

Transform potential

# Investor Presentation

SEPTEMBER 2024







Transform potential

# Contents

- 01 Strategic partnership with Blackstone
- 02 Capital allocation and growth
- 03 Closing



# Agenda

## Introduction

This presentation will highlight the progress the Group has made on several of its key strategic objectives:

- The **introduction of a strategic partner in Europe** through a partnership with Blackstone, the biggest buyer and owner of logistics assets in Europe
- **Significant deleveraging of the balance sheet** supported by:
  - The positive impact on LTV arising from the Blackstone transaction
  - The continued successful capital recycling programme in South Africa
- **Increasing the dividend payout ratio** to between 85% to 90% from 1H25
- **Building and growing the Group's funds and investment management model** which creates new revenue streams and enhances Burstone's return on deployed capital
  - New industrial platform in Australia backed by a leading global alternative asset management firm
  - Light industrial co-invest opportunity in Germany
  - Currently in exclusive discussions with cornerstone investors to build a core+ fund in South Africa

**We are requesting shareholder support for the proposed strategic partnership with Blackstone. This request should be considered in conjunction with the Group's strategic initiatives, outlined in this presentation**

# We have a clear strategic focus in the short and medium term



## Integration

- Unlock distribution synergies and capability across geographies
- Active international investor and stakeholder engagement
- **Leverage cross-border skills, knowledge, experience and expertise**
- Leverage processes and systems to maximise efficiencies and drive best practices



## Optimise current portfolios

- Maintain stability
- Client retention and experience
- **Enhance quality of recurring earnings**
- Reduce cost of occupation
- Exit non-core assets
- Extract cost savings across the Group
- Consider broader cost and operational synergies



## Maintain a robust balance sheet

- **Clear path to reducing LTV**
- **Capital recycling to create capacity**
- Actively manage refinance and interest rate risk
- **Maintain an appropriate dividend policy that supports our long-term strategy**



## Growth

- **Funds and investment management roll-out in all regions**
- Seek value-add / core plus opportunities



## Holistic sustainability

- Further embed ESG principles and processes across our business
- Focus on initiatives that can meaningfully impact our priority UN SDGs
- Further develop solar roll out strategy
- Aim to achieve net-zero emissions

**Creating long-term sustainable value**

01

# Strategic partnership with Blackstone

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# Burstone (PEL) strategic partnership with Blackstone

## Transaction overview

**€1,022m**

*Headline price for PEL*

**80%:20%**

*Blackstone and Burstone partnership*

**11.7%**

*Discount to FY24 NAV*

**3.1%**

*Discount to FY24 GAV*

**5.6%**

*Net initial yield*

**c.€250m\***

*Immediate cash proceeds to Burstone*

**85% - 90%**

*Increased dividend payout ratio*

## Burstone's rationale

Introduces **strategic partner** in Europe

Catalyst for value-unlock, **launching European funds management strategy** with a blue-chip partner

Creates **new revenue streams** for the Group and **enhances return on deployed capital**

Significant **deleveraging** opportunity with LTV reducing by c.12.5% to 33.5%

**Look through gearing** reduces from 58% to c.41%

Significantly **stronger balance sheet** and liquidity to support growth opportunities

**Earnings accretive,**  
Stabilises future earnings as expected higher Group interest cost impact neutralised

# Transaction summary

## Headline value

<b>Headline price</b>	<ul style="list-style-type: none"><li>▪ <b>€1,022m</b></li><li>▪ <i>3.1% discount to reported GAV of €1,055m as of 31 March 2024</i></li></ul>
<b>Implied NAV (at 100%)</b>	<ul style="list-style-type: none"><li>▪ <b>€409m</b></li><li>▪ <i>11.7% discount to BTN share of reported NAV at 31 March 2024</i></li></ul>
<b>Stake acquired by Blackstone</b>	<ul style="list-style-type: none"><li>▪ <b>80% total</b></li><li>▪ <i>63% from Burstone; the balance from EDT and IWI</i></li></ul>
<b>Day 1 proceeds to Burstone</b>	<ul style="list-style-type: none"><li>▪ <b>c.€250m** total proceeds to Burstone</b></li></ul>

## Management terms

<b>Manco fee</b>	<ul style="list-style-type: none"><li>▪ Market standard fees</li></ul>
<b>Initial manco term</b>	<ul style="list-style-type: none"><li>▪ 4.5 years</li></ul>
<b>Manco call option</b>	<ul style="list-style-type: none"><li>▪ Option to internalise dedicated management into SPV after the end of the initial term at value</li></ul>

## Key offer terms

<b>Perimeter</b>	<ul style="list-style-type: none"><li>▪ Valuation gap on certain assets that will be exited</li><li>▪ c.€60m held in escrow by Burstone for 24 months (or bank guarantee can be provided)</li><li>▪ Escrow becomes payable if assets are not sold at a certain price</li><li>▪ Burstone is in advanced discussions on the sale of several of these assets and expects to derisk the position in the near-term</li></ul>
<b>Upside scenario</b>	<ul style="list-style-type: none"><li>▪ Burstone has the ability to manage additional strategies on a non-exclusive basis but Blackstone has a Right of First Refusal</li></ul>
<b>Key additional terms</b>	<ul style="list-style-type: none"><li>▪ Burstone retains 20% stake*</li></ul>

## Financial effects

<b>LTV</b>	<ul style="list-style-type: none"><li>▪ LTV to be reduced post transaction by c.12.5%</li></ul>
<b>Earnings accretion</b>	<ul style="list-style-type: none"><li>▪ 1.3% accretive based on FY24 financials</li><li>▪ Greater impact expected in future years as lower leverage reduces the need to refinance existing hedges which would have rolled off and reset at a higher interest cost in the higher interest rate environment</li></ul>

\*\*Based on draft estimated NAV.

