

# GROUP RESULTS FOR THE YEAR ENDING 31 MARCH 2016

  
**VUKILE**  
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

[www.vukile.co.za](http://www.vukile.co.za)



# AGENDA

- 01 Highlights
- 02 Financial performance
- 03 Portfolio performance and overview
- 04 Acquisitions, disposals and developments
- 05 Corporate activity and strategy
- 06 Questions



# HIGHLIGHTS

Laurence Rapp

  
**VUKILE**  
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# HIGHLIGHTS

- 7.0% increase in distribution to 146.348 cents per share for the full year
  - 7% increase in H2 to 83.126 cps
- Strong operational result with an improvement in key metrics
  - Vacancies reduced to 3.9% of GLA
  - Positive reversions across all sectors, retail up 12.3%
- Successful R760 million offshore investment through acquiring a 26.1% stake in Atlantic Leaf
- Acquisition of four retail shopping centres at a total cost of R1.2 billion
- Acquisition into two regional mall developments at a cost of R600 million
- Successful equity raise of R1.1 billion in May 2015
- Successful refinance of R2 billion debt during the reporting period
- Gearing ratio of 29.5% with 86.4% of debt hedged
- Achieved Level 3 B-BBEE rating



# FINANCIAL PERFORMANCE

Mike Potts

  
**VUKILE**  
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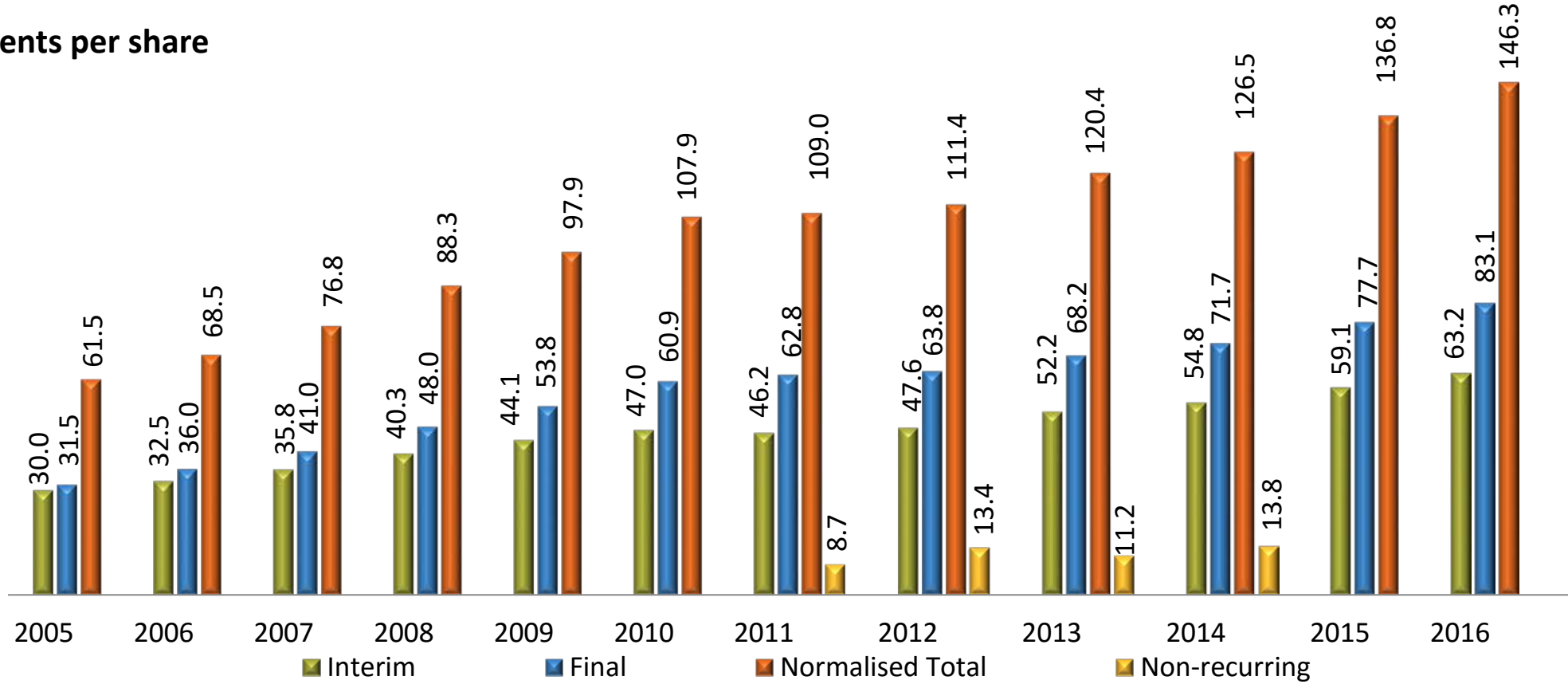
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# DISTRIBUTION HISTORY

12 years of unbroken growth in distributions

Cents per share



# SIMPLIFIED INCOME STATEMENT

## c.R1 billion of distributable income

	2016 March Group R000	2015 March Group R000	Variance Group %	Note
<b>Calculation of distributable earnings</b>				
Net profit from property operations excluding straight-line income adjustment	1 103 392	961 542	14.8	
Income from asset management business	15 225	24 692	(38.3)	(I)
Dividends received from Fairvest	7 626	26 115	26.5	(II)
Dividends received from Synergy	33 189	33 144	99.2	(III)
Interest and other income	90 083	24 851	100	
Corporate and administrative expenses	(81 055)	(69 742)	(16.2)	
Cost of acquiring a business combination	(1 230)	(2 778)	55.7	
Finance costs	(309 618)	(260 915)	(18.7)	
Taxation (including deferred tax on timing differences)	(9 419)	(26)	(100)	
Shares issued cum distribution	63 024	33 262	-	
Dividends receivable from Fairvest	25 408	-	-	(II)
Dividends receivable from Synergy	32 847	-	-	(III)
Dividends receivable from Atlantic Leaf	20 511	-	-	
Costs of acquiring business combinations	1 230	2 778	-	
Pre-acquisition dividends	-	1 293	-	
Project management fees receivable from Sanlam	8 000	-	-	(IV)
	<b>999 213</b>	<b>774 216</b>		
Less: non-controlling interest attributable to Clidet 1011 (Pty) Ltd ("Clidet")	(2 901)	-		
<b>Available for distribution to Vukile shareholders</b>	<b>996 312</b>	<b>774 216</b>	<b>28.9</b>	

(I) The asset management fees and Vukile's net property management fees of R13.2 million earned on the management of Synergy's portfolio has been restated in property expenses and as income from the asset management business -reversed on consolidation.

(II) and (III) Combined with the dividends receivable post 31 March 2016 in respect of the year ended 31 March 2016. Previously, interest on linked debentures was accrued at year end and formed part of distributable income.

(IV) These fees represent cash receipts available for distribution, although in terms of IFRS requirements these fees were offset against the loss realised on the sale of the asset management business in the prior year.



# GROWTH IN NET PROFIT FROM PROPERTY OPERATIONS

Like-for-like growth of 5.8%

	March 2016 %
Increase in group net rental income	14.8
Made up as follows:	
▪ Like-for-like (stable portfolio)	5.8
▪ New property acquisitions contributed	10.2
▪ Less: Non-core properties sold	(1.2)
	<b>14.8</b>

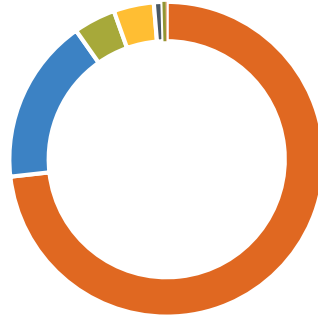




# GROUP NET INCOME ANALYSIS

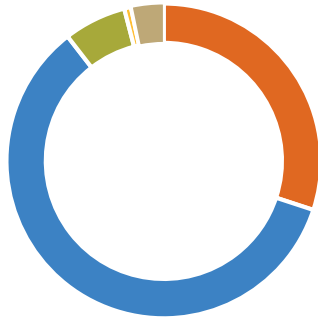
## Distributable income of R996 million

### Income R2 217.2 million



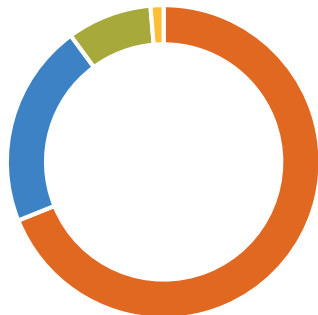
	<u>R'000</u>	<u>%</u>
Rental income and other	1 623 739	73.2
Electricity and water services recovered	376 885	17.0
Rates and taxes recovered	95 776	4.3
Investment and other income	91 711	4.1
Investment from associate	19 423	0.9
Dividends received from listed securities	7 626	0.4
Asset management business income	2 074	0.1

### Expenses R1 312.4 million



	<u>R'000</u>	<u>%</u>
Finance costs	394 301	30.0
Property expenses	780 584	59.5
Corporate and asset management expenses	84 288	6.4
Tax	9 076	0.7
Cost of acquiring a business combination	1 230	0.1
Attributable to Synergy/Clidet	42 910	3.3

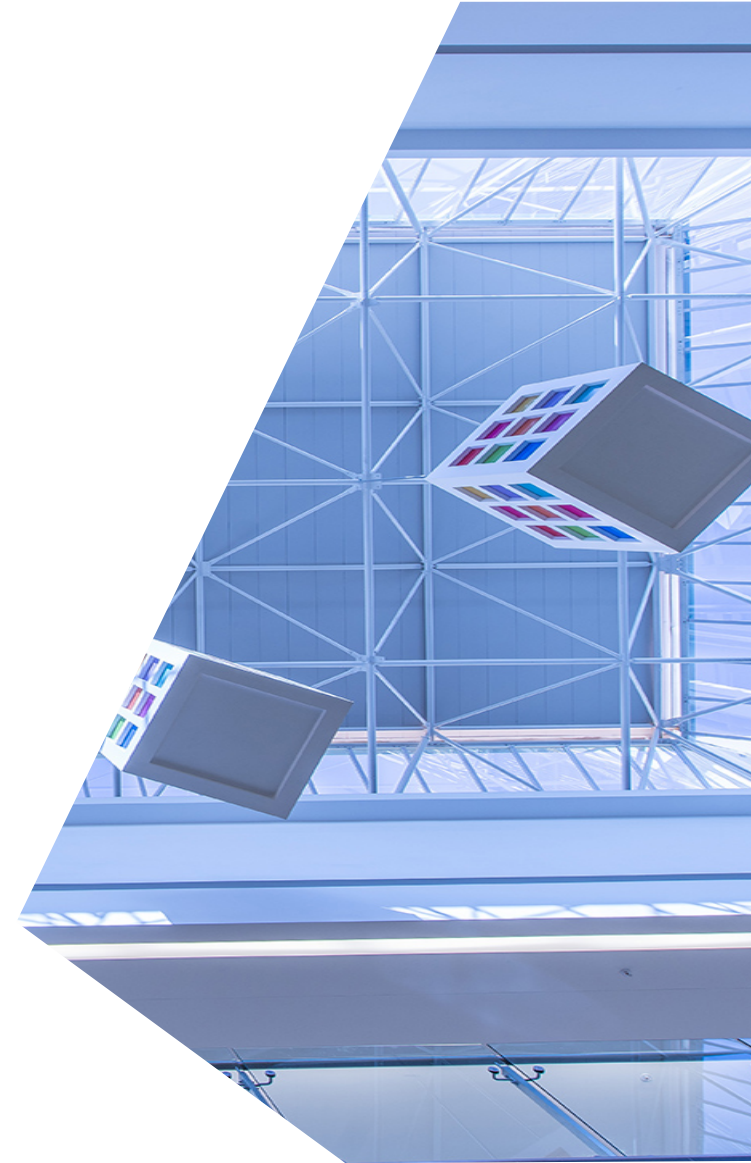
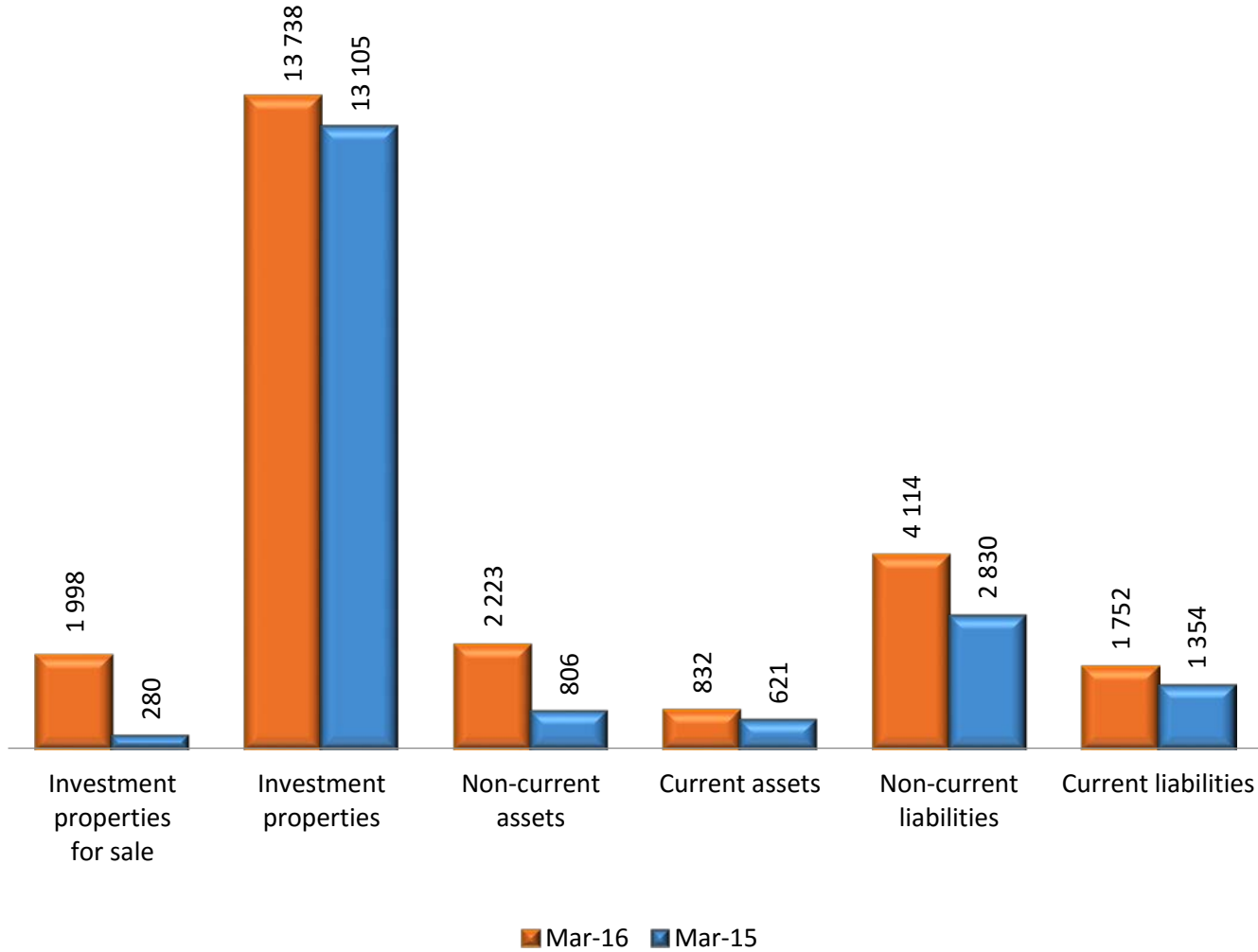
### Non IFRS adjustments R91.5 million



	<u>R'000</u>	<u>%</u>
Shares issued cum dividend	63 024	68.9
Dividends receivable from listed securities	19 213	21.0
Asset management income arising on sale of business to Sanlam	8 000	8.8
Costs of acquiring a business combination (Clidet)	1 230	1.3

# GROUP BALANCE SHEET – (R'm)

## Assets and liabilities



# BAD DEBT AND ARREARS ANALYSIS

## Prudent Provisioning Policy

- Tenant arrears amounted to R64 million or 3.05% of gross rental income, a reduction from 3.24% at March 2015
- Doubtful debt allowance marginally up to R28 million (March 2015: R27.4 million)
- The doubtful debt allowance equates to 1.34% of gross rental income for the year ending 31 March 2016, a reduction from 1.7% in the prior year

	<b>March 2016 R'000</b>
Doubtful debt allowance 1 April 2015	<b>27 379</b>
<ul style="list-style-type: none"> <li>▪ Allowance for receivables impairment for the year</li> <li>▪ Receivables written off as uncollectable</li> </ul>	<b>13 507</b>
	<b>(12 924)</b>
	<b>27 962</b>
<ul style="list-style-type: none"> <li>▪ Clidet's impairment allowance at acquisition</li> </ul>	<b>48</b>
Doubtful debt allowance at 31 March 2016	<b>28 010</b>
Bad debt write-off per the statement of profit and loss	<b>13 086</b>



# GROUP DEBT STRUCTURE

**Conservatively geared and well hedged**

	March 2016	March 2015
	%	%
Gearing ratio	<b>29.5</b>	26.6
Loan to value ratio net of available cash	<b>26.9</b>	26.0
% Interest bearing term debt hedged	<b>86.4</b>	88.0
Annualised cost of finance <sup>(1)</sup>	<b>8.5</b>	8.4

<sup>(1)</sup>Based on average of interest bearing debt, excluding development debt, at 31 March 2016 and 2015

## SWAPS

- R1.1 billion swaps entered into during the year to hedge new debt raised to finance acquisitions
- Post year end additional interest rate swaps were concluded to hedge interest on 25% of the £18 million debt. 100% of the interest on this sterling debt is now hedged.
- Current average swap maturity profile : 3.0 years



