



two°degrees

**2021**

**FULL YEAR  
RESULTS FOR THE  
YEAR ENDING  
DECEMBER 2021**

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# OVERVIEW

AMELIA BEATTIE  
CHIEF EXECUTIVE

# 2021 IN REVIEW

Retail portfolio recovery underpins 5.47% increase in full-year distribution to 34.1 cents per share

- Strong recovery in operational metrics, with retail turnover up **24.5%** and occupancy up to **96.8%**
- Continued pressure on rental reversions of **-25.9%** relating to **6.7%** of portfolio GLA
- Covid-19 impact on **hospitality** assets remained significant resulting in **NPI down** R17 million (178%)
- Balance sheet remains strong with healthy LTV of **24%**
- **International safety and security** certification put our malls among the best in the world

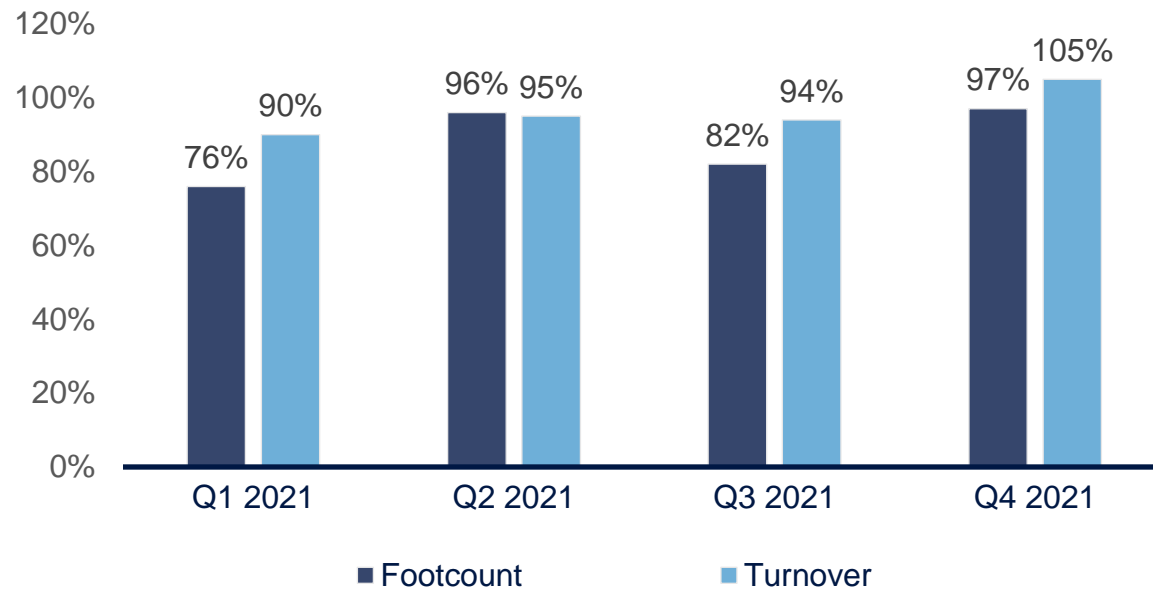


# RETAIL – ADAPT AND GROW

Evolving retail landscape provides opportunities to adapt and grow

- Enhanced customer experiences
- Engaging retail experience in innovative spaces
- Use of data to create personalisation
- Super regional malls offer the blended retail experience

Turnover and footcount recovery





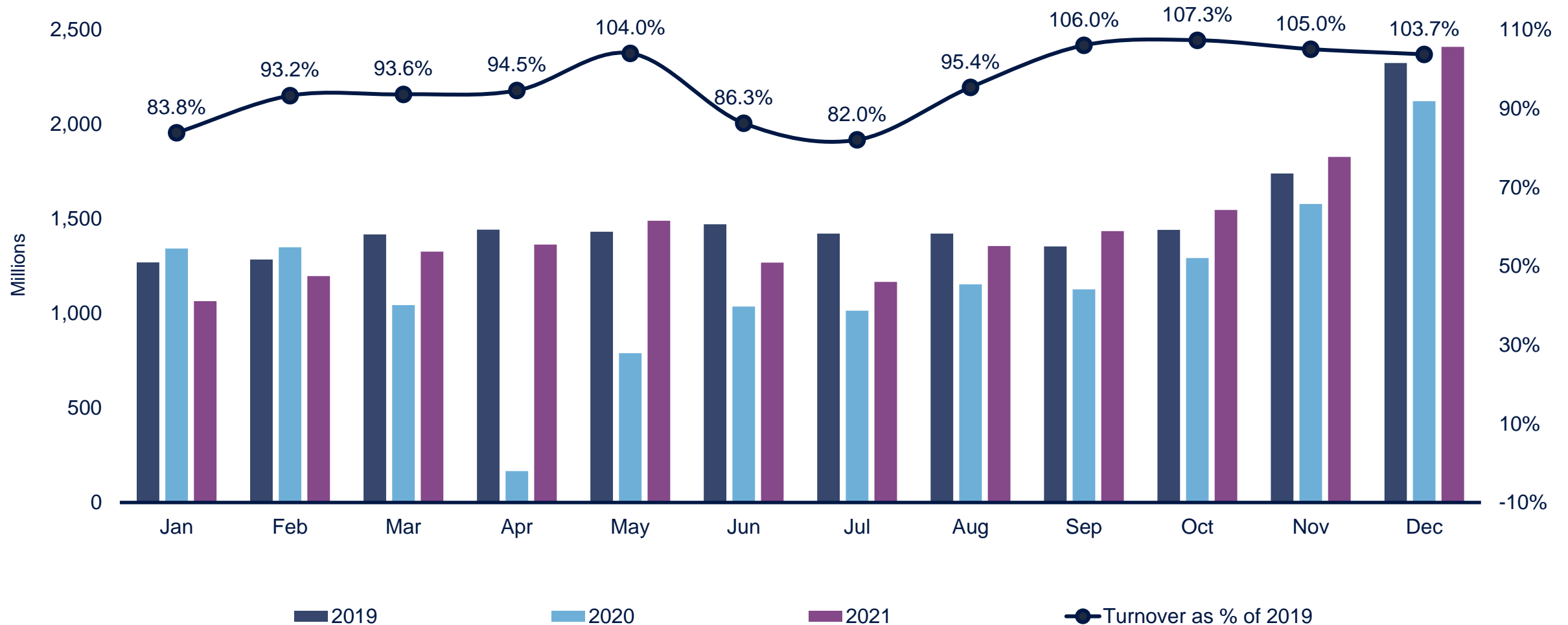
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# OPERATIONAL REVIEW

