

Redefine 06 November 2023

ANDREW KÖNIG

Good afternoon, everybody. Welcome to Redefine's group annual results for the year ended 31 August 2023. Before I begin, I just want to touch on our theme for this financial cycle – you see that we are talking about opting for the upside. Throughout the presentation, you will notice a trend that for us signals that Redefine is at the bottom of the property cycle and well poised for the time that interest rates do start easing. We are not relying on interest rates as a panacea for all our challenges. In fact, we are looking at the variables under our control, and we are maximising each opportunity within each challenge, and that is what we call opting for the upside. So today, our conversation, as you see will take the usual format, where I will be talking about the overview; Leon Kok, our chief operating officer will talk about the South African portfolio under investing strategically; I will then touch on our Polish operations; and Ntobeko Nyawo, our chief financial officer, will be talking about optimising capital, operating efficiently, as well as engaging talent. And then I'll take over and close the session with growing reputation as well as our usual conclusion. Good.

So, just looking at the overview and focusing on the variables under our control, I think it's worthwhile just pausing and reflecting as to who we are and where we are. And you'll note that Redefine's repositioning, which has happened over a number of years now, is finally coming together in a very crystallised and crisp form, in the form of 62% of our group asset base being invested here in South Africa, and then the balance, 32-odd percent, invested in Poland, principally in the retail sector through EPP. And then as you know, in South Africa, we have a very well-diversified domestic portfolio exposed to the traditional asset sectors.

Looking at key financial outcomes, and I don't want to detract here from what Ntobeko is going to say, I'm just trying to reinforce here that robust operating metrics are supporting our stable financial outcomes. We are very pleased with our NAV per share, growing 46-odd cents to R7.66 per share. Our total assets are just under R100 billion at R99.4 billion, that's about R7 billion up on last year. Our distributable income per share is slightly down on last year at 51.5 cents, principally due to the higher interest rates that we've largely absorbed through 2023. And then, we have a dividend per share, which is slightly up on the prior year, at 43.8 cents, and that's mainly as a consequence of a dividend payout ratio moving from 80% in the prior to 85%. Our occupancies (Leon will talk about a lot more from a South African perspective) are holding up at just over 0.3% lower, from an occupancy point of view, at 93%. Our Polish occupancy is growing very nicely, as you can see, going from 96.5% up to 98.4%. Our loan-to-value ratio is on the high side, driven principally by strong euro versus rand translations. Ntobeko will unpack that in due course. And then you will see a very healthy liquidity position with R5.5 billion available to us through undrawn facilities as well as cash on hand.

In terms of strategic outcomes, and this slide here speaks specifically to the variables under our control that we are actively managing, you'll see that they are all positive statements. Our property asset platform has increased by R7.9 billion to R96.8 billion. Asset values have stabilised in both South Africa as well as Poland. Our logistics platform has grown through development activity to just under a million square metres. Our balance sheet is solid, our credit metrics have been maintained. Our funding sources, we are very pleased to report, have been broadened through R4.2 billion worth of listed green bonds, and our debt maturity profile going forward is flat, with no significant debt maturing over the next four or so years. In terms of operating efficiently, you will note our operating profit margin has been maintained in South Africa, despite the administered costs being a big challenge at 78%. Our tenant retention rate in South Africa has improved 0.7% to 92.8%. And very pleasingly, you'll see that EPP's operating profit margin has increased by 9% to 74%, but so has its contribution to the overall Redefine group distributable income, which Ntobeko will explain.

In terms of engaging talent, our staff are highly engaged with a score of 90%, that compares to a benchmark of around 60-odd percent. Our ethical culture maturity score has been maintained at the 88th percentile, and our Learnership Programme, which is in its 10th year, will deliver 411 graduates by the end of this year, and Ntobeko will take us through an audio-visual clip on that point. In terms of growing reputation, I'm very, very proud to report that by GLA, 56% of our South African portfolio is Green Star certified. EPP and ELI are 83% and 80%, respectively, BREEAM certified. Our retail tenants, with a combined occupancy of roughly 574 000m², have been actively engaged to collaborate on environmental and social initiatives, and this is just the start. We're going to be rolling this out far more aggressively in the new year, because there is so much more we can do as a collective when it comes to responsible consumption behaviour and the like to reduce our carbon emissions. In terms of the claims that Metro AG instituted against the M1 joint venture, I'm happy to report that those claims have been dismissed through a final and binding award by the tribunal in the international courts based in in Poland. Okay, I'm now going to hand over to Leon, who's going to be talking about the South African portfolio. Thank you.

