

Results presentation

For the year ended
30 September 2017



GEMGROW
PROPERTIES

Company

CAPITAL STRUCTURE

R4,5bn

in assets

R3,1bn

market cap

Dual class

share structure

Discount to NAV:

24% on combined shares

28% on B shares

A share

47m in issue

Preferential dividend

7x cash cover ratio

Growth capped at 5%

B share

400m in issue

Enhanced when
growth exceeds 5%

Benefit from acquisitions

Gemgrow strategy

- > **High yield** and **high growth** fund
- > **Sustainable** yield-enhancing acquisitions
- > **Diversify risk**
- > **Buy properties** from R20m
- > **South African focused**
- > Maintain **prudent gearing**

Competitive advantage

- › **Niche market** for acquisitions
- › Low **LTV of 20,65%**
- › **Dual class A and B structure**
- › **Cash cover** of 7x on A share dividend
- › Arrowhead strategic and operational **support and guidance**

Highlights

Objectives

Meet dividend forecast per circular

Prudent gearing

Acquisitions

Successfully integrate 129 properties

Refinance 60% of debt expiring during the year

Achieved

A share: **101,87c**
B share: **73,51c** (73,36c)

20,65%

R580m at 11,85% yield

Completed

Refinanced all debt that expired

Acquisitions

Value

R580m

Retail	90%
Office	5%
Industrial	5%

Yield

11,85%

Funded

Debt at **9,74%**

5-year hedged rate

Post acquisition impact

Retail	25%
Office	49%
Industrial	26%

Transfer 1 December 2017 to 31 January 2018

National tenants: Absa, Ackermans, African Bank, Beaver Canoe, Boxer, Bradlows, Capitec, Checkers, Chesanyama, Choppies, Clicks, Eskom, FNB, Foschini, Galito's, Hollard, Jet, KFC, Markhams, Milady's, Mr Price, MTN, Nedbank, Pep, Rage, Russells, Shoprite, Sleepmasters, Sportscene, Total Sports, Truworths, Webber's

How we do it



Internalised asset management

- › Extract **maximum value** from core portfolio
- › **Micromanage**
- › **Reduce** vacancies
- › Ensure lease expiries, re-letting and renewals are managed with **efficiency**
- › Cost centres **tightly managed**
- › **Aggressive letting strategies**

Risk management

- › No material **single tenant** exposure to income
 - › **Diversified** by sector, geographical location and grading
 - › **Prudent gearing** and **hedging** of borrowings
 - › **Realistic forecasting**
 - › **Sound corporate governance**
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Optimising value

