

# ANNUAL RESULTS PRESENTATION

FOR THE YEAR  
ENDED  
31 DECEMBER 2017



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# AGENDA

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**Our Year Since Listing**

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**Financial Results**

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**Governance**

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# OUR YEAR SINCE LISTING



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# OUR YEAR SINCE LISTING

Quality, robust  
portfolio

Well positioned  
for future rental  
growth

Turnaround in the  
trading  
environment

Property income  
continues to be the  
driver of  
performance

Letting of  
108 000m<sup>2</sup>  
in addition  
to  
Stuttafords

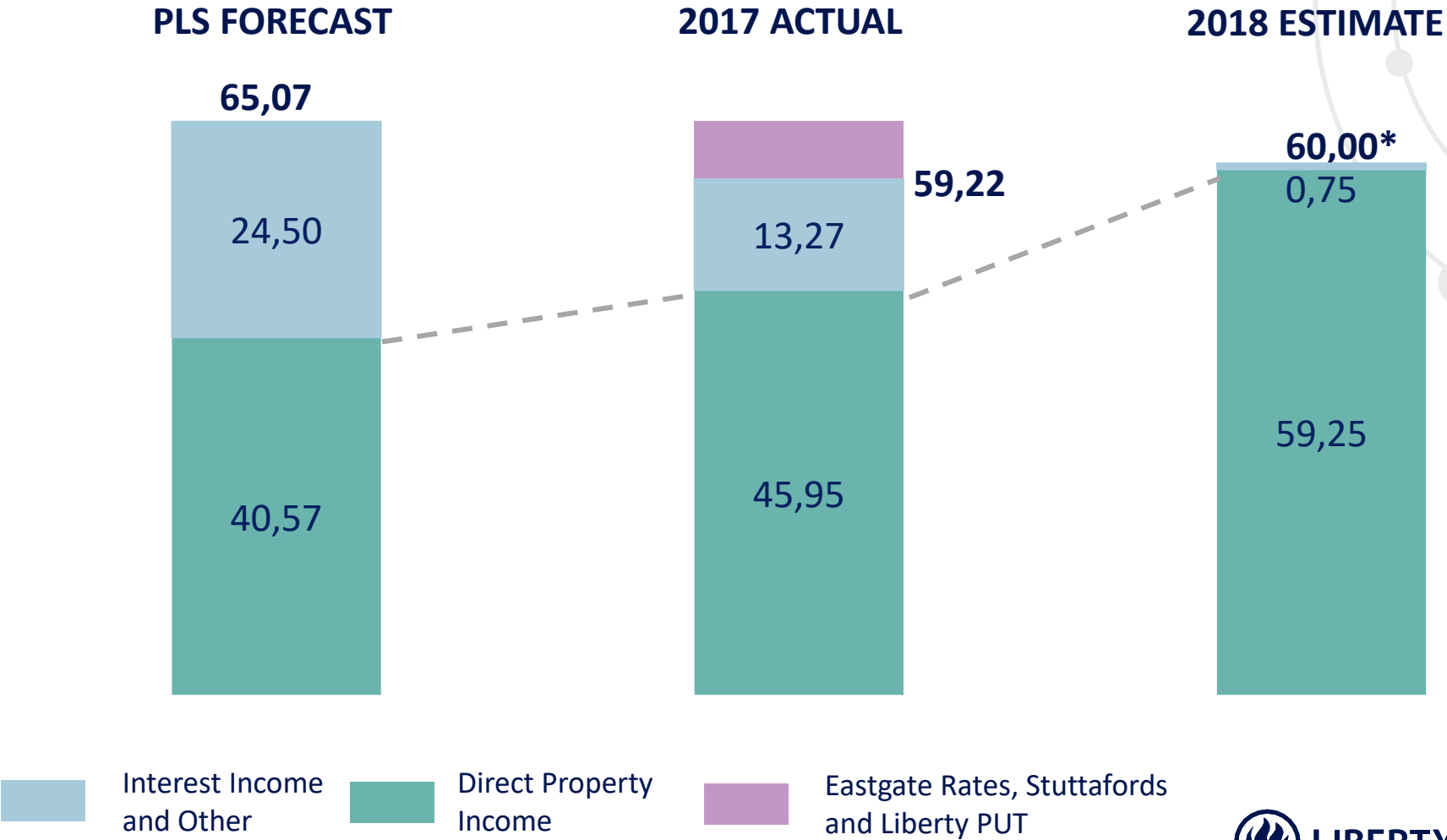
*"The underlying property income growth remains healthy as our assets continue to be robust during a tough economic climate"*



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# DISTRIBUTION BREAKDOWN



\* The estimate has not been reviewed or reported on by the L2D's auditors



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## FINANCIAL RESULTS



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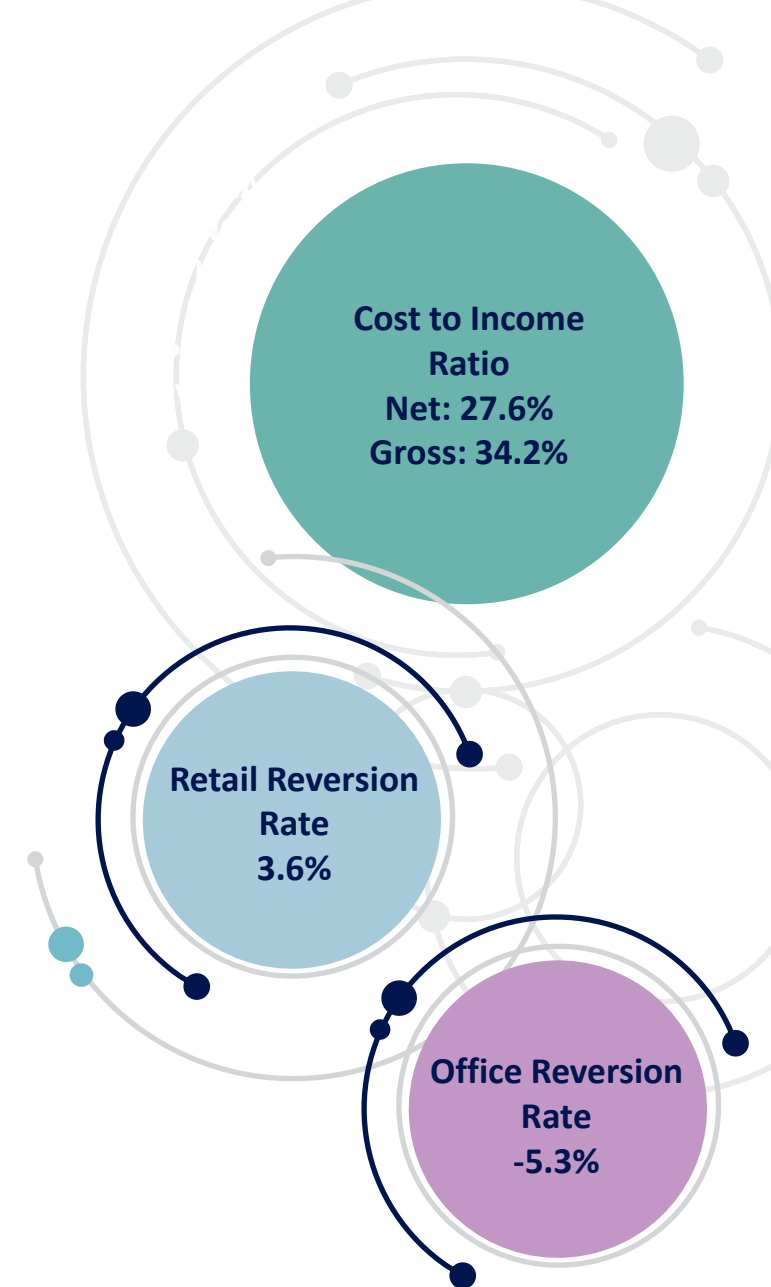
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# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 R'000	2016 R'000
Property portfolio revenue	665 854	43 924
Property operating expenses	(236 709)	(14 391)
<b>Net rental and related income</b>	429 145	29 533
Administration expenses	(4 142)	(887)
<b>Net property income</b>	425 003	28 646
Asset management fee	(34 599)	(2 202)
<b>Profit from operations</b>	390 404	26 444
Net interest	115 063	14 878
Dividends received on financial instrument	5 492	-
Loss on disposal of financial instrument	(460)	-
<b>Profit before fair value adjustments</b>	510 499	41 322
Net fair value adjustments on investment properties	2 319	55 244
Fair value adjustments on equity instrument	2 067	-
<b>Total earnings</b>	514 885	96 566



