

# Interim results presentation

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for the six months ended  
31 March 2018



GEMGROW  
PROPERTIES

# Company

## CAPITAL STRUCTURE

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**R5bn**

in assets

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**R3,3bn**

market cap

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**Dual class**

share structure

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**B share trading at:**

17% discount to NAV

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**A share**

47m in issue

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Preferential dividend

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7 times cash cover

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Steady growth at lower  
of 5% or CPI

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**B share**

405m in issue

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Enhanced when  
growth exceeds 5%

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Benefits from acquisitions

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# Who we are – affirming our mandate

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- › **High-growth, high-yield** income fund
- › **South African** focused
- › Highly **acquisitive**
- › **Buy properties** above R20m
- › **Diversified portfolio** of 139 properties across all nine provinces and asset classes

# Why Gemgrow – our investment case

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**High-yield and high-income growth**

**Dual-class asset**  
A and B share structure

**Growth** through acquisition strategy

**Pure property play**  
– using tried and tested business model

**De-risked balance sheet** – 29% LTV, 97% debt hedged, 3,8 years weighted average debt expiry profile

# Our highlights

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- › Dividend on **A share of 52,18 cents** and dividend on **B share of 38,52 cents** in line with guidance for interim period
- › **7x cash cover** on A shares
- › **Strong balance sheet** – low LTV of 29%, 97% debt hedged
- › **Debt expiry profile improved** to 3,8 years (2017: 1 year)
- › **R549m of acquisitions** transferred and integrated within the portfolio

# How we do it

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- › **Internalised asset management**

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- › **Maximum value** from core portfolio

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- › **Hands on asset management**

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- › **Reduce** vacancies

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- › Ensure lease expiries, re-letting and renewals are managed with **efficiency**

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- › Cost centres **tightly managed**

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- › **Aggressive letting strategies**

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- › Increase staff capacity to ensure **optimal efficiency**

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- › **Internal leasing department**

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- › **Adapting** in a challenging environment

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# Where we are improving

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**Strategic  
disposals**

**Unlocking  
income on  
vacant space**

**Upside income  
from acquisition  
vacancies**

**Further capital  
allocation  
improvements**

**Unlocking  
non-GLA  
income – solar  
considerations**

# How we manage risk

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- ✓ **Limited single tenant risk**
- ✓ Tenant spread **1 240 leases across our portfolio**, diversified geographically and by asset class
- ✓ **De-risked debt funding** on the balance sheet
- ✓ **Sound corporate governance**



