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# Results Presentation

for the six months ended  
31 March 2019



GEMGROW  
PROPERTIES

## OUR HIGHLIGHTS

**54,54 cents**

dividend per **A share**

**35,31 cents**

dividend per **B share**

**R761m**

of property acquisitions  
concluded

**R425m**

disposals of non-core  
assets in the current  
year of which R98m  
transferred during the  
6-month period ending  
31 March 2019

**32%**

**loan**

**to value**

strong balance sheet

**Vacancies**

**2019: 9,0%**

**2018: 7,6%**

**Proposed**

**merger**

between Gemgrow and  
Arrowhead Properties  
Limited

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**COMPANY**  
**CAPITAL STRUCTURE**

**R5,6bn**

in assets

**R2,9bn**

market cap

**Dual class**

share structure

**B share**  
**trading at**

31% discount to NAV

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**A SHARE**

63m in issue

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Preferential dividend

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5 times cash cover

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Growth capped at 5%

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**B SHARE**

408m in issue

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Enhanced when  
growth exceeds 5%

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## GEMGROW AT A GLANCE

**163**

properties

**815 412m<sup>2</sup>**

total GLA

**R5,6bn**

portfolio value

**Diversified**

across the country

## STRATEGY

- ① Focusing only on South Africa
- ② Diversified by retail, office and industrial
- ③ Pure property play, no listed holdings
- ④ Own assets with high tenant demand
- ⑤ Sustainable income streams
- ⑥ Working towards service-driven offering

## MERGER WITH ARROWHEAD

- Scale
- Liquidity
- 11x cash cover
- R11bn in physical property
- R16bn in assets
- Reduced reporting time and costs
- Focus on pure property
- Retaining dual A and B share structure
- Possible SAPY inclusion
- Expect to implement before year-end

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## INNOVATION

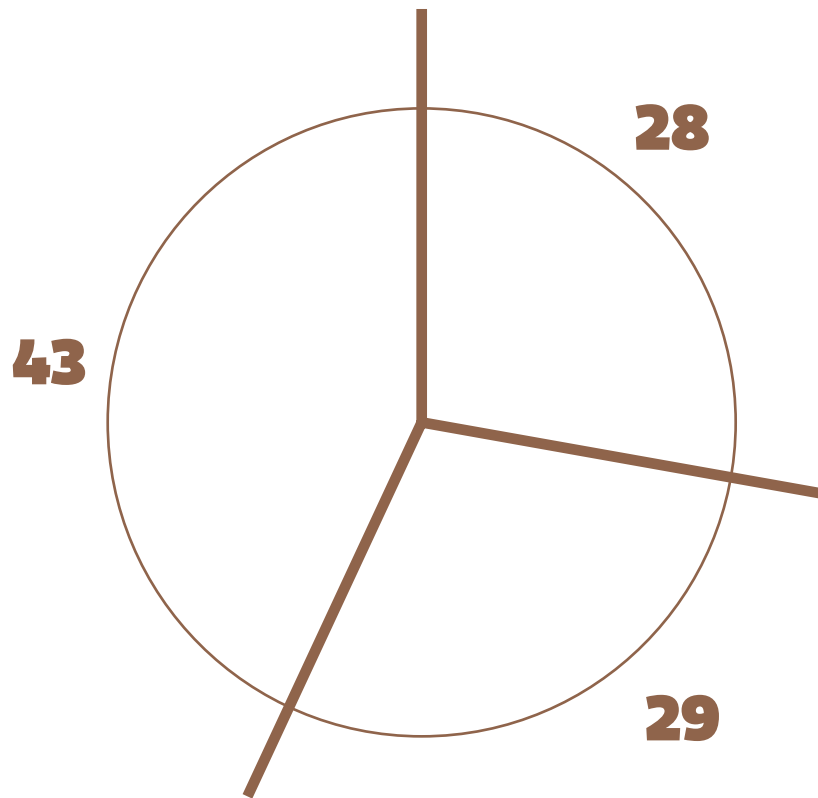
- Relationship manager
- High performance culture
- Forecasting technology

- Focus division supplementing renewals, new deals and arrears
- Increased resources

# PROPERTY PORTFOLIO OVERVIEW

## AS AT 31 MARCH 2019

SECTORAL PROFILE BY m<sup>2</sup> (%)

