

Liberty Two Degrees

1H FY22 results and valuation update

Key message: despite a recovery in footfall and turnover in its retail portfolio, L2D's relatively soft financial performance continues to disappoint. We fail to see any meaningful catalyst that could lead to the share re-rating.

- 1H FY22 results in line:** DPS was ZAR17.5c (+10.7% y/y) while NAV marginally declined to ZAR7.53 (-1.2% y/y). Footfall and turnover in the retail portfolio have recovered well, with turnover at Sandton City up an impressive ~30% over the comparable pre-COVID period (1H FY19); Midlands Mall and Botshabelo Mall are also trading significantly ahead of their pre-COVID bases, while Eastgate, Promenade and Nelson Mandela Square are relative laggards. Operating conditions in the hospitality portfolio are normalising, with average YTD occupancy at the Sandton Sun of 71.5% (1H FY21: 39.8%; 1H FY19: 66.8%) and 40.7% at the Garden Court. However, L2D's office exposure has failed to revive: excluding the Standard Bank Centre (ZAR153mn, held for sale), office occupancy is only 77.9% with average reversions of -26.1% for the period (FY21: -24.8%).
- Update to earnings forecasts:** we revise our FY22E DPS forecast to ZAR36.5c (+7.1% y/y) – towards the upper end of management's 3-8% guidance range. In our view valuations in L2D's property portfolio have sufficiently adjusted towards more conservative levels and should be relatively stable (reflecting cash flow growth) going forward; thus we expect marginal positive growth in NAV from 2H FY22 and into FY23.
- Our revised target price is ZAR3.90**, which implies a one-year TSR of +7.5% (9.5% income yield and -2.0% capital return). L2D's share price has materially underperformed relative to the SAPY index over the last twelve months; now at a 46% discount to rolled forward NAV, there appears to be deep value in the counter. But at a 9.5% forward dividend yield, we think there are more attractive income yields attainable in the sector adjusted for quality and risk. In the absence of a major catalyst that could drive a re-rating, we maintain an UNDERWEIGHT rating.
- Key catalysts and factors to watch:** potential improvement in retail rental reversions to reflect portfolio turnover performance; execution of debt refinancing and impact on net finance charges; recovery of hospitality assets and impact on distributable earnings

L2D summary financial forecasts

	FY20A	FY21A	FY22E	FY23E	FY24E
FAD per share (ZARc)	32.3	34.1	36.5	38.5	38.9
% change	-46.7%	5.5%	7.1%	5.4%	1.2%
Dividend per share	32.3	34.1	36.5	38.5	38.9
% change	-46.5%	5.5%	7.1%	5.4%	1.2%
NAV per share	771	756	758	767	784
% change	-19.7%	-1.9%	0.3%	1.2%	2.3%

Source: Company data, Chronux Research estimates

Date: 15 August 2022

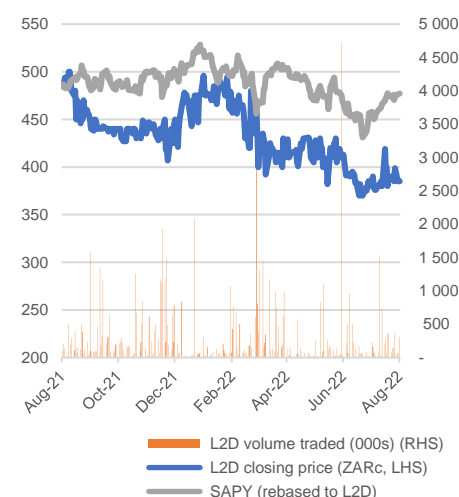
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Rating:	UNDERWEIGHT
Price (12/08/2022):	R4.16
52 week high / low:	500 / 370
Shares outstanding (mn):	908.4
Market cap (ZARmn):	3 779
Enterprise value (ZARmn):	5 437
Spot P/NAV:	0.55x
Forward P/NAV:	0.54x
Trailing FFO yield:	8.6%
Forward FFO yield:	9.5%
Trailing dividend yield:	8.6%
Forward dividend yield:	9.5%
Target price (ZAR):	3.90
Forecast total return:	+7.5%

L2D share price performance - 52 weeks



Valuation and rating

- We derive our target price for L2D using a weighted average of a dividend discount model (DDM), exit yield (income capitalisation) and exit P/NAV valuation. We revise our clean target price to ZAR3.90, which implies a one-year forecast total shareholder return (TSR) of +7.5% (comprised of 9.5% dividend yield and -2.0% capital return). We maintain an UNDERWEIGHT rating on the counter.

L2D valuation and TSR forecast summary

Valuation date	12-Aug-22					
Financial year end	December					
Reporting currency	ZAR					
Spot price (ZARc)	416					
	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E
Distribution per share	34.1	36.5	38.5	38.9	40.8	42.8
% change	5.5%	7.1%	5.4%	1.2%	4.7%	5.0%
Intrinsic NAV per share	756	758	767	784	821	858
% change	-1.9%	0.3%	1.2%	2.3%	4.7%	4.4%
	Y0	Y1	Y2	Y3	Y4	Y5
Rolled FAD per share	35.6	37.7	38.8	40.1	42.0	43.9
% change		6.0%	2.8%	3.3%	4.9%	4.4%
Rolled DPS	35.6	37.7	38.8	40.1	42.0	43.9
% change		6.0%	2.8%	3.3%	4.9%	4.4%
Discount factor		0.86x	0.74x	0.64x	0.55x	0.48x
Risk-free rate (ZAR 10yr yield)	10.0%					
Equity risk premium	6.0%					
Risk beta	1.00x					
Cost of equity (discount rate)	16.0%					
Exit yield	10.0%					
Exit P/NAV	0.60x					
Intrinsic value per share (Y0) (ZARc)	381					
Blended target price (Y1) (ZARc)	390					
Projected capital return	-2.0%					
Forward income yield	9.5%					
1yr projected total shareholder return (TSR)	7.5%					
Spot premium (discount) to intrinsic value	4.4%					
5yr projected internal rate of return (IRR)	12.1%					

