

BURSTONE GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Reg. No: 2008/011366/06)
Approved as a REIT by the JSE
Share Code: BTN
Bond Code: BTNI
ISIN: ZAE000180915
("Burstone" or "the Group")

Investor pre-close conference call and voluntary trading update for the year ending 31 March 2025

The Group is pleased to give a pre-close trading update for the year ending 31 March 2025 ("FY25"). An investor conference call will be held today at 11:00 South African time / 09:00 UK time (details are provided below).

Background

Burstone is a fully integrated real estate investor, fund and asset manager that has c.R42 billion gross asset value ("GAV") under management and c.R25 billion third-party assets under management ("AUM"). Approximately 69% of the Group's GAV is offshore, across western Europe and Australia. The Group's AUM is set to increase in the short to medium term as the Group executes and grows its fund management platforms.

Strategic highlights

The Group has made significant progress over the past year in executing its stated strategy and growing its fund and asset management platforms.

- Total third-party AUM grew from R8.9 billion to c.R25 billion with total fee revenue expected to comprise c.11% of earnings (Mar-24: 7.3%).
- Europe:
 - Strategic partnership between the Group's Pan European Logistics ("PEL") portfolio and funds managed by affiliates of Blackstone Inc ("Blackstone") ("the Blackstone transaction") completed on 12 November 2024. The transaction has launched Burstone's European funds and asset management strategy.
 - Burstone retains a 20% co-investment in PEL and retains the asset management of the c.€1 billion PEL portfolio.
- Australia:
 - Irongate continues to provide a strong platform for Burstone to grow its fund management activities in Australia.
 - During the year, Irongate established an industrial platform with TPG Angelo Gordon, a global diversified credit and real estate investing platform within TPG, with approximately US\$91 billion assets under management.
 - The new industrial platform has already concluded the acquisitions of A\$280 million of industrial logistics assets in New South Wales and Queensland, deploying approximately A\$133 million of equity into four assets. Burstone's equity investment into this platform, alongside TPG Angelo Gordon, is c.A\$20 million (15%).
 - Irongate now manages c.A\$625 million of equity across office, industrial, retail and residential assets from last year for some of the world's leading real estate investors (Ivanhoe Cambridge, Phoenix Property Investors, Metrics Credit Partners and TPG Angelo Gordon). AUM has grown 28% over the period.

- South Africa:
 - Burstone has made significant progress with a cornerstone investor to seed and then build to scale a South African focused diversified real estate platform (“SA Core Plus platform”). All material due diligence is now complete subject to various investment approval processes.
 - Burstone is targeting implementation of the SA Core Plus platform on the following basis:
 - Burstone to seed the platform with up to c.R5 billion of South African retail and industrial assets that fit within the investment mandate.
 - Burstone is expected to retain a significant equity interest in the SA Core Plus platform, which proportion of equity should naturally reduce over time.
 - A target LTV of c.40%.
 - Burstone will act as a fund and asset manager of the SA Core Plus platform.
 - The launching of the platform is anticipated before the end of the calendar year. Shareholders will be kept informed as key milestones are achieved.
- Maintaining a robust balance sheet:
 - De-gearing and loan to value (“LTV”):
 - Post the implementation of the PEL strategic partnership with Blackstone, the Group settled debt of c.R5 billion.
 - Disciplined and continued capital recycling resulted in South African asset sales of approximately R0.9 billion in FY25.
 - Funding of capital expenditure and further investment into Australia, alongside TPG Angelo Gordon, partially offsets the reduced gearing impact of the Blackstone transaction and South African sale of assets.
 - The Group expects its LTV to be between 34% and 36% for FY25.
 - Successful refinancing of R6.6 billion of Group ZAR and EUR debt in August 2024 that has improved margins, extended the debt profile and provided greater flexibility with respect to sales and facility settlement.

Overall Group performance

- The Group is expected to deliver full year results in line with previous full year guidance provided of approximately 2% to 4% lower than the 2024 financial year (“FY24”). This would deliver FY25 distributable income per share (“DIPS”) of between 101.44cps and 103.56cps (FY24: 105.67cps).
- The dividend payout ratio is expected to be in line with the interim period (i.e. 90%), resulting in an expected increase in dividends per share of between 2% to 4% compared to FY24.
- Key elements which have underpinned the Group’s performance:
 - The South African base like-for-like (“LFL”) net property income (“NPI”) is expected to be in line with the prior year, reflecting a resilient retail performance which is offset by declining growth in the office portfolio which continues to be impacted by negative reversions.
 - The European business is expected to deliver a marginal increase in LFL NPI mainly driven by positive rental reversions and indexation.
 - Group fee income is expected to grow significantly over the period, driven by European and Australian fund and asset management activity, resulting in fee income representing approximately 11% of earnings (FY24: 7.3%).
 - The Group has continued to focus on cost optimisation initiatives with operating costs expected to increase by between 1% and 2%.