LEON KOK

Thanks, Andrew. And good afternoon, everyone. I'm very pleased to report today on a number of very positive outcomes within our South African portfolio.

Just a snapshot of what the group looks like. Our property assets under management are just under R100 billion at R96.8 billion, split roughly 65/35 between South Africa and Poland. The GLA under management is just over 6 million m² of space: in South Africa we have got 3.8 million m² and in Poland 2.2 million m² of space, so it really is a significant portfolio. From a capital allocation point of view, during the period we expended R6 billion – as you can see, roughly half or just less than half was the distribution during the year. And then our

development and capital expenditure within South Africa and Poland is roughly split based on what the portfolio composition is, so 60% in SA and 40% in Poland, and the bulk of the SA spend is being spent on the SA office portfolio. And you'll see in a minute, the effect that it had in terms of our outcomes from the SA office portfolio.

For me, the point to make on the South African portfolio is that we are well diversified in quality assets. If you look at, for instance, our tenant grade, 71% of our tenants are what we classify as A Grade, so it's significant tenants and tenants that are typically able to meet their rental commitments, and those are the tenants that we so desperately try to keep and retain. Ntobeko will also speak about our collection efforts, which have been very healthy over the period. You can similarly see the impact of the active asset management undertaken over the last five years, the number of properties in 2019 at 302 is down to 241 properties now as we speak. For me, the most significant point to make there though is that our average value per square metre has certainly improved back to a 2019 level. And that's not a function of valuations necessarily shooting the lights out, but more a function of the properties that we currently own is of quality and certainly through that we have managed to increase the average value per square metre. From a risk management point of view, you can similarly see that our lease expiry profile over the next four or five years is fairly undermining and we are reasonably comfortable that we can absorb any shocks that those lease expiries may present within the normal course of business.

Let's move on to some of the key outcomes. For me, a fantastic achievement was that renewal reversions are certainly progressively becoming better. Last year, we posted a negative 12%, and this year it comes at -6.7%. You'll see the biggest driver, that in a minute when we touch on, is office. From an occupancy point of view, with the slight blip in the increase in vacancy, there is a consequence on our retail and industrial portfolios, and we will touch on it now. Another point to make here is, if you look at that level of letting activity, all be it down on the prior year, simply as a function of the portfolio size being smaller, but also the number of leases that came up for expiry during that period was lower than the previous year. But still, we concluded letting of over 745 000m² during the period, of which roughly 40% was new deals. So certainly, in my mind, indicative of a very healthy and active market. We have similarly managed to retain that average unexpired lease term, which again, speaks to the defensive nature of the portfolio in general.

The two areas that we focus on religiously, from a property management point of view, are our tenant retention and renewal success rate. So those are the two measures that we measure ourselves on. And as you can see, at a negative reversion of 6.7%, we're not desperate to do stupid deals. In terms of what we managed to achieve, I think those retention levels at a high 90% is fantastic, and similarly without a renewal success rate touching on close on 80%. Someone said earlier that our non-core disposals are surprisingly low, but as Andrew

answered, that all the heavy work in terms of a disposal activity is already in the base and undertaken over the last number of years. So at R650 million roughly, from a South African point of view, is relatively low, but again, it speaks to the good work we've managed to do over the last number of years.

The other feature that we're very proud of is that of installed solar PV capacity. See, roughly 35 megawatts of installed capacity as we stand, with a further 9.5 megawatts in progress. And you may have seen a number before we quoted that we actually have 40 megawatts of installed capacity, and that 5 megawatt difference is simply Mall of the South, which we will acquire in December, and when we install that large one, in fact, it will be one of the top five biggest solar rooftop installations in South Africa or on the African continent. So that will certainly stand us in good stead going forward to mitigate some of the cost challenges that we anticipate from an energy point of view.

In terms of the property values, you will see that largely overall the portfolio has remained flat, and again, I suppose indicative of having a diversified portfolio. Retail and industrial are proving reasonably strong and on the office front from an income point of view, slightly negative on the valuation front if you look at the weighted average exit cap rates, largely stable to what we've printed last year in August 2022.

On the retail front, again, a portfolio that is well diversified from a format point of view, roughly 80% of our portfolio sits in regional and convenience centres and then the one super regional, Centurion Mall. And from a valuation point of view, as you can see, a fairly consistent performance across the three formats. The number of tenants at 2 600 tenants, and GLA just over a million square metres of space, again indicating that it is a portfolio of scale that will certainly stand us in good stead from a defensive point of view.