# Property portfolio overview

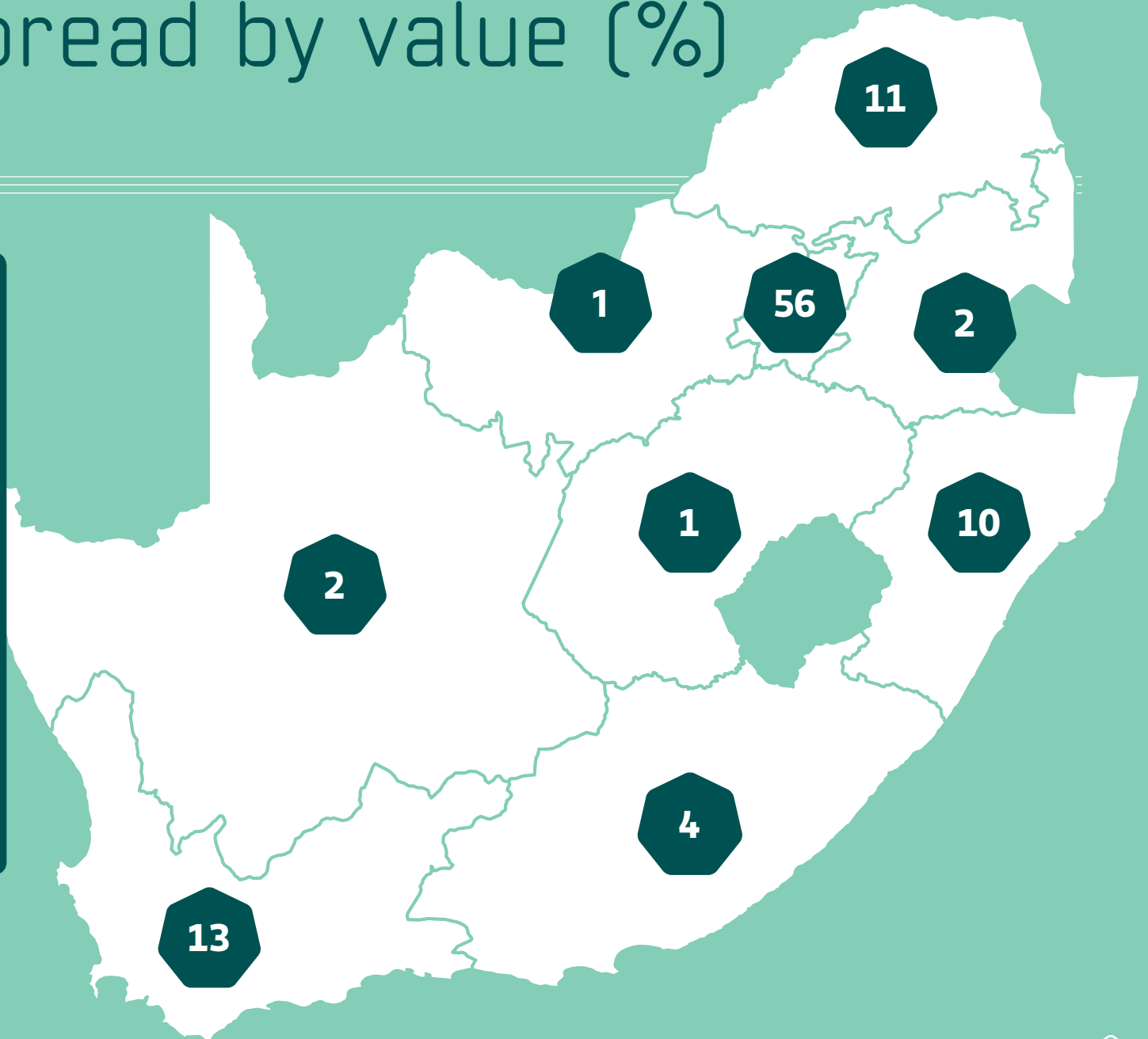
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# Portfolio spread by value (%)

Provinces	
Gauteng	56
Eastern Cape	4
Western Cape	13
Limpopo	11
Mpumalanga	2
Free State	1
KwaZulu-Natal	10
Northern Cape	2
North West	1



# Property portfolio overview

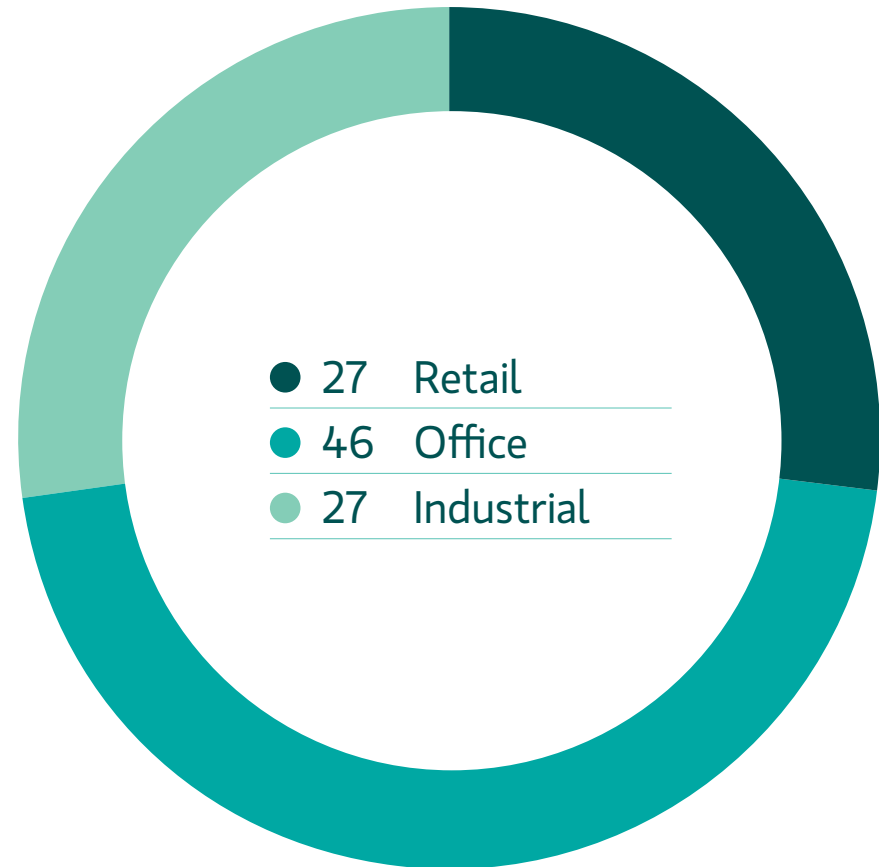
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By GLA (%)