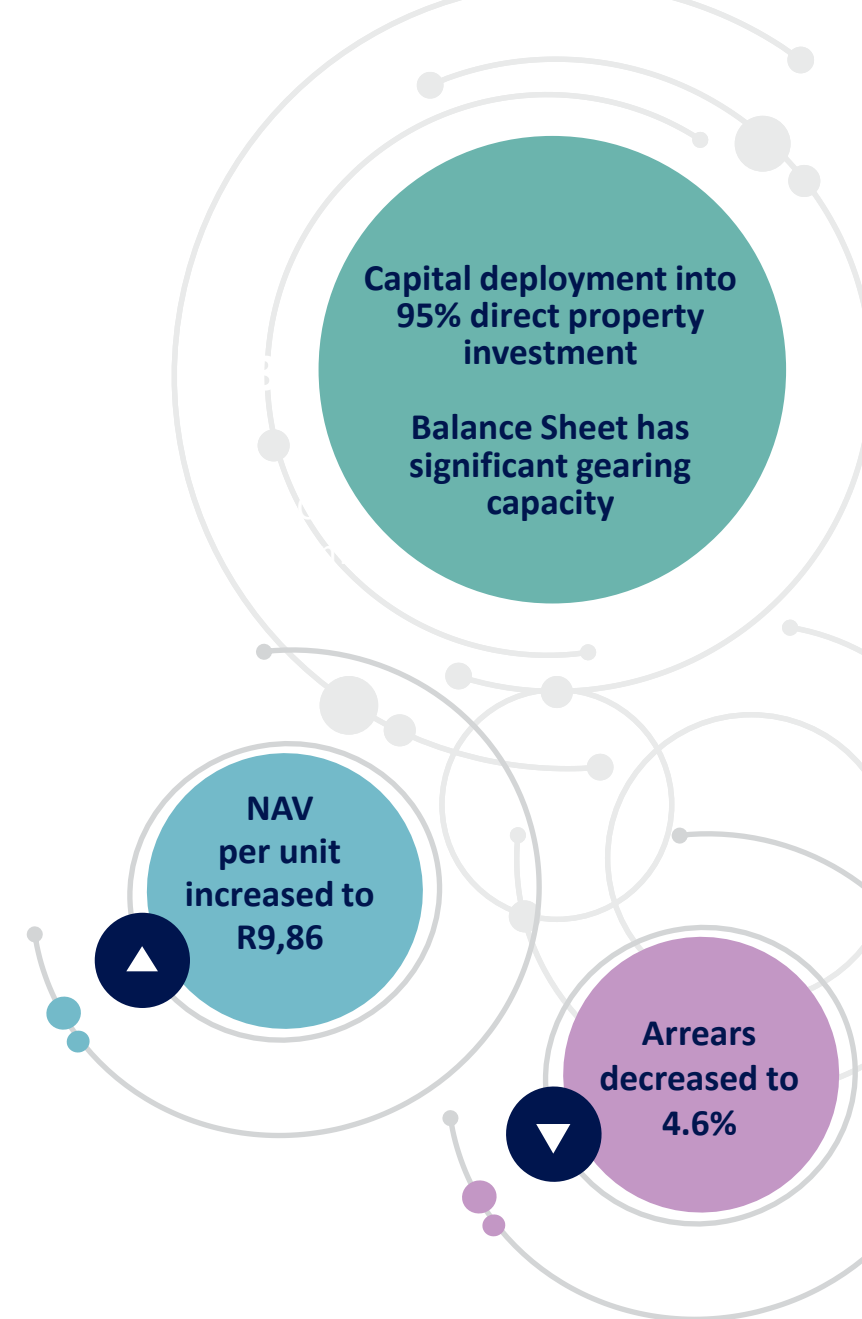
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# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	2017 R'000	2016 R'000
<b>Assets</b>		
<i>Investment properties</i>	8 708 712	6 060 439
<i>Current assets</i>	396 888	2 868 431
<b>Total assets</b>	<b>9 105 600</b>	<b>8 928 870</b>
 <i>Current liabilities</i>	 146 796	 168 449
<b>Total liabilities</b>	<b>146 796</b>	<b>168 449</b>
 <b>Participatory units' capital and reserves</b>		
Capital	8 663 950	8 663 855
Retained surplus	265 406	44 063
Non-distributable reserve	29 448	52 503
<b>Total unitholders' funds</b>	<b>8 958 804</b>	<b>8 760 421</b>
<b>Total unitholders' funds and liabilities</b>	<b>9 105 600</b>	<b>8 928 870</b>





# UNPACKING DISTRIBUTION

## At actual ownership proportion 31%

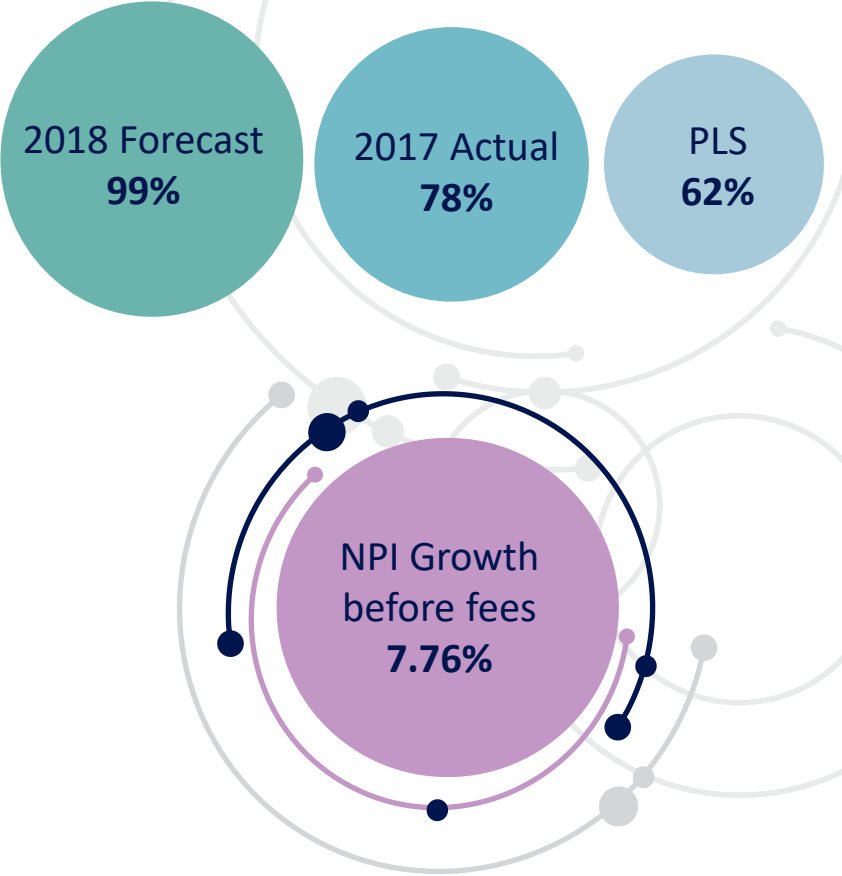
	2018 - Estimate	2017 - Actual	PLS Forecast
Net rental	63,97	50,21	44,99
L2D costs	-4,72	-4,26	-4,42
Property related net income	59,25	45,95	40,57
Interest and Other Income	0,75	13,27	24,50
Total	60,00	59,22	65,07