L2D valuation summary

	Target price (ZARc)	Weight
1. Discounted dividend valuation	324	0.33
2. Exit yield valuation	388	0.33
3. Exit P/NAV valuation	458	0.33
Weighted average target price	390	
Current price	416	
Projected capital return	-2.0%	
Forward income yield	9.5%	
Projected total shareholder return (TSR)	7.5%	

1. L2D discounted dividend model (DDM) valuation

CAPM beta	0.32x
Risk beta	1.00x
Risk-free rate (ZAR 10yr spot yield)	10.0%
Equity risk premium	6.0%
Cost of equity (discount rate)	16.0%
Terminal growth from Y6	4.0%
PV of distribution per share (Y1-5)	131
PV of terminal value	181
Intrinsic value per share (Y0) (ZARc)	312
Divi yield on intrinsic value	12.1%
Discount rate - intrinsic yield	3.9%
Target price (Y1) (ZARc)	324
Projected capital return	-18.6%
Income yield	9.5%
Projected total shareholder return (TSR)	-9.1%

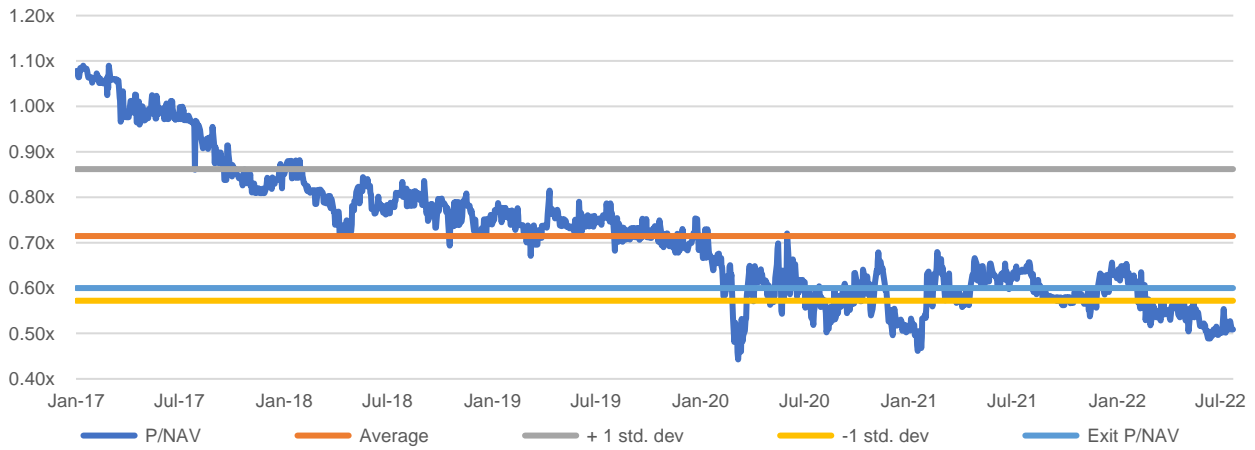
2. L2D yield relative valuation

Historic (trailing) dividend yield	8.6%
Clean forward yield	9.5%
Spot ZAR 10yr yield	10.0%
Forecast exit spot yield	11.0%
Current yield spread	-0.5%
Exit yield spread	-1.0%
Implied exit yield	10.0%
Intrinsic value per share (Y0) (ZARc)	377
Target price (Y1) (ZARc)	388
Projected capital return	-2.6%
Income yield	9.5%
Projected total shareholder return (TSR)	6.9%

3. L2D intrinsic NAV valuation

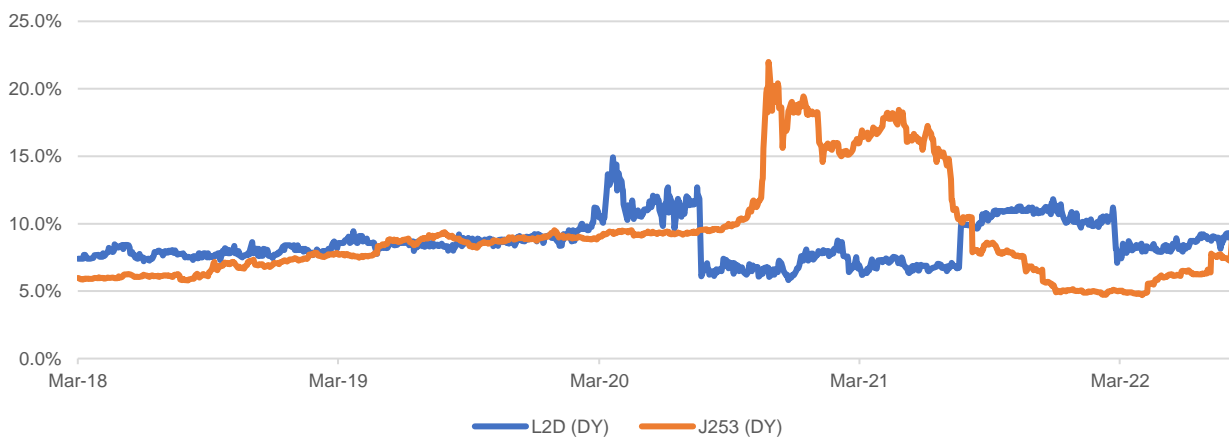
Spot NAV (ZARc)	753					
Trailing P/NAV	0.55x					
Forward P/NAV	0.54x					
	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Intrinsic NAV	756	758	767	784	821	858
% growth	-1.9%	0.3%	1.2%	2.3%	4.7%	4.4%
	Y0	Y1	Y2	Y3	Y4	Y5
Rolled NAV	757	763	778	807	843	879
% growth		0.8%	1.9%	3.8%	4.5%	4.2%
Exit P/NAV	0.60x					
Intrinsic value per share (Y0) (ZARc)	454					
Target price (Y1) (ZARc)	458					
Projected capital return	15.1%					
Income yield	9.5%					
Projected total shareholder return (TSR)	24.6%					

