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## **MEDIA RELEASE**

### **Burstone Group reports sound first-half performance and highlights transformation to an integrated international real estate business**

Burstone Group, formerly Investec Property Fund, today announced strong operational performances for the first six months of the 2024 financial year (1H24) in its South African and European geographies amid an uncertain global economic and interest rate environment.

The Group, which rebranded to Burstone in September 2023, made significant strides in integrating its South African, European, and Australian platforms with the successful completion of the internalisation of the business in July 2023. The name change reflects the transformation into one business with singular vision, an international group of like-minded individuals connected by a collaborative approach, centralised infrastructure, and the ability to leverage in-depth local knowledge across its platforms.

As expected, financial results for the period were adversely affected by higher funding costs which occurred only in the second half of the prior year.

Key elements of the performance in the first half include:

- The Group maintains its previous guidance and expects to deliver growth in distributable income per share (DIPS) of 0% to 2% in FY24. This equates to expected growth in DIPS of 5% to 9% in 2H24.
- The dividend payout ratio was 95% with an interim dividend of 48.52cps (Sep-22: 51.09cps); and
- Results for the six months were in line with the Group's expectations, with DIPS declining by 5.0% to 51.07cps (30 Sep 22: 53.78cps).

Andrew Wooler, CEO of Burstone Group said:

*"We have brought the different parts of the business and our people closer together under the new Burstone name. More than a name change, the Burstone rebrand is a culmination of a shared vision and shared purpose as a group of people with common passion and the exciting opportunity to leverage in-depth*



*local knowledge to take advantage of international opportunities. We believe our collaborative approach, speed, agility and passion for property – coupled with our on-the-ground expertise – are levers for differentiation going forward.”*

### **Strong operational performance**

- The South African portfolio remains stable and achieved 2.0% growth in like-for-like net property income (NPI) against a persistently challenging economic backdrop; and
- The European PEL portfolio reported an increase in like-for-like NPI of 7.9%, driven by continued growth in contracted rent. Overall performance was further bolstered by cost containment initiatives.
- In Australia, the Irongate Fund Management partnership is gaining momentum and is well positioned in the market and supported by third party capital partners.

Said Wooler:

*“The Group has maintained stability across its portfolio with vacancy levels in South Africa and Europe remaining at low levels of 3.7% and 0.9%, respectively. In South Africa, 90% of space expiring has been re-let or leases have been extended; in Europe the ratio was 96%. We continue to engage proactively with clients to reduce the cost of occupation.”*

### **Balance sheet remains sound**

- The balance sheet remains sound supported by proactive capital and interest rate management;
- The loan to value (LTV) increased marginally to 43% (Mar-23: pro-forma 42.0%).

The Group has a clear plan to reduce LTV. In the short-term the Group will lower the LTV to c.41% largely through further asset sales.

The Group has low near-term refinancing risk, interest rate risk has been effectively managed, and the Group is actively assessing early refinancing options.

Said Wooler:

*“We have a strong track record of delivering attractive and sustainable risk adjusted total returns for investors and partners. We actively manage our capital, gearing level and liquidity to ensure that our balance sheet is sound and can*



*support our long-term strategic objectives.”*

## **Regional dynamics**

In South Africa the Group has a stable and mature portfolio which supports a sustainable level of earnings. However, growth expectations remain low given domestic energy concerns, industry challenges and global macro-economic volatility and uncertainty. The South African direct property portfolio accounts for 44% of the Group’s asset base on a look-through basis. The local portfolio comprises 77 high-quality properties in strategic, well-located nodes.

In Europe, the European logistics sector is robust with strong demand and low vacancy levels which has driven rental growth, further supported by rising indexation across the Eurozone. While rental growth remains above the long-term trend, this is expected to moderate across most European markets as central banks raise interest rates to tackle inflation.

Performance of Burstone’s European platform is underpinned by a strong, defensive portfolio that has capitalised on the sector dynamics consistently since acquisition. The portfolio is geographically diverse and concentrated in core Western European jurisdictions, with a strong tenant base and a varied lease expiry profile providing opportunities to drive rental income on a staggered basis, with the income derived from a wide spread of strong, household named companies.

## **Looking forward**

Burstone’s longer-term focus will be on the roll-out of a capital light fund management model, exploring value-add / core-plus opportunities, and implementing a holistic sustainability strategy that creates broader stakeholder value that is impactful. The Group’s immediate focus will be on maintaining the stability of the current portfolio, enhancing the quality of recurring earnings, maximising operational synergies, and effectively managing its capital allocation given the opportunities that are arising from the current market dislocation.

In conclusion, Wooler said:

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



## ENDS

### **About Burstone Group Limited (Burstone)**

Burstone (previously Investec Property Fund) is a fully integrated international real estate business with c.R37 billion gross asset value (GAV) under management and c.R5.4 billion third-party capital under management. The Group invests in best-in-class assets focusing on fund 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.

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