

# Fixed income investor presentation

July 2018



 **REDEFINE**  
PROPERTIES

We're not landlords. We're people.

# Our conversation

Section **01** GROUP OVERVIEW AND STRATEGY

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Section **02** PORTFOLIO OVERVIEW

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Section **03** CAPITAL STRUCTURE AND DEBT

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Section **04** DMTN PROGRAMME UPDATE

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# GROUP OVERVIEW AND STRATEGY

Section **01**

# Group overview

Redefine is an internally managed Real Estate Investment Trust (REIT)

Our primary goal is to grow and improve cash flow to deliver quality earnings, to underpin **sustained growth in distribution, which supports growth in total return per share**

**Top  
40**

We are listed on the Johannesburg Stock Exchange (JSE) and are included in the **JSE Top 40 index**



We manage a diversified property asset platform with a **value of R85.6 billion**, comprising **local (R68.7 billion)** and **international (R16.9 billion) property assets**



Our shares are among the **most actively traded on the JSE, making them a highly liquid, single-entry point** for gaining exposure to quality domestic properties, and a spread of international commercial real estate markets

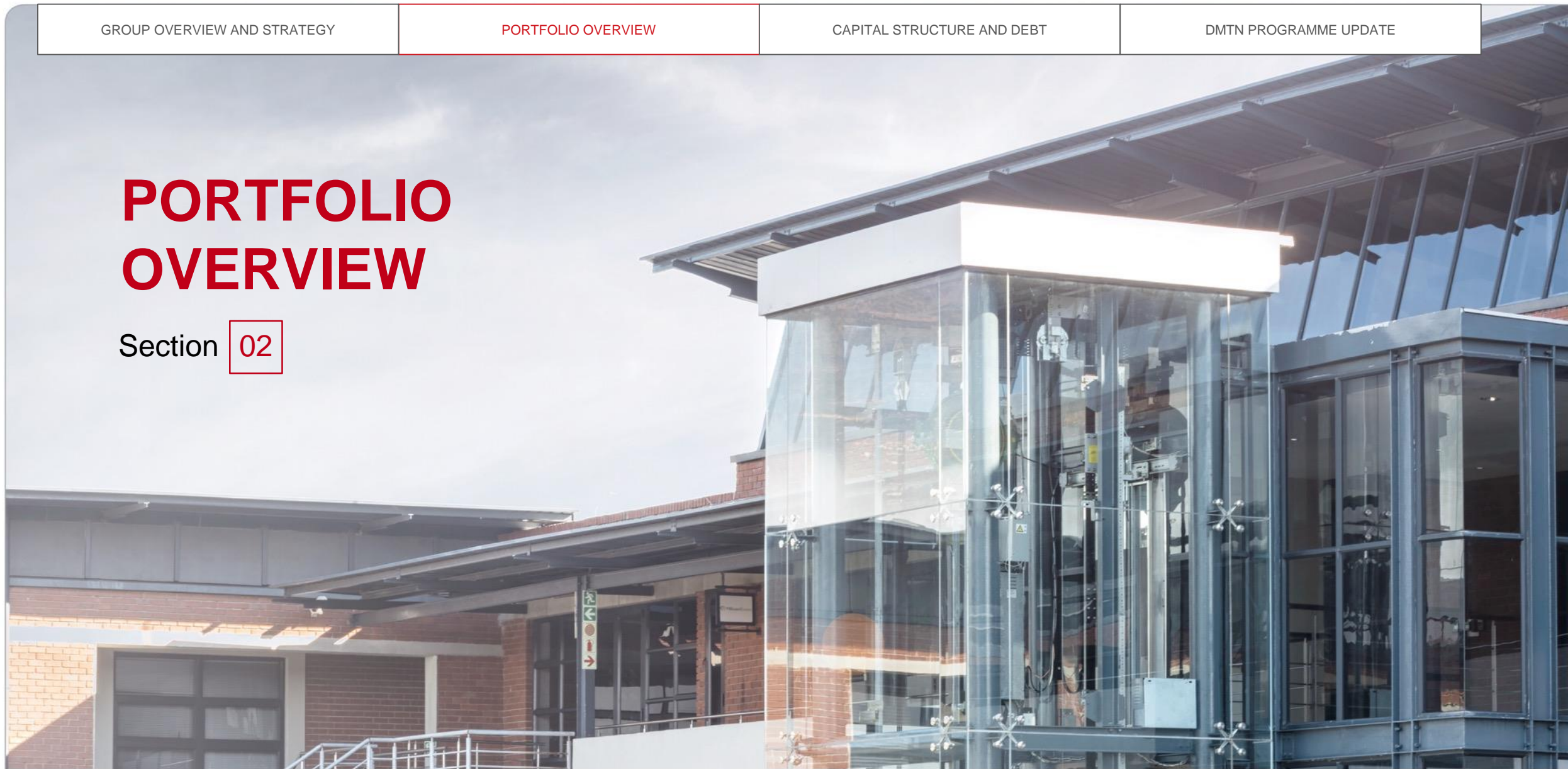
# Strategy

Without a sense of purpose we cannot realise our full potential

- We are opportunistic and invest where we believe the **best market opportunities lie**
- Our focus is on **real estate and related investments** – not a particular sector
- Our **strategy** is aligned to **long-term trends** and is tweaked for opportunities and risks
- We continue to actively **manage the variables** we can control
- We uphold Redefine's **values**
- We **maintain alignment** throughout the business
