



# Unaudited group results

for the six months ended 30 September 2012

# Agenda

- Highlights Laurence Rapp
- Strategy Laurence Rapp
- Financial performance Mike Potts
- Portfolio performance and overview Ina Lopion
- East Rand Mall overview Laurence Rapp
- Prospects and plans Laurence Rapp
- Acknowledgements Laurence Rapp
- Questions Team



Highlights, Vision, Values and Strategy

# LAURENCE RAPP



AWAKEN THE POTENTIAL WITHIN

# Highlights

- Distribution for the six months is 5.0% higher than the comparable period.
- Overall cost of funding reduced from 9.36% at 31 March 2012 to 8.60% per annum, inclusive of margins and costs.
- Ranked Top Property Fund and first in the industrial and office sectors by IPD for best total return over a three year period.
- Continued strong operational performance of the property portfolio.
- Improving quality of the portfolio:
  - Acquired R1.48 billion quality office and retail portfolio;
  - Offer accepted for acquisition of 50% of East Rand Mall for R1.1 billion;
  - Realised R225 million on sales of higher risk properties;
  - Identified further non-core properties for sale of R427 million; and
  - Further acquisitions of c.R500 million in pipeline.

# Strategy

***Grow the fund to c.R10 billion in assets***

***Overweight retail***

***Constantly looking to improve the quality of the portfolio***

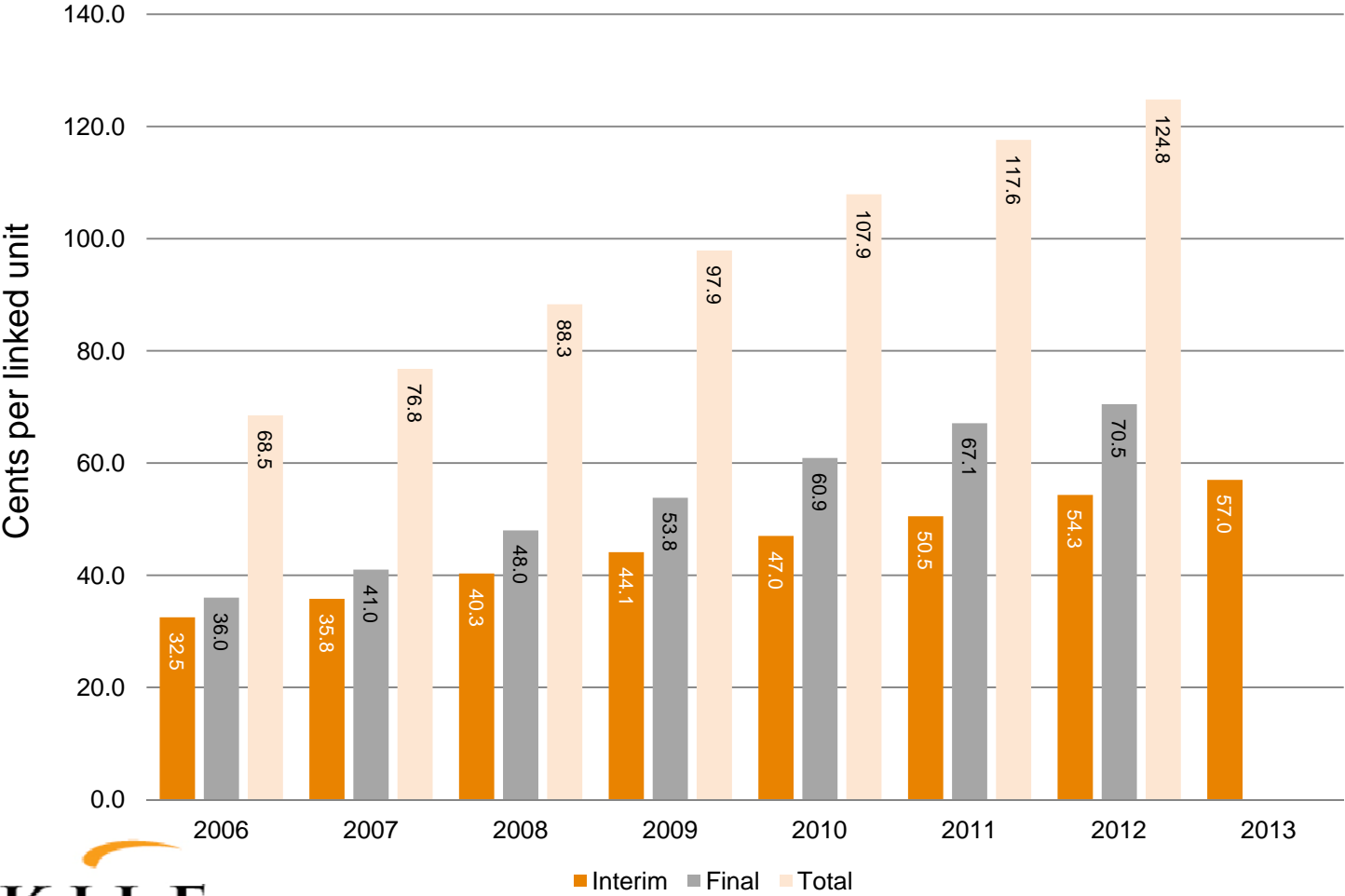
- Broaden our shareholding base and enhance market perception of an independent Vukile
- Building sustainable partnerships
- Improved customer and tenant focus
- Optimise long and short-term returns for unitholders
- Minimise funding cost and refinance risk
- Invest in our people by engaging our people, building competence and capacity
- Transformation



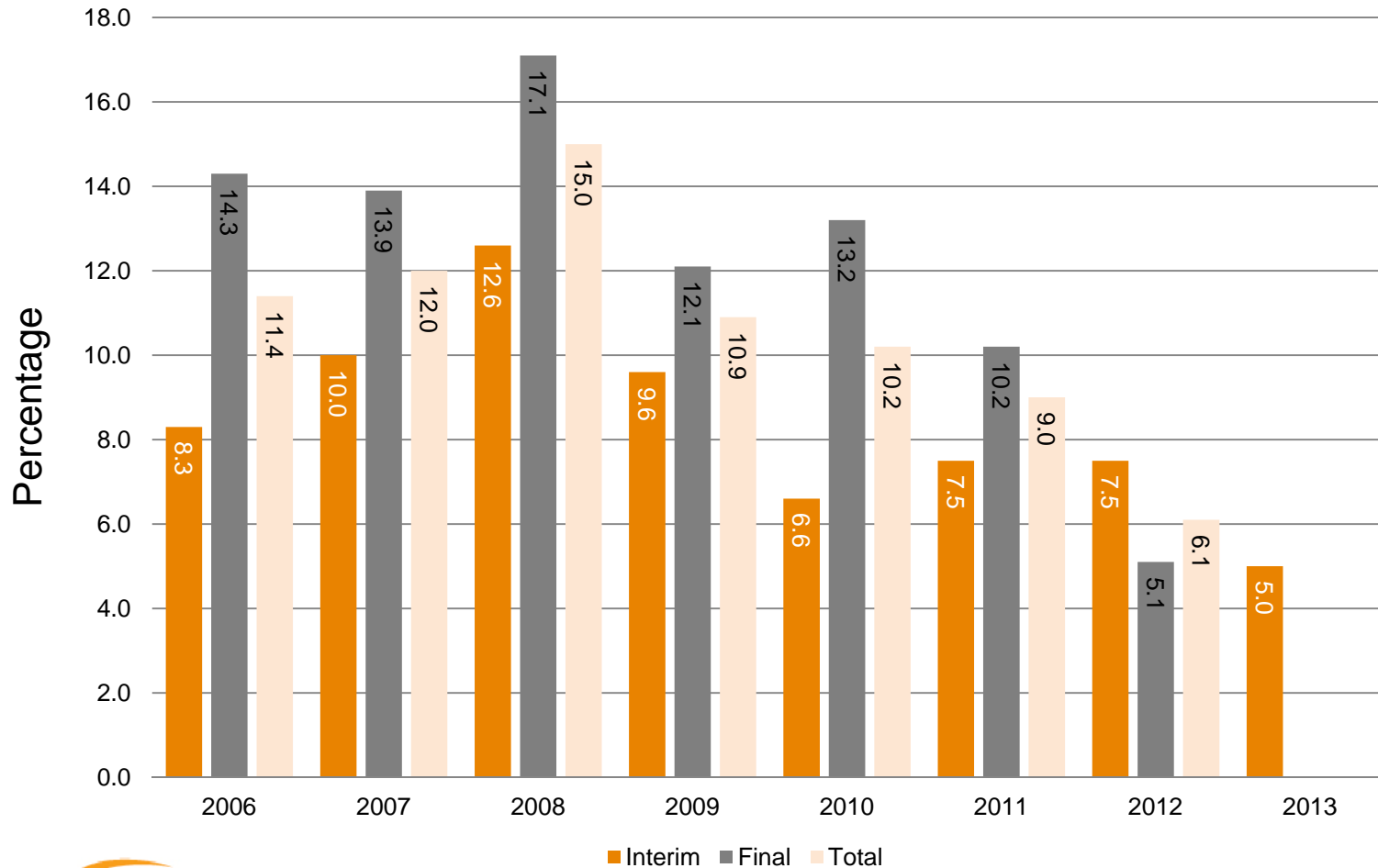
Financial performance

**MIKE POTTS**

# Distribution history



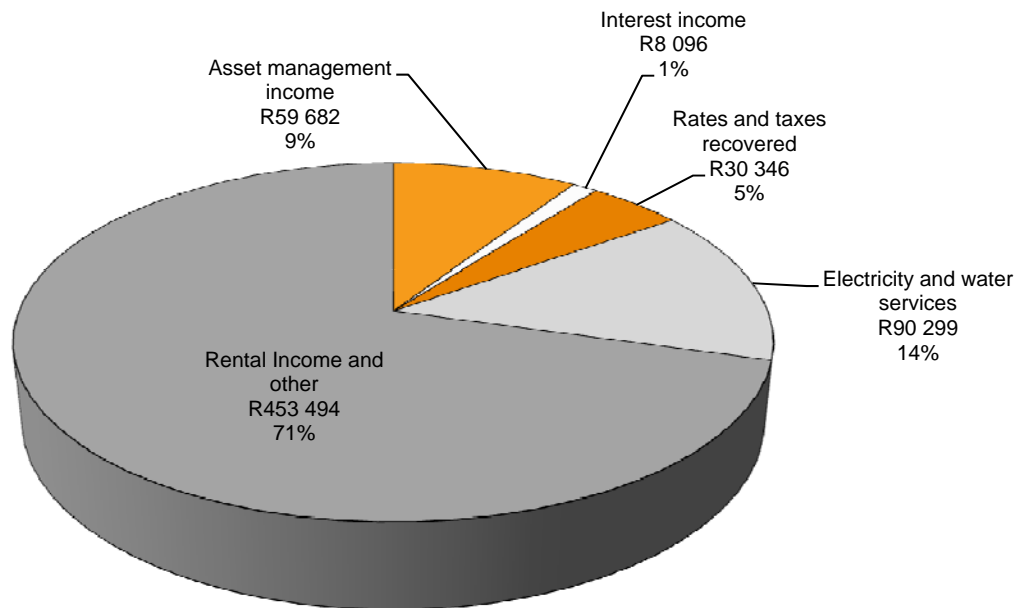
# Growth in distribution



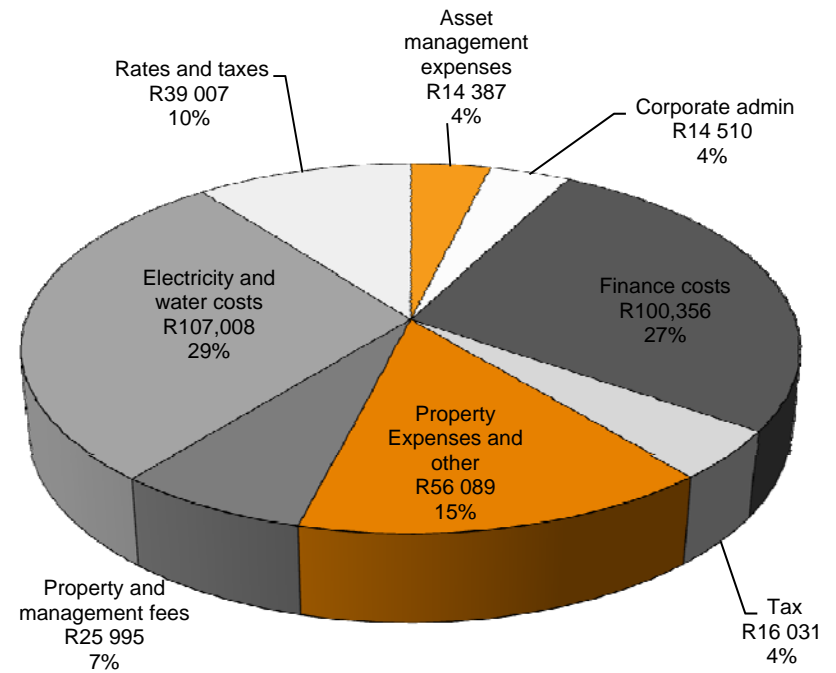


# Group income and expenditure (R000)

## Income (R641.9 million)



## Expenditure (R373.4 million)



**Distributable Income R268.5 million**

# Simplified income statement

	Sept 2012 Rm	Sept 2011 Rm	Variance %
Group net rental income	346.0	276.2	25
Income from asset management business	59.7	23.0	160
Asset management expenditure	(14.4)	(13.9)	4
Net finance costs	(92.3)	(74.9)	23
Corporate administration costs	(14.5)	(10.7)	36
Taxation	(16.0)	(6.7)	139
Available for distribution	268.5	193.0	39

