BURSTONE GROUP LIMITED
(Previously Investec Property Fund 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 interim financial period ending 30 September 2024

The Group is pleased to give a pre-close trading update for the interim financial period ending 30 September 2024 ("1H25"). An investor conference call will be held today at 11:00 South African time / 10:00 UK time (details are provided below).

<u>Background</u>

Burstone is a fully integrated real estate investor, fund and asset manager that has c.R38 billion gross asset value ("GAV") under management and c.R4.7 billion third-party assets under management ("AUM"). Approximately 65% of the Group's AUM are offshore (across western Europe and Australia). The Group's third-party AUM is set to increase significantly in the near term following the successful expansion of its fund and asset management strategy, as set out below.

<u>Strategic highlights</u>

In the first six months of the 2025 financial year ("FY25"), the Group has made significant progress in executing its stated strategy, with many of these initiatives expected to start delivering results in 2H25 and beyond. Strategic highlights include:

- Accelerating the expansion of the Group's fund and asset management strategy across all regions in which it operates.
    - Europe:
        - Strategic partnership with funds managed by affiliates of Blackstone Inc. ("Blackstone") on the Group's Pan-European Logistics portfolio ("PEL Portfolio") launching Burstone's European funds and asset management strategy.
            - Burstone will retain a 20% co-investment in PEL and asset management of the c.€1 billion PEL Portfolio.
            - Net proceeds to Burstone of c.€250 million (R5 billion).
            - The earnings impact of the transaction is marginally accretive in the short term and is expected to be increasingly earnings enhancing in the medium term due to:
                - Reduced impact of higher funding costs through lower Group leverage.
                - Increased fee revenue and operational leverage through scale.
                - Accretive capital deployment over time.
            - The strategic partnership will look to further aggregate industrial and logistics properties across Burstone's core European markets.
            - Strong pipeline of opportunities already identified.
            - Shareholder approval remains the only condition to the approval of the transaction with a General Meeting to be held on or about 28 October 2024, with more than 50% in principle support already received.

    - Burstone is currently in exclusive negotiations with regards to a 25% co-investment and ongoing management of a €170 million German light industrial and last mile logistics platform.
    - This will replicate a previously successful light industrial track record in Europe.

  - Australia
    - The Irongate JV (concluded in March 2023) provides a strong platform for the Group to grow its AUM in Australia.
    - Irongate has concluded a new industrial joint venture backed by a leading global alternative asset management firm, increasing Irongate's equity AUM from A$490 million to c.A$600 million (up 32% since acquisition).
    - New industrial joint venture: an initial soft commitment of A$200 million of equity has been earmarked with the aim to upsize upon successful deployment:
      - Burstone, through Irongate, will have a minority co-investment in the new joint venture and the Irongate JV will provide the investment and asset management functions
      - Initial portfolio of industrial assets located in Queensland - total purchase consideration of c.A$140 million and equity commitment from the new joint venture of c.A$80 million
      - Strong acquisition pipeline already identified and is far progressed.

  - South Africa
    - Burstone is in exclusive negotiations with cornerstone investors to seed and aggregate to scale an "SA Core plus platform".
    - This will utilise a portion of South African assets to seed the platform and is expected to be executed over the next 6 to 12 months.
    - On completion, Burstone will act as fund and asset manager of the platform.

- Significant progress made in de-gearing of the Group balance sheet:
  - Post the implementation of the PEL strategic partnership with Blackstone, the Group expects its LTV to decrease by 12.5% to c.33.5%, providing headroom to support the Group's strategic initiatives.
  - The Group is also well progressed in the sale of several South African assets:
    - c.R0.3 billion of sales were unconditionally concluded during 1H25 and a further c.R0.8 billion are subject to final due diligence and funding.
    - The Group expects total asset sales to amount to between c.R1.6 billion to c.R1.8 billion over the next 12 months (including the c.R1.1 billion asset sales mentioned above).
  - Considering the PEL strategic partnership, the South African assets sales, and near-term co-investment commitments to support growth in the Group's fund and investment platforms, the Group expects its medium-term LTV to be between 34% to 36%.

- 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:
  - Achieves an annual margin saving of c.20 basis points.
  - Extends the Group's debt expiry to 3.1 years (from 2.2 years at 31 March 2024).
  - Provides the flexibility to settle facilities without penalties after the completion of the Blackstone transaction.

- Increase in the dividend payout ratio due to significantly lower Group leverage:
  - The Group will increase the dividend payout ratio from currently 75% to between 85% to 90% with effect from the Group's interim reporting period (i.e. 1H25).

Overall Group performance

- The Group is expected to deliver first half results in line with previous full year guidance provided of approximately 2% to 4% lower than the 2024 financial year ("FY24"). This would deliver 1H25 distributable income per share ("DIPS") of between 49.02cps and 50.04cps (1H24: 51.07cps).
- Key elements of the Group's first half performance include:
  - The South African business is expected to deliver a marginal decline in base net property income ("NPI"), reflecting a resilient retail performance, modest growth in the industrial portfolio, and continued negative reversions in the office portfolio.
  - The European business is expected to deliver c.1% to 2% distributable earnings growth in Euro's (c.9% to 10% in ZAR), driven by strong underlying operational performance which was partially offset by higher funding costs during the period.
  - Group fee income is expected to grow significantly over the period, largely driven by European and Australian fund and investment management activity.
  - Group operating expenses remain well controlled, with total costs expected to reduce by c.4% to 5% over the period.
  - As expected, Group net interest costs are anticipated to be higher than the previous year driven by the elevated interest rate environment and impact on interest rate and cross currency interest rate swaps ("CCIRS") hedges maturing during the period.