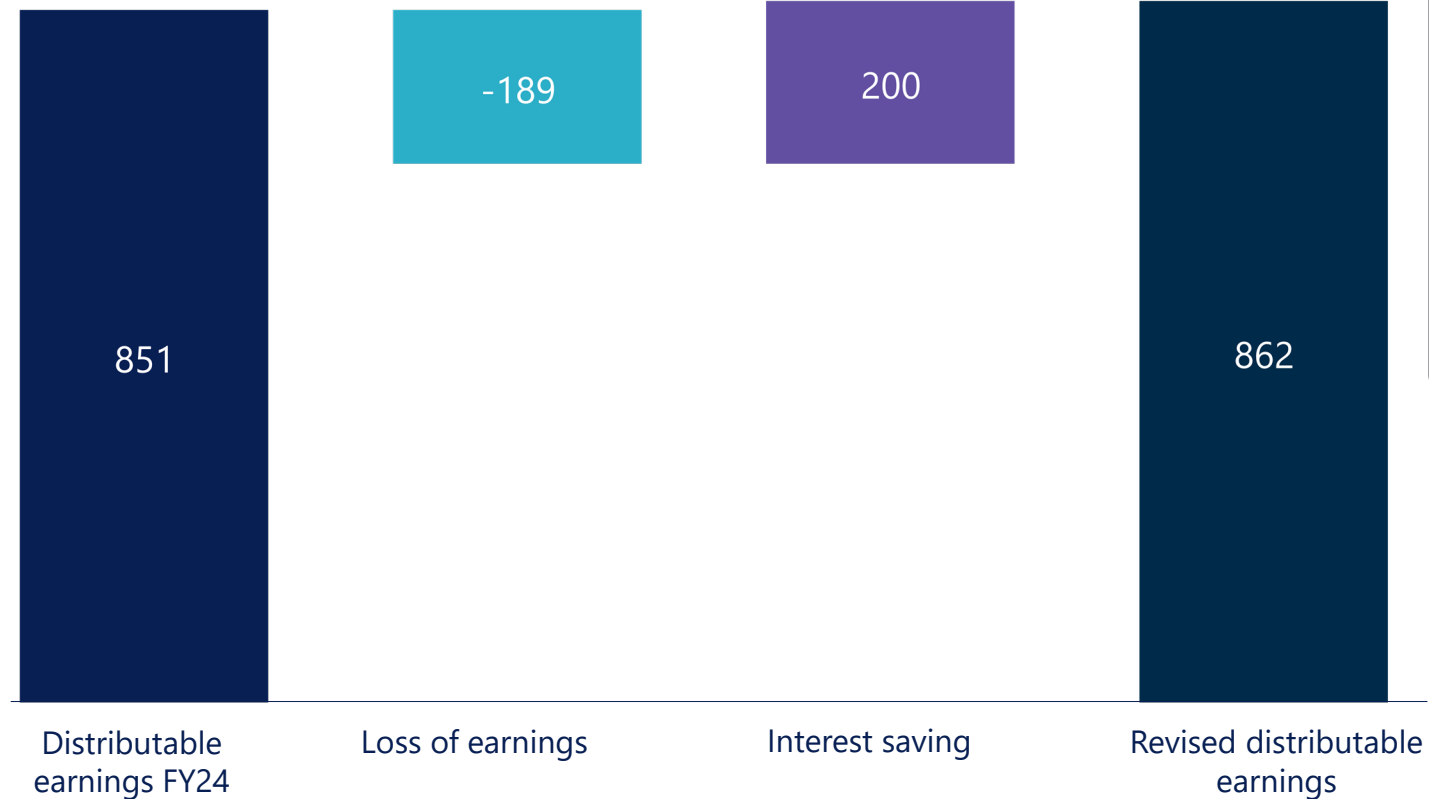
\*If IWI reinvests, Burstone's stake would reduce.