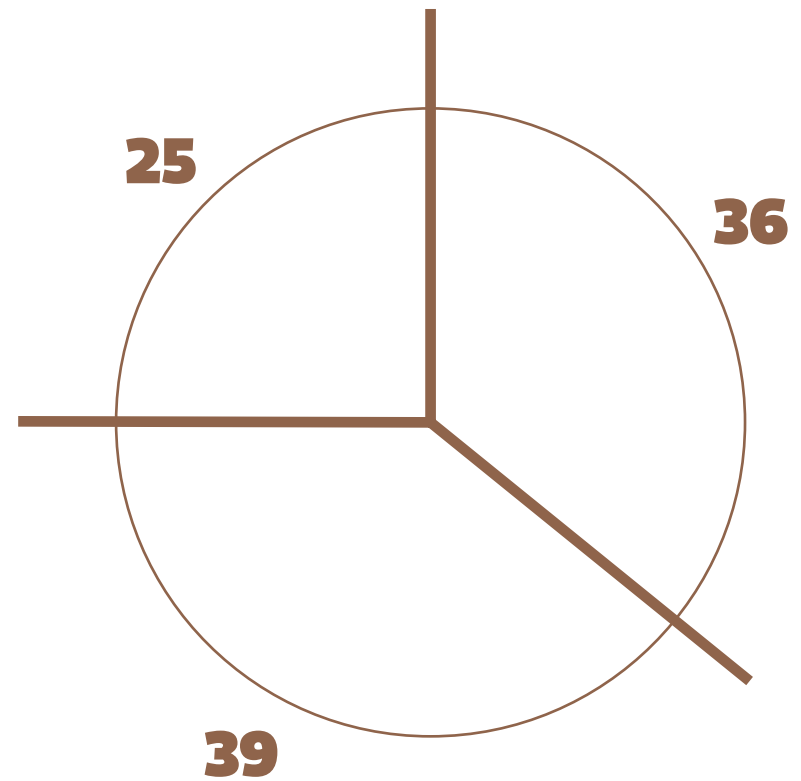


28 **Retail**

29 **Office**

43 **Industrial**

SECTORAL PROFILE BY REVENUE (%)



