

HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

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(Approved as a REIT by the JSE)

(“**Hyprop**” or “**the Company**” or “**the Group**”)



PRE-CLOSE OPERATIONAL UPDATE

Further to the publication of Hyprop’s annual results for the year ended 30 June 2023 (“**FY2023**”) on 20 September 2023, the Company is pleased to provide an operational update for the four months ended 31 October 2023 (“**the period**”).

Hyprop remains committed to delivering its purpose of creating spaces and connecting people, by owning and managing retail centres in mixed-use precincts in key economic nodes in South Africa and Eastern Europe.

SOUTH AFRICA (SA) PORTFOLIO

Hyprop’s SA portfolio continues to deliver growth in key trading metrics. The solid operational performance is reflected in the steady increase in foot count of 6.8%, which is a result of the centres' repositioning strategies, improvement in tenant mix and ability to trade during loadshedding, and thereby attracting new shoppers and increasing our market share.

Occupancy within the SA centres remains high, with the retail vacancy rate at a low 1.4% at the period end.

At Somerset Mall, the new Checkers Fresh X opened in November 2023 and Pick n Pay simultaneously completed the revamp of its store to a Pick n Pay Compact Hypermarket. “Cinema Connect”, a new compact food offering to support the Ster Kinekor reconfiguration project experienced some delays and will launch during Q3 of 2024. “Nooka Space” work pods, a tech-enabled network of proximity offices for remote working have been well received and plans are underway to roll out the concept at other Hyprop centres. The holistic lifestyle shopping centre remains fully occupied given the strong demand for retail space.

Clearwater Mall is already experiencing an energised atmosphere in previously quieter areas on the first floor following installation of the new escalators near entrance 4, which link the ground and first floors. The centre welcomed Yogurtland in August 2023, while Xpresso Café, Nomination (a jewellery and watch retailer) and Sleepmaster (a bed store) opened in October 2023. During the period, Crazy Store, Catherine Walk (an evening dress and accessories store) and Samsung relocated into fresher-looking stores. Capitec Bank relocated to bigger premises at the end of October 2023 and several stores, including H&M, Cotton On and Burger King completed revamps between July and August 2023.

Rosebank Mall’s trading continues to improve on the back of its enhanced tenant mix and the return-to-office trend. Bubble Bee, a bubble tea store, Chekich, a fashion and footwear retailer, and Computer Mania launched and commenced trading in August 2023. UNIQ Clothing and Toys R Us opened in September 2023. The centre has outsourced the management of the self-storage units to Flexistore, effective from November 2023. Specsavers and The Cross Trainer relocated to renovated stores in August and September 2023, respectively. The new e-hailing zone project is underway and scheduled to be completed in December 2023, while The Mall Offices’ upgrade is on track for completion in February 2024.

Canal Walk continues to bolster its tenant mix and enhance shoppers’ experiences. Some of the new retailers include Calvin Klein Underwear and Booba Beautea, a premium bubble tea and dessert shop that commenced trading in August 2023. The new concept health store, Futurelife opened in October 2023, as well as Studio 88, Fitz Jewellery and Gelato Mania which have been trading well since they launched. As part of Canal Walk’s repositioning strategy, Freedom of Movement and The North Face (their only store in South Africa) relocated to their new stores in September and October 2023, respectively.

The Glen welcomed, amongst others, G-star Raw, Cosmic Comic (a comic bookstore), Arthur Ford (fragrances, cosmetics, personal care products retailer) and Nail Bar. The Cross Trainer and Chateau Gateaux both completed their store revamps in July 2023. Absa also completed its upgrade in July 2023 and now occupies a more suitable and modernised branch.

CapeGate continues to attract families looking for an experiential retail offering and recently won a silver SACSC Footprint Award in the Community Relations Category following the centre's successful Princess Project, where shoppers donated 318 dresses to young girls in need for their Matric dances. In September 2023, CapeGate launched its new Suzuki dealership, the first-of-its-kind at the centre, with full sales, services, accessories, parts, and repairs offerings. Krispy Kreme, Nando's and Bagworld (a travel and leather goods store) opened at the end of November 2023.