AMELIA BEATTIE  
CHIEF EXECUTIVE

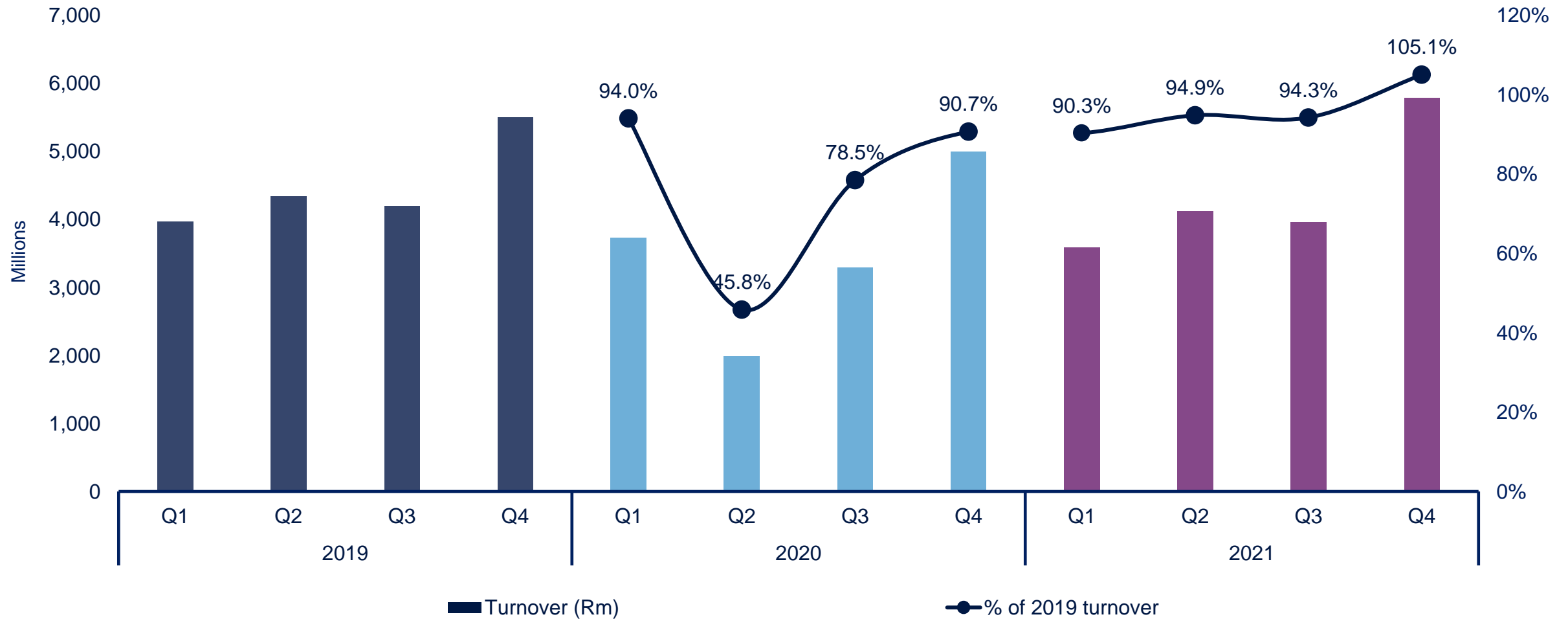
# MONTHLY TURNOVER RECOVERY TREND

Turnover gained momentum surpassing pre-covid levels from September 2021



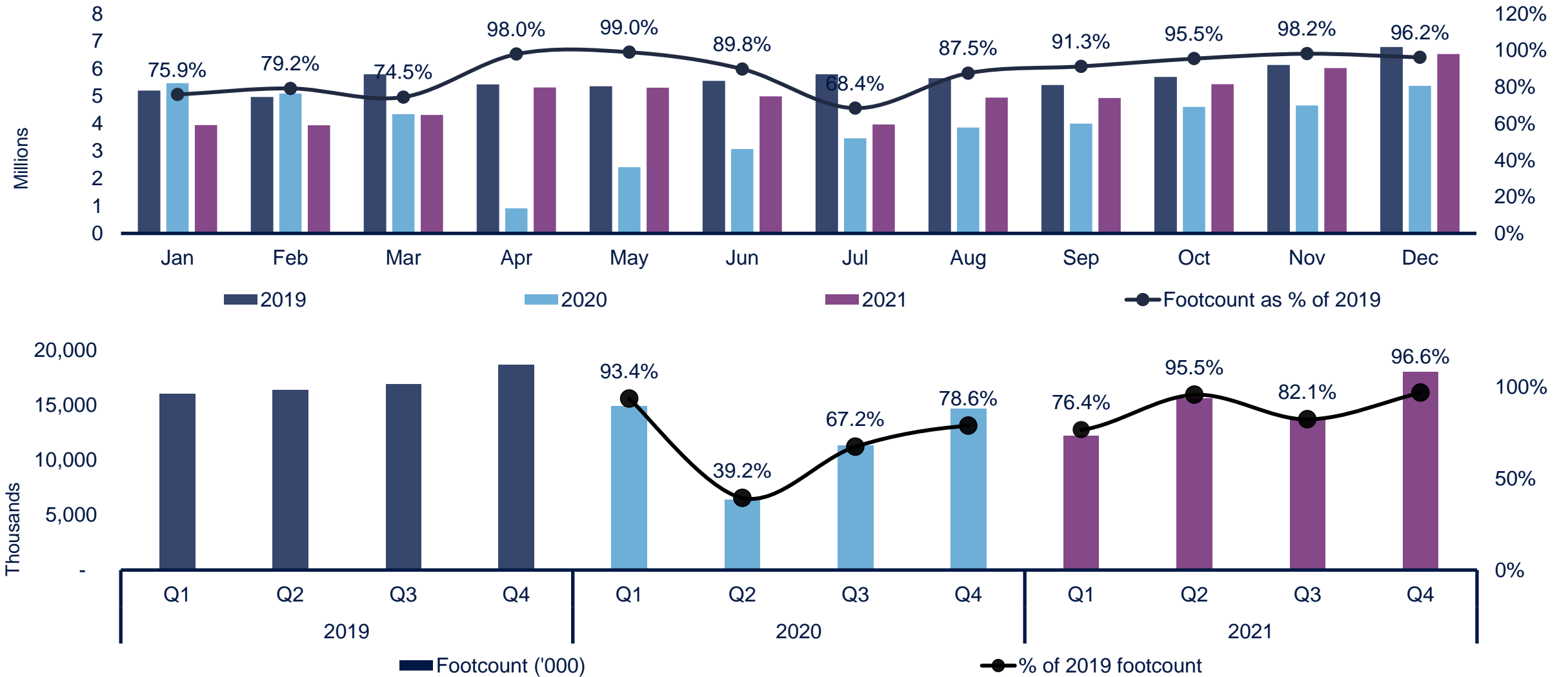
# PORTFOLIO TRADING RECOVERY

Strong recovery in Q4 despite Omicron variant



# MONTHLY AND QUARTERLY FOOTCOUNT RECOVERY

Footcount followed a similar trend to turnover, albeit at a slower rate



Footcount excludes Melrose Arch and Botshabelo



# OCCUPANCY PROFILE

Occupancies remain ahead of MSCI benchmark

Portfolio  
occupancy

93.7%  
93.8% (+pre lets)

(FY20: 93.3%)

Retail  
occupancy

96.8%  
97.0% (+pre lets)