# GROUP DEBT STRUCTURE

## Diversified sources of funding

### DEBT REFINANCED DURING THE YEAR

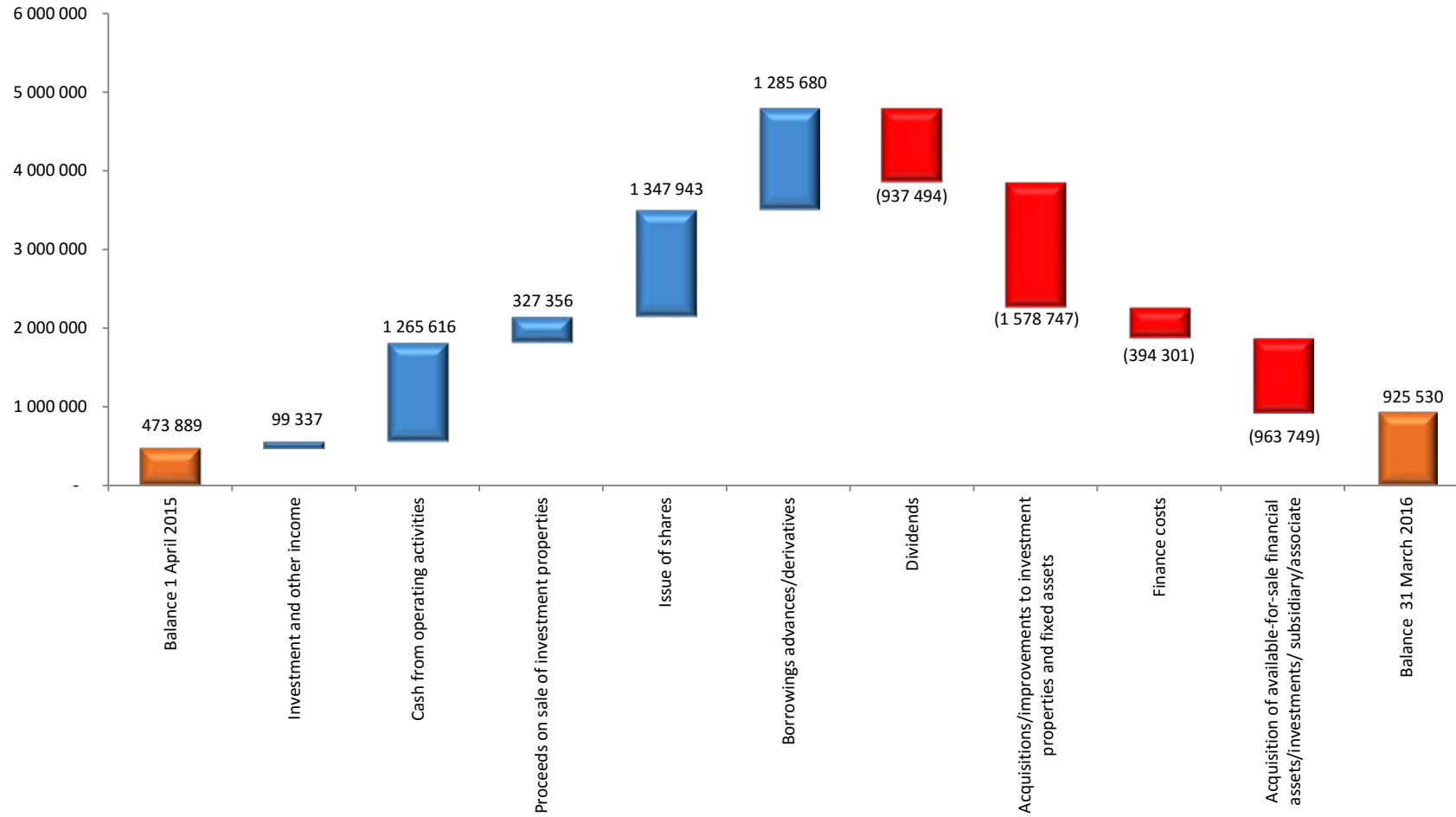
- Corporate bonds totalling R780 million
- R720 million commercial paper
- Bank debt of R463.3 million

Strategy	2016	2015
Diversify funders to at least three providers	Five funders	Five funders
Diversify funding structures	% of total	% of total
Bank debt	69%	57%
Secured bonds	19%	26%
Commercial paper/unsecured bonds	12%	17%
	100%	100%



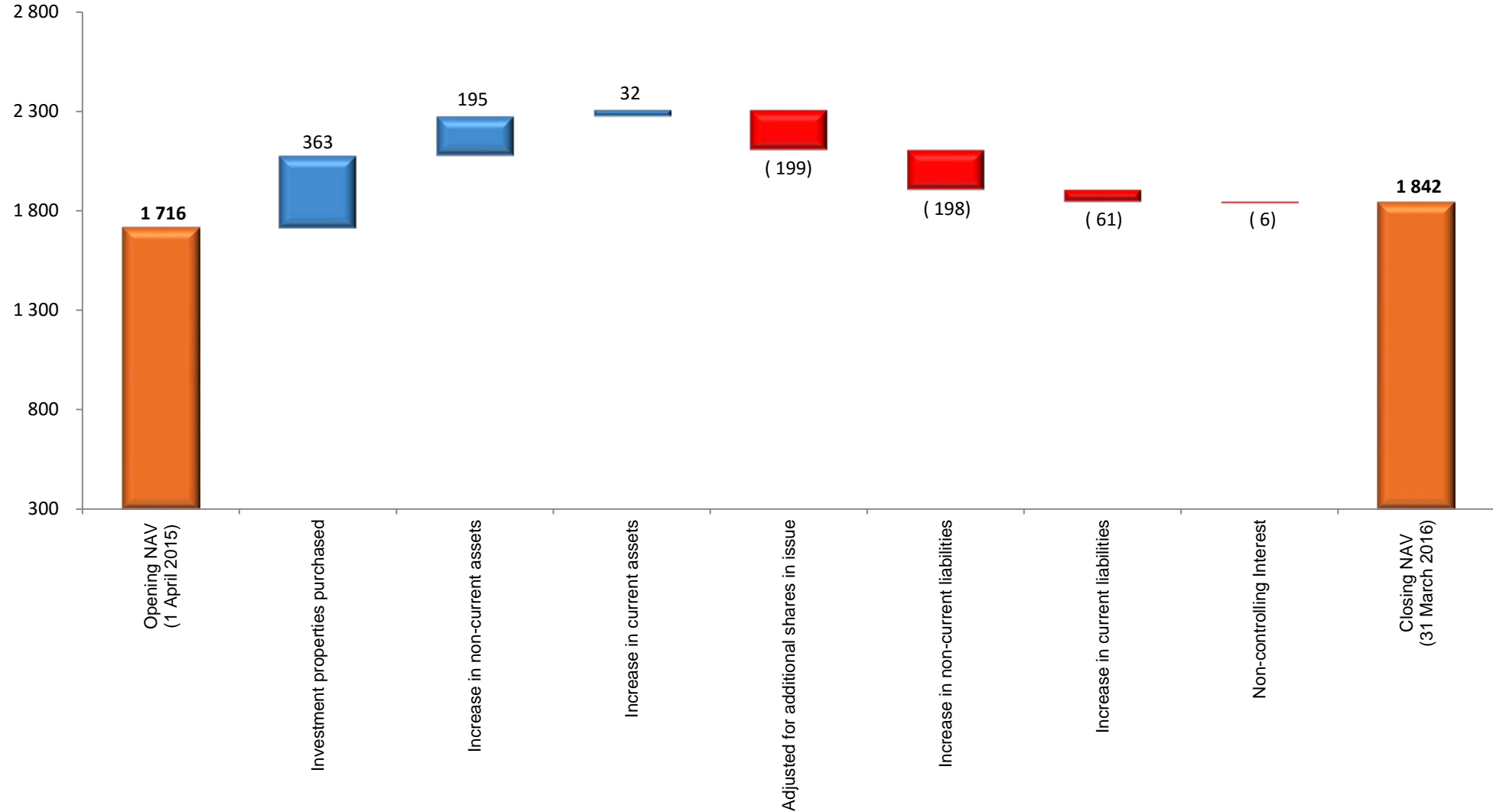
# GROUP NET CASH FLOW – (R'000)

## Summary of inflows - outflows



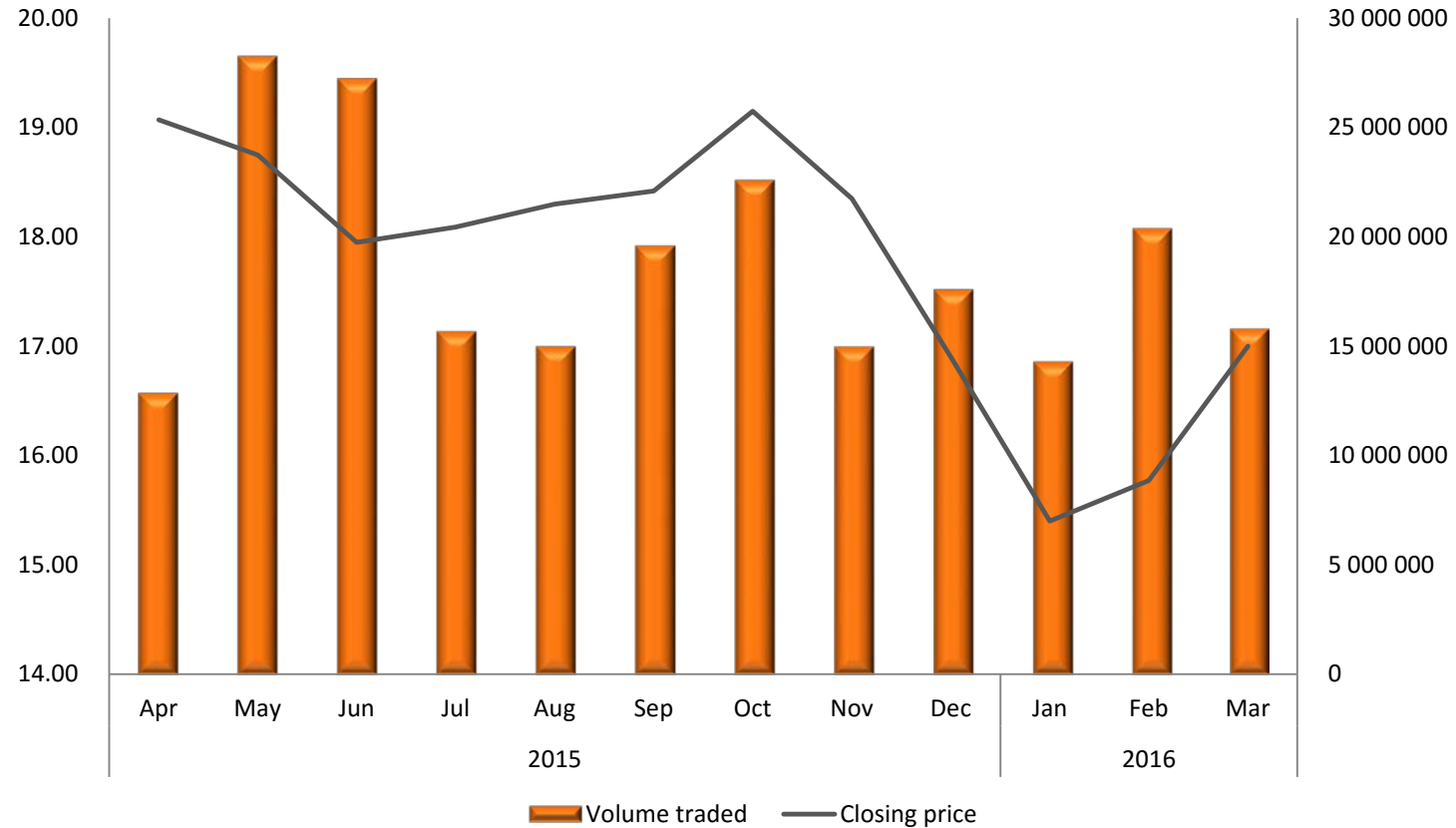
# NAV BRIDGE – (Cents)

7% growth in NAV



# SHARE PRICES AND TRADE VOLUMES

36% liquidity





# PROPERTY PORTFOLIO PERFORMANCE AND OVERVIEW

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# VALUATION PARAMETERS

## Total property assets of R16.7 billion

Total property assets	<b>R16.7 billion</b>		
Listed Portfolio	<b>R1.1 billion</b>		
<ul style="list-style-type: none"> <li>Atlantic Leaf</li> </ul>	<b>R0.8 billion</b>		
<ul style="list-style-type: none"> <li>Fairvest</li> </ul>	<b>R0.3 billion</b>		
<b>Direct Property Portfolio</b>		<b>Vukile</b>	<b>Synergy</b>
<ul style="list-style-type: none"> <li>Valuation</li> </ul>	<b>R15.6 billion</b>	R13.2 billion	R2.4 billion
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>52% of portfolio valued externally, values in line with director's valuations</li> </ul> </li> </ul>			
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Average value per property</li> </ul> </li> </ul>	<b>R150m</b>	R148m	R163m
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Average discount rate</li> </ul> </li> </ul>	<b>14.2%</b>	14.3%	14.0%
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Average exit capitalisation rate</li> </ul> </li> </ul>	<b>9.7%</b>	9.7%	9.4%
<ul style="list-style-type: none"> <li>Number of properties</li> </ul>	<b>104</b>	89	15
<ul style="list-style-type: none"> <li>GLA</li> </ul>	<b>1 427 591m<sup>2</sup></b>	1 227 628m <sup>2</sup>	199 963m <sup>2</sup>

# LEASING AND TENANT EXPOSURE

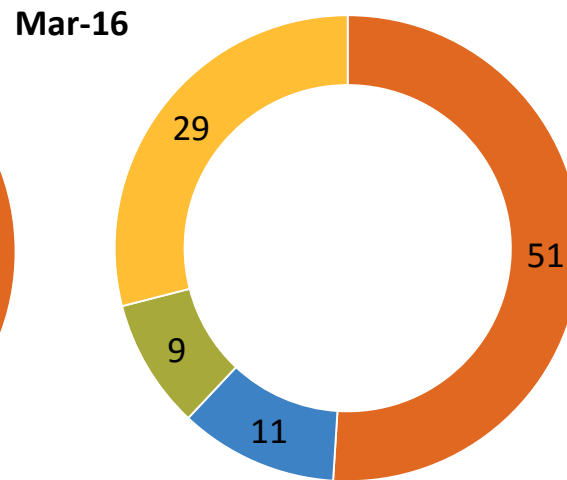
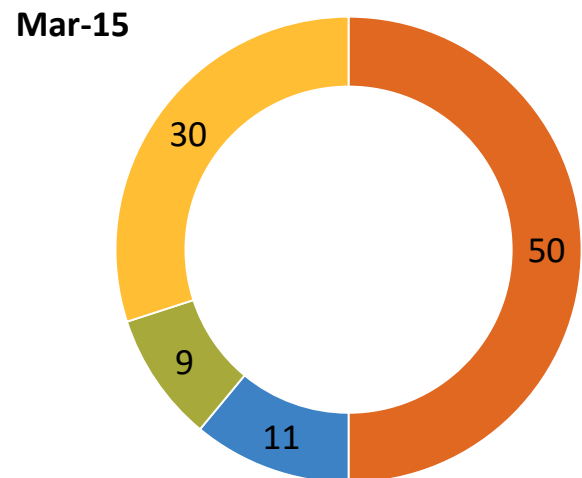
## Mainly national tenant exposure

For the 12 months ended 31 March 2016 leases were concluded with:

- Total contract value R1 681 million
- Total rentable area 305 804m<sup>2</sup>

Lease renewals 70% of leases to be renewed during the period ended 31 March 2016 were renewed or are in the process of being renewed.

Tenant exposure: (% of GLA)

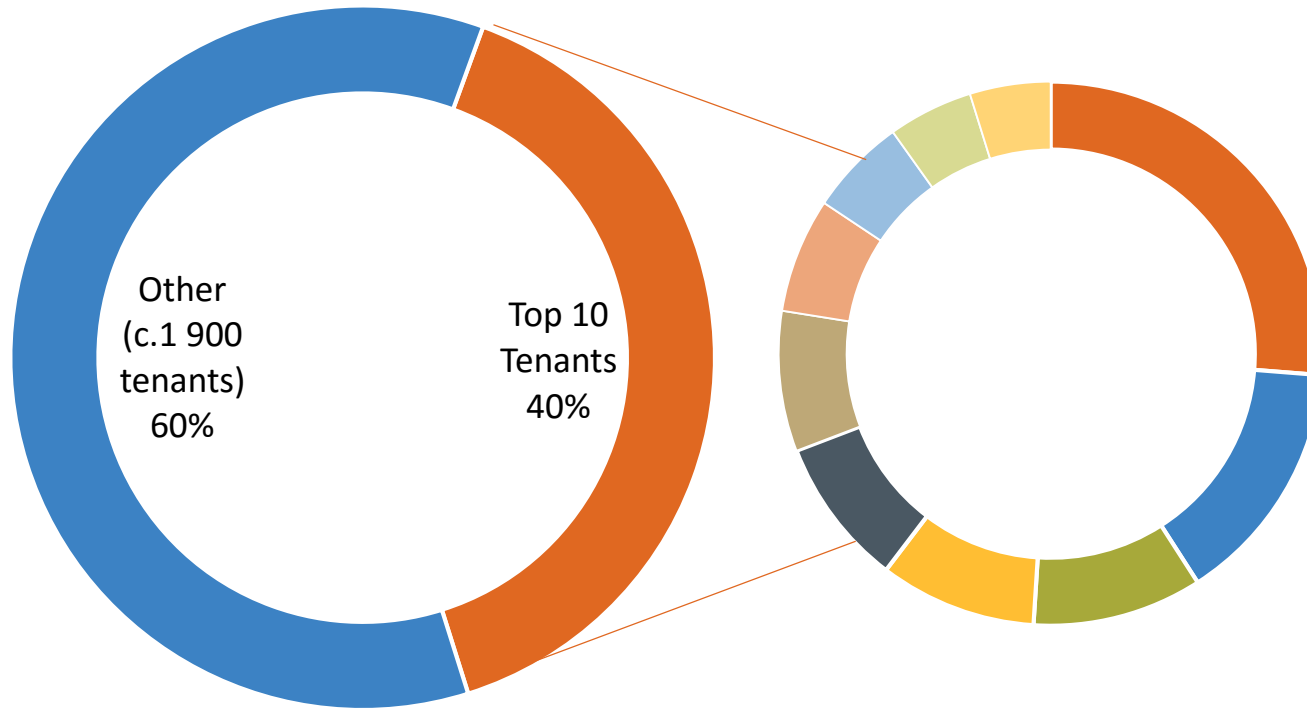


- Large national and listed tenants and major franchises
- Government
- National and listed tenants, franchised and medium to large professional firms
- Other (c 2 000 tenants)

	Vukile		Synergy	
	Mar-15	Mar-16	Mar-15	Mar-16
Large national and listed tenants and major franchises	45	47	76	74
Government	13	12	-	-
National and listed tenants, franchised and medium to large professional firms	9	10	7	6
Other (c 2 000 tenants)	33	31	17	20

# TENANT EXPOSURE – TOP 10 TENANTS

Well diversified tenant mix



	<b>% of Total Portfolio GLA</b>	<b>% of Vukile Portfolio GLA</b>	<b>% of Synergy Portfolio GLA</b>
Government	10.4	12.1	-
Shoprite	5.8	5.8	5.2
Edcon	4.0	4.0	3.8
Pick 'n Pay	3.7	4.0	1.8
Spar	3.5	1.0	19.1
Pepkor	3.3	3.0	5.1
Massmart	2.7	2.1	6.3
Behr South Africa	2.3	2.7	-
Medi-Clinic	2.0	2.3	-
Foschini	1.9	1.6	4.0

