

SPEAR REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2015/407237/06)

Share Code: SEA

ISIN: ZAE000228995

LEI: 378900F76170CCB33C50

Approved as a REIT by the JSE

(“**Spear**” or “**the Company**”)



SPEAR
REIT LIMITED

TRADING STATEMENT

Shareholders are referred to the various updates provided by the Company relating to the impact of the COVID-19 pandemic on the business of the Company and to the pre-close investor presentation provided on Friday, 28 August 2020. Spear has successfully navigated numerous challenges during the six month period ended 30 August 2020 (“**Interim Period**”) due to the COVID-19 pandemic. Its regional focus and hands on asset management has allowed Spear to deliver on its strategic objectives in the context of the current trading environment.

Further to the above, Spear provides the following additional update to the date of this announcement:

- Revenue collections of revenue billed for the Interim Period was 96% (as at 2 October 2020 and excluding hospitality assets, which were not operational);
- Positive gains on renewals and relets, with an additional 30 000m² of letting concluded post pre-close presentation;
- Conclusion of No.1 Beacon Way, Beaconvale 10-year lease and redevelopment agreement for 16 170m² (32 000m² total site area) with Nova Marine, a Sturrock Grindrod Group Company;
- Conclusion of No.11 Hewett Avenue, Epping 10-year lease renewal (no negative rental reversion) on 12 500m² and additional 2 000m² warehouse extension agreement for a total of 14 500m² with Nampak Limited;
- Gym tenant’s rental payments recommenced from 1st September 2020 at stepped up rental arrangements starting from 50% of gross normalised rental;
- Arrears for the Interim Period has reduced from R16 million to R8 million, as at 2 October 2020;
- Post Interim Period, both Double Tree by Hilton and 15 on Orange have opened and have been fully operational from 8 September 2020;

- R1.13 billion in debt refinanced and future dated extensions concluded during the Interim Period, with overall improved margins;
- Positive progress on non-core asset disposals, with envisioned net proceeds of R72 million to be deployed into portfolio debt, as part of Spear's LTV reduction strategy;
- During Interim Period R55 million of disposal proceeds were utilised to settle portfolio debt; and
- Notable uptick in demand for Spear's rental properties across Cape Town, contributing to vacancy reductions.

Notwithstanding the above, the board considers it prudent to focus on liquidity and strengthening its balance sheet in the current circumstances. Accordingly, the board has decided to reduce its pay-out ratio (historically 100% of distributable profit), to 80% of distributable profit for the Interim Period. The board will reconsider its pay-out ratio at the end of the reporting period.

Spear has adopted distribution per share as the applicable criteria for trading statement purposes. In terms of the JSE Limited Listings Requirements, Spear is required to publish a trading statement as soon as it becomes reasonably certain that its distribution per share for the next period to be reported on will differ by 15% or more from the distribution per share for the previous corresponding period.

Given the above, the Company hereby advises that a reasonable degree of certainty exists that for the six months ended 30 August 2020, the distribution per share will be between 28.34 cents and 30.34 cents (80% pay-out ratio applied), representing a decrease of between 36.50% and 32.02% compared to the distribution per share of 44.64 cents reported for the six months ended 30 August 2019 (based on a 100% pay-out ratio and including for income generated on hospitality assets for the period).

Management is confident that the Company will continue to operate in accordance within the mid to high road scenario as set out to the market with key strategic objectives and milestones continued to be achieved for the balance of the financial year ending 28 February 2021. This is based on no further material deterioration of the trading environment or material tenant failures.

The financial information on which this trading statement is based has not been reviewed or reported on by the auditor of the Company. The results for the six months ended 30 August 2020 are expected to be published on or about 30 October 2020.

Cape Town
5 October 2020

Sponsor
PSG Capital



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