- We have deepened our **unique approach to relationships**
- We will continue to **protect, expand and improve** existing well-located local properties, mostly through development activity
- Our secondary assets are **recycled** to contain the LTV ratio
- **Poland** is a market that holds great promise for **growth** through acquisition, development and extensions
- Purpose-built student accommodation in Australia poses **expansion opportunities**

# PORTFOLIO OVERVIEW

Section **02**



# Redefine's diversified property asset platform as at 28 Feb 2018

Capital is allocated to ensure highest and best use to sustain value creation

## Portfolio valued at R85.6 billion

### Direct local property portfolio

Property portfolio	100.0%	R64.6bn
Retail		R26.7bn
Office		R23.9bn
Industrial		R12.7bn
Specialised		R1.3bn
Loans receivable	100.0%	R2.9bn
Respublica	53.6%	R1.2bn
		<b>R68.7bn</b>
Carried at fair value		
Equity accounted		

### Direct international properties

Cromwell Partners Trust (Northpoint)	50.0%	R1.4bn	N2
Chariot Top Group B.V.	25.0%	R0.8bn	
Journal Student Accommodation Fund	90.0%	R0.8bn	
Oando Wings Development Limited	39.5%	R0.5bn	N2
		<b>R3.5bn</b>	

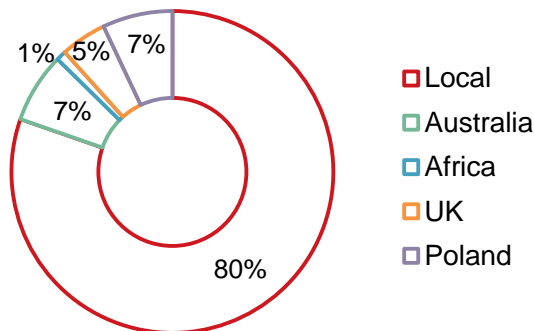
N2 These investments represent capital recycle opportunities and are not long term holds for Redefine

### International listed securities

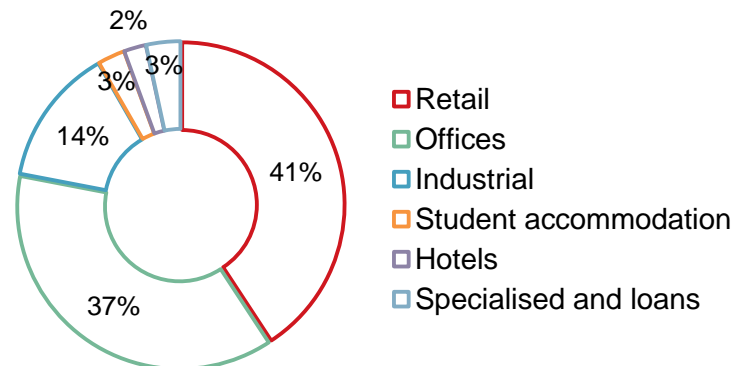
Echo Polska Properties N.V.	36.2%	R5.0bn	
Cromwell Property Group	22.5%	R4.3bn	N1
RDI REIT Plc (RDI)	29.4%	R3.9bn	
GRIT Real Estate Income Group	6.3%	R0.2bn	N2
		<b>R13.4bn</b>	

N1 During June 2018 Redefine sold 19.5% of its investment in Cromwell for R3.5 billion. Remaining investment in Cromwell is 60 million units (3%) which will be held as a listed security measured at fair value. The current fair value is approximately R685 million