MSCI Q3 93.6%  
(FY20: 95.3%)

Office  
occupancy

86.2%  
86.4% (+pre lets)

MSCI Q4 84.0%  
(FY20: 87.6%)

Weighted average  
lease expiry

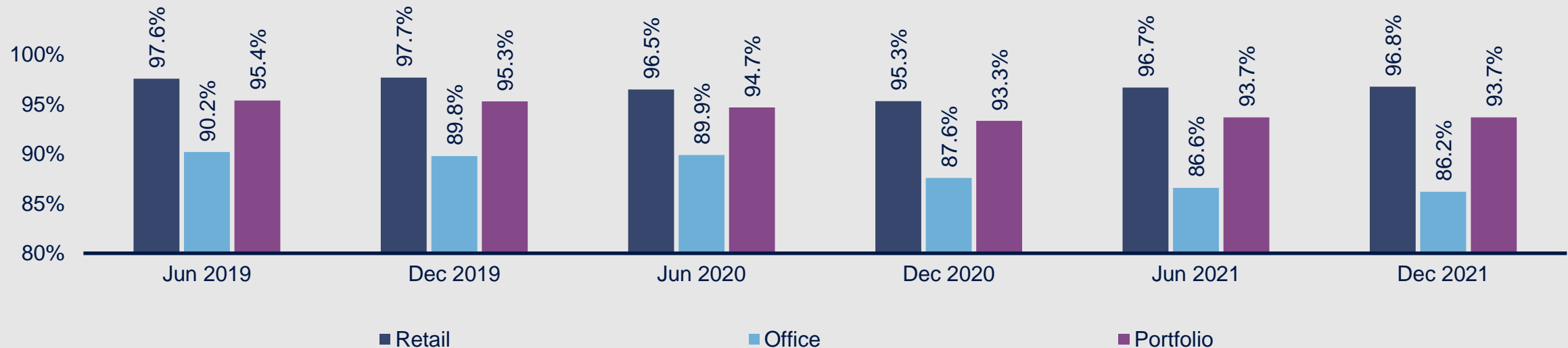
2.9 years

(FY20: 3.2 years)

Weighted average  
lease escalation

6.7%

(FY20: 7.2%)

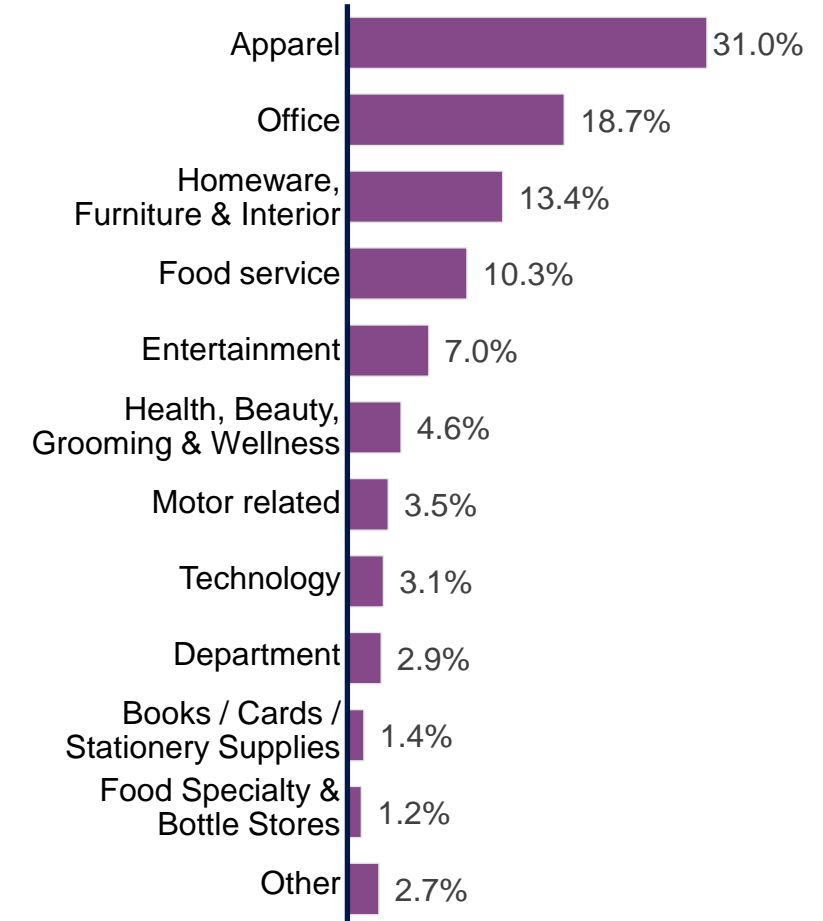


# NEW TENANTS

High demand for quality space



Category split for new deals



# HOSPITALITY

The hotels and convention centre under pressure due to restrictions and travel bans

Sandton Sun  
occupancy

47.1%

(FY20: 30.6%)  
(FY19: 66.8%)

Sandton Sun  
% open for trade

99.7%

(FY20: 79.5%)  
(FY19: 100%)

Garden Court  
occupancy

9.6%

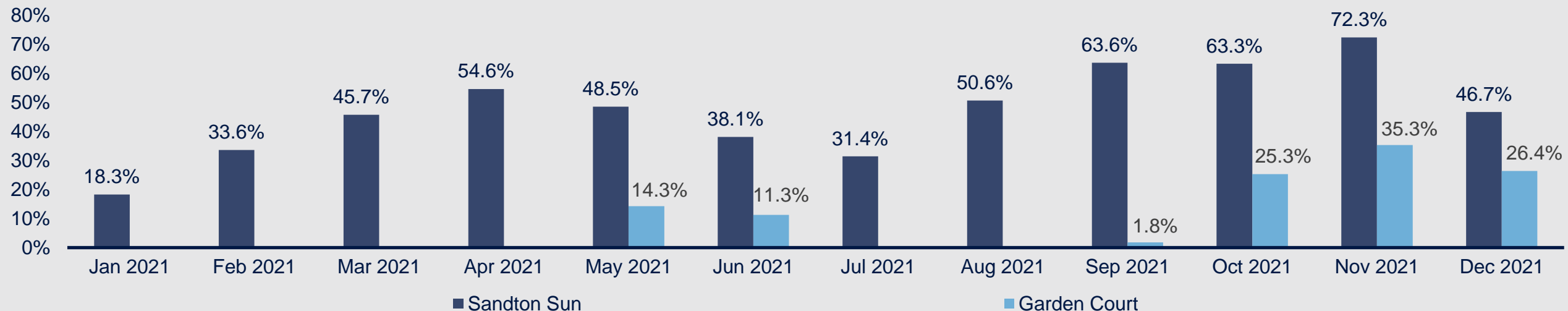
(FY20: 14.0%)  
(FY19: 72.7%)

Garden Court  
% open for trade

50.0%

(FY20: 23.0%)  
(FY19: 100%)