As you can see that active occupancy, a slight blip in that, and the reason for that two percentage point move is largely within what we call the other format, or principally our motor dealerships. If you can look at the right-hand side, the vacancy by type there, the other, that 23% is three motor dealerships that during the period has gone vacant as a consequence of some of the consolidations happening in that subsector. But in terms of other formats – regional, convenience and super regional – very good and solid performance. The other big point to make on the retail front is the real impact is not necessarily going to be on the letting of vacant space given how low it is in our view, how low value that vacant space is, it's more on the renewal versions. So over the last year, we've had a concerted effort to make sure that we are very deliberate in those renewal conversations, particularly being supported by good growth in trading density, as well as footfall stats, and we are certainly going to target that metric for the 2024 year to see how best we can get as close as possible to a flat outcome. As you can see, 20% of our lease expired or lease by GMR is coming up for renewal this year. So

that's going to be a key focus point for the team. Again, you will notice on the solar PV capacity, the bulk of the installation sits in our regional portfolio, simply given that this is the sector that allows, given the access to roof space and good demand on site, for application of solar PV.

Our weighted average lease installations, staying flat at 6%. Obviously, in the current environment, where we are operating with the elevated inflation levels, but also supported by good performance. We are anticipating that with that escalation, there's certainly an opportunity for us to eek it up slightly, I would suggest. On our office portfolio, a fantastic pie chart to look at is that one on the right: our value bar is great, so 95% of our portfolio is now invested in A and Premium Grade space. And again, if you look at the outcomes, that is certainly what's driving that, so the improvement in most of our metric is given the quality of the underlying portfolio. As you can note, the marginal retraction in fair value that we experienced over the period is a consequence of certain income assumptions, but also some of the early renewals that we conducted in some of our larger properties that have obviously caused a bit of an impact on the near-term income.

Our active occupancy of 88.6%, compared to 85.6% last year, I think that is a phenomenally good outcome. If you look on the right-hand side, the Redefine vacancy at 11.4%, compared to a SAPOA average (and that is at September 2023) report at 15.5%. Just cast your eye down some of those notes; in Rosebank, we are posting a 3% vacancy versus 12%, Bryanston 7% versus SAPOA at 20%, and then Sandton, which is often catching headlines for all the wrong reasons, our portfolio sits at 9% versus SAPOA average of 19%. Now, again, that speaks to the quality of the underlying portfolio, which is similarly reflected in our letting activity; we've concluded deals just short of 230 000m² of space during that period, and 44% of those were new deals. As you can similarly see, our weighted average lease escalation, where there was a trend where there certainly was a slight reduction, we believe that it has stabilised at 6.8% – in fact there's an opportunity to potentially get it back to that 7% level. On the retention side, the renewal success rate, again speaks to the underlying quality of the portfolio. Now in our office portfolio, we're very proud of all those Green Stars we have. And for us, the real benefit of that, again, it's an indication of quality. And again, it's an indication for us of another kind of tool within our arsenal to attract tenants and to retain tenants, because that's, through that initiative it certainly helps us to manage our properties better and engage with our tenants around consumption of energy and water. Our industrial portfolio is another portfolio that has proven to be very defensive and a stable and steady performer over the last number of years. Just look at the distribution by type: the bulk of our assets sit within logistics, modern logistics, and hi-tech industrial. And that certainly will stand us in good stead. And you can see that in that valuation performance across the board where all our properties generally have done reasonably well from a valuation perspective.

On the outcome front, that small increase in vacancy to 4.8% was as a consequence of Coega. When Isuzu vacated, we relocated Isuzu from Coega up to our S&J property where we built a new facility for them at our S&J Estate. And so that's kind of what caused that blip. 17 Winnipeg, which is the other big move last year, we've managed to fill in the year. So, unfortunately, it was just a bit of a timing issue, but we are reasonably confident that the Coega facility is well located and has reasonable demand and we have had a number of enquiries already.

The other big point to make here is on the renewal reversion activity: 94% of all our deals done in the industrial space was either flat or positive. Now this certainly speaks in my mind to a very active property management and leasing environment and speaks to the quality of our portfolio. In other words, the tenants are prepared to pay the expiry rent, or in fact even achieve a slight improvement, so that plus 2.1% certainly is, in my mind, a phenomenal outcome in a very, very tough and competitive environment. In terms of the weighted average unexpired lease term, it was maintained at 5.3%. So there it certainly gives us some tenor within our lease expiry profile, and will bode well for the entire South African portfolio to eke out growth within the next financial period. Our weighted lease escalation at 6.5% is staying steady, and then on the retention level, similarly quite high.

