranty expiry	X	X	X
Office portfolio renewals	c. 50% in 24 months vs. in-force escalations	X		
Rebase of earnings	Eliminating once-offs and non-recurring items			X

Market update

1. Disposal programme

2. Office portfolio renewals

3. Cross currency swap

4. Cash flow disparity

5. Earnings rebase

6. Rebosis outlook

Forest Hill City, Centurion, Gauteng



Hemingways Mall, East London, Eastern Cape

1. Disposal programme

Execution risk on disposals and timing

- On track with disposal program – CT first disposal anticipated Aug / Sep
- Various offers received and under consideration
- Achieving various long-term lease renewals enhancing value and yield
- Imminent announcements of further disposals
- Confident of execution strategy

Earnings impact on disposing higher yielding office assets

- Focus on lease renewals to mitigate dilution
- Target average yield on disposals – 9.8%
- Deliberate strategy to settle debt – average cost of 9.5%
- Share repurchase program to manage dilution impact

2. Office portfolio matters raised

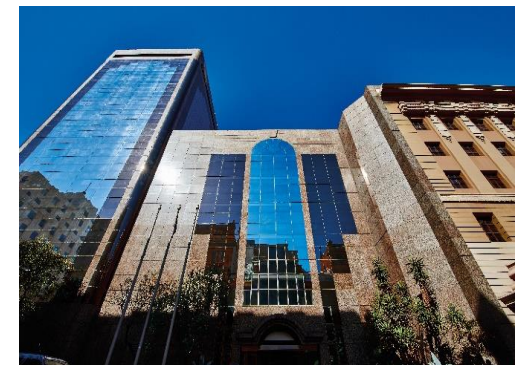
Leasing risk on c. 50% expiry in 24 months

Impact of reversion on renewals

- Ten large leases concluded for 9 years 11 months
- 26% of total office GLA with average reversion -17.5% (R146/m² vs. R121/m²)
- Total GLA of 127 315 m² comprising 10 buildings
- Renewals comprise 4 expired leases and 6 early renewals (due 2019 and 2020)
- Concerted drive and effort to execute and achieve long-term renewals
- DPW committed to a deadline of Nov 18
- Lease renewals value-enhancing for disposals



11 Diagonal Street, Johannesburg



28 Harrison Street, Johannesburg

3. Cross currency swap

Hedging direct holding versus total see-through exposure



Distribution of capital gains on exchange rate differential

- Historical capital gains / losses will be replaced through increased cross currency swap to R1.4 billion
- Any future capital gains / losses relating to cross currency swaps will be excluded from distributable income

* Based on R12.50 share price, including vendor loan of ceded shares

4. Cash flow

Disparity of cash generated against earnings

- Non-cash items contribution:
 - Net income warranties netted-off against deferred payment
 - Vendor loan cash shortfall reduced by currency appreciation

- Increase in trade receivables due to delayed payment of Gauteng province

5. Earnings rebase

New Frontier investment

- Brexit impact on UK retail environment and currency
- Income and valuations negative impact due to CVA's, rent reversions and store closures
- Earnings and currency decline – 48% negative impact
- 7% overall impact on Rebosis earnings (mitigated by vendor loan interest)

Baywest and Forest Hill acquisitions

- Premium retail assets at lower yields
- Initial projected dilution of 20%
- Restructure of transaction to defer impact reflecting neutral on year one
- Deferred shares impact end of year 1 and 2
- Vacancies fill-up delayed due to tough economic environment
- Rent warranties impact on expiry
- Impact of deferred equity
- 17.5% impact on earnings (due to differential on acquisition and share price yield)

5. Earnings rebase *(continued)*

Office reversions

- 26% of office GLA renewed on long-term lease profile
- Drive towards improving lease profile and quality of earnings
- Reversions due to expiring long-term leases
- Reversions impact runs over 2 years of new leases start dates
- Reversion translates to 1.7% earnings impact*

Impact of A-shares

- Mandatory distribution growth of REA shares
- Adverse impact on a declining earnings base

* 3.4% over the 2 years

6. Rebasis outlook

Delivery on key focus areas

- **Debt profile**
 - New diversified bank debt facilities of R2.6bn
 - Weighted average maturity profile of 4 years
- **Balance sheet**
 - Accelerated office asset disposals
 - Settlement of debt resulting in lower LTV
- **Retail focus**
 - Final details of next disposals being concluded
 - Imminent announcements of disposal transactions
 - Bolstered retail team to drive letting
- **Earnings**
 - Drive towards sustainable earnings
 - Eliminating non-recurring and once-off items
 - Rebase EPS -20% H2 2018 and H1 2019
 - Expected growth thereafter

Disclaimer

Forward-looking Statements

- This document contains forward-looking statements that unless otherwise indicated reflect the group's expectations as at 16 August 2018.
- Actual results may differ from the group's expectations if known and unknown risks or uncertainties affect its business or if estimates or assumptions prove inaccurate.
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