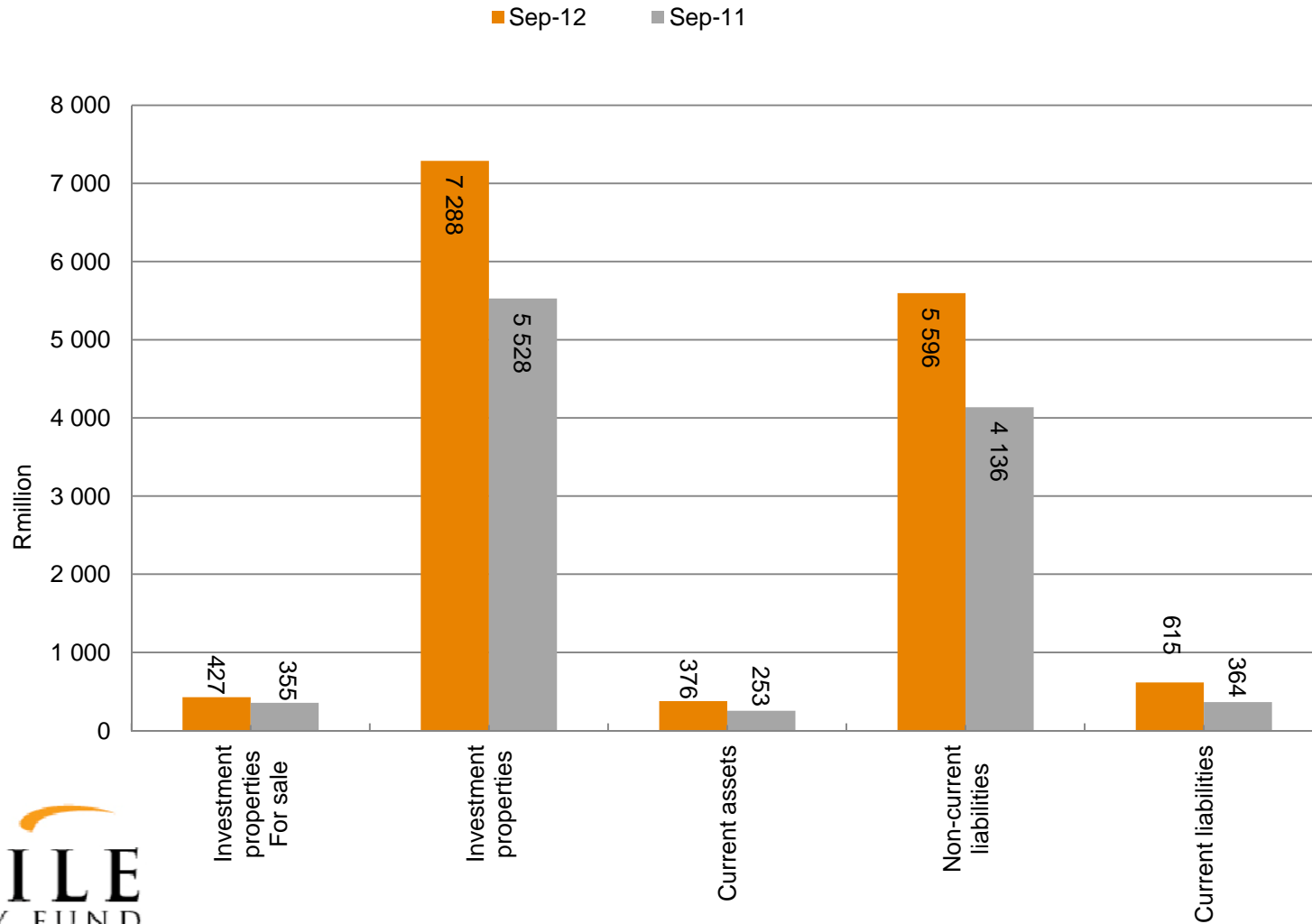
# Financial - Bad debt and arrears analysis

- Tenant arrears R22.8 million (March 2012: R20.3 million).
- Impairment allowance increased from R10.0 million to R11.7 million.

**R000**

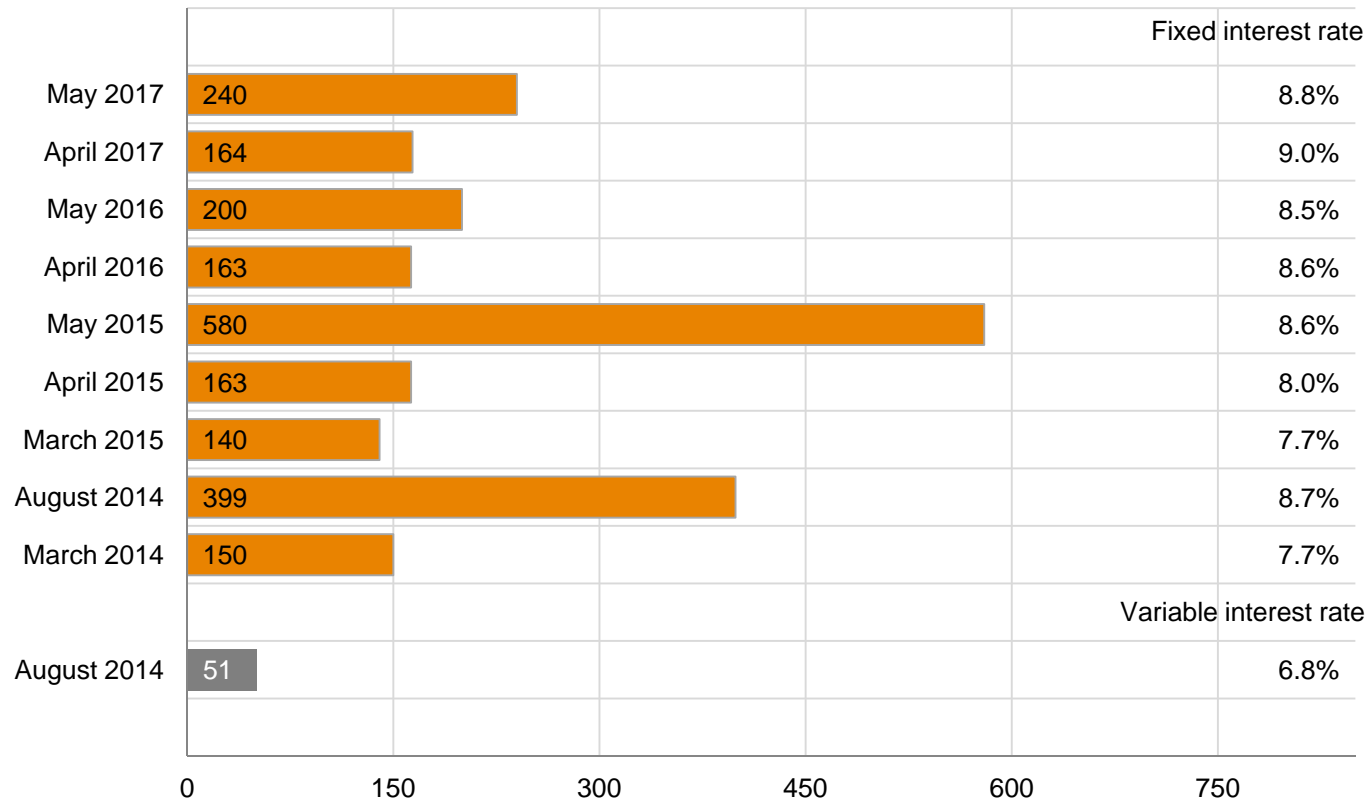
• Impairment allowance 1 April 2012	10 028
• Allowance for receivable impairment for the six months	2 528
• Receivables written off as uncollectable	(829)
• Impairment allowance 30 September 2012	11 727
Bad debt write-off and impairment allowance provided per the statement of comprehensive income	4 492

# Group balance sheet

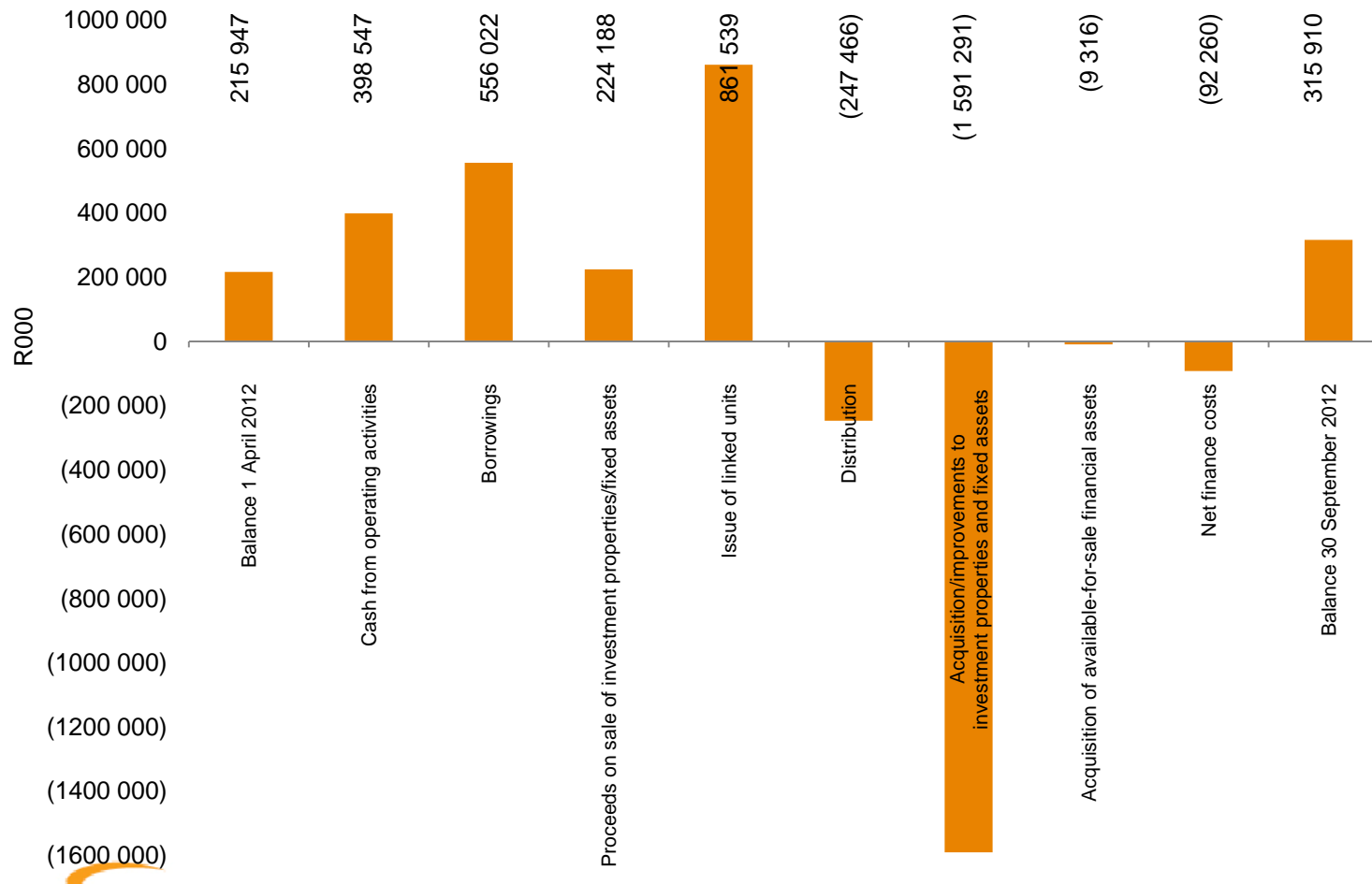


# Group debt structure

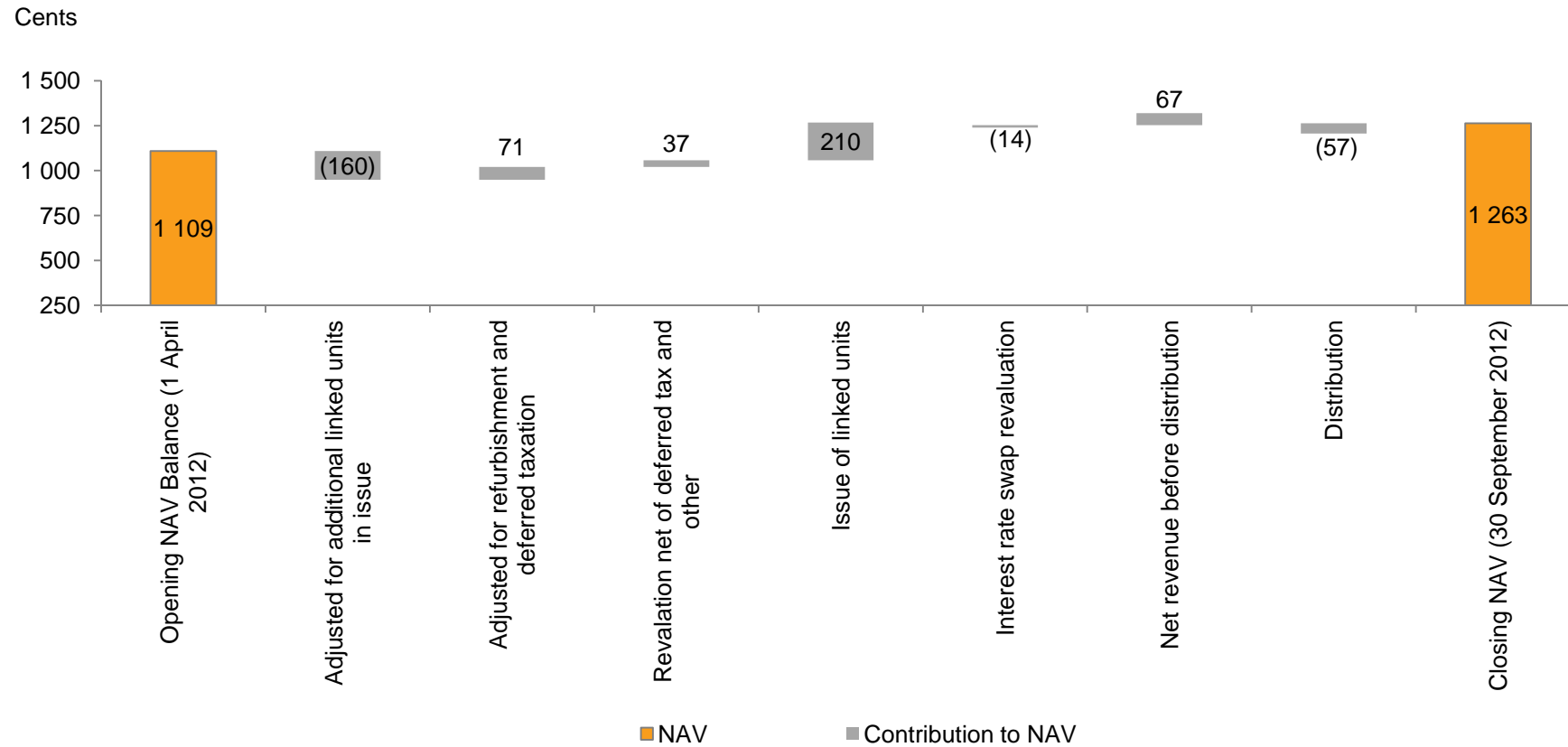
Maturity and interest rate profile of interest bearing debt at 30 September 2012