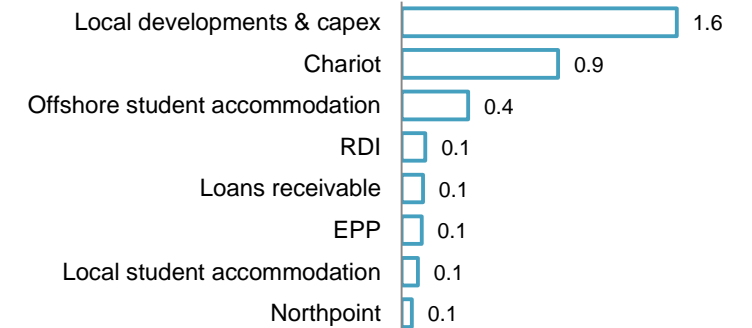
### GEOGRAPHIC SPREAD BY VALUE



### GROUP ASSETS BY SECTOR



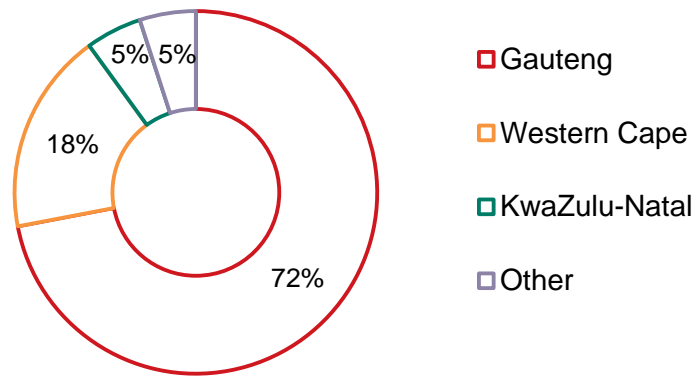
### CAPITAL DEPLOYED HY2018 R3.4 BILLION



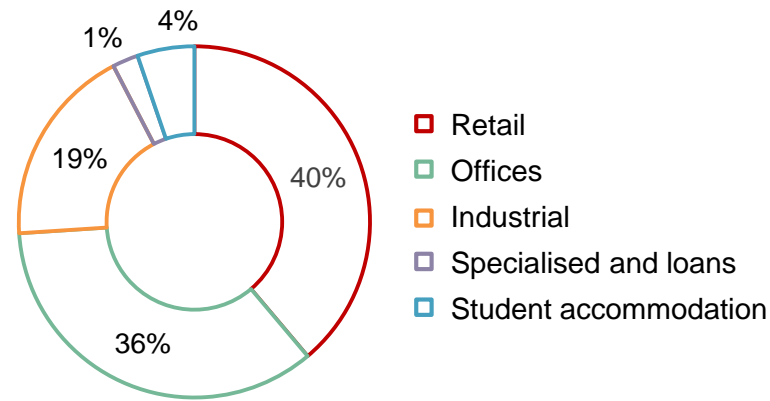
# Local property portfolio as at 28 Feb 2018