Figure 1 L2D P/NAV history



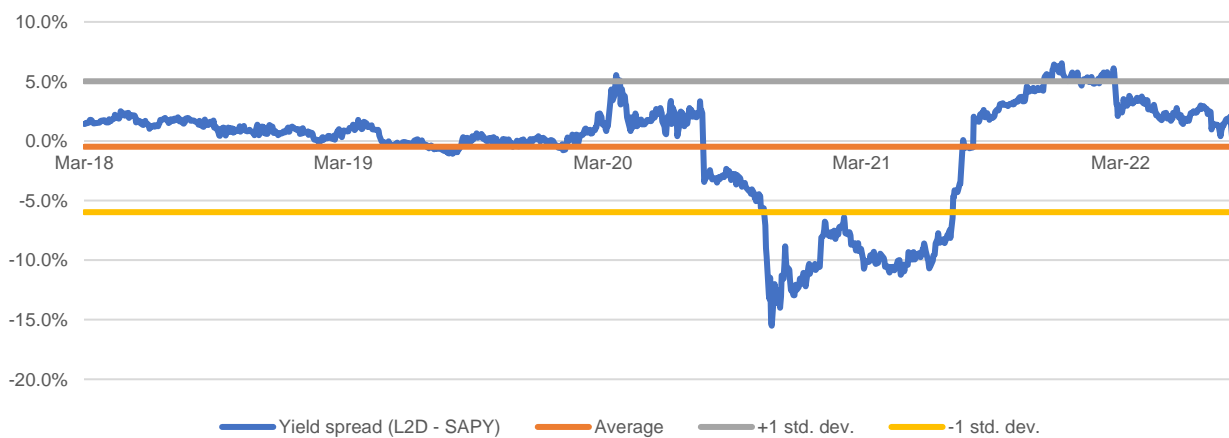
Source: Iress, Chronux Research

Figure 2 L2D and SAPY (J253) trailing dividend yield - trailing 5 years



Source: Iress, Chronux Research

Figure 3 Trailing dividend yield spread (L2D – SAPY)



Source: Iress, Chronux Research

Ranking table

JSE Listed Property - rated coverage ranking table (priced at 12-Aug-22)

Ticker (JSE)	Company	Closing price (ZARc)	Market cap (ZARmn)	LTV	ICR	P/NAV (forward)	FFO yield (forward)	Intrinsic value (Y0) (ZARc)	Target price (Y1) (ZARc)	Spot prem. (disc.) to intrinsic value	Fwd. dividend yield (clean)	Capital return	Forecast TSR to target price	Rating
SAC	SA Corporate Real Estate	218	5 482	37.4%	2.4x	0.51x	13.6%	233	244	(12.6%)	13.9%	19.6%	33.4%	OVERWEIGHT
FFA	Fortress REIT A	1 230	14 657	38.8%	3.1x	1.00x	14.9%	1 248	1 410	(1.5%)	12.9%	19.0%	32.0%	OVERWEIGHT
SRE	Sirius Real Estate	1 898	22 248	41.6%	8.6x	0.99x	7.7%	2 037	2 247	(6.8%)	5.0%	18.4%	23.4%	OVERWEIGHT
IPF	Investec Property Fund	1 065	8 572	38.2%	2.7x	0.62x	10.5%	1 149	1 181	(8.1%)	10.0%	11.8%	21.8%	OVERWEIGHT
GRT	Growthpoint Properties	1 370	47 002	39.2%	3.0x	0.71x	12.7%	1 351	1 464	1.4%	10.3%	10.0%	20.3%	NEUTRAL
RDF	Redefine Properties	413	29 550	41.9%	2.7x	0.57x	13.4%	419	440	(2.4%)	12.0%	7.4%	19.5%	NEUTRAL
ATT	Attacq	630	4 735	38.0%	1.5x	0.40x	9.9%	609	660	3.5%	9.0%	10.4%	19.4%	NEUTRAL
EMI	Emira Property Fund	1 030	5 384	41.8%	2.8x	0.69x	13.6%	1 037	1 054	(0.6%)	12.9%	6.4%	19.4%	NEUTRAL
NRP	NEPI Rockcastle	9 618	58 573	30.9%	4.3x	0.78x	8.9%	9 535	10 189	(1.6%)	8.4%	8.6%	17.1%	NEUTRAL
SEA	Spear REIT	770	1 885	39.1%	2.2x	0.68x	10.8%	786	813	(2.0%)	10.1%	6.5%	16.6%	NEUTRAL
HYP	Hyprop Investments	3 816	13 106	41.5%	3.2x	0.76x	10.2%	3 543	3 647	0.7%	9.7%	2.2%	11.9%	NEUTRAL
VKE	Vukile Property Fund	1 470	14 409	43.0%	3.4x	0.81x	10.1%	1 412	1 497	4.1%	7.9%	1.9%	9.8%	NEUTRAL
FFB	Fortress REIT B	412	4 504	38.8%	3.1x	0.29x	0.1%	442	450	(6.7%)	0.1%	9.3%	9.5%	UNDERWEIGHT
RES	Resilient REIT	5 750	23 007	32.1%	3.9x	0.96x	8.6%	5 215	5 631	7.3%	8.6%	0.6%	9.2%	UNDERWEIGHT
EQU	Equites Property Fund	1 964	15 252	31.5%	12.0x	0.97x	9.0%	1 827	1 918	7.5%	9.0%	(0.9%)	8.0%	UNDERWEIGHT
L2D	Liberty Two Degrees	416	3 779	24.6%	3.2x	0.54x	9.5%	381	390	4.4%	9.5%	(2.0%)	7.5%	UNDERWEIGHT

