

MEDIA RELEASE
29 November 2023

**VUKILE DELIVERS A 10% INCREASE IN CASH DIVIDEND
AND UPS ITS FY24 GUIDANCE**

Vukile Property Fund (JSE: VKE) has reported an impressive 10.0% increase in its cash dividend to 52.1cps for the six months to 30 September 2023 and 5.2% growth in its funds from operations (FFO) to 85.0cps. The consumer-focused retail real estate investment trust (REIT), differentiated by its sector specialisation and international diversification, has increased its full-year FY24 growth guidance for FFO per share to between 4% and 6% and dividend per share to between 8% and 10%, notwithstanding the headwinds in its markets.

Laurence Rapp, CEO of Vukile Property Fund, confirms, *“Vukile has sustained strong operational results and positive trading metrics in both our South African and Spanish portfolios and our balance sheet strength is supported by robust credit metrics. We have proven to be a resoundingly strong, sustainable business through some truly torrid times. Vukile has consistently and significantly outperformed the South African Listed Property Index (SAPY) over a 10-, five-, three- and one-year period. We are confident that we will deliver on our increased guidance.”*

Vukile has a R39bn defensive portfolio of retail property assets diversified across South Africa and Spain, through its 99.5% held Madrid-listed subsidiary Castellana Properties Socimi. Around 60% of Vukile's assets are in Spain. Almost 50% of its earnings are in Euros, and Vukile's results were further enhanced by the Rand hedge nature of its earnings.

Rapp says, *“Vukile's strategy of owning dominant assets in their catchment areas and operational focus on the consumer as the source of value creation has become our differentiator in driving performance. Our South African assets are delivering excellent results, and our Spanish portfolio is maintaining its market-leading position.”*

In a persistently challenging environment, Vukile's defensive domestic portfolio of high-quality shopping centres located mainly in townships and rural areas achieved like-for-like net operating income growth of 5.1%, and property valuations increased by 3.9%. Vacancies remained at a

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low 2.0%, and excluding office space within retail properties, this figure decreases to 1.3%. Rental reversions rebounded from -2.4% to +2.4%, and 86.0% of leases reverted flat or positively, the highest proportion since 2018. Vukile's appealing spaces supported a 3.9% increase in tenant trading densities. Its township centres outperformed, and the retail assets in Cape Town and Ekurhuleni led the pack.

In the Spanish portfolio, which is 95% let to top-tier international and national retail tenants, normalised net operating income grew by a sterling 13.0%. High tenant demand and excellent asset performance yielded vacancies of a mere 1.0%. Rental reversions gained a pleasing positive 8.3% and, including inflation adjustments, rose by 11.6%. Castellana's 25.7% investment in Lar Espana is performing exceptionally well with a 12% dividend yield, with Vukile's dexterous dealmaking once again rewarding stakeholders.

Sound Spanish economic fundamentals underpin the portfolio's positive and improving metrics. Spain is outperforming the Eurozone, and employment is at the highest levels since 2008. Households are both saving and spending more, indicating fiscally responsible consumers, and this is being supplemented by growing international tourism, up 14% from August 2022 to August 2023.

Vukile has a strong balance sheet and its corporate long-term credit rating of AA_(ZA) by GCR was reaffirmed during the year, with a stable outlook. It has no refinancing risk in Europe until FY26 and all its FY24 debt maturities have already been repaid, refinanced or renegotiated with Vukile's High-Quality Liquid Asset (HQLA) status enabling it to access debt at lower margins, albeit that base rates are up. Its interest cover ratio (ICR) is a comfortable 2.9 times. Vukile engages closely with its diverse funders and has strong liquidity with cash and undrawn debt facilities of R3.1bn.

"Despite constrained capital markets and real estate being out of favour globally, there is exciting potential for brilliant deals to be done at attractive pricing in this market. Those ready to move at the first signs of the global cycle turning have the potential to close exceptional deals," notes Rapp.

Environmental, social and governance (ESG) matters are a focal point for Vukile. In South Africa, Vukile installed a further 3.7MWp of renewable solar energy generation, bringing its total capacity to 18.6MWp. It intends to increase this to 25MWp by FY25, with projects for a further 7.1MWp already underway. In addition, 43% of the Vukile Academy Class of 2023 have already been placed in formal employment since their graduation and the Vukile Retail Academy gave eight emerging retailers a foot up into the formal retail arena. In Spain, Castellana again received EPRA gold awards for its financial and sustainability reporting. It made significant strides in its Global Real Estate Sustainability Benchmark (GRESB) rating, increasing its score by 15% to achieve 4 out of 5 stars.



Rapp concludes, “We are realistic about the headwinds in the market but upbeat about the opportunities they create for us. Vukile is well-positioned, and we are confident that our clear strategic direction, robust operating platform, strong balance sheet and active ESG focus will enable us to deliver on our upgraded guidance.”

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