A well-located, high value, high quality, and efficient portfolio

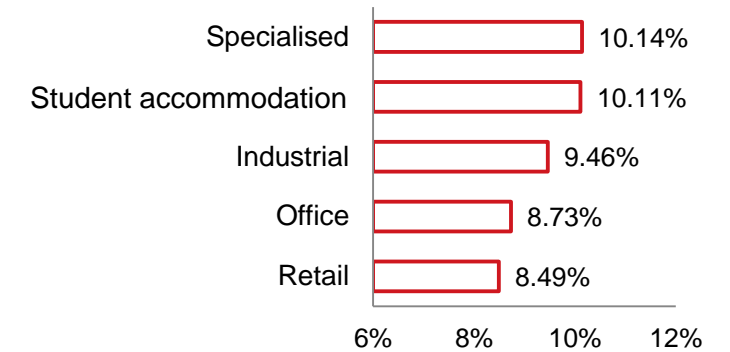
**GEOGRAPHIC SPREAD BY VALUE**



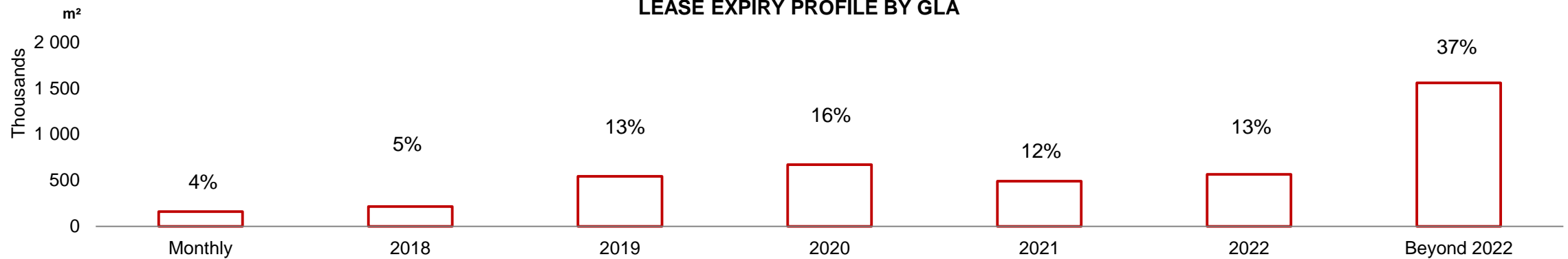
**ASSET SPLIT**



**EXIT CAP RATE BY SECTOR**



**LEASE EXPIRY PROFILE BY GLA**





## Local portfolio overview as at 28 Feb 2018

### A diversified portfolio generating defensive cash flow

Description	Office	Retail	Industrial	Specialised**	Total	Aug 2017
Number of properties	123	80	117	6	326	327
Total GLA (m <sup>2</sup> ) (million)	1.3	1.4	1.8	-	4.5	4.8
Vacancy (%) active*	8.1	4.4	2.7	-	4.7	4.6
Vacancy (%) total	15.3	5.8	3.1	3.4	7.4	7.8
Asset Value (R billion)	23.9	26.7	12.7	1.3	65	64
Average property value (Rm)	194	334	108	226	198	182
Value as % of portfolio	37	41	20	2	100	100
Average gross rent per m <sup>2</sup> (R)	145.5	158.2	50.5	187.3	109.2	109.9
Weighted average retention rate by GLA (%)	92.4	95.0	95.9	100	94.7	93
Weighted average renewal rental growth by GLA (%)	(3.8)	2.9	4.2	-	0.3	1.7
Weighted average portfolio escalation by GLA (%)	7.6	7.6	6.5	8.9	7.5	7.5
Weighted average portfolio escalation by GMR (%)	7.7	7.6	7.0	9.5	7.4	7.6
Weighted average remaining lease period by GLA (years)	4.5	6.1	5.1	4.2	5.4	4.4
Weighted average remaining lease period by GMR (years)	4.7	5.8	4.4	4.3	4.8	3.8

\* Excludes properties held for sale and under development

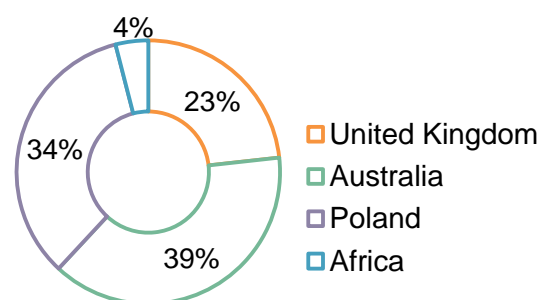
\*\* Excludes student accommodation owned by RSL

## International portfolio as at 28 Feb 2018

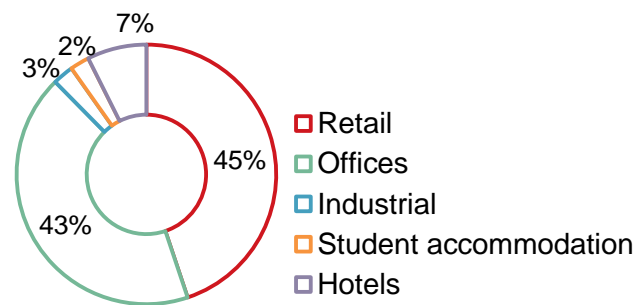
### Geographic diversification in hard currency markets

	SPLIT	
Carrying value <b>R16.9bn</b>	Listed securities <b>R13.4bn</b>	Direct properties <b>R3.5bn</b>
Proportional share of assets <b>R29.6bn</b>	Proportional share of debt* <b>R25.5bn</b>	Redefine see through LTV** <b>49.3%</b>

#### GEOGRAPHIC SPREAD BY VALUE



#### SECTORAL SPREAD



\*Including Redefine's foreign borrowings

\*\*Including local assets and borrowings net of cash.

