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Burstone Group Limited
(Previously Investec Property Fund)
Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number: 2008/011366/06
Share code: BTN
Bond code: BTNI
ISIN: ZAE000180915
Income tax reference number: 9332/719/16/1
(“**Burstone**” or “the **Group**”)

REVIEWED CONSOLIDATED RESULTS, CASH DIVIDEND AND NOTIFICATION OF FINANCIAL ASSISTANCE FOR THE YEAR ENDED 31 MARCH 2024

The board of directors of Burstone is pleased to announce the results for the year ended 31 March 2024.

OVERVIEW OF THE YEAR ENDED 31 MARCH 2024

The Group is benefiting from the management internalisation and the strategic repositioning of the Group as an integrated international real estate business. The Group is delivering on its stated strategy with highlights for the financial year ended 31 March 2024 (“FY24”) including:

- The Group delivered a solid second half performance with distributable earnings per share (“DIPS”) increasing by 7.4%.
- Full year results were in line with guidance, with DIPS increasing by 1.0% to 105.67cps (Mar-23: 104.64cps).
- The results were underpinned by solid operational performances from the South African and European businesses, with like-for-like (“LFL”) net property income (“NOI”) up 1.5% and 6.2% (in EUR), respectively.
- The Group 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”).
  - Discussions taking place with global equity and debt investors across both international geographies (Australia and Europe). This unlocks distribution synergies and capability.
- The positive results from underlying operations were as expected, impacted by higher funding costs, with an increase in interest rates resulting in a c.R66 million increase in funding costs over the period.
- The Group’s adjusted loan to value (“LTV”) is 44.0%* (Mar-23: adjusted 42.0%),
- De-gearing of the Group balance sheet remains a core focus for the near term:
  - c.R1.3 billion of South African assets were sold over the past financial year at a 1.5% premium to book.
  - Further c.R1.2 billion to R1.4 billion of assets identified for sale in South Africa (with R0.4 billion 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.
- The Group is confident in achieving the aforementioned sales during the next 12 months and expects LTV to reduce to between 37% to 40%.
- Valuations of the South African portfolio remained stable at normalised yields of 9.0% (Mar-23: 9.2%).
- The European portfolio was impacted by macro driven yield expansion, which resulted in a c.1% impairment of the portfolio, with current yields at 5.5% (Mar-23: 51%).
- Net asset value (“NAV”) decreased by 4.5% to R15.45ps (Mar-23: R16.17ps) largely due to unrealised mark-to-market on derivatives and the marginal impairment on the European portfolio.
- The Group continues to invest for the future with progress made on several capital light initiatives, including:
  - A new management mandate to manage a c.€170 million portfolio in Germany with the opportunity to co-invest in the future.

* Reported LTV is 45.5%, which has been adjusted to include proceeds from sales of South African assets which have been agreed and all conditions met at the balance sheet date, but still awaiting transfer, to derive a LTV of 44% as disclosed in the highlights.

  - An 8% increase in equity AUM in Australia, following Irongate's first industrial acquisition, alongside Phoenix Property Investors.
  - Significant progress made in South Africa to build the foundation for a third-party fund management platform anchored by local investors/pension funds.
  - As a result, capital light initiatives generated R61 million contributing c.7% to earnings in FY24.
  - The Group expects the capital light and funds management initiatives to have a significant impact to earnings over the next three to five years.
- The dividend payout ratio was 85% with a total dividend of 89.46cps (Mar-23: 99.41cps).

FINANCIAL INFORMATION

	Reviewed 31 March 2024	Audited 31 March 2023	% Change
Revenue (ZAR'000)	**1 856 692**	1 832 165	1.3%
Operating profit (ZAR'000)	**1 399 685**	1 272 781	10.0%
Distributable earnings per share (cents)	**105.67**	104.64	1.0%
Net asset value per share (ZAR)	**15.45**	16.17	(4.5%)
Basic earnings per share (cents)	**28.91**	24.22	19.3%
Diluted earnings per share (cents)	**28.90**	24.22	19.4%
Headline earnings per share (cents)	**28.21**	43.70	(35.4%)
Diluted headline earnings per share (cents)	**28.20**	43.70	(35.5%)

FINANCIAL REVIEW

Performance highlights

The underlying South African and European portfolios continued to achieve strong rental growth, delivering 1.5% and 6.2% yoy LFL NOI growth, respectively.