# Group net cash flow



# NAV bridge



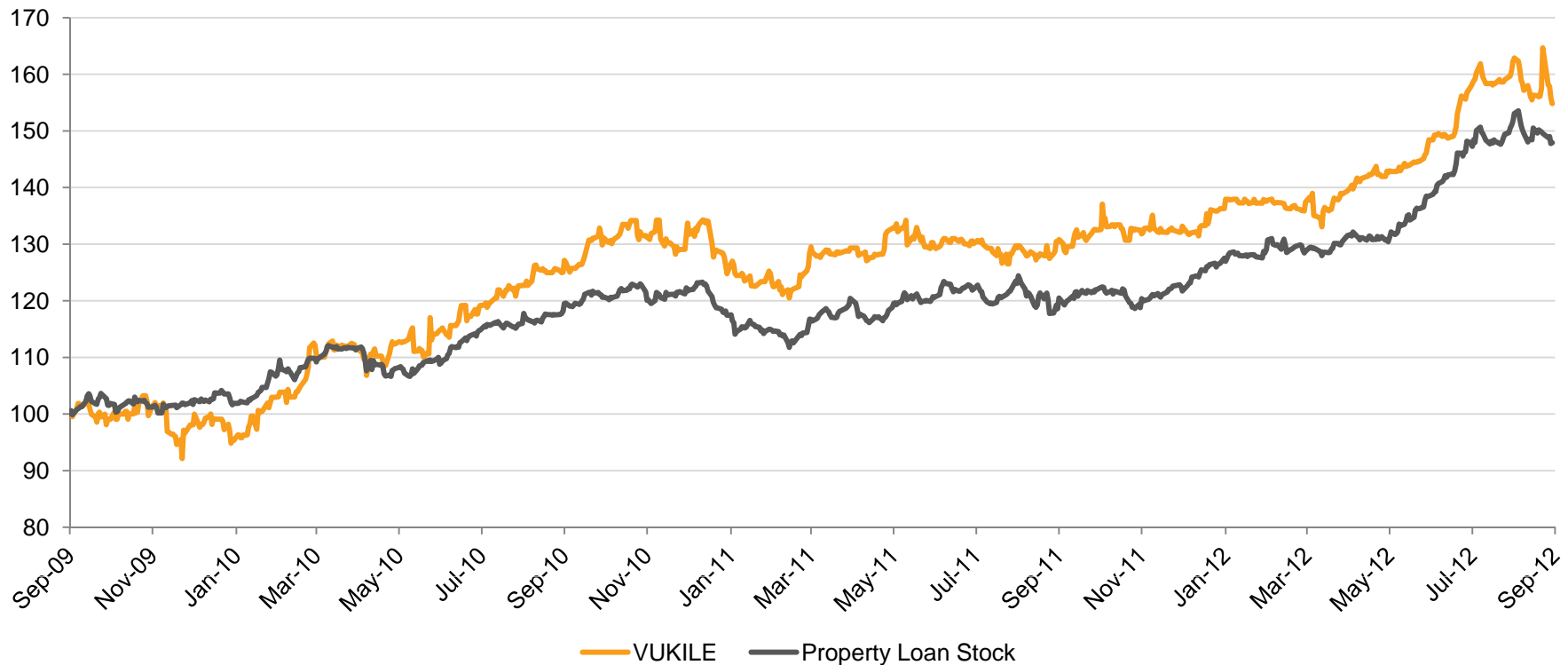
# Linked unit price and trading volumes





# Linked unit price and trading volumes

## Linked unit price-index performance (36 months)





Property portfolio performance and overview

# INA LOPION

# Overview

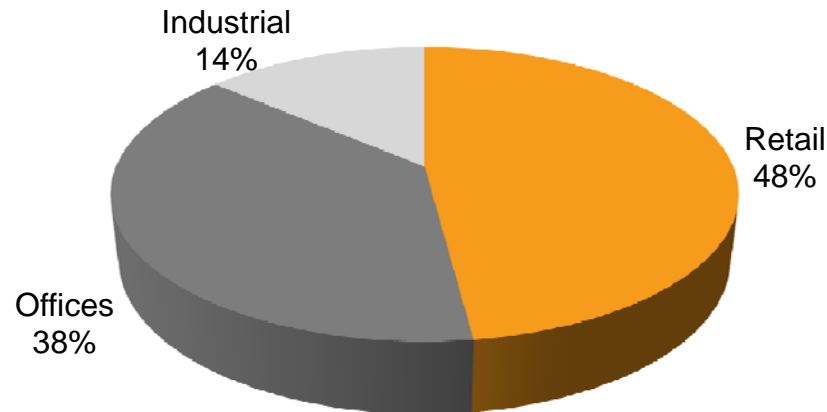
- Number of properties 82
- GLA 1 054 323m<sup>2</sup>
- Valuation
  - Total portfolio R7.698 billion  
51.4% of portfolio valued externally, values in line with internal values
  - Average value per property R94 million
  - Average discount rate 14.6%
  - Average exit capitalisation rate 10.0%

# 10 largest properties

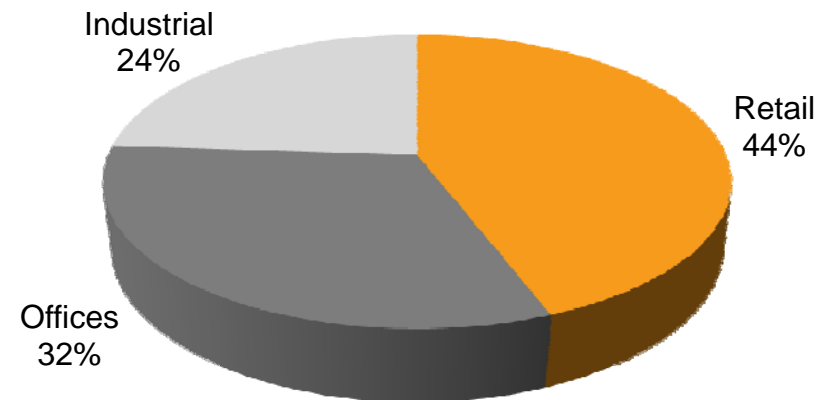
	Area m <sup>2</sup>	Value Rm	% of total
Durban Phoenix Plaza	24 348	521.2	6.8
Cape Town Bellville Louis Leipoldt	22 311	299.9	3.9
Jhb Isle of Houghton	28 068	244.7	3.2
Soweto Dobsonville Shopping Centre	23 177	242.5	3.2
Oshakati Shopping Centre	24 628	219.9	2.9
Pinetown Pine Crest (50%)	20 101	210.5	2.8
Cape Town Bellville Tijger Park	20 225	198.8	2.6
Durban Embassy	32 367	198.6	2.6
Randburg Square	50 769	185.7	2.4
Roodepoort Hillfox Power Centre	38 068	183.4	2.4
	<b>284 062</b>	<b>2 505.2</b>	<b>32.8</b>

# Sectoral profile

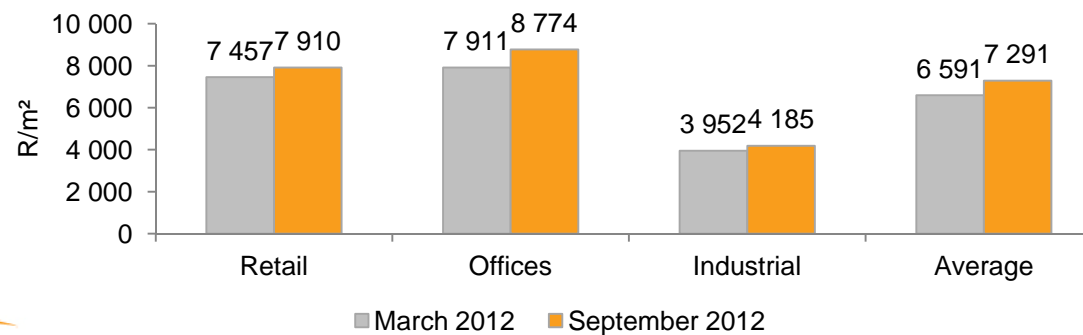
**Market value (Rm)**



**GLA (m<sup>2</sup>)**



**Market Value (R/m<sup>2</sup>)**



# Disposals

Property	Sector	GLA m <sup>2</sup>	Yield % price	Sales R000	Transfer date
Pretoria VWL Building	Offices	16 933	12.5	103 000	August 2012
Midrand 179 15th Road (Sony Building) *	Industrial	11 001	8.1	57 000	October 2012
Truworths Building Jhb	Retail	6 919	7.8	44 128	July 2012
Glencairn Building Eloff Street	Offices	13 378		23 520	July 2012
Nelspruit Prorom	Offices	6 178	12.5	38 000	August 2012
Johannesburg John Griffen	Industrial	9 774		16 500	May 2012
Rundu Ellerines	Retail	1 283	14.7	2 800	August 2012
<b>Total</b>		<b>65 466</b>		<b>284 948</b>	

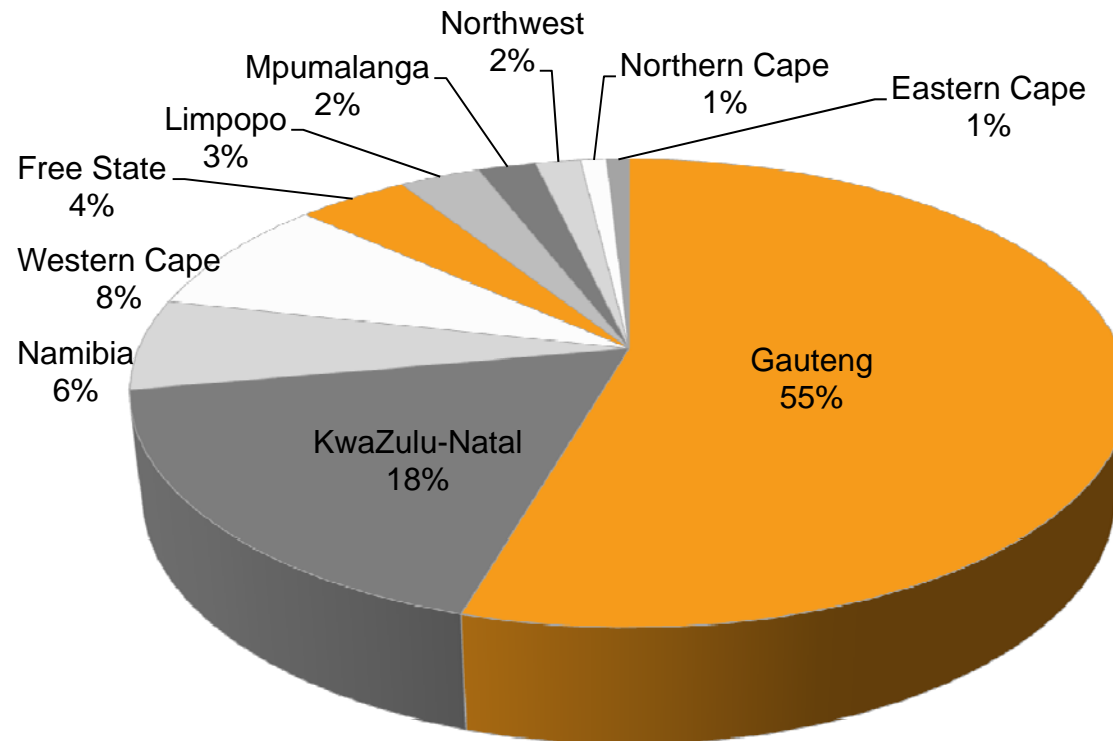
\* Transferred after 30 September 2012

# Properties held for sale

Property	Sector	GLA m <sup>2</sup>	Yield %	Sales price R000	Status
Durban Embassy	Offices	32 367		tbc	No sale yet
Jhb Bassonia Office Park	Offices	1 597	13.4	8 300	CPs fulfilled
Katima Mulilo Pep Stores	Retail	2 472	11.7	18 000	CPs fulfilled
Lichtenburg Shopping Centre	Retail	8 423		tbc	No sale yet
Midrand Allandale Land (Halfway House Ext 64)	Commercial land			20 700	CPs outstanding
Midrand Allandale Land (Halfway House Ext 65)	Commercial land			21 850	CPs outstanding
Midtown Building	Offices	8 087		tbc	No sale yet
Pretoria Hatfield 1166 Francis Baard Street (DLV Building)	Offices	2 871		tbc	No sale yet
Randburg Cresta Eva Park	Offices	10 911		tbc	No sale yet
Randburg Triangle	Offices	3 047	10.5	13 500	CPs outstanding