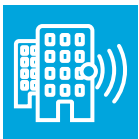
Occupancy trend



## ESG integrated throughout business through Impact strategy

### Continued progress across all pillars in 2021

- **Net Zero Waste** ready by 2022 to attain Net Zero Waste certification in 2023
- **Landfill diversion rates** increased from 40% (by weight) to 75% at December 2021.
- We continue to roll out **solar projects** across the portfolio
- All environments have continued with **SAFE accreditation** to ensure the highest standards
- **International safety and security certification** put our malls among the best in the world
- **Digital gift voucher** were launched at Sandton City in November 2021
- L2D launched the **Iconic Spaces app** pilot at Eastgate in mid-January 2022 to enhance tenant engagement



**Smart Spaces**



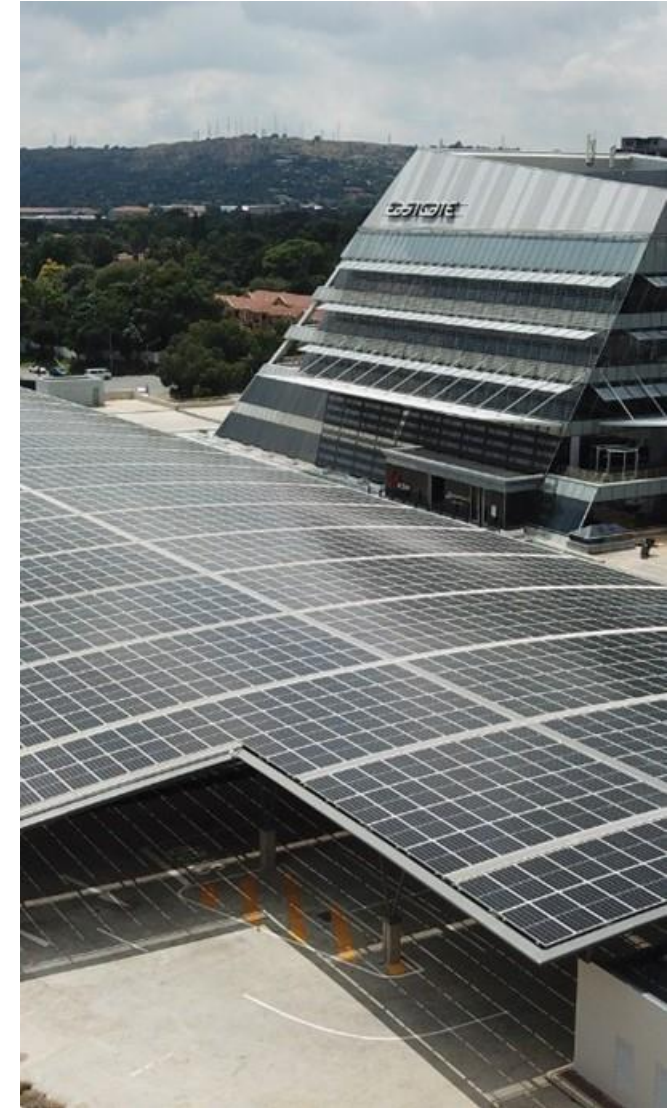
**Good Spaces**



**Interactive Spaces**



**Safe Spaces**





## Recognised leader in the sector

- Proudly recognised by the Standard Bank Top Woman adjudication as qualifying as one of South Africa's **Top Gender Empowered Companies**
- Remains a **BBB-EE Level 2** contributor
- L2D malls received **44 awards** from the South African Council of Shopping Centres for excellence in shopping centre marketing, innovation and creativity
- The "**CreateTomorrow**" portfolio campaign won the prestigious Spectrum Award



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## FINANCIAL REVIEW

JOSÉ SNYDERS

FINANCIAL DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE 12 MONTHS ENDED 31 DECEMBER 2021

R'000	Audited Dec 2021	Audited Dec 2020
Property portfolio revenue	888 240	878 769
Property operating expenses including change in expected credit losses	(372 238)	(501 497)
<b>Net property income</b>	<b>516 002</b>	<b>377 272</b>
Revenue from contracts with customers	53 257	59 624
Other income	2 412	1 228
Operating costs	(112 455)	(95 769)
<b>(Loss)/profit from operations</b>	<b>459 216</b>	<b>342 355</b>
Net interest expense	(148 085)	(146 909)
Net fair value adjustments	(52 521)	(1 719 886)
<b>(Loss)/profit before taxation</b>	<b>258 610</b>	<b>(1 524 440)</b>
Taxation	(15 384)	31 637
<b>Total comprehensive (loss)/income</b>	<b>243 226</b>	<b>(1 492 803)</b>
<b>Distributable income</b>	<b>309 812</b>	<b>293 702</b>

FY21 distribution of **34.10 cents** per share (FY20: 32.33 cents per share)

LTV  
23.87%

ICR  
3.1x

Standard  
Bank  
offices  
sold

R70m  
share  
buybacks

# STATEMENT OF FINANCIAL POSITION

FOR THE 12 MONTHS ENDED 31 DECEMBER 2021

R'000	Audited Dec 2021	Audited Dec 2020
Non-current assets	8 294 634	8 521 511
Non-current assets held for sale	153 300	-
Current assets	481 320	378 501
<b>Total assets</b>	<b>8 929 254</b>	<b>8 900 012</b>
Non-current liabilities	1 161 709	1 240 891
<b>Current liabilities</b>	<b>1 124 268</b>	<b>751 158</b>
Trade and other payables	230 467	168 731
Financial instruments	18 535	60 423
Lease liabilities	541	-
Financial liabilities	874 725	522 004
<b>Total liabilities</b>	<b>2 285 977</b>	<b>1 992 049</b>
Capital	8 780 921	8 780 921
Retained surplus	175 465	301 075
Share-based payment reserve	31 077	26 212
Treasury shares	(158 065)	(80 709)
Mergers/capital reserve	(426 104)	(426 104)
Non-distributable reserve	( 1 760 017)	( 1 693 432)
<b>Total equity</b>	<b>6 643 277</b>	<b>6 907 963</b>
<b>Total equity and liabilities</b>	<b>8 929 254</b>	<b>8 900 012</b>

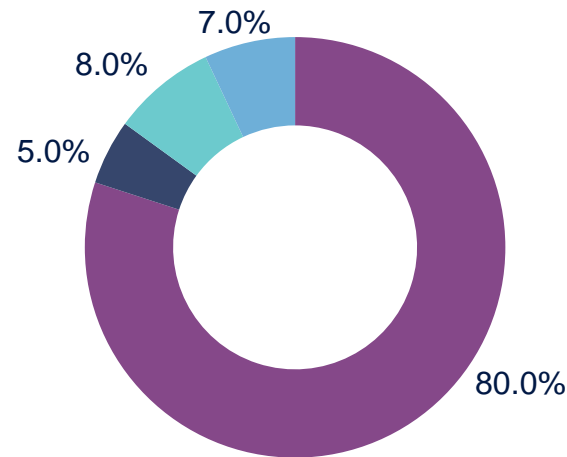


# NPI GROWTH PER SECTOR

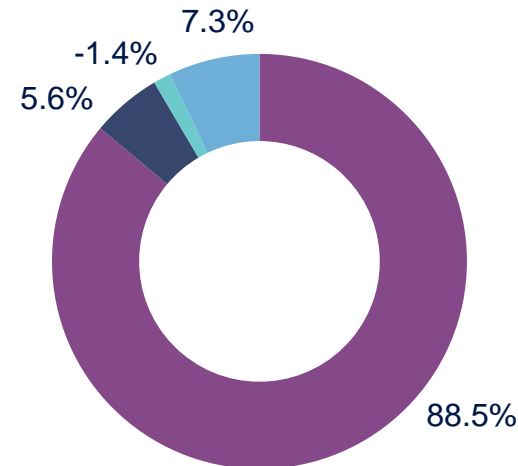
While retail has begun to recover, sectors impacted by Covid-19 restrictions have a significant drag on portfolio NPI