The South African portfolio benefited from improved vacancy rates over the period and strong performances in the retail and industrial portfolios. Negative reversions persist (largely in the office sector) in the absence of market rental growth although we are seeing signs of rental growth in certain nodes. Arrears remain well managed and cost to income ratios are stable.

The PEL portfolio delivered strong rental growth driven by the ability to capture positive ERV. Vacancy rates remain at low levels. Arrears have been well managed, and we have extracted cost savings in the European platform with further savings expected over the next year. Reversion rates have seen positive growth in excess of 5%.

As expected, overall Group financial performance was however, dampened by higher funding costs. There has been a material shift in Euribor of c.4% since September 2022. As communicated previously, funding costs increased in the PEL platform to the Euribor cap of c.1.4% plus margin. These higher funding costs are now fully reflected in the base and equate to an increase of 27% for the year in Euros.

Considering the above-mentioned factors Group DIPS increased by 1.0% to 105.67cps (Mar-23: 104.64cps).

Balance sheet highlights

The balance sheet remains sound supported by pro-active capital and interest rate management.

The Group delivered on the sales of c.R1.3 billion that it had committed to.

The LTV increased to 44% (Mar-23: 42.0%) following:

- The implementation of the internalisation.
- Structural capex; the Smithfield co-investment in Australia; and the cash settlement of derivative mark to market.
- A negative revaluation on the PEL portfolio (net of FX) of c.1%.
- Offset by the net asset sales.

The Group is actively working on several initiatives to continue to recycle its capital efficiently with a pipeline of R1.2 billion to R1.4 billion of South Africa assets and €150 million to €250 million of European assets identified for sale. The Group is targeting an LTV of between 37% to 40% over the next 12 months, which will be achieved through these asset sales.

The Group is proactively managing its refinancing and interest rate risk and is actively engaging in the refinancing of its Group (ZAR and EUR) debt and the debt in PEL, with completion of the refinancing targeted for Q2 FY25. The refinancing of the Group (ZAR and EUR) debt is expected to result in margin savings of c.20bps and extension of the debt expiry from 2.2 years to 3.2 years. The refinancing of debt in PEL is expected to be completed on a cash neutral basis and is expected to extend the debt expiry from 1.3 years to 4.5 years.

The Group has R1.1 billion of undrawn committed facilities to settle short term debt expiries and has sufficient covenant headroom across all regions.

NAV per share was R15.45 (Mar-23: R16.17) largely reflecting further investment into the business, the impairment of PEL (net of FX) and unrealised mark-to-market movements on derivatives.

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. The Group has delivered on its stated strategy and is already benefiting from synergies created by the internalisation, integration of its business and its enhanced international footprint.

The Group's immediate focus will be on:

- Reducing its LTV over the next 12 months to between 37% and 40%, through a planned process of asset sales which the Group is confident it will deliver on.
- Completing the refinancing of the Group (ZAR and EUR) debt and the debt in PEL. These processes are well on track to be completed by Q2 FY25, and will result in some margin savings, but importantly will extend the debt expiry profile across the Group.
- Carefully managing the increased funding costs, specifically as a result of the roll-off of EUR hedges, that will impact the business. The Group aims to largely absorb these increased costs through:
  - underlying asset performance, specifically from the European platform;
  - managing our capital allocation given the opportunities that are arising from the current market dislocation;
  - operational and cost savings initiatives which are already underway, with significant costs savings already successfully implemented in the European platform;
  - new revenue streams from capital light activities; and
  - a reduction in gearing.

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.

South Africa

The South African macroeconomic backdrop remains muted, and the property sector faces many challenges, not limited to rising municipal costs and an energy crisis which contributes to an increasing cost of occupation. While the South African portfolio has stabilised and is performing to expectations, it is expected to deliver low single digit growth that is reflective of the current operating environment.

Initiatives to reduce our client's cost of occupation will become increasingly necessary to drive bottom line earnings. With the portfolio now stabilised, the focus will be on maintaining the quality and relevance of the portfolio and accelerating the capital recycling program.