## Assuming ownership remained @22% throughout

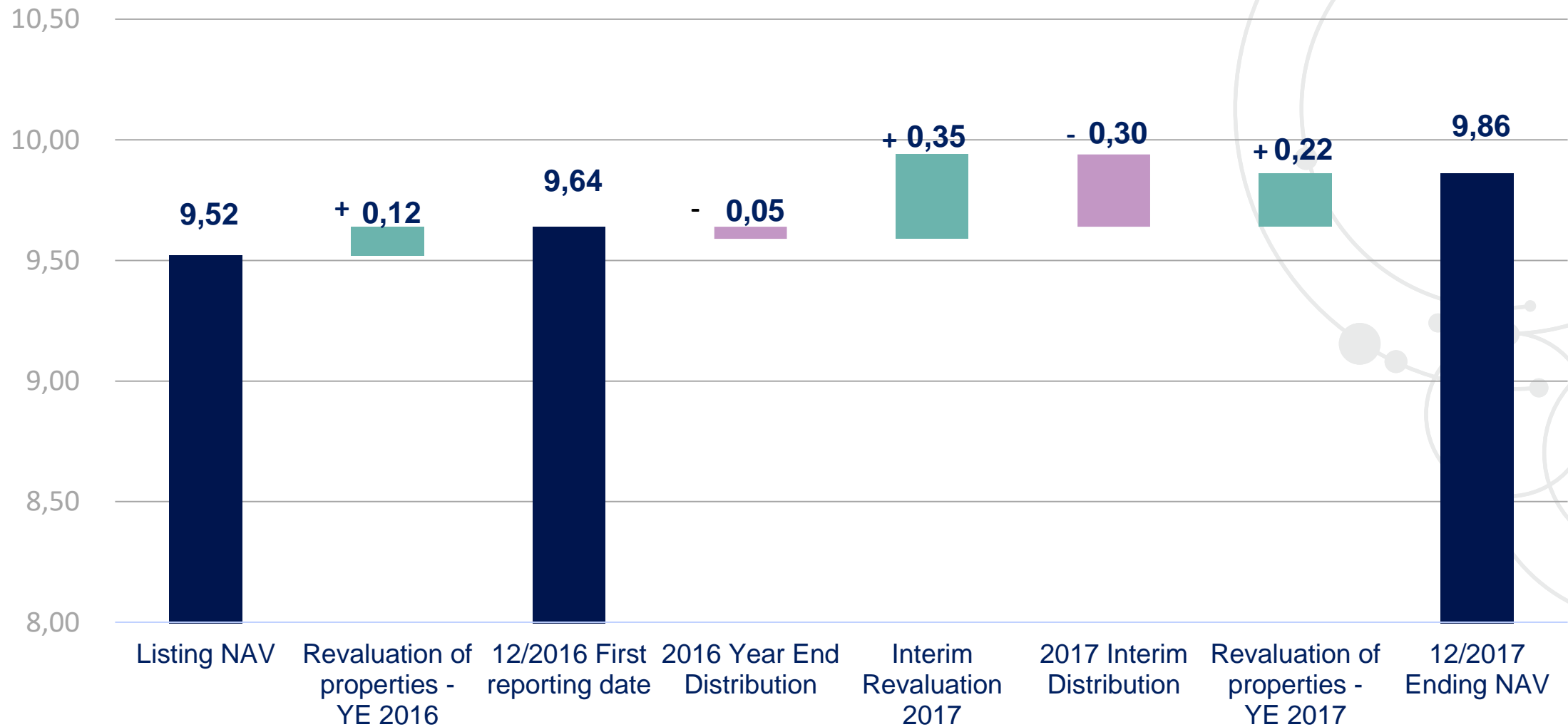
	2018 - Estimate	2017 - Actual	PLS Forecast
Property related net income - after L2D Fees	42,33	38,12	40,58
Property related income growth - after L2D Fees	11.03%		
NPI Before Fees	45,67	42,39	44,99
NPI Growth Before Fees	7.76%		

NAV	9,86	9,52
Cash as % of NAV	1%	31%
Property as % of NAV	97%	69%

## Property Net Income as a % of Total Income



# NAV BRIDGE





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# OPERATIONAL UPDATE



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# SECTOR OVERVIEW

DECEMBER 2017	PORTFOLIO	RETAIL	OFFICE	SPECIALISED
Total property GLA ('000m <sup>2</sup> )	871	500	332	38
Average escalation (%)	7.5 <sup>1</sup>	7.8	7.2	7.5 <sup>1</sup>
<sup>2</sup> WALE by income (years)	3.0	3.0	2.0	7.5
Overall vacancy rate - Dec 2017 (%)	6.4	4.3	10.3	0
Vacancy rate (excl Stuttafords) - Dec 2017 (%)	4.6	1.2	-	-

1. The average escalation rate includes Tangawizi and excludes Melrose Arch specialised tenants.

2. Weighted average lease expiry ("WALE") excludes Melrose Arch precinct.

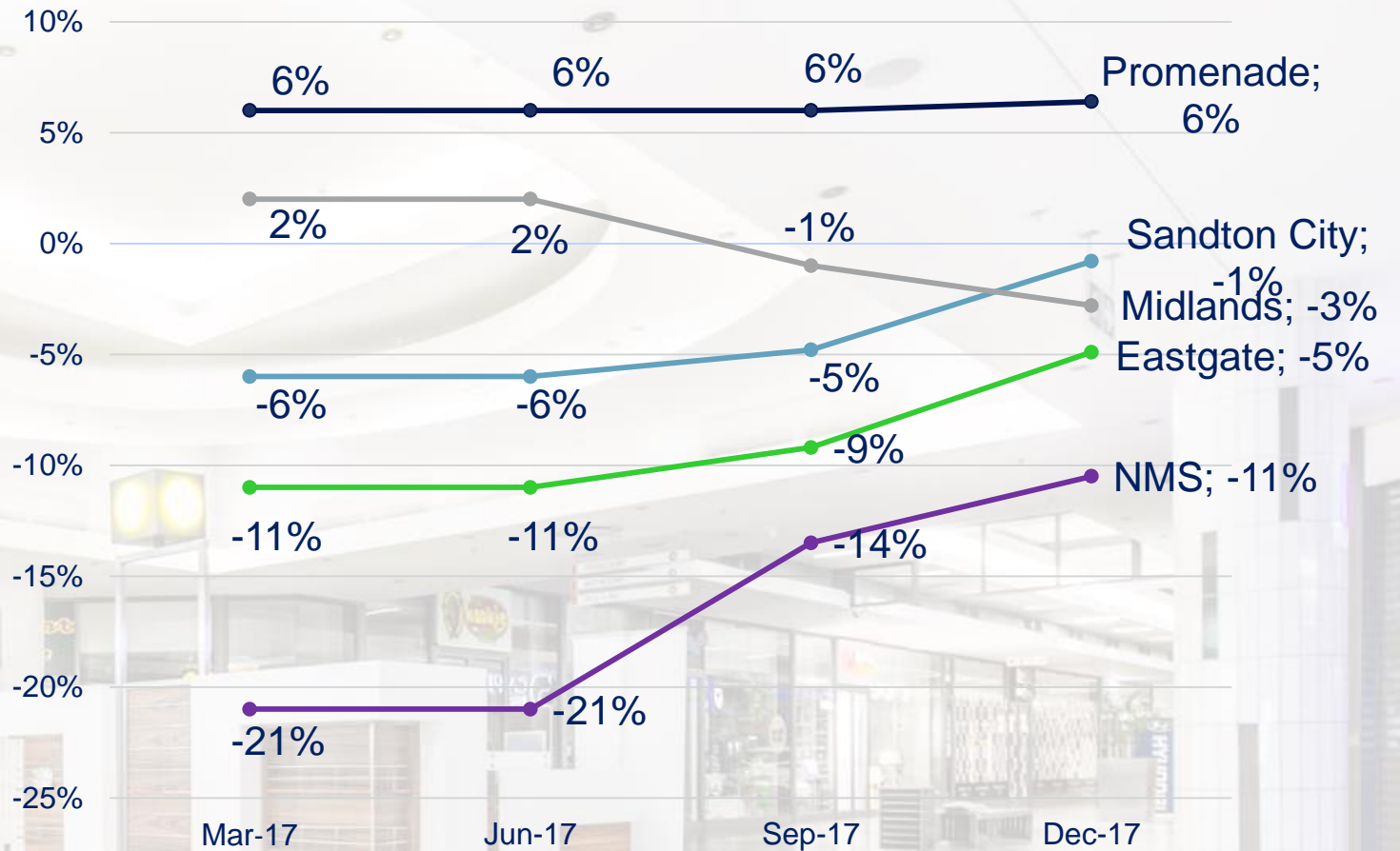


# TRADING OVERVIEW

<sup>1</sup> TRADING DENSITY GROWTH (%)	JUNE 2017	DECEMBER 2017
Total portfolio	-6.0%	-1.7%