- Group net interest costs are expected to decline significantly, impacted by:
 - Proceeds from the Blackstone transaction and proactive refinancing efforts that have reduced the all-in cost of debt;
 - Partially offset by further investment in the Group's Australian platform and maintenance capital expenditure in South Africa; and
 - The c.R0.9 billion in South African asset sales at a c.2.5% discount to book value, that led to net interest savings and contributed to a lower LTV ratio. However, the transactions were earnings dilutive.
- The Blackstone transaction, which was effective from 12 November 2024, is expected to be marginally accretive on the Group's results in FY25.

Performance of the South African business

- LFL base NPI for the South African portfolio is expected to be in line with the prior year.
- Total average vacancies across the portfolio are expected to increase to c.5.5% (Mar-24: 4.2%) driven by a large industrial asset that became vacant in the second half of the year.
- Total reversions over the period are expected to improve to negative c.5% (Mar-24: negative 9.3%).
- The retail sector continues to deliver positive NPI growth, however, results have been impacted by the redevelopment of Zewenwacht Mall and associated vacancy linked to the introduction of a new second anchor.
- The office sector continues to face negative reversions of c.20% (Mar-24: negative 31.6%) and average vacancies of c.8% (Mar-24: 6.4%).
- The industrial sector has experienced strong letting activity with overall reversions of negative 5% driven by long dated leases of negative 17%.

Performance of the European business

- The performance of the PEL platform is expected to deliver a positive LFL NPI growth mainly driven by positive rental reversions (c.13%) and indexation (c.4%), partially offset by higher average vacancies of c.4% (Mar-24: 1%).
- Burstone has decided not to pursue the co-investment opportunity in the German light industrial platform. As such, the third-party management contract ended in December 2024.

Performance of the Australian business

- The Group's investment in Irongate continues to perform well, benefiting from the significant growth in AUM and underlying real estate performance which is in line with the deal thesis.
- The Irongate Group is well positioned to capitalize on a strong pipeline of opportunities.
- Irongate's co-investment in the industrial platform with Phoenix Property Investors is performing well. The latest valuation shows a c.11% increase in asset value, driven by positive rental reversions and full occupancy, highlighting the platform's strong leasing performance.

Proactive balance sheet management and successful debt refinancing

- Successful refinancing of R6.6 billion of Group ZAR and EUR debt in August 2024 that further improves the Group's funding and liquidity profile.
- The PEL portfolio was successfully regeared and refinanced post the Blackstone transaction, extending the debt tenor in the platform to 5 years.
- As at the date of this announcement, the Group holds c.R2 billion in undrawn committed available facilities and cash, excluding proceeds from disposals that have yet to be completed.

- The Group remains well-hedged, covering over 90% of its interest rate exposure at rates below current market levels.
- The Group's investment in PEL has been hedged at 100% through a combination of Euro debt and Euro cross currency interest rate swaps ("CCIRS") following the strategic partnership.
- The Group's investment in Australia is also 100% hedged AUD/ZAR via CCIRS in line with the Group's policy.
- The Group has c.R13 billion direct on-balance sheet property investments and c.R2.4 billion equity investments in fund management platforms.

Concluding remarks

The Group's real estate portfolio is performing as expected and in line with guidance. Strategically the Group is pleased with the progress made across the business, notably in:

- De-gearing the balance sheet, reducing LTV significantly;
- Establishing a funds management business in Europe;
- Driving solid AUM growth in Australia;
- Advancing exclusive negotiations in South Africa to develop a fund management strategy;
- Capitalizing on the internalisation, making strong strides in leveraging the Group's platforms, processes, skills, and expertise across regions; and
- Successfully refinancing debt while maintaining prudent balance sheet management.

The Group will continue to focus on the recycling of direct on-balance sheet investments and using the proceeds to co-invest in fund management platforms, which will result in a significant increase in third party funds under management.

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.

This 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 its scalable platform.

The year ahead offers great opportunity for the Group as it looks to execute and grow the fund and asset management platforms.

On behalf of the Board

Moss Ngoasheng (Independent Non-Executive Chairman), Andrew Wooler (Group Chief Executive)

Other information

Investor call

An investor conference call will be held today at 11:00 South African time / 09:00 UK time. Participants should register for the conference call by navigating to

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=2685777&linkSecurityString=bd571c7ac>

Year-end results

The results for the year ending 31 March 2025 are scheduled for release on 28 May 2025.

