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MEDIA RELEASE

Burstone Group reports resilient operational performance as fully integrated business takes shape, despite interest rate headwinds

Burstone Group, a fully integrated international real estate business, today announced full-year (FY24) results in line with guidance, reporting strong operational performances across its geographical businesses, despite earnings pressure from a persistently high interest rate environment.

- The Group delivered a solid second half performance with distributable earnings per share ("DIPS") increasing by 7.4%.
- Full year (FY24) DIPS increased by 1.0% to 105.67cps (March 23: 104.64cps).

The results for the year ended 31 March 2024 were underpinned by solid operational performances from the South African and European businesses, with like-for-like Net Operating Income (NOI) up 1.5% and 6.2% (in Euros), respectively. The positive results were, as expected, negatively impacted with an increase in interest rates resulting in a c.R66 million increase in funding costs over the period.

During the financial year the business successfully delivered on several of its strategic initiatives and is already benefiting from synergies created by the internalisation, integration of its business and its enhanced international footprint:

- The annualised net management fee saving resulting from the internalisation was R80 million (8% higher than the forecast at the time of the transaction).
- Successful rebranding across South Africa and Europe as the Burstone Group.
- Delivery of several cost saving initiatives including c.€2.1 million corporate savings in Europe, with further synergies expected in the financial year ending 31 March 2025. ("FY25").
- A new management mandate to manage a c.€170 million portfolio in Germany with the opportunity to co-invest in the future.

Andrew Wooler, CEO of Burstone Group said:

"As we've transitioned into a fully integrated international real estate business, our team has delivered on what we set out to do. Despite the challenging operating environment, our regional operations have performed well, reporting pleasing operational results. We are already seeing benefits of the



internalisation and we believe our new structure has set us up to deliver on our capital light strategy and to further expand our fund management strategies across all regions.”

Balance sheet is robust

Burstone’s balance sheet remains robust with the Group proactively managing its refinancing and interest rate risk. The Group is actively engaging in the refinancing of its Group and PEL debt, with completion of the refinancings targeted for Q2 FY25.

- De-gearing of the Group balance sheet remains a core focus in the near term with a planned reduction in LTV from 44% to between 37% and 40% within the next 12 months.
- Further c.R1.2 billion to R1.4 billion of assets identified for sale in South Africa (with R400 million already under contract).
- Pursuing a pipeline of European asset sales of c.€150 million to €250 million, with c.€90 million under offer and at pricing in line with book values.
- This in addition to the c.R1.3 billion of South African assets that were sold over the past financial year at a 1.5% premium to book.

Said Wooler:

“We believe in disciplined capital allocation and continued capital rotation to meet risk-adjusted targets. We seek to deploy capital into the best international/local opportunities that will support our longer-term strategic plan and continue to create shareholder value. We remain focused on internally generating capital through select asset disposals to support our planned reduction in LTV from 37% to 40% over the next 12 months. We are confident that we can execute on this disposal plan. We will consistently invest for the future whilst continuing to create internal capital.”

South Africa outlook

The South African macroeconomic backdrop remains muted, and the property sector faces many challenges, including rising municipal costs and an energy crisis which contributes to an increasing cost of occupation.

Nevertheless, the South African portfolio has stabilised and is performing to expectations.

The focus remains on maintaining the quality and relevance of the portfolio and accelerating the capital recycling programme.



Pan-European Logistics (PEL) portfolio

Given sector dynamics, growth in contracted rent is expected to continue within the PEL platform with base NOI expected to grow between 3% and 4% over the next 12 months.

In addition, positive earnings growth will be supported by embedded cost savings initiatives.

The Group has already extracted cost savings of €2.1 million in the European platform with further savings expected in FY25.

Australia

The Irongate business has performed well, and the business continues working with its core investor base, while continually engaging with new capital partners to explore a strong pipeline of new opportunities.

We expect an increase in the contribution to earnings from the Irongate JV.

Dividend Payout

The Board has resolved to apply a payout ratio of 75% for the six months ending 31 March 2024 declaring a dividend of 40.95cps (March 23: 48.32cps).

The payout ratio was 95% for the first six months of the year, resulting in the total dividend payout ratio for FY24 of 85%, and a full-year dividend of 89.46cps (March 23: 99.41cps).

The Group will apply a 75% payout ratio going forward and will continue to assess the appropriateness of this payout policy in light of the Group's long-term strategy and after considering its LTV position, capex funding requirements and any potential taxation impacts.

Prospects and guidance

The strategic focus of the Group over the past year has been on its repositioning from a property investment business into an integrated international real estate fund and asset management company.

Burstone's longer-term focus will be the roll out of a capital light fund management model through continued investment in several growth opportunities, supporting our asset and geographic diversification with a material impact on earnings expected in the medium to longer-term.

ENDS



About Burstone Group Limited

Burstone is a fully integrated international real estate business with c.R37 billion (€1.85 billion) gross asset value (GAV) under management and c.R4.7 billion (€240 million) third-party capital under management. The Group invests in best-in-class assets focusing on fund management; investment management; asset management and development management. Burstone listed on the Johannesburg Stock Exchange (South Africa) in 2011 and currently operates in South Africa, select European markets and Australia. About 55% of the Group's asset base is comprised of foreign investments. The Group has a strong management track record of more than 30 years operating in both local and international markets. 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: <https://www.burstone.com>.

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