Android app

Virtual tours

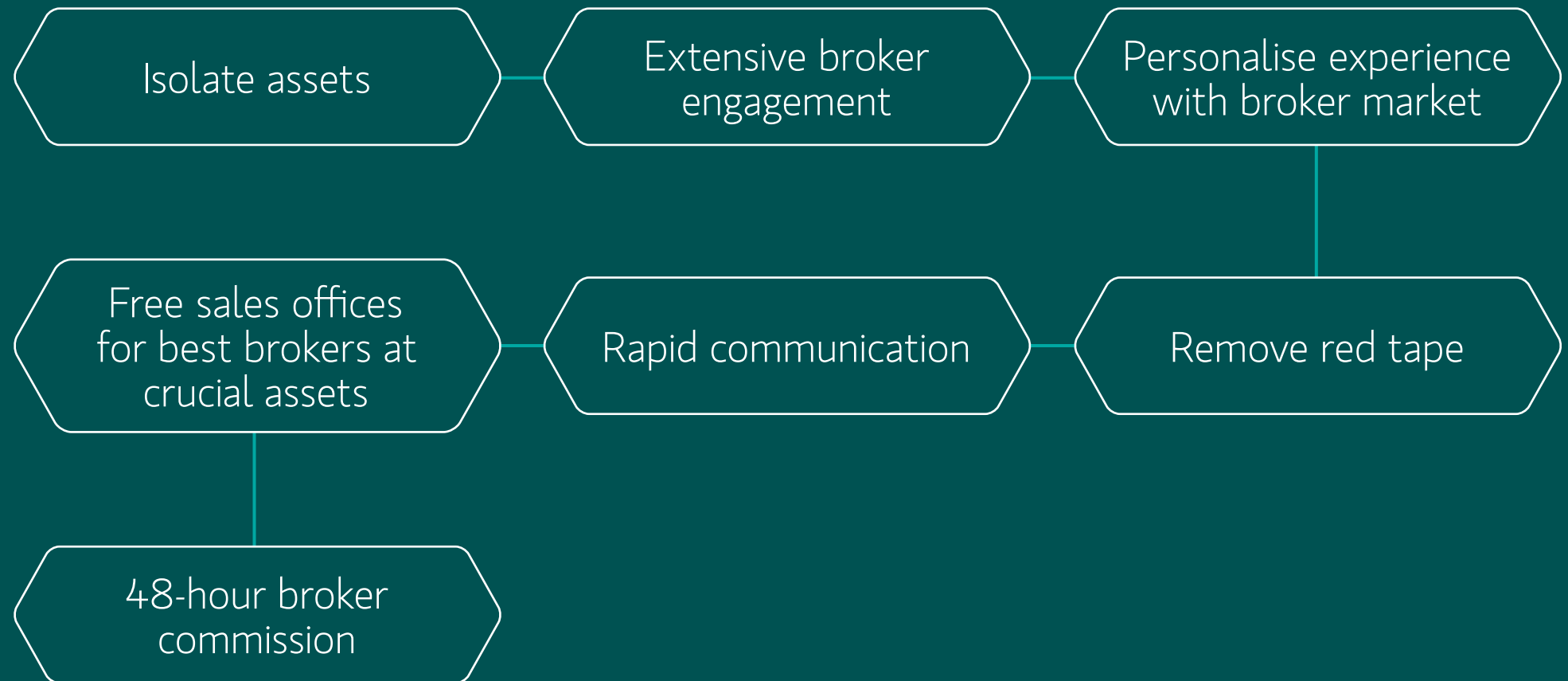
Billboard advertising

Drone footage

Non-GLA space
income stream

User-friendly
corporate website

We're in the business of letting space



Impact – lower vacancies

- › **Perm Smith Street** – reduced 40% to 10%
- › **Tarry's** – reduced 40% to 0%
- › **Simgold** – reduced 40% to 20%
- › **Grosvenor Crossing** – reduced 20% to 0%
- › **Wilcon House** – signed new 5-year lease 2 659m²
- › **Roodepoort Robertville Industrial** – reduced 7 000m² to 3 000m² in two months
- › **Tijger Park** – reduced 2 000m² to zero
- › **Sunninghill Place** – reduced 2 000m² to 500m²
- › **Parow Industrial Park** – reduced 2 000m² to zero
- › **105 Landdros** – tenant vacated; approached Cargo motors Imperial deal concluded
- › **Bedfordview** turnaround
- › **353 Rivonia Boulevard** – Avastar and church defaulted – new medical suites

Maiden results



2017 Actual vs Circular

R'000/Audited	12-month actuals	12-month circular forecast
Rental income	528 496	531 821
Municipal recoveries	158 613	170 233
Total rental income and recoveries income	687 109	702 054
Municipal expenses	176 317	185 986
Gross income before building expenses	510 792	516 068
Contract and other expenses	75 925	78 141
Repairs and maintenance	12 000	9 880
Net operating income/(loss) before finance charges	422 867	428 047
Gemgrow head office	80 065	85 840
— Administrative expenses	8 958	10 283
— Interest (received)	(20 471)	(18 148)
— Interest paid	91 578	93 705
Total income available for distribution	342 802	342 207
Annual dividend per share — A shares (cents)	101,87	101,87
Annual dividend per share — B shares (cents)	73,51	73,36
Gross expense ratio (%)	38,5	39,0
Net expense ratio (%)	16,6	16,6

Company

DEBT FUNDING

- > **R919m** in debt
- > LTV of **20,65%**
- > Effective interest rate of **9,33%**
- > Refinanced **R525m** of the R575m that expired in 2017 before year-end
- > **R50m** refinanced at time of issuing results

Debt expiry

2017	R575m
2018	R201m
2019	R143m
Total	R919m

Company

DEBT FUNDING CONTINUED

> Existing debt at 30 September 2017	R919m
> New debt (acquisitions) – October 2017	R600m
> Total debt (including acquisitions)	R1,52bn
> LTV including acquisitions	30%

