

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 UPDATE AND TRADING STATEMENT

Trading Update

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 dated Friday, 26 February 2021. Spear has successfully navigated the Covid-19 pandemic during the financial year ending 28 February 2021 ("**2021 Financial Year**"). 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 trading update:

- Rental collections of revenue billed for the 2021 Financial Year was 97% (measured as at 21 April 2021). Rental collection consistency has been maintained within Spear's high road scenario for the 2021 Financial Year;
- Occupancy of 94% at financial year end;
- Audit review of property valuations have been concluded with no significant devaluation for the 2021 Financial Year;
- All LTV & ICR covenants have been met during the year and continue to be met;
- All solvency and liquidity tests have been passed successfully;
- 187 610m² of renewals and relets have been successfully concluded during the 2021 Financial Year with a negative 3.7% average rental reversion;
- No.1 Beacon Way redevelopment of 16 170m² has been completed (32 000m² total site area) and the new 10-year lease agreement with Nova Marine, a Sturrock Grindrod group company, has commenced;
- No.11 Hewett Avenue, Epping has been renewed and a 10-year lease renewal (no negative rental reversion) on 12 500m² has been concluded. Expansion site works are at an advanced stage for an additional 2 000m² warehouse totalling 14 500m² for Nampak Limited;
- As announced on SENS on 18 March 2021, management has concluded a fixed income lease agreement over its 15 on Orange property. The fixed lease will have a R1.6 million net rental (excl VAT) per month increase in Spear's rental revenue from 1 August 2021 (total for 2021 Financial Year from the hotel operations was R1.8 million as a result of the Covid-19 pandemic). The fixed income lease significantly reduces Spear's exposure to variable hospitality income.
- R1.13 billion in debt was refinanced during the 2021 Financial Year with additional future dated extensions concluded at overall improved margins, further reducing Spear's average cost of debt to 7.26%
- R85 million of gross debt was settled during the year with positive progress on non-core asset disposals (sale proceeds to be deployed into the Company's debt portfolio, as part of Spear's LTV reduction strategy);

- Consistent demand for Spear's versatile and well located rental properties across Cape Town will contribute to further vacancy reductions as the year progresses; and
- Final distribution per share to be declared in May 2021 and paid in June 2021.

Trading Statement

Spear has adopted distribution per share ("**DPS**") 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 DPS for the next period to be reported on will differ by 15% or more from the DPS for the previous corresponding period.

The Company's board of directors ("**the Board**") will determine the magnitude of the DPS, which would not be less than 80% of distributable income per shares ("**DIPS**"), for the financial year.

Given the above minimum pay-out ratio being applied, the Company hereby advises that a reasonable degree of certainty exists that for the financial year, the DPS will be between 55.3 cents and 62.1 cents, representing a decrease of between 32.20% and 39.70% compared to the DPS of 91.66 cents reported for the financial year ended 29 February 2020 (based on a 100% pay-out ratio and including income generated on hospitality assets for the period).

The Company also advises that a reasonable degree of certainty exists that the DIPS generated for the 2021 Financial Year will be between 69.9 cents and 76.8 cents, representing a decrease of between 16.19% and 23.69% compared to the DIPS of 91.66 cents reported for the financial year ended 29 February 2020 (based on a 100% pay-out ratio and including income generated on hospitality assets for the period).

The financial information on which this trading statement is based has not been reviewed or reported on by the auditor of the Company. The reviewed results for the financial year are expected to be published on or about 14 May 2021.

Cape Town
28 April 2021

Sponsor
PSG Capital