<sup>1</sup> TRADING DENSITY Q4 2016 VS Q4 2017	GROWTH (%)
Total portfolio	5.1%
Sandton City	6.7%
Eastgate shopping centre	6.2%
Nelson Mandela Square	3.9%
Midlands Mall	-1.2%
Promenade shopping centre	6.4%

## <sup>1</sup>QUARTERLY TRADING DENSITY GROWTH (%)



1. Trading density growth is based on a 12 month rolling period



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# SANDTON CITY COMPLEX



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# SANDTON CITY COMPLEX

## RETAIL

<sup>1</sup>Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

<sup>2</sup>Vacancy (%) (excluding Stuttafords)

## OFFICE

Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

## <sup>3</sup>TRADING DENSITY UPDATE (R/m<sup>2</sup>)

Centre

## <sup>3</sup>HIGHEST TRADING DENSITY GROWTH CATEGORY

Toys

## <sup>3</sup>SIGNIFICANT CATEGORIES BY TRADING DENSITY (R/m<sup>2</sup>) AND GROWTH (%)

Luxury Brands

Books & Stationery

Specialised Foods

Health & Beauty (<500m<sup>2</sup>)

Unisex Wear

	Dec-17	Jun-17
	R476	R447
	4.8	2.8
	0.0	-
	Dec-17	Jun-17
	R161	R161
	30.0	30.7
	Dec-17	Jun-17
	R52,172	R50,671
	Growth (%)	Trading density (R/m <sup>2</sup> )
	53.0%	R58,290
	Growth (%)	Trading density (R/m <sup>2</sup> )
	13.80%	R137,645
	12.70%	R59,550
	11.10%	R69,353
	8.3%	R128,900
	-8.40%	R57,271

1. Average net rental methodology detailed in annexures.

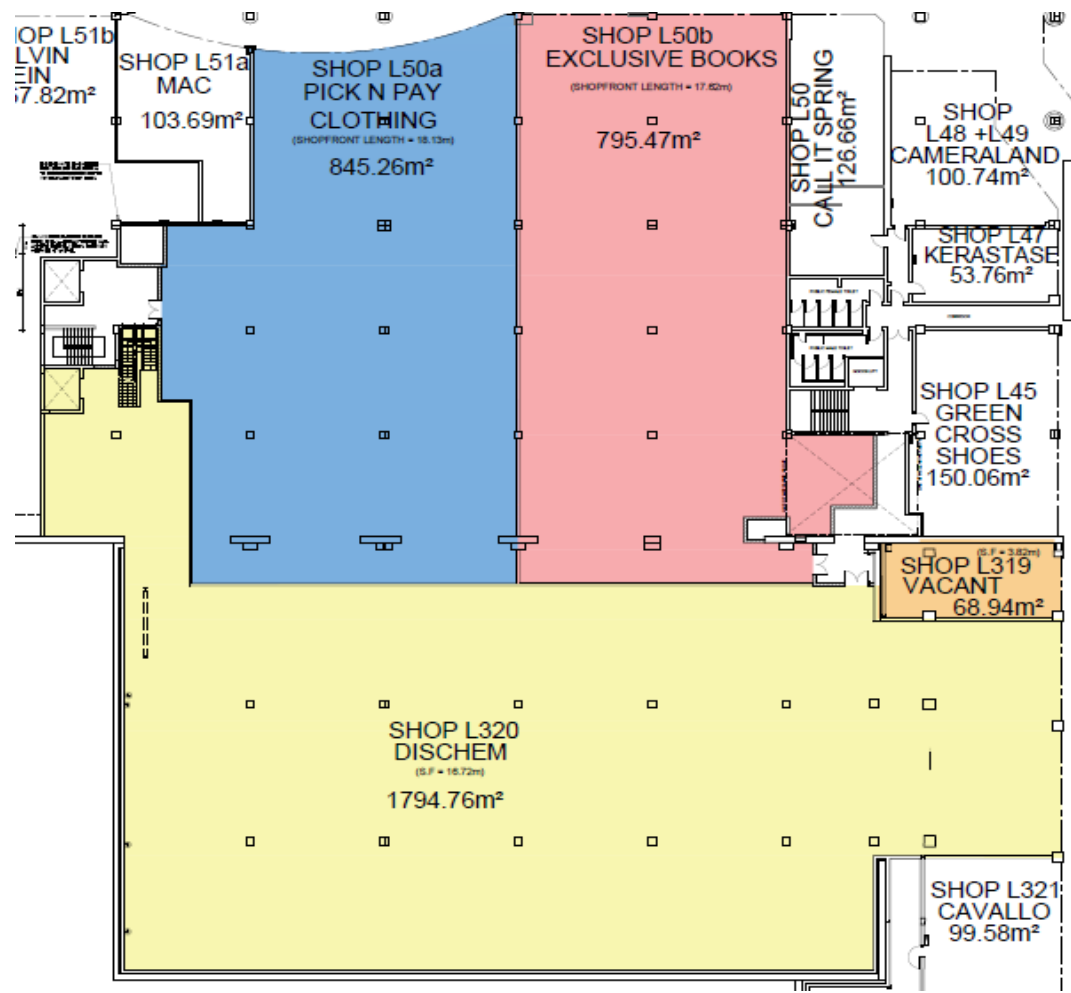
2. The current 4.8% vacancy relates entirely to the Stuttafords space thus excluding Stuttafords, the vacancy reduces to 0%. To date 6,212m<sup>2</sup> has been pre-let with 1,879m<sup>2</sup> remaining vacant resulting in a vacancy of 0.8%. Pre-let deals refer to signed offers or leases with beneficial occupation pending.