By revenue (%)



# Average gross rental per sector

AS AT 31 MARCH 2018

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Providing value for tenants with attractive rental rates

Retail

R104/m<sup>2</sup>

Office

R118/m<sup>2</sup>

Industrial

R48/m<sup>2</sup>

# Renewals and expiries

AS AT 31 MARCH 2018

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- > **72%** of all lease expiries were renewed
  - > **23%** of the balance was re-tenanted
  - > **79%** tenant retention or re-let
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## > **Contractual lease escalations (%)**

Retail: 8,0

Office: 8,3

Industrial: 8,1

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## > **Lease renewal step up escalations (%)**

Portfolio: 4

Retail: 2

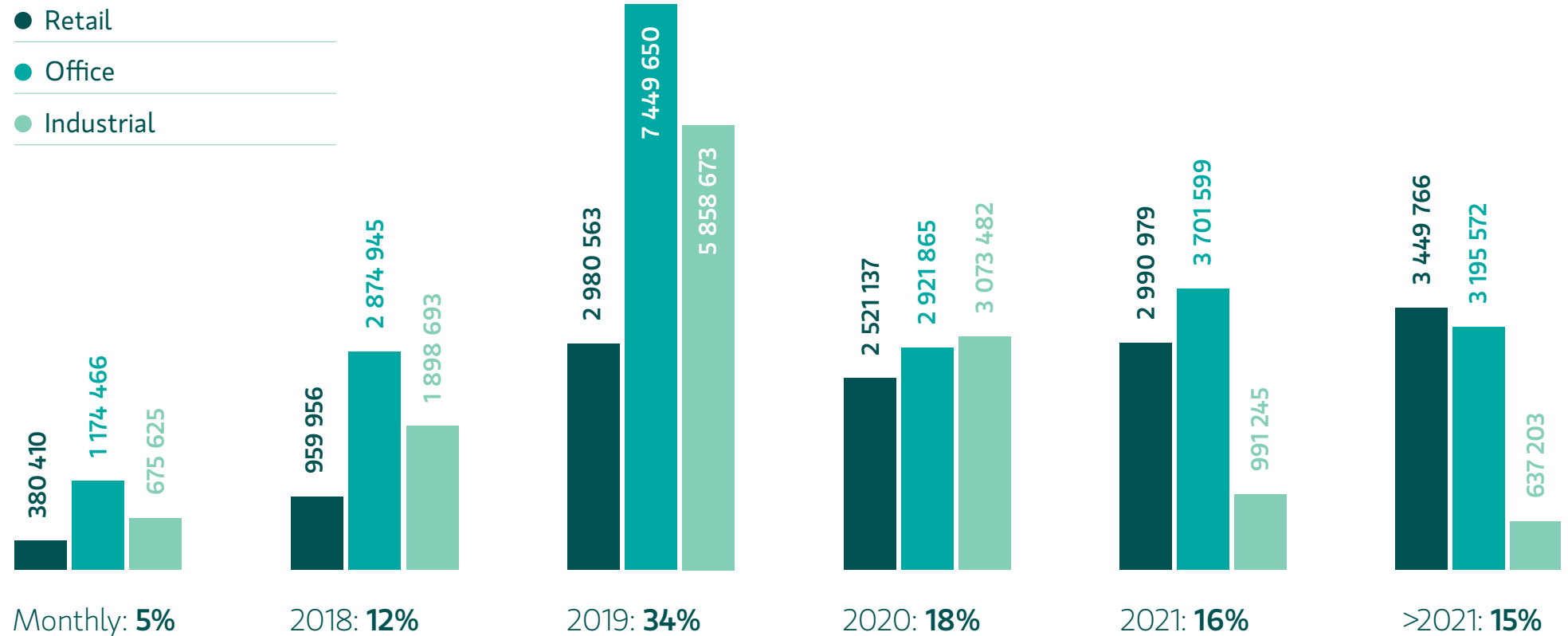
Office: 3

Industrial: 7

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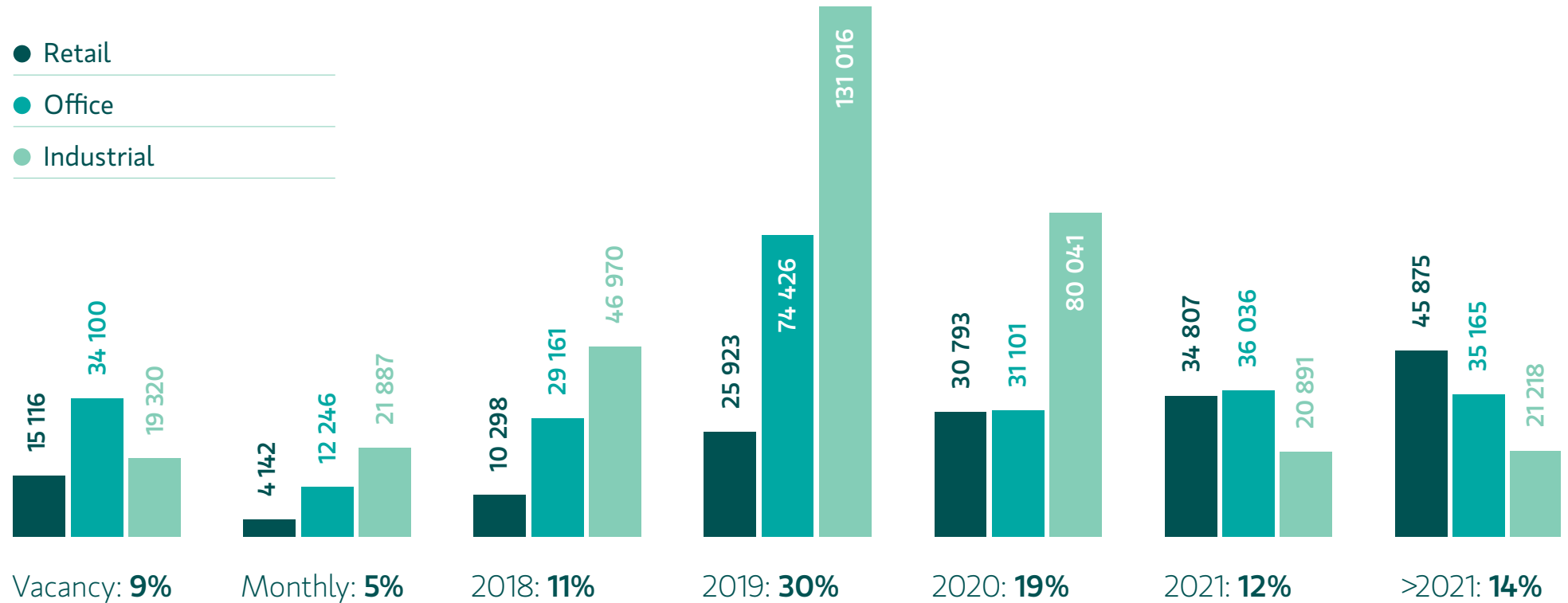
# Combined lease expiry profile by revenue