Hyde Park Corner will upgrade its north office towers to a modern, premium aesthetic that is more appropriate following agreement with a new tenant to lease the entire space for 10 years. The upgrade will be completed in two phases and is planned to commence in Q2 of 2024. Flight Centre commenced trading in October 2023, while D'ORE (a high fashion boutique) opened in November 2023. Alchemy (a luxury activewear and athleisure store) relocated and opened in September 2023, while Porter & Craft (premium quality and bespoke accessories store) moved to fresher, larger premises, and Absa completed its mini revamp in October 2023.

Woodlands Boulevard, our only centre in Tshwane, should open its three new drive-thrus (Burger King, Steers and Chicken Licken) in time for the festive season. Additionally, Woolworths is undergoing an expansion and upgrade aimed at offering customers an enhanced experience with a bigger, better W Café and Tshwane's first W Cellar. The new W Café will open in December 2023 and the W Cellar once the liquor license is secured. The construction of a new Fun Company is in progress and is planned to start operating before the end of FY2024. Woodlands welcomed a new Ackermans Women store in September 2023 and relocated Queenspark and Miladys to fresher-looking stores during the period.

SA portfolio key trading metrics for the period:

Trading Metric	Year	Jul	Aug	Sep	Oct	Total for the period
Tenant Turnover (R'000)	2021	1 424 864	1 464 246	1 513 825	1 643 876	6 046 810
	2022	1 834 768	1 693 726	1 724 138	1 818 801	7 071 432
	2023	1 940 657	1 815 937	1 858 733	1 833 383	7 448 711
Variance % 2022 vs 2021		28.8%	15.7%	13.9%	10.6%	16.9%
Variance % 2023 vs 2022		5.8%	7.2%	7.8%	0.8%	5.3%
Monthly trading Density (R)	2021	2 555	2 577	2 654	2 896	2 671
	2022	3 226	2 980	3 026	3 174	3 102
	2023	3 384	3 161	3 236	3 184	3 241
Variance % 2022 vs 2021		26.3%	15.6%	14.0%	9.6%	16.1%
Variance % 2023 vs 2022		4.9%	6.1%	6.9%	0.3%	4.5%
Footcount ('000)	2021	5 371	5 613	5 628	6 267	22 879
	2022	6 320	5 829	5 910	6 434	24 493
	2023	6 878	6 262	6 445	6 572	26 156
Variance % 2022 vs 2021		17.7%	3.8%	5.0%	2.7%	7.1%
Variance % 2023 vs 2022		8.8%	7.4%	9.0%	2.1%	6.8%
Retail Vacancy (%)	2021	3.1%	3.1%	2.7%	2.6%	-
	2022	2.0%	1.5%	1.3%	1.3%	-
	2023	1.4%	1.6%	1.7%	1.4%	-
Collections (R'000)	2021	251 172	224 470	265 946	300 735	1 042 323
	2022	255 298	279 779	313 384	248 591	1 097 053

	2023	250 677	290 193	311 921	273 013	1 125 805
Variance % 2022 vs 2021		1.6%	24.6%	17.8%	-17.3%	5.3%
Variance % 2023 vs 2022		-1.8%	3.7%	-0.5%	9.8%	2.6%

The improving trend in rent reversions continued, with a weighted average reversion rate of -0.1% (FY2023: -9%) during the period and a tenant retention rate of 91.8%.

EASTERN EUROPE (EE) PORTFOLIO

The EE portfolio continued to deliver strong operational results, with tenant turnover increasing by 10% and foot count by 3.4% relative to the comparative period.

The vacancy rate was stable at 0.4% at 31 October 2023.

City Center one East welcomed two new tenants, The Bank of Gold (a Croatian financial institution specialising in gold trading) as well as Zlatarna Dodić (a jewellery store) between July and October 2023. Existing tenant Posteljina.hr (a bed and bathroom home décor store) relocated to new premises, while CATCH (urban fashion clothing and footwear) moved into the vacated Posteljina.hr space.