3. Trading density over a 12 month rolling period.

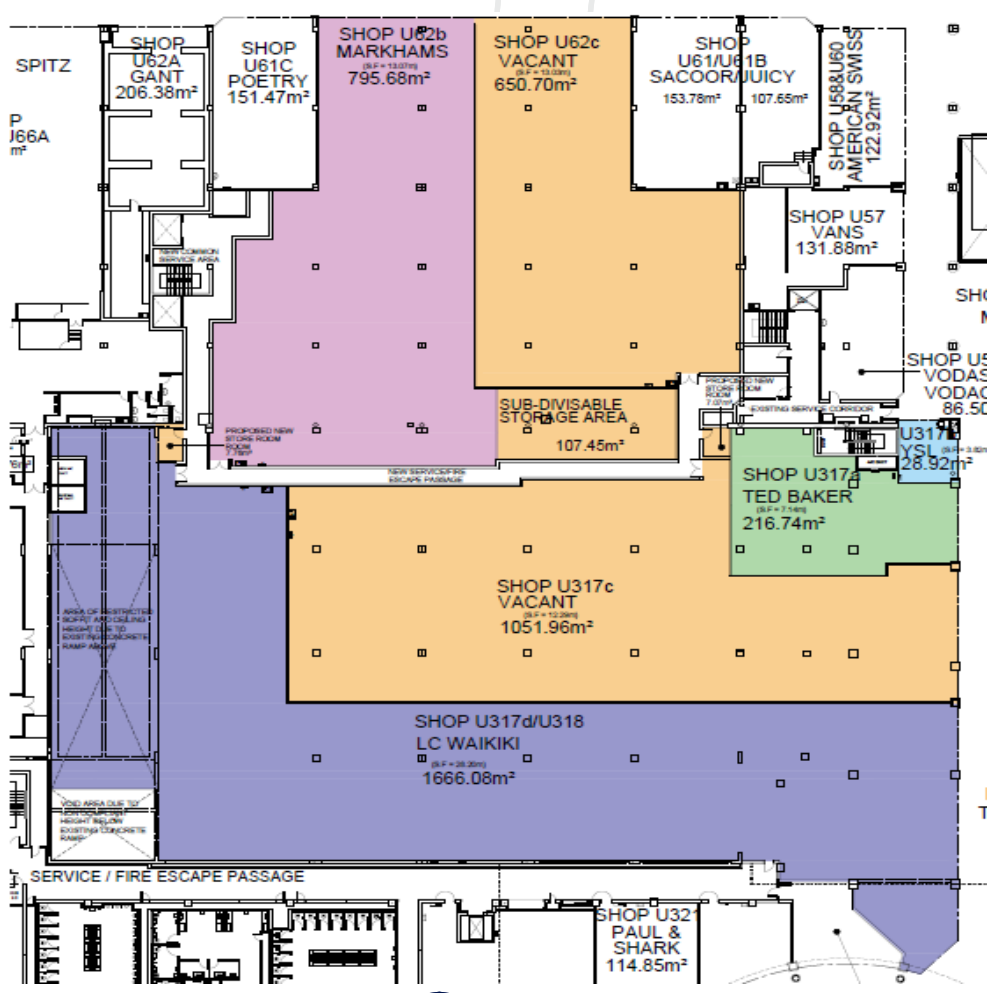


# SANDTON CITY STUTTAFORDS

## LEVEL 4



## LEVEL 6





A photograph of the Eastgate Complex at night. The building is a large, modern structure with a curved facade and large glass windows. The word "EASTGATE" is illuminated on the building's facade. To the right, a large "W" logo is visible. The building is surrounded by a parking lot with several cars. In the foreground, there is a road with lane markings. A decorative graphic overlay is present on the left side of the image, consisting of a large white circle with a blue border, and several smaller circles (red, green, blue) connected by lines. The text "EASTGATE COMPLEX" is written in white capital letters inside the large white circle.

# EASTGATE COMPLEX



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# EASTGATE COMPLEX

## COMPLEX (RETAIL AND OFFICE)

<sup>1</sup>Average net rental (R/m<sup>2</sup>)

Vacancy (%) – retail

<sup>2</sup>Vacancy (%) – retail (excluding Stuttafords)

<sup>2</sup>Vacancy (%) - office

## <sup>3</sup>TRADING DENSITY UPDATE (R/m<sup>2</sup>)

Centre

## <sup>3</sup>HIGHEST TRADING DENSITY GROWTH CATEGORY

Specialised Food

## <sup>3</sup>SIGNIFICANT CATEGORIES BY TRADING DENSITY (R/m<sup>2</sup>) AND GROWTH (%)

Fast Food

Luggage

Optometrists

Electronics

Unisex Wear

	Dec-17	Jun-17
	R357	R361
	7.8	3.0
	1.7	2.4
	6.3	19.9
	Dec-17	Jun-17
	R36,039	R35,807
	Growth (%)	Trading density (R/m <sup>2</sup> )
	51.1%	R86,269
	Growth (%)	Trading density (R/m <sup>2</sup> )
	17.3%	R63,113
	12.8%	R46,786
	12.4%	R62,678
	8.5%	R183,473
	3.2%	R39,631

1. Average net rental methodology detailed in annexures.

2. The current retail vacancy is 7.8% of which 6.1% relates to Stuttafords. Thus excluding Stuttafords, the vacancy reduces to 1.7%. To date 4,260m<sup>2</sup> has been pre-let with one box of 3,432m<sup>2</sup> near concluded and 1,254m<sup>2</sup> remaining (mezzanine office). Pre-let deals are signed offers or leases with beneficial occupation pending.

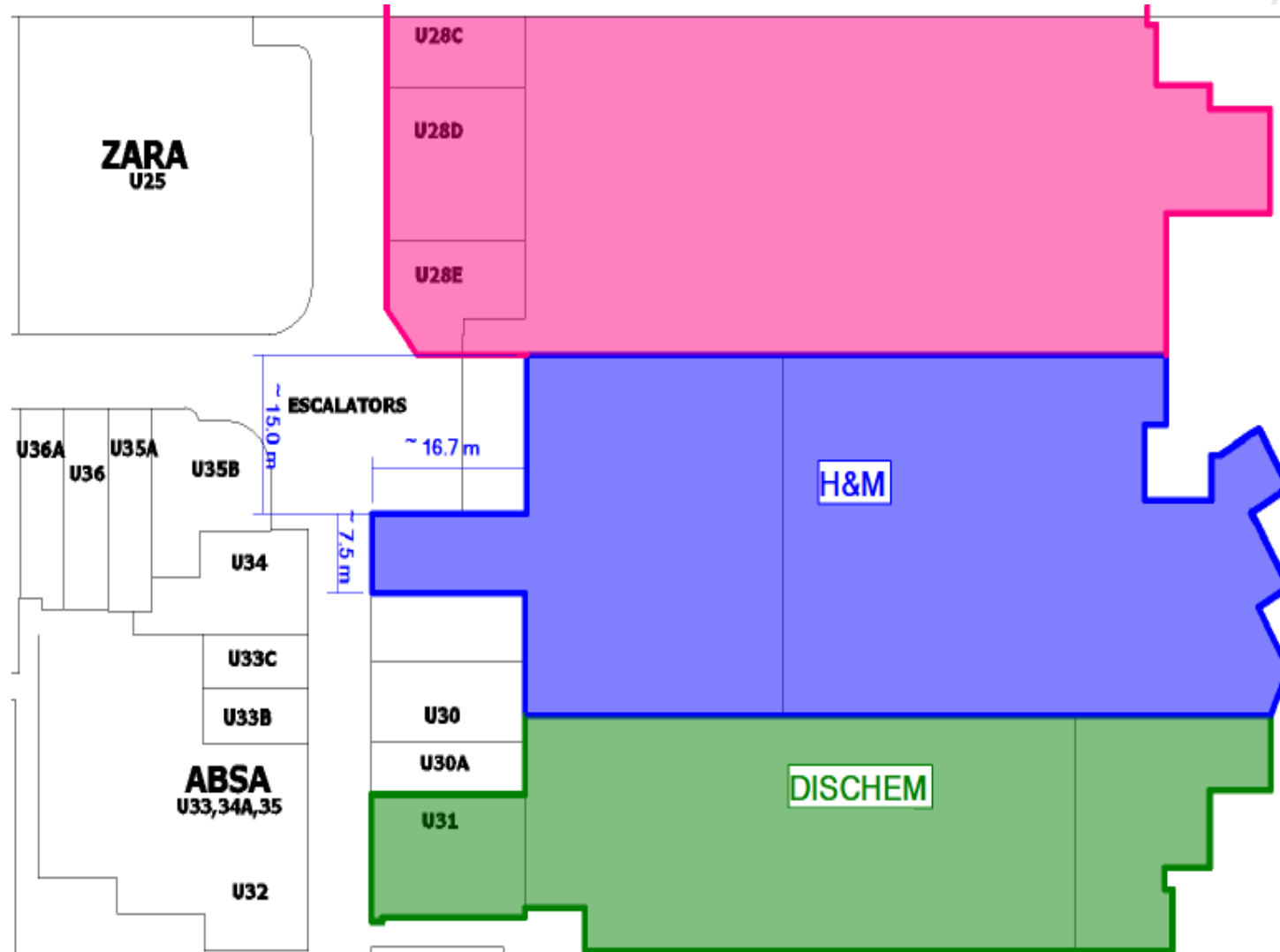
3. Trading density over a 12 month rolling period.



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# EASTGATE STUTTAFORDS





# PROMENADE SHOPPING CENTRE



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# PROMENADE SHOPPING CENTRE

## RETAIL

<sup>1</sup>Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

## <sup>3</sup>TRADING DENSITY UPDATE (R/m<sup>2</sup>)

Centre

## <sup>3</sup>HIGHEST TRADING DENSITY GROWTH CATEGORY

E-Commerce Services

## <sup>3</sup>SIGNIFICANT CATEGORIES BY TRADING DENSITY (R/m<sup>2</sup>) AND GROWTH (%)

Home Furnishings & Décor

Bottle Stores

Mini Department Stores (<2,500m<sup>2</sup>)

Fine Jewellery - Mid Range

Unisex Wear



	Dec-17	Jun-17
	R151	R143
	1.3	1.6
	Dec-17	Jun-17
	R39,648	R38,370
	Growth (%)	Trading density (R/m <sup>2</sup> )
	37.9%	R25,107
	Growth (%)	Trading density (R/m <sup>2</sup> )
	25.6%	R28,190
	15.8%	R88,816
	15.8%	R39,166
	12.7%	R97,583
	6.7%	R41,145

1. Average net rental methodology detailed in annexures.

2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.