The other pleasing factor to note in the industrial portfolio is the increase in Green Star certifications from 15 to 27. Now again, that speaks to our endeavours and efforts to see how we can better manage our properties, in particular, industrial space in collaboration with our tenants. The solar installation capacity is relatively small within this space, which is a pity because you've got access to a lot of roof space. For us, the big catalyst to really unlock the solar opportunity within the industrial portfolio is our ability to wheel. So we are reasonably well advanced in a number of jurisdictions in terms of trying to embed a framework that will enable wheeling, obviously Eskom to Eskom sites is well documented, and we're really participating, as in one such initiative, but for us the real catalyst here is going to be when the wheeling is going to be available, or allowed, on scale throughout our portfolio and there is ample opportunity within our industrial portfolio.

And then lastly, to close off South African stuff, we're giving you a snapshot of our alternative income streams. I think one of the cool features here is our new 3D screens, the most prominent one being at our Alice Line space. Please check it out. It's very exciting. And this for us is simply an initiative to see how we can enhance the income-generating ability of our assets, not necessarily through traditional GLA letting, but through other opportunities. And with that, I'll hand over to Andrew.

ANDREW KÖNIG

Thanks, Leon. Okay, so let's talk about Poland. So as you can see, our property as a platform is just under R37 billion, and it has a total GLA of just under 2.25 million m². Looking at EPPs' score portfolio, you'll see that it's a steady situation. We haven't added to the portfolio, however, in rand terms, you'll see quite a big boost in valuation terms, going from R16.8 billion to R19.2 billion, principally as a consequence of valuations remaining firm, but also with forex coming through. In terms of EPPs' score portfolio, I must say that this is a very, very healthy and pleasing performance during a period of unprecedented inflation as well as high interest rates. As you know, Poland is expected to just dodge recession in 2023 for the calendar year, coming out at roughly, I think, 0.2% positive GDP growth, but next year, looking to really start the recovery coming out at about 2.4% (at this stage from an expectation point of view). But having said that, you'll note occupancy is at a healthy 98.4%. I'd like to suggest that there is some churn in the portfolio that is natural, and you'll never get to 100% occupancy. But that is a standout achievement in these challenging times.

Rental reversions despite the headwinds faced economically are maintaining at 7.2% negative, and that's the only real negative here, the rest are all positive as you can see. The rent-to-sales ratio is at a healthy 9.5%, footfall has grown, we're very proud of a BREEAM rating there of 83.3%, and we believe that this portfolio has done very, very well in a challenging environment, and will benefit from what's to come going forward. Not mentioned on the slide, but is affected that needs to be considered, is that politically there will be a change in the ruling party, which will be very positive for retail, particularly, and suddenly also for logistics as EU-friendly policies are rolled out, etc., which is expected to unlock frozen funds. And there might be hints at phasing out the trading ban on Sundays, which we hope will happen, which was by the way, a pre-election promise.

In terms of the joint ventures, all of them are doing very, very well. None of them are standing out as battling, but I do want to focus your eyes on Galleria Mancini, unfortunately, we don't have comparatives on this slide. It is available if you look at last year's presentation, but Mancini was flagged as a property that required intense focus, and you can start seeing the benefits of that focus coming through now in terms of occupancy at 97.5%. Positive renewal reversions, albeit on a small component of the overall gross leasable area, and as you cast your eye down, all the metrics are very, very positive at 10-odd percent like-for-like footfall, for example. Rent-to-sales ratio is work in progress. It's still high at 12%, and we do believe, as trading picks up, that the sales ratio will improve to under 10% in due course.

In terms of logistics, we continue to expand. As I said earlier, we are now at just under a million square metres of GLA. We completed nine developments during this period, which added 275 000m² to the portfolio. Of the nine properties that were developed, six were 100% let, three were at an average 53% occupied. You can see the overall occupancy of ELI slipping about a

percent in its occupancy down to 92.5%. We are confident that we will let up that space in due course; however, I must caution that the development pipeline is starting to slow up, and that is mainly as a consequence of bank funding being very, very circumspect around speculative developments, which is good, because it is actually assisting in the reduction in the previous generous tenant installation allowances and the like. And suddenly the costs that we saw coming through on the construction side have cooled off, impacting on market rentals positively with indexation playing its part, but the rentals are holding up, so you'll see the renewal reversions up 6%. The indexation rate is at 7.6%. That is a function of the EU inflation that played its part there. But the rest of the metrics, from tenant retention by GMR at 90.1% to our renewal success rate, are all very positive. So this is a portfolio now that is of scale at just under a million square metres, but also benefiting from a growth in market rentals, something we haven't seen in this market for a very long time.