	NPI Dec 21 vs Dec 20	NPI Dec 21 vs Dec 19
Retail	27%	-18%
Offices	-3%	-23%
Hospitality	-178%	-113%
Other	7%	-23%
<b>Total NPI</b>	<b>19%</b>	<b>-26%</b>

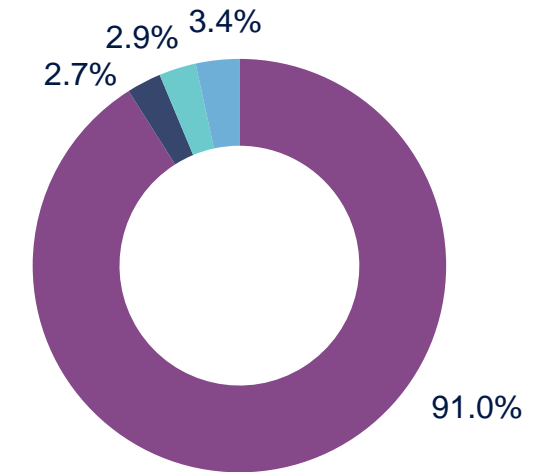
NPI Sector Contribution 2019



NPI Sector Contribution 2021



Valuation sector split 2021



■ Retail ■ Office ■ Hospitality ■ Other

**Given the uncertainty, we remain cautious and realistic, thus no distribution guidance for 2022**

# 2021 LEASING

Focus on tenant retention and sustainable rentals

Total renewals and new deals

147,507m<sup>2</sup>

(FY20: 148,725m<sup>2</sup>)

% Portfolio GLA

15.6%

(FY20: 15.7%)

Reversion renewals

-25.9%

(FY20: -30.6%)

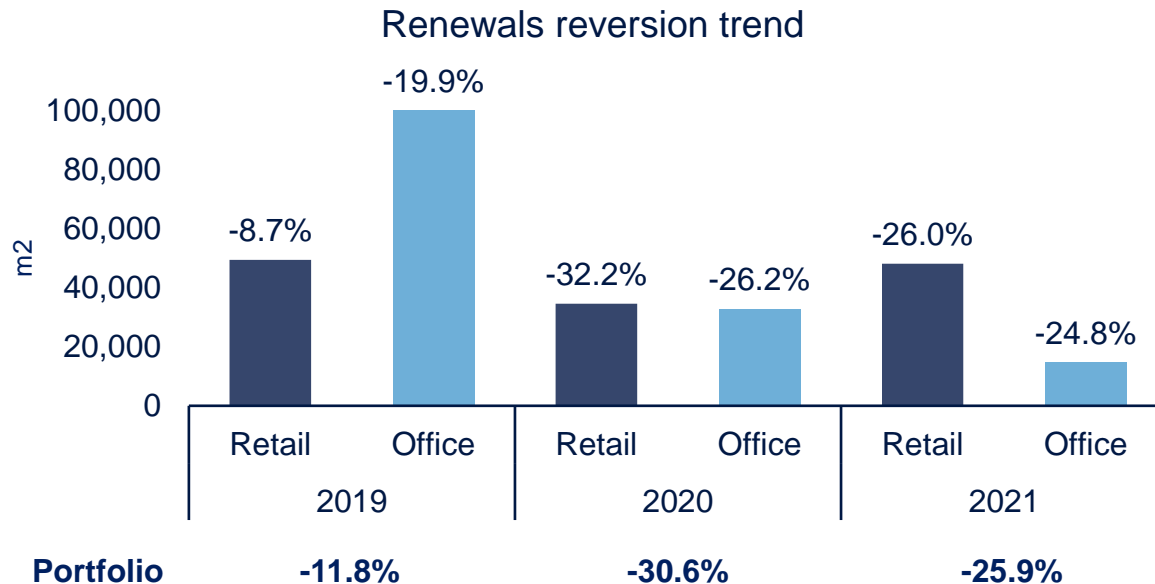
Tenant retention

92.5%

(FY20: 84.2%)

Weighted avg.  
lease escalation  
2021 leasing

Renewals 6.2%  
New deals 6.8%

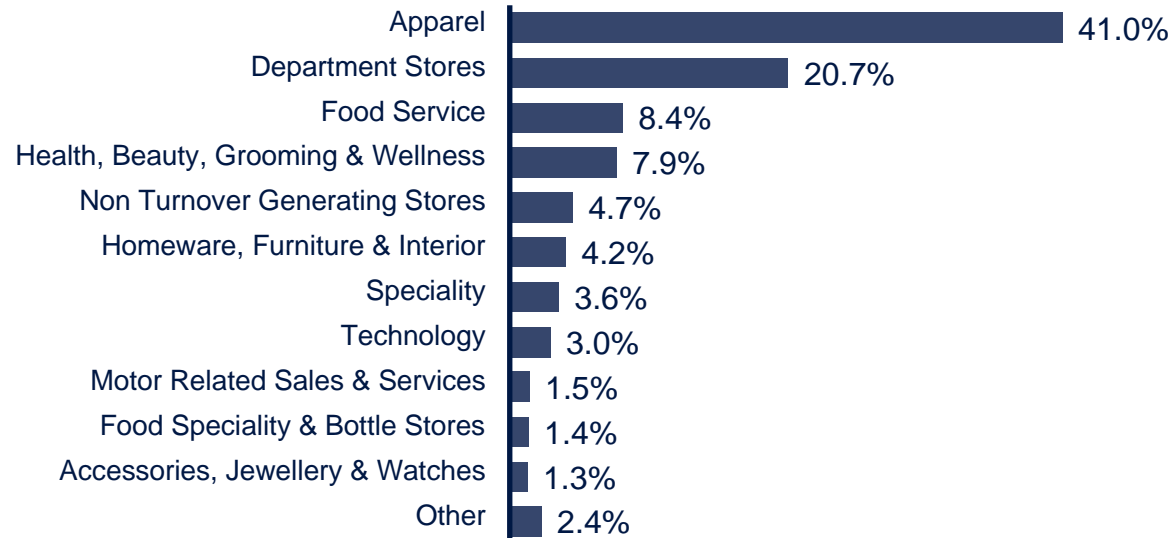


Leasing	Sector	Number	GLA (m <sup>2</sup> )	% of total portfolio
Renewals	Retail	159	48 027	5.1%
	Office	21	14 740	1.6%
	Specialised	1	57 910	6.1%
	<b>Total</b>	<b>181</b>	<b>120 677</b>	<b>12.8%</b>
New deals	Retail	88	21 807	2.3%
	Office	22	5 023	0.5%
	<b>Total</b>	<b>110</b>	<b>26 830</b>	<b>2.8%</b>
<b>TOTAL</b>		<b>291</b>	<b>147 507</b>	<b>15.6%</b>

