Burstone
REAL ESTATE PARTNERS

4 Sandown Valley Crescent,
Sandown, Sandton, 2146

burstone.com

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**" or "**the Company**")

REVIEWED INTERIM RESULTS, CASH DIVIDEND AND NOTIFICATION OF FINANCIAL ASSISTANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

The board of directors of Burstone is pleased to announce the results for the six months ended 30 September 2024.

HIGHLIGHTS

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. Key highlights during the period include:

- The Group has accelerated the expansion of its fund and asset management strategy across all regions in which it operates:
  - Strategic partnership with the Group's Pan-European Logistics portfolio ("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".
- 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.
- Net asset value ("NAV") decreased by 9.7% to R13.95ps (Mar-24: R15.45ps) largely because of a decrease in the on-balance sheet PEL investment value (due to the derecognition of the portfolio premium) and strengthening of the Rand.
- Half year results were in line with guidance, with distributable income per share ("DIPS") declining by 3.0% to 49.53cps (Sep-23: 51.07cps).
- The dividend payout ratio at 1H25 was 90% with a total dividend of 44.58cps (Sep-23: 48.52cps).

FINANCIAL INFORMATION

	Reviewed 30 September 2024	Reviewed 30 September 2023	Movement
Revenue (ZAR'000)	**1 007 533**	986 427	2.1%
Operating profit (ZAR'000)	**663 943**	656 485	1.1%
Distributable earnings per share (cents)	**49.53**	51.07	(3.0%)
Net asset value per share (ZAR)	**1 395**	1 621	(13.9%)
Basic and diluted earnings per share	**(101.71)**	55.57	(283.0%)
Headline and diluted earnings per share	**(89.65)**	59.06	(251.8%)

FINANCIAL REVIEW

Performance highlights

The underlying South African and European portfolios continued to perform in line with expectations, with the South African portfolio delivering a marginal decline in like-for-like ("LFL") net property income ("NOI") of 1.2% and the PEL portfolio delivering a 1.1% increase in LFL NOI in EUR (up c.8% in ZAR).

The South African portfolio benefited from strong letting across the portfolio (222 632m^2) with notable long dated leasing achieved in the industrial sector. Both the retail and industrial portfolios continued to post positive NOI growth, while the office sector was impacted by ongoing negative rent reversions driven by subdued market rental growth. Reversions across the portfolio amounted to negative 8.4% (Sep-23: negative 12.2%).

In the PEL portfolio, gross rental growth was driven by positive rental reversion (+10.2%), good letting and renewal activity (46 554m^2) and c.3.4% indexation across the portfolio. The Group has re-let or renewed 95% of space that expired over the period. Vacancy remained low at 3.1% (Mar-24: 2.2%; Sep-23: 0.9%) although there was an increase over the period which offset some of the growth in contracted rent.

The Group benefited from momentum in its fund and management activities with fee income growing by 54.5% in 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 on earnings over the next few years.

In addition, costs remain well controlled with expenses reducing by 5.2% over the period, with the Group reaping benefits through the management internalisation. Additionally, the PEL platform contributed c.€0.5 million in cost savings.

As expected, overall Group financial performance was, however, dampened by higher funding costs, with finance costs increasing by c.R40 million due to higher interest rates over the period, notably a 60bps increase in Euribor. Furthermore, the Group funded increased capital expenditure over the period.

Considering the above-mentioned factors, Group DIPS decreased by 3.0% to 49.53cps (Sep-23: 51.07cps).

Balance sheet highlights

As mentioned in the highlights section, the Group's balance sheet was significantly bolstered during the period due to continued effective capital recycling, the Blackstone Transaction and the Group debt refinancing undertaken.

Total Group debt (including undrawn committed facilities) post the Blackstone Transaction amounts to R6.4 billion (R4.9 billion in ZAR and R1.5 billion in EUR), with a ZAR cost of debt of 8.9% and EUR cost of debt of 3.6% . Total ZAR swaps amount to R3.5 billon with a weighted average swap rate of 7.29% (Mar-24: 7.34%). The Euro debt is 100% hedged at an average weighted swap rate of 1.9% (Mar-24: 1.9%).

Post the Blackstone Transaction, the Group has c.R1.9 billion of committed available facilities to settle short debt expiries. There is no debt expiring in 2H25, with R1.2 billion expiring in FY26.

In addition, post the Blackstone Transaction all EUR cross currency interest rate swaps will be settled.

Management is cognisant of the volatile global interest rate environment and maintains a high 96% hedge against total debt (Mar-24: 98%) at Group level.

The maturity of the swap book has been extended to an average expiry of 2.3 years (Mar-24: 2.0 years). The Group actively manages its interest rate exposure by assessing various swap strategies and takes advantage of opportunities to extend its swap profile at lower rates where possible.

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 made significant strides in executing on its stated strategy.

South Africa

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, albeit the sector is showing signs of recovery.

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. Initiatives to reduce our client's cost of occupation will become increasingly necessary to drive bottom line earnings. Asset sales are expected to be marginally dilutive, and the business will continue to fund additional capital expenditure to maintain the quality of the portfolio.