# Indicative transaction financial effects

## FY24 distributable earnings evolution post transaction

- A** Net loss of earnings from reduction in stake held in PEL at net selling yield of 5.6%, partially offset by management fee pick up of 0.85%
- B** Interest saving from debt reduction: 4.9%
- **Results in net accretion of 1.3% in distributable earnings based on FY24 financials**
- **c.12.5% positive net LTV impact**
- Residual equity piece is funded with debt at 100% EUR/ ZAR blend (this will reduce over time as hedges roll off)

In R'm



Greater impact expected in future years as lower leverage reduces the need to refinance existing hedges which would have rolled off and reset at a higher interest cost in the higher interest rate environment



# Looking forward

## JV partnership and growth strategy

- **Blackstone** is the world's largest alternative asset manager with more than \$1 trillion in AUM
- Significant scale with c.12,400 real estate assets across 230 portfolio companies
- **European presence:** Blackstone has been present in the European logistics market for 12 years and is now the continent's largest owner of industrial and logistics assets
- Blackstone has built up a **significant track record in warehousing and logistics:**

### LOGICOR

**Assets:** 594  
**GLA sqm:** 13.4m  
**GAV:** €15.3bn  
**Sold in Jun-17 to GIC for €12.3bn**

### MILEWAY

**Assets:** c.1,700  
**GLA sqm:** 14.7m  
Launched in 2019 to become the largest logistics company in Europe.  
**MV:** €8bn GAV in 2019 vs €21bn GAV recapitalisation in 2022  
**Largest logistics real estate company in Europe**

### INDURENT

**Assets:** c.200  
**GLA sqm:** 27.0m  
2024 merger between **St. Modwen** (£1.2bn in 2022) and **Industrials REIT** (£511m). Since 2022, Blackstone has invested over £2bn equity into the platform

## Significant strategic benefits to Burstone

- **Aligns best-in-class capital to our strategic direction**
- **Scalability: opportunity to add scale and growth** to asset and fund management business
- **Access to capital and resources** leading to operational efficiencies and higher profit margins
- **Market access:** ability to expand to new markets more easily and leverage relationships and buying power of services including market data and competitor landscape/analysis
- **Increases diversification** across core markets and tenant mix
- **Deepen the existing strong relationship with Blackstone's operational and management team** who know our European team well having already worked on several previous transactions, such as:
  - **Hansteen Holdings Plc:** acquisition of €1.3bn European assets in 2017 and £500m of UK assets in 2019
  - **European Light Industrial ("ELI") Strategy** that was sold in March 2021 for €230m, reflecting a 59% IRR and an Equity Multiple of 2.1x

# Looking forward

## JV partnership and growth strategy

Burstone and Blackstone will look to build the platform over time

### Investment criteria

#### Type:

- Logistics or industrial properties

#### Locations:

- Germany, France, Belgium, Netherlands, Italy, Spain
- Expansion into new markets on an opportunistic basis (i.e. Nordics)

#### Target asset characteristics:

- >10k sqm
- > €20m gross purchase price

#### Strategy:

- Targeting Value-add assets which can be managed/repositioned to Core/Core+
- Reversionary yields: 6.5%+
- Unlocking value through active in-country asset management

#### JV return targets:

- 13% levered IRRs in EUR
- ZAR IRRs in mid-to-high teens which significantly exceeds Burstone's cost of capital



02

# Capital allocation and growth

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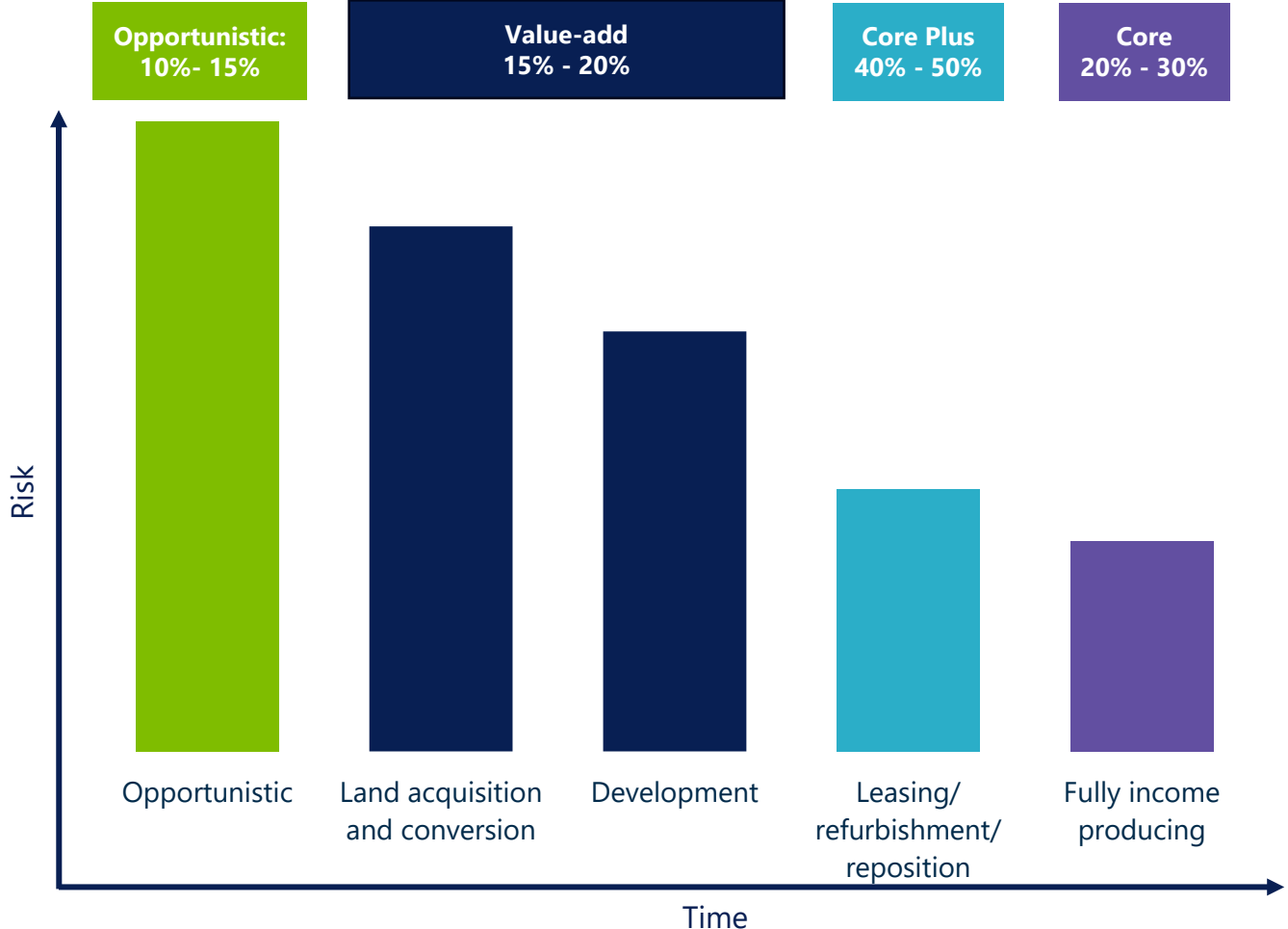


