Centre of Growth

For immediate release

5 June 2024

Vukile outperforms, delivering robust results and growth opportunities

Vukile Property Fund (JSE: VKE), the consumer-focused retail real estate investment trust (REIT), outperformed its upper-end full-year market guidance, delivering a remarkable 10.5% increase in dividend per share (DPS) to 124.2cps for the year to 30 March 2024 and 6.7% growth in its funds from operations (FFO) to 154.2cps.

Laurence Rapp, CEO of Vukile Property Fund, comments, "*This year of outperformance is a testament to our clear strategic direction and unwavering focus on execution which positions us exceptionally well to capitalise on opportunities. This sterling set of results is underscored by Vukile's astute asset selection, sustained strong operational results, and balance sheet strength supported by robust credit metrics and deep liquidity. Our South African portfolio is delivering positive numbers, and our Spanish assets are achieving market-leading performance. Vukile is a resoundingly strong, sustainable business.*"

Coming off the back of an exceptionally strong year, Vukile confirmed it is on track to deliver further growth for shareholders for the year ending 31 March 2025, with expected FFO per share growth between 2% and 4% and DPS growth between 4% and 6%.

Vukile's portfolio of retail property assets valued at R40.2 billion is strategically diversified across South Africa and Spain through its 99.5% held Madrid-listed subsidiary Castellana Properties Socimi. A significant 61% of Vukile's assets are in Spain, and 50% of its earnings are generated in Euros.

Primarily located in townships and rural areas, Vukile's defensive domestic portfolio of high-quality shopping centres achieved like-for-like retail net operating income growth of 5.4%. Retail property valuations increased by 5.8% on a like-for-like basis. The demand for space in Vukile's shopping centres remains exceptionally strong. Active leasing reduced already low retail portfolio vacancies to a mere 1.9%.

Rental growth continued its rebound with positive reversions of 2.9%, with 87.0% of leases signed producing stable or growing rentals. Tenant retention increased to 94% of gross lettable area. The portfolio achieved trading density growth of 2.4%, led by township and rural shopping centres and those in the Gauteng, Western Cape and North West provinces.

Rapp notes, *"Amid a persistently challenging market in South Africa, Vukile's portfolio, categorised by nodal dominance and needs-based retail, has truly come into its own. Our sharp focus on resilient, community-anchored assets has proven to be a winning formula and yielded excellent results, even in a sluggish local economy."*

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Environmental, social and governance (ESG) priorities are imperative for Vukile. In South Africa, Vukile made significant strides in executing its environmental commitment through its solar power programme. It began the financial year with an installed rooftop PV capacity of 14.9 MWp and expanded that capacity to 21.6 MWp, and a further 11MWp is under construction for completion in FY25.

The Castellana portfolio, which is 95% let to top-tier international and national retail tenants, achieved a 1.4% increase in portfolio value and a fantastic 11% normalised net operating income growth, with record footfalls and sales. Visitors were up 5.5% and tenant sales grew by 6.4%. With a mere 1.1% vacancy, the portfolio has the highest occupancy rate in its market. It achieved a very impressive 9.7% rental growth on leases signed.

In Spain, Castellana received EPRA gold awards for its sustainability and financial indicator reporting for the second and third consecutive year, respectively. It achieved 4 out of 5 stars on the Global Real Estate Sustainability Benchmark (GRESB) rating, and 100% of its properties are currently BREEAM-certified and aligned with the EU taxonomy for sustainable activities.

During the year, Castellana acquired a further 3% shareholding in Lar España, increasing its stake to 28.7% to take advantage of the significant discount to net tangible assets reflected in the share price. Lar España reported strong results, with performance measures surpassing industry standards. The significant appreciation in Lar España's share price confirms it is an exceptional and highly profitable investment for Castellana. At current levels, the shares have gained over €40 million in value relative to the entry purchase price, which translates to a gain of some 30%, while the Lar España share price still reflects a considerable discount.

Vukile has a demonstrable record of identifying mispriced assets, capitalising on opportunities, and building thriving businesses, and is consistently exploring deals in line with its capital allocation and growth strategy. Post year-end, Vukile exited its full stake in Fairvest, which has been an excellent investment for the company. It also successfully took transfer of a 50% share in Mall of Mthatha (formerly BT Ngebs City shopping centre), for R400 million, which Vukile will upgrade with its partners Flanagan & Gerard Property Group.

"Vukile is steadfast in its commitment to disciplined capital allocation. We'll only pursue opportunities that offer clear strategic alignment and financial upside," says Rapp.

It has explored various domestic opportunities; however, in most cases, the pricing doesn't make economic sense. In Europe, Vukile is seeing attractively priced assets, signalling a unique window of opportunity to deploy capital into high-quality assets at attractive prices. While withdrawing its non-binding indicative proposal to the Board of Capital & Regional, it is still actively pursuing various prospects, including entering discussions to acquire direct retail assets in Spain and in neighbouring Portugal.

Vukile has a strong balance sheet, and during the year, GCR reaffirmed Vukile's corporate long-term credit rating of AA$_{(ZA)}$, with a stable outlook. Only 4.4% of debt is due to expire in FY25. Vukile secured R1.1 billion of funding through an innovative green loan and sustainability-linked loan post year-end. Its interest cover ratio is 2.3 times, and LTV reduced to 40.7%. Vukile has a powerful liquidity position with significant available cash balances of R2.4 billion and undrawn debt facilities of R2.9 billion.

"We're seeing a significant increase in deal flow in the sector. However, the biggest challenge the industry — and Vukile — faces is accessing capital at a cost that makes deals accretive. With our strong liquidity position, we are well positioned to execute our growth strategy and remain a consumer-focused retail real estate business," explains Rapp.

Rapp concludes, "*June 2024 marks Vukile's 20th anniversary since first listing on the JSE. Today, it is well established as a 100% focused retail REIT with strong operational metrics, clear strategic direction and significant geographic diversification off which to launch its next phase of growth. We have consistently and significantly outperformed the SAPY index, and, as we move forward, Vukile remains committed to our scalable consumer-led model that creates value for all our stakeholders.*"

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