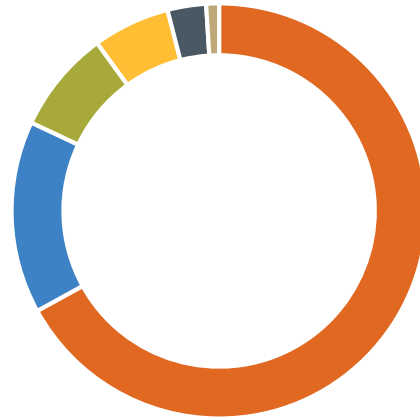
# SECTORAL PROFILE

67% exposure (based on value) to the Retail sector

Value: R15 598m

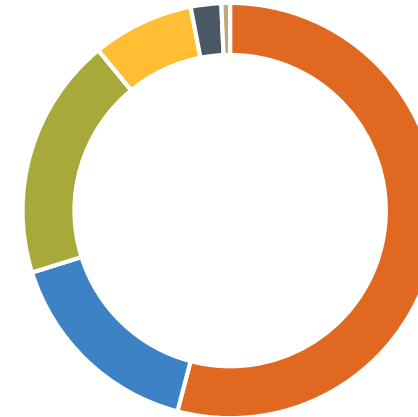
GLA: 1 427 591m<sup>2</sup>

Portfolio including Synergy



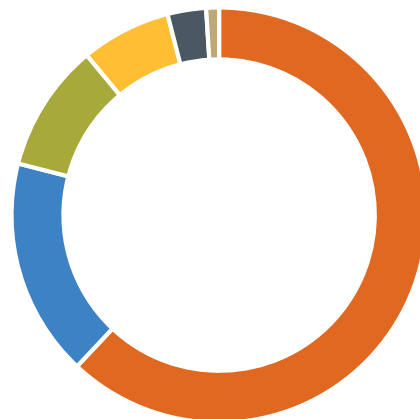
% of Total Portfolio	
Retail	67
Offices	15
Industrial	8
Sovereign	6
Hospital & Residential	3
Motor Related	1

Portfolio including Synergy



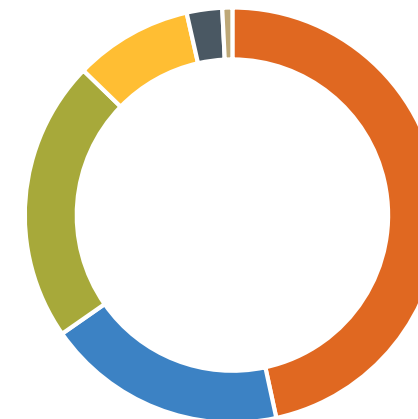
% of Total Portfolio	
Retail	54
Offices	16
Industrial	19
Sovereign	8
Hospital & Residential	2
Motor Related	1

Vukile



% of Vukile Portfolio	
Retail	62
Offices	17
Industrial	10
Sovereign	7
Hospital & Residential	3
Motor Related	1

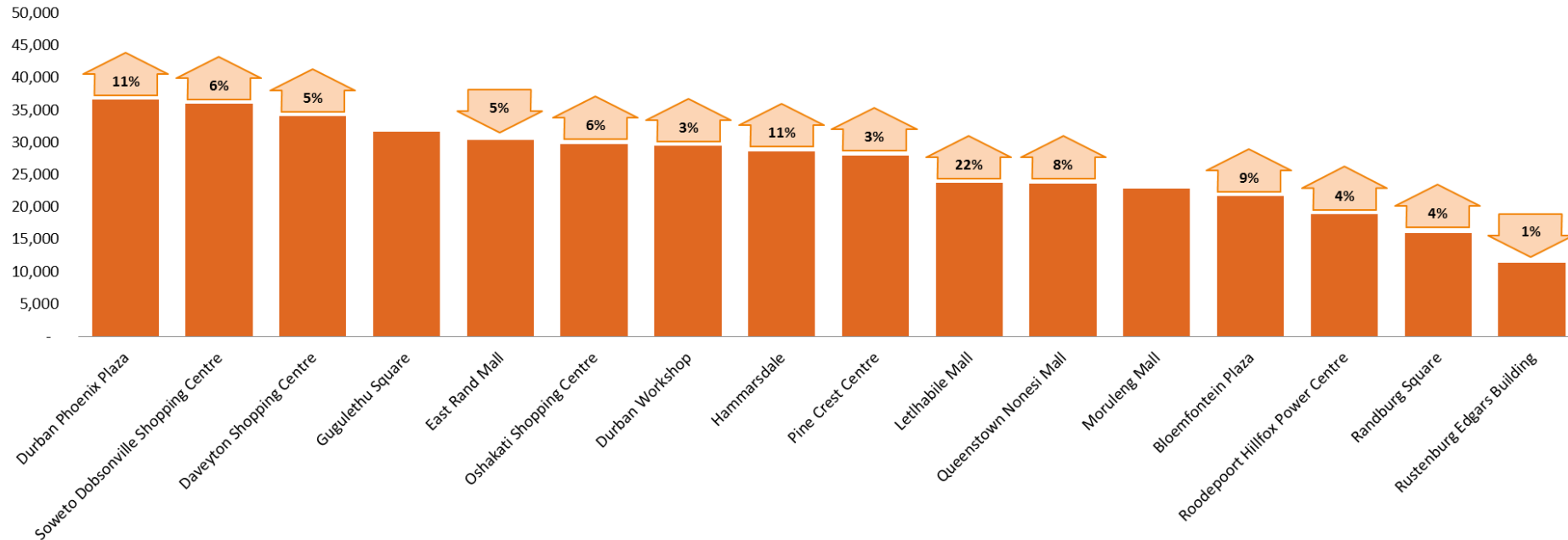
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% of Vukile Portfolio	
Retail	46
Offices	19
Industrial	22
Sovereign	9
Hospital & Residential	3
Motor Related	1






# RETAIL PORTFOLIO TRADING STATISTICS

Like for like trading density growth of 7% as at 31 March 2016



- Like for like annual trading density growth of 7% for centres above 10 000m<sup>2</sup> (3.7% growth including East Rand Mall which slowed due to the current refurbishment project)
- Compares to SAPOA's like for like trading density growth of 5.5% (December 2015)
- Vukile attracts an estimated 13 million monthly shoppers across its retail portfolio






# 10 LARGEST RETAIL PROPERTIES

	East Rand Mall	Phoenix Plaza	Gugulethu Square	Dobsonville Shopping Centre	Moruleng Mall																																																																											
																																																																																
Value	R 1 220m# (7.8%)	R 747m (4.8%)	R 429m (2.8%)	R 398m (2.5%)	R 387m# (2.5%)																																																																											
Region	Gauteng	KwaZulu-Natal	Western Cape	Gauteng	Northwest																																																																											
Gross lettable area	69 508m <sup>2</sup>	24 363m <sup>2</sup>	25 322m <sup>2</sup>	23 177m <sup>2</sup>	31 421m <sup>2</sup>																																																																											
Monthly Rental *	R 248/m <sup>2</sup>	R 228/m <sup>2</sup>	R 133/m <sup>2</sup>	R 125/m <sup>2</sup>	R 108/m <sup>2</sup>																																																																											
National Tenant exposure	92%	80%	90%	83%	82%																																																																											
Average annual trading density	30 424	36 647	31 601	36 006	22 913																																																																											
Major Tenants	<table border="0"> <tr> <td>Edgars</td> <td>8 140m<sup>2</sup></td> <td>12%</td> </tr> <tr> <td>Woolworths</td> <td>7 636m<sup>2</sup></td> <td>11%</td> </tr> <tr> <td>Mr Price</td> <td>6 874m<sup>2</sup></td> <td>10%</td> </tr> <tr> <td>Ster Kinekor</td> <td>3 190m<sup>2</sup></td> <td>5%</td> </tr> <tr> <td>Truworths</td> <td>2 996m<sup>2</sup></td> <td>4%</td> </tr> </table>	Edgars	8 140m <sup>2</sup>	12%	Woolworths	7 636m <sup>2</sup>	11%	Mr Price	6 874m <sup>2</sup>	10%	Ster Kinekor	3 190m <sup>2</sup>	5%	Truworths	2 996m <sup>2</sup>	4%	<table border="0"> <tr> <td>Shoprite Checkers</td> <td>3 830m<sup>2</sup></td> <td>16%</td> </tr> <tr> <td>The Hub</td> <td>2 456m<sup>2</sup></td> <td>10%</td> </tr> <tr> <td>Jet Stores</td> <td>1 154m<sup>2</sup></td> <td>5%</td> </tr> <tr> <td>First National Bank</td> <td>901m<sup>2</sup></td> <td>4%</td> </tr> <tr> <td>Clicks</td> <td>823m<sup>2</sup></td> <td>3%</td> </tr> </table>	Shoprite Checkers	3 830m <sup>2</sup>	16%	The Hub	2 456m <sup>2</sup>	10%	Jet Stores	1 154m <sup>2</sup>	5%	First National Bank	901m <sup>2</sup>	4%	Clicks	823m <sup>2</sup>	3%	<table border="0"> <tr> <td>Shoprite Checkers</td> <td>3 500m<sup>2</sup></td> <td>14%</td> </tr> <tr> <td>Spar</td> <td>2 924m<sup>2</sup></td> <td>12%</td> </tr> <tr> <td>Jet Stores</td> <td>1 508m<sup>2</sup></td> <td>6%</td> </tr> <tr> <td>Cashbuild</td> <td>1 320m<sup>2</sup></td> <td>5%</td> </tr> <tr> <td>First National Bank</td> <td>883m<sup>2</sup></td> <td>3%</td> </tr> </table>	Shoprite Checkers	3 500m <sup>2</sup>	14%	Spar	2 924m <sup>2</sup>	12%	Jet Stores	1 508m <sup>2</sup>	6%	Cashbuild	1 320m <sup>2</sup>	5%	First National Bank	883m <sup>2</sup>	3%	<table border="0"> <tr> <td>Shoprite Checkers</td> <td>3 644m<sup>2</sup></td> <td>16%</td> </tr> <tr> <td>Jet Stores</td> <td>1 590m<sup>2</sup></td> <td>7%</td> </tr> <tr> <td>Fruit and Veg City</td> <td>1 000m<sup>2</sup></td> <td>4%</td> </tr> <tr> <td>Mr Price</td> <td>711m<sup>2</sup></td> <td>3%</td> </tr> <tr> <td>Joshua Doore</td> <td>705m<sup>2</sup></td> <td>3%</td> </tr> </table>	Shoprite Checkers	3 644m <sup>2</sup>	16%	Jet Stores	1 590m <sup>2</sup>	7%	Fruit and Veg City	1 000m <sup>2</sup>	4%	Mr Price	711m <sup>2</sup>	3%	Joshua Doore	705m <sup>2</sup>	3%	<table border="0"> <tr> <td>Shoprite Checkers</td> <td>4 550m<sup>2</sup></td> <td>14%</td> </tr> <tr> <td>Pick n Pay</td> <td>2 645m<sup>2</sup></td> <td>8%</td> </tr> <tr> <td>Edgars</td> <td>2 000m<sup>2</sup></td> <td>6%</td> </tr> <tr> <td>Truworths</td> <td>1 400m<sup>2</sup></td> <td>4%</td> </tr> <tr> <td>Lifestyle Furnishers</td> <td>948.75m<sup>2</sup></td> <td>3%</td> </tr> </table>	Shoprite Checkers	4 550m <sup>2</sup>	14%	Pick n Pay	2 645m <sup>2</sup>	8%	Edgars	2 000m <sup>2</sup>	6%	Truworths	1 400m <sup>2</sup>	4%	Lifestyle Furnishers	948.75m <sup>2</sup>	3%
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# Vukile portion of property value

\* Average base rental excluding recoveries

# 10 LARGEST RETAIL PROPERTIES

	Pine Crest			Randburg Square			Nonesi Mall			Oshakati Shopping Centre			Bedworth Centre		
															
Value	R 375m# (2.4%)			R 359m (2.3%)			R 350m (2.2%)			R 341m (2.2%)			R 339m (2.2%)		
Region	KwaZulu-Natal			Gauteng			Eastern Cape			Namibia			Gauteng		
Gross lettable area	40 112m <sup>2</sup>			40 874m <sup>2</sup>			28 147m <sup>2</sup>			24 632m <sup>2</sup>			33 937m <sup>2</sup>		
Monthly Rental *	R 135/m <sup>2</sup>			R 90/m <sup>2</sup>			R 111/m <sup>2</sup>			R 115/m <sup>2</sup>			R 79/m <sup>2</sup>		
National Tenant exposure	93%			84%			97%			94%			95%		
Average annual trading density	23,942			15,725			23,882			20,029			n/a		
Major Tenants	Game Stores	5 556m <sup>2</sup>	14%	OK Bazaars	8 463m <sup>2</sup>	21%	Game Stores	4 819m <sup>2</sup>	17%	Game Stores	3 706m <sup>2</sup>	15%	Pick n Pay	17 521m <sup>2</sup>	52%
	Pick n Pay	5 508m <sup>2</sup>	14%	Woolworths	3 037m <sup>2</sup>	7%	Shoprite Checkers	3 175m <sup>2</sup>	11%	Pick n Pay	2 713m <sup>2</sup>	11%	Builders Warehouse	7 121m <sup>2</sup>	21%
	Woolworths	2 792m <sup>2</sup>	7%	Gym Company	2 723m <sup>2</sup>	7%	Pick n Pay	3 033m <sup>2</sup>	11%	Edgars	1 502m <sup>2</sup>	6%	Rochester	1 196m <sup>2</sup>	4%
	The Hub	2 610m <sup>2</sup>	7%	Edgars	1 685m <sup>2</sup>	4%	Woolworths	1 908m <sup>2</sup>	7%	Jet Stores	1 289m <sup>2</sup>	5%	Outdoor Warehouse	792m <sup>2</sup>	2%
	Virgin Active	2 350m <sup>2</sup>	6%	Jet Stores	1 500m <sup>2</sup>	4%	Edgars	1 500m <sup>2</sup>	5%	Pep Stores	954m <sup>2</sup>	4%	Coricraft	619m <sup>2</sup>	2%

# Vukile portion of property value

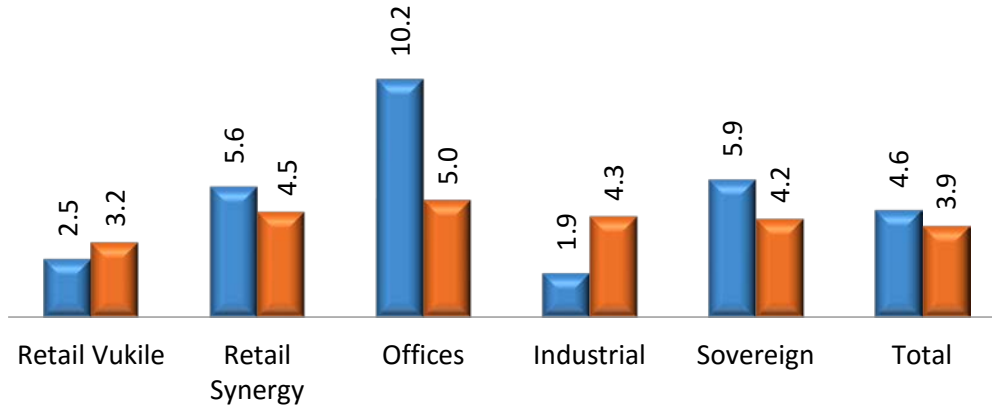
\* Average base rental excluding recoveries



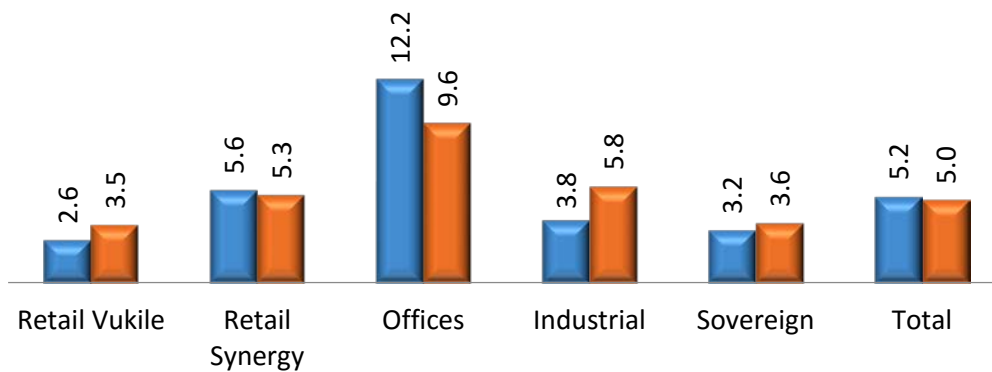
# VACANCY PROFILE

**Decreased to 3.9% of GLA**

Vacancy [% of GLA]



Vacancy [% of Rent]



■ Mar-15  
■ Mar-16



# INDIVIDUAL PROPERTIES VACANCY PROFILE (% OF GLA)

Vacancy > 1 000m<sup>2</sup>

**RETAIL : VUKILE (3.2%, up from 2.5%)**

- Randburg Square (6.6%)
- Roodepoort Hillfox Power Centre (8.2%)
- Bloemfontein Plaza (4.9%)
- Letlhabile Mall (8.3%)
- Mbombela Shoprite Centre (7.4%)

**RETAIL : SYNERGY (4.5%, down from 5.6%)**

- Hartbeespoort Sediba Shopping Centre (11.1%)
- Hammanskraal Renbro Shopping Centre (11.1%)
- Atlantis City Shopping Centre (6%)
- Emalaheni Highland Mews (7.4%)
- Ermelo Game Centre (15.7%)
- Roodepoort Ruimsig Shopping Centre (4.9%)