# Burststone's capital allocation framework

Our model allows us to:

- Invest across all risk and return profiles across the full lifecycle of real estate
- Staple management in terms of fund management, investment management, asset management and development management to enhance return and decrease balance sheet requirements

## Capital allocation strategy: percentage allocation



# Our funds and investment management strategy

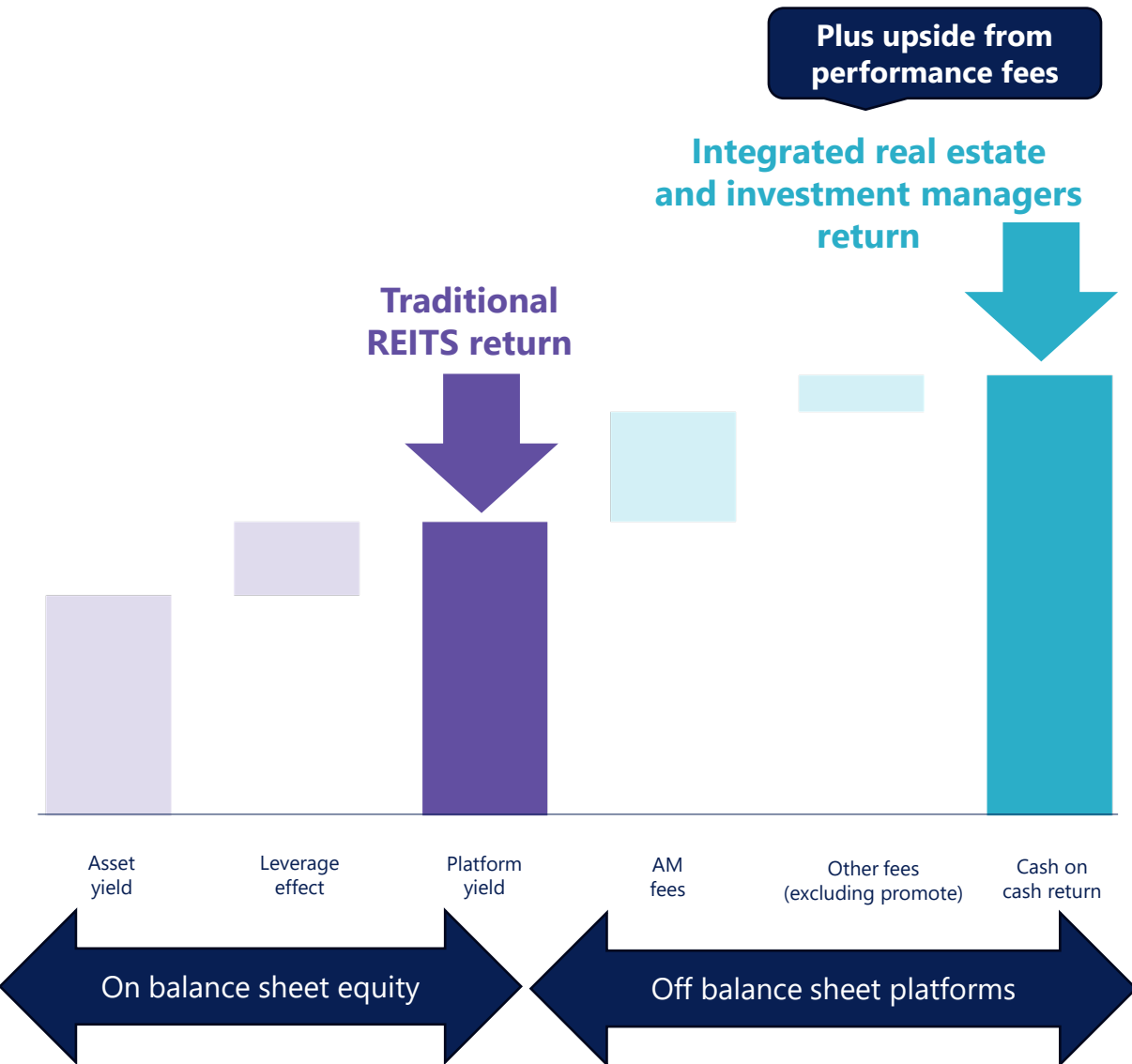
## Growth of the funds and investment management model

