



7 March 2018

Redefine refines offshore structure, bolsters liquidity with R3.7 billion sale of Cromwell stake in Australia

JSE-listed diversified Real Estate Investment Trust (REIT) Redefine Properties (JSE: RDF) has bolstered its liquidity and began a process to refine its international holdings following an agreement to sell a 19.5% stake in Australia-listed Cromwell to Singapore-based ARA Asset Management Limited.

"This deal ticks a number of boxes for Redefine, which supports our mission to create sustained value for stakeholders. We create capital efficiency, refine our international holdings, reduce debt and have a lot of funding capacity should another investment opportunity arise," says Redefine CEO Andrew Konig.

Operating in a constrained and costly capital environment, recycling of capital has become a prominent feature of Redefine's funding strategy to efficiently source capital and improve credit metrics.

"To sustain value creation for all stakeholders Redefine seeks to optimise its allocation of capital through active asset management. The sale of the majority holding in Cromwell significantly advances these strategic objectives," says Konig.

The deal is still subject to FIRB (Foreign Investment Review Board) approval, and following the sale Redefine will retain 60 million shares, or 3.09% of Cromwell securities in issue, offering it an opportunity to benefit from future pipeline deals in Australia.

Brisbane-based Cromwell is a real estate fund manager listed on the Australian Securities Exchange and Konig said he only has the highest regard for the management of Cromwell in what he says "has been a fantastic partnership over the past ten years".

"All our offshore assets are actively managed to create sustained value for stakeholders and are therefore under constant review. When offers come through we critically evaluate the long-term value creation and in this case we saw an opportunity to optimise capital sourcing and the allocation of capital, while lowering debt," says Konig.

The deal forms part of the process of refining Redefine's international holdings in various investments.

Redefine has grown its offshore footprint significantly over the last six years, with one of those investments being a 23% stake in Cromwell Property Group in Australia. A R5 billion investment into Echo Polska Properties in Poland in 2016 and more recently a strategic 25% stake in a 692 million euro retail portfolio of 28 quality, established and well located assets across Poland further diversified and hedge earnings.

Konig says the Cromwell sale is "investor positive from a number of respects, most notably from a liquidity point of view and is balance sheet positive on the loan to value front".

As at 31 August 2017, the net asset value of Redefine's total investment in Cromwell was AUD475 668 093 or R4 889 868 000. The proceeds on disposal of the sold Cromwell securities is AUD405 865 792 (AUD1.05 per share) or R3 725 847 971 and Redefine will retain 60 million

Cromwell securities, which has a current market value of AUD60 600 000 or R556 308 000. For the financial year ended 31 August 2017, Redefine received dividends of R380 069 000 in respect of its investment in Cromwell.

"We will sell most of the holding and for us, it is about optimising capital efficiency while still benefiting from future distributions and the redevelopment of certain quality assets in Australia," says König.

Included among these will be the completion of Northpoint, which is in the process of being redeveloped and is anticipated to be completed sometime in the first half of 2018.

"Our broader strategy remains growing our local portfolio while targeting a diversified stream of revenue in offshore jurisdictions with growth potential," concludes König.