DIPULA'S CONTINUED DISCIPLINED EXECUTION OF STRATEGY DELIVERS SOLID RESULTS

Highlights:

- **Property portfolio up 25% to R8.6 billion**
- **Vacancies down to 7.5% (2017: 8.5%)**
- **Office vacancies down 51% y-o-y**
- **Distributable earnings up 17.8% to R504.2 million**
- **DIA dividend up 4,5%; DIB dividend up 4,4% y-o-y**
- **32% oversubscribed capital raise of R790 million**

19 November 2018, Johannesburg: SA-focussed and diversified REIT, Dipula Income Fund ("Dipula"), reported double-digit growth in distributable earnings to R504.2 million, and its DIA and DIB dividends per share were up over 4,4% a piece year-on-year. The property portfolio ended the year considerably improved and 25% larger at R8.6 billion, with the average size per property suitably increased in line with strategy. Internalisation of asset management was completed in the year to align the REIT with best practice.

CEO Izak Petersen says that despite real estate being highly susceptible to the current depressed macro-economic cycle, and listed property having taken a precipitous selling hit in 2018, Dipula managed to record solid operational performance thanks to remaining disciplined and true to its strategy of making good strategic acquisitions and managing its assets well. "We increased the value of our portfolio, the quality, average size per property, cut vacancies and successfully executed our tactical defensive rebalancing strategies and objectives to position our business for headwinds. Furthermore we kept costs in check with our net cost to income ratio being marginally down on the prior year's 21.6% to 21.4%."

Dipula's property portfolio currently comprises 203 properties compared to 174 properties at the previous year-end. It maintains a retail bias in line with strategy – 66.4% of gross property income - with the remaining 19% in offices and 14.6% in industrial, respectively. Overall, vacancies dropped from 8.5% to 7.5% and tenant covenants remained healthy. There was a significant drop in office vacancies, which reduced by 51% from 18.7% to 9.2%, better than the sector average of 11.2% as per the latest SAPOA statistics. Tenant retention was at a healthy 88% while a positive renewal rate of 1% was achieved on expiries.

Petersen says despite the generally weak retail sector in SA, retail within Dipula's portfolio remains a good performer with growth in turnover of 3% y-o-y. He attributes this to a combination of "intense asset management efforts, Dipula's focus on smaller retail centres and the defensive nature of its portfolio given the tenant mix in its assets." Industrial vacancies closed on a par year-on-year at 5.8%.

The REIT's reinvestment strategy saw R195 million spent on capital expenditure inclusive of redevelopments, and another R250 million earmarked for the next 18 months. The R1.25 billion acquisition of the Setso Holdco and Rec Group Property Trust ("RecTrust") portfolio, at a cap rate of 11.8% was completed in June 2018. Illustrating market confidence in Dipula's strategy, its accelerated bookbuild to fund the acquisitions was well supported with a 32% oversubscription to raise the required R790 million equity.

Disposals in the year included Dipula's 30% undivided interest in Eyethu Orange Farm Mall and another six properties, for a total of R290 million. Dipula has identified assets worth around R300 million, for disposal in the short to medium term.

Dipula's weighted average cost of debt remained in line with the prior year at 9.25%, with its gearing marginally up to 40.6% compared to 39% in 2017. New debt of R600 million was raised while another R600 million was successfully re-financed. Interest rates were 87% hedged for a weighted average period of 2.1 years.

Looking ahead Petersen is cautious like most local businessmen. "Real improvement in the SA economy is expected to materialise only after the national elections in 2019 but we will continue to execute on our pipeline of projects and position our business for long term sustainability. Thanks to the various initiatives undertaken in the past seven years since listing, we have laid a solid foundation to position Dipula to grow its assets and produce income growth for shareholders from the year 2020 and beyond." He concludes: "We will remain vigilant and adaptable and continue our proven growth strategy." Notwithstanding expected flat growth in dividends per share for 2019 due to the various initiatives undertaken in the current year, which impact dividends in the year ahead and have set the foundation for the medium to long term, Dipula is confident of delivering 7% growth in dividends per share for the year ending 31 August 2020.

Ends.

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