Note: Debt of equity accounted associates and JV's has no recourse to Redefine group balance sheet

#### International Income Analysis

	HY18 Rm	HY17 Rm
Echo Polska Properties N.V. (EUR)	278	199
Cromwell Property Group (AUD)	194	198
RDI REIT PLC (GBP)	137	150
Realised foreign exchange gain	90	-
Pivotal - Mara Delta and Wings (USD)	57	23
CPT - Northpoint (AUD)	42	37
Chariot (EUR)	10	-
International Hotel Group (GBP)	1	7
Other	(6)	(2)
German and Spanish portfolio (EUR)	-	59
<b>Total foreign income</b>	<b>803</b>	<b>671</b>
USD funding cost	(11)	(3)
GBP funding costs	(49)	(25)
EUR funding cost	(44)	(51)
AUD funding cost	(59)	(63)
<b>Total foreign funding cost</b>	<b>(163)</b>	<b>(142)</b>
<b>Total net foreign income</b>	<b>640</b>	<b>529</b>

# CAPITAL STRUCTURE AND DEBT

Section 03

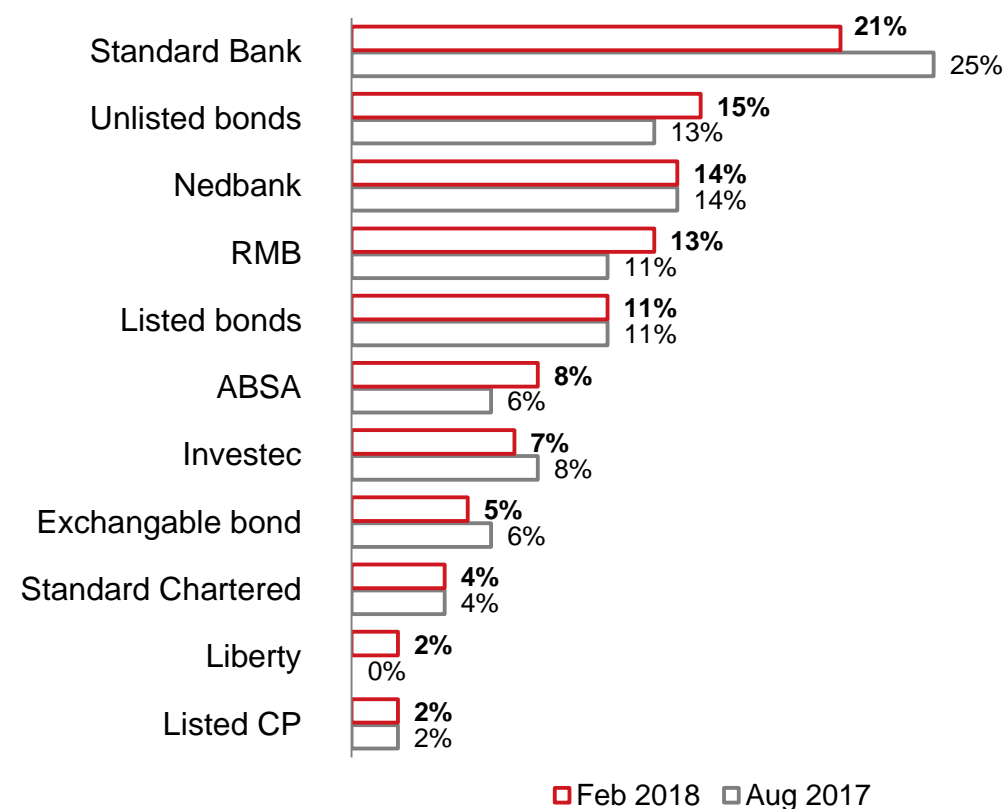
# Capital structure and debt

## Well managed capital structure

Funding snapshot	Feb 2018 Rbn	Aug 2017 Rbn
Bank borrowings	27.2	27.1
Debt capital markets	5.4	5.4
Foreign listed bond	2.1	2.3
<b>Total debt</b>	<b>34.7</b>	<b>34.8</b>
Loan to value ratio	40.1%	41.1%
Average term of debt	2.2 years	2.5 years
% of debt secured	70.7%	68.0%
% of assets secured	63.3%	62.6%
Weighted average cost of ZAR debt	9.0%	9.1%
Weighted average cost of FX debt	2.7%	2.7%
Weighted average cost of total debt	6.9%	7.3%
% of ZAR debt hedged	87.9%	93.0%
% of FX debt hedged	75.8%	78.7%
% of total debt hedged	84.5%	88.9%
Average term of hedges	2.5 years	2.7 years
Interest cover ratio	4.0	3.6

Moody's credit rating was upgraded to stable during March 2018. Global scale rating Baa3 and national scale rating Aa1.za

## Sources of debt (%)



Note: Bank borrowings is the drawn amount, not total committed lines and is gross of cross currency hedges