**OFFICES (5.0%, down from 10.2%)**

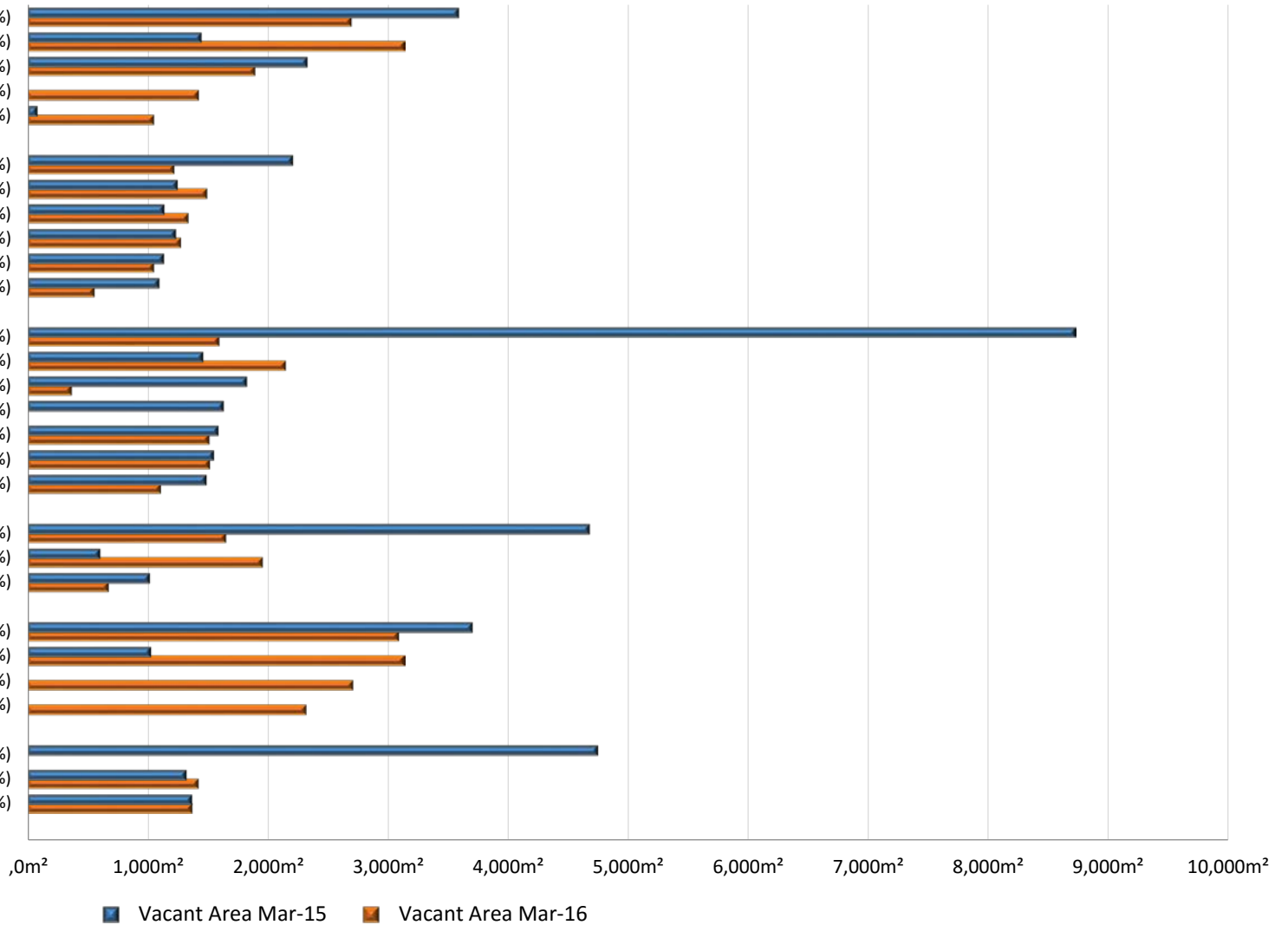
- Pretoria Arcadia Suncardia (5.5%)
- Jhb Isle of Houghton (7.6%)
- Cape Town Bellville Tijger Park (1.8%)
- Midrand Ulwazi Building (0%)
- Midrand IBG (17.6%)
- Sandton Bryanston St Andrews Complex (14.8%)
- Pretoria Hatfield 1166 Francis Baard Street (38.2%)

**SOVEREIGN (4.2%, down from 5.9%)**

- Pretoria De Bruyn Park (4%)
- Bloemfontein Fedsure House (17.9%)
- Pretoria Navarre Building (1.4%)

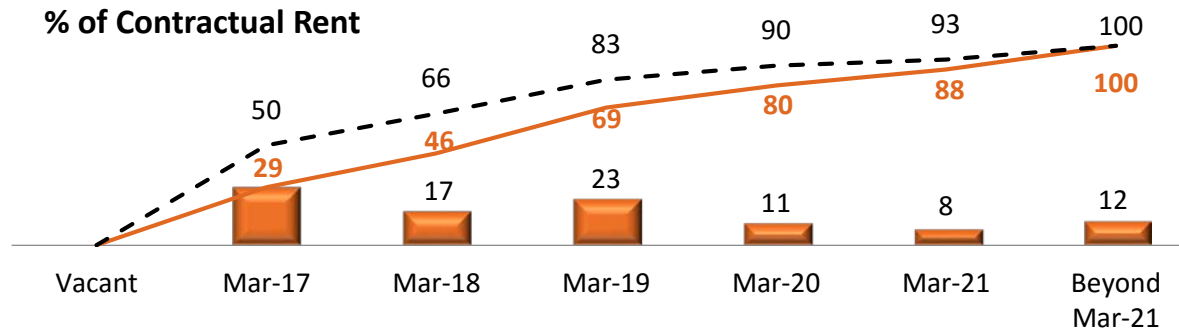
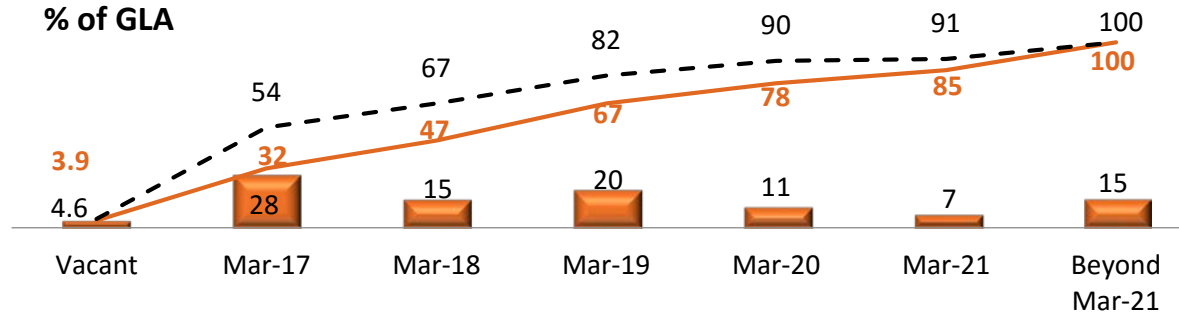
**INDUSTRIAL (4.3%, up from 1.9%)**

- Roodepoort Robertville Industrial Park (10.9%)
- Germiston Meadowdale R24 (8.9%)
- Sandton Linbro 7 On Mastiff Business Park (17.9%)
- Randburg Trevallyn Industrial Park (7.2%)
- Germiston Meadowdale Mall (0%)
- Boksburg East Rand Mall \* (4.1%)
- Cape Town Bellville Barons (20%)



# EXPIRY PROFILE

## Total portfolio (33% expiring 2020 and beyond)



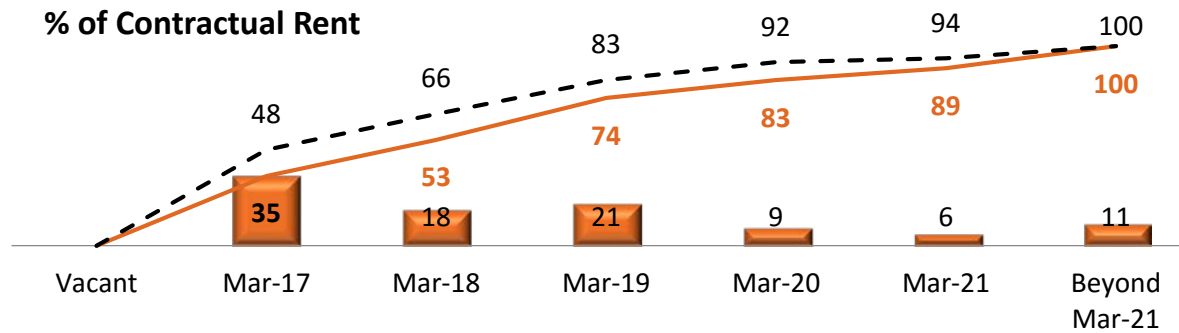
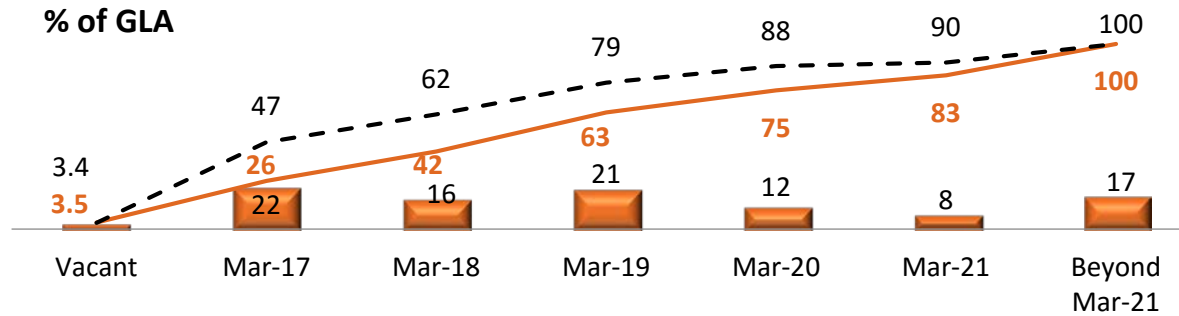
		Vacant	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Beyond
% of GLA	Vukile	3.8	33	48	68	77	83	100
	Synergy	4.5	29	44	64	82	92	100
% of Contractual Rent	Vukile		29	46	69	78	86	100
	Synergy		25	43	64	83	93	100






GLA / Rent  
 Cumulative as at Mar-16  
 Cumulative as at Mar-15

# EXPIRY PROFILE

## Retail portfolio (37% expiring 2020 and beyond)



		Vacant	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Beyond
% of GLA	Vukile	3.2	24	40	61	70	77	100
	Synergy	4.5	29	44	64	82	92	100
% of Contractual Rent	Vukile	-	25	44	67	76	85	100
	Synergy	-	25	43	64	83	93	100

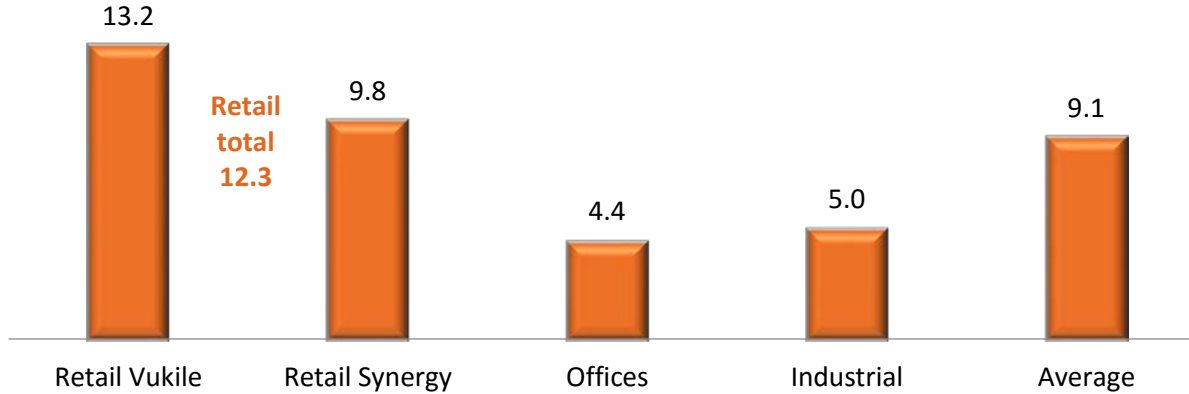
 GLA / Rent  
 Cumulative as at Mar-16  
 Cumulative as at Mar-15



# LEASE RENEWALS AND NEW LEASES CONCLUDED

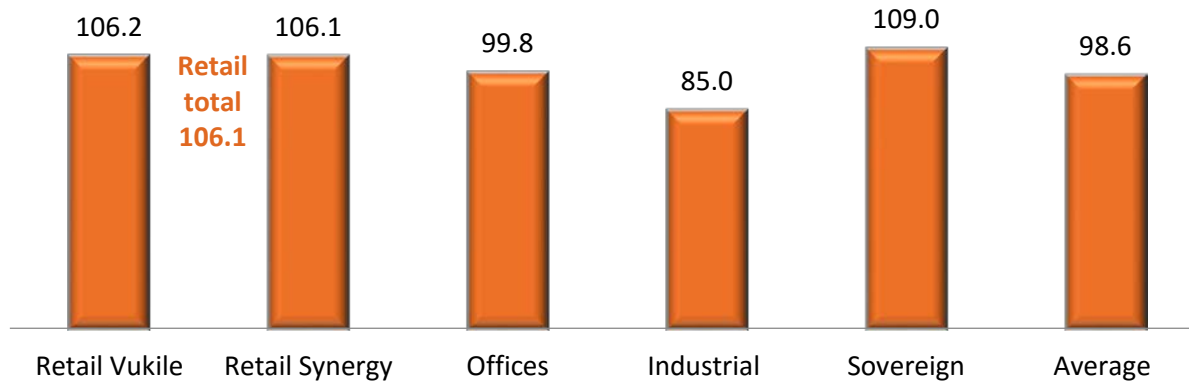
Positive reversions across all sectors; retail the star performer

Lease renewals - % escalation on expiry rentals



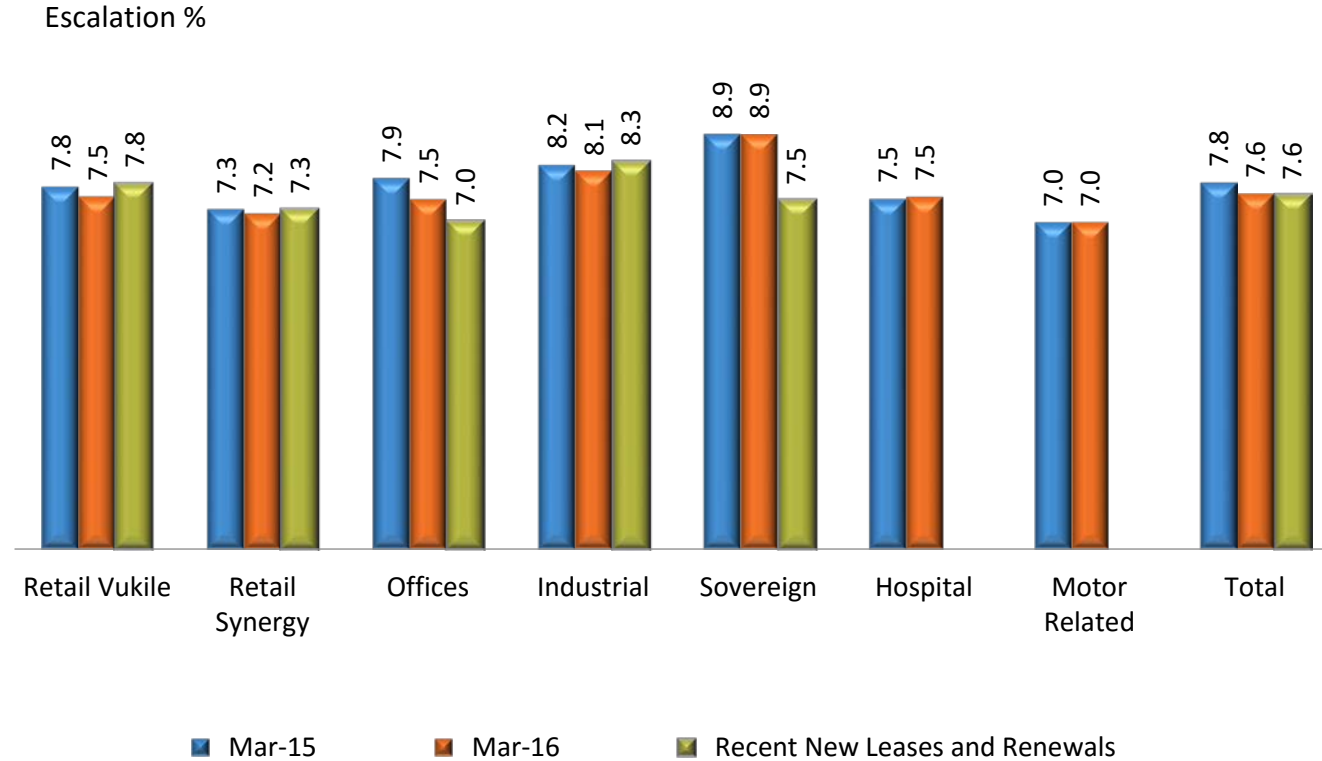
The sovereign portfolio had a few smaller retail lease renewals which did not impact on the overall portfolio trends.

New leases concluded - (Ratio of rental concluded against budget)



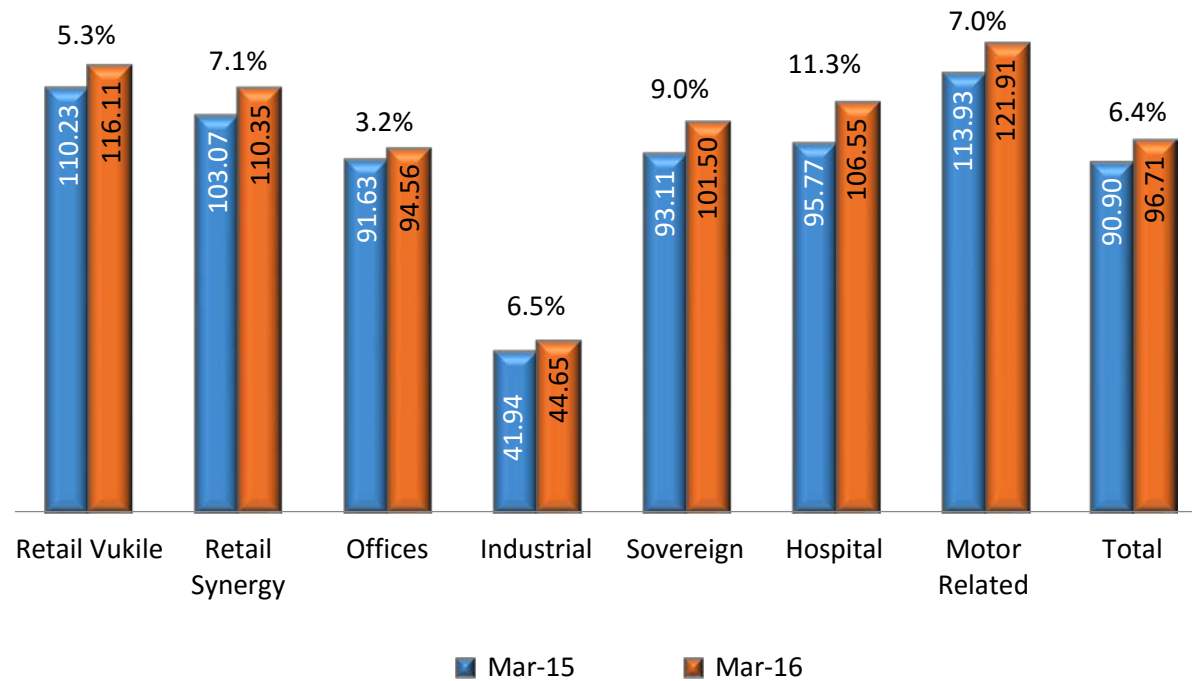
# CONTRACTED RENTAL ESCALATION PROFILE

## Rental escalations still ahead of inflation



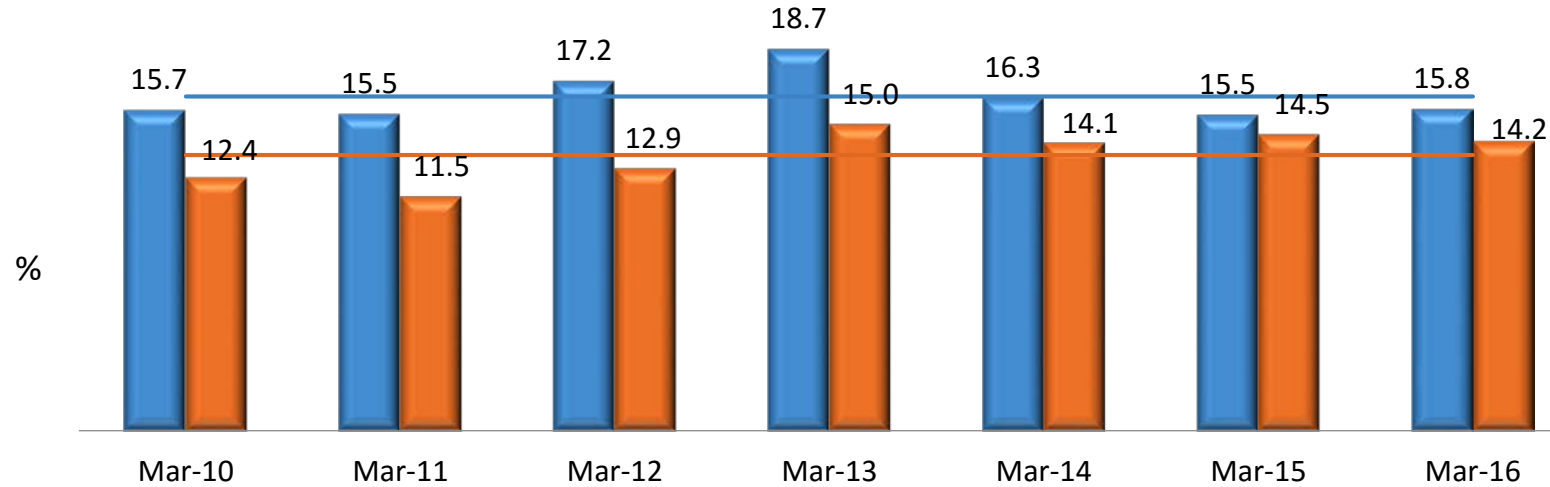
# WEIGHTED AVERAGE BASE RENTALS – R/m<sup>2</sup>