AS AT 31 MARCH 2018



# Combined lease expiry profile by GLA

AS AT 31 MARCH 2018



# Letting and vacancies

AS AT 31 MARCH 2018

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Sector	Total (m <sup>2</sup> )	Let (m <sup>2</sup> )	Let (%)	MARCH 2018	
				Vacant (m <sup>2</sup> )	Vacant (%)
Retail	166 923	151 806	91	15 117	9
Office	253 208	219 107	87	34 101	13
Industrial	339 832	320 512	94	19 320	6
<b>Total</b>	<b>759 963</b>	<b>691 425</b>	<b>91</b>	<b>68 538</b>	<b>9</b>



# Positive impact

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✓ **Sunwood Office Park** – reduced 2 329m<sup>2</sup> vacancy to 1 094m<sup>2</sup>\*

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✓ **Roodepoort Robertville** – reduced 7 000m<sup>2</sup> vacancy to 700m<sup>2</sup>\*  
– Fujifilm vacated 3 000m<sup>2</sup> pocket which was re-tenanted in two months

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✓ **Route 24** – reduced 3 492m<sup>2</sup> vacancy to 1 633m<sup>2</sup>\*

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✓ **Grosvenor Crossing** – turnaround

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✓ **Bedford Corporate Park** – renovation and turnaround

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✓ **353 Rivonia medical suites** – converted to medical suites

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✓ **Disposed of Town Talk Nelspruit** which was vacant for one year prior

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✓ Five-year renewal with **Masscash**

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✓ **Relocated IEC** on a six-year deal

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✓ Five-year renewal with **NPA Wilcon House**

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\* Between 1 Oct 2017 and 31 March 2018

# How we structured our debt

AS AT 31 MARCH 2018

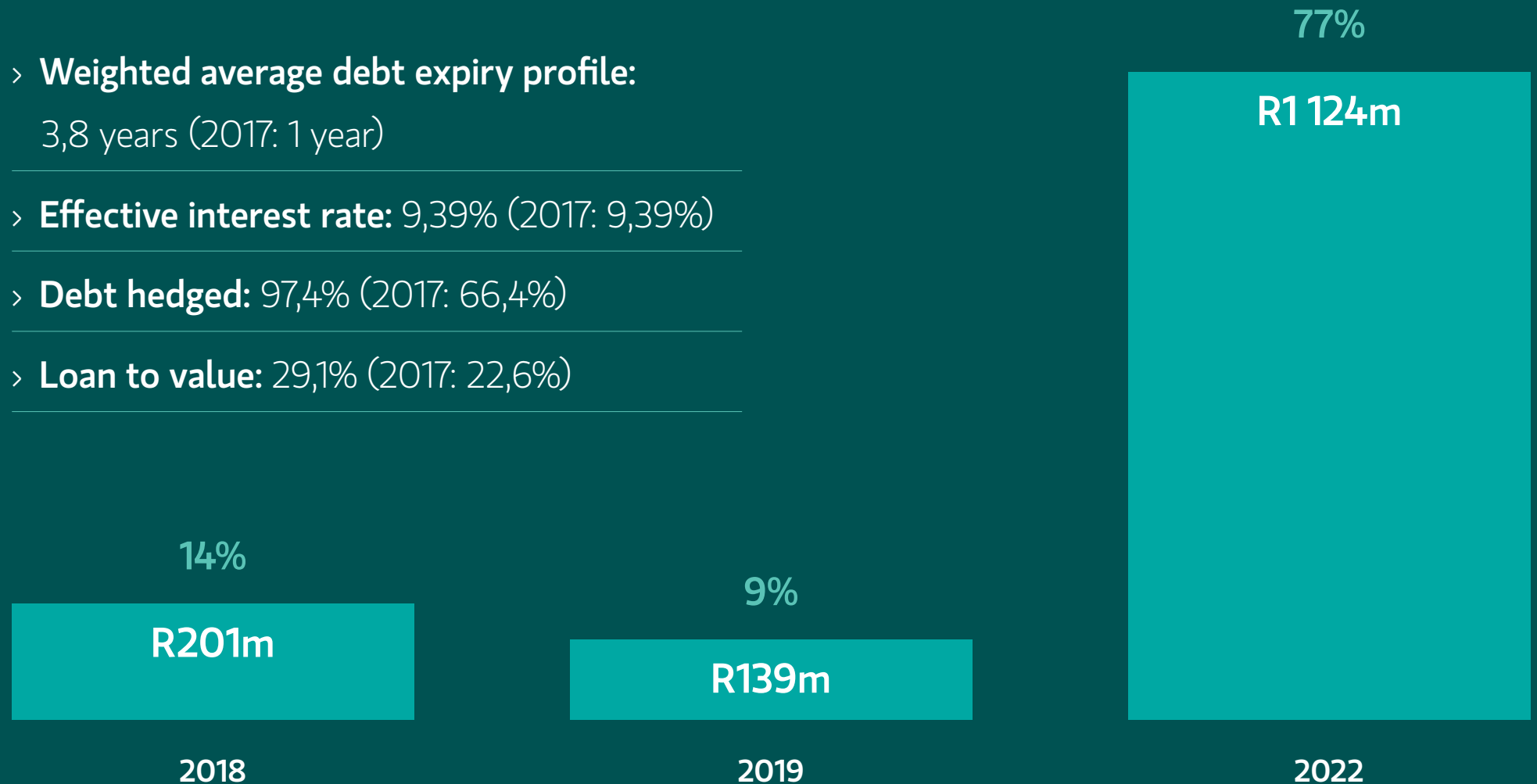
› **Weighted average debt expiry profile:**