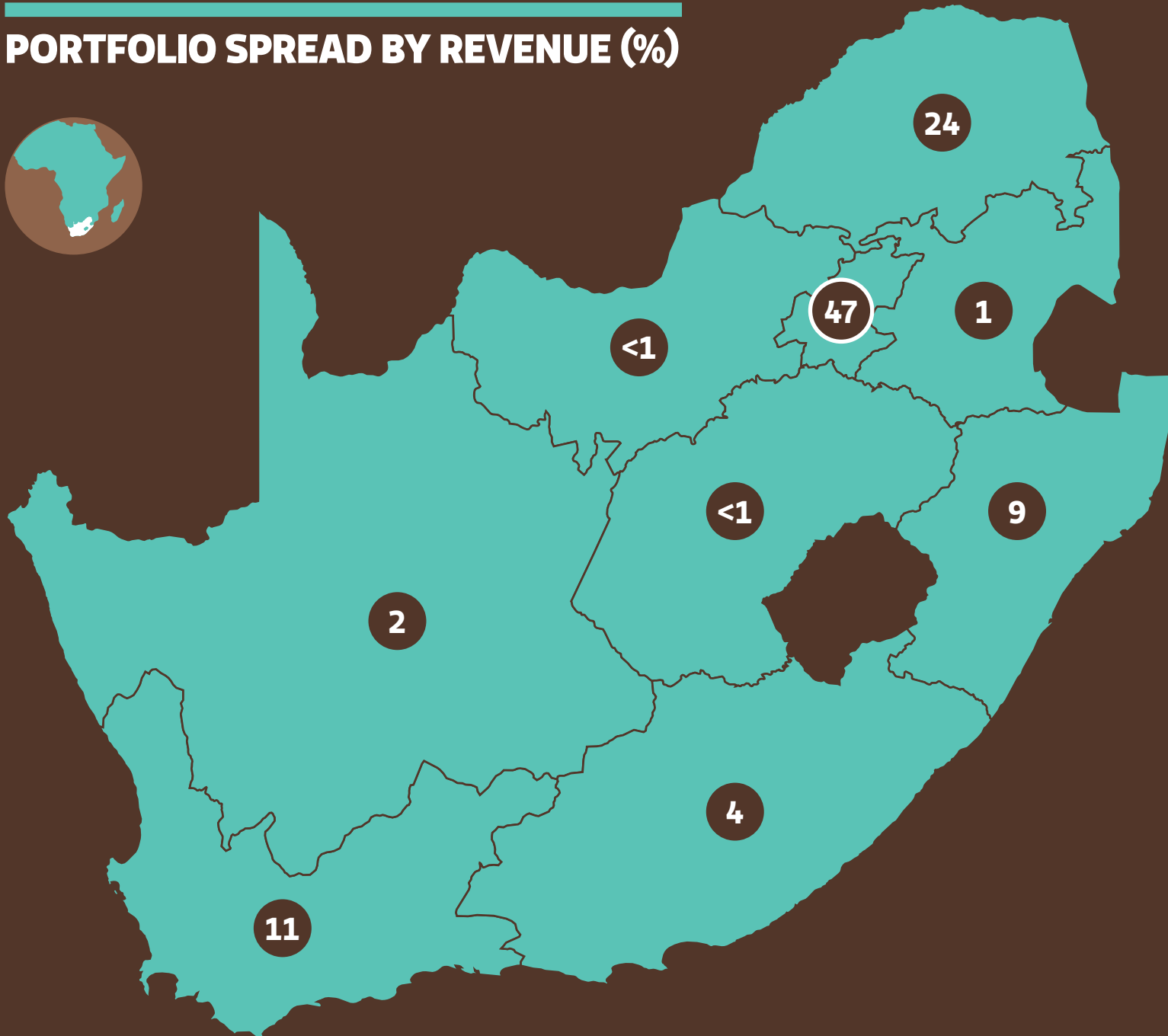
36 **Retail**

39 **Office**

25 **Industrial**



## PORTFOLIO SPREAD BY REVENUE (%)



### PROVINCES

- 47 Gauteng
- <1 Free State
- <1 North West
- 1 Mpumalanga
- 24 Limpopo
- 4 Eastern Cape
- 9 KwaZulu-Natal
- 11 Western Cape
- 2 Northern Cape

## RENEWALS AND EXPIRIES AS AT 31 MARCH 2019

**67%**

of all lease expiries  
were retained

**30%**

of the balance  
was re-tenanted

**77%**

tenant retention  
or re-let

### CONTRACTUAL LEASE ESCALATIONS (%)

Retail:	7,5
Office:	7,8
Industrial:	7,9

### LEASE RENEWAL STEP UP ESCALATIONS (%)

Portfolio:	-2
Retail:	-4
Office:	-3
Industrial:	1

### NEW DEALS IN RELATION TO EXIT RENTAL ESCALATIONS AND REVERSIONS (%)

Retail:	3
Office:	-44
Industrial:	-15

## RENEWALS 2020

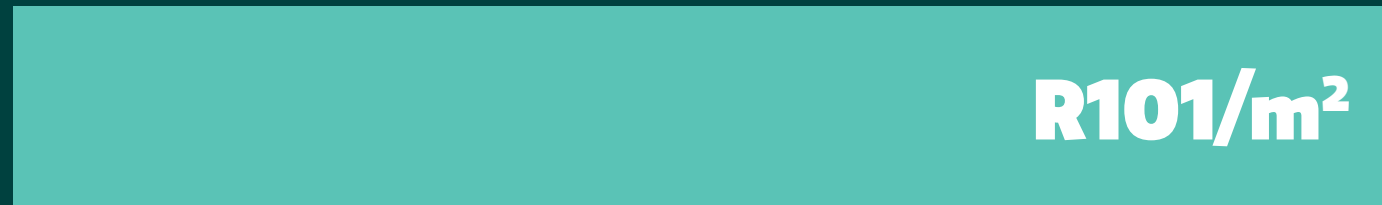
### Our lease expiry profile for 2020

Description	LEASES		GLA		REVENUE	
	Number	%	m <sup>2</sup>	%	Rand	%
Retail	151	38	47 946	26	4 259 263	34
Office	130	33	37 629	21	3 988 699	32
Industrial	114	29	95 506	53	4 211 149	34
<b>Total</b>	<b>395</b>	<b>100</b>	<b>181 081</b>	<b>100</b>	<b>12 459 112</b>	<b>100</b>

This represents 22% of the portfolio in terms of GLA and revenue.