Performance of the South African business

- The South African portfolio is expected to deliver a marginal reduction in like-for-like ("LFL") NPI of c.1.% to 2%.
- The retail and industrial portfolios continue to deliver positive NPI growth. Performance in the office sector was impacted by slightly higher vacancies, albeit still low at c.6% to 7%, and continued negative reversions resulting from muted underlying market rental growth.
- Total vacancies are expected to remain flat since March 2024 at c.4.5% (Mar-24: 4.4%; Sep-23: 3.7%).
- Total reversions over the period are expected to be negative c.10% (Mar-24: negative 9.3%; Sep-23: negative 12.2%) largely driven by the negative reversions in the office portfolio.
- Within the retail portfolio trading density remains strong at c.R2,900/m^2 and average turnover has increased by c.2.2% over the past 12 months.
- Funding of c.R300 million capex and development spend has given rise to an increase in funding costs over the period.

Performance of the European business

- The performance of the PEL platform is expected to deliver LFL NPI growth of c.1% to 2% driven by positive rental reversions (c.5.0%) and indexation (c.3.5%), offset by marginally higher vacancy of c.3% (Mar-24: 2.2%; Sep-23: 0.9%).
- Distributable earnings from PEL will further benefit from c.€0.6 million in cost savings achieved through various streamlining and restructuring initiatives, partially offset by higher funding costs on the unhedged portion of PEL debt.
- As a result, the PEL platform is expected to report an increase in earnings of c.1% to 2% in Euros for 1H25 (an increase of c.9% to 10% in ZAR).

Performance of the Australian business

- The Group's investment in Irongate is performing well, benefitting from significant growth in AUM.
- The Irongate Group is well positioned to capitalize on a strong pipeline of opportunities.

Proactive balance sheet management and successful debt refinancing

- On 30 August 2024, the Group completed a R6.6 billion refinance, with strong support received from the Group's existing lenders.
- The refinance has significantly reduced near-term liquidity risk and provided enhanced flexibility.
- Additionally, the Group negotiated a more favorable covenant set, achieving full alignment with all lenders. The security pool was restructured to exclude South African assets held for sale, which are expected to be sold in the near term.
- As at the date of this announcement, the Group holds R1.2 billion in undrawn available facilities and cash, excluding proceeds from disposals that have yet to be completed.
- The Group remains well-hedged, covering 95% of its interest rate exposure at rates below current market levels.
- The Group's investment into PEL has been hedged at 75% through a combination of Euro debt and Euro CCIRS. Upon completion of the PEL strategic partnership, this will increase to 100% in the short term, but will normalize to a range of 60% to 70% over time.
- The Group's investment in Australia is 60% hedged AUD/ZAR via CCIRS in line with the Group's policy.

Concluding remarks

The Group's real estate portfolio is performing as expected, and the Group is on track to deliver first half results in line with guidance. Strategically the Group is pleased with the progress made across the business, notably in the roll-out of its international fund and asset management strategy.

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 fund 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, stapled 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.

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 / 10:00 UK time.
Participants should register for the conference call by navigating to

https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=6135341&linkSecurityString=194fbf1cab

Interim results

The interim results for the period ending 30 September 2024 are scheduled for release on 20 November 2024.

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. Where, distributable earnings equals the total NPI of the South African business, plus investment income, less fund expenses, less funding/interest costs.

Profit forecasts

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

- The Group is expected to deliver first half results in line with previous full year guidance provided of approximately 2% to 4% lower than the 2024 financial year ("FY24"). This would deliver 1H25 distributable income per share ("DIPS") of between 49.02cps and 50.04cps (1H24: 51.07cps).
- The South African business is expected to deliver a marginal decline in base net property income ("NPI"), reflecting a resilient retail performance, modest growth in the industrial portfolio, and continued negative reversions in the office portfolio.
- The South African portfolio is expected to deliver a marginal reduction in like-for-like ("LFL") NPI of c.1.% to 2%. Total vacancies are expected to remain flat since March 2024 at c.4.5% (Mar-24: 4.4%; Sep-23: 3.7%). Total reversions over the period are expected to be negative c.10% (Mar-24: negative 9.3%; Sep-23: negative 12.2%) largely driven by the negative reversions in the office portfolio.
- The performance of the PEL platform is expected to deliver LFL NPI growth of c.1% to 2% driven by positive rental reversions (c.5.0%) and indexation (c.3.5%), offset by marginally higher vacancy of c.3% (Mar-24: 2.2%; Sep-23: 0.9%).
- The European business is expected to deliver c.1% to 2% distributable earnings growth in Euro's (c.9% to 10% in ZAR), driven by strong underlying operational performance which was partially offset by higher funding costs during the period.
- Group fee income is expected to grow significantly over the period, largely driven by European and Australian fund and investment management activity.
- Group operating expenses remain well controlled, with total costs expected to reduce by c.4% to 5% over the period.
- As expected, Group net interest costs are anticipated to be higher than the previous year driven by the elevated interest rate environment and impact on interest rate and cross currency interest rate swaps ("CCIRS") hedges maturing during the period.

  (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 at 26 September 2024.
- These forward-looking statements represent a profit forecast under the Listing Rules. The Profit Forecasts relate to the interim period ending 30 September 2024.
- 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 March 2024 audited financial statements, which are in accordance with IFRS and are those which the Group anticipates will be applicable for the interim period ending 30 September 2024.
- 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 five months to 31 August 2024; and (c) the projected financial performance of the Group's businesses for the remaining one month of the period ending 30 September 2024.

Assumptions

The Profit Forecasts have been prepared on the basis of 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 26 September 2024.
- The Euribor and Jibar curves remain materially unchanged from those as at 26 September 2024.
- 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.R38 billion (c.€1.9 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 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

Johannesburg
26 September 2024
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