3. Trading density over a 12 month rolling period.





# MIDLANDS MALL



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# MIDLANDS MALL

RETAIL	Dec-17	Jun-17
<sup>1</sup> Average net rental (R/m <sup>2</sup> )	R207	R200
<sup>2</sup> Vacancy (%)	0.9	0.9
<sup>3</sup> TRADING DENSITY UPDATE (R/m <sup>2</sup> )	Dec-17	Jun-17
Centre	R38,378	R38,701
<sup>3</sup> HIGHEST TRADING DENSITY GROWTH CATEGORY	Growth (%)	Trading density (R/m <sup>2</sup> )
Bottle Stores	30.3%	R72,563
<sup>3</sup> SIGNIFICANT CATEGORIES BY TRADING DENSITY (R/m <sup>2</sup> ) AND GROWTH (%)	Growth (%)	Trading density (R/m <sup>2</sup> )
Specialised Foods	16.9%	R48,197
Underwear/ Lingerie	10.8%	R48,704
Accessories	9.5%	R160,326
Electronics	7.5%	R64,602

1. Average net rental methodology detailed in annexures.
2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.
3. Trading density over a 12 month rolling period.



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# DEVELOPMENTS



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# DEVELOPMENTS

The 200 bed hospital opened at John Ross Eco Junction on the 15<sup>th</sup> January 2018

1



Sandton City Level II, opening May 2018

3



Midlands Phase III opening on the 15<sup>th</sup> March 2018

2



One on Whiteley, opening second half of 2019

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5

# GOVERNANCE



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# GOVERNANCE

- Independent Board
- Depth of Management
- Robust Governance

*Transformation and sustainability remain strategic priorities*

Black Representation  
65%

Black Female Representation  
53%





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## LOOKING AHEAD




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## LOOKING AHEAD



Acknowledge  
challenges relating  
to our structure

Remain  
committed and  
positive  
about our SA  
strategy

7 – 9% property  
income growth  
going forward

*“Our investment philosophy is underpinned by the robust nature and high quality of our assets combined with focused retail management.”*



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# QUESTIONS AND ANSWERS



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# ANNEXURES



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# NELSON MANDELA SQUARE



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# NELSON MANDELA SQUARE

## RETAIL

<sup>1</sup>Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

**Dec-17**

**Jun-17**

R435

R412

0.6

2.8

## OFFICE

Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

**Dec-17**

**Jun-17**

R116

R157

33.3

0

## <sup>3</sup>TRADING DENSITY UPDATE (R/m<sup>2</sup>)

Centre

**Dec-17**

**Jun-17**

R55,084

R57,088

## <sup>3</sup>HIGHEST TRADING DENSITY GROWTH CATEGORY

Cellphones

**Growth (%)**

**Trading density (R/m<sup>2</sup>)**

22.4%

R338,240

## <sup>3</sup>SIGNIFICANT CATEGORIES BY TRADING DENSITY (R/m<sup>2</sup>) AND GROWTH (%)

Footwear

Men's Wear

Unisex Wear

Fine Jewellery - High End

Restaurants and Coffee Shops

**Growth (%)**

**Trading density (R/m<sup>2</sup>)**

1%

R81,427

-31%

R56,973

-24%

R13,073

-18%

R208,649

-1%

R50,608

1. Average net rental methodology detailed in annexures.

2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending

3. Trading density over a 12 month rolling period







# MELROSE ARCH



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# MELROSE ARCH

## RETAIL

<sup>1</sup>Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

## OFFICE

<sup>1</sup>Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

## <sup>3</sup>TRADING DENSITY UPDATE (R/m<sup>2</sup>)

Centre

## <sup>3</sup>HIGHEST TRADING DENSITY GROWTH CATEGORY

Car Services / Dealerships

## <sup>3</sup>SIGNIFICANT CATEGORIES BY TRADING DENSITY (R/m<sup>2</sup>) AND GROWTH (%)

Men's Wear

Restaurants & Coffee Shops

Fast Foods

Bottle Stores

	Dec-17	Jun-17
	R236	-
	0.5	0.3
	Dec-17	Jun-17
	R195	-
	4.8	1.3
	Dec-17	Jun-17
	R28,162	R26,927
	Growth (%)	Trading density (R/m <sup>2</sup> )
	83.9%	R149,665
	Growth (%)	Trading density (R/m <sup>2</sup> )
	38.6%	R32,354
	34.9%	R42,544
	21.5%	R37,138
	16.9%	R105,049

1. Average net rental methodology detailed in annexures.

2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.

3. Trading density over a 12 month rolling period.



# BOTSHABELO MALL



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# BOTSHABELO MALL

## RETAIL

<sup>1</sup>Average net rental (R/m<sup>2</sup>)

<sup>2</sup>Vacancy (%)

## <sup>3</sup>TRADING DENSITY UPDATE (R/m<sup>2</sup>)

Centre

## <sup>3</sup>HIGHEST TRADING DENSITY CATEGORY

Cellphones

## <sup>3</sup>SIGNIFICANT CATEGORIES BY TRADING DENSITY (R/m<sup>2</sup>) AND GROWTH (%)

Fast Food

Men's Wear

Grocery/Supermarket

Unisex Wear

- 1. Average net rental methodology detailed in annexures.
- 2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.
- 3. Trading density over a 12 month rolling period.

DECEMBER 2017	R115
	8.5
DECEMBER 2017	R23,202
TRADING DENSITY (R/m <sup>2</sup> )	R90,222
TRADING DENSITY (R/m <sup>2</sup> )	R56,524
	R27,465
	R26,984
	R23,909





# OFFICES

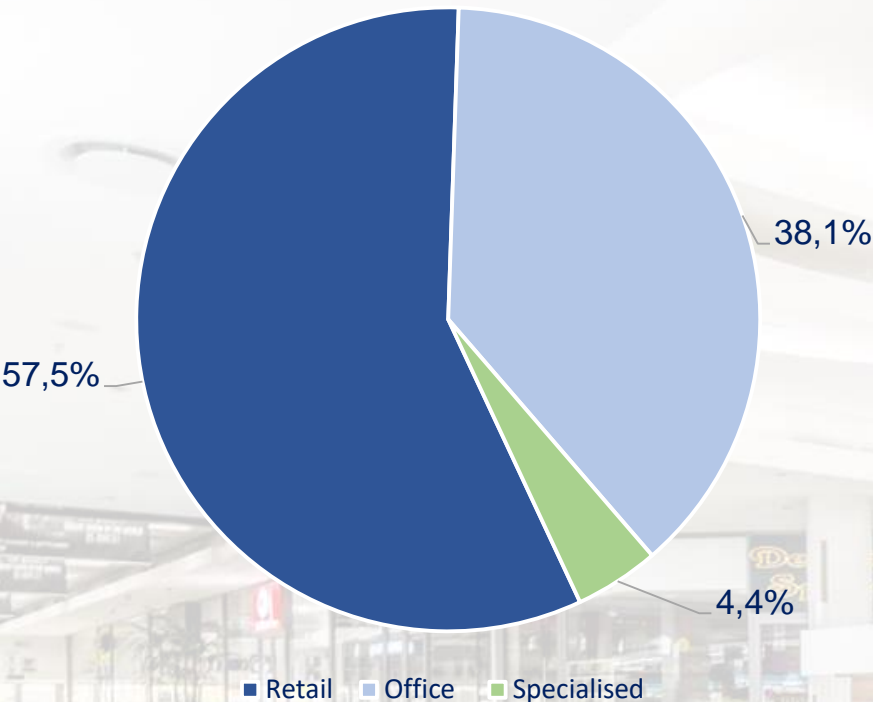


DECEMBER 2017	STANDARD BANK CENTRE	UMHLANGA RIDGE	CENTURY CITY
GLA (m <sup>2</sup> )	92 789	20 352	19 188
Vacancy (%)	0.0	0.0	22.8
Ave Net Rental (R/m <sup>2</sup> )	R90	R106	R164

