

HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

JSE share code: HYP ISIN: ZAE000190724

JSE bond issuer code: HYPI

(Approved as a REIT by the JSE)

("Hyprop" or the "Company")



SHORT-FORM ANNOUNCEMENT: SUMMARISED CONSOLIDATED AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2022

Successful implementation of the Hystead liquidity event

- Disposal of Delta City, Belgrade and Delta City, Podgorica
- Acquisition of 100% of City Center one East and City Center one West in Zagreb, Croatia, The Mall in Sofia, Bulgaria and Skopje City Mall in Skopje, North Macedonia from Hystead

Balance sheet strengthened

- Fully consolidated LTV ratio reduced from 45.8% in June 2021 to 36.4% in June 2022 (39.2% after the proposed October 2022 dividend)
- R5.6 billion reduction in borrowings, including a reduction of the Euro equity debt guaranteed by Hyprop from €365 million in June 2021 to €111 million in June 2022
- 39% increase in gross assets to R37.3 billion
- Strong liquidity position with R1.7 billion of cash and R2.6 billion of available bank facilities at 30 June 2022
- Increase in the value of unencumbered investment properties to R5.0 billion

Operations

- Improvements in the key trading metrics in all portfolios, with most returning to or exceeding 2019 levels
- Tenant turnover for the SA portfolio increased by 13.6%, and for the EE Portfolio by 14.5%
- Retail vacancy rate in the SA portfolio reduced to 2% (2021: 2.4%)
- Retail vacancy rate in the EE portfolio at 0.7%

Distributable income

7.4% growth in Group distributable income

ESG

- Introduced a zero wet waste strategy across the SA portfolio
- New long-term incentive plan (LTIP) approved by shareholders
- Appointed three independent non-executive directors adding depth to the Board
- Appointed internal company secretary

FINANCIAL PERFORMANCE

	Audited year ended 30 June 2022	Audited year ended 30 June 2021
Net operating income (R'000)	1 121 371	889 711
Headline earnings per share (cents)	442.1	327.7
Basic earnings / (loss) per share (cents)	406.7	(297.4)
Distributable income per share (cents)	342.5	354.5*
Dividend per share (cents)	293.64090	336.52921
Net asset value per share (Rand)	60.88	62.96

*Calculated in accordance with the dividend policy below. See full announcement for further details.

DIVIDEND POLICY AND DIVIDEND DECLARATION

Dividend policy

Our dividend policy is based on our key objectives of maintaining and repositioning our portfolios, strengthening the balance sheet, and reducing the LTV ratio, while meeting shareholder expectations and the minimum distribution requirements for REITs.

In determining the funds available for distribution, we use consolidated distributable income (accounting net income before fair value adjustments, adjusted in terms of the REIT Association guidelines for calculating distributable income). We then deduct from distributable income, (i) distributable income that cannot be remitted to South Africa (for example, income earned in Nigeria where the US Dollar illiquidity prevents remittances of profits), and (ii) distributable income that is retained to further Group objectives (for example, distributable income that is retained in the EE portfolio to reduce debt and fund capital expenditure). The resultant funds available for distribution forms the basis for calculating the distribution to be paid to shareholders.

Assuming the distributable income from the EE and SSA portfolios is retained, Hyprop's distributions should primarily comprise distributable income from its SA portfolio, amounting to an overall pay-out ratio of approximately 75% of consolidated distributable income. For this financial year, with the EE portfolio included for only a portion of the financial year, the effective pay out equates to 85.7%.

Dividend declaration with an election to reinvest the cash dividend for additional shares in Hyprop

A dividend of 293.6 cents per share for the year ended 30 June 2022 will be paid to shareholders, who will be entitled to elect to reinvest the net cash dividend in return for additional Hyprop shares through a dividend reinvestment alternative ("DRIP"), limited to a maximum aggregate reinvestment amount of R500 million.

The DRIP will assist the Company to fund the capital expenditure in repositioning the SA portfolio without incurring significant new borrowings, as well as creating a buffer against the potential impact of rising inflation, higher interest rates and energy costs, and slowing global growth, with the Company meeting the minimum distribution requirements applicable to REITs.

