



**PRE-CLOSE
INVESTOR ROADSHOW AND
INVESTOR UPDATE**



ARROWHEAD PROPERTIES
Focused on sustainable value

Shareholders are referred to the joint announcement released by Gemgrow and Arrowhead earlier today and are advised that all salient dates and times announced on SENS on 29 August 2019 regarding, *inter alia*, the offer by Gemgrow to acquire all of the Arrowhead ordinary shares (excluding the Arrowhead shares held in treasury), from Arrowhead shareholders by way of a scheme of arrangement remain unchanged, save for that pertaining to the change of name. A further announcement setting out a revised timetable for the change of name will be published in due course.

Shareholders are advised that Gemgrow (the name of which is in the process of being changed to “**Arrowhead**”) will be hosting pre-close meetings with investors on Wednesday, 25 September 2019 to provide an update in respect of the merged Gemgrow and Arrowhead (collectively, “**the Group**”) for the year ending 30 September 2019.

The pre-close investor update will cover the topics set out on the following pages.

Gemgrow Properties Limited

(Incorporated in the Republic of South Africa)

(Registration number 2007/032604/06)

JSE share code: GPA ISIN: ZAE0000223269 / JSE share code: GPB ISIN: ZAE0000223277

(Approved as a REIT by the JSE)

(“**Gemgrow**” or “**the company**”)

Arrowhead Properties Limited

(Incorporated in the Republic of South Africa)

(Registration number 2011/000308/06)

JSE share code: AWA ISIN: ZAE000203105

(Approved as a REIT by the JSE)

(“**Arrowhead**” or “**the company**” or “**the group**”)

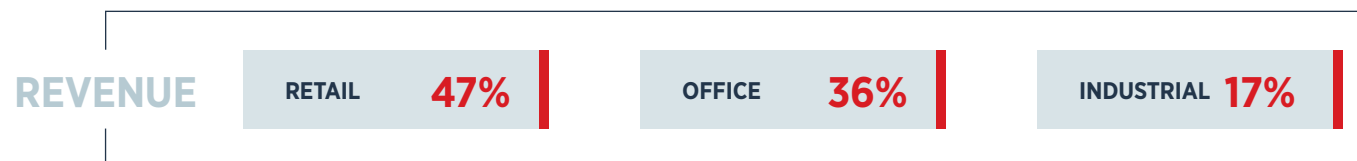
INTRODUCTION

Although the South African economic environment in which the Group operates has continued to remain extremely challenging, the past twelve months have offered a number of positive developments for the business.

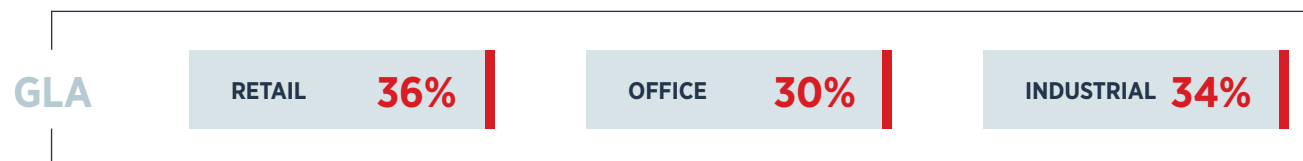
MERGER

The merger received overwhelming support from both Arrowhead and Gemgrow shareholders at the meetings held on 22 August 2019. As per the finalisation announcement released on SENS on Monday, 9 September 2019, the operative date of the merger will be Monday, 23 September 2019.

Following the merger, the Group will own a diversified portfolio with an aggregate value of approximately R11 billion. By revenue the portfolio will comprise:



By GLA the portfolio will comprise:



The strategy will remain focused on owning a portfolio of direct properties in South Africa, diversified by region and by sector, which can deliver sustainable and growing income through the economic cycle.