- Strong progress made on the funds and investment management strategy:
  - I. Strategic partnership with Blackstone
  - II. New industrial platform in Australia backed by a leading global alternative asset management firm
  - III. Management mandate and co-investment opportunity into a light industrial portfolio in Germany
  - IV. Currently in exclusive discussions with cornerstone investors to build a core+ fund in South Africa
- **The funds and investment management model will have numerous benefits for Burstone:**
  - **Releases capital and serves as a de-gearing mechanism** for the Group, as Burstone sells into and seeds new portfolios
  - **Diversifies the investment base** and capitalises on operational synergies
  - **Operational and financial leverage**
  - **Access to capital** to facilitate growth
  - **Creates new revenue streams** for the Group, through fund management fees (and potential carry based on performance) and enhancing the return on Burstone's deployment of capital



# The funds and investment management opportunity

Illustrative return build-up



1

**Aim to grow our funds and investment management platform** as we continue to build our capabilities as an asset and investment manager

2

Alignment of interests through **c.15-25% co-investment in our management platforms**

3

**Significant upside** as we build out our funds and investment management platforms by partnering with credible capital partners

4

**Opportunity to introduce LP capital to co-invest alongside Burstone**, further increasing asset management and performance fees

5

Target high single digit cash on cash returns and mid-teen IRRs (per Burstone capital allocation framework)

6

**Underpinned by management teams who have a successful track record of aggregating and realising value for multiple third-party capital investors**

# Irongate Group JV

## New opportunity

- **Agreement to establish a new industrial platform backed by a leading global alternative asset management firm**
- **An initial soft commitment of A\$200m of equity has been earmarked with the aim to upsize upon successful deployment**
- Burstone (alongside Irongate management) will provide the minority co-investment stake in line with our investment strategy. Irongate JV will provide the investment and asset management functions
- The initial portfolio comprises nine warehouses in Queensland with a total price of c.A\$140m and equity commitment of c.A\$80m. An additional pipeline asset is under DD that will increase portfolio to >A\$200m
- Attractive return profile with core+ and value-add target returns; additional upside through investment management and asset management. Target IRRs of 15% to 18%; cash on cash returns of 6% to 9%
- The Irongate JV have identified an attractive pipeline of opportunities to deploy the initial commitment and look to upsize

**The Irongate Group platform continues to show strong growth on the foundation of a well-defined strategy**

**Post the current identified pipeline, AUM increases to c.A\$600m (up 32% since Mar-23) in a portfolio of assets with an on-completion value in excess A\$3.5bn**





# Light industrial portfolio in Germany

- **Asset management mandate for c.€170m of a light industrial portfolio in Germany**
  - Contributed R10m to earnings in FY24
  - Currently in negotiations on a 25% co-invest and ongoing management; undergoing due diligence
  - Strategic rationale:
    - Strategic alignment with Burstone's current strategy and historical transactions
    - Diversification of income streams
    - Attractive return profile with >9% cash on cash yield and high teen target IRR
    - Significantly earnings accretive; ongoing investment management and asset management mandate
    - Scalable platform with a strong track record
    - Replicates successful PELI and Hansteen platforms

**Significant momentum in our European funds and investment management strategy**

**Combined GAV in Europe: c.€1.3bn**

**Combined third party AUM in Europe: c.€1bn**

(post Blackstone transaction and German light industrial platform transaction)



Düsseldorf Nördlicher Zubringer 15



Potsdam Am Buchhorst 33

# South Africa

- The Group **has built the foundation for a third-party fund management platform** in which institutional capital can invest
- Currently in exclusive discussions with cornerstone investors to build a core+ fund:
  - Will utilize a portion of existing SA assets as seed portfolio with Burstone acting as fund and asset manager
  - Transaction expected to be executed over 6 to 12 months
- **The Group has had a successful capital recycling programme and will look to further recycle its capital:**
  - As announced in May 2024: Disposal pipeline of R1.2bn to R1.4bn
  - Additional potential asset sales identified of R0.4bn
  - Total disposal pipeline range now: R1.6bn to R1.8bn
  - c.R0.3bn assets sold to date (at book value)
  - Asset sales expected to be delivered over 12 months