City Center one West completed several refurbishments during the period. These include Europa 92, a fashion retailer and Tezenis, a lingerie store, as well as coffee shops, Torterie Macoron and Living Room which relocated to their respective new design concept spaces.

At The Mall, the German value retailer TEDI opened its flagship store in July 2023 which is their top-performing store in Bulgaria. H8S, the new brand by popular former Bulgarian football player, Hristo Stoichkov opened in October 2023. New leases were signed with jewellery retailers My Silver and Zen Diamonds, Knigomania, a bookstore, and Smoke, a BBQ food services offering, all of which opened in November 2023. Kolev & Kolev, a kid's shoe store was relocated and rightsized in September 2023.

The Mall had several refurbishments, including H&M which is in progress. Playground, a bowling alley and arcade offering, Billa, an international supermarket, Capella Play, a kids centre, Guess and Teodor, a men's clothing, shoes and accessories store, all completed major upgrades in line with each retailer's new look and feel store designs.

Skopje City Mall enhanced its tenant mix by welcoming new brands such as Comodita Home, a home décor store, Storybox, a kids concept store, and Ambar which offers a diverse range of low-price teen fashion apparel. Fashion & Friends, a multi-brand apparel retailer, Arthur's, a sport and lifestyle wear store and Women's Secret, a lingerie retailer, all completed their refurbishments. Additionally, food services brands, Mr. Hot Dog and Sarajeva Grill are new additions to centre's upgraded food court. The H&M project is progressing well and is on schedule for its grand opening in March 2024.

EE portfolio key trading metrics for the period:

Trading Metric	Year	Jul	Aug	Sep	Oct	Total for the period
Tenant Turnover (€'000)	2021	38 594	34 055	38 315	42 017	152 982
	2022	40 190	36 866	44 794	43 990	165 840
	2023	43 968	41 300	46 882	50 426	182 576
Variance % 2022 vs 2021		4.1%	8.3%	16.9%	4.7%	8.4%
Variance % 2023 vs 2022		9.4%	12.0%	4.7%	14.6%	10.1%
Monthly trading Density (€)	2021	234	206	229	251	230
	2022	241	221	272	268	250
	2023	264	250	285	304	276

Variance % 2022 vs 2021		2.9%	7.1%	19.1%	6.7%	8.8%
Variance % 2023 vs 2022		9.8%	13.3%	4.7%	13.6%	10.3%
Footcount ('000)	2021	2 091	1 812	1 878	2 106	7 886
	2022	2 139	2 030	2 245	2 335	8 748
	2023	2 179	2 104	2 279	2 483	9 044
Variance % 2022 vs 2021		2.3%	12.0%	19.6%	10.9%	10.9%
Variance % 2023 vs 2022		1.9%	3.7%	1.5%	6.3%	3.4%
Vacancy (%)	2021	0.3%	0.4%	0.3%	0.3%	-
	2022	0.9%	0.9%	0.9%	0.5%	-
	2023	0.4%	0.4%	0.4%	0.4%	-
Collections (€'000)	2021	6 297	6 166	6 561	6 612	25 636
	2022	6 854	7 133	7 606	7 042	28 635
	2023	6 818	7 485	7 783	7 617	29 703
Variance % 2022 vs 2021		8.9%	15.7%	15.9%	6.5%	11.7%
Variance % 2023 vs 2022		-0.5%	4.9%	2.3%	8.2%	3.7%

SUB-SAHARAN AFRICA (SSA) PORTFOLIO

Nigeria

The effect of the devaluation of the Naira continues to negatively impact retailers and consumers. The gap between the NAFEX rate (N728/\$1) and the parallel market rate (N1 000/\$1) widened to an average of 28% in October 2023. In addition, the high inflation rate is placing pressure on consumers' disposable income. Tenant relief measures are being implemented to assist deserving tenants.

Ikeja City Mall was fully let at 31 October 2023. The previous vacant space of 16m² was taken up by Istanbul Harem Limited. The centre continues to have strong demand for retail space, with international brands on its waiting list.