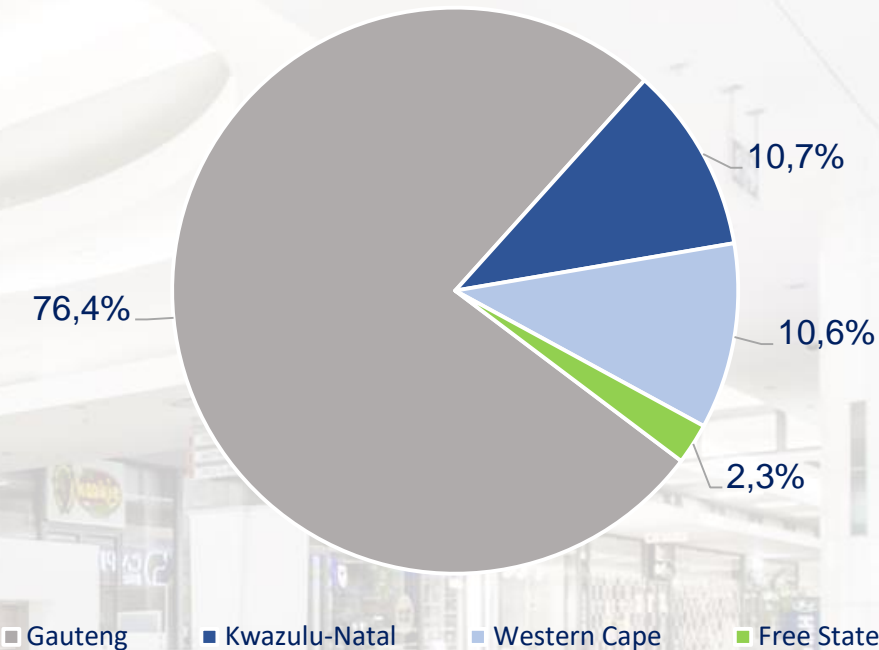


# SECTOR EXPOSURE

Sector composition by GLA - Dec 2017 (m²)



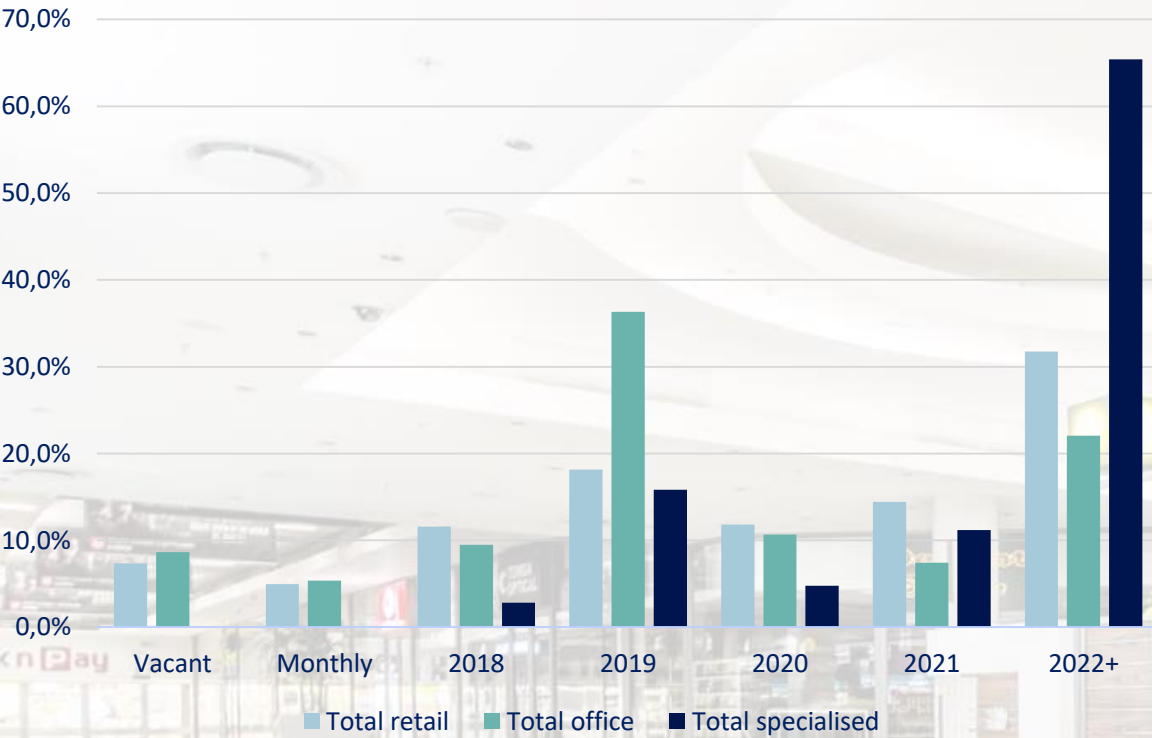
Geographic profile by GLA (m²)