For further information please contact:

Jenna Sprenger (CFO)

E-mail: investorrelations@burstone.com

Additional notes

Definitions

- Distributable income per share is equal to distributable earnings divided by the weighted number of shares in issue for the period. Distributable earnings equals the total NPI of the South African business, plus investment income, less fund expenses and less funding/interest costs.

Profit Forecasts

The following matters highlighted in this announcement contain forward-looking statements:

- The Group is expected to deliver full year results in line with previous full year guidance provided of approximately 2% to 4% lower than the 2024 financial year ("FY24"). This would deliver FY25 distributable income per share ("DIPS") of between 101.44cps and 103.56cps (FY24: 105.67cps).
- The dividend payout ratio is expected to be in line with the interim period (i.e. 90%), resulting in an expected increase in dividends per share of between 2% to 4% compared to FY24.
- The South African base like-for-like ("LFL") net property income ("NPI") is expected to be in line with the prior year, reflecting a resilient retail performance which is offset by declining growth in the office portfolio which continues to be impacted by negative reversions.
- The performance of the PEL platform is expected to deliver marginally positive LFL NPI growth driven by positive rental reversions (c.13%) and indexation (c.4%), offset by higher average vacancies of c.4% (Mar-24: 1.3%).
- The Blackstone transaction, which was effective from 12 November 2024, is expected to be marginally accretive on the Group's results in FY25.
- Group fee income is expected to grow significantly over the period, driven by European and Australian fund and asset management activity, resulting in fee income representing approximately 11% of earnings (FY24: 7.3%).
- The Group has continued to focus on cost optimisation initiatives with operating costs expected to increase by between 1% and 2%.
- Group net interest costs are expected to decline significantly.

(collectively the ***Profit Forecasts***).

- The basis of preparation of each of these statements and the assumptions upon which they are based are set out below. These statements are subject to various risks and uncertainties and other factors – these factors may cause the Group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed in the Profit Forecasts.
- Any forward-looking statements made are based on the knowledge of the Group as at 24 March 2025.
- These forward-looking statements represent a profit forecast under the JSE Listing Rules.
- The Profit Forecasts relate to the year ending 31 March 2025.
- The financial information on which the Profit Forecasts are based is the responsibility of the Directors of the Group and has not been reviewed and reported on by the Group's auditors.

Basis of preparation

- The Profit forecasts have been compiled using the assumptions stated below, and on a basis consistent with the accounting policies adopted in the Group's 31 March 2024 audited financial statements, which are in accordance with IFRS and are those which the Group anticipates will be applicable for the period ending 31 March 2025.
- The Profit forecasts have been prepared based on (a) audited financial statements of the Group for the year ended 31 March 2024; (b) the unaudited management accounts of the Group for the 11 months to 28 February 2025; and (c) the projected financial performance of the Group's businesses for the remaining one month of the period ending 31 March 2025.

Assumptions

The Profit Forecasts have been prepared based on the following assumptions during the forecast period:

Factors outside the influence or control of the Group:

- There will be no material change in the political and/or economic environment that would materially affect the Group.
- There will be no material change in legislation or regulation impacting on the Group's operations or its accounting policies.
- There will be no business disruption that will have a significant impact on the Group's operations.
- The Rand/Euro and Rand/AUD and any other relevant exchange rates remain materially unchanged from those as at 24 March 2025.
- The Euribor and Jibar curves remain materially unchanged from those as at 24 March 2025.
- The tax rates remain materially unchanged.
- There will be no material changes in the structure of the markets, client demand or the competitive environment.

About Burstone

Burstone is a fully integrated international real estate business with c.R42 billion (c.€2.1 billion) gross asset value under management. Burstone listed on the Johannesburg Stock Exchange (South Africa) in 2011 and currently operates in South Africa, select European markets and Australia. The Group has a strong management track record of more than 30 years operating in both local and international markets. The Group is globally diversified and has the capability to invest across all aspects of the real estate life cycle, partnering with specific capital partners for specific opportunities. The Group operates a hybrid model of traditional real estate investment, stapled with expertise across fund management, investment management, asset management and development management. This approach supports the Group's strategy of delivering enhanced returns on capital deployed and maximising operational leverage from its scalable platform. Burstone strives to deliver purposeful and authentic client experiences with agility, speed and passion. The Group has the 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

Johannesburg

24 March 2025

JSE Equity and Debt Sponsor: Investec Bank Limited