# Currency analysis of property assets and borrowings

Conservative local LTV to counterbalance aggressive offshore LTV

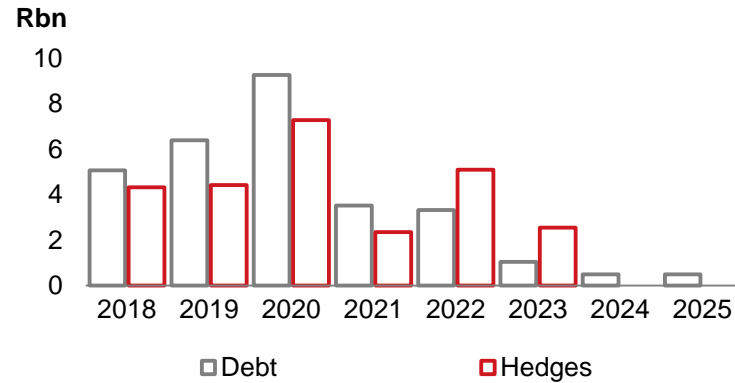
Currency	February 2018				August 2017			
	Property assets Rbn	Debt Rbn	LTV %	Weighted avg cost %	Property assets Rbn	Debt Rbn	LTV %	Weighted avg cost %
Net ZAR*	68.6	22.7	33.0%	9.0%	68.1	23.5	34.5%	9.1%
AUD	6.5	2.5	37.9%	4.2%	6.2	2.8	45.2%	4.2%
EUR	5.7	5.1	89.7%	1.6%	4.8	4.7	97.9%	1.6%
GBP	4.0	3.6	90.8%	2.9%	4.2	3.1	73.8%	2.8%
USD	0.8	0.5	56.3%	4.1%	0.8	0.5	62.5%	3.8%
<b>Total</b>	<b>85.6</b>	<b>34.4</b>	<b>40.1%</b>	<b>6.9%</b>	<b>84.1</b>	<b>34.6</b>	<b>41.1%</b>	<b>7.3%</b>