**Stable portfolio supported by hands-on management**

**Looking to launch funds and investment strategy through a new core+ fund**

**Successful capital recycling programme**

Over past 4 years sold c.R4.1bn of assets in line with / slight premium to book value



# Overview of our business post proposed transactions

Integrated real estate investor, acting as manager across all platforms

c€1bn third party AUM

## EUROPE

- €1.1bn (GAV) PEL portfolio: 20% ownership (partner Blackstone)
- €170m (GAV) German light industrial platform<sup>\*\*</sup>: 25% ownership

cR14bn GAV\*

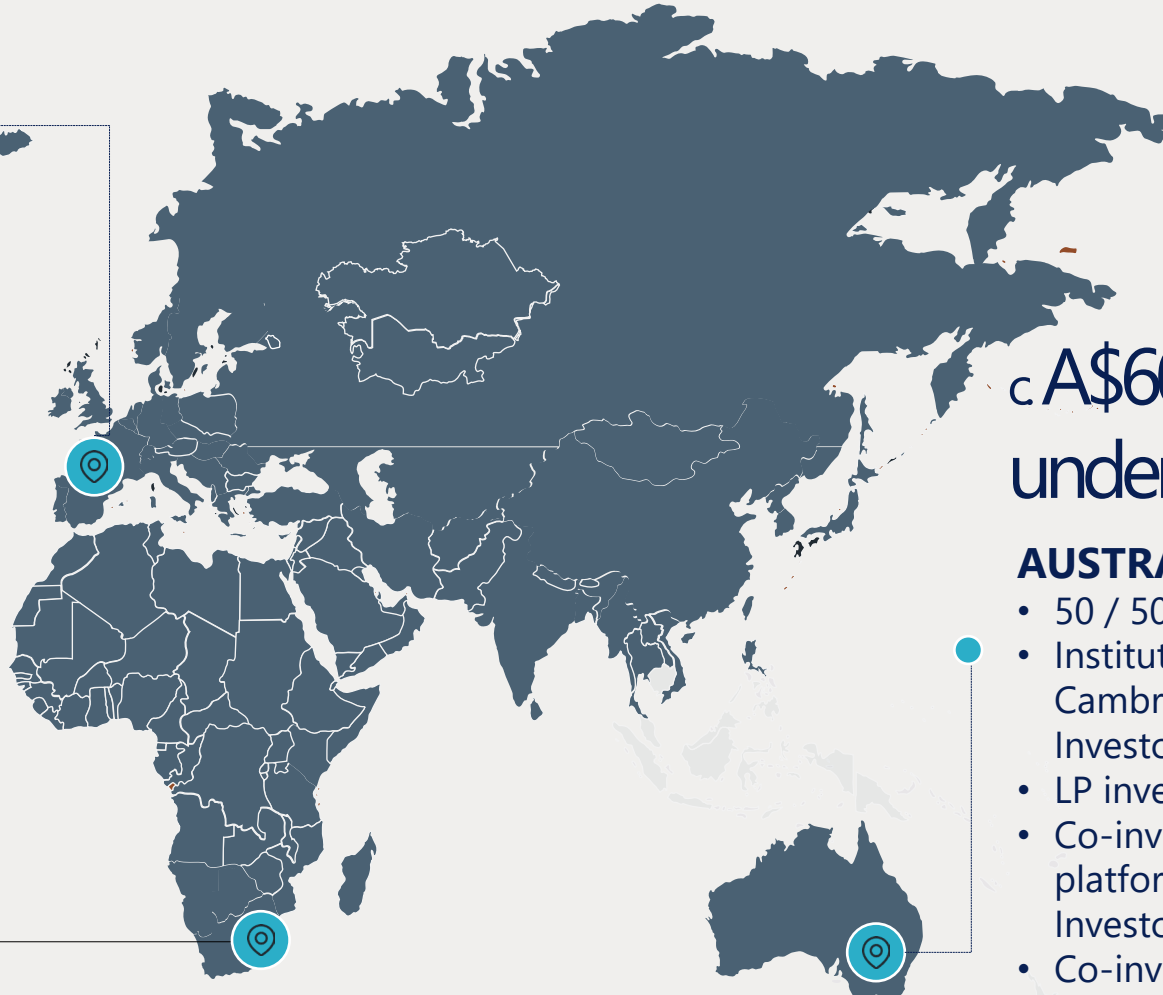
## SOUTH AFRICA

- Diversified real estate manager (100% owner)
- Retail: niche assets or those that are the dominant offering within their respective locations
- Office: multi-tenanted, well-located, with strong amenitisation
- Industrial: good-quality functional space in established nodes with consistent / stable demand

cA\$600m equity under management<sup>^</sup>

## AUSTRALIA

- 50 / 50 JV in Irongate Group
- Institutional partners Ivanhoe Cambridge, Phoenix Property Investors, Metrics, Frasers
- LP investment in ITAP Fund
- Co-investment in industrial platform (Phoenix Property Investors)
- Co-investment in new industrial platform (a leading global alternative asset management firm)



<sup>\*\*</sup> Transaction still to be completed. <sup>^</sup> Post the current identified pipeline (as explained on earlier slides).