**AVERAGE GROSS RENTAL PER SECTOR  
AS AT 31 MARCH 2019**

**PROVIDING VALUE FOR TENANTS  
WITH ATTRACTIVE RENTAL RATES**

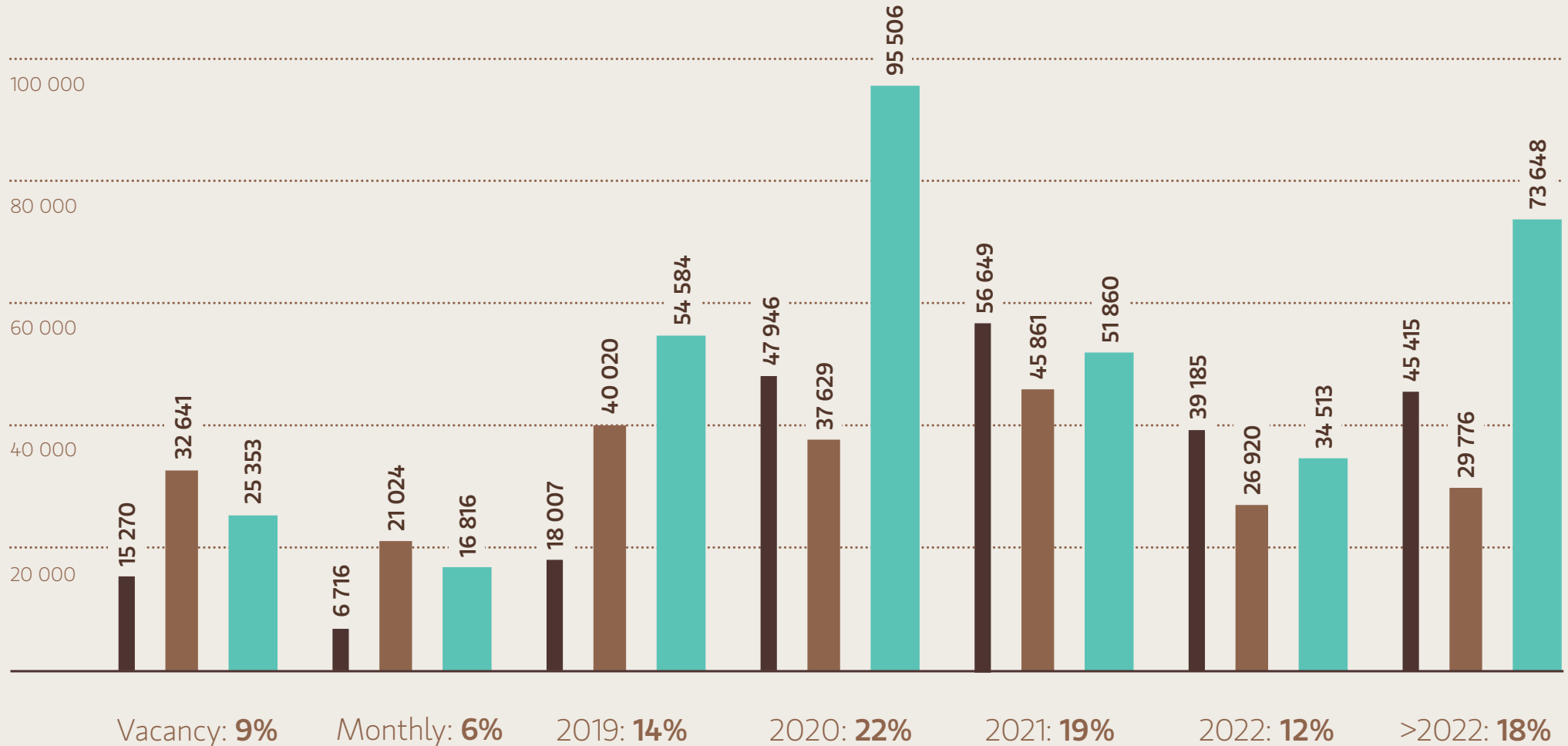


- Retail
- Office
- Industrial

## LETTING AND VACANCIES AS AT 31 MARCH 2019

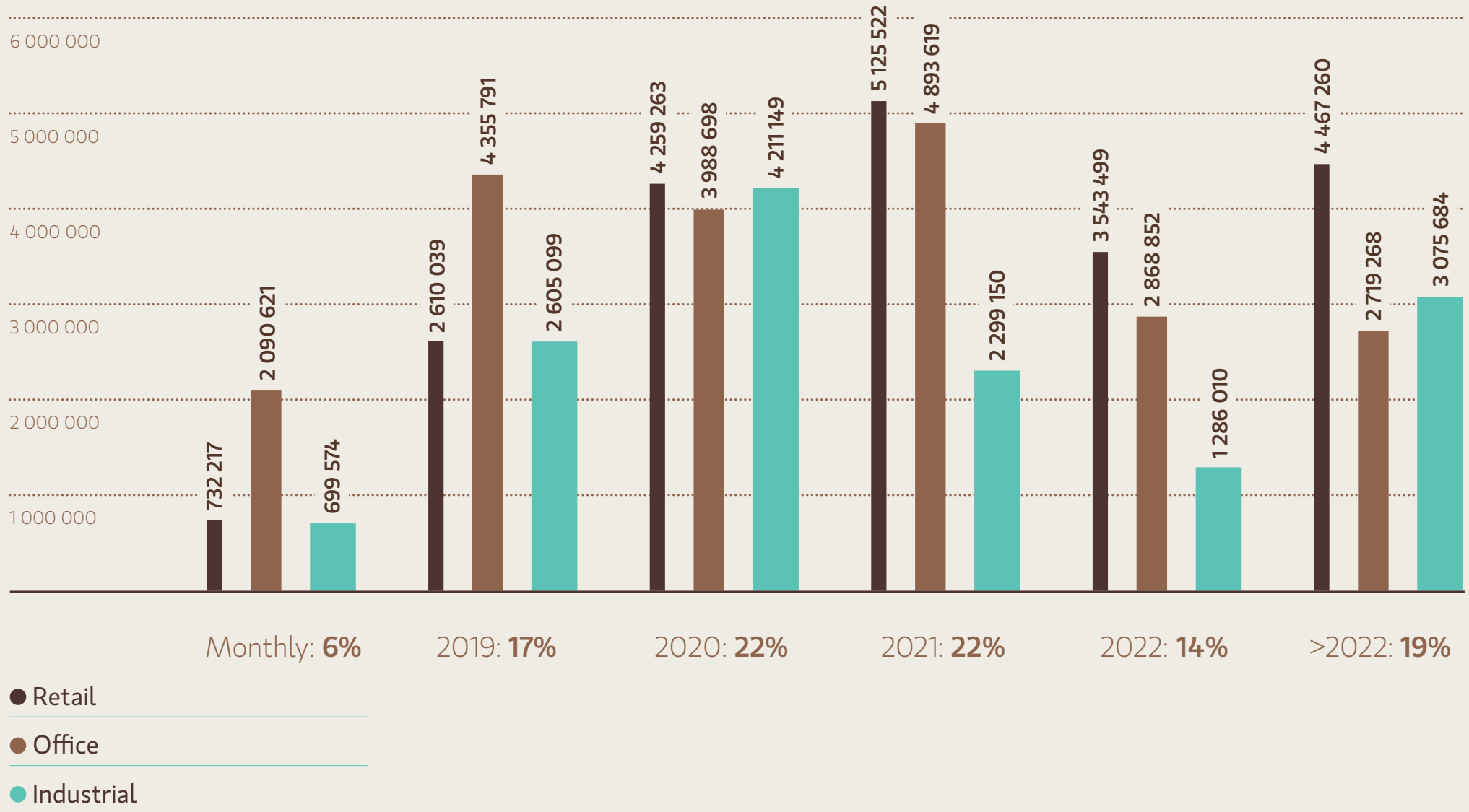
Sector	Total (m <sup>2</sup> )	Let (m <sup>2</sup> )	Let (%)	MARCH 2019	
				Vacant (m <sup>2</sup> )	Vacant (%)
Retail	231 638	216 368	93,4	15 270	6,6
Office	232 171	199 530	85,9	32 641	14,1
Industrial	351 603	326 250	92,8	25 353	7,2
<b>Total</b>	<b>815 412</b>	<b>742 148</b>	<b>91,0</b>	<b>73 264</b>	<b>9,0</b>