\* net of cash and currency derivative deposits

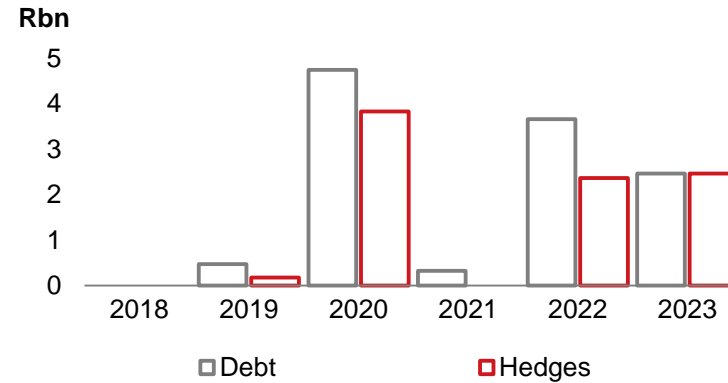
# Debt funding profile

## Solid credit metrics maintained

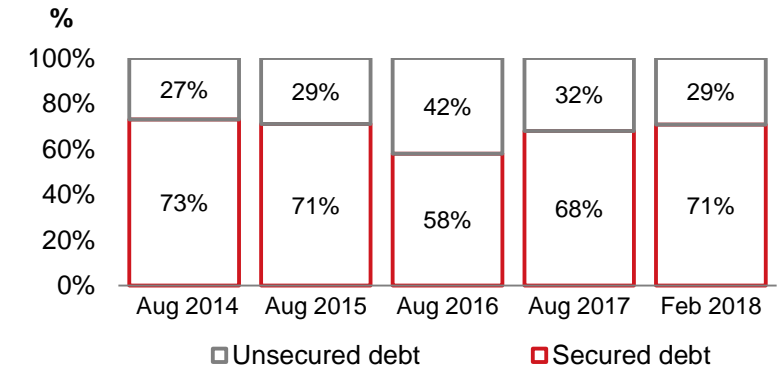
### MATURITY OF SOUTH AFRICAN DEBT



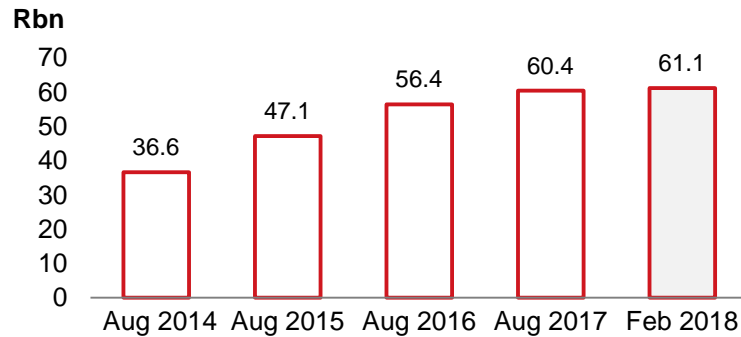
### MATURITY OF FOREIGN DEBT



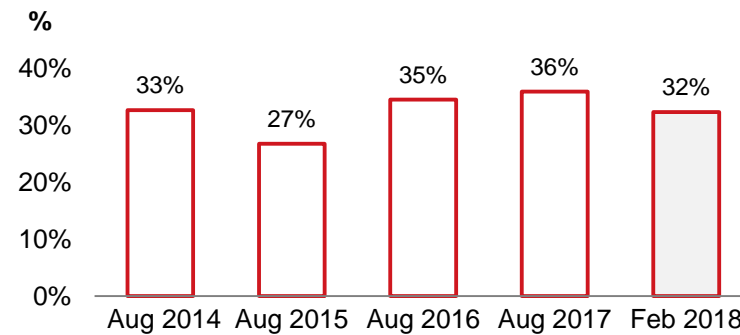
### SECURED AND UNSECURED DEBT



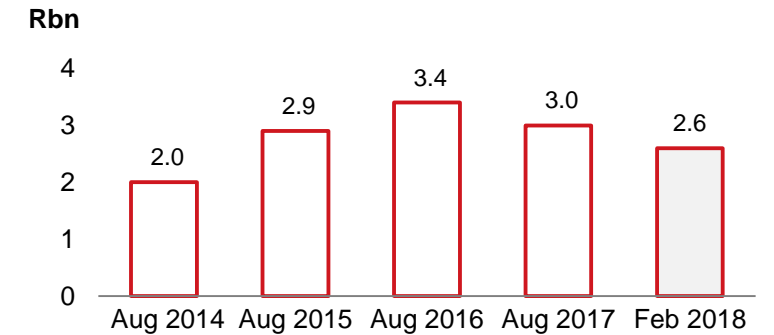
### EQUITY HEADROOM FOR THE UNSECURED LENDER