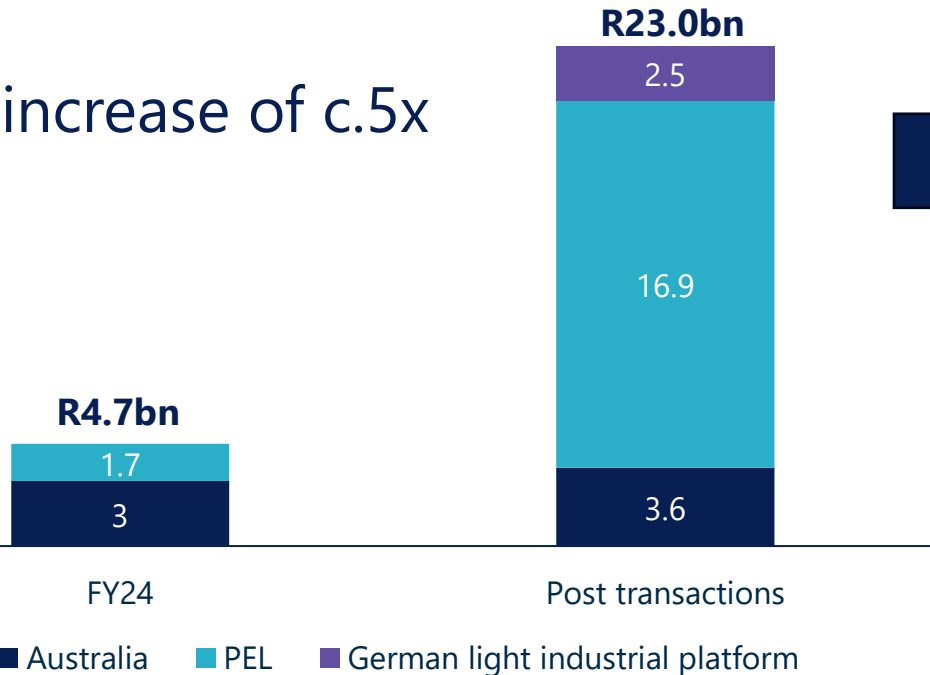
<sup>\*</sup> Post the acquisition of The Neighbourhood Square (TNS) (completed in July 2024) and before expected asset sales as explained on earlier slides.



# Group portfolio snapshot post proposed transactions

## Third party AUM\* (Rbn)

An increase of c.5x



## Fund and asset management fees

Driving increased returns on capital deployed

Fund and asset management fees:

- R61m at FY24 comprising c.7% of earnings
- **Fund and asset management fees are expected to more than double over next two years**

**Total GAV of c.R42bn with 54% third party AUM**

**Total GAV 66% offshore with 100% of third party AUM offshore**

\* Comprises 50% of \$600m AUM in Australia and our Equity Partner's proportionate share of GAV for the PEL and German light industrial portfolios.

# Deployment of capital

The net proceeds of c.€250m (c.R5bn) arising from the Proposed Blackstone Transaction will be used to:

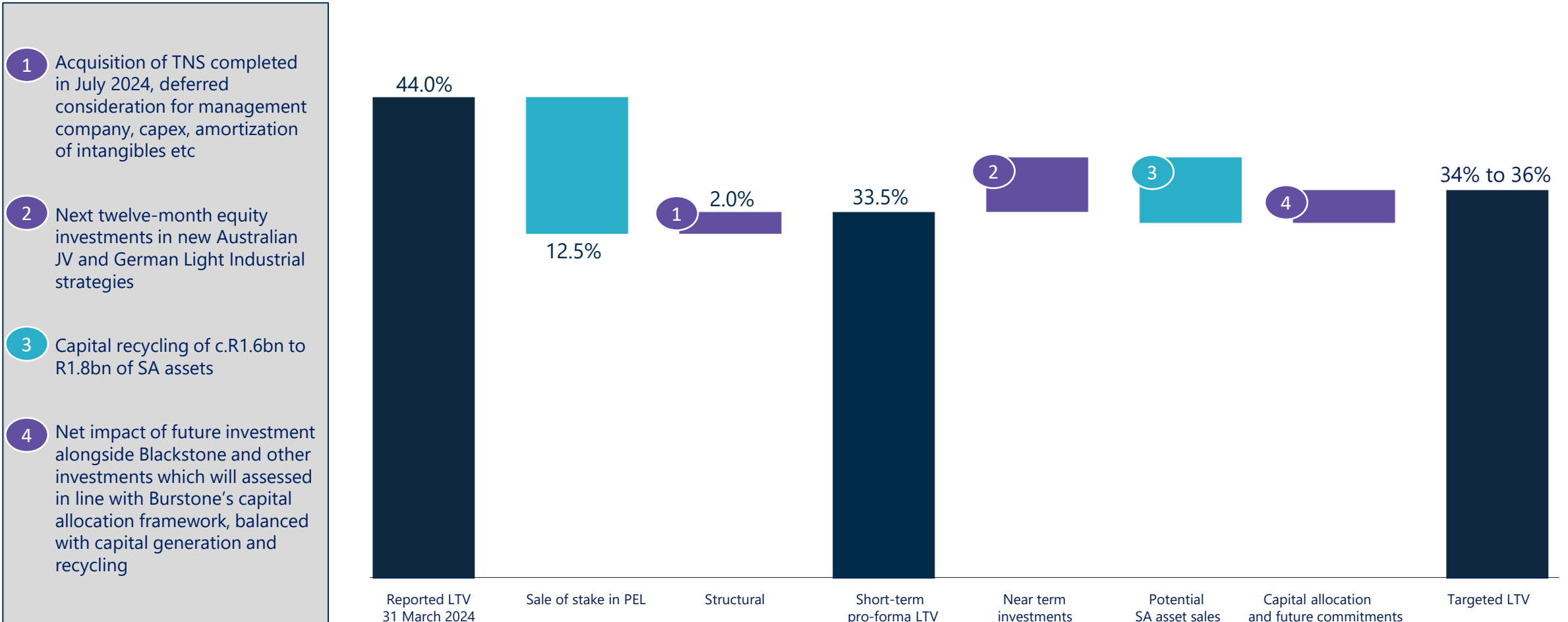
- Reduce gearing by c.R4bn
- Capitalise on potential future growth opportunities across our core regions and strategies (with c.R860m for near term commitments into Australian and German platforms)
- Increase the dividend payout ratio

