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**Burstone Group makes significant progress in executing on its fund and asset management strategy; reporting interim results in line with guidance**

Burstone Group, a fully integrated international real estate business, today announced half-year (1H25) results in line with guidance, reporting stable operational performances across its geographical businesses, despite earnings pressure from the high interest rate environment.

- DIPS decreased by 3.0% to 49.53cps (Sep-23: 51.07cps) in line with market guidance.
- The dividend payout ratio at 1H25 was 90% with a total dividend of 44.58cps (Sep-23: 48.52cps). The Group maintains a payout ratio of between 85% to 90%.

The results for the half-year were underpinned by stable operational performances from the South African and European businesses, with like-for-like (“LFL”) net property income (“NOI”) marginally declining by 1.2% in the South African portfolio and increasing by 1.1% (in EUR) in the European Pan-European Logistics portfolio (“PEL portfolio”) (c.8% in ZAR).

The results from underlying operations were as expected, impacted by higher funding costs, with an increase in interest rates resulting in a c.R40 million increase in funding costs over the period.

During the half-year the Group has made significant progress in executing its stated strategy, with many of these initiatives expected to start delivering results in the second half of the year and beyond. Key highlights during the period include:

- Strategic partnership with the Group’s PEL portfolio and funds managed by affiliates of Blackstone Inc. (“Blackstone”) (i.e. “the Blackstone Transaction”).
- Irongate has concluded a new industrial joint venture backed by a leading global alternative asset management firm, increasing Irongate’s third-party equity assets under management (“AUM”) from A\$490 million at FY24 to c.A\$628 million (up 40% since acquisition).
- Burstone is currently in exclusive negotiations with regards to a co-investment opportunity and ongoing management of a €170 million German light industrial and last mile logistics platform.
- Burstone is in exclusive negotiations with cornerstone investors in South Africa to seed and aggregate to scale an “SA Core plus platform”.
- Fee revenue grew by 54.5% over the period to R34 million (Sep-23: R22 million), amounting to 8.5% of distributable earnings (Sep-23:5.4%). The Group expects

the funds and asset management initiatives to have a significant impact to earnings over the next few years.

- Post the successful implementation of the Blackstone and Australian transactions, Burstone's total direct and indirect gross asset value ("GAV") will be c.R42 billion, of which 56% is third party AUM. Third party AUM is expected to increase almost 5x from R4.7 billion (at the end of March 2024) to c.R23 billion.

Andrew Wooler, CEO of Burstone Group said:

*"The Group is pleased with the progress made in its strategic repositioning of the business into an integrated international real estate investor and funds and asset manager. Significant traction has been achieved in expanding the fund and asset management segment of our business, underpinned by several key transactions that establish a strong foundation for scaling these platforms further. The Group's hybrid business model stands out as a key differentiator, enabling the Group to deliver enhanced returns on capital deployed. The Group is positioned for growth and will look to take advantage of several opportunities across its business to continue to grow its funds and asset management business."*

### **Balance sheet is robust**

The Group's balance sheet was significantly bolstered during the period:

- The Group's adjusted loan to value ("LTV") is expected to reduce to c.33.5% post the implementation of the Blackstone Transaction (Mar-24: adjusted LTV of 44.0%). Look-through gearing will reduce from 58% to c.41%.
- Successful refinancing of R6.6 billion of Group ZAR and EUR debt in August 2024 that has improved margin, extended the debt profile and provided greater flexibility with respect to sales and facility settlement.
- The Group continued with its capital recycling programme, with c.R0.3 billion of sales unconditionally concluded during 1H25 and a further c.R0.3 billion are awaiting transfer.
- The Group expects further asset sales to amount to between c.R1.0 billion to c.R1.2 billion over the next 12 months.

Said Wooler:

*"The Group will continue to assess several opportunities to fund its growth strategy and decrease reliance on its balance sheet including continued asset recycling, the development of its South African fund management strategy and the introduction of LP capital partners to co-invest alongside Burstone. We will continue to seek to deploy capital into the best international/local opportunities that will support our longer-term strategic plan and continue to create shareholder value. As we look to deploy capital into growth opportunities in our fund and asset management platforms, we expect near term LTV to be between 34% to 36%, whilst we target a longer-term LTV of below 35%."*

## **Hybrid business model drives enhanced returns and significantly increases value**

Burstone operates a hybrid model that combines on-balance sheet real estate investments with fund and asset management platforms. This dual approach creates a unique synergy between traditional real estate investment returns and the revenue streams generated from fund and asset management, thereby driving significantly increased value and enhanced returns. The model offers additional advantages, including improved access to capital, effective alignment of third-party capital with strategic opportunities, greater diversification across underlying investments, and optimized utilization of our asset and fund management infrastructure.

On the balance sheet investment side, Burstone directly invests in diverse real estate portfolios across South Africa, Europe, and Australia. These include income-generating assets in retail, office, and industrial sectors, ensuring steady and stable returns.

The funds and asset management business partners with global capital investors through joint ventures and platforms managed by Burstone. By co-investing and managing third-party assets, Burstone not only earns fees but also aligns interests with our partners to maximise overall performance.

Wooler, said:

*“Burstone has the capability to invest across all aspects of the real estate life cycle, partnering with specific capital partners for specific opportunities. Our hybrid model of traditional real estate investment – integrated with expertise across fund management, investment management, asset management and development management - supports the Group’s strategy of delivering enhanced returns on capital deployed and maximising operational leverage from our scalable platform.”*

## **South Africa outlook**

Although sentiment in the South African market is beginning to improve following recent interest rate cuts, investors remain cautiously optimistic. The industrial and retail sectors remain relatively strong, benefiting from steady demand, while the office sector continues to face challenges with high vacancies and slower recovery in occupancy.

The South African portfolio has stabilised and is performing in line with expectations, with LFL NOI growth expected to be flat relative to FY24, due to ongoing negative reversions in the office portfolio.

The Group will remain focused on sustaining the quality and relevance of its portfolio, executing its capital recycling program, and exploring opportunities to launch its South African fund and asset management strategy.

## **Pan-European Logistics (PEL) portfolio**

A key strategic priority remains maximising stakeholder value through our partnership with Blackstone. Together, Burstone and Blackstone will grow the PEL portfolio by focusing on aggregating industrial and logistics properties across core European markets.

Furthermore, the Group will benefit from the management of the new German light industrial and last mile logistics platform.

## **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 opportunities. Irongate will benefit from growth in its recently established industrial platforms, and we expect an increase in the contribution to earnings from the Irongate JV as we deploy capital alongside new partners.

## **Prospects and guidance**

Expanding the Group's fund and asset management model offers multiple benefits for Burstone, particularly the ability to achieve enhanced integrated real estate returns. This approach combines traditional real estate asset yields with additional upside from operating a funds, investment, and asset management model, where the Group can earn management, leasing, and acquisition fees, as well as potentially generate performance fees through outperformance.

The rollout of the Group's fund and asset management strategy, and the conclusion of recent transactions, is expected to generate a significant increase in fee revenue over the next two years.

## **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 and c.R23 billion (€1.1 billion) third-party assets 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 67% of the Group's GAV 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: [www.burstone.com](http://www.burstone.com)

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