



# TEXTON

PROPERTY FUND

NEWS RELEASE FROM TEXTON PROPERTY FUND

5 March 2019

## ***Texton clears the way for its return to positive performance***

Texton Property Fund today reported a total dividend of 36.18 cents per share for its half-year ended 31 December 2018.

While its distributions were down 24.6% from December 2017, it has made significant strategic progress in clearing the way for improved performance. Its net tangible asset value increased by 25.7% during the half-year to 829.08 cents per share.

Texton is a diversified JSE-listed SA REIT with total property assets valued at R5.2bn, of which 61.8% by value is in South African and 38.2% in the UK. It invests in assets ranging from offices, industrial and logistics facilities to retail properties. In South Africa, its investment is focused on quality, well-maintained properties concentrated in the country's metropolitan cities. In the United Kingdom, Texton's investment strategy targets high-yielding single-tenant properties in strong secondary nodes.

During a particularly challenging half-year for Texton, factors that contributed to its decreased distribution include lower net property income because of slower than budgeted take-up of vacant space, increased net finance costs and lower realised foreign exchange gains as well as an increased tax liability stemming from a change in tax regulations in the UK.

Texton however made pleasing advances with several strategic initiatives that place it on a much better footing for the future. It has new leadership in place that retains institutional capital at both an executive and non-executive level. It has also dealt with its legacy issue of the PIC put option, with shareholders voting against the repurchase of the shares.

After some 100 days serving as Texton's new CEO, Marius Muller says, "We have dealt with numerous major issues that had been holding Texton back and have made good progress in laying the groundwork for a return to positive performance. We hold ourselves accountable to Texton's shareholders and have already taken steps to improve our communication, disclosure and engagement with all stakeholders."

He adds, "We have assessed our portfolio of assets and, while it is generally well positioned and defensive, we believe there is an opportunity to rebalance it to optimise performance and support sustainable property income streams. We have identified tenant retention and leasing as an immediate priority. Another key focus for Texton is reducing gearing levels. There are now strategies in place for all three of these priorities."



Muller considers Texton's refinancing programme as one of its biggest challenges and priorities and, having resolved the PIC put option, the focus is now on decreasing gearing levels. Texton's loan-to-value ratio reduced from 42.7% to 40.3% during the half-year. It aims to bring this below the long-term threshold of 40%.

To boost its leasing, Texton has introduced more aggressive incentives and proactive engagement with brokers. Its property manager has also strengthened its leasing team in line with Texton's priorities. In a weak economy with eroding property fundamentals, Texton's vacancy levels shifted higher to 10.5%, with a 12.6% vacancy in its South African portfolio and 3.7% in the UK portfolio.

Texton's international diversification through its UK property holdings is a core strategy. "The UK is a robust market irrespective of its short-term challenges. We intend to maximise the value of our UK property assets," says Muller.

Muller confirms that, with much of the groundwork for achieving Texton's immediate priorities now in place, its longer-term strategy is being reviewed.

"Turning Texton around in a difficult and unsupportive macroeconomic environment is proving to be a more gradual process than we would have liked. We are, however, confident we can make the necessary changes. We have the full confidence of our board and a great team supporting us. Should all shareholders be willing to work with Texton to restore value, I have no doubt we can achieve this," says Muller.

He concludes, "Texton has set a course towards positive performance even in conditions that look likely to remain very challenging. We are committed to adding shareholder value and increasing total returns to support a re-rating of Texton's share price."

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Issued by Texton Press Centre: [www.texton.co.za](http://www.texton.co.za)

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