



Burstone accelerates its fund and investment management strategy with Blackstone partnership

2 September 2024 – Burstone Group today announced a series of transactions across its various markets, including a strategic partnership with Blackstone in Europe, which marks the acceleration of the Group’s international fund and investment management strategy.

Upon successful completion of these transactions, third-party Assets Under Management (AUM) is set to increase almost fivefold from R4.7 billion to approximately R23.0 billion. Revenues from fund and asset management are projected to more than double over the next 12 to 24 months.

In the largest of the transactions, funds managed by affiliates of Blackstone, the world’s largest alternative asset manager, with more than \$1 trillion in Assets Under Management, will acquire an 80% interest in the Group’s Pan-European Logistics (PEL) platform valued at €1,022 million (R20 billion). Burstone will retain a 20% co-investment in the PEL platform while continuing to manage the portfolio’s assets. The proposed transaction is subject to regulatory and shareholder approvals.

Amassed since 2017, the portfolio comprises 32 high quality midsize and big-box logistics properties located around key European urban centres in seven countries, with the majority in Germany, France and the Netherlands. The 1.2 million sqm portfolio is 97% occupied by over 110 tenants, primarily in the third-party logistics sector, which benefit from the assets’ strategic micro locations with exemplary transport connectivity.

Together, Burstone and Blackstone will expand the PEL portfolio by focusing on aggregating industrial and logistics properties across core European markets.

“We have indicated for a while that we have been seeking strategic partnerships in Europe and we are delighted to partner with Blackstone. This partnership deepens our already strong relationship with Blackstone’s operational and management team, who know our European team well from previous successful collaborations. Partnering with such a best-in-class international business unlocks exciting opportunities for the platform, enhancing scalability and driving the growth potential of the Group’s fund and investment management business,” said Andrew Wooler, CEO of Burstone Group.

The transaction means that Burstone Group has made significant strides in deleveraging its balance sheet and optimising capital allocation.

James Seppala, Head of European Real Estate, Blackstone, said: *“Logistics is one of our highest conviction investment themes globally. This exceptionally well-located portfolio of assets in core logistics markets across Europe is additive to our existing portfolio and allows us to continue to capitalise on customer demand, including as a result of growing e-commerce penetration trends across the continent.”*

In addition to its strategic Blackstone partnership, Burstone is in exclusive negotiations to acquire a 25% co-investment stake and ongoing management of a €170 million German light industrial platform. This transaction is expected to be significantly earnings accretive and will replicate Burstone’s successful track record in light industrial investments.

Burstone Group’s 50/50 JV with Australian Irongate Group continues to grow its management platform on the foundation of a well-defined strategy.

The Irongate JV has announced a new industrial joint venture with a leading global alternative asset management firm. An initial soft commitment of A\$200 million of equity has been earmarked with the aim to upsize upon successful deployment. Burstone (alongside Irongate management) will provide the minority co-investment stake and the Irongate JV will provide the investment and asset management functions. The JV will acquire an initial portfolio of industrial and logistics assets in Queensland, with a total purchase consideration of approximately A\$140 million and equity from the JV of approximately A\$80 million. Post the current identified pipeline total equity under management is expected to increase 32% since acquisition, from A\$450 million to A\$600 million.

The Group has built the foundation for a third-party fund management platform in which institutional capital can invest. In South Africa, Burstone is negotiating with cornerstone investors to build an SA Core Plus platform, utilising a portion of its South African assets to seed this new venture.

Said Wooler:

“Burstone’s commitment to expanding our fund and investment management model combines traditional real estate asset yields with additional upside potential from our comprehensive management capabilities, including fund, investment, asset, and development management. This hybrid model supports our strategy of maximizing returns on capital deployed while leveraging our scalable platform to drive operational efficiencies.”

Strategic Highlights:

Partnership with Blackstone on PEL Portfolio

The transaction offers several financial benefits, including a significant reduction in the Group’s Loan-to-Value (LTV) ratio by 12.5%, bringing it down to approximately 33.5% and

providing greater flexibility to support future strategic initiatives. Burstone will also increase its dividend payout ratio from 75% to between 85% and 90%, effective from the interim reporting period 1H25.

Additionally, the transaction delivers an immediate positive earnings impact of 1.3% based on historical FY24 distributable earnings, with further enhancements expected as the Group benefits from reduced leverage in a higher interest rate environment.

The partnership offers significant strategic benefits, aligning best-in-class capital with Burstone's goals and providing opportunities to scale and grow the PEL platform. Enhanced access to capital and resources will drive operational efficiencies and boost profit margins, while also facilitating easier market expansion by leveraging key relationships. Additionally, it increases diversification across core markets and tenant mixes.

The net proceeds of approximately €250 million (R5 billion) from the proposed transaction will be allocated in alignment with Burstone's strategic objectives, focusing on: reducing debt by around R4 billion to decrease LTV by 12.5% and strengthen the balance sheet; investing R860 million in growth opportunities within the Group's Australian and German platforms, which are expected to yield high single-digit cash returns and high teen leveraged IRRs; supporting further growth in the PEL platform; and increasing the dividend payout ratio.

Capital allocation and optimisation; focusing on delivering enhanced returns

The combination of a stronger balance sheet and financial headroom to capitalise on potential future growth opportunities is key to delivering shareholder value and short-to-medium-term growth across the Group's core regions and strategies.

Said Wooler:

"The Group will ensure that it deploys capital into the best international and local opportunities that will support its longer-term strategic plan and continue to create shareholder value. The Group is well positioned to execute on its funds and investment management strategy, underpinned by management teams who have a successful track record of aggregating and realising value for multiple third-party capital investors."

ENDS

About Burstone Group Limited

Burstone is a fully integrated international real estate business with c.R42 billion (€2.1 billion) gross asset value (GAV) under management. Burstone listed on the Johannesburg Stock Exchange (South Africa) in 2011 and currently operates in South Africa, select European markets and Australia. The Group has a strong management

track record of more than 30 years operating in both local and international markets. The Group is globally diversified and has the capability to invest across all aspects of the real estate life cycle, partnering with specific capital partners for specific opportunities. The Group operates a hybrid model of traditional real estate investment, stapled with expertise across fund management, investment management, asset management and development management. This approach supports the Group's strategy of delivering enhanced returns on capital deployed and maximising operational leverage from its scalable platform. Burstone strives to deliver purposeful and authentic client experiences with agility, speed and passion. The Group has the unique ability to identify potential that lies within something and then transform it into something of real value. Across all regions in which the Group operates, the manager has a presence on-the-ground with in-country expertise and adopts a hands-on approach to managing its properties.

For more information, visit: www.burstone.com

About Blackstone Real Estate

Blackstone is a global leader in real estate investing. Blackstone's real estate business was founded in 1991 and has US \$336 billion of investor capital under management. Blackstone is the largest owner of commercial real estate globally, owning and operating assets across every major geography and sector, including logistics, data centers, residential, office and hospitality. Our opportunistic funds seek to acquire undermanaged, well-located assets across the world. Blackstone's Core+ business invests in substantially stabilized real estate assets globally, through both institutional strategies and strategies tailored for income-focused individual investors including Blackstone Real Estate Income Trust, Inc. (BREIT). Blackstone Real Estate also operates one of the leading global real estate debt businesses, providing comprehensive financing solutions across the capital structure and risk spectrum, including management of Blackstone Mortgage Trust (NYSE: BXMT).

For more information visit: www.Blackstone.com

Media enquiries

Julie Cunningham, FTI Consulting

Julie.Cunningham@fticonsulting.com

066 414 6135