A detailed announcement relating to the dividend and the DRIP, including salient dates, any discount to the market price at which shareholders will be entitled to subscribe for additional Hyprop shares and the tax treatment of the dividend and the DRIP, will be released separately once the relevant regulatory approvals have been obtained.

The board of directors of Hyprop may, in its discretion, withdraw or amend the DRIP should market conditions warrant such action. Any such withdrawal will be communicated to shareholders prior to the release of the DRIP finalisation announcement on SENS.

OUTLOOK AND PROSPECTS

Having navigated the Covid-19 pandemic, and barring any further outbreaks, the Group faces challenges from rising inflation, higher interest rates and energy costs, and socio-political events. These factors are compounding existing weaknesses in the South African economy, including the failure by municipalities and Eskom to deliver services, currency volatility and pressure on consumers and consumer spending. Risk in the current economic environment remains elevated and is changing, requiring caution and conservatism in our approach and strategy.

The SA portfolio accounts for 63% of the Group's total assets, 85% of the Group's 2022 distributable income, and is the core of our operations. Having taken control of the EE portfolio, opportunities to expand in the region will be considered. We remain committed to exiting our investments in SSA and will actively manage these assets until their sale.

We will continue to focus on generating sustainable total returns for shareholders, reducing debt, and allocating capital prudently to diversify risk. We expect to deliver steady growth in distributions from the SA portfolio, while retaining income from the EE and SSA portfolios to strengthen the balance sheet.

Strategic priorities

We are pursuing the following six strategic initiatives:

1. Repositioning the South African portfolio
2. Retaining the dominance of the European portfolio
3. Reviewing the portfolios annually to evaluate the case for recycling assets and to consider growth opportunities

4. Extracting returns from the sub-Saharan African portfolio pending an exit
5. Developing non-tangible assets aligned to our tangible assets and/or the property sector
6. Ensuring our balance sheet is healthy and strong.

In pursuing our strategic priorities, we are evolving our centres by focusing on four key areas:

1. Allocating space for new uses in existing developments and redevelopments
2. Differentiating and balancing our tenant mix between different trade categories to meet changing shopper needs
3. Improving operating efficiencies by monitoring and managing occupancy costs to reduce the risks associated with over-rents
4. Continually improving centre experiences.

BASIS OF PREPARATION

The summarised consolidated audited results for the year ended 30 June 2022 were prepared in accordance with the JSE Listings Requirements for summarised consolidated results and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require summarised consolidated results to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and as a minimum, to contain the information required in terms of IAS 34 Interim financial reporting.

All of the accounting policies applied in the preparation of the Group financial statements are consistent with those applied by Hyprop in its Company and Group financial statements for the prior financial year. All amendments to standards that are applicable to Hyprop for its financial year beginning 1 July 2021 have been considered. Based on management's assessment, the amendments do not have a material impact on the Group's annual financial statements.

These summarised consolidated results for the year ended 30 June 2022 have been extracted from the audited Company and Group financial statements but have not been audited. The directors take full responsibility for the preparation of the summarised consolidated results and for ensuring that the financial information has been correctly extracted from the underlying audited Company and Group financial statements.

KPMG Inc. has audited the Company and Group financial statements. Key audit matters considered by KPMG are the valuation of investment property and accounting for the Hystead transaction (as defined in their audit report). Their unqualified audit report is available from the registered office of the Company or on the Company's website. The auditor's report does not necessarily report on all of the information included in this announcement. Shareholders are therefore advised that, to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report, together with the underlying financial information, from the registered office of the Company or the Company's website at <https://www.hyprop.co.za/results/annuals-2022/pdf/financial-statements.pdf>.

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the full announcement and does not include full or complete details. The full announcement has been released on SENS and is available on the JSE website <https://senspdf.jse.co.za/documents/2022/jse/isse/HYPE/FY2022.pdf> and on the Company website at <http://www.hyprop.co.za/results/interims-2022/pdf/booklet.pdf>. Copies of the full announcement may also be requested by emailing Lizelle du Toit at lizelle@hyprop.co.za or at the Company's registered office or at the office of the sponsor, at no charge, during office hours from Thursday, 29 September 2022 to Friday, 7 October 2022. Any investment decision should be based on the full announcement published on the Company's website.

29 September 2022

Sponsor

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