Liberty Two Degrees sees continued positive momentum

Reinforced by a strong balance sheet, the company reports a full interim distribution pay-out for the first six months, an increase of 11% over the prior year interim distribution

---

Key Highlights:

- Strong recovery in retail operational metrics with portfolio footcount up 10.2% on the 2019 comparable period (28.0% vs 2021),
- Retail turnover up 16.1% vs 2019 (25.1% up vs 2021) and retail occupancy up to 97.2%
- In-force escalations for the period remain healthy at 6.8%
- Notable recovery in average hotel occupancies:
  - Sandton Sun: 71.5% (HY21 - 39.8%)
  - Garden Court: 40.7% (HY21 - 12.8%)
- L2D's balance sheet strength remains a key enabler in navigating the tough environment, with a loan-to-value of 24.64%
- Continued focus on implementing bold commitments to achieving the Net Zero 2030 target
  - Diverted 84% of waste from landfill from 35% in 2021
  - Reduced reliance on power grid by 3.6% across the portfolio - additional solar roof plant installation at Promenade Mall

---

1 August 2022 - Reporting interim results for the six months to 30 June 2022 amid the impact of the current local economic backdrop, Amelia Beattie, Chief Executive of Liberty Two Degrees (L2D), the precinct focused retail centred REIT, says the company is encouraged by its financial and operational metrics, which have shown continued positive momentum in the recovery of its property portfolio, with the retail assets driven by quality tenancies, providing the biggest share of the uplift. This has been supported by an encouraging recovery in the hospitality assets that are starting to show increased levels of activity. The positive momentum has been supported by the lifting of the National State of Disaster and the removal of the remaining Covid-19 regulations which contributed to a return in both retail and consumer confidence, boding well for our portfolio in the first half of the year.

Commenting on this, Beattie adds "Our operational metrics have shown a steady recovery in the first half of 2022 with a 16.1% improvement in turnover growth compared to 2019. Q1 achieved 13.6% in turnover on Q1 2019 and is tracking 25.4% ahead of Stats SA's industry benchmark of 1.9% year-on-year for Q1 2021. Trading gained momentum as the year progressed, with turnover in Q2 up 18.4% on Q2 2019".

"Our customer experience initiatives continue to pay off as the portfolio records the highest footcount in the first six months of 2022 compared to the prior three comparative years. The L2D portfolio consistently experiences double digit growth in footcount, having not dropped below 10% this year. This encouraging start to the year contributed to better occupancy rates and good leasing activity in the period, indicating the strong demand for L2D retail space where 179 leases (renewals and new deals) were concluded in the first half of 2022, equating to 46,992m². On the back of this solid performance, we are pleased to report that the L2D Board has declared a full interim distribution pay-out of 17.48 cents per share for the first six months, a double digit increase of 11% over the prior year interim distribution reinforced by a strong balance sheet" says Beattie.

The continued double digit increases in municipal and utility costs, coupled with increased periods of loadshedding and a weak consumer environment facing an increased inflationary burden, remains a catalyst for downside pressure on the portfolio's performance. The portfolio occupancy level declined marginally to 92.9% in June 2022 (December 2021: 93.7%) with continued pressure in the office sector. L2D's office exposure remains low, making up 3.1% of the overall vacancy and improved retail occupancy.

"Though not yet positive, we are seeing an improvement in the downward trend that has plagued rental renewals over the last few periods. Rental reversions across the portfolio were negative 16.3%, with retail renewals reverting at -15.6% and offices at -26.1% (June 2021: retail -26.6%, office -21.0%). It is worth noting that that there is a time lag between turnover improvement and improvement in lease renewals which are also dependent on the timing of expiry of the in-force leases" adds Beattie.

Financial overview

Reporting on L2D's financial performance, Financial Director, José Snyders says that L2D continues to enable future growth through prudent financial management, recording an increase in net property income by 10% to R272 million, supported by lease income escalations and improved activity in the retail portfolio and hospitality assets. Included herein, net utility costs increased due to higher consumption coupled with marginally lower recoveries in certain cost categories which were exacerbated by the increased cost associated with load shedding, municipal tariff hikes and provisions raised in respect of ongoing objections to municipal rates valuations.

Snyders adds that the REIT is encouraged by the recovery in the hospitality sector, which has seen increased occupancies at both the Sandton Sun and Garden Court hotels, with net revenue up R14million from the prior year. Operating costs are higher than the comparative period in 2021 at R7.1 million, but Snyders says that efforts to reduce costs are ongoing.