# COMBINED LEASE EXPIRY PROFILE BY GLA (m<sup>2</sup>) AS AT 31 MARCH 2019



- Retail
- Office
- Industrial

# COMBINED LEASE EXPIRY PROFILE BY REVENUE (R) AS AT 31 MARCH 2019



## DISPOSAL SUMMARY 2019

Description	Rm	%
Retail	83	20
Office	305	71
Industrial	37	9
<b>Total</b>	<b>425</b>	<b>100</b>
<b>Split</b>		
Transferred 6 March 2019	98	23
Yet to transfer	327	77

1. LTV will drop to 28% once R327m transfers and proceeds are used to settle debt
2. Furthermore, negotiating a further tranche of R150m of disposals
3. The sales were concluded at a yield of 10%
4. Total disposals at a 6% discount to book value



## CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

R'000	2019	2018
Revenue (excluding straight line rental income)	424 831	360 652
Property expenses	(162 977)	(133 026)
Administration and corporate costs	(11 312)	(5 115)
Finance charges	(91 746)	(53 457)
Finance income	13 890	11 668
Non-Controlling interest profits elimination	(1 836)	—
Antecedent income	1 403	—
<b>Distributable income</b>	<b>172 253</b>	<b>180 722</b>
<b>Pre-effective date distribution</b>	<b>6 090</b>	<b>—</b>
<b>Total dividend</b>	<b>178 343</b>	<b>180 722</b>
Property expenses as a percentage of revenue – gross (%)	38,4	36,9
Property expenses as a percentage of revenue – net (%)	15,2	14,3
A share – Dividend for the quarter ended 31 December*	—	12 353
B share – Dividend for the quarter ended 31 December*	—	77 687
A share – Dividend for the quarter ended 31 March <sup>^ #</sup>	34 206	12 353
B share – Dividend for the quarter ended 31 March <sup>^</sup>	144 137	78 329
<b>Total dividend</b>	<b>178 343</b>	<b>180 722</b>
Dividend per A share (cents) for the quarter ended 31 December*	—	26,09
Dividend per B share (cents) for the quarter ended 31 December*	—	19,18
Dividend per A share (cents) for the quarter ended 31 March <sup>^ #</sup>	54,54	26,09
Dividend per B share (cents) for the quarter ended 31 March <sup>^</sup>	35,31	19,34