3,8 years (2017: 1 year)

› **Effective interest rate:** 9,39% (2017: 9,39%)

› **Debt hedged:** 97,4% (2017: 66,4%)

› **Loan to value:** 29,1% (2017: 22,6%)



# Our financial performance

## CONDENSED CONSOLIDATED FINANCIAL RESULTS

R'000	Unaudited six months ended 31 March	
	2018	2017
Revenue (excluding straight line rental income)	360 652	314 907
Property expenses	(133 026)	(125 209)
Administration and corporate costs	(5 115)	(5 939)
Finance charges	(53 457)	(46 407)
Finance income	11 668	10 964
Distributable income	180 722	148 316
Pre-effective date distribution	–	19 433
<b>Total dividend</b>	<b>180 722</b>	<b>167 749</b>
Property expenses as a percentage of revenue – gross (%)	36,9	39,8
Property expenses as a percentage of revenue – net (%)	14,3	16,6
Dividend per A share (cents) for the quarter ended 31 December	26,09	24,85
Dividend per B share (cents) for the quarter ended 31 December	19,18	17,84
Dividend per A share (cents) for the quarter ended 31 March *	26,09	24,85
Dividend per B share (cents) for the quarter ended 31 March *	19,34	18,15
<b>Consolidated dividend per share</b>	<b>90,70</b>	<b>85,69</b>