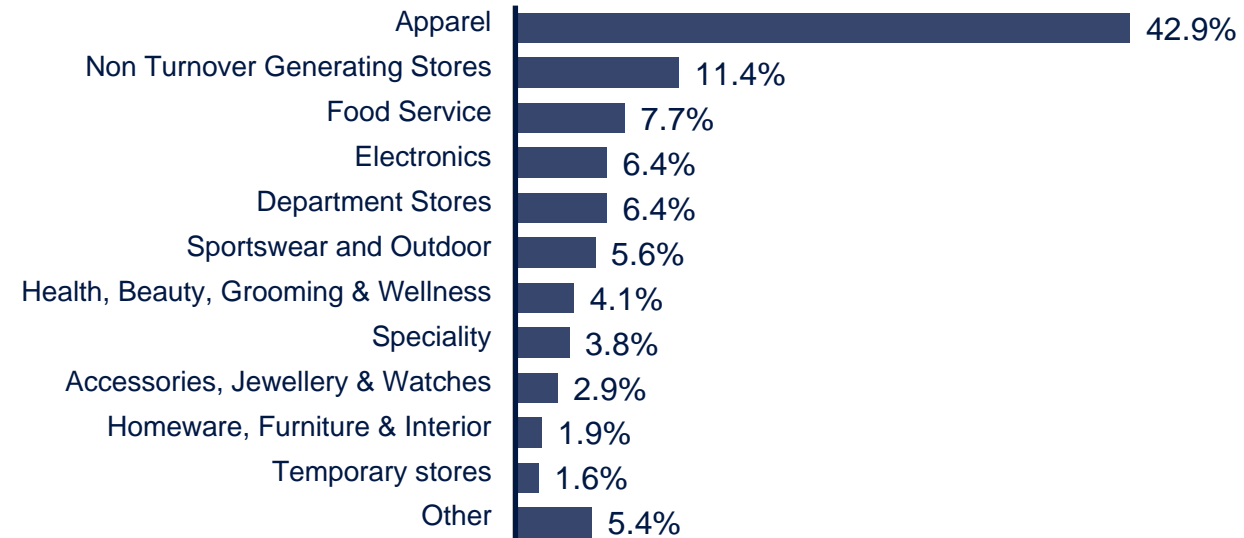
# TRADING PERFORMANCE OF 2021 AND 2022 RENEWALS

Leases expiring in 2022 demonstrated improved 2021 turnover performance

Category split for 2021 renewals



Category split for 2022 renewals



	2021 Retail Renewals	2022 Retail Renewals
GLA	48 027	38 232
% of portfolio GLA	5.1%	4.0%
Turnover growth (2021 vs. 2019)	-4.3%	5.4%
Turnover growth (2020 vs. 2019)	-13.1%	-10.3%
Reversion rate	-26.0%	

# CONCLUSION

AMELIA BEATTIE  
CHIEF EXECUTIVE



# LOOKING AHEAD

Driving performance with purpose in 2022 and beyond

- Continue to build on **improving market conditions and momentum** gained in turnover and footcount recovery
- Firmly focused on **executing** strategic priorities
- **Operational focus** will drive stronger leasing performance and lower reversions in 2022
- **Turnaround of non-performing assets** a key focus, including derisking the portfolio
- Embedding **ESG framework and principles** across our business





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**2021**

**THANK YOU**

**Q&A**



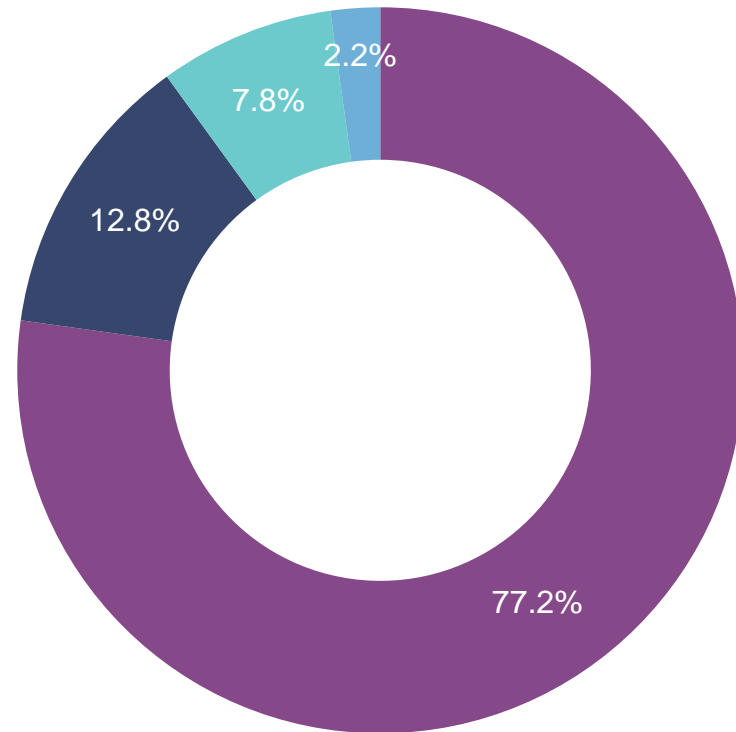
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# SUPPLEMENTARY INFORMATION