JSE Listed Property - unrated coverage ranked by market cap (priced at 12-Aug-22)

Ticker (JSE)	Company name	Closing price (ZARc)	Market cap (ZARmn)	Latest NAV (ZARc)*	P/NAV (trailing)	Trailing dividend yield	LTV	ICR
CCO	Capital & Counties Properties	2 801	23 844	4 127	0.68x	1.3%	25.0%	1.3x
HMN	Hammerson	511	22 583	1 224	0.42x	1.5%	45.0%	2.9x
MSP	MAS Real Estate	2 065	14 548	2 182	0.95x	7.0%	14.9%	5.0x
LTE	Lighthouse Capital	741	12 040	775	0.96x	3.4%	13.6%	4.5x
MLI	Industrials REIT	3 475	10 382	3 495	0.99x	4.2%	25.6%	5.0x
SSS	Stor-age Property Fund	1 393	6 051	1 400	1.00x	8.0%	27.9%	6.6x
FTB	Fairvest B	335	5 005	491	0.68x	13.7%	39.2%	2.4x
EXP	Exemplar REIT	1 200	3 987	1 229	0.98x	9.8%	35.2%	3.9x
DIB	Dipula Income Fund B	385	3 465	1 039	0.37x	30.5%	36.7%	3.2x
SCD	Schroder European REIT	2 030	2 715	2 478	0.82x	6.3%	18.0%	15.4x
OCT	Octodec Investments	830	2 209	2 310	0.36x	12.0%	41.0%	2.3x
CRP	Capital & Regional	1 250	2 067	2 330	0.54x	4.0%	50.9%	2.2x
SAR	Safari Investments	559	1 738	855	0.65x	10.2%	37.0%	2.5x
TEX	Texon Property Fund	355	1 298	603	0.59x	13.4%	31.2%	2.4x
APF	Accelerate Property Fund	102	1 022	621	0.16x	21.6%	42.8%	2.1x
TPF	Transcend Property Fund	609	999	808	0.75x	9.3%	38.2%	1.7x
ILU	Indluplace Properties	277	932	699	0.40x	16.4%	38.0%	2.0x
FTA	Fairvest A	1 449	909	1 490	0.97x	8.3%	39.2%	2.4x
DLT	Delta Property Fund	45	321	476	0.09x	0.0%	57.0%	1.9x
REB	Rebosis Property Fund B	16	112	423	0.04x	0.0%	72.8%	1.2x
REA	Rebosis Property Fund A	65	41	270	0.24x	0.0%	72.8%	1.2x

* Translated to ZAR at spot

Source: Company data, Iress, Chronux Research estimates

1H FY22 results – key insights

- **L2D's 1H FY22 performance was in line with expectations**, with signs of an operational recovery in the retail portfolio but with profitability under pressure. DEPS for the period was ZAR17.5c (+10.7% y/y) and a 100% payout was maintained for an interim distribution of ZAR17.5c per share (1H FY21: 15.8c). Management is guiding for FY22 distribution growth of 3-8% y/y and anticipates maintaining a 100% payout, for an expected full year distribution of ZAR35.1c - 36.8c per share.
- **NAV per share declined -1.2% to ZAR7.53**. This reflects a marginal (<1%) decline in the carrying value of the investment property portfolio from the Dec-21 valuation. Valuations have cumulatively declined -17.6% since FY19 but have generally stabilized, with the major impairments to the portfolio's valuation occurring in FY20. L2D's income yield on NAV (annualized DEPS divided by NAV) at -4.8% compares poorly relative to peers in the sector; a wider discount to NAV is thus justifiable, in our view.

