

Investec Property Fund

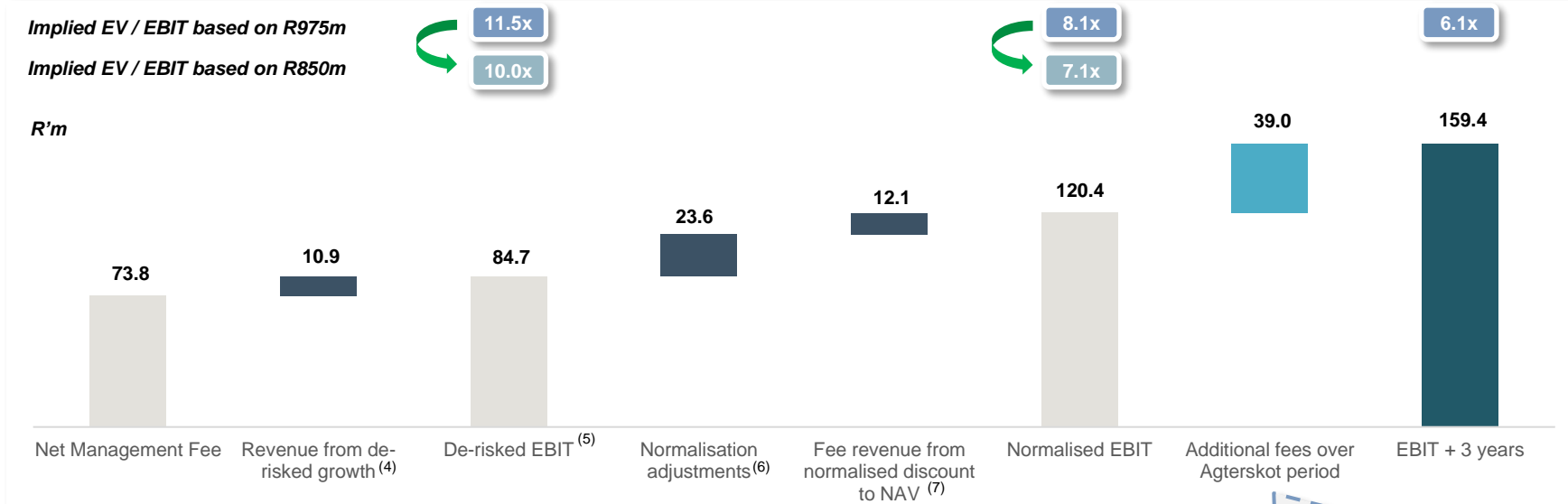
PROPOSED ASSET MANAGEMENT INTERNALISATION - EARN-OUT

April 2023



Proposed Asset Management Internalisation - Earn-out

R'm	
Gross Management Fees ⁽¹⁾	219.3
IP Management Fee ⁽²⁾	10.3
Letting Commission	9.0
Net Revenue	238.6
Overheads and people cost ⁽³⁾	(164.8)
Net Management Fee	73.8



Indicative Earn-out Impact			
Potential additional fees at AUM Growth Targets (R'm)			
% fees earned	Rnil to R3.0bn	R4.5bn	R6.0bn
50bps	0 to 15.0	22.5	30.0
65bps	0 to 19.5	29.3	39.0
Potential value uplift assuming 7.0x EBIT multiple (R'm)			
% fees earned	Rnil to R3.0bn	R4.5bn	R6.0bn
50bps	0 to 105.0	157.5	210.0
65bps	0 to 136.5	205.1	273.0
Potential Payout (R'm)	nil	62.5	125.0

Assumptions made over the three (3) year Earn-out period:

- Given IPF's strategy, it expects the majority of new funds⁽⁸⁾ to come from 3rd party capital, which attracts a higher fee. Illustratively assumed that the average fee increases from 50 bps to 65 bps
- It is expected that new funds attracted will be managed within the existing cost base

1. Assumes SA EV based on R9 per share (c.48% discount to NAV) and an EU management fee based off current valuation of c.€1.1bn.
 2. Fee earned on managing Investec Property (IP) assets.
 3. Historical cost base for FY23 c.151m.
 4. Revenue earned from growth / transaction fees.
 5. As per the EBIT used in the calculation of earnings accretion.

6. Normalised letting commission and growth / transaction fees. Average letting commission over last 6 years amounted to c.R25m p.a., while average growth / transaction fees amounted to c.R18m p.a. over the last 8 years, excluding 3rd party transaction fees.
 7. c.R12.5 / share normalised price, implying a c.28% discount to NAV. Since listing IPF has traded at a c.7.4% discount to NAV.
 8. New funds assumed to be R2bn per annum over the Earn-out period.

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