In terms of self-storage, this is a very, very small component – 0.2% of our overall asset base. However, it has the capacity to become significant as we grow with the developing sector. As you will see, we have a net lettable area of 19 000m². It was supplemented by the acquisition of Top Box, which added four and a half thousand odd square metres in Warsaw, and that's a developed property. Six developments are underway, which will grow that netted lettable area by a further 26-odd thousand square metres. That pipeline, although secured, will probably take about between three and four years to build out. So, please don't think that we're going to have spent our entire €50 million commitment all in one go; it's going to probably take us four or so years to get to that point.

Okay, looking forward to 2024, I don't need to remind you that we are already two months and six days into financial year 2024. I had to remind our staff about that this morning, as well as myself, that the new year has already begun. But as you'll see our focus is starting to shift to the evolving market dynamics; they haven't changed, they have just evolved and they are moving and we are keeping pace with that. Going forward, we'll be looking to further preserve value through organic growth and asset optimisation. The reliance on municipally supplied utilities is an ongoing focus through innovative solutions. And this is where ESG is very, very important, as well as that collaboration with our tenants in terms of how we together work on consumer behavior, because that's probably your biggest mover when it comes to saving on your carbon emissions and also your costs. Selective deployment of capital, it goes without saying that we will be absolutely responsible with how we recycle proceeds from non-core assets. We say it's growth sectors here, but I want to make the point that when we are in that position of allocating capital, we won't just look at allocating capital to assets, it could well be if it's sizeable it could be to the repurchasing of shares, it could be paying down debt. Ntobeko is nodding furiously about paying down debt and he is right, it is probably the best place to allocate capital. But once again, I need to remind everyone that we are in a property business,

and that is the principal focus going forward, where we need to look, but opportunities will come our way and we are alive to every one of those

NTOBEKO NYAWO

Thank you, Andrew. Good afternoon, everybody. I'm really pleased to be sharing with you our results for FY23. Just starting on the balance sheet side, I think you can see that our credit metrics have remained very stable, with an LTV coming out at 41.1%, which is just slightly outside our medium-term target range of 38 to 41, largely on the weaker currency, which I think, we saw the rand depreciating in the current period by about 20-odd percent. I'll unpack that just shortly in the next slide. Then if you look at our liquidity profile, as well as the interest cover ratio, stable at 2.4 times, and our liquidity, if you look at access to committed but undrawn facilities as well as cash on hand, it's at R5.5 billion. I think in this environment, you can also quite clearly see that to protect against the higher interest rates, we've got 77.1% of our total group debt that continues to be hedged. But I think also one of the pleasing things for us is that if you look at the sources of cash, our business is able to generate cash flow and that continues to support our liquidity profile into the foreseeable future. Then if we look at the cost of debt, from a group average, it's coming out at 7.1%, compared to 6% last year, that's a 110 basis point increase, and just breaking that down between the rand-denominated debt coming out at 9.4 (which is an increase from 8.7) and our euro hard currency debt, coming out at 4.6. The percentage of debt is hedged between the rand-denominated debt, improving to 86.7, and the the forex coming to 63.8, but maintaining a very healthy tenor of debt at 3.6 years.

Then just to look at the LTV, I think Andrew touched on the weaker rand, that is really having an impact of 0.4%. Otherwise, the other two are big items that you see: it's the 3.2% improvement to the LTV just coming from cash that we generate as well as our continued commitment and rewarding the investors with a consistent payout that is taking out and having an impact of 2.9%. And we do provide the sensitivities that we usually provide, which are probably the property values outcome; their impact will also then provide the other sensitivities around what happens with the foreign exchange movement.

Our focus, I think, on a see-through gearing point of view is continuous, largely based on two aspects. One, is if our payout ratio is between 80% and 90%, there will be earnings retention, and second is the underlying euro debt in EPP amortising at 2.5, that will help us in that path, which peaked in FY20 at 54.2, and our focus will be to try and bring that down over a period of time.