\* The dividend was declared on 16 May 2018

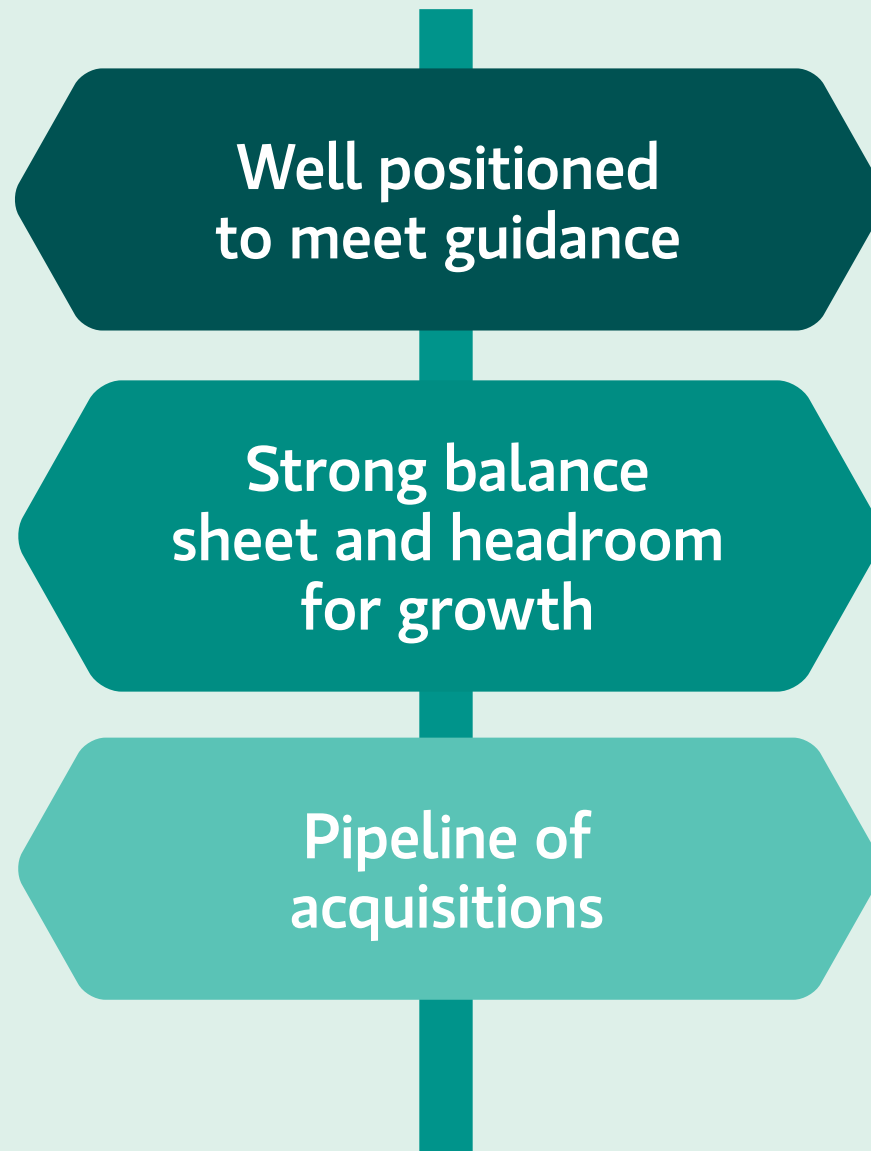
# Our financial position

R'000/unaudited	Unaudited at 31 March	
	2018	2017
<b>Assets</b>		
<b>Non-current assets</b>	<b>5 334 028</b>	<b>4 665 294</b>
Investment property	5 022 635	4 339 685
Other non current assets	311 393	325 609
<b>Current assets</b>	<b>143 353</b>	<b>159 602</b>
<b>Total assets</b>	<b>5 477 381</b>	<b>4 824 896</b>
<b>Equity and liabilities</b>		
<b>Shareholders interest</b>	<b>3 872 359</b>	<b>3 743 124</b>
<b>Other non current liabilities</b>	<b>1 279 798</b>	<b>403 732</b>
<b>Current liabilities</b>	<b>325 224</b>	<b>678 040</b>
<b>Total equity and liabilities</b>	<b>5 477 381</b>	<b>4 824 896</b>
Number of Gemgrow ordinary shares in issue		
– Gemgrow A shares	47 352 203	47 352 203
– Gemgrow B shares	405 042 105	400 710 459
Net asset value per share (R)	856	835
– Gemgrow A shares	985	994
– Gemgrow B shares	841	814
Gearing ratio (%)	29	22

# Where to next

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# Thank you

**Gemgrow Properties Ltd**

Registration number:

2007/032604/06

JSE Share code:

GPA ISIN: ZAE0000223269

GPB ISIN: ZAE0000223227

## **Directors**

Mark Kaplan (CEO)

Junaid Limalia (CFO)

Alon Kirkel (COO)

Gregory Kinross\* (Chairman)

Clifford Abrams\*

Arnold Basserabie\*

Ayesha Rehman\*

\* Independent non-executive

## **Registered Office**

Gemgrow Properties Limited

3rd Floor Upper Building

1 Sturdee Avenue

Rosebank

Johannesburg 2196

## **Transfer Secretaries**

Link Market Services South

Africa Proprietary Limited

## **Sponsor**

Java Capital Trustees and

Sponsors Proprietary Limited

## **Company Secretary**

Gillian Prestwich

CIS Company Secretaries

Proprietary Limited

[gemgrow.co.za](http://gemgrow.co.za)