L2D investment property portfolio valuations

Property	L2D		Location	Dec-19	Dec-20	Dec-21	Jun-22	% change
	ownership	Main sector		valuation (ZARmn)	valuation (ZARmn)	valuation (ZARmn)	valuation (ZARmn)	(Dec-19 to Jun-22)
Standard Bank Centre	16.7%	Office	Johannesburg CBD	172	147	153	153	-10.6%
Liberty Centre Head Office	33.3%	Office	Umhlanga	113	102	78	79	-29.7%
Sandton City Complex	25.0%	Retail	Sandton	3 519	3 106	3 111	2 952	-16.1%
Nelson Mandela Square	33.3%	Retail	Sandton	594	405	422	453	-23.7%
Eastgate Complex	33.3%	Retail	Bedfordview	2 940	2 389	2 110	2 118	-28.0%
Melrose Arch Complex	8.3%	Retail	Melrose, JHB	567	469	481	456	-19.6%
Liberty Midlands Mall	33.3%	Retail	Pietermaritzburg	855	730	839	867	1.4%
Liberty Promenade Shopping Centre	33.3%	Retail	Mitchells Plain, CPT	601	536	584	592	-1.4%
Botshabelo Mall	33.3%	Retail	Free State	101	93	112	121	20.3%
John Ross Eco Junction - Melomed	23.3%	Specialised	Richards Bay, KZN	113	126	130	130	15.0%
John Ross Eco Junction - Tangawizi	33.3%	Specialised	Richards Bay, KZN	23	22	20	20	-12.2%
John Ross Eco Junction Estate	33.3%	Specialised	Richards Bay, KZN	32	30	28	28	-14.7%
Sandton Convention Centre	25.0%	Specialised	Sandton	142	49	50	48	-66.3%
Virgin Active Sandton	25.0%	Specialised	Sandton	13	12	12	11	-13.9%
Garden Court Sandton	25.0%	Hotel	Sandton	170	114	117	139	-17.8%
Sandton Sun and Intercontinental	25.0%	Hotel	Sandton	188	159	172	189	0.4%
Total				10 145	8 489	8 419	8 360	-17.6%

■ SA retail (512 701sqm GLA)

- Portfolio occupancy is healthy with a low vacancy factor at 1H FY22 (2.8%). Net property income was ZAR225mn for the period, +3% y/y.
- L2D's retail portfolio has staged an encouraging recovery on footfall and turnover as COVID-related trading restrictions have eased. Led by Sandton City, turnover for the overall portfolio over 1H FY22 was +16.1% ahead of the pre-COVID (1H FY19) base; aggregate footfall was +10.2% ahead of the comparative 1H FY19 figure.
- However, this is not yet translating into any clear improvement to underlying rentals in the retail portfolio, as reversions remain deeply negative at -15.6% over the period (from -26.6% in FY21). Although there is a lag effect between turnover improvements and any upside potential on lease renewals, in our view the L2D portfolio has historically been over-rented (especially Sandton City and Nelson Mandela Square).
- New tenants introduced into the portfolio during the period include Karl Lagerfeld and Harley Davidson at Sandton City; Birkenstock, Legends Barber, Under Armour and Pep Home at Eastgate; and Bathu at Midlands.

L2D retail trading performance - turnover growth			
Property	Q1 2022 vs 2019	Q2 2022 vs 2019	1H 2022 vs 2019
Sandton City	29.4%	33.1%	31.4%
Eastgate	-5.6%	2.6%	-1.4%
Nelson Mandela Square	-7.8%	-6.1%	-6.9%
Midlands Mall	21.9%	25.5%	23.8%
Midlands Lifestyle Centre	63.2%	80.8%	72.2%
Promenade	-4.0%	0.2%	-1.8%
Botshabelo Mall	40.6%	36.3%	38.3%
Melrose Arch	1.9%	1.7%	1.8%
Total portfolio	13.6%	18.4%	16.1%

■ SA office (316 011sqm GLA)

- L2D's office portfolio continues to face a highly challenging operating environment, and unsurprisingly fails to show signs of any significant turnaround at this stage. Occupancy declined over the period to 83.3% (FY21: 86.2%) and vacancies are still difficult to fill; tenant retention is the primary focus.
- Reversions on expiring leases slightly deteriorated to -26.1% over the period (FY21: -24.8%), as escalations have substantially outpaced market rental growth.
- L2D's office exposure will reduce with the disposal of the Standard Bank Centre (ZAR153mn, held for sale). The transaction will be concluded in 2H FY22. Excluding this property (which is 100% occupied), the balance of L2D's office portfolio is only 77.9% occupied as of 1H FY22.
- Portfolio NPI was ZAR15.3mn, -5% y/y.

■ SA specialized (117 606sqm GLA), incl. hospitality

- As of Jun-22, the Sandton Sun has averaged 71.5% occupancy YTD (ahead of 1H FY19: 63.6%), while the Garden Court has averaged 40.7% occupancy (1H FY19: 68.8%).
- The newly branded Sandton Towers (previously the Intercontinental) reopened at the end of Jul-22, which should positively contribute to earnings growth in 2H FY22 and FY23.
- The Sandton Convention Centre has hosted 81 events YTD (including 18 in June alone), compared to 23 events hosted in 1H FY21.
- NPI from the hotel portfolio was ZAR12.2mn (+296% y/y), in addition to ZAR20.8m NPI from the specialised portfolio (+5% y/y).

■ Capital structure

- L2D maintains a low and conservative level of gearing with an LTV of 24.6% at 1H FY22 (FY21: 23.9%). ICR was 3.2x for the period and 63% of interest rate exposure is hedged.
- At present L2D's average debt and hedge durations are relatively short at 1.6 years and 1.8 years respectively. But post the refinancing of a ZAR850mn term debt facility in advanced stages and to be concluded in 2H FY22, its average debt expiry will extend to 4.0 years.
- A forward dated interest rate swap has been finalised, which will increase the hedge ratio to 75% and average hedge duration to 3.8 years when exercised.
- L2D repurchased 14.8mn shares over the period; management does not anticipate extending this any further.