Europe

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 c.€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.

Balance sheet

Burstone's balance sheet remains robust with a firm plan to reduce LTV to between 37% and 40% over the next 12 months. The Group is proactively managing its refinancing and interest rate risk and is actively engaging in the refinancing of its Group debt and the debt in PEL, with completion of the refinancing targeted for Q2 FY25.

Overall Group

The rollout of the funds management strategy is expected to create new revenue streams that will further buffer earnings while also reducing LTV. There has been significant market interest in working with the Irongate platform and the management team are actively focused on growing new strategies and sourcing capital. Together with strategies in Europe and South Africa, this remains a growth vector that the Group expects to build to scale over the medium to longer term.

Maintaining the overall quality of our portfolio is important and the Group will continue to invest in structural capex. Both the South African and European portfolios remain stable and are expected to generate growth in NOI in FY25.

Funding costs are expected to increase by c.R70 million in FY25, as existing hedges roll off in the new higher interest rate environment. The Group has, however, proactively implemented several cost savings, balance sheet and other optimisation efforts, together with new revenue streams that will absorb a significant portion of these increased interest costs in FY25.

Taking the above into account, and the underlying performance anticipated from the South African and European portfolios and growth from new revenue streams, the Group expects to deliver a decline in DIPS of between 2% and 4% in FY25.

Considering the Group's planned reduction in LTV, its growth strategy and structural capital re-investment into the business the Board has resolved to apply a payout ratio of 75% going forward. The Board will continue to assess the appropriateness of this dividend payout policy in light of its long-term strategy and after considering its LTV position, capex funding requirements and any potential taxation impacts.

The above guidance assumes that current normalised trading conditions will persist and does not consider the impact of any unforeseen circumstances, potential business failures or the occurrence of any other factors that are beyond the Group's control.

With an underlying quality asset base and a robust balance sheet, Burstone has strong foundations for future growth. We believe that our integrated international offering will be a key differentiator as we implement our strategic plan over the next few years.

ADDITIONAL INFORMATION: KEY FINANCIAL DATA

	Year ended 31 March 2024	Year ended 31 March 2023
Group information		
Group GAV	**R37bn**	R37bn
Third-party capital under management	**R4.7bn**	R4.4bn
LTV (gearing)	**44%**	42%
Total Group debt (ZAR and Euro)	**R11.9bn**	R10.5bn
Debt maturity (years) (pre-refinancing)	**2.2**	3.3
Interest cover ratio	**2.7x**	2.8x
Hedge percentage on total Group debt	**98%**	85%
Weighted average all-in cost of funding (ZAR and Euro)	**5.3%**	5.3%
South African property portfolio		
Number of properties	**73**	79
Asset value	**R14.2bn**	R14.6bn
Base like-for-like NOI growth	**1.5%**	5.3%
Cost to income (excl. bad debts)	**22.7%**	22.8%
GLA (m^2)	**971 331**	1 013 700
Vacancy (by GLA)	**4.5%**	3.9%
WALE (years)	**3.0**	2.9
In-force escalations	**6.8%**	6.8%
% of space expiring let	**90%**	90%
PEL European property portfolio		
Number of properties	**32**	33
Asset value	**€1.1bn**	€1.1bn
Base like-for-like NOI growth	**6.2%**	7.4%
Cost to income (excl. bad debts)	**8.5%**	8.4%
GLA (m2)	**1 124 555**	1 135 630
Vacancy (by GLA)	**2.2%**	0.9%
WALE (years)	**5.3**	5.2
Average positive reversions on renewals and new leases	**5.2%**	8.6%
% of space expiring let	**96%**	98%
PEL debt quantum	**€566m**	€588m
LTV (gearing)	**53%**	53%
Hedge percentage on debt	**93%**	90%
Average all-in cost of funding	**3.9%**	3.7%

FY24 FINAL DIVIDEND

The Group hereby declares an FY24 final dividend of 40.95210 cps (R330m) in respect of the twelve months ended 31 March 2024. This represents a 75% pay-out ratio of H2 FY24's distributable earnings of 54.60280cps. This brings the total dividend for FY24 to 89.46458 cps, representing a full year pay-out ratio of 85% for the year's distributable earnings of 105.66860cps. The full year dividend meets the minimum distribution (75%) required to retain REIT status.