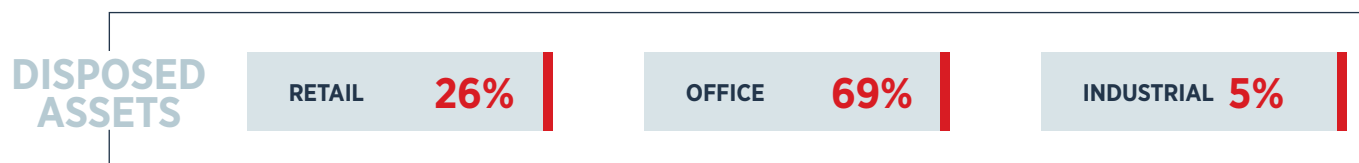
BUILDING CAPACITY

Approximately 18 months ago a decision was taken to build capacity within the Group as a defensive measure against a more challenging trading environment which is intended to supplement rather than replace its current outsourced property management services. During this time the team has increased from 12 to 29 members. In the current year, the new in-house deal team has increased in capacity to unlock opportunities relating to vacant space and the asset management team has been strengthened to bolster capacity. In addition, there is now a dedicated utilities manager to improve recoveries, a dedicated debt manager to improve collections and a relationship manager to enhance relationships with tenants and improve tenant retention. Further to managing risk and enhancing group compliance, an additional legal resource has been employed.

These building initiatives have had a significant positive impact on operations.

DISPOSAL PROGRAMME

Late 2018, the Group implemented a disposal programme aimed at disposing of approximately R1 billion of non-core property assets. To date over R1 billion has been sold with 49 assets sold in the current year with a value of approximately R900 million at a 1% discount to book value and a weighted average yield of 8.7% (excluding vacancies). By book value, the assets disposed of comprise:



Of the approximately R900 million of disposals, R500 million has transferred, with the balance expected to transfer before the end of the calendar year. The Group has earmarked an additional R500 million of asset sales in the next year, the proceeds of which will be used to pay down further debt in line with its intention to improve its gearing and strengthen its balance sheet.

GEARING

Significant progress has been made in strengthening the balance sheet in the short-term and the Company believes that it is on track to meet its short-term goal of a 35% LTV for the year ending 30 September 2020.

At Arrowhead's interim results the Group reported an LTV of 41.4%. With the devaluation of its listed investments, by 30 June 2019 this gearing increased to over 43.5%. The Group has since used the proceeds of its disposals to pay down R528 million of debt and refinanced a further R1,3 billion of its debt. As such and notwithstanding the significant decline in the value of its Rebois Property Fund Limited ("**Rebois**") and Dipula Income Fund Limited investments, the Group expects its gearing to reduce to under 39% by the time it reports its annual results, with 80% of total debt being hedged.

LEASE EXPIRIES AND LETTING ACTIVITIES

In the year to date, approximately 340 000m² of GLA has expired of which 79% has been renewed and a further 6% re-let, taking the overall retention up to 85%. Renewing or reletting initiatives in respect of major lease expiries for 2020 are well under way. Of the top 20 leases expiring (by revenue), engagements have been held with all tenants, and the Group has concluded early renewals of leases representing approximately 20% of those top 20 leases and is confident on renewing in excess of 90% of the balance.

VACANCIES

At 30 June 2019, the merged entities vacancies were in excess of 9% and it is expected that this will have improved to below 8.5% by the financial year end.



ARREARS MANAGEMENT

Despite the increased risk of tenant failure and arrears, bad debt provisions and write offs have been in line with expectations and are expected to be below 1% by the financial year end.

DIVIDEND GUIDANCE

The Company is expected to pay approximately 34.62 cents per share for the six months ending 30 September 2019, as set out in the merger circular (and this excludes any contribution from Rebosis).

The information on which this investor update has been based has not been reviewed or reported on by the Company's auditors.

AVAILABILITY OF PRESENTATION

The presentation that will form the basis of the pre-close investor engagements will be available on 25 September 2019 on Arrowhead's website:

<https://www.arrowheadproperties.co.za/presentations.php>

17 September 2019

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Sponsor to Gemgrow | JAVACAPITAL

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