	REDEPLOYMENT OPPORTUNITIES			
	Dividend increase	Australian new JV capital requirements	Light industrial platform capital requirements	Blackstone capital requirements
Description	Dividend payout ratio increased to 85-90% from 1H25	c.A\$30m of expected equity investment in the next twelve months (c.A\$15m into initial transaction)	c.€25m of expected equity investment in the next twelve months (c.€13m into initial transaction)	Grow and aggregate portfolio over time
Geography	N.A.	Australia	Germany	Pan-European
Target returns in local currency	Increase of 10-15% from current payout ratio levels	Cash on cash yield: 6% to 9% Target IRRs of 15% to 18%	Cash on cash yield >9% High teen IRR	Reversionary yields +6.5% Low to mid teen IRR's
LTV impact	c.0.5%	c.1.5-2.5%	c.1.5-2.5%	c.0.7% for every €100m of GAV acquired <sup>(1)</sup>
Earnings impact	N.A.	Short-term: neutral Medium-term: accretive	Accretive	Accretive

(1) For every €100m GAV = c.€10m equity required.

# LTV flightpath over the next 12 to 18 months

**Clear deleveraging path through reduction of stake in PEL and execution of South African asset sales.  
Near term capital requirements to grow the funds and investment management business to support enhanced returns.**



03

# Closing

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# Burstone investment proposition

## Fully integrated, international real estate business

- Traditional South African REIT delivering stable returns
- Globally diversified with capability to invest across all aspects of the real estate life cycle

## Ability to generate enhanced returns on capital deployed

- A hybrid model of traditional real estate investment, stapled with expertise across fund management, investment management, asset management, development management
- We invest across all aspects of the real estate life cycle, partnering with specific capital partners for specific opportunities
- Supporting our strategy of delivering enhanced returns on capital deployed
- Significant upside from growing funds and investment management business

## Hands-on and highly skilled management teams with strong local knowledge

- Scalable platform with ability to capitalise on existing infrastructure to create operational leverage
- Demonstrable track record, having previously successfully aggregated portfolios and crystallised value for third party capital investors

## Strong balance sheet with capacity to fund future growth initiatives

- Longer-term target leverage <35%
- Dividend payout ratio of 85-90%



30 Jellicoe – Rosebank, Johannesburg



# Key take aways

The Group is well positioned to execute on its funds and investment strategy which underpins the Group's ability to deliver enhanced returns on capital deployed and maximize operational leverage from its scalable platform

## STRATEGIC PARTNERSHIP WITH BLACKSTONE

LTV ↓ 12.5% to 33.5%

Look through gearing ↓ from 58% to c.41%

Dividend payout ratio ↑ from 75% to between 85% to 90% from 1H25

Earnings ↑ 1.3% based on FY24 financials

Enhanced impact in medium term as future impact of higher interest rates is negated through lower leverage

Future growth:  
Aggregate platform with Blackstone in core European markets  
JV return targets: 13% levered IRRs in EUR

## OTHER TRANSACTIONS

Co-invest in **Australia** with leading global alternative asset management firm  
↑ AUM in Australia from A\$490m to c.A\$600m and doubles our share of fee revenue from Australia

25% co-invest and ongoing management of €170m **German light industrial platform** – expected to be significantly earnings accretive

South Africa: in exclusive negotiations with cornerstone investors to build **SA Core plus platform**

**South Africa: successful capital recycling programme** - disposal pipeline of R1.6bn to R1.8bn expected to be delivered over 12 months

**Total third-party AUM ↑ 5x from R4.7bn to c.R23.0bn supports significant growth in asset and fund management fees over the next two years**

# Q&A

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