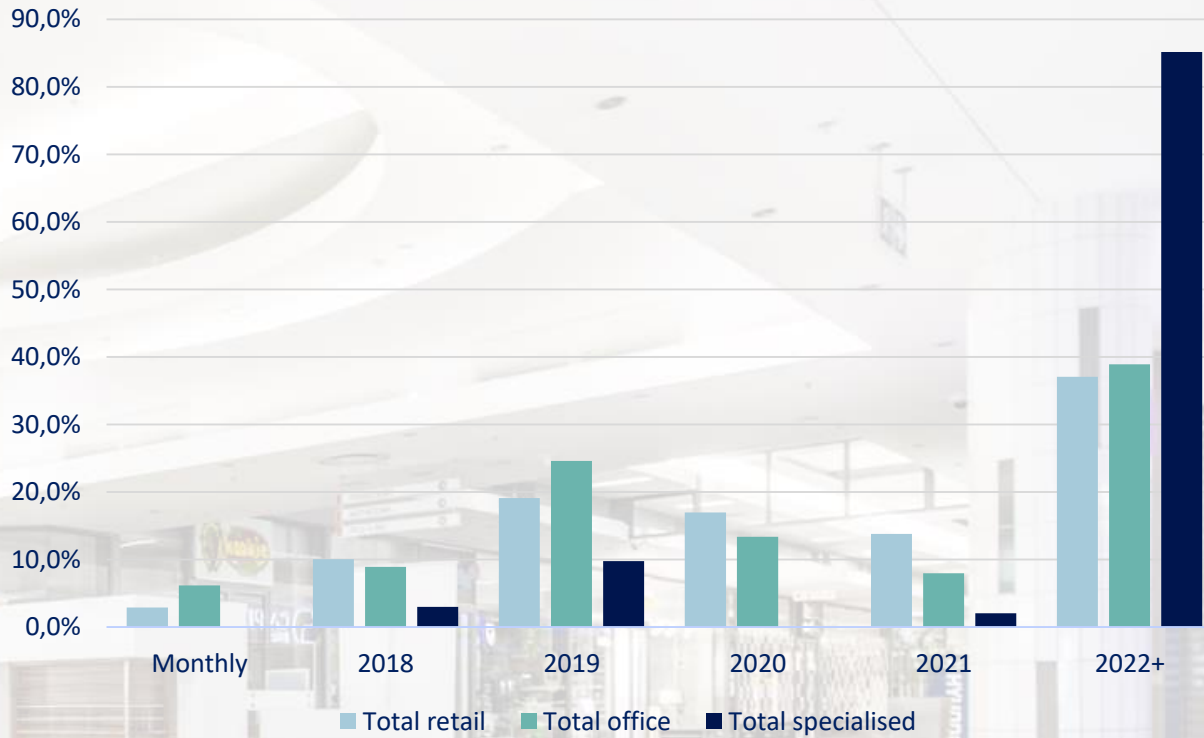


# 5 YEAR EXPIRY PROFILE BY GLA AND GROSS RENT

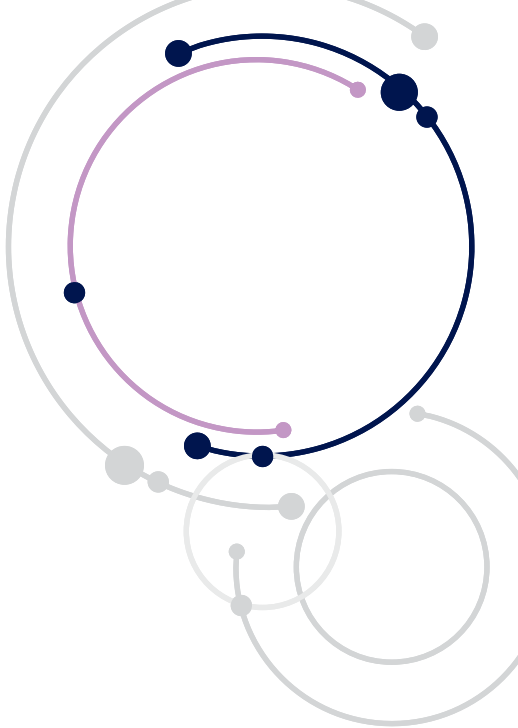
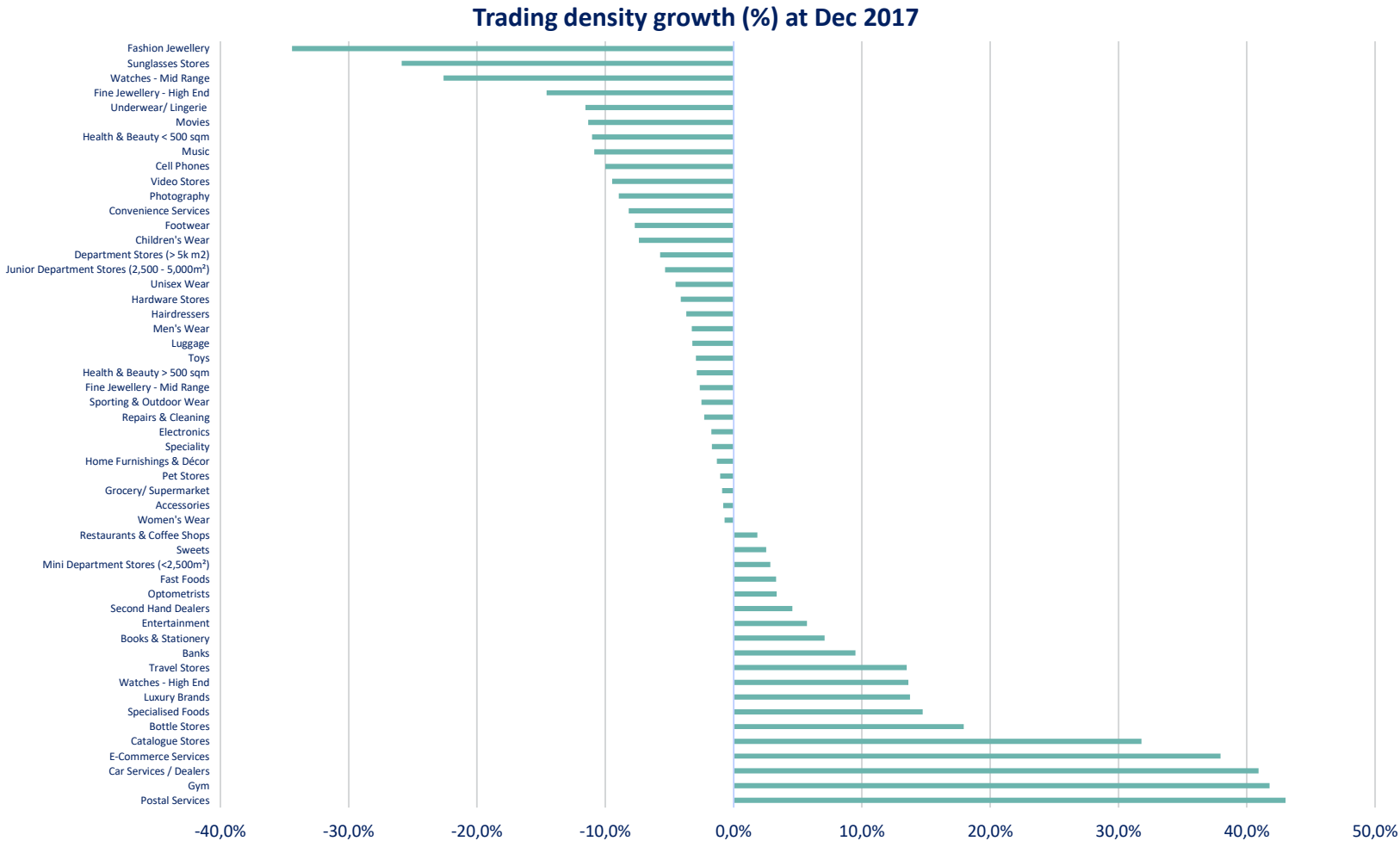
5 year expiry profile by GLA (m²)



5 year expiry profile by gross rent (R)



# CATEGORIES BY TRADING DENSITY GROWTH





# GLA RECONCILIATION

Liberty Two Degrees ("L2D") total gross lettable area ("GLA") reported at 31 December 2016 increased by 23,211m<sup>2</sup> at 30 June 2017, as per the breakdown provided below:

Sector profile	GLA December 2017 (m <sup>2</sup> )	GLA June 2017 (m <sup>2</sup> )	GLA Dec 2016 (m <sup>2</sup> )	Variance (m <sup>2</sup> )
Retail	500,973	500,973	569,600	-68,627
Office	332,290	332,290	254,516	77,774
Specialised	38,280	38,280	24,216	14,064
Total	871,543	871,543	848,332	23,211

The changes in GLA are attributable to the classification of three assets i.e. Sandton City, Nelson Mandela Square and Melrose Arch. These assets are valued as an overall complex and are not sectionalised into retail, office or specialised. For the purposes of both the Pre-listing Statement and the first reporting period being 31 December 2016, Sandton City complex and Nelson Mandela Square complex total GLA's were allocated to the majority GLA sector (retail), whilst the majority of Melrose Arch GLA was office and resulted in the allocation of the total GLA to this sector.

The segmental analysis released at 30 June 2017 includes a more accurate reflection of the sectors which was allocated by actual GLA split. Below are details pertaining to the reallocation in sectoral GLA.

## Retail

Sandton City complex was split between retail: 147,940m<sup>2</sup> and office: 51,200m<sup>2</sup>.

Nelson Mandela Square complex was split between retail: 20,148m<sup>2</sup> and office: 18,647m<sup>2</sup>.

There were immaterial increases in the retail GLA for both Sandton City complex and Melrose Arch.

## Office

Includes the office GLA for Sandton City complex and Nelson Mandela Square complex as reported above.

Eastgate Office Tower has been included under office: 9,450m<sup>2</sup> (previously under development).

Melrose Arch office GLA decreased by 1,523m<sup>2</sup> per the latest report.

## Specialised

Specialised now includes Tangawizi Moto Dealership at John Ross Eco Junction and Melrose Arch (hotels, showrooms, gym and The Venue).

Please note that the properties are valued as a complex and not by sector (retail, office or specialised). It is therefore recommended that information provided in the operational overview be used during analysis.

# METHODOLOGY

## **Average gross rental:**

As per the annual financial statement, calculated by total income divided by the total building GLA.

## **Average net rental calculation at June 2017:**

Total rent = basic rent + turnover rent at June 2017 year to date. Total leased GLA = total building GLA – vacancies for June 2017. Average net rent ( $\text{R/m}^2$ ) = total rent divided by total leased GLA.

## **Average net rental calculation at December 2017:**

To reflect a more realistic position, the method of calculation was revised. Total rent = basic rent + turnover rent at December 2017 year to date. Total leased GLA = total building GLA – vacancies, over the 12 month period. Average net rent ( $\text{R/m}^2$ ) = total rent divided by total leased GLA.





# DISCLAIMER

- This document contains forecasts and forward looking statements that reflect Management's expectations as at February 2018
- The actual results may vary substantially from those forecasted if known and/or unknown variables do not transpire as predicted or if estimates and assumptions prove inaccurate
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