Excluding recoveries



# RATIO OF NET RECURRING COST TO PROPERTY REVENUE

## Stable cost management over time



Stable portfolio excluding recent acquisitions and sales

■ All recurring expenses      ■ All recurring expenses excluding rates & taxes and electricity

		Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16
All recurring expenses %	Vukile	15.7	15.5	17.2	18.7	16.3	15.5	15.8
	Synergy						17.7	19.5
All recurring expenses excluding rates, taxes and electricity %	Vukile	12.4	11.5	12.9	15.0	14.1	14.5	14.2
	Synergy						16.2	17.4

*Previously the cost-to-income ratio was calculated on a gross basis (recoveries included in income), which was changed to a net cost-to-income ratio (recoveries included in expenses) to align with industry best practice.*

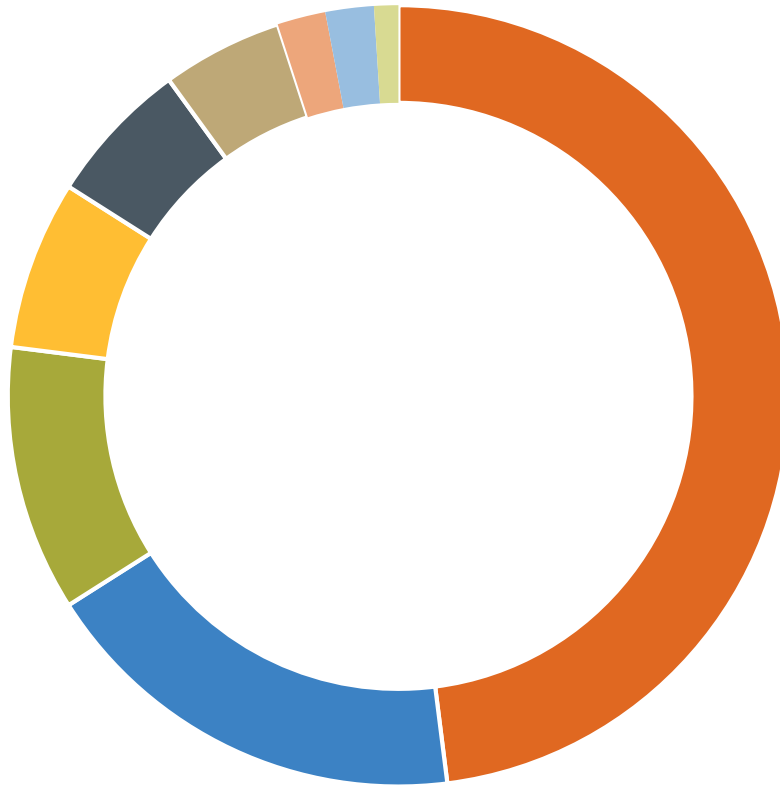




# RECURRING EXPENSES

84% of costs from top four categories;

66% of costs from Government Services and Rates & Taxes with 93% recovery



% of Recurring expenses	Total Portfolio	Vukile	Synergy
Government services	48	48	47
Rates & taxes	18	18	17
Cleaning & security	11	11	13
Property management fee	7	7	8
Maintenance contracts	6	6	4
Sundry expenses	5	6	1
Asset management fee	2	1	8
Bad debt	2	2	1
Insurance premiums	1	1	1

# REFURBISHMENTS

## Meadowdale Mall



- Redevelopment completed and relaunched in October 2015
- The gross lettable area of the new centre is now 45 952m<sup>2</sup>
- Joint venture with the Moolman Group. 67% Vukile owned and 33% Moolman Group owned
- Extension of 9 500m<sup>2</sup> fully let and delivered within budget at an expected yield of 10%
- Current overall vacancy 0.2% (106m<sup>2</sup>)
- The total capex for the Vukile portion was R111 million
- Received positive initial trading stats from tenants since re-launch
- The centre is anchored by Checkers Hyper (renewed lease for 10 years), with additional anchors Meat World and Apple Tree (2 840m<sup>2</sup>) being incorporated into the upgraded centre

# REFURBISHMENTS

## The Workshop



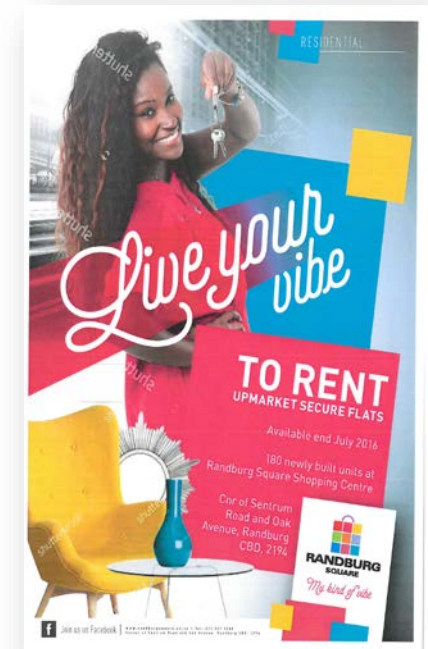
- Total capex : R75.0 million
- The total GLA is 19 961m<sup>2</sup>
- The Workshop is located in the Durban CBD close to rail, bus and taxi terminals and more than a million people visit the centre every month. First upgrade since its completion in 1986
- Major tenants in the centre include Pick 'n Pay, Truworths, Mr Price, Capitec Bank, Wimpy, Nando's and KFC
- New tenants that have commenced trading in the centre since the upgrade started include Pep Stores, Dunns, Ackermans, McDonalds, KFC, Pie City, Ice Cream Express, Fish Corner, Edgars Connect, Spec Savers, Gingers International, FNB and Le Coq Sportif
- Completed : November 2015
- The e-Thekweni Municipality has earmarked the area around The Workshop for future community related developments, including a new city library. The planned new extension to the Durban Convention Centre will be on a site adjacent to The Workshop's parking basement. The transport facilities of the precinct will also be improved

# CONVERSION

## Randburg Square residential



- Conversion of B grade office building into 180 quality Affordable Apartments
- The Apartments comprise a mix of Studios, 1 bed 1 bath and 2 bed 1 bath units
- The total capex for the conversion is R83 million at a yield of 9.8% when let
- Project is designed with utility efficiency in mind monitored by Smart pre paid metering technology
- The building's entire façade will be upgraded nearly 40 years after it was built
- Exciting new mixed use development for lower to mid-income consumers
- Access control systems for improved security
- Fibre-optic Satellite Master Antenna TV System
- Currently under construction, the project is scheduled to be ready for occupation from 1 September 2016



# PLANNED REFURBISHMENTS

## Phoenix Plaza



- Phoenix Plaza has a primary catchment area of approx. 5km radius with a very loyal customer base
- 80% of the shoppers support the centre on a weekly basis
- Phoenix Plaza has a monthly foot count of 800 000 with an annual trading density of R36 647/m<sup>2</sup>.
- The centre has a GLA of 24 363m<sup>2</sup> and was last upgraded in 2009
- The entrances, external façades of the parking garage and the centre, the mall tiles and toilet blocks will be upgraded
- The capital outlay is estimated at R19.5 million
- The centre is anchored by Shoprite, The Hub and Mr. Price and offers a large variety of other retailers which make Phoenix Plaza unique

# PLANNED REFURBISHMENTS

## Soweto Dobsonville Centre



- The centre has a GLA of 23 177m<sup>2</sup> and was last upgraded in 2008
- The office block will be demolished to accommodate an extension of the centre
- The entrances and food court area will be upgraded
- The capital outlay is estimated at R105 million
- 7 100m<sup>2</sup> will be added to the centre at a projected yield of 9.5%
- The following tenants have committed to the scheme: PnP Supermarket, Clicks, PnP Liquor, the Foschini Group with the following brands : The Fix, Sports Scene, Exact and Foschini Kids
- The redevelopment will also see an upgrade of the current Shoprite and Foodlovers Market
- A few tenants such as Mr. Price and Truworths will expand their current offering by taking more space
- The 'old' mall will undergo an overhaul of all tiles, bathrooms and selected shopfronts to match the look and feel of the extension
- The upgrade and expansion will commence in July 2016 and be completed in June 2017

# ENERGY MANAGEMENT

	2016 FY (‘000kWh)	2017 FY (‘000kWh)
Target:	1 600	2 000
Achieved savings:	2 140	

## Energy Management highlights for 2016 FY:

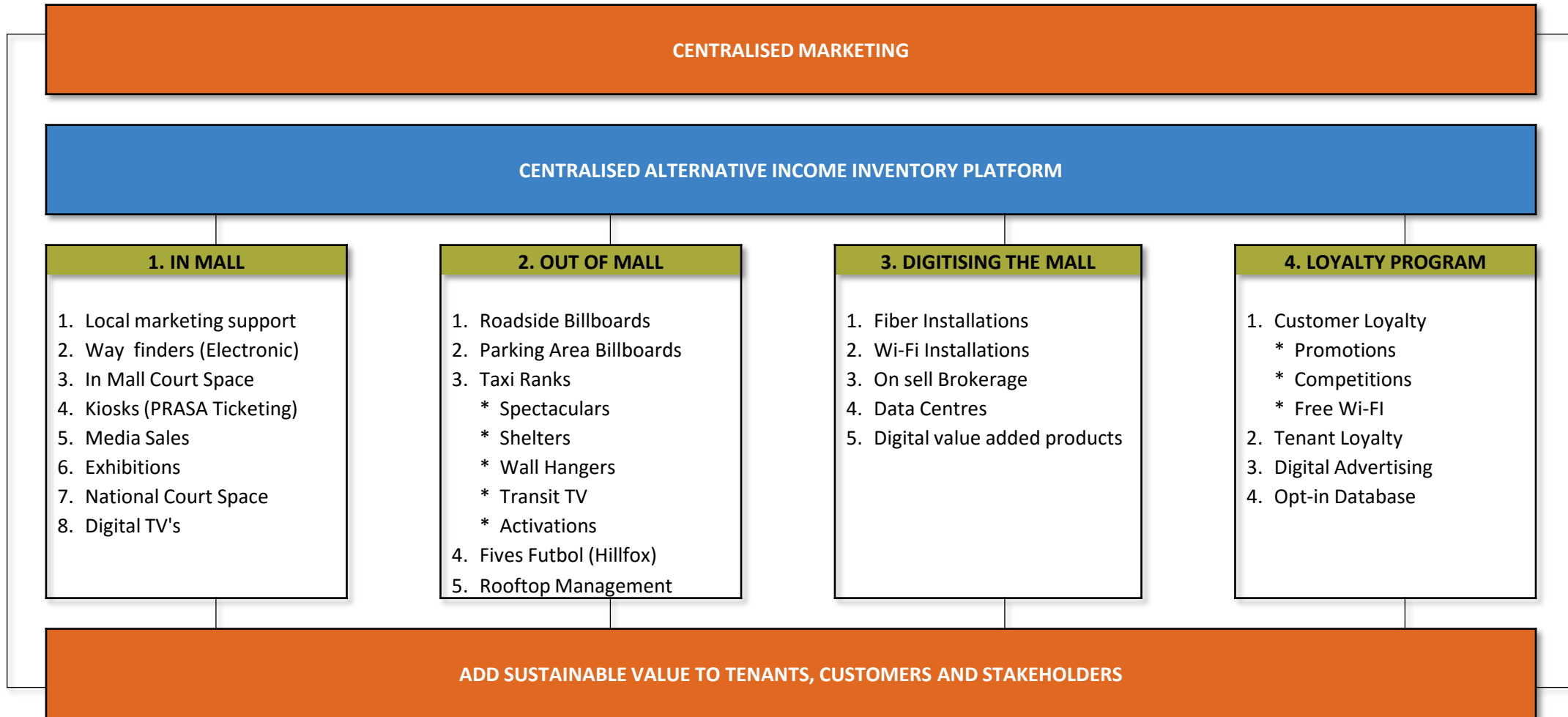
- Over 200 new electricity meters installed
- More than 500 light fittings retrofitted with building upgrades
- 1.3 MW of PV capacity to be added before August 2016
- Additional submitted electricity savings: R 2.8 Million recovery/tariff improvements
- 900 kW Demand controller implemented
- Diesel generator back up of 9 MW to be installed

## Targets for 2017 FY:

- Additional smart meter installations: Identified 200 more smart meter installations
- Increasing PV capacity from 1.3 MW to potential 2.7 MW by end of 2017 FY
- Water investigations started on major shopping centres
- New smart water meter rollout started



# ALTERNATE INCOME STRATEGY





# ACQUISITIONS, DISPOSALS AND DEVELOPMENTS

Sedise Moseneke

  
**VUKILE**  
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

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# ACQUISITIONS

## Transferred during FY2016

Property	Location	Sector	GLA	Purchase Price	Yield#	Transfer Date
Moruleng (80%)	North West	Retail	25 137	325.8	8.68%	02-Apr-15
Batho	Shoshanguve	Retail	13 338	143.8	9.52%	05-Jun-15
Nonesi	Queenstown	Retail	28 147	376.6	8.25%	22-Jun-15
Silverton Portfolio	Pretoria	Industrial	21 343	100.8	9.25%	20-Jul-15
Bedworth	Vereeniging	Retail	33 937	335.0	8.75%	30-Oct-15
			<b>121 902</b>	<b>1 282.0</b>		

#All accretive at time of acquisition



## DEALS CONCLUDED

### Bedworth Centre



- The Bedworth Centre is a small regional shopping centre measuring 33 937m<sup>2</sup>
- The centre is located in Bedworth Park in Vereeniging south of Johannesburg and is easily accessed via Barrage Road which is the main arterial route between Vereeniging and Vanderbijlpark
- Transferred in October 2015 for a purchase consideration of R335 million at an initial yield of 8.75%
- Anchored by a Pick n Pay Hyper and a Builders Warehouse
- The centre has a long lease expiry profile due to the two anchor tenants (Pick n Pay and Builders Warehouse), which make up over 75% of the centre by GLA, expiring January 2024 and February 2020 respectively
- The tenant mix is excellent and the national tenant component of the centre is just under 95% of the total GLA

# DISPOSALS

## Net of selling costs

	Sales price R'000	Yield %	Date of sale 2015/16
Johannesburg Rosettenville Village Main	24 395	9.9	6 July 2015
Centurion 259 West Street	30 215	10.4	20 Aug 2015
Johannesburg Parktown Oakhurst	71 000	9.5	26 Aug 2015
Kokstad Game Centre	133 000	9.1	1 Dec 2015
Cape Town Pinelands Pinepark	12 350	Vacant	1 March 2016
	<b>270 960</b>		



# DISPOSALS

## Sovereign Portfolio

- A sale agreement has been concluded with a reputable purchaser with a strong track record for the sale of Vukile's sovereign portfolio
- Due diligence investigation has been completed
- Deal remains subject to the finalisation of certain conditions precedent

Bloemfontein Fedsure House	10 866m <sup>2</sup>
Pretoria Arcadia Sancardia	28 937m <sup>2</sup>
Pretoria De Bruyn Park	41 418m <sup>2</sup>
Pretoria Koedoe Arcade	13 402m <sup>2</sup>
Pretoria Navarre Building	<u>47 202m<sup>2</sup></u>
<b>TOTAL</b>	<b><u>141 825m<sup>2</sup></u></b>



## DEVELOPMENT IN PROGRESS

### Springs Mall - Johannesburg



- Springs Mall will be a dominant regional mall measuring 44 662m<sup>2</sup> and will offer a first-rate regional shopping experience to the Springs and surrounding communities
- The site is located just south of the Springs CBD, in a prime location at the R51 off-ramp off the N17
- Vukile has acquired a 25% stake in the mall for R259.6 million at a guaranteed initial yield of 8%, current expected yield >9%
- The project is being led by pre-eminent shopping centre developers, Flanagan & Gerard Property Development and Investment, together with local partners
- Leasing is progressing very well and it is currently 85% let with confirmed anchor tenants including Pick 'n Pay, Checkers, Woolworths and Edgars, as well as a comprehensive array of national tenants
- The primary catchment area of the site has 14 663 households or 47 500 people, and the secondary catchment area contains 69 809 households or 237 000 people
- The area is predominantly characterised by a middle to high income earning consumer market (LSM 4 to 10+)
- Springs Mall is currently under construction and is scheduled for completion in March 2017
- Pre funded and will be earnings accretive from day one