Fixing of debt

> Existing debt fixed from February 2019 to 30 September 2020	R300m
> Fixed for 5 years from 31 October 2017 at 9,39%	R525m
> Fixed for 5 years from 15 November 2017 at 9,74%	R600m
> Total fixed funding	R1,425bn
> Fixed funding	94%

Our portfolio

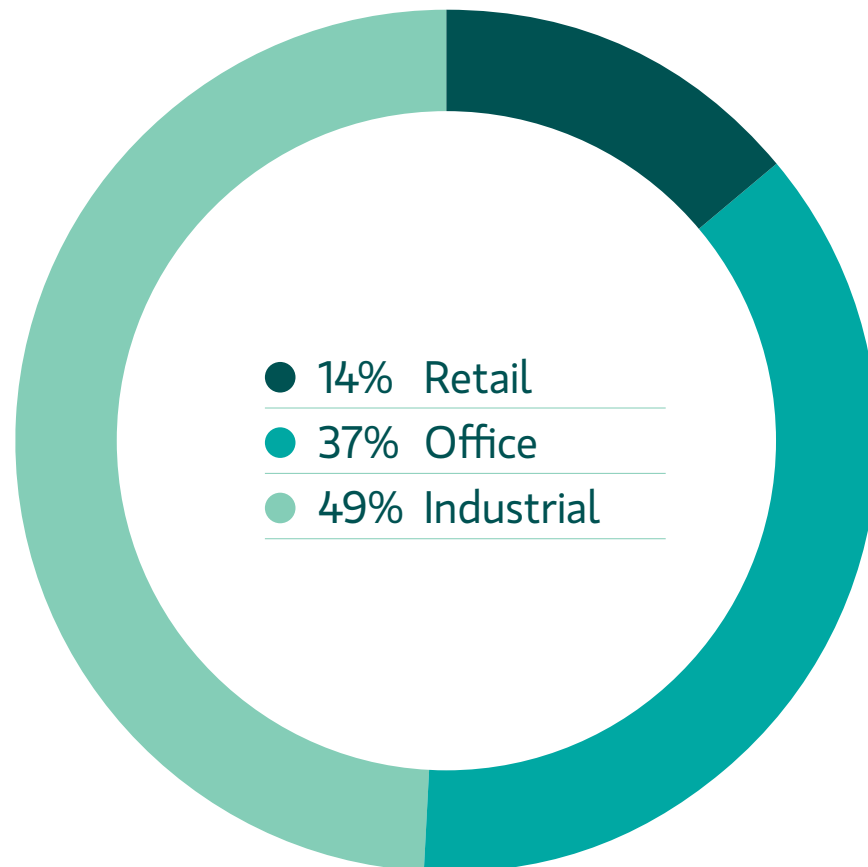


Property portfolio overview

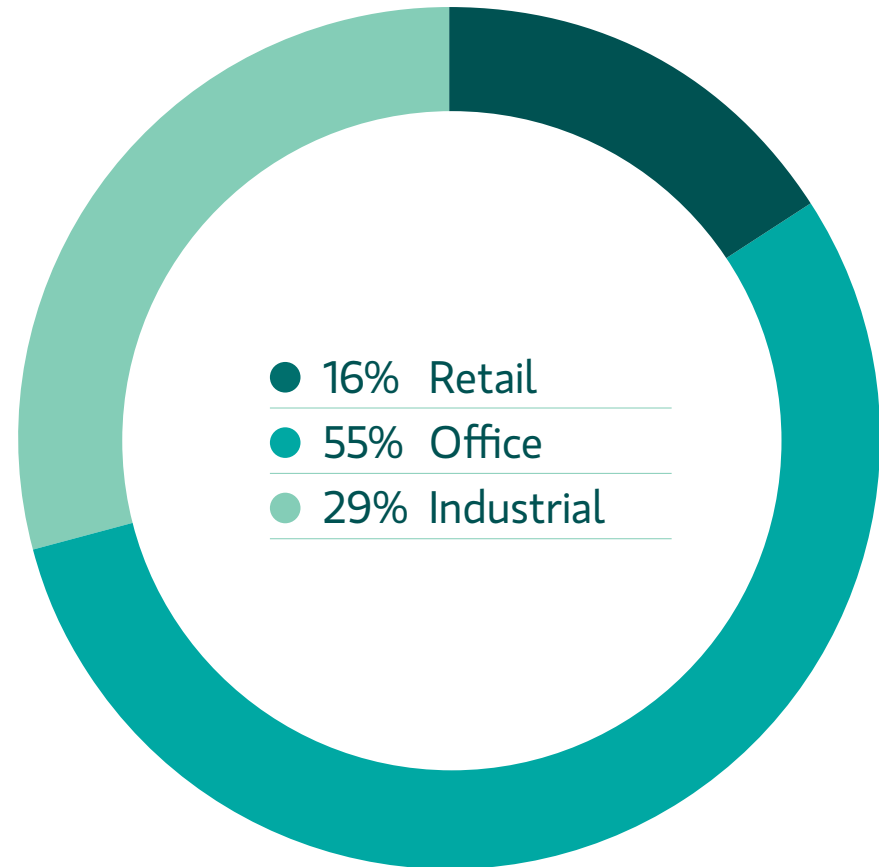


Property portfolio overview

By GLA