Commenting on the company's conservative balance sheet as a critical strength within the uncertain environment, Snyders says, "We have a healthy loan to value of 24.64% at 30 June 2022 (23.87%: 31 December 2021) and sufficient liquidity to meet our operational needs, we remain well within our banking covenants. Our interest cover ratio remains healthy in excess of three times, with 63.0% of our interest rate exposure hedged ".

L2D's average cost of debt remains relatively low at 7.75%. L2D's property portfolio was valued at R8.4 billion in the period, which is a marginal decrease of less than 1% from the December 2021 valuation.

Environmental sustainability as a key focus to the L2D ESG strategy

L2D remains focused on achieving its Net Zero targets across waste, water and energy. To date, L2D achieved a significant improvement in its waste diversion rate at 84% from 35% in 2021. Several initiatives are already in place to reduce electricity consumption across the portfolio, including the most recent installation of a 1-megawatt solar roof plant at Liberty Promenade Mall. The centre's carbon footprint will be offset by 2,3 tons of Carbon Dioxide each year.

Outlook

"While the South African economy remains under pressure with a low growth forecast for the remainder of 2022, we remain realistic about the uncertainties which prevail and focused on building on the momentum gained in the first half of 2022. Our commitment to creating value underpins our financial and operational performance and management's ability to drive financial and operational excellence. We aim to build on the momentum gained in turnover and footcount recovery, drive leasing performance and lower reversions, which containing costs to strategically position the company for further growth", Beattie concludes.

- Ends -

Enquiries: investors@liberty2degrees.co.za

Notes to Editors

About Liberty Two Degrees Limited

Liberty Two Degrees (L2D) is a South African precinct-focused, retail-centred REIT, reconstituted and listed as a corporate REIT ON 1 November 2018. L2D's **purpose** is to continue to create experiential spaces that benefit generations, with a **vision** to be the leading South African, precinct-focused, retail-centred REIT. L2D's purpose and vision guide its strategy and underpin its everyday business activities.

About Liberty Two Degrees' portfolio

L2D has investments in a quality portfolio of iconic assets, these are:

- Johannesburg: o Sandton City Complex; Eastgate Complex; and Nelson Mandela Square;
    - Sandton Sun Hotel, the InterContinental Sandton Towers and the Garden Court Sandton City; and
    - Melrose Arch precinct
- **Cape Town:** Liberty Promenade Shopping Centre;
- **KwaZulu-Natal:** Liberty Centre Head Office and Umhlanga Ridge Office Park; Liberty Midlands Mall; John Ross Eco-Junction Estate; and
- **Bloemfontein:** Botshabelo Mall

L2D building blocks

L2D is focused on continuously improving the quality of its assets, introducing innovative and unique experiences that attract tenants, shoppers and visitors to its malls in order to create sustainable value for stakeholders. This has been articulated through the L2D strategic building blocks, which help futureproof the assets and truly set them apart in the market and sharpen the focus of L2D's efforts and business activities. The L2D building blocks are:

- **Good Spaces:** L2D understands the importance of partnering with its stakeholders to accelerate its positive impact on the natural environment. L2D remains bold in driving its net zero commitments, which is evident at its business operations and sites, reducing carbon emissions, water use and waste generation as it moves towards achieving its net zero sustainability target by 2030. Supportive initiatives have been implemented to achieve this goal.
- **Smart Spaces:** L2D aims to secure and sustain its leading position in the market by remaining at the forefront of innovative design thinking. The creation of smart environments that integrate technology to enhance the customer and retailer experience is a key initiative in this strategic growth area. Through Smart Spaces, L2D aims to accelerate its roadmap to create the seamless interaction between digital and physical retail.
- **Interactive Spaces:** Interactive Spaces is about providing an interchange of ideas and experiences within the L2D malls.
- **Safe Spaces:** L2D's building blocks are all underpinned by Safe Spaces. L2D aims to drive a clearly defined mall strategy that ensures the mall environments hold the highest standard of safety and security for tenants and shoppers. L2D has been affirmed by SAFE Shopping Centres, a Global certification and advisory company, as the first responsible owner in Africa to achieve international certification following a Covid-19 assessment, taking the extra steps to ensure duty of care for tenants and shoppers.