CP = Conditions precedent

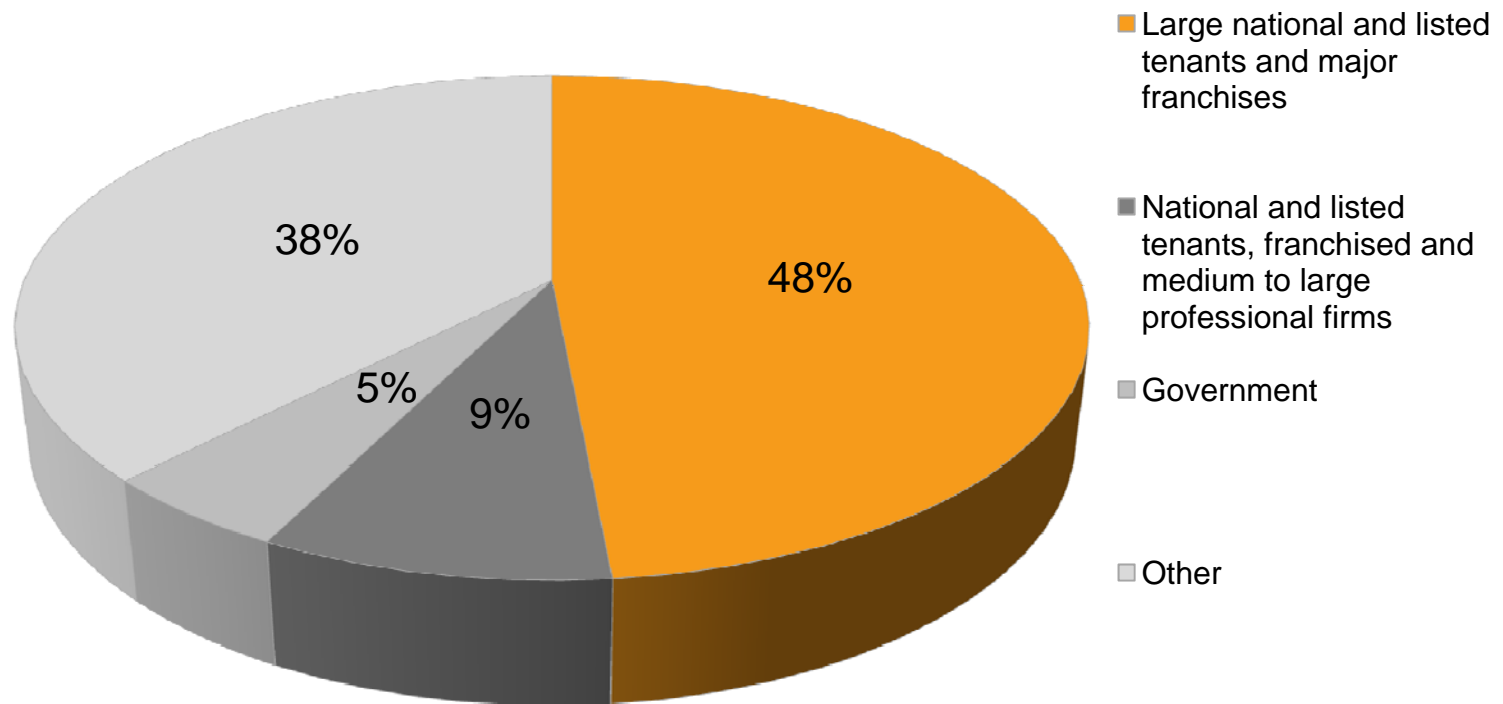
# Geographic profile (GLA m<sup>2</sup>)



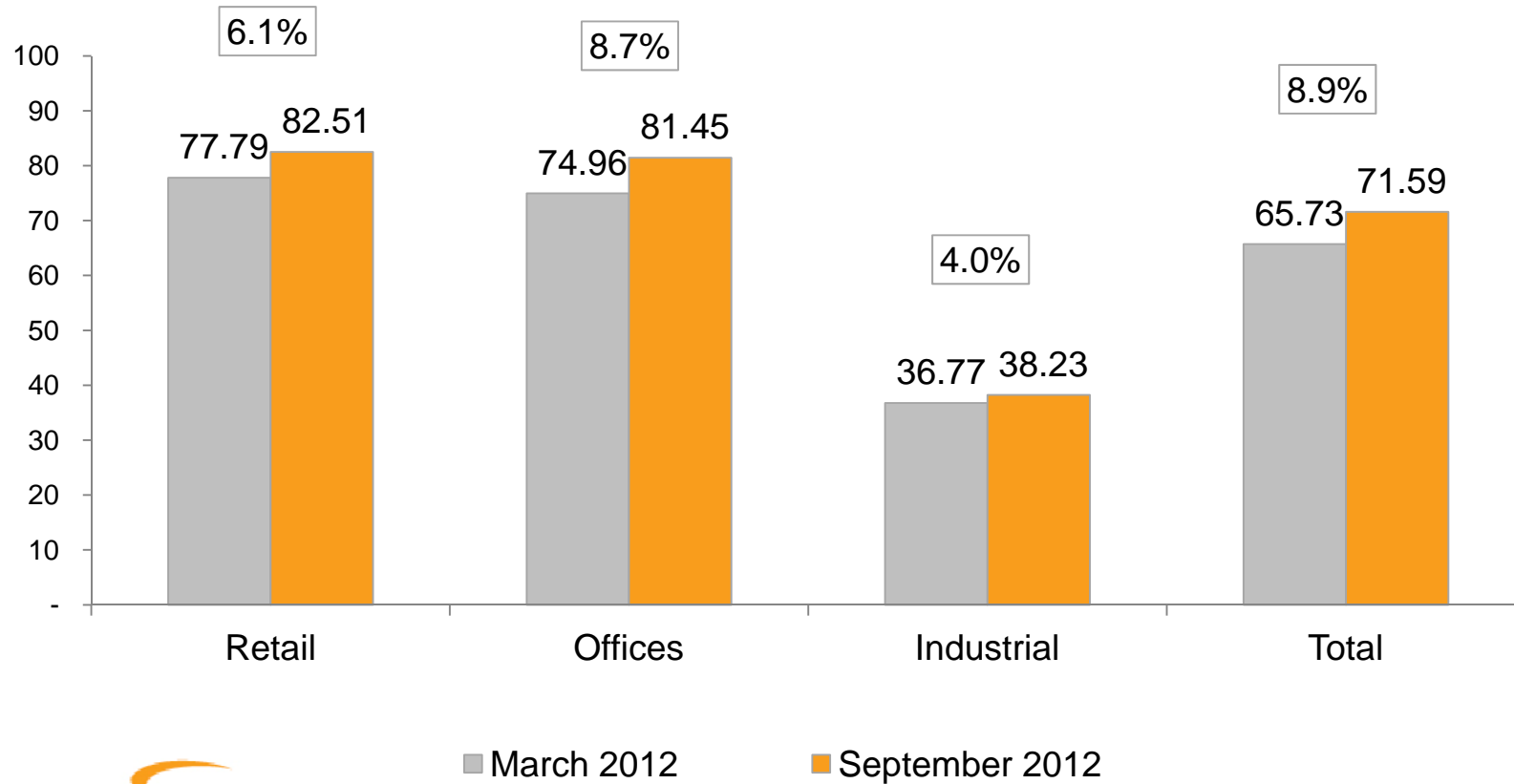
**Top 4 regions account for 87% of exposure**



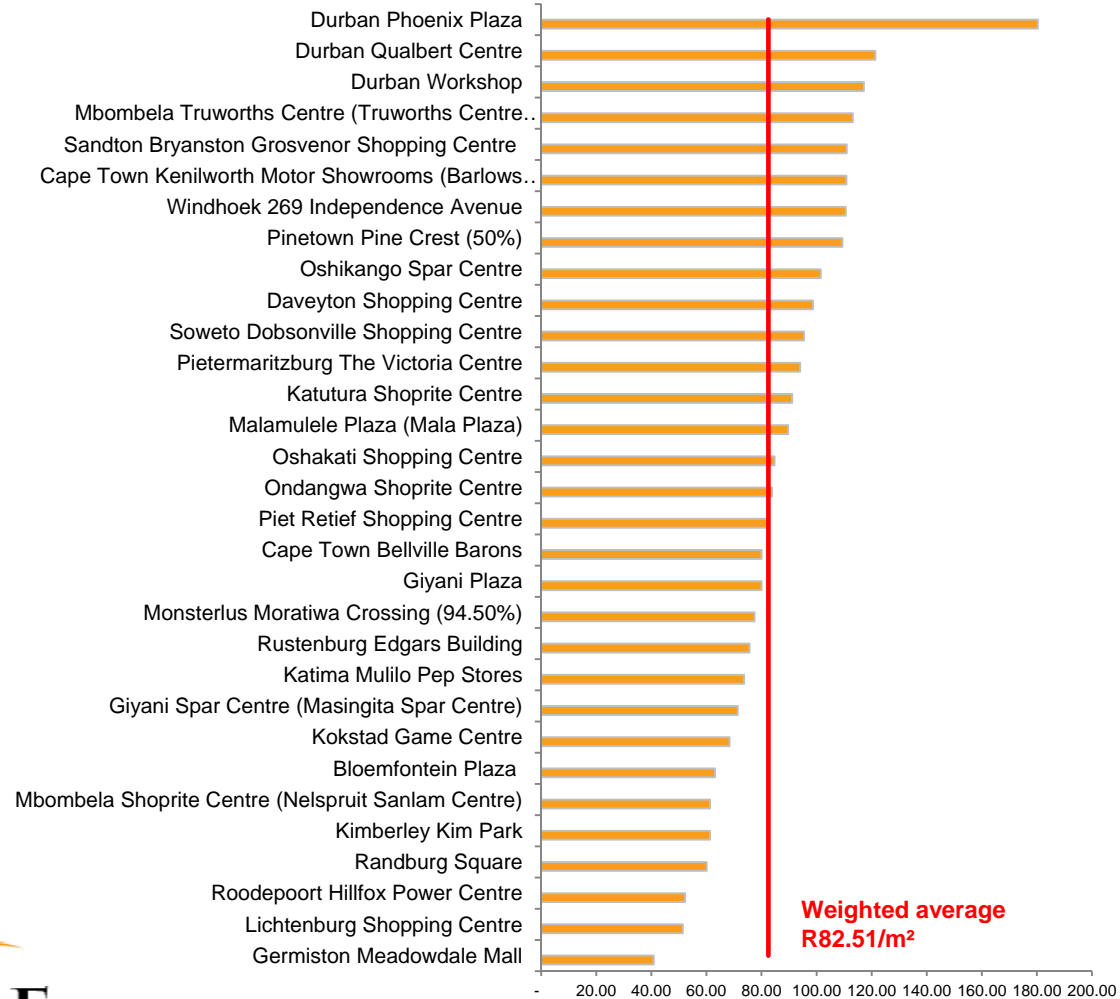
# Tenant profile (GLA m<sup>2</sup>)



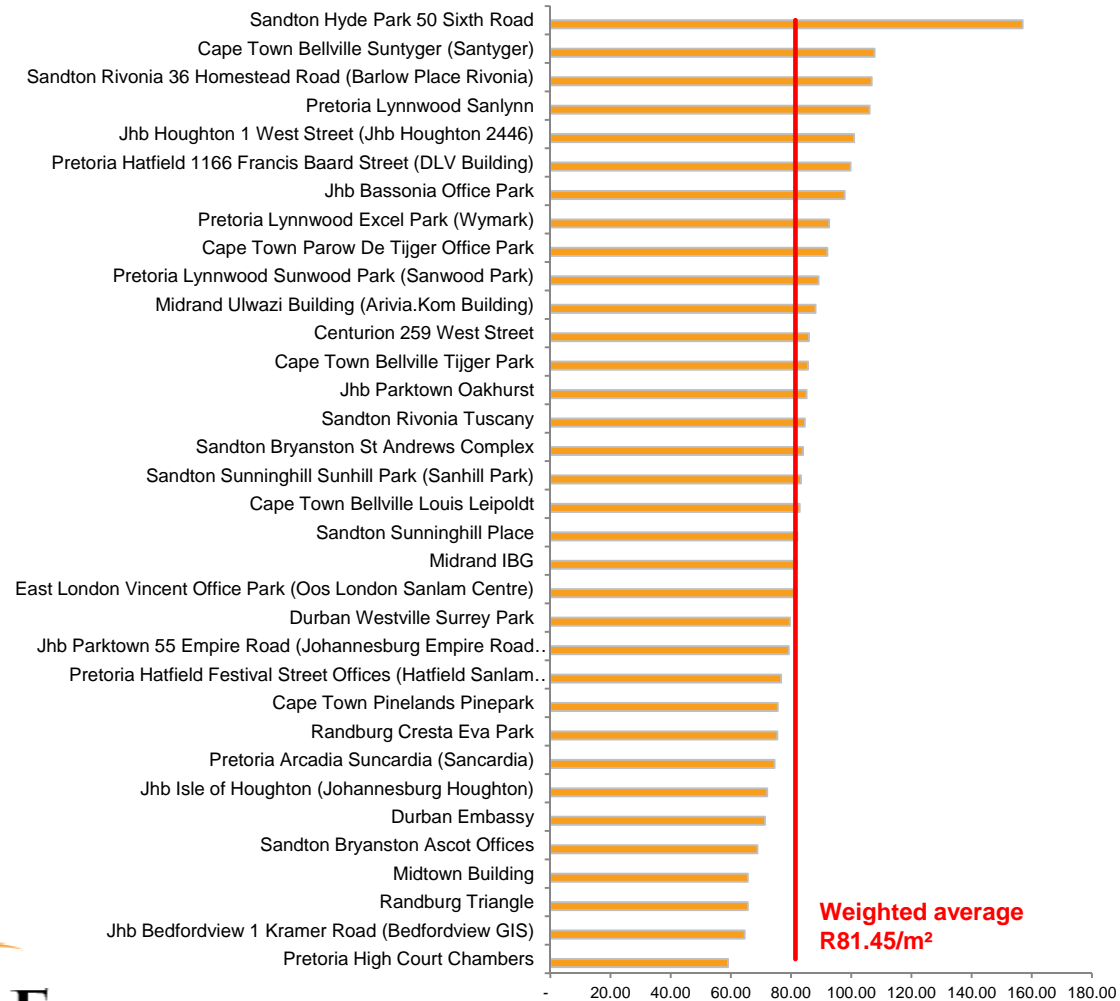
# Weighted average base rentals R/m<sup>2</sup> (excluding recoveries)