EASTGATE

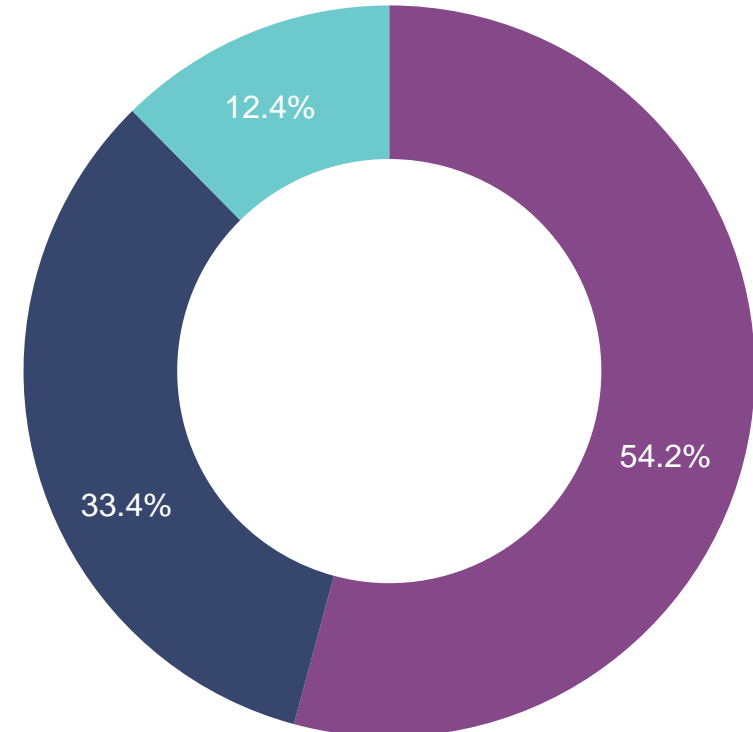
# PORTFOLIO PROFILE

## Geographic profile by GLA (m²)



■ Gauteng ■ KwaZulu-Natal ■ Western Cape ■ Free State

## Sector composition by GLA (m²)



■ Retail ■ Office ■ Specialised

Note: Based on 100% of portfolio GLA at 31 December 2021



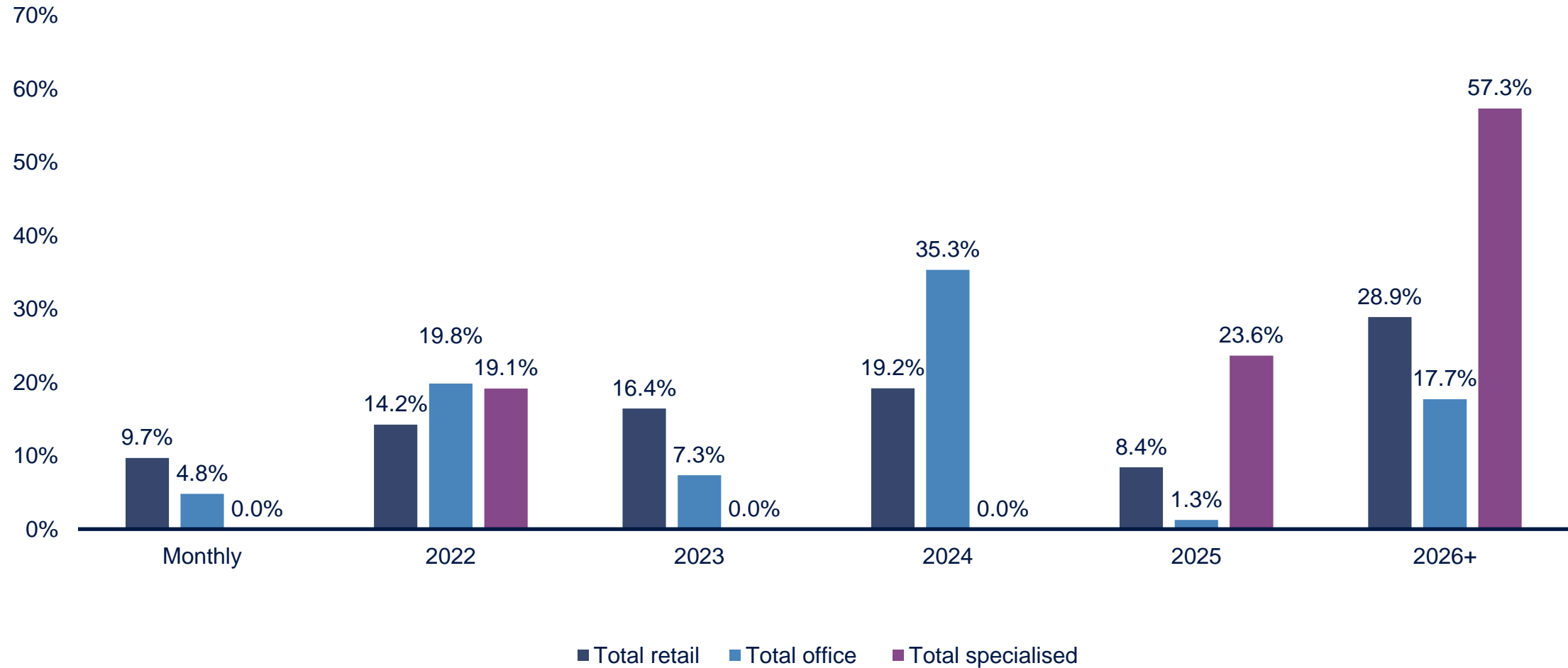
# GLA RECONCILIATION

Liberty Two Degrees total gross lettable area reported at 31 December 2021 has remained unchanged

(m <sup>2</sup> )	GLA Dec 21	GLA Dec 20	Variance
Retail	512 701	512 701	-
Office	316 011	316 011	-
Specialised	117 606	117 606	-
<b>Total</b>	<b>946 318</b>	946 318	-