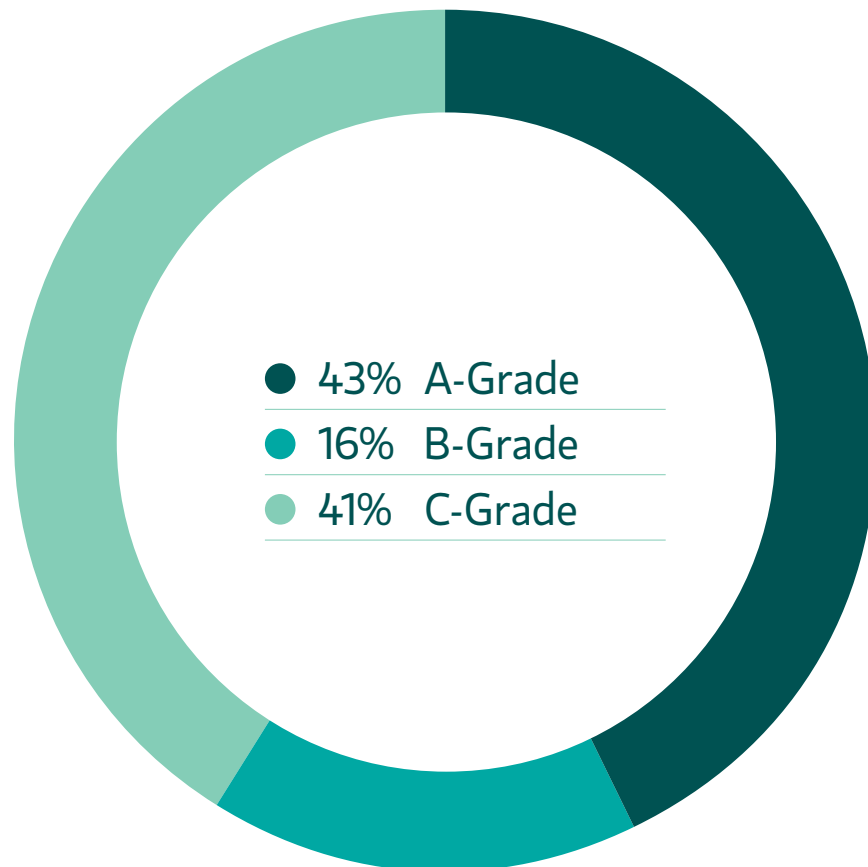


By property value



Tenant grading profile

By revenue



**A-Grade tenants approaching
50% of our leases**

Letting and vacancies

AS AT 30 SEPTEMBER 2017

Sector	Total (m ²)	Let (m ²)	Let (%)	SEPTEMBER 2017	
				Vacant (m ²)	Vacant (%)
Retail	96 389	90 829	94,2	5 560	5,8
Office	253 214	225 240	89,5	26 614	10,5
Industrial	340 661	319 596	93,8	21 065	6,2
Total	690 263	635 665	92,3	53 238	7,7