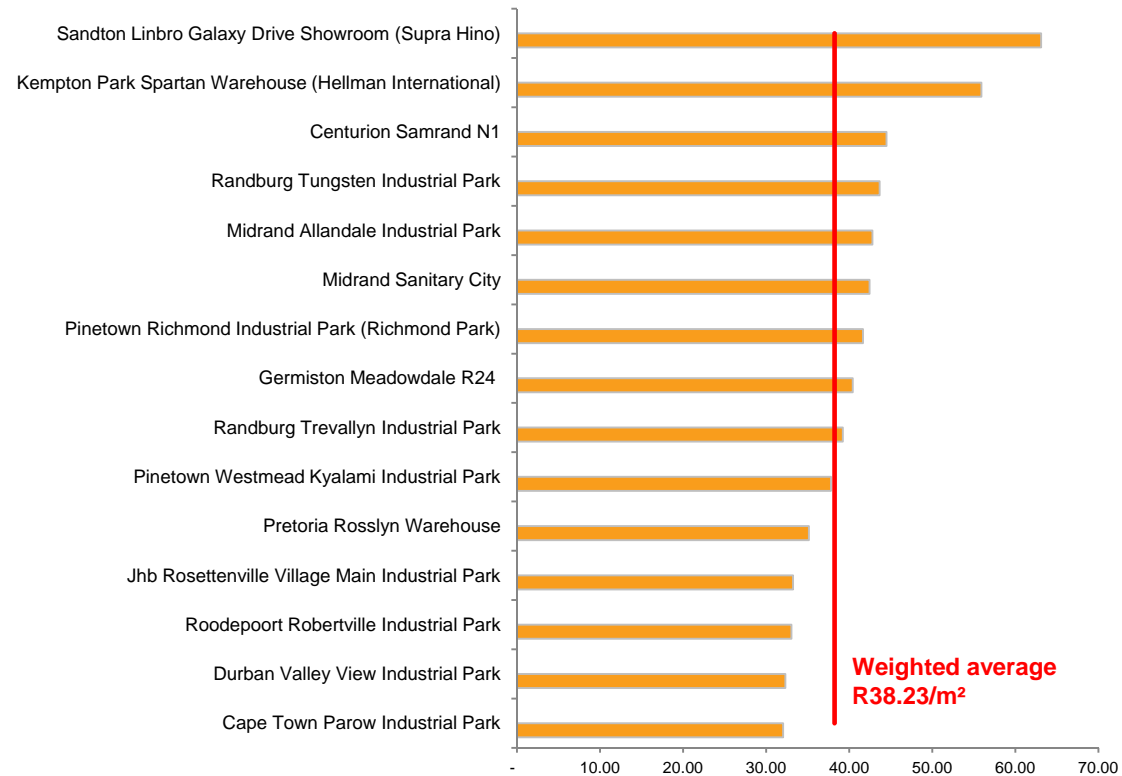
# Weighted average base rental R/m<sup>2</sup> - (excluding recoveries): Retail



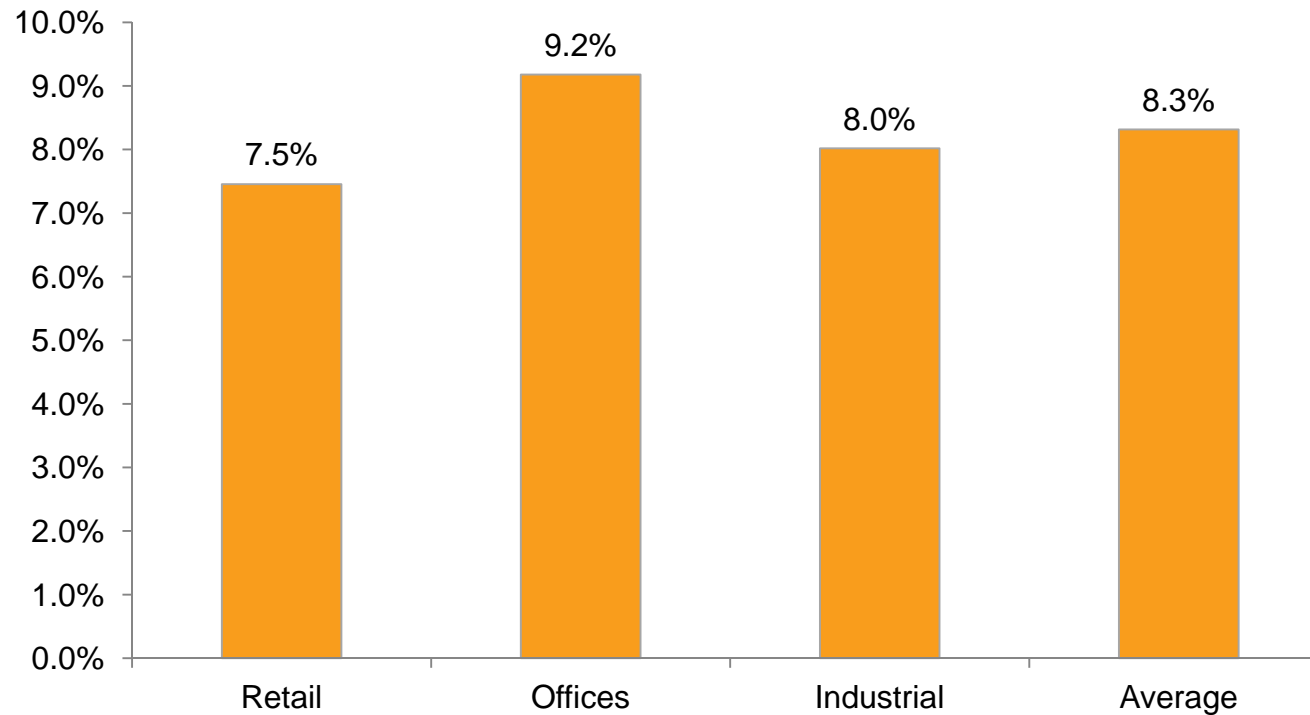
# Weighted average base rental R/m<sup>2</sup> - (excluding recoveries): Offices