## DEVELOPMENT IN PROGRESS

### Thavhani Mall - Thohoyandou Limpopo



- Thavhani Mall will be a dominant regional mall measuring 50 000m<sup>2</sup>
- It is being developed on a prime site in Thohoyandou, at the intersection of the R524 road to Louis Trichardt (Makhado) and the new Giyani Road to Sibasa
- Vukile has secured a 33% stake in the mall for R350.1 million at a guaranteed initial yield of 8%, current expected yield >9%
- The project is being led by pre-eminent shopping centre developers, Flanagan & Gerard Property Investment and Development, together with local partners
- There is strong demand from retailers and leasing is progressing very well (currently over 75% let) with confirmed anchor tenants including Pick 'n Pay, Super Spar, Woolworths and Edgars. A broad range of other national retailers will also form part of the tenant mix
- The demographic profile of the area is extremely encouraging. The primary catchment area of the site consists of 87 000 households or 370 000 people
- The area is predominantly characterised by a middle to high income earning consumer market (LSM 4 to 10)
- Vukile will take transfer of its stake in Thavhani Mall upon completion in August 2017
- Pre funded and will be earnings accretive from day one

# CORPORATE ACTIVITY AND STRATEGY

Laurence Rapp

  
**VUKILE**  
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# KEY STRATEGIC PILLARS

## Defensive positioning with an entrepreneurial eye for growth

- Weight the direct portfolio even more to the defensive retail sector
  - Vukile/Synergy/Arrowhead transaction
  - Sovereign portfolio sale
  - Retail developments coming on stream
- Conservative balance sheet management
  - Keep gearing around 30% and maintain hedging at a minimum of 75%
  - Pay down debt through asset sales of non-core properties
  - Synergy/Arrowhead transaction will reduce gearing by c. R976 million
- International expansion
  - Maintain percentage holding in Atlantic Leaf
  - Evaluating other markets and opportunities in Europe, will also look at other markets
  - Seeking strong local partners with an existing portfolio/business with good growth prospects and who are looking for capital
- Residential
  - Still on the agenda but pricing must be right:  $\pm 200$  bps above cost of capital
  - Were on track to announce a joint venture but then Nenegate impacted deal pricing
- Strong operational focus to continue



# VUKILE – SYNERGY - ARROWHEAD

## Transaction overview

Deal steps



# PROPOSED TRANSACTION TERMS

Vukile and Arrowhead have, in principle, reached consensus as to the structure of this proposed transaction in terms of which:

1. Synergy will internalise the asset management function, in return for the issue of further B shares to Vukile:
  - At a price calculated with reference to Synergy's current cost of equity; and
  - At a significant discount to the contractual exit clause contained in the asset management agreement
2. Synergy will dispose of its existing retail assets to Vukile in return for the injection by Vukile of a portfolio of office and industrial assets on a value for value basis. The asset swap will result in:
  - A yield enhancement for SBG shareholders
  - A significant improvement of SGA cash cover ratio



## PROPOSED TRANSACTION TERMS (CONTINUED)

3. Synergy will enter into interest rate hedges on the bulk of its existing floating debt, so that c.75% of its total debt is fixed (up from the current - 66%)
4. Synergy will acquire Arrowhead's high yielding Cumulative portfolio :
  - On an income for income basis
  - In return for the issue to Arrowhead of SGB shares
5. Vukile and Arrowhead support amending Synergy's MOI, in terms of:
  - Amending the provision governing the conversion of SGA to SGB shares
  - Converting the dividend policy to quarterly



# POST TRANSACTION

## The new Synergy will have ...

- Total assets of c.R4 billion
- Assets allocated across:
  - Offices
  - Retail
  - Industrial
- A LTV of under 25% - with c.75% of fixed debt
- A market cap of – c.R3 billion, with approximately R550 million and R2.5 billion of value, in the A and B shares respectively
- Vukile shareholding of approximately 35%
- Arrowhead shareholding of approximately 62%
- A new name and new management team appointed by Arrowhead



# BENEFITS OF THE PROPOSED TRANSACTION TO VUKILE

## Retail exposure >90%

- Enhances and fundamentally alters Vukile's core portfolio by achieving an even stronger retail bias – thus achieving a key strategic objective
- Should result in higher growth in distributions on the portfolio of office and industrial assets sold due to the accretive acquisition model to be adopted
- Optimises the earnings accretive value of the Synergy A and B structure
- Deconsolidated from Vukile
- Gearing to drop to c.26.5% with hedging at 91.5%



## INTERNATIONAL EXPOSURE - ATLANTIC LEAF

### 26% holding, delivering on expectations

- Investment of R760 million into Atlantic Leaf for a 26% stake
  - Funded through raising £18 million of offshore funding (100% hedged at 3.25%); and
  - Existing cash resources
- Strategy is to invest in high-quality real estate assets which deliver suitable returns through both income and capital growth
  - Focus on acquiring and managing quality properties with significant potential for yield enhancement and capital growth
  - Proactively seeking properties which are capable of providing immediate value unlock
  - No specific sector focus but have identified attractive opportunities in industrial, commercial and retail sectors
  - Expect to utilise gearing up to 50%-55% LTV to enhance returns
- F2016 distribution of 7 pence per share, forecast for F2017 of 8.5 pence per share, growth of 21%
- Seeing good deal flow having established an ability to close deals
- Vukile considering co-investing on certain assets with Atlantic Leaf

## ATLANTIC LEAF

Key property portfolio stats (as at 31 March 2016)  
(54 properties)

**AUM**  
£264 million

**Average yield**  
7.2%

**Ave. cost of debt**  
3.40%

**12 tenants**

**WALE**  
12.9 years

**LTV**  
50.6%

**Portion of debt fixed**  
72%

**GLA**  
335 000m<sup>2</sup>



# OPERATIONAL FOCUS

- Strong Operational focus to continue
  - Vacancies
  - Energy management
  - Alternative income management (AIM), non-GLA revenue
  - Bad debt and arrears management
- New IT System implementation
  - Asset management, MIS and strategic analysis tools
  - Implemented by December 2016



## PROSPECTS

- Very difficult operating environment with :
  - Limited local growth
  - High levels of volatility
  - Risk of further interest rate rises
- Adopt a conservative and defensive approach:
  - Continue to drive the creation of a high quality, low risk portfolio
  - Fast becoming a specialist retail fund
  - Gearing to remain around the 30% level with at least 75% hedged
  - Recycling of non-core assets
- Limited appetite for local deals unless assets reprice
  - Will only look at accretive deals
- Entrepreneurial approach to further offshore expansion
  - Atlantic Leaf
  - Potentially other markets provided we identify strong local partners
- Expect to deliver similar growth in distributions in the year ahead of around 7%



# ACKNOWLEDGEMENTS

- Board
- Property managers
- Service providers
- Brokers and developers
- Tenants
- Investors
- Funders
- Colleagues



# QUESTIONS AND ANSWERS



# APPENDIX



## SWAPS EXPIRY PROFILE – (R'm)

Swap expiry profile per calendar year (excluding Synergy)						
2016	2017	2018	2019	2020	2021	Total
270	792	791	543	783	393	3 572
7.6%	22.2%	22.1%	15.2%	21.9%	11.0%	100%

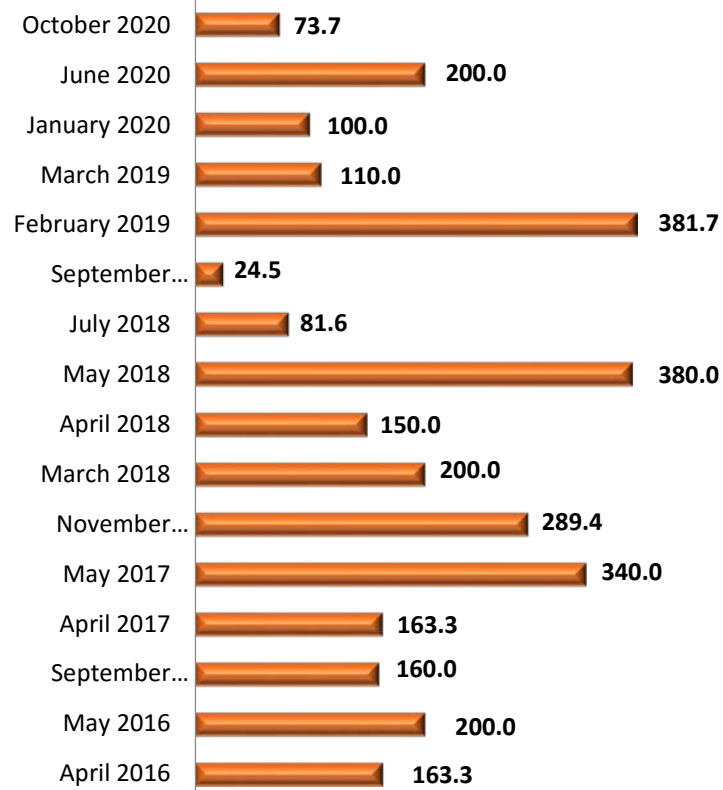
Synergy has R647 million swaps and fixed debt in place expiring between June 2016 and September 2020



# VUKILE DEBT STRUCTURE – (excluding Synergy)

## Fixed interest bearing debt - R3.0 billion

Fixed rate debt (R'm)



Fixed interest rate (%)

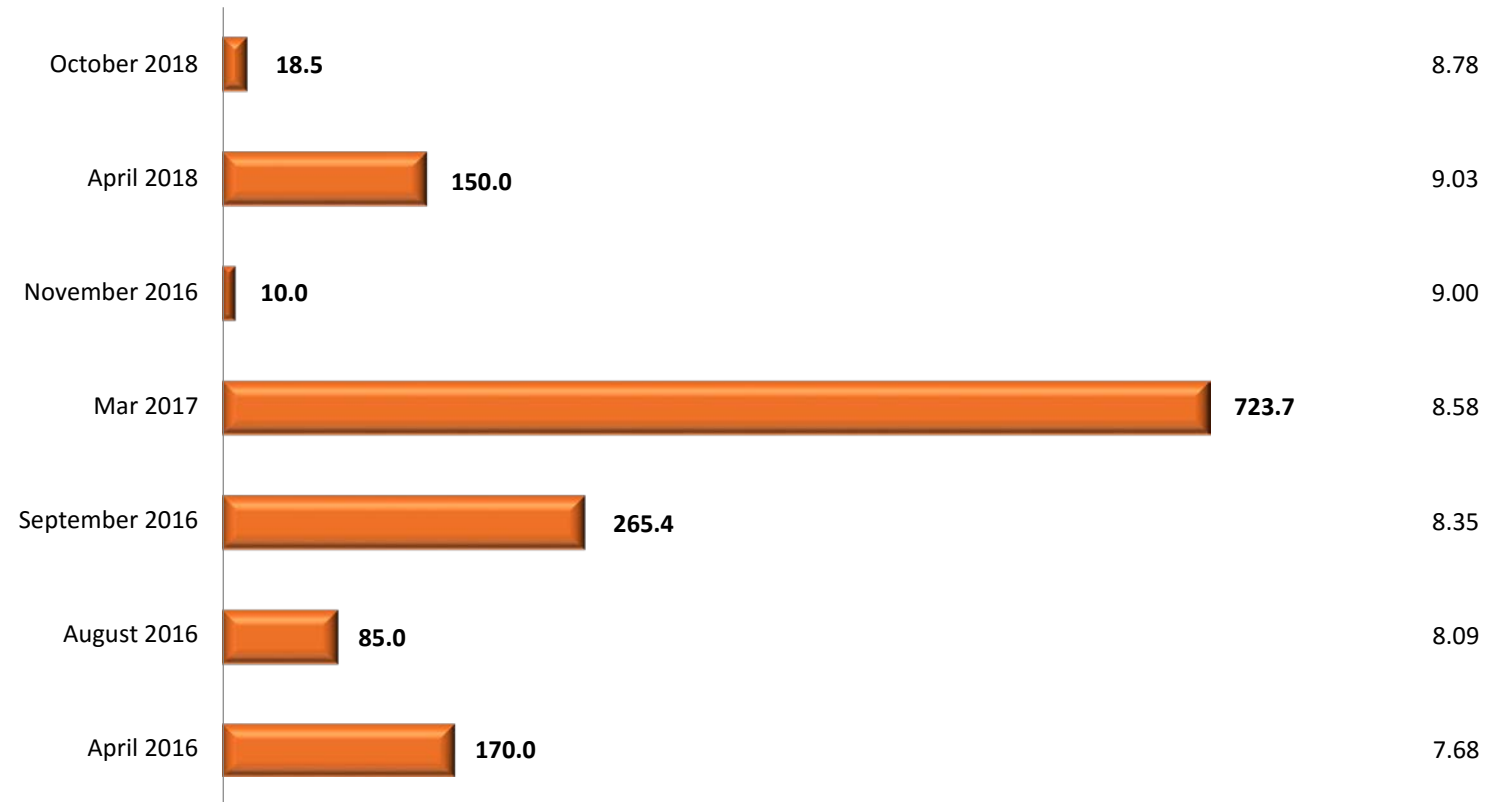
Date	Fixed interest rate (%)
October 2020	9.01
June 2020	9.41
January 2020	9.4
March 2019	9.03
February 2019	3.25
September 2018	8.85
July 2018	9.39
May 2018	8.73
April 2018	9.42
March 2018	8.49
November 2017	8.95
May 2017	8.82
April 2017	9.15
September 2016	8.38
May 2016	8.48
April 2016	8.53



# VUKILE DEBT STRUCTURE (excluding Synergy)

## Variable interest bearing debt - R1.4 billion

Variable rate debt (R'm)





# SYNERGY DEBT STRUCTURE

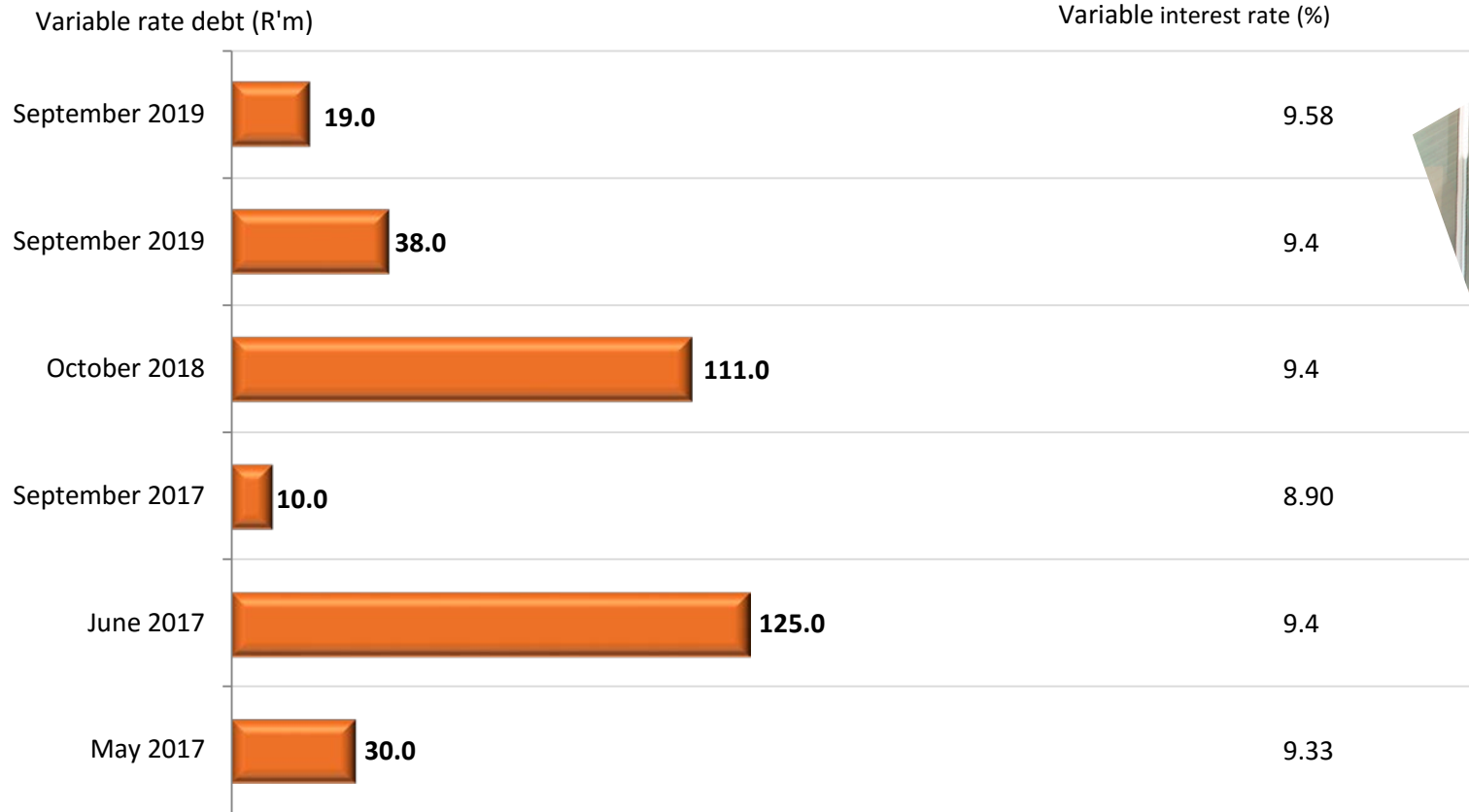
## Fixed interest bearing debt – R646.7 million

	Fixed rate debt (R'm)	Fixed interest rate (%)
September 2020	50.0	10.99
September 2019	80.0	10.20
July 2019	40.0	10.76
February 2019	40.0	10.49
February 2019	50.0	9.92
June 2017	50.0	7.65
June 2017	60.0	7.08
May 2017	90.0	9.14
May 2017	147.0	8.36
June 2016	40.0	9.15



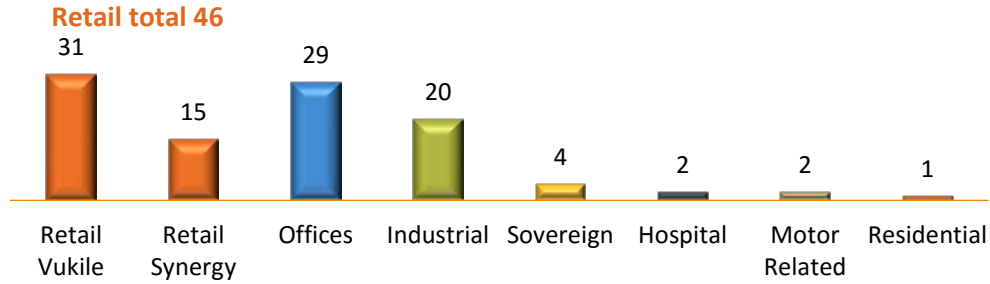
# SYNERGY DEBT STRUCTURE

Variable interest bearing debt – R331.9 million

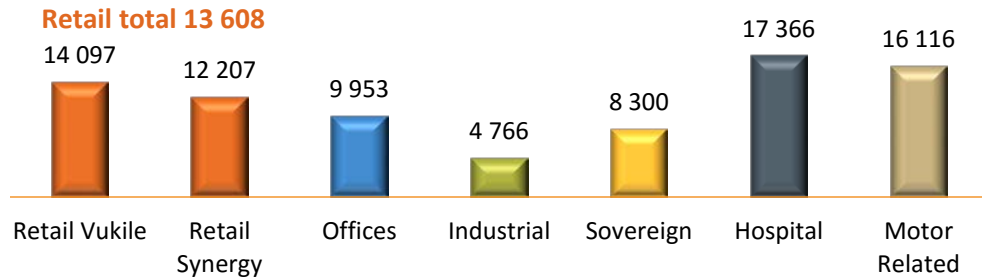


# VALUATION PARAMETERS

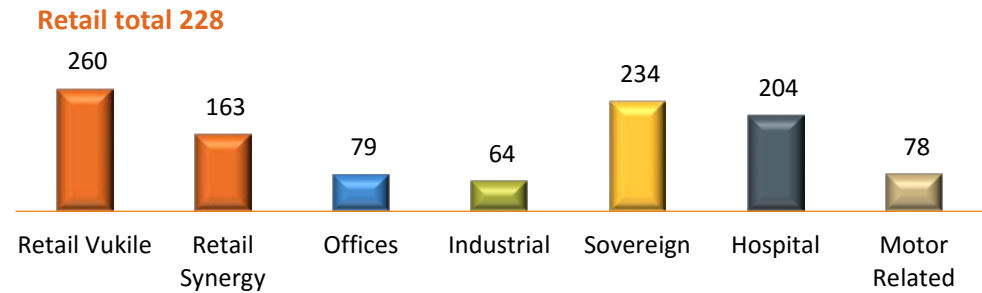
## Number of properties (104)