And then I think for us, if we look at our funding, the maturity profile is very, very low, and you can see it is very flat. I think, just a couple of points to call out here are that we've completed all our FY23 majorities, and now we are proactively dealing with FY24 majorities, and those have been about 14% of group debt, which shows you the profile, the bucket that is coming out is

not significant. If you look, we've got so much optionality, we've got R5.5 billion of liquidity, and if there were any short-term shocks in the market, we would be able to deal with some of this quite comfortably. But also in this environment, the focus is on the margin of debt, which I think we are pleased that we've maintained in SA, at about 2%. In EPP, that's where we've really seen a slight uptick in the margin. I think that was largely just on the two big refiles that we did of Echo and Marcelin, so that our margin in EPP went to 2.5%. And then I'll touch on this in the next couple of slides, we've really lowered our concentration risk, we have a very meaningful presence in the bond market. We're pleased with our last bond, which was R1 billion, which is a part of the R4.2 billion that Andrew spoke about earlier, that R1 billion was oversubscribed, a green bond by 1.9 times. And what was pleasing for us, to see market appetite really going into the long-dated area, which improves our funding and matching rate in the balance sheet. And we're also very pleased to report that for the Mall of the South acquisition, the funding has been secured. And we are proactively with the team just working on the refinancing of Henderson, which APP has got a 30% exposure in.

Then to talk about hedging, I think that in an elevated interest rate environment, for us, our preference is really to shorten our hedging tenure so that we don't rake in the higher costs. And it gives us flexibility as we expect the rates to start normalising so that we could also just benefit from that. But I think that is quite evident that the longer data swaps are actually very expensive, so we're very careful with this. But I think we're doing it within the very sound guardrails of our group policy where, as a minimum, we would like to keep up to 75% of our debt hedge. So that work for us is ongoing, and I think we do share with you here just one of the points where these opportunities, closer to some NPC settings, where you will take a bit of margin off, like we did a subset of about R1.4 billion where we thought it was quite attractive. And we'll continue to build that in line to protect against the high interest rates, and not take the pain. And if you look at our funding, sources are really for us. I think across the group this is one of the workstreams that received a lot of attention from the team and you could clearly see from each type of debt, be it the bank debt, be it the presence in the bond market, and we've also started to introduce some DFI funding. It really gives us a low concentration risk in terms of having an ability to really tap into various sources of funding to continue to fund our business. I think in terms of optimising capital, our focus really, for FY24, remains around looking at making sure that the facilities that are coming up for debt will be renewed. And we are proactive on that, as well as looking where there's an ability within reasonable commercial lines, just to extend that maturity profile – we look at that quite carefully. And the interest rate cycle given where it is requires very proactive management like we've demonstrated. And then I think just to manage concentration, we'll continue to diversify our funding sources.

Then if I move on to just operating efficiently, where really our biggest focus is the sustainability of our operating margins in the longer term, just from some highlights for FY23. I think the number that we show here for active SA of income margin at 81.8%. The only

difference between this number and the profit operating margin of 78% is really just the overheads. So we watch both these aspects, because I think the environment we are in (also in our operating cost structure) requires proactive management, while also the positive print of our SA and EPP portfolio is quite pleasing, as you can see from this, very high and improving, especially if you look at EPP sitting at 88.7%. And then the quality of the earnings that is coming from, we don't rely on any one source to produce our distributable income. It's very, very small, if you look at our R3.5 billion, in terms of what is non-recurring. So there for us is also a pleasing aspect in terms of the quality of our results.

Then some of the work that we do, it just said, if you look in terms of continuing to put efficiency and focus on the business, one in terms of our continued investment in technology, that is playing out with improvement in the digital ratio, but also dealing with the demand side of electricity, you can see some pleasing consumption reduction in EPP that came out at 10.7. And all these things for us underpin what we really, the last four aspects, that is our ability to collect cash. And you can see in South Africa, the average collection rate at 100.1%, which is very pleasing for us, as well as also a very good collection rate of 99.1% in EPP. And we don't see, I think if you look at the next areas, if we're to recalculate that number for SA, it being at 11.4 at 31 August, some of the collections that we made, we just reached out to some tenants in industrial, that number will be round about 5%, which is where longer term, even the pre-COVID levels in terms of net areas we'll see. So we are pleased that we're able to collect and our business is continuing to generate cash.

And I think just touching on the solar outcome. For us, even though financially, you can see that the initial it is very attractive at 18.1. But I think the points that Leon made around improving our energy mix, collaborating with tenants to change behaviour and reducing consumptions, also support the sustainability of our operating margins in the longer term.