# Weighted average base rental R/m<sup>2</sup> - (excluding recoveries): Industrial

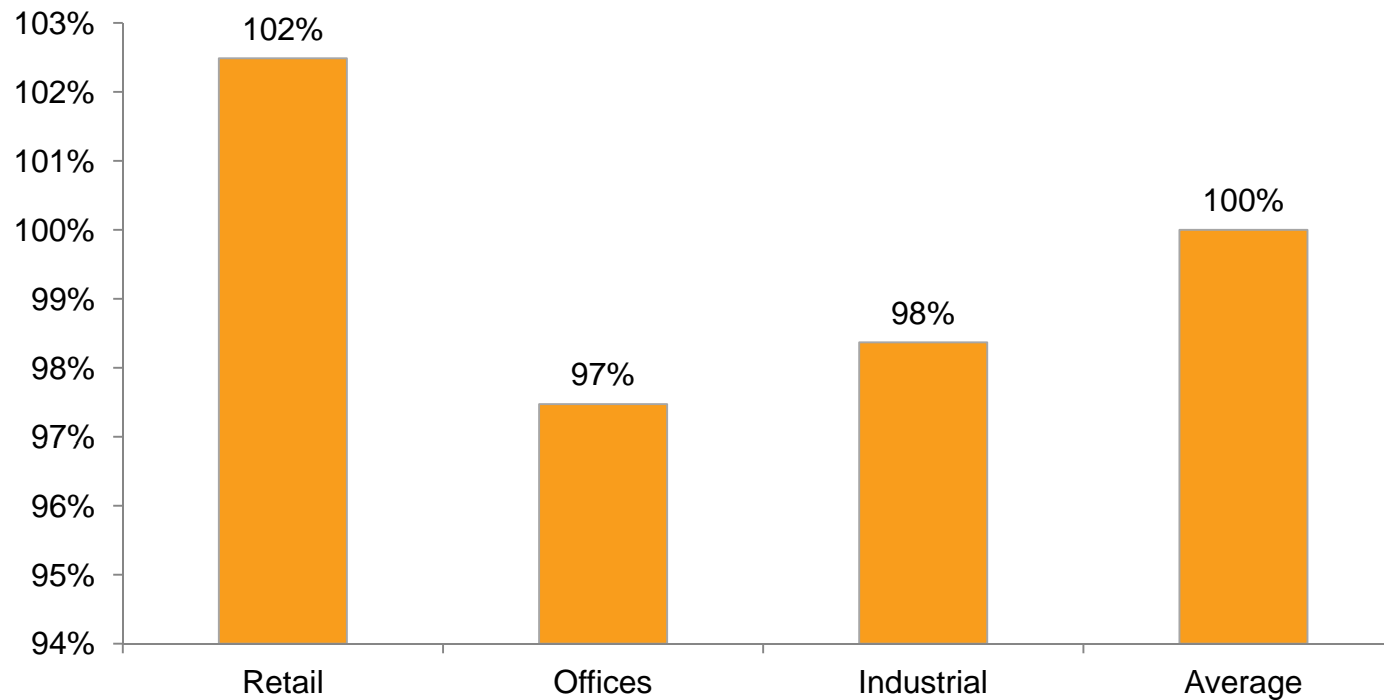


# Lease renewals - % escalation on expiry rentals

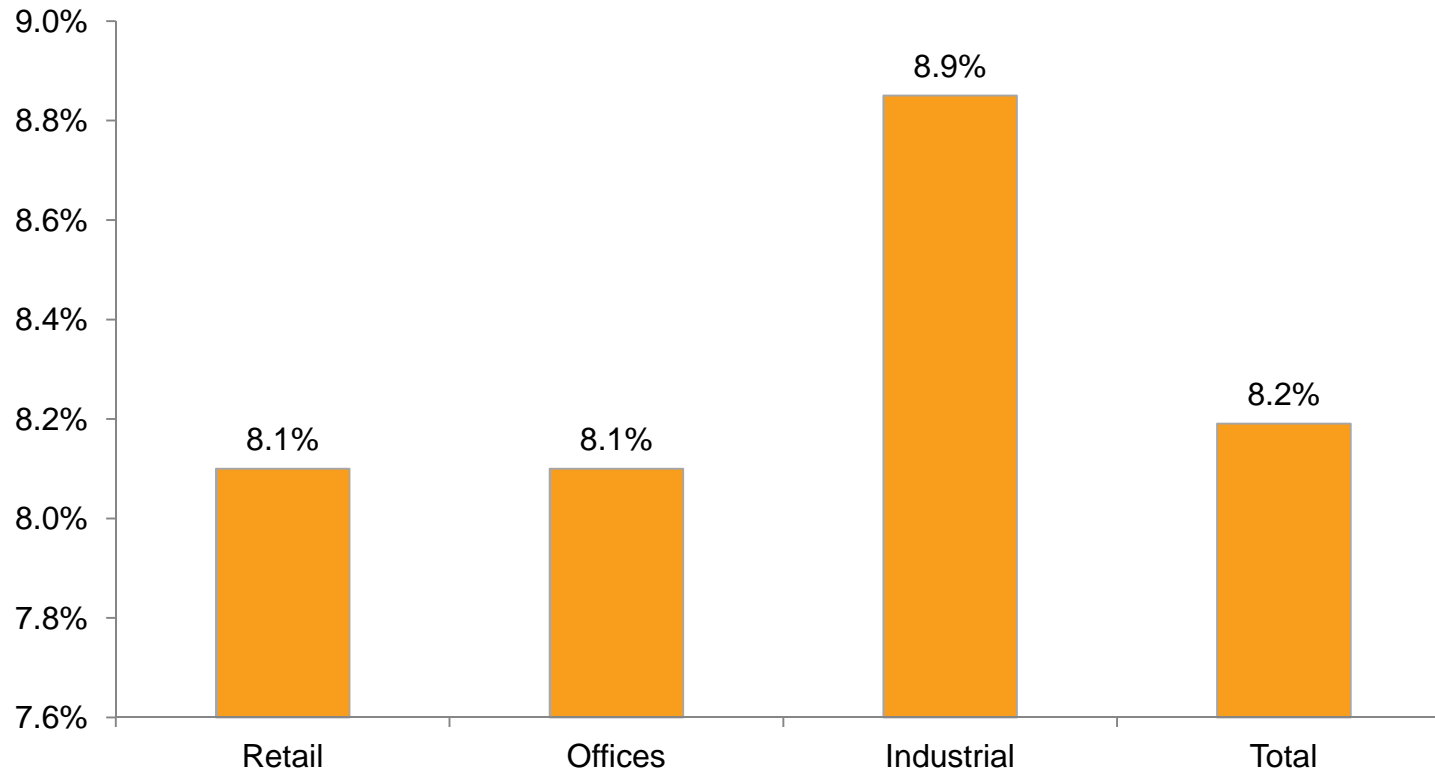


# New leases concluded

Ratio of rental concluded against budget i.e. market related rentals

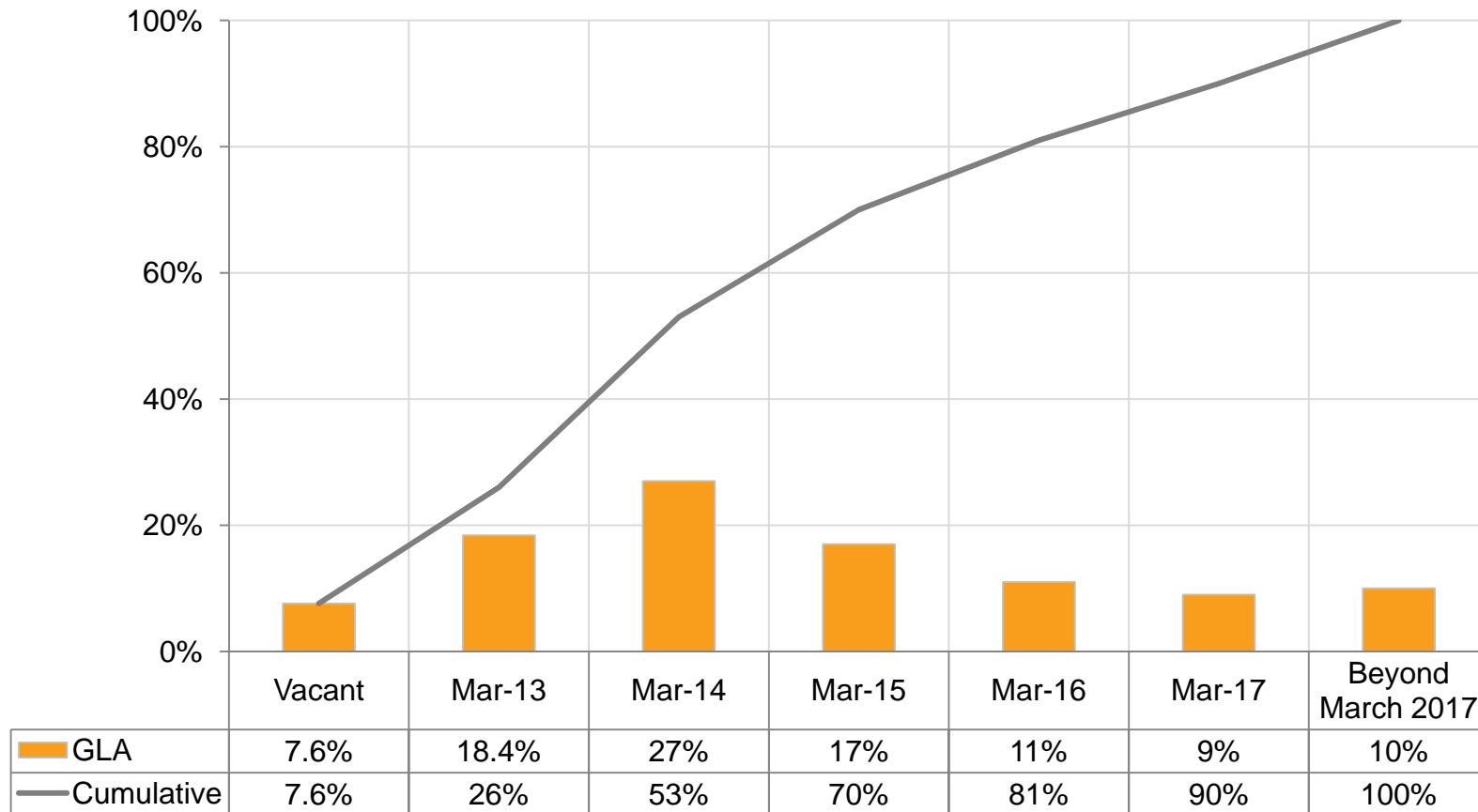


# Contracted rental escalation profile





# Group lease expiry



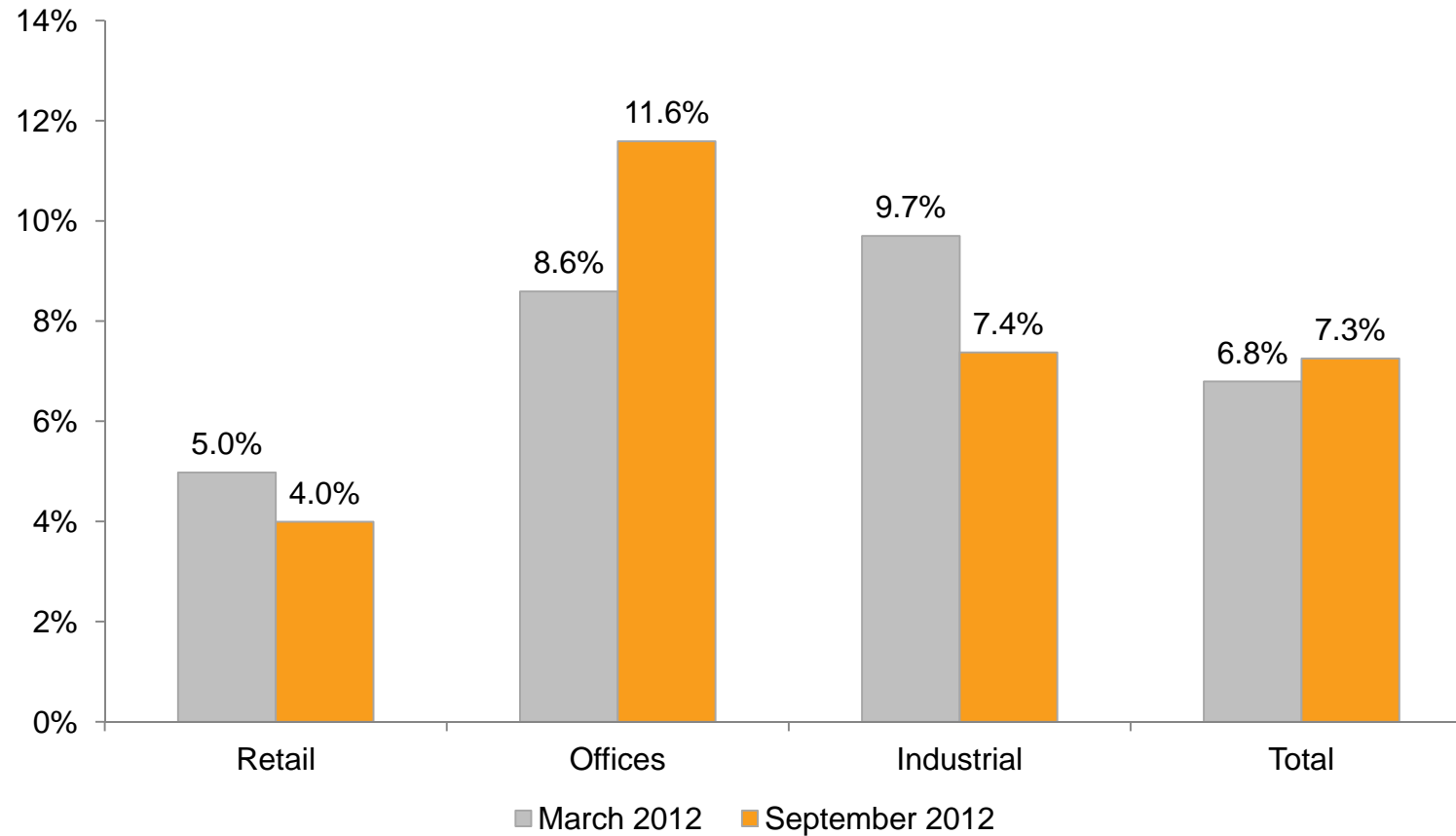
# New leases and renewals

- For the six months ended 30 September 2012 leases were concluded with a:
  - Total contract value R480.5 million
  - Total rentable area 136 685m<sup>2</sup>
- Largest contracts concluded

Tenant	Property	Sector	Contract value Rm	Lease duration years
Pretoria Society Of Advocates	Pretoria High Court Chambers	Offices	121.1	10
OK Bazaars	Randburg Square	Retail	17.0	5
Road Accident Fund	Durban Embassy	Offices	16.0	2
Clicks	Durban Phoenix Plaza	Retail	14.0	10
Clicks	Oshakati Shopping Centre	Retail	11.5	10