Average gross rental per sector

Providing value for tenants with attractive rental rates

Retail

R83/m²

Office

R107/m²

Industrial

R42/m²

Renewals and expiries

YEAR ENDED 30 SEPTEMBER 2017

> **71%** of all leases expired
were renewed

> **53%** of the balance was re-tenanted

> **86%** tenant retention or re-let

> **Contractual lease escalations:**

Retail: **8,1%**

Office: **8,1%**

Industrial: **8,4%**

> **Lease renewal step up escalations:**

Retail: **5%**

Office: **3%**

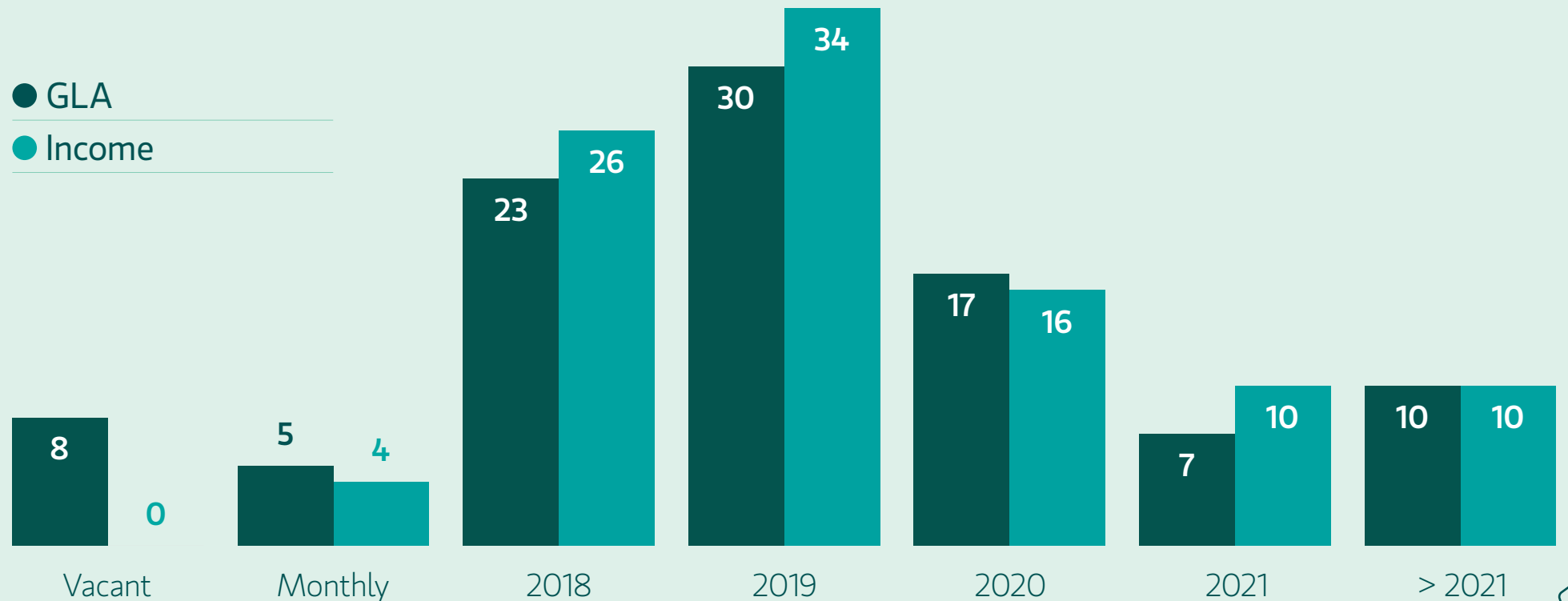
Industrial: **1%**

Lease expiry profile

AS AT 30 SEPTEMBER 2017

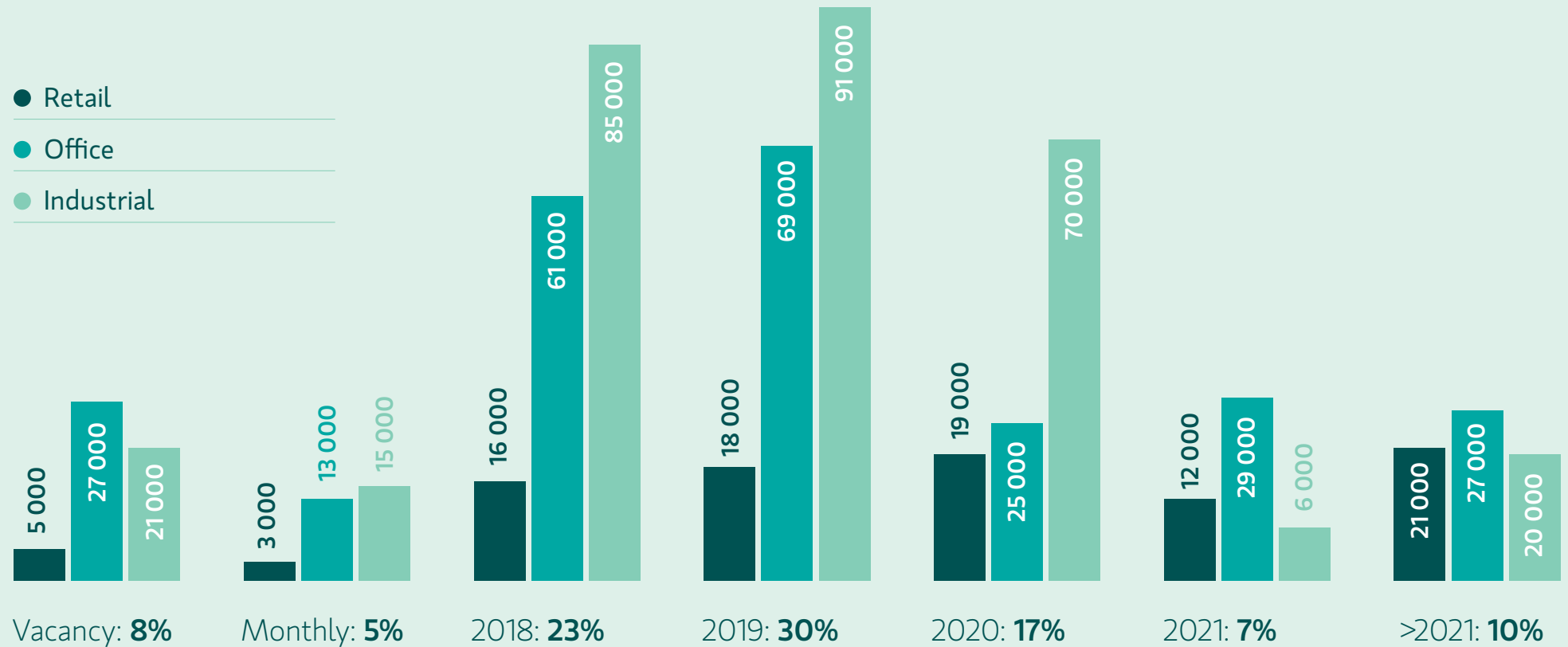
Average lease expiry profile of four years as at 30 September 2017.

Lease expiry by GLA and income (%)



Combined lease expiry profile by GLA

AS AT 30 SEPTEMBER 2017



Conclusion



2018 objectives/goals

30 SEPTEMBER 2018

- > More yield-enhancing **acquisitions**
 - > Extract additional **value from core portfolio**
 - > Further **dividend growth**
 - > **Improve market presence** and build **company reputation**
-

Company 2018 forecast

Forecast growth of 7% to 9%

Comprising the following:

- › Core portfolio 3% to 5%
- › Acquisitions of 4%

Forecast assumptions

- › No once-off income
- › No forecasting of letting of vacancies
- › No new acquisitions (apart from the R580m) included in the forecast

Thank you

Gemgrow Properties Ltd

Registration number:

2007/032604/06

JSE Share code:

GPA ISIN: ZAE0000223269

Directors

Mark Kaplan (CEO)

Junaid Limalia (CFO)

Alon Kinkel (COO)

Gregory Kinross* (Chairman)

Clifford Abrams*

Arnold Basserabie*

Ayesha Rehman*

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Africa Proprietary Limited

Sponsor

Java Capital Trustees and

Sponsors Proprietary Limited

Company Secretary

Gillian Prestwich

CIS Company Secretaries

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