And then to touch on some sensitivities, in terms of interest rates, it's something that we've discussed quite a bit, but you could see that a hike of 50 basis points will have a 0.7 impact on the earnings. Then if we unpack the earnings a little bit, I think for us a pleasing outcome is just the improved contribution of EPP that we see on the first block at R202 million, which really post the restructure of EPP restore EPP to yielding. And you will see also some of the positives, which are from the organic growth in SA that 90 from active properties, as well as some of the properties that we acquired, they're coming in at 47. But really, the bigger story is on the impact, which is all these things are helping us to maintain the impact of R369 million, which is as a result of higher funding costs coming through in our net funding expense line.

I think our NAV for us is quite pleasing that we grew the NAV to R7.60 per share. Yes, this is largely driven by the forex movements, which you can see there is coming in at 64 cents. But I

think for me, what is pleasing is that we also, even having absorbed, which is ongoing and stabilised our payout in terms of dividends, that we're able to still grow the NAV to R7.66.

Just on the dividend policy, I think for FY23, for us to peg an 85 payout ratio, just given the healthy liquidity profile that we're seeing, is right in the middle of our 80% to 90% distribution range, but I think what is very important for us here is that consistently, these are the things that when we talk with the board and engage around setting a payout ratio, we look at the earnings that are supported by cash, we look at liquidity, we look at the gearing levels across the group. But also more importantly for us, we also do want to preserve value, and not leak any of this in terms of attack leakage. So we are pleased that with an 85% payout ratio, there has been no tax leakage in terms of FY23. And I think, this question has come up in our previous discussions with you, we do consider drip on a case-by-case basis, but for FY23, there is no drip that will be offered on the distribution that is being made in FY23.

In terms of the focus items, just on operating efficiently here, I think for us, one, to preserve the margin, it goes without saying because that's where we look at efficiencies, we look at discipline cost control, and also we continue to roll out our renewables. But that gives us the platform then to engage on consumption and change behaviour over a period of time. Our efforts in terms of what we're doing for the tenants, I think that also to drive retention, is our first prize in terms of the longer-term profile of our margins, and I think our investment in technology is an important factor because we just shared with you some of the highlights there, some of the outcomes and the things that we've delivered in FY23, with a singular focus of transforming the tenant experience, to say how can we serve our tenants a bit better. And those are the aspects that we work out with. And we are pleased that our digital ratio has improved to 23% in the current period.

Then I'll cover engaging talent, where I think really, for us the focus is just around the diversity of thought, so that we continue to drive the consistent delivery of strategy that you seeing playing out even in these results, which actually stems from the fact that we are very clearly focusing on what we believe we can control, those the variables that are under our control. So we are retaining people, if you look at our retention rate in South Africa, playing out at 86.7%, as well as in Poland at 88.1%. And we've introduced a net promoter score, which, between South Africa and Poland, if you look at the footnote in terms of the scale, it means that it's in the good range, and our focus in terms of the things that we're doing in terms of strengthening the bench talent. Hopefully, we'll take that to also improve to a greater space. But I think the big thing for us here is also on the future fit, the things that we're doing, so that we have enough skills sets to navigate the current environment and strengthen our focus on the variables that are within our control. As a closing remark in this, before I cue up the video to play, this is our 10th year where about 411 learners have come through our leadership programme. That is a huge impact and that is changing lives, and we are pleased that will

continue. And I'll really let the video, that we'll key up before Andrew comes back, just show you some of the impacts that we've had in changing lives.

VIDEO

ANDREW KÖNIG

Okay, so we're back now, and I'm sure you'll agree with me that the video clip is something to be proud of, and I want to thank all of you for supporting us in that very important endeavour to grow our own talent, in a sector where, you know, there is a very shallow pool of property expertise. Sorry, I just wanted to make the point on this slide here. Leon did talk about the Mall of the South rooftop, but this picture, here, gives you a very good appreciation as to what 5.1 megawatts of solar rooftop capacity looks like.

In terms of our vision, which is to be the leading South African REIT, the best way to demonstrate that is through recognition from recognised, independent, external agencies. I'm not going to go through this, but all I can say is, please look at it, you'll see our trophy cabinet is full; we are very proud of this; and we do not set out with the objective of obtaining these recognitions. This is merely supporting our statements around our vision, and also supports our belief that a strong ESG proposition underpins sustained value creation for all stakeholders. I'm happy to report that EPP has been fully integrated into Redefine, and you'll similarly see a lot of progress being made on the ESG front. In Europe, it is especially important to deal with the EU taxonomy that's coming in 2028, as well as debt funders' energy efficiency requirements that we are already been exposed to. And we are very well positioned to deal with both those two issues. In terms of social economic development in action. This is part of living our purpose to create and manage spaces in a way that transforms lives, you'll see that we are very active in both South Africa as well as in Poland, and we will continue to roll out our strategy in this regard.