Ghana

Ghana continues to face extraordinary macroeconomic challenges, given the local currency's depreciation, muted economic growth, high inflation and steep government debt. Notwithstanding these challenges, the key trading metrics in Cedi terms reflected growth in the period under review.

Significant progress has been made in securing replacement tenants for the 13 164m² previously occupied by Game. Replacement tenants have commenced trading or are fitting out on 63% of the ex-Game space and leases for a further 11% have been signed. Negotiations to fill the remaining 26% are in progress.

At West Hills Mall, a lease has been concluded with a major anchor retailer in Ghana, Melcom Group to take up the ex-Game space, as well as some additional space. Melcom is scheduled to start trading in mid-December 2023.

Orca Deco took up the ex-Game space at Accra Mall in June 2023. Negotiations are at an advanced stage to reduce the space occupied by Orca Deco to accommodate Decathlon and mitigate tenant concentration risk.

At Kumasi City Mall, a lease has been concluded with Decathlon on 1500m² of ex-Game space. Initial discussions have been held with other tenants to take up the remainder of the ex-Game space.

SSA portfolio key trading metrics for the period:

Performance measure	Year	Jul	Aug	Sep	Total for 3-month period
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Tenant turnover (GHC'000)	2021	42 815	48 511	44 055	135 381
	2022	49 734	52 034	55 324	157 092
	2023	60 883	60 576	62 181	183 640
Variance % 2022 vs 2021		16.2%	7.3%	25.6%	16.0%
Variance % 2023 vs 2022		22.4%	16.4%	12.4%	16.9%
Tenant turnover (US'000)	2021	7 170	7 864	7 955	22 989
	2022	5 968	5 926	5 478	17 372
	2023	5 278	5 304	5 397	15 979
Variance % 2022 vs 2021		-16.8%	-24.7%	-31.2%	-24.4%
Variance % 2023 vs 2022		-11.6%	-10.5%	-1.5%	-8.0%
Monthly trading density GHC	2021	1 198	1 246	1 121	1 187
	2022	1 112	1 170	1 297	1 208
	2023	1 704	1 715	1 837	1 751
Variance % 2022 vs 2021		-7.2%	-6.1%	15.7%	1.7%
Variance % 2023 vs 2022		53.3%	46.6%	41.7%	45.0%
Monthly trading density USD	2021	201	202	202	202
	2022	133	133	128	130
	2023	148	150	159	152
Variance % 2022 vs 2021		-33.5%	-34.0%	-36.5%	-35.4%
Variance % 2023 vs 2022		10.7%	12.7%	24.2%	16.9%
Foot count (Ikeja incl.) ('000)	2021	2 059	2 142	1 945	6 146
	2022	1 929	1 957	1 902	5 788
	2023	1 792	1 812	1 834	5 438
Variance % 2022 vs 2021		-6.3%	-8.6%	-2.2%	-5.9%
Variance % 2023 vs 2022		-7.1%	-7.4%	-3.6%	-6.0%
Vacancy (Ikeja incl.) (%)	2021	11.2%	11.1%	10.8%	
	2022	10.2%	10.1%	9.4%	
	2023	16.8%	17.0%	16.9%	
Excl Game	2023	7.1%	7.1%	7.1%	
Collections (Ikeja incl.) (\$'000)	2021	3 308	2 764	3 225	9 297
	2022	3 488	3 454	3 227	10 169
	2023	2 002	2 747	2 774	7 523
Variance % 2022 vs 2021		5.5%	25.0%	0.1%	9.4%
Variance % 2023 vs 2022		-42.6%	-20.5%	-14.0%	-26.0%

Vacancies for all four assets combined increased from 9.4% a year ago to 16.9% currently. Excluding the impact of Game, vacancies would have improved to 7.1%. The decrease in collections is due to the loss of Game from 1 January 2023 and the impact of the currency devaluations.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Waste

Hyprop remains committed to its 'zero-waste' journey aimed at optimising waste diversion. A new milestone was achieved as the Group reached 1000 tons of organic waste diverted from landfills and saved 700 metric tons of carbon dioxide equivalents from being emitted into the atmosphere since the start of its 'zero waste' journey. For the period, the average total organic waste diverted from landfills was 64.10 tons/month across the eight SA centres (up 3.85 tons/month on FY2023).