## Value per m<sup>2</sup> (R10 926/m<sup>2</sup>)

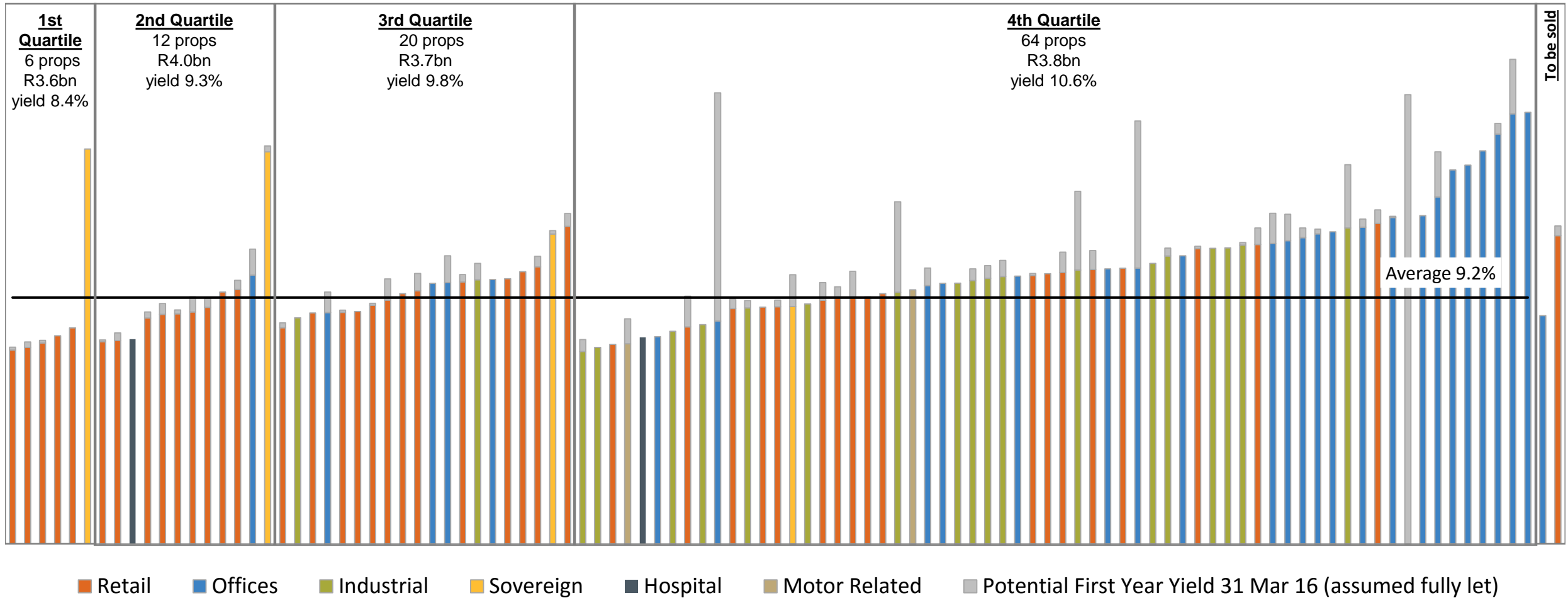


## Average value per property (R150m)

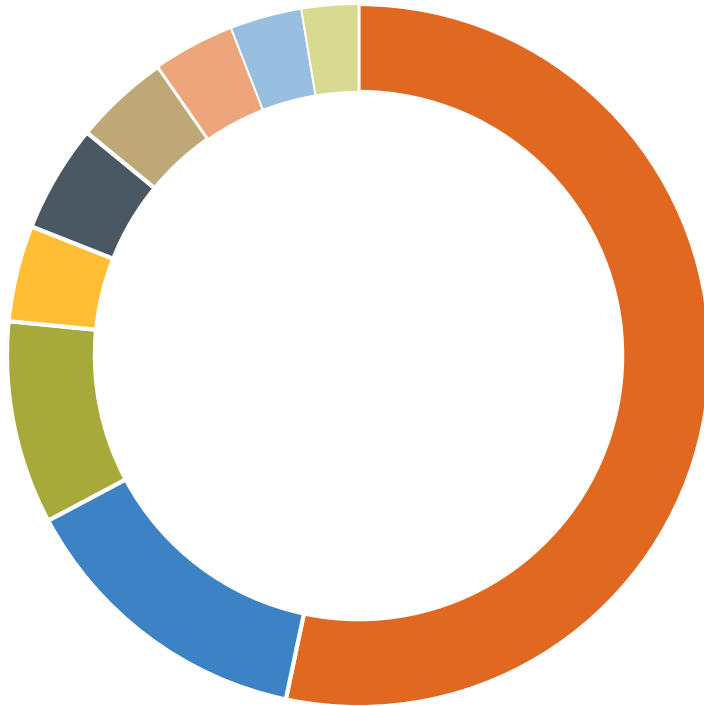


# PORTFOLIO COMPOSITION

## First year yield analysis by size and sector

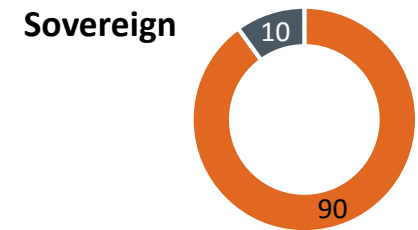
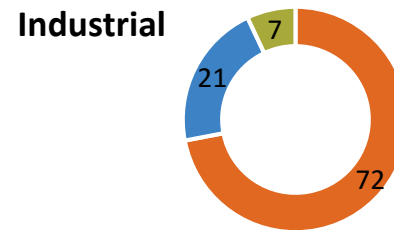
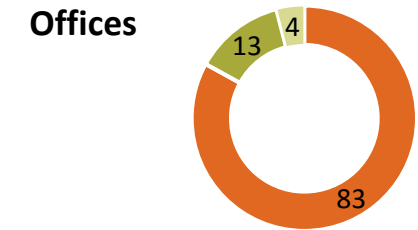
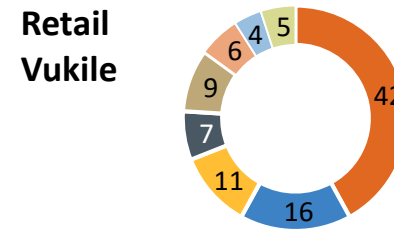
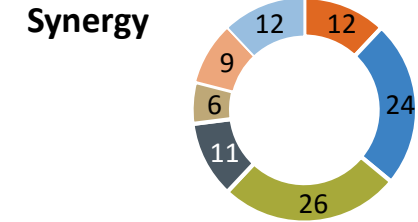
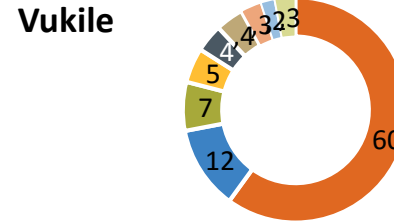


# GEOGRAPHICAL PROFILE (GLA/m<sup>2</sup>)



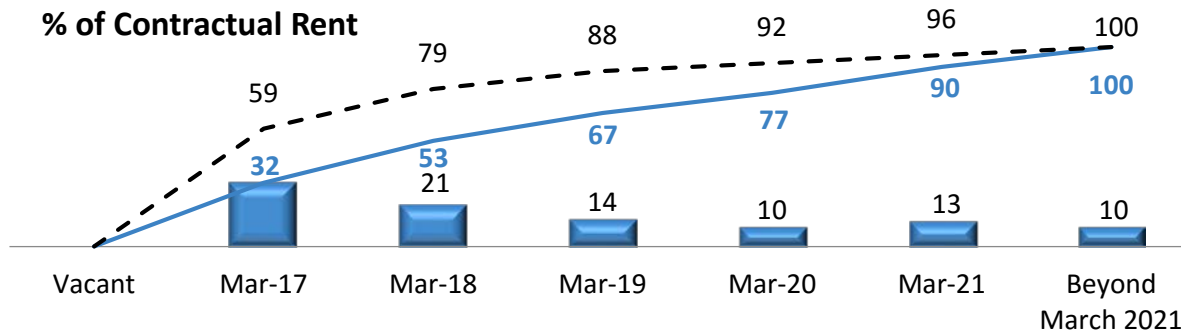
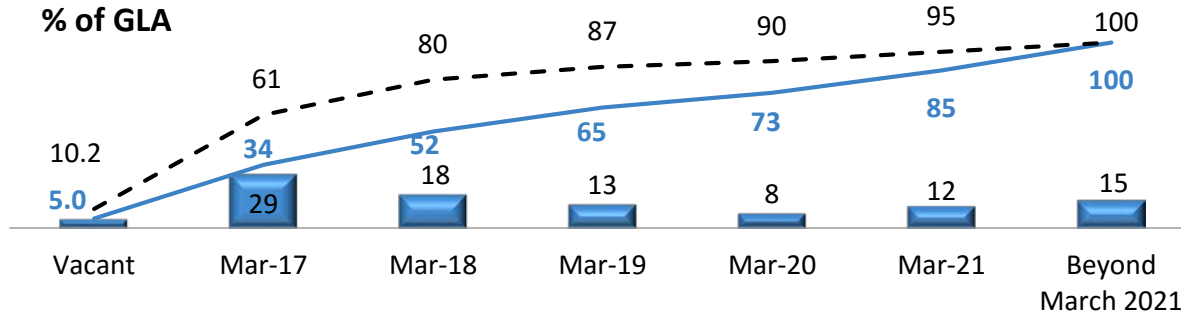
% of Portfolio

<span style="color: orange;">■</span> Gauteng	53
<span style="color: blue;">■</span> KwaZulu-Natal	14
<span style="color: green;">■</span> Western Cape	9
<span style="color: yellow;">■</span> Namibia	5
<span style="color: grey;">■</span> Free State	5
<span style="color: brown;">■</span> Northwest	4
<span style="color: peachpuff;">■</span> Limpopo	4
<span style="color: lightblue;">■</span> Mpumalanga	3
<span style="color: lightgreen;">■</span> Eastern Cape	3



# EXPIRY PROFILE

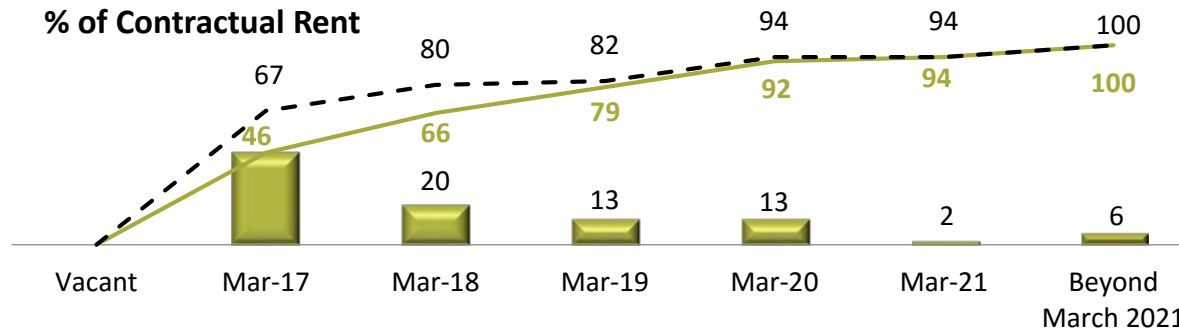
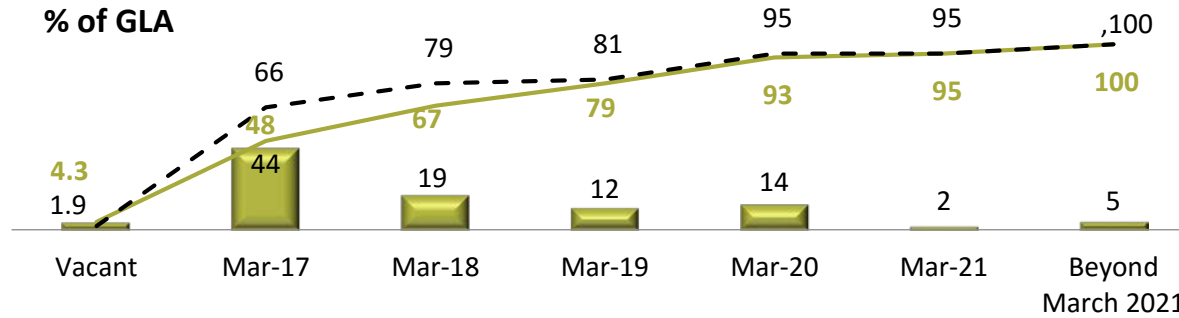
## Office portfolio (35% expiring in 2020 and beyond)






- GLA / Rent
- Cumulative as at Mar-16
- Cumulative as at Mar-15

# EXPIRY PROFILE

## Industrial portfolio (21% expiring in 2020 and beyond)

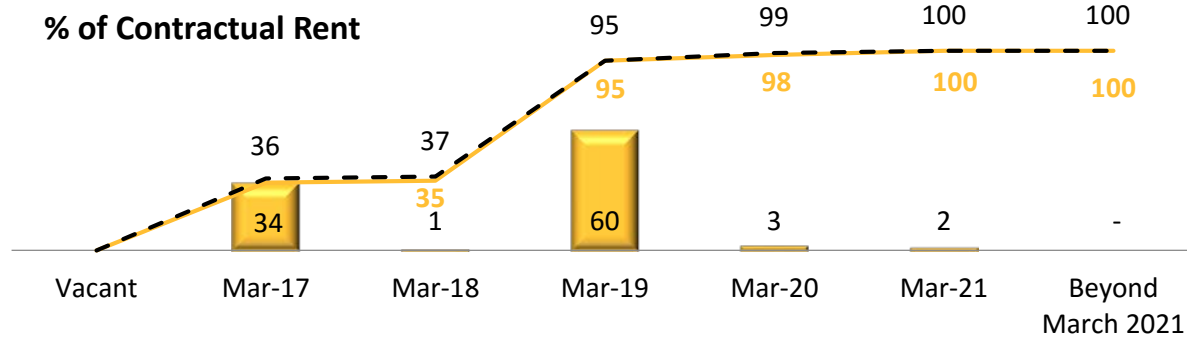
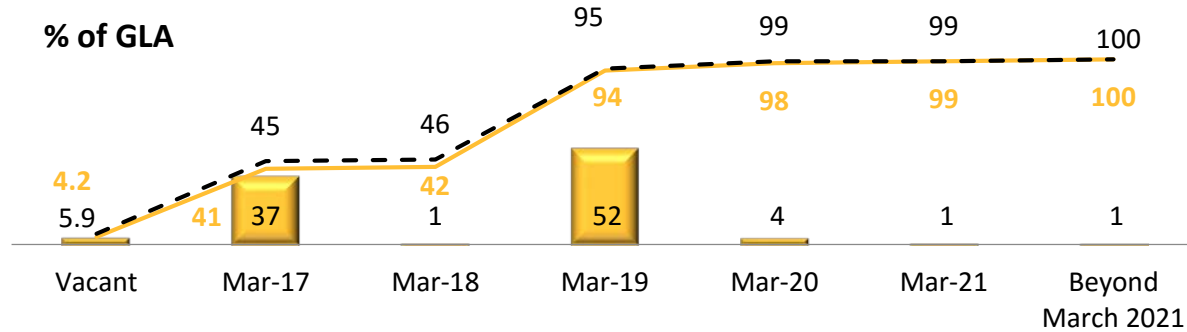





 GLA / Rent  
 Cumulative as at Mar-16  
 Cumulative as at Mar-15



# EXPIRY PROFILE

## Sovereign portfolio (6% expiring in 2020 and beyond)



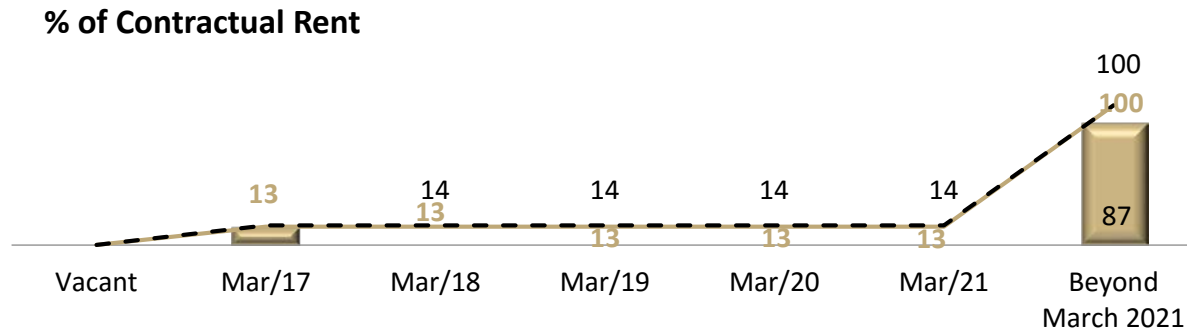
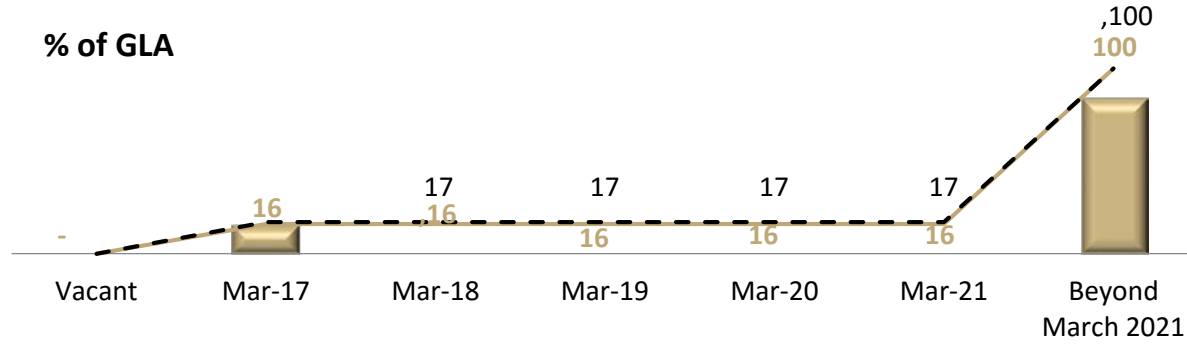
 GLA / Rent  
 Cumulative as at Mar-16  
 Cumulative as at Mar-15