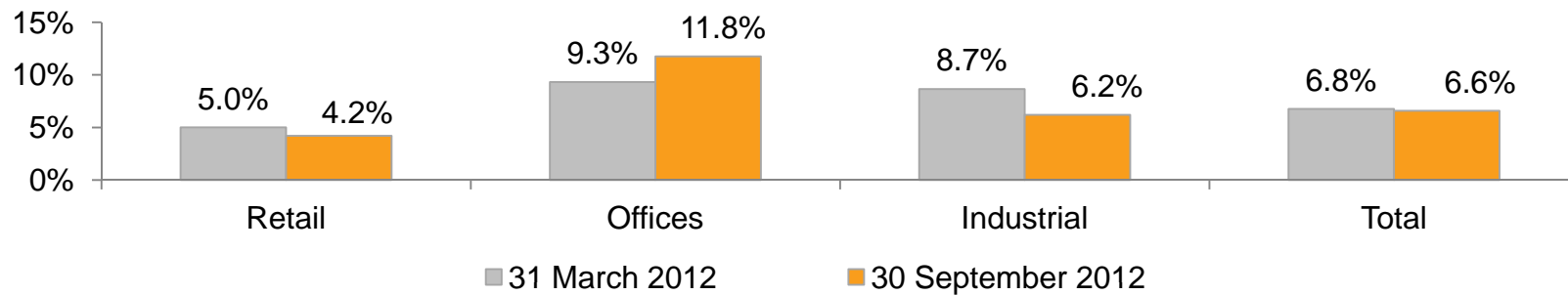
- Tenant retention 67%

# Vacancy profile - % of gross rental

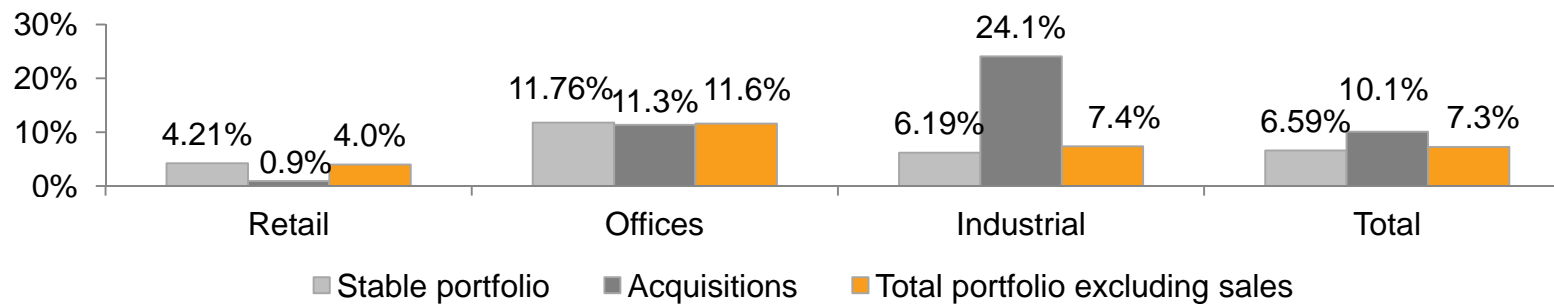


# Vacancy profile - % of gross rental

**Stable portfolio  
(excluding sales and acquisitions)**



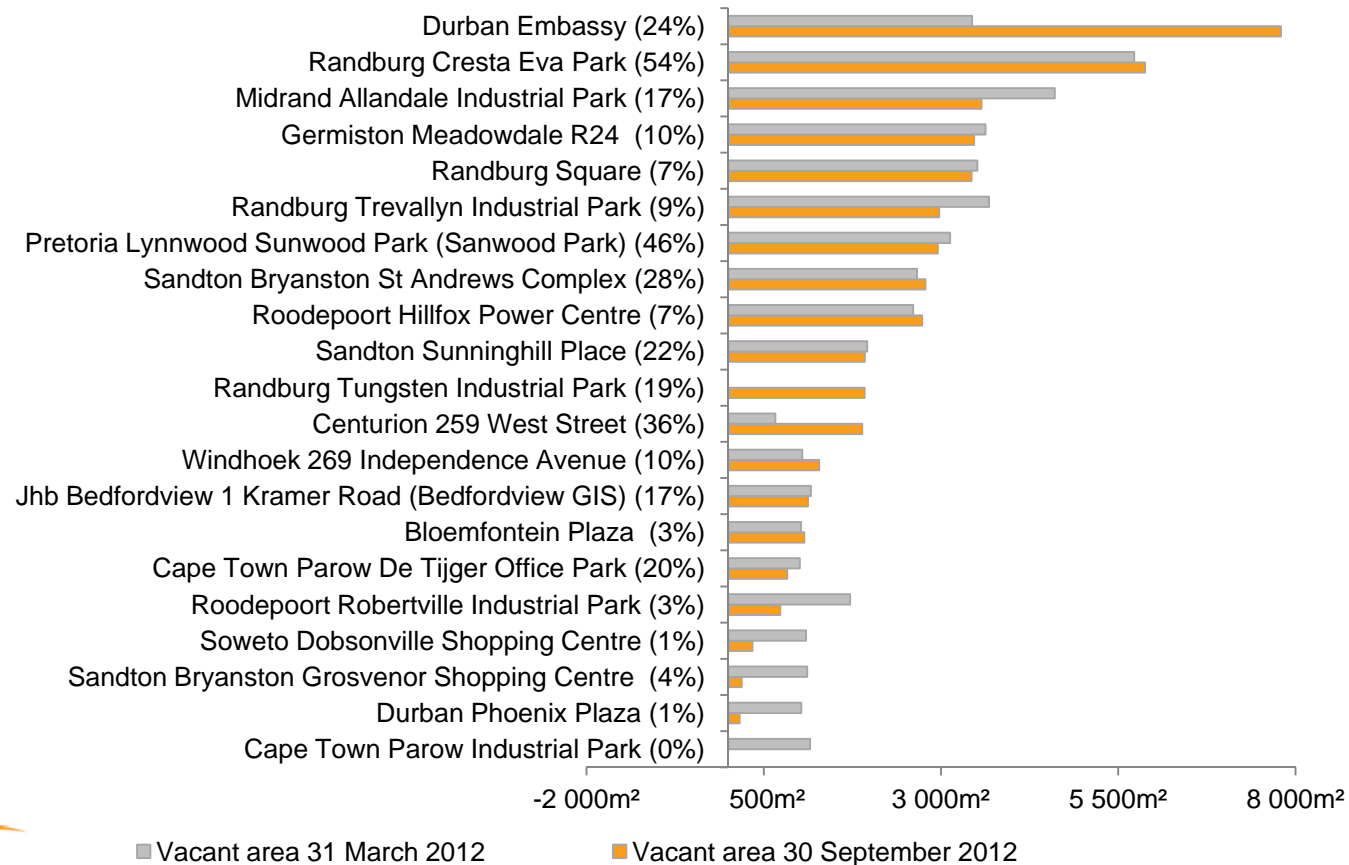
**Total portfolio  
(excluding sales)**



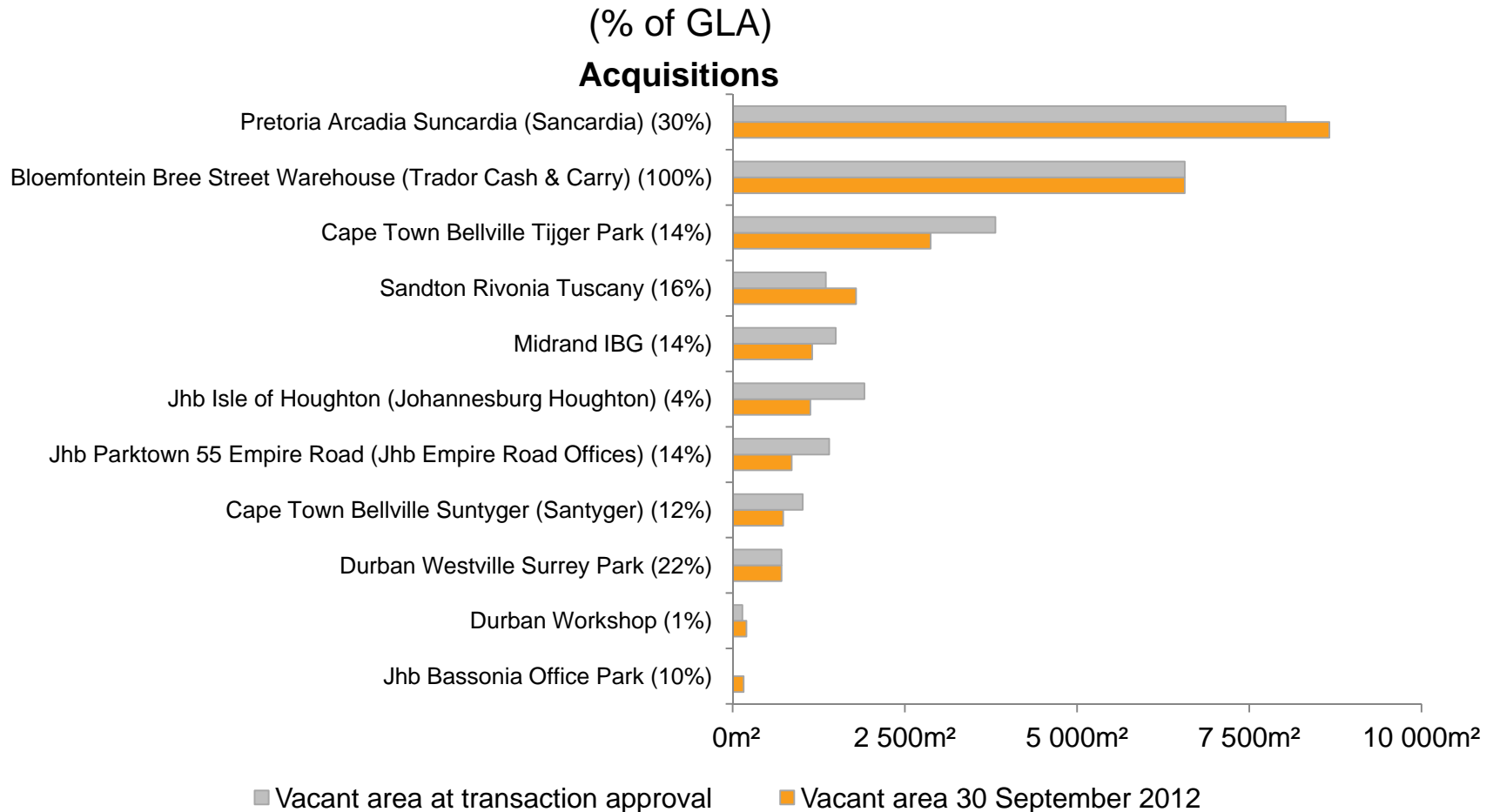
# Individual properties vacancy profile

(% of GLA) (vacancy > 1 000m<sup>2</sup>)

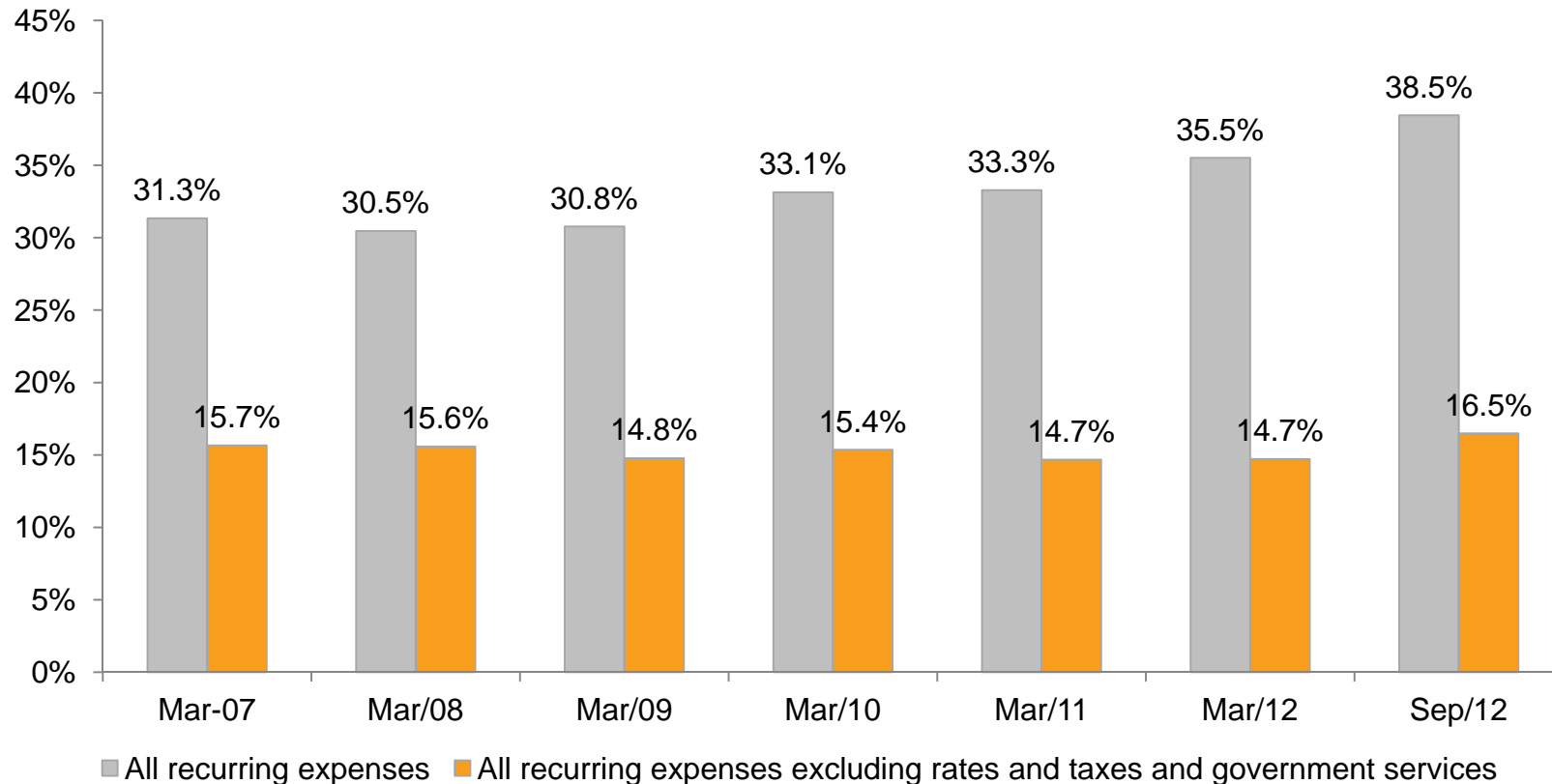
Stable portfolio (excluding sales and acquisitions)



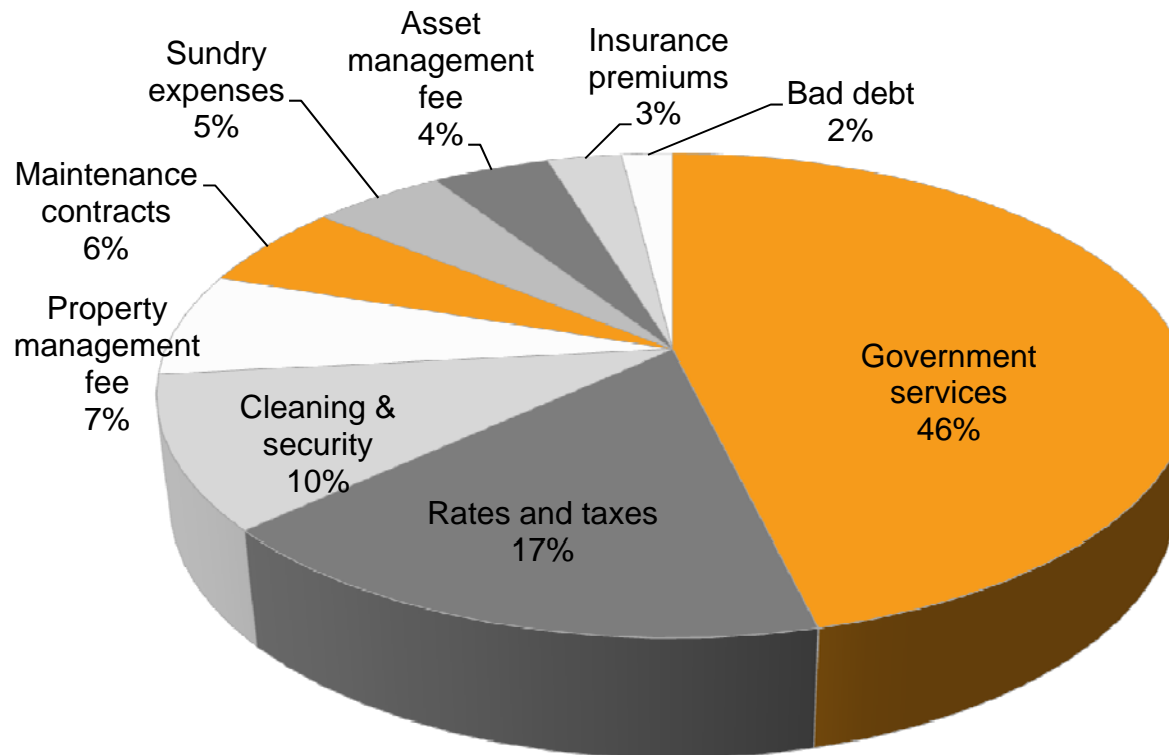
# Individual properties vacancy profile



# Ratio of gross recurring cost to property revenue – total portfolio (excluding sales)



# Recurring expense categories



**80% of costs from top 4 categories**



# Re-developments / upgrades

Projects completed		Capital Rm	Additional GLA m <sup>2</sup>	Year 1 yield	Completion date	Note
Randburg Square	Maintenance and upgrade: Phase 1	80.8	-	-	30 June 2012	(1)
Oshakati Shopping Centre	Standard Bank redevelopment	22.9	2 312	10.7%	31 July 2012	
Roodepoort Hillfox Power Centre	Phase 2 of façade and mall upgrade	4.0	-	-	31 March 2012	(1)
Total		107.7				

Projects approved		Capital Rm	Additional GLA m <sup>2</sup>	Year 1 yield	Completion date	Note
Randburg Square	Maintenance and upgrade: Phase 2	126.7	-	-	30 April 2013	(1)
Cape Town Bellville Tijger Park	Offices upgrade and parking deck	49.8	-	-	30 June 2013	(1)
Cape Town Bellville Louis Leipoldt	Upgrade	33.5	-	-	30 April 2013	(2)
Cape Town Bellville Barons	Upgrade	17.5	-	9.4%	30 September 2013	
Total		227.5				

Note (1): Post the upgrade/revamps higher rentals on renewals and reduced vacancies can be expected.

Note (2): This capex was agreed as part of a new 15 year lease.