Forecast financial statements

- We revise our FY22 DEPS estimate to ZAR36.5c (+7.1% y/y) and maintain a 100% payout ratio for a dividend of 36.5c per share (+7.1% y/y). Management is guiding for DEPS growth of +3-8% y/y and anticipates maintaining the payout ratio at the 100% mark.
- We expect core lfl NPI growth of c. 3% in FY23, with a positive contribution from the recovery in trade in the hospitality assets. There is a concentration of lease expiries (36% of GLA) in the office portfolio in FY24, where we would expect negative reversions to suppress overall distributable earnings growth.

L2D income statement								
ZAR mn	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E
Rental income	1 024	945	902	936	957	981	1 033	1 085
Property expenses	(326)	(342)	(372)	(388)	(398)	(412)	(439)	(466)
Forecast COVID relief	-	-	-	(3)	-	-	-	-
Net property income (NPI)	694	444	530	545	559	569	594	619
% change	18.0%	-36.0%	19.4%	2.7%	2.6%	1.8%	4.4%	4.2%
NPI margin	67.7%	47.0%	58.7%	58.2%	58.4%	58.0%	57.5%	57.0%
Corporate and administration expenses	(93)	(96)	(112)	(123)	(126)	(129)	(134)	(140)
Income from investments and associates	25	-	-	-	-	-	-	-
Other operating income (expenses)	68	61	56	55	57	59	61	64
Net operating income (NOI)	693	409	473	476	490	499	521	543
Net finance costs	(145)	(147)	(148)	(159)	(155)	(161)	(167)	(171)
Current normal taxation	-	-	-	-	-	-	-	-
Adjustments	-	(1)	(10)	-	-	-	-	-
Distributable earnings	548	261	315	317	334	338	354	372
Total distribution declared	-	-	-	317	334	338	354	372
Retained funds	-	-	-	-	-	-	-	-
Payout ratio	-	-	-	100%	100%	100%	100%	100%
FAD per share (ZARc)	60.7	32.3	34.1	36.5	38.5	38.9	40.8	42.8
% change	1.1%	-46.7%	5.5%	7.1%	5.4%	1.2%	4.7%	5.0%
DPS (ZARc)	60.4	32.3	34.1	36.5	38.5	38.9	40.8	42.8
% change	0.7%	-46.5%	5.5%	7.1%	5.4%	1.2%	4.7%	5.0%

L2D balance sheet								
ZAR mn	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E
Assets								
Investment properties	10 145	8 489	8 265	8 235	8 341	8 521	8 870	9 217
Fair value of investment properties	10 112	8 459	8 238	8 208	8 313	8 493	8 843	9 190
Properties under development	33	30	28	28	28	28	28	28
Other non-current assets	18	1	29	29	29	29	29	29
Cash and cash equivalents	65	105	103	103	103	103	103	103
Other current assets	322	305	379	379	379	379	379	379
Assets held for sale	123	-	153	-	-	-	-	-
Total assets	10 673	8 900	8 929	8 746	8 851	9 031	9 381	9 728
Equity and liabilities								
Equity attributable to shareholders	8 717	6 908	6 643	6 586	6 663	6 815	7 135	7 451
Non-controlling interests	-	-	-	-	-	-	-	-
Interest-bearing debt	1 719	1 763	2 035	1 909	1 937	1 965	1 995	2 026
Other liabilities	237	229	251	251	251	251	251	251
Total equity and liabilities	10 673	8 900	8 929	8 746	8 851	9 031	9 381	9 728
Net asset value (cps)	960	771	756	758	767	784	821	858
% change	1.6%	-19.7%	-1.9%	0.3%	1.2%	2.3%	4.7%	4.4%
Adjusted (tangible) NAV per share	960	771	756	758	767	784	821	858
% change	1.6%	-19.7%	-2.0%	0.3%	1.2%	2.3%	4.7%	4.4%

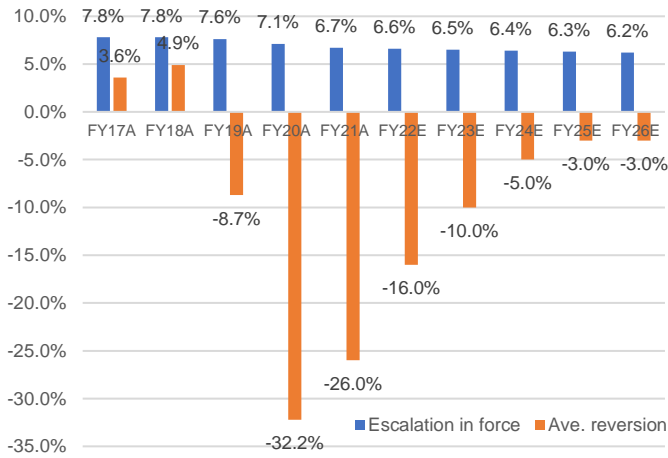
L2D SA retail portfolio - operating model and forecasts