Water

As South Africa's water security worsens, Hyprop is investigating various water management initiatives to ensure a stable and reliable water supply for its SA centres. An estimated 20 213 kl of water was saved in the period as a result of the Propelair toilets at Clearwater, Rosebank Mall and Offices, Hyde Park Corner and Woodlands Boulevard.

Energy

We continue to prioritise energy solutions projects to enable our centres to trade during loadshedding. The integration of diesel generators and solar plants at our SA centres is now complete and the fourth phase of the Clearwater Mall solar PV project (total 7 047 kWp) was completed at the end of September 2023. New solar PV projects at The Glen (further 3 854 kWp) and Cape Gate (5 532 kWp) have been approved and implementation is planned to commence in Q2 of 2024.

BALANCE SHEET AND CAPITAL MANAGEMENT

68.5% of shareholders elected to reinvest their FY2023 cash dividend in return for additional Hyprop shares through the dividend reinvestment alternative ("DRIP"), amounting to an aggregate reinvestment value of R731 million. The dividend reinvestment elections were reduced equitably for all shareholders on a pro-rata basis, resulting in the issue of 20 832 563 new Hyprop shares and R500 million of cash being retained by Hyprop as new equity.

During the period, the Company secured a new R750 million loan facility and refinanced the bank loan which matures in January 2024 in two tranches for 3.75 and 4.25 years respectively, at lower margins. R1.3 billion (notional principle) of new ZAR interest rate hedges were concluded with an average fixed/cap rate of 7.97%. In the current interest rate environment our interest rate hedging strategy favours caps to ensure we are protected against interest rate increases with the potential to participate in favourable interest rate movements. 83% of the Group's interest rate exposure is hedged.

The Group's liquidity position remains healthy, with R2.1 billion of undrawn facilities and R1.0 billion of cash. The LTV ratio, after payment of the FY2023 dividend and DRIP, is 37.8%. The Company expects the LTV to increase to circa 40.3% post the Table Bay transaction as further detailed below, which is in line with our internal target range.

The forecast capital expenditure for FY2024 remains at circa R500 million, including the R140 million of projects rolled over from FY2023. In the medium term, the Company anticipates allocating approximately R350 million to R400 million annually towards capital expenditure, funded mainly from retained distributable income. This includes both defensive and yield-enhancing projects such as ongoing energy security solutions (generators and solar), minor redevelopment projects, upgrades and repositioning initiatives – which should bolster our centres' competitiveness. This estimate excludes the initial solar projects in the Western Cape, corporate transactions and any major extensions and/or redevelopments.

TABLE BAY TRANSACTION

On 17 October 2023, Hyprop announced the conclusion of an agreement to acquire Table Bay Mall. The transaction presents a unique opportunity for the Group to acquire a relatively new centre with good growth prospects compared to the remainder of the SA portfolio and is in line with the Group's strategy to increase its exposure to the Western Cape, whilst pursuing recycling opportunities.

The transaction is still subject to the competition authority's approval and the effective date is anticipated to be no later than 30 April 2024.

IN CLOSING

Trading performance and leasing activity in the SA and EE portfolios are improving, and the Group's centres continue to demonstrate their strength and relevance in their markets. These provide a solid base from which we will continue to execute our key strategic objectives to deliver long-term sustainable growth for all stakeholders.

Given the current high levels of inflation and interest rates, Hyprop still anticipates that its financial performance will be negatively impacted in the short-term by higher interest costs as borrowings are refinanced and interest rate hedges mature and are replaced at the prevailing rates, as outlined in its FY2023 financial results.

Hyprop's interim results for the six months ended 31 December 2023 are scheduled to be released in March 2024.

A virtual presentation and Q&A session will be hosted by Investec Securities on Thursday, 30 November 2023 at 14:00. Please email Khanyisani.Kubheka@investec.co.za if you wish to join the presentation. A recording of the presentation will be available on Hyprop's website thereafter.

30 November 2023

Sponsor

JAVACAPITAL