# Randburg Square upgrade

- Phase 1 of the upgrade completed June 2012
- Phase 2 of the upgrade progressing well
- Construction work stopped to allow unobstructed trade during the festive season; will commence mid January 2013 with completion at the end of April 2013
- After completion 16 new brands will be added including the Foschini and Truworths groups
- Edgars and Woolworths, two of the anchor tenants, will be fully upgraded
- Mr Price, Clicks, Pep, Fashion World and Markham will also be upgraded and expanded to cater for increased demand
- Shoppers will enjoy an enhanced shopping experience offering a:
  - ✓ modernised centre
  - ✓ dedicated food court
  - ✓ banking mall
  - ✓ large variety of fashion retailers
  - ✓ number of furniture and home ware stores
  - ✓ services like Telkom, Post office, Postnet and cell phone stores

# Randburg Square upgrade



# Potential acquisitions and developments

		Value Rm	GLA m <sup>2</sup>	Initial yield %	Expected completion / transfer date
Boksburg East Rand Mall (50%)	Acquisition	1 115	31 223	6.7	April 2013
Edendale Mall (50%)	Acquisition	205	15 850	8.3	April 2013
Hammarsdale Retail Development	Development	194	19 138	9.5	June 2012
Linbro Park Mini Factories	Development	120	15 000	10.0	November 2013
McCormick JV Properties	Acquisition	346	35 000	9	2013 / 2014
<b>Total</b>		<b>1 980</b>	<b>116 211</b>		



Prospects, plans, acknowledgements and closing

# LAURENCE RAPP

# Overview of East Rand Mall



# Overview of East Rand Mall – Strategic rationale

- East Rand Mall (“ERM” or the “Property”) has been a core part of Sanlam’s portfolio for a number of years
  - Due to concentration risk Sanlam has decided to sell the Property
- Vukile is Sanlam’s property asset manager and knows the Property well
  - Vukile team has managed the Property since acquisition
- Vukile has a pre-emptive right over the Sanlam property portfolio
- Sanlam recently elicited offers for the Property
  - The offers received were within a very narrow range
- Redefine was the successful bidder with a purchase consideration, post due diligence, of R2.23 billion
- Pursuant to Vukile’s pre-emptive right, Vukile has acquired a 50% undivided share from Redefine for R1.115 billion (excluding transaction costs)
- ERM will be Vukile’s flagship mall and is a strong regional shopping centre with good fundamentals and upside potential including c.10 000m<sup>2</sup> additional bulk
- ***Consistent with stated strategy of building a fund of at least R10 billion, overweight the retail sector and with a view to always improving the quality of the portfolio***

# Overview of East Rand Mall – Key statistics

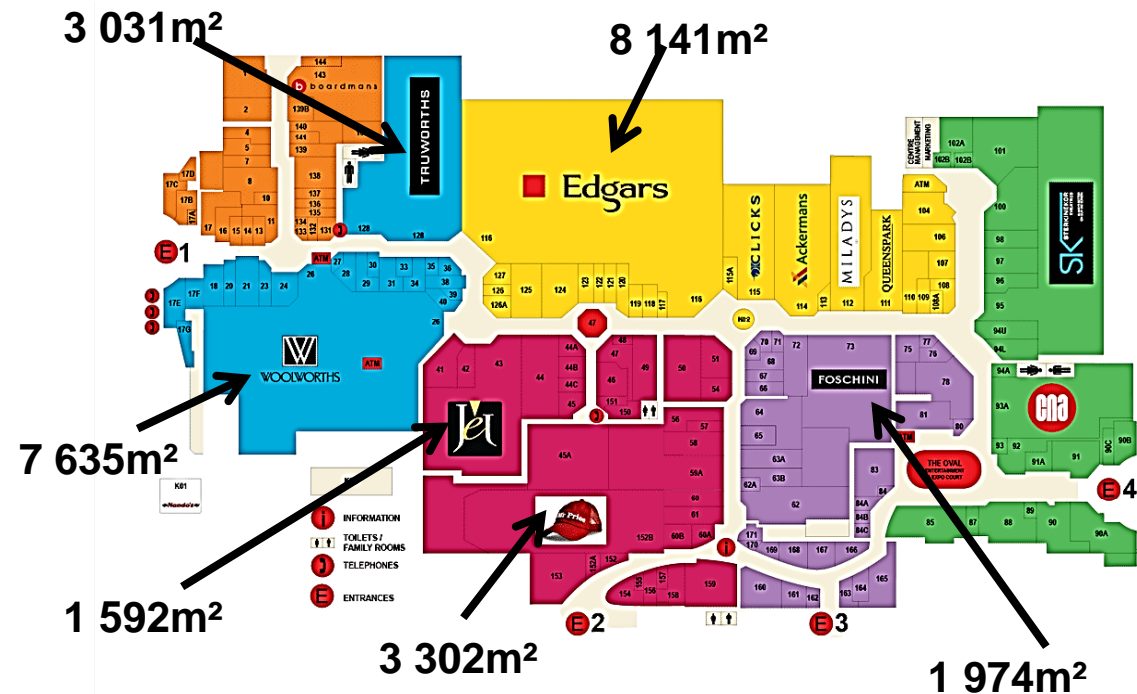
- Purchase price (50%) R1.115 billion
- External Market Value (as at 31 May 2013) (50%) R1.09bn (98% of purchase price)
- GLA 62 446m<sup>2</sup>
- Number of Tenants 177
- Current vacancy 505m<sup>2</sup> (0.8%)
- Historical average vacancy 1.6%
- Average annual growth rate previous 3 years
  - Recurring Net Income 5.8%
  - Gross Income 9.9%
  - Recurring expenses 20.9%
- Annualised property yield on adjusted purchase consideration 6.72%



# Overview of East Rand Mall – Centre layout

## Largest Tenants (% of GLA)

Edgars Consolidated Stores	20.7%
Mr Price Group	9.0%
Woolworths	8.7%
Foschini Retail Group	7.3%
Ster Kinekor Films	5.3%
Truworths International	5.2%
Pepkor Holdings	3.4%
New Clicks	1.9%
Banks	4.1%
	<b>65.6%</b>



# Financing structure and financial effects

- Offer price : R1.115 million (50% of the Property)
- Total purchase price is estimated to be R1.111 million (based on a 1 April 2013 transfer date including price adjustment and transaction costs)
- c.R350 million funded by way of issuing new Vukile equity
- c.R225 million funded out of cash proceeds received from property sales
- c.R537 million funded by way of DMTN short-term commercial paper & long term notes or bank term funding as follows:
  - c.R75 million - 6 months commercial paper
  - c.R75 million - 12 months commercial paper
  - c.R194 million - 3 year notes / 3 year term funding
  - c.R193 million - 5 year notes / 5 year term funding
- Overall cost of funds:
  - Year 1 = 7.18%
- Forecast yield - year one 6.72%
- Forecast yield - year two 7.18%
- Anticipated as slightly dilutionary in year one: <1 cent and earnings enhancing from year two onwards

# Management of the mall

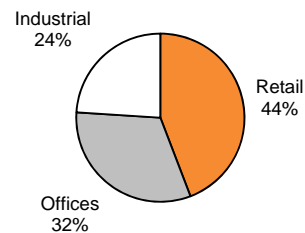
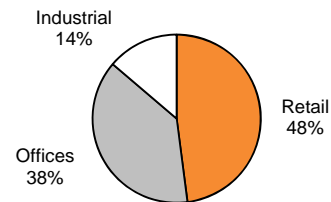
## Shareholder principles and co-ownership considerations

- Co-ownership agreement
  - There will be equal representation by Vukile and Redefine on the Manco
  - Each party will have equal voting rights
- All decisions will be made within the framework of the existing authority matrix for Vukile and Redefine
  - There will be three levels of escalation with defined mechanisms to resolve deadlocks if need be
- Agreement is based on common industry practice to co-manage assets
  - Both Vukile and Redefine have experience in this regard

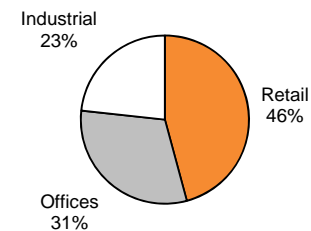
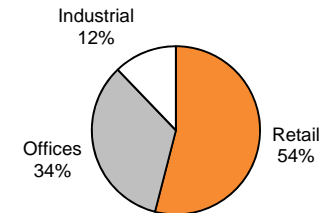
# Portfolio construction post the deal

	Pre-acquisition as at 30 September 2012	Post acquisition	Change
• Number of properties	: 82	: 83	+1.2%
• Rentable area (GLA)	: 1 054 323m <sup>2</sup>	: 1 085 546m <sup>2</sup>	+3.0%
• Portfolio value (directors' valuation)	: R7 698 million	: R8 702 million	+13.0%
• Loan to value	: 29.2%	: 33.6%	15%
• Vacancies	: 7.6% of GLA	: 7.4% of GLA	-3.0%

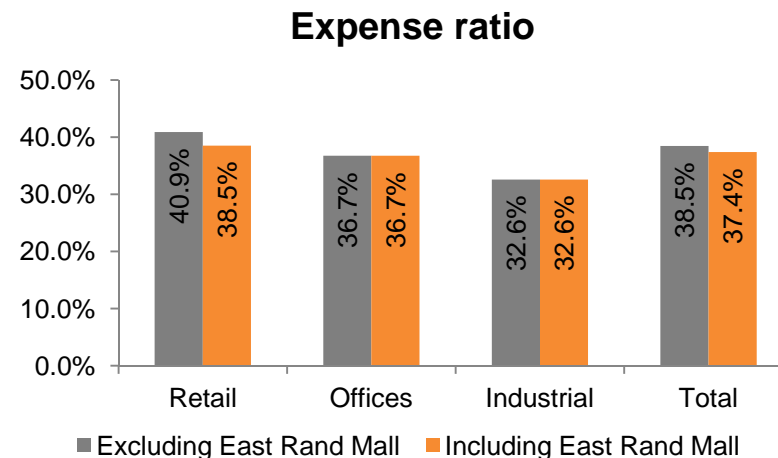
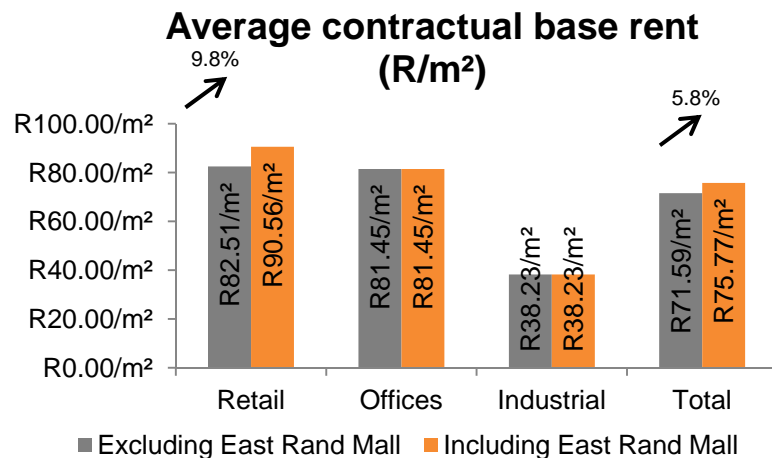
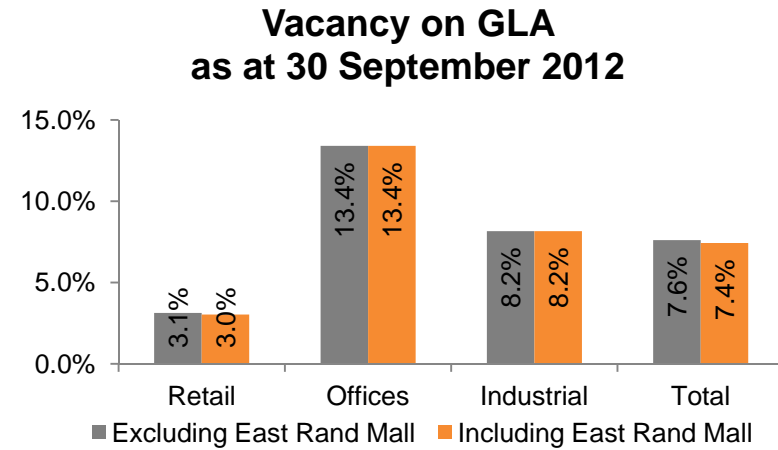
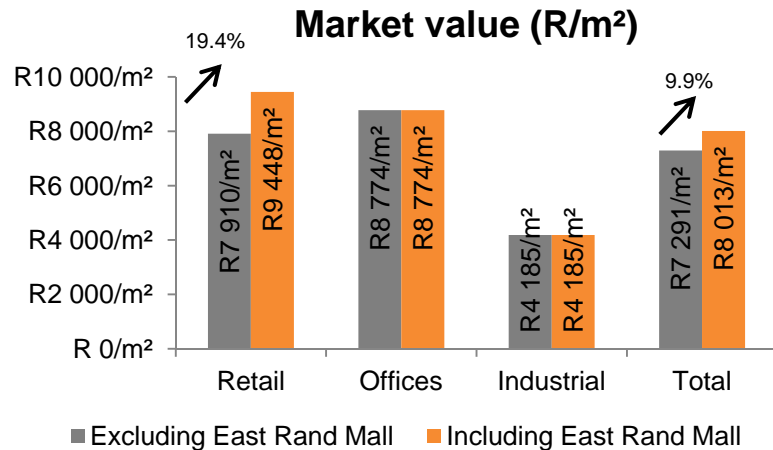
Vukile portfolio pre acquisition



Vukile portfolio post acquisition



# Positive impact on key metrics



# Treatment of sales commission

- Numerous concerns expressed around the lumpiness of earnings due to the sales commission generated on the Sanlam portfolio
- Tends to distort the solid underlying portfolio performance
- Explored various options but not capable of successful implementation
  - REIT Structure
  - Annuitise the sales commission income
- Evaluated two options
  - Smoothing the income
  - Pay as a special distribution when earned
- ***Decided on paying out abnormal sales commission as a special distribution starting with the East Rand Mall commission***

# Rationale for special distribution

- Removes uncertainty going forward
- From F2014, distribution will only be from predictable income streams being property revenue, asset management fees, interest income
- A special distribution of c.R67 million arising from the sales commission earned on the sale of East Rand Mall will be paid in the financial year in which it is earned
  - Still uncertain at this stage if it will be F2013 or F2014
  - Will update on SENS, all hinges on date of Competition Commission approval
- In essence F2014 will be a year of slightly lower rebased earnings which will be more than offset by a significant special distribution
- Will provide earnings guidance at year end for F2014
- From 2015 expect a normalised growth trajectory on predictable earnings
- Consistent treatment of abnormal sales commission as a special distribution going forward

# Prospects

- Economy remains fragile both locally and abroad
- Retail is still performing well
- Increased industrial activity
- Offices remain challenging and subdued
- Overall the portfolio is performing well
- Strong focus on operational efficiencies
- Continue driving our core growth strategy
- Growth in distribution for F2013 expected to be in the range of 4 – 6% excluding any special distribution in respect of sales commission arising on the sale of East Rand Mall



# Acknowledgements

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- Board
- Property managers
- Service providers
- Brokers and developers
- Tenants
- Investors
- Funders
- **Team Vukile!**



Questions and answers

# CLOSING