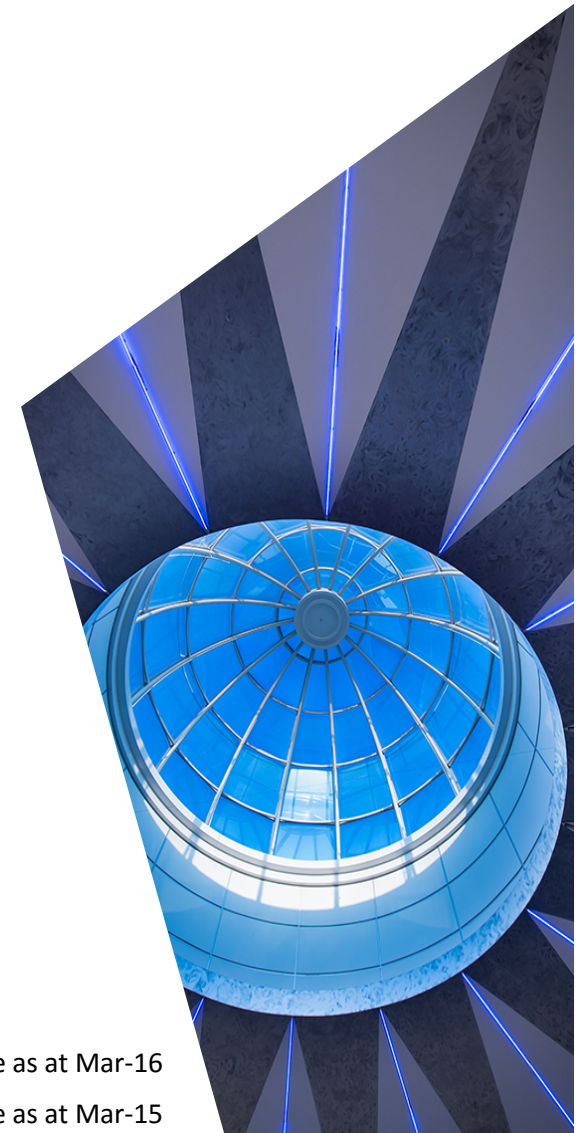


# EXPIRY PROFILE

**Hospital and Motor related portfolios (84% expiring in 2020 and beyond)**

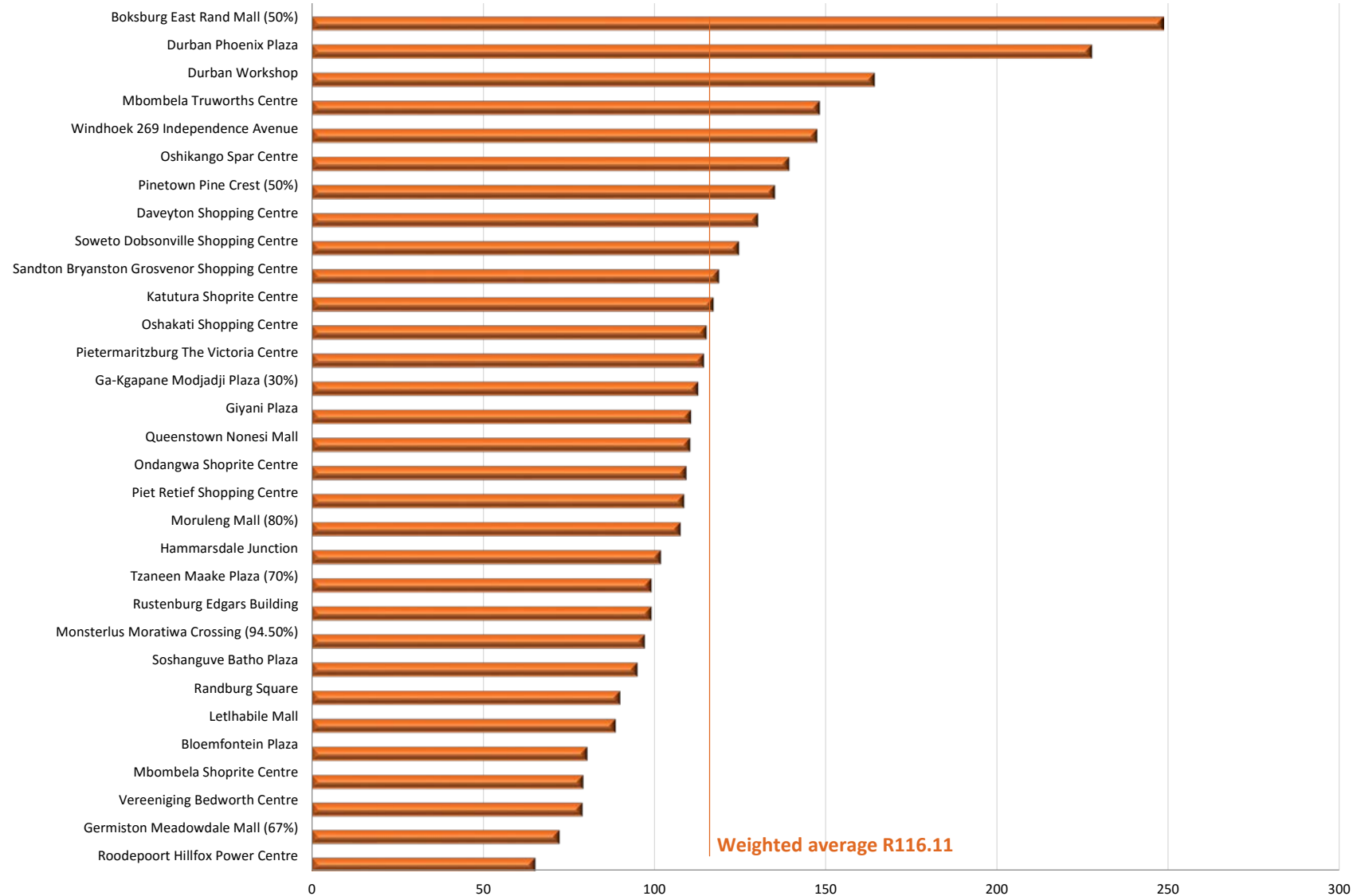


- GLA / Rent
- Cumulative as at Mar-16
- Cumulative as at Mar-15



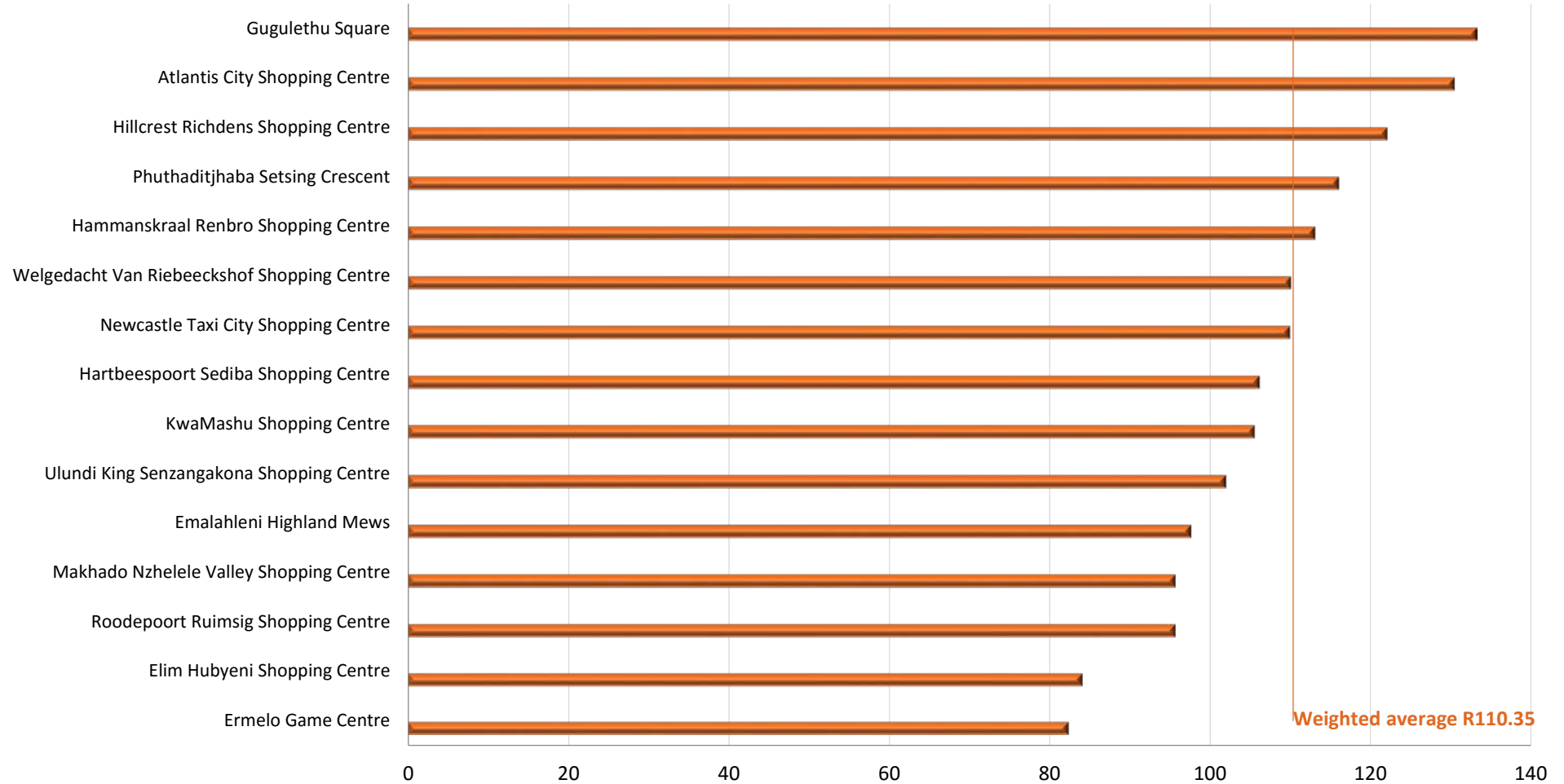
# WEIGHTED AVERAGE BASE RENTALS R/m<sup>2</sup> (excluding recoveries)

## Retail Vukile portfolio



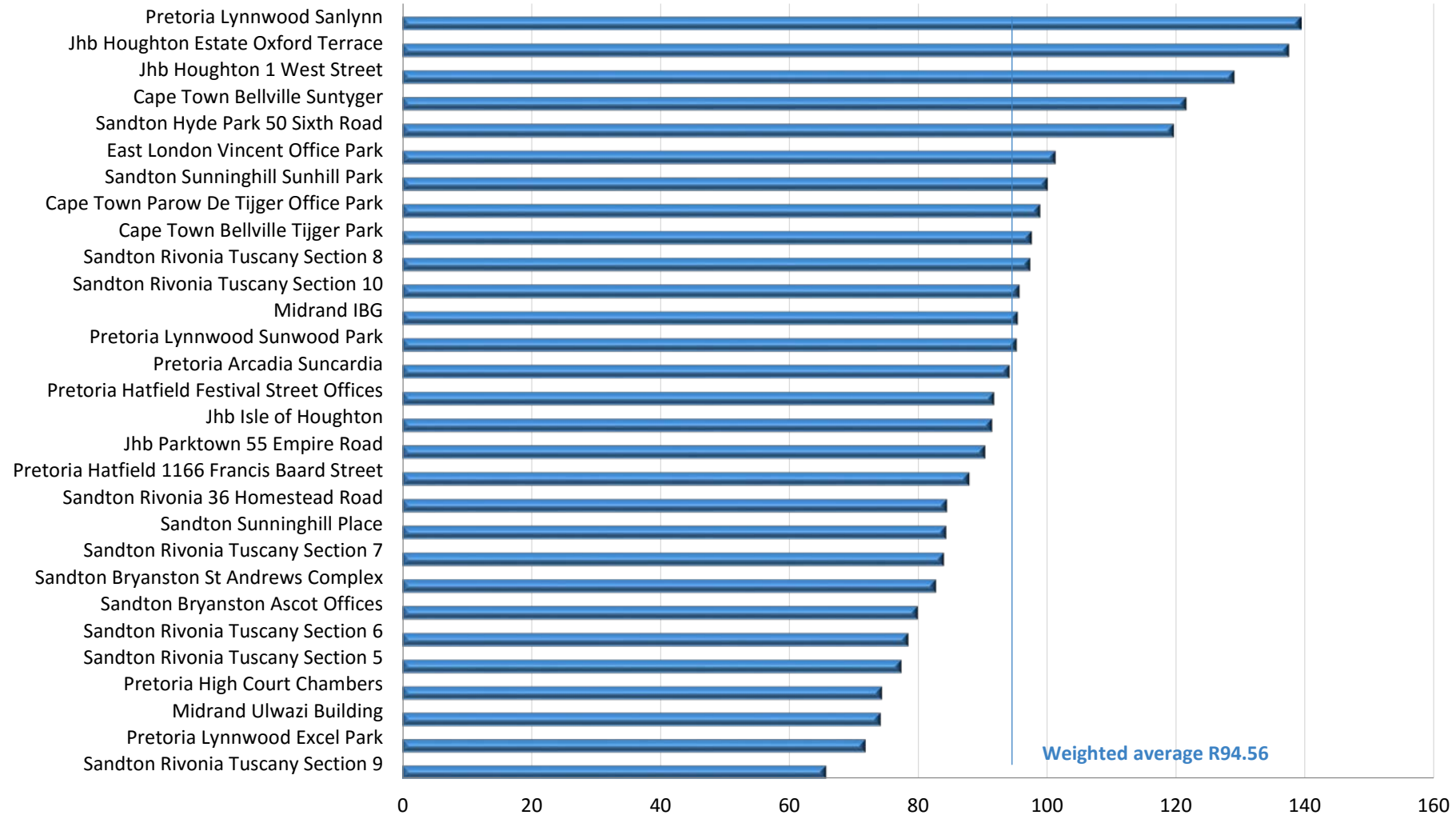
# WEIGHTED AVERAGE BASE RENTALS R/m<sup>2</sup> (excluding recoveries)

## Retail Synergy portfolio



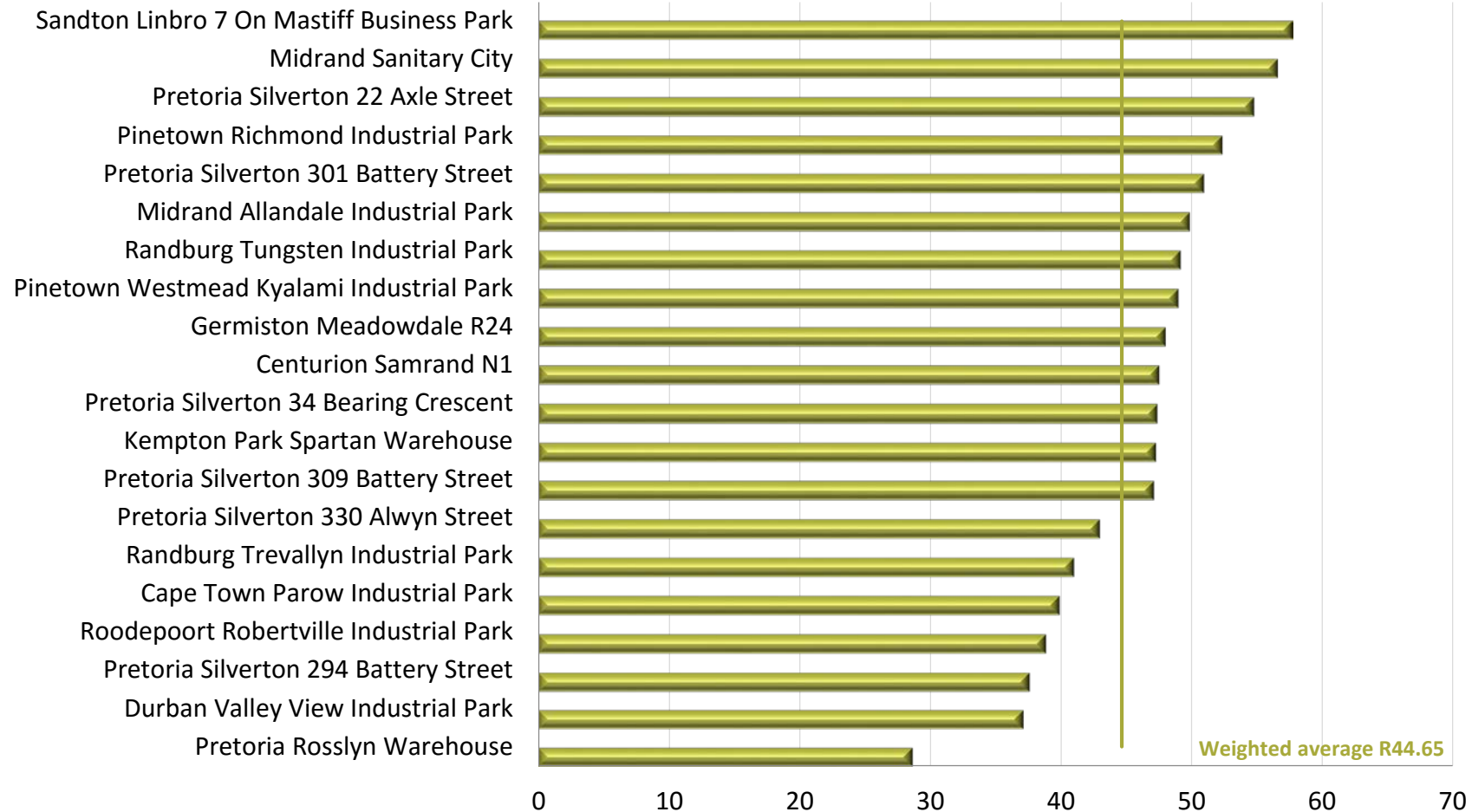
# WEIGHTED AVERAGE BASE RENTALS R/m<sup>2</sup> (excluding recoveries)

## Office portfolio



# WEIGHTED AVERAGE BASE RENTALS R/m<sup>2</sup> (excluding recoveries)

## Industrial portfolio



# WEIGHTED AVERAGE BASE RENTALS R/m<sup>2</sup> (excluding recoveries)

## Other portfolio