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

Europe

The Blackstone Transaction is effective from 12 November 2024, and the Group's interest in the PEL portfolio will decrease from 83.15% to 20% for the period 12 November 2024 to 31 March 2025. On a LFL full year basis, the Blackstone Transaction is expected to be earnings accretive, due to higher management fees and interest savings from reduced leverage, which offset the net loss from the reduced investment in PEL.

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.

Balance sheet

The Group's balance sheet is strong with sufficient financial headroom to capitalise on potential future growth opportunities, which is key to delivering shareholder value and short- to medium-term growth across the Group's core regions and strategies.

Effective capital optimisation remains a key strategic imperative and investment opportunities will be considered in line with the Group's capital allocation framework and overall leverage. The Group will seek to target a longer-term leverage ratio below 35% with a medium-term LTV between 34% to 36%.

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.

Overall Group

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 support the Group's strategy of delivering enhanced returns on capital deployed and maximising operational leverage from its scalable platform.

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.

Maintaining portfolio quality is essential, and the Group will continue investing in structural capital expenditures to support this strategy. However, combined with higher average interest rates, this will lead to increased funding costs for FY25.

Taking the above into account, and the underlying performance anticipated from the South African and European portfolios, the Group believes that FY25 earnings will deliver to the upper end of market guidance previously given of between negative 2% and negative 4%.

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.

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

ADDITIONAL INFORMATION: KEY FINANCIAL DATA

	Six months ended 30 September 2024	Year ended 31 March 2024
Group information		
Group GAV	**R42bn**	R37bn
Third-party assets under management	**R10.1bn**	R4.7bn
LTV (gearing)*	**33.5%**	44%
Total Group debt (ZAR and Euro)**	**R6.4bn**	R11.9bn
Debt maturity (years) (pre-refinancing)**	**3.5**	2.2
Interest cover ratio**	**c.4.5x to 5x**	2.7x
Hedge percentage on total Group debt**	**96%**	98%
Weighted average all-in cost of funding (ZAR and Euro)**	**5.7%**	5.3%
South African property portfolio		
Number of properties	**62**	73
Asset value	**R13.8bn**	R14.2bn
Base like-for-like NOI growth	**(1.2%)**	1.5%
Cost to income (excl. bad debts)	**25.5%**	22.7%
GLA (m^2)	**896 583**	971 331
Vacancy (by GLA)	**4.6%**	4.5%
WALE (years)	**3.5**	3.0
In-force escalations	**6.4%**	6.8%
Average reversions on renewals and new leases	**(8.4%)**	(9.3%)
% of space expiring let	**99%**	90%
PEL European property portfolio		
Number of properties	**32**	32
Asset value	**€1.1bn**	€1.1bn
Base like-for-like NOI growth	**1.1%**	6.2%
Cost to income (excl. bad debts)	**8.5%**	8.5%
GLA (m^2)	**1 124 555**	1 124 555
Vacancy (by GLA)	**3.1%**	2.2%
WALE (years)	**4.9**	5.3
Average positive reversions on renewals and new leases	**10.2%**	5.2%
Indexation	**3.4%**	7.8%
% of space expiring let	**95%**	96%
PEL debt quantum**	**€611m**	€566m
LTV (gearing)**	**56%**	53%
Hedge percentage on debt**	**100%**	93%
Average all-in cost of funding**	**5.4%**	3.9%

* Reported LTV 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 are still awaiting transfer, and the implementation of the Blackstone Transaction which became unconditional on 28 October 2024.

** Post the Blackstone Transaction.

FY25 INTERIM DIVIDEND

The Group hereby declares an H1 FY25 interim dividend of 44.58034cps (R359 million) in respect of the six months ended 30 September 2024. This represents a 90% payout ratio of H1 FY25's distributable earnings of 49.53371cps.

The issued share capital of the Company at the dividend declaration date amounted to 804 918 444. The distribution will be made from income reserves.

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 four months of the Group's FY25 year-end and payment of the interim dividends may occur before the end of the FY25 year-end.

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 35.66427cps. 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 interim dividend

Declaration of dividend	Wednesday, 20 November 2024
Last day to trade in order to receive distribution (*cum*-dividend)	Tuesday, 10 December 2024
Shares trade *ex*-dividend	Wednesday, 11 December 2024
Record date for shareholders to receive dividend	Friday, 13 December 2024
Dividend payment date	Tuesday, 17 December 2024

Shares may not be rematerialised or dematerialised between Wednesday, 11 December 2024 and Friday, 13 December 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 15 August 2024, 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 S45(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 2024 to 30 September 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)

20 November 2024

FORWARD-LOOKING INFORMATION

This report contains certain forward-looking statements which relate to the possible future performance and financial position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

FURTHER INFORMATION

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

The reviewed interim condensed consolidated financial results for the six months ended 30 September 2024 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Group's registered office together with the financial statements identified in the auditor's report. The report is also available in the full announcement.

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 reviewed announcement which can be accessed from Wednesday, 20 November 2024, using the following JSE link:

https://senspdf.jse.co.za/documents/2024/jse/isse/BTNE/H1FY25.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 interim 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:

Jenna Sprenger (CFO)
E-mail: investorrelations@burstone.com

Johannesburg
20 November 2024

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