In terms of looking forward from a 2024 focus point of view, we will continue to implement multipronged and sustainable energy, water, and waste solutions. It's not just to reduce reliance on grid supplied energy, municipal, and water, and waste services, but it's also equally important from an efficiency point of view that we focus on this, given that a lot of these elements are administered in terms of tariffs, etc., which is outside of our control. So we are down to managing consumption. Creating sustainable socio-economic impacts through SME development, as well as direct involvement with the communities in which we operate at our properties, is an ongoing focus across the group. And then building sustainable partnerships, which I alluded to earlier with tenants, suppliers, and community based organisations, absolutely important to further our ESG endeavours going forward.

Just in terms of wrapping up, we have got our work cut out for us in 2024, around navigating the effectiveness of the structured energy transition, managing the expected shift of the interest rate cycle and, very importantly, an ongoing focus on responding to evolving stakeholder needs. In FY23, I'm sure you'll appreciate when I say that we have faced down a number of market-shifting dynamics this past year. We do know that these dynamics evolve, they do not dissipate, but what gives you that sense that they are dissipating is that we are responding and adapting to them on an ongoing basis. So as you can see, the overlapping aftershocks of the pandemic are largely behind us. Our operating matrix has now stabilised and this is a function of adapting to changes in user behaviour that's coming through, particularly around the offices, which is very pleasing, as well as our retail statistics. Elevated inflation has been a landlord's friend in terms of driving higher escalations on the leasing front. We'll see more of that to come here in South Africa as well. But more importantly, we have absorbed into our cost base the higher costs, we've maintained our margins – very, very important. We are looking to improve those margins through efficiencies going forward.

The energy crisis in both Poland as well as in South Africa has created opportunities for us on the renewable energy front. The higher funding costs for Redefine have been largely absorbed in FY23. And in terms of our outlook, which I'll get to, you'll see that we believe that what we are still doing, we can absorb the residue of that impact playing out into FY24. In terms of constrained liquidity, you would have heard from Ntobeko, we have broadened our funding sources, largely off the back of a very strong ESG presence in terms of the green bonds.

In terms of outlook, we are looking to maintain our guidance that we did for FY23 at 48 to 52 cents per share. Our payout policy, as Ntobeko said, we will maintain at 80% to 90%. We believe that we are opting for the upside in terms of building on the positive momentum that you would have seen in the stabilised operating metrics. And we've given you a couple of variables, over there, that can play out, positively and negatively – we need to be balanced here. But we believe that through managing the variables under our control, and this is by no means easy, we will have a flat outcome for FY24.

In terms of the real estate investment clock, I thought I'd include this here, because I firmly believe that Redefine has been quoted in the press wrongly by suggesting that it's the sector. I'm suggesting this is a Redefine prediction, where we believe that in terms of the clock, we are at five o'clock, and the clock has struck six o'clock for us as Redefine during calendar year 2024, as interest rates begin to ease. As you know, we have a year end that ends in August, and I'm inclined to think that interest rates will start easing in the latter half of calendar year 2024, which will impact on 2025. And that's one of the benefits by the way of having higher gearing, we've taken the brunt of the higher interest rates into our numbers already, but as those interest rates start falling, we will get a disproportionate benefit, if you like, that will flow to the bottom line. I also want to add that this clock turns very, very slowly. When I joined

Redefine in January 2011, we were at six o'clock, so I would have gone full circle here, in about 14 years. Properties are a long-term asset class. Patience is required. I thank you for your patience, I thank you for your confidence in us, and I thank you for always supporting us even though sometimes we do agree to disagree.

In terms of our investment proposition, we believe it's compelling. We have a simplified high-quality asset platform which is diversified. Our funding model, as you would have seen, is backed with solid credit metrics. Our staff are engaged, they're passionate, they're innovative, and that's playing out in everything that we are doing here, and very importantly, consistent delivery of strategy. So in essence, we do what we say we will do, by putting people and ESG at the heart of that. And with that, I want to thank you – thank you for your time, as well as all your support during the past year. And as you can see, you have a team here that is opting for the upside, by believing that 2024 will be the turning point for Redefine.