### UNSECURED DEBT / UNENCUMBERED ASSETS

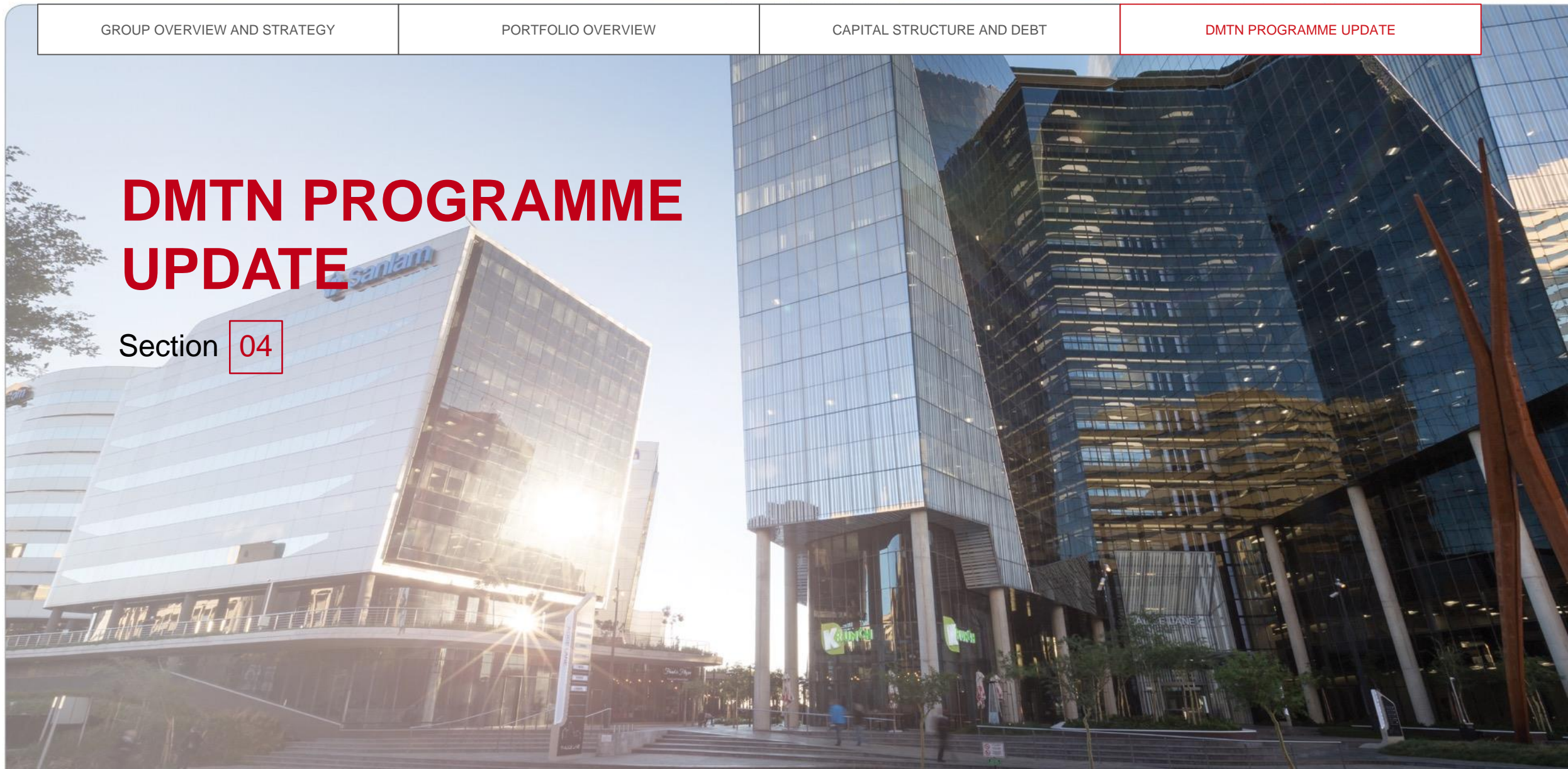


### UNDRAWN COMMITTED FACILITIES



# DMTN PROGRAMME UPDATE

Section **04**



## Details of the DMTN programme update

### Regulatory changes

Redefine's DMTN programme has not been updated since its establishment in 2011

In the interim, a number of regulatory changes have taken place

- The Companies Act 1973 was repealed by the Companies Act 2008;
- The Securities Services Act was repealed by the Financial Markets Act 2012;
- The JSE Debt Listings Requirements have been updated numerous times with the latest updated coming into effect in October 2017

The updated programme will align with the above provisions. These changes are of technical nature and do not require Noteholder consent

### Business description and business risks

The business has fundamentally changed since 2011 and continues to change as the business expands and the operating environment changes

The updated DMTN programme will therefore incorporate the issuer description and business risks by reference to the company's integrated reports

### Terms and conditions

Redefine is proposing changes to some of the Terms and Conditions, which require Noteholder consent

A proxy form will be distributed to Noteholders via Strate in due course, once Noteholders have had the opportunity to comment on the programme and the proposed changes

Investor comments and responses will be distributed to the market to ensure a transparent process



## Proposed amendments requiring Noteholder consent

	Current	Proposed amendment	Rationale
<b>LTV threshold</b>	50%	50%	No change in trigger level
<b>LTV definition</b>	<p><b>Loan:</b> the South African secured and unsecured debt plus any sureties or guarantees secured by the assets of the Issuer, provided by the Issuer for any liability or obligation of Redefine International plc after the programme Date</p> <p><b>Value:</b> the sum of the market value of the South African property portfolio and the South African listed stock portfolio</p>	<p><b>Loan:</b> means the aggregate of all interest bearing borrowings and the market value of cross currency swaps of the group net of cash and cash equivalents</p> <p><b>Value:</b> the aggregate of (a) the market value of investment property owned by each member of the group; (b) the value of the equity accounted property investments of the group in associates and joint ventures; (c) the market value of listed securities owned by the group in companies, the nature of business of which is property investment; and (d) the market value of loans receivable in each case, determined with reference to the interim and audited financial statements</p>	With Redefine's international expansion strategy and the significant change in the group profile since the DMTN's listing in 2011, the proposed definition is more reflective of the group's profile and is in line with management reporting and bank accepted covenant language
<b>Cross default threshold</b>	ZAR 100 000 000	ZAR 250 000 000	In 2011, Redefine's total debt was at R22.4bn compared to R34.7bn in 2018. The cross default threshold is therefore currently at 0.3% of debt if retained. Redefine would like to increase the threshold to 0.6% of total debt.

## Disclaimer

This presentation may include forward-looking statements which statements are not based on historical information, but rather premised on certain assumptions, risks, estimates and/or uncertainties (“risks and uncertainties”), which are taken into consideration as at date of this presentation. All figures presented are as at 28 February 2018.

Should these risks and uncertainties prove inaccurate, or should unknown risks and uncertainties affecting Redefine’s business materialise, the actual results may differ materially from Redefine’s expectations. As a result of risks and uncertainties falling outside of our control, Redefine is not able to guarantee that any forward-looking statements will materialise. Attendees are accordingly cautioned in this regard and in respect of reliance placed on forward-looking statements as predictors of future events.

Redefine assumes no obligation and disclaims any intention to update or revise any forward-looking statements (even in the event of new information or change in risks and uncertainties), save to the extent required by the JSE.