<sup>^</sup> Dividend was declared on 15 May 2019

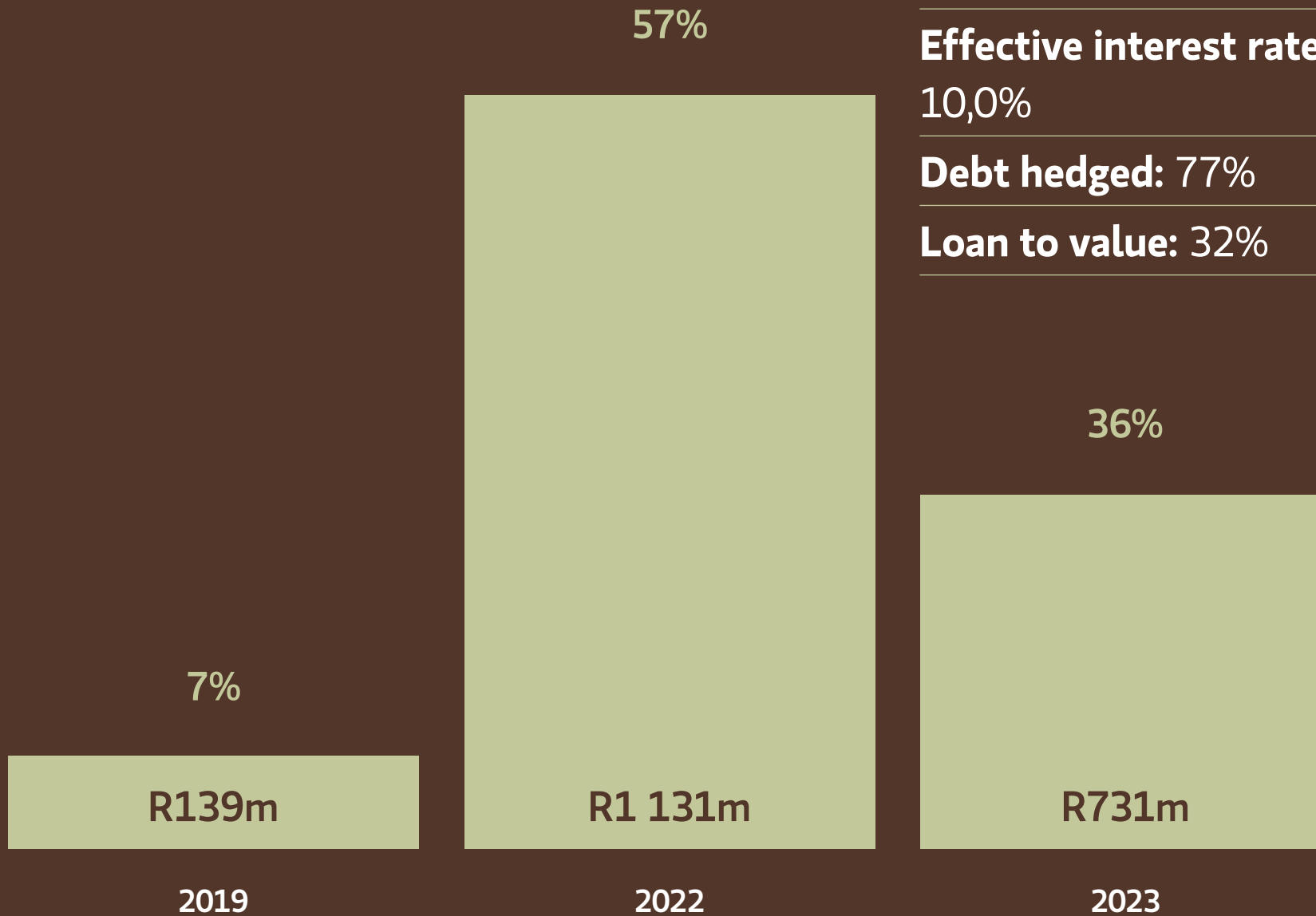
\* The company changed its dividend payment cycle from quarterly to bi-annually

# The A share dividend for the six months was increased by the latest CPI change of 4,528% at the end of March 2019

## OUR FINANCIAL POSITION

R'000/unaudited	Unaudited at 31 March	
	2019	2018
<b>Assets</b>		
<b>Non-current assets</b>	<b>5 753 886</b>	<b>5 334 028</b>
Investment property	5 583 927	5 022 635
Other non-current assets	169 959	311 393
<b>Current assets</b>	<b>330 030</b>	<b>143 353</b>
<b>Total assets</b>	<b>6 083 916</b>	<b>5 477 381</b>
<b>Equity and liabilities</b>		
<b>Shareholders interest</b>	<b>3 918 878</b>	<b>3 872 359</b>
<b>Other non-current liabilities</b>	<b>1 864 794</b>	<b>1 278 660</b>
<b>Current liabilities</b>	<b>300 244</b>	<b>326 362</b>
<b>Total equity and liabilities</b>	<b>6 083 916</b>	<b>5 477 381</b>
<b>Number of Gemgrow ordinary shares in issue</b>		
– Gemgrow A shares	62 718 658	47 352 203
– Gemgrow B shares	408 184 961	405 042 105
Net asset value per share (R)	821	856
– Gemgrow A shares	959	985
– Gemgrow B shares	804	841
Gearing ratio (%)	32	29

## HOW WE STRUCTURED OUR DEBT



**Weighted average debt expiry profile:**  
3,8 years

**Effective interest rate:**  
10,0%

**Debt hedged:** 77%

**Loan to value:** 32%

## PROSPECTS

- ✓ **Arrowhead/Gemgrow merger**
- ✓ **Well positioned to meet guidance**
- ✓ **Strong balance sheet**
- ✓ **Disposals of R500m including 2018 – working towards disposing of a further R500m**

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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

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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)