In accordance with Burstone's status as a REIT, shareholders are advised that the cash dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividends on the shares will be deemed to be dividends for South African tax purposes in terms of section 25BB of the Income Tax Act. Compliance with REIT regulations requires payment of a dividend within 4 months of the Group's FY24 year-end.

Other information

Issued shares as at declaration date: 804 918 444 ordinary shares of no par value.

Tax implications for South African resident shareholders

Dividends received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are however exempt from dividend withholding tax ("Dividend Tax") in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the CSDP or broker, as the case may be, in respect of uncertificated Shares, or the Group, in respect of certificated Shares, a declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is exempt from dividends tax in terms of section 64F and a written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform the CSDP, broker or the Group, as the case may be, should the circumstances affecting the exemption change or if the beneficial owner ceases to be the beneficial owner.

If resident shareholders have not submitted the above-mentioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable in South Africa as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 22 February 2017, any dividend received by a non-resident from a REIT are subject to Dividend Tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ('DTA') between South Africa and the country of residence of the non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 32.76168cps. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Group, in respect of certificated shares:

- A declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform, the CSDP, broker or the Group, as the case may be, should the circumstances affecting the reduced rate change or if the beneficial owner ceases to be the beneficial owner.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the Group, as the case may be, to arrange for the above-mentioned documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend, if such documents have not already been submitted.

Salient dates relating to the final dividend

Declaration of dividend	Wednesday, 22 May 2024
Last day to trade in order to receive distribution (cum-dividend)	Tuesday, 11 June 2024
Shares trade ex-dividend	Wednesday, 12 June 2024
Record date for shareholders to receive dividend	Friday, 14 June 2024
Dividend payment date	Tuesday, 18 June 2024

Shares may not be rematerialised or dematerialised between Wednesday, 12 June 2024 and Friday, 14 June 2024, both days inclusive.

The above dates and times are subject to change. Any change will be released on SENS.

FINANCIAL ASSISTANCE

Notice in terms of section 45(5) of the Companies Act No. 71 of 2008, as amended

Shareholders are advised that at the annual general meeting of the Group held on 3 August 2023, shareholders approved and passed a special resolution in terms of section 45 of the Companies Act No. 71 of 2008, as amended (the Act) authorising the Group to provide financial assistance to among others, related or inter-related companies of the Group.

Shareholders are hereby notified that in terms of Section 45(5)(b) of the Companies Act No. 71 of 2008, as amended, the board of directors of the Company authorised the issue of guarantees and suretyships to third parties for finance and other facilities granted by those third parties to wholly-owned subsidiaries of the Company during the period 1 April 2023 to 31 March 2024.

The board has confirmed that, after considering the reasonable foreseeable financial circumstances of the Company, it is satisfied that immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test, as contemplated in terms of section 4 of the Act, and that the terms under which such financial assistance was given were fair and reasonable to the Company.

On behalf of the board

Moss Ngoasheng
(Independent Non-Executive Chairman)

Andrew Wooler
(Group Chief Executive)

22 May 2024

FURTHER INFORMATION

The directors of Burstone are responsible for the preparation and fair presentation of this short-form announcement and its contents.

The reviewed condensed consolidated financial results for year ended 31 March 2024 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion.

This short-form announcement is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full viewed announcement which can be accessed using the following JSE link:
https://senspdf.jse.co.za/documents/2024/jse/isse/BTNE/YE24.pdf

Alternatively, the full announcement is available on the Group's website:
https://www.burstone.com/investor-relations/latest-announcements

The full announcement is also available at the Group's registered offices for inspection at no charge, during office hours. Copies of the full announcement may be requested by contacting Investor Relations on: investorrelations@burstone.com

LINK TO RESULTS CALL

The Group will host a presentation on the year-end results via webcast today at 14:00 (SA time). A virtual question and answer session will be accommodated during the presentation.

The webcast can be accessed at: https://www.burstone.com/investor-relations/latest-announcements

For further information please contact:
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Johannesburg
22 May 2024

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