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E
SA retail								
Valuation (ZARmn)	5 058	5 358	5 202	5 168	5 221	5 384	5 613	5 828
GLA (sqm)	150 070	148 168	148 168	148 168	148 168	148 168	148 168	148 168
Value / sqm (ZAR)	33 701	36 161	35 106	34 876	35 235	36 335	37 882	39 333
Vacancy (% of GLA)	4.0%	4.7%	3.2%	3.0%	3.5%	4.0%	4.0%	4.0%
Occupied space (sqm)	144 067	141 204	143 427	143 723	142 982	142 241	142 241	142 241
Escalation in force	7.5%	7.1%	6.7%	6.6%	6.5%	6.4%	6.3%	6.2%
Ave. reversion	-20.0%	-32.2%	-26.0%	-16.0%	-10.0%	-5.0%	-3.0%	-3.0%
Lease expiry (% of GLA)				14.4%	18.0%	20.0%	11.2%	14.9%
Weighted ave. rental growth				3.3%	3.5%	4.1%	5.3%	4.8%
Gross rental income (ZARmn)	640	613	585	606	624	647	681	713
Property expenses	(206)	(220)	(238)	(258)	(268)	(281)	(299)	(317)
Net property income	434	393	347	348	356	365	381	396
% change	-2.3%	-11.6%	-11.7%	0.4%	2.1%	2.7%	4.3%	3.9%
NPI margin	67.9%	64.1%	59.4%	57.5%	57.0%	56.5%	56.0%	55.5%
Net tenant relief due to COVID				(3)	-	-	-	-
Total fair value adjustments on investment property	(1 218)	(1 024)	(72)	(34)	53	163	229	215
As % of valuation	-19.4%	-16.3%	-1.3%	-0.7%	1.0%	3.1%	4.3%	3.8%

L2D SA office portfolio - operating model and forecasts

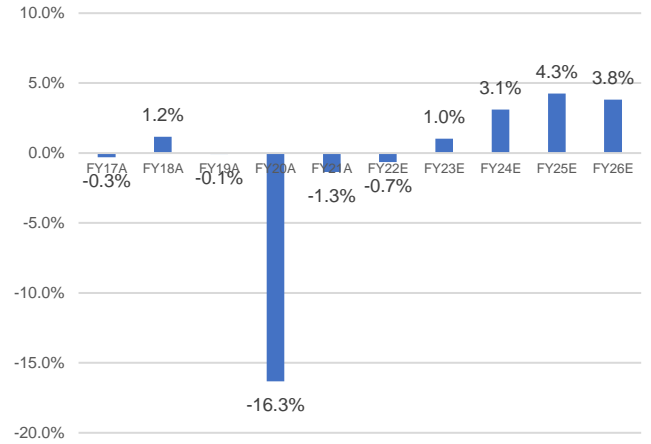
	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E
SA office								
Valuation (ZARmn)	2 169	1 997	2 092	2 049	2 032	1 966	2 020	2 070
GLA (sqm)	60 485	55 212	55 212	55 212	55 212	55 212	55 212	55 212
Value / sqm (ZAR)	35 855	36 161	37 882	37 112	36 803	35 603	36 592	37 496
Vacancy (% of GLA)	12.0%	12.4%	13.8%	17.5%	18.5%	19.0%	19.0%	19.0%
Occupied space (sqm)	53 227	48 366	47 593	45 550	44 998	44 722	44 722	44 722
Escalation in force	7.7%	7.3%	6.7%	6.6%	6.5%	6.4%	6.3%	6.2%
Ave. reversion	-20.0%	-26.2%	-24.8%	-26.0%	-20.0%	-15.0%	-10.0%	-10.0%
Lease expiry (% of GLA)				13.7%	8.8%	35.8%	3.2%	4.5%
Weighted ave. rental growth				2.1%	4.2%	-1.3%	5.8%	5.5%
Gross rental income (ZARmn)	212	228	218	215	221	217	230	242
Property expenses	(68)	(82)	(89)	(91)	(95)	(94)	(101)	(108)
Net property income	144	146	129	124	126	123	129	134
% change	-19.6%	-18.2%	-11.7%	-4.4%	2.0%	-2.7%	4.8%	4.5%
NPI margin	67.9%	64.1%	59.4%	57.5%	57.0%	56.5%	56.0%	55.5%
Net tenant relief due to COVID				-	-	-	-	-
Total fair value adjustments on investment property	(361)	(382)	(27)	(43)	(17)	(66)	55	50
As % of valuation	-14.3%	-15.1%	-1.3%	-2.0%	-0.8%	-3.3%	2.8%	2.5%

Figure 4 SA retail rental escalations and reversions



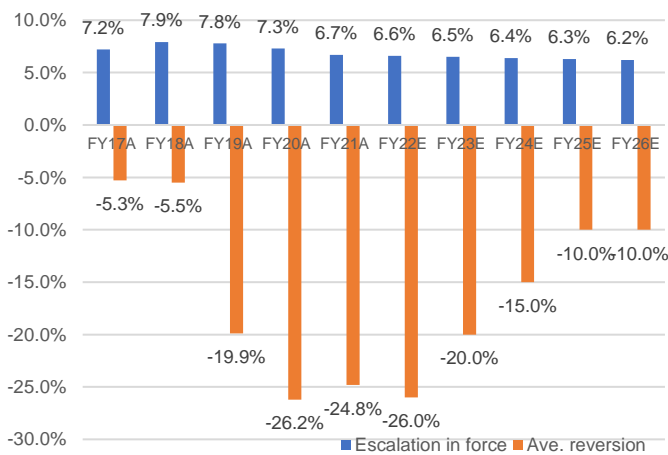
Source: Chronux Research

Figure 5 SA retail valuation growth



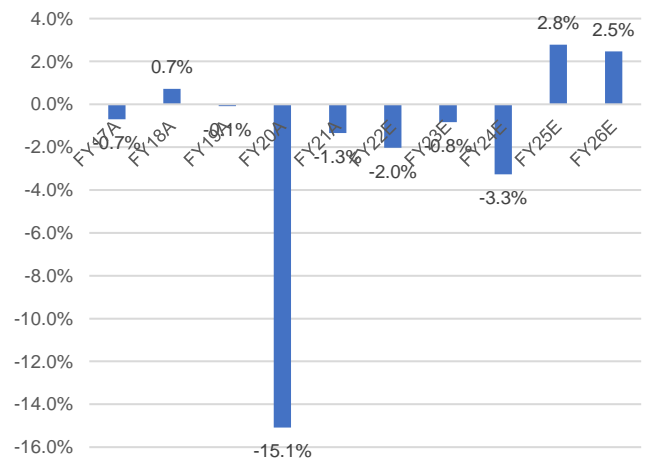
Source: Chronux Research

Figure 6 SA office rental escalations and reversions



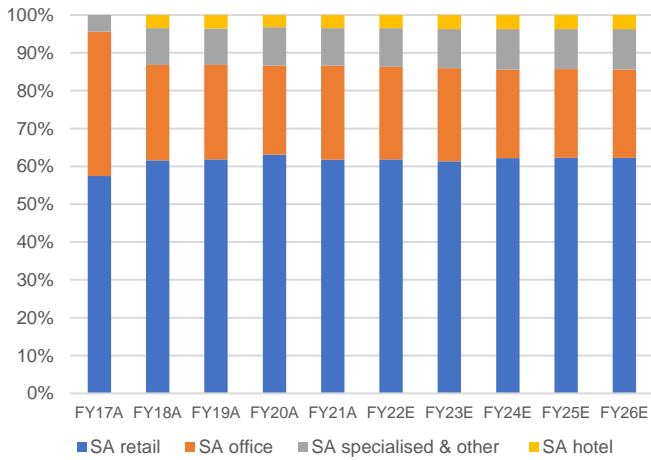
Source: Chronux Research

Figure 7 SA office valuation growth



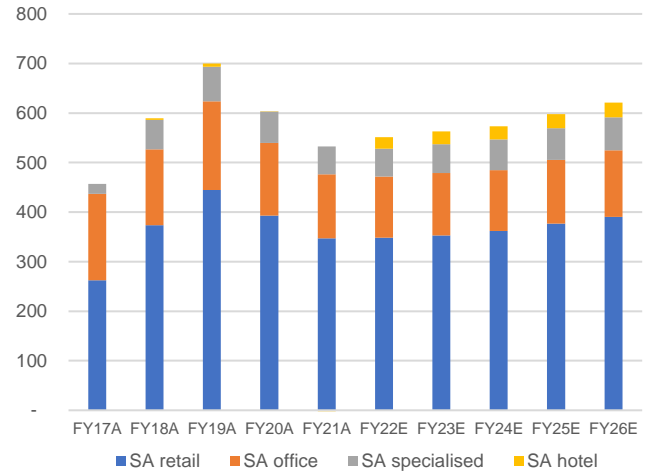
Source: Chronux Research

Figure 8 Segmental contribution to investment portfolio valuation



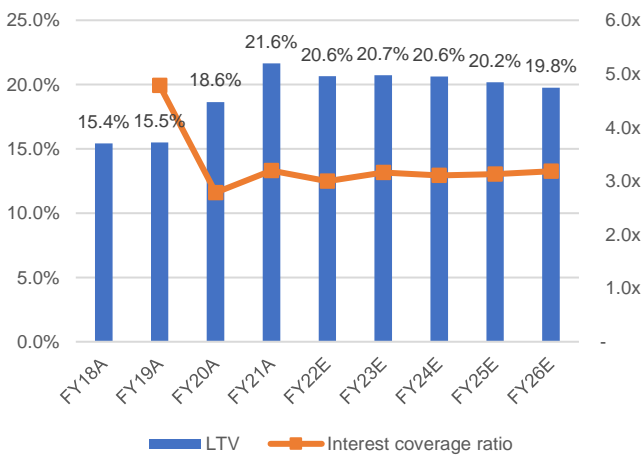
Source: Chronux Research

Figure 9 Segmental contribution to NPI



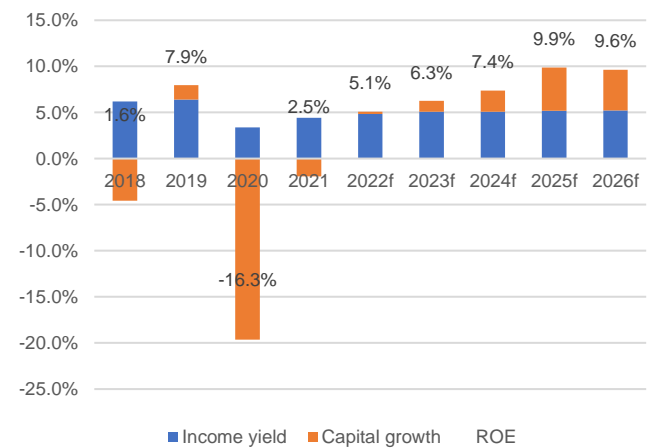
Source: Chronux Research

Figure 10 L2D LTV and ICR



Source: Chronux Research

Figure 11 Income yield, capital growth and ROE



Source: Chronux Research

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