# 5-YEAR LEASE EXPIRY PROFILE

Lease Expiry Profile



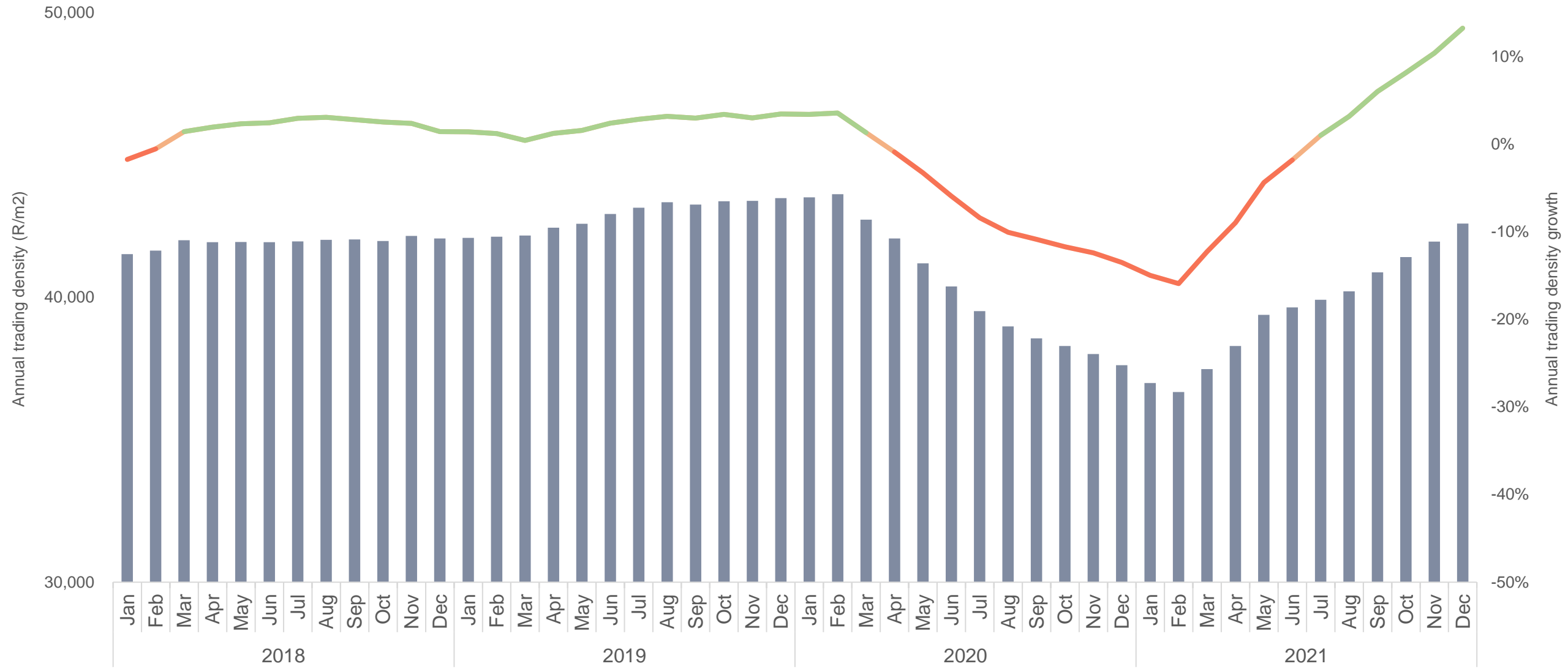
# PORTFOLIO QUARTERLY TURNOVER GROWTH

Strong recovery in Q4 despite Omicron variant

Quarterly turnover growth vs 2019	Q1	Q2	Q3	Q4	Dec 2021
Sandton City	-3.5%	3.3%	1.7%	12.5%	10.7%
Eastgate	-16.6%	-11.9%	-15.0%	-6.3%	-7.5%
Lifestyle Centre	11.6%	16.3%	37.7%	58.1%	49.6%
Midlands Mall	-8.0%	-2.5%	8.3%	17.7%	10.2%
NMS	-41.6%	-39.0%	-33.4%	-9.4%	-9.2%
Promenade	-8.7%	-9.9%	-13.8%	-5.5%	-3.7%
Botshabelo	29.5%	26.7%	13.5%	18.0%	20.3%
<b>Portfolio Full (Excl. Melrose Arch)</b>	<b>-8.8%</b>	<b>-4.1%</b>	<b>-4.6%</b>	<b>5.9%</b>	<b>4.3%</b>
Melrose Arch	-26.7%	-27.2%	-29.4%	-13.3%	-10.5%
<b>Full Portfolio</b>	<b>-9.7%</b>	<b>-5.1%</b>	<b>-5.7%</b>	<b>5.1%</b>	<b>3.7%</b>

# ANNUAL TRADING DENSITY TREND

Trading density up 13.2% year on year to end December 2021



Source: Retail Live



# QUARTERLY PORTFOLIO FOOTCOUNT

Footcount returns to 2019 levels as customers seek in-store experiences

Quarterly turnover growth vs 2019	Q1	Q2	Q3	Q4	Dec 2021
Sandton City	-29.9%	-4.3%	-24.0%	-15.8%	-12.2%
Eastgate	-15.8%	-4.8%	-11.2%	-1.8%	-16.7%
Midlands Mall	-14.6%	-2.6%	-32.0%	2.1%	20.1%
NMS	-52.2%	-0.2%	-22.8%	6.7%	21.2%
Promenade	-4.4%	-9.1%	-3.6%	3.3%	-12.9%
<b>Full portfolio</b>	<b>-23.6%</b>	<b>-4.5%</b>	<b>-17.9%</b>	<b>-3.4%</b>	<b>-3.8%</b>

# SANDTON CITY COMPLEX

	Dec 2021	Jun 2021	Dec 2020	Jun 2020	Dec 2019	Jun 2019	Dec 2018
<b>Retail</b>							
Average net rental (R/m <sup>2</sup> )	483	502	558	534	542	538	510
Average net rental after rent relief (R/m <sup>2</sup> )	477	495	455	457			
Occupancy (%)	98.3	98.5	97.8	98.9	99.6	99.4	99.6
Occupancy including pre-lets (%)	98.7	99.1	97.9	99.1	99.8	99.5	100.0
<b>Office</b>							
Average net rental (R/m <sup>2</sup> )	123	148	151	162	152	159	141
Average net rental after rent relief (R/m <sup>2</sup> )	113	122	132	162			
Occupancy (%)	67.3	70.7	76.5	73.4	72.9	75.8	74.5
Occupancy including pre-lets (%)	68.2	70.8	78.2	78.1	72.9	79.7	79.0



# EASTGATE COMPLEX

	Dec 2021	Jun 2021	Dec 2020	Jun 2020	Dec 2019	Jun 2019	Dec 2018
<b>Complex (retail and office)</b>							
Average net rental (R/m <sup>2</sup> )	317	346	343	369	374	360	368
Average net rental after rent relief (R/m <sup>2</sup> )	317	339 <sup>1</sup>	293	312			
Occupancy (%) – retail	94.6	95.0	92.6	93.4	96.4	96.9	99.0
Occupancy including pre-lets (%)	94.7	95.3	93.5	93.5	96.9	98.2	99.0
Occupancy (%) – office	91.6	96.1	96.1	97.3	97.3	97.3	97.3
Occupancy including pre-lets (%)	91.6	96.1	96.1	97.3	97.3	97.3	97.3



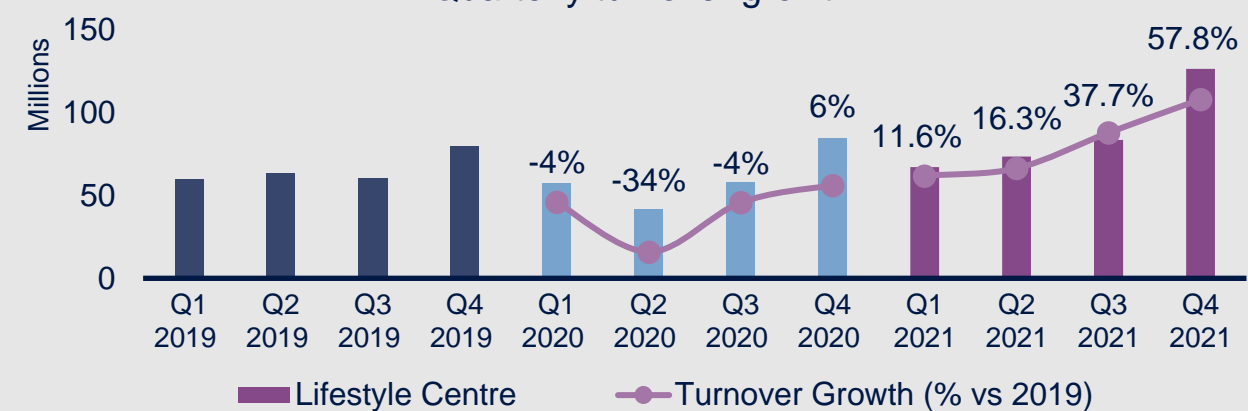
# MIDLANDS MALL AND LIFESTYLE CENTRE

	Dec 2021	Jun 2021	Dec 2020	Jun 2020	Dec 2019	Jun 2019	Dec 2018
<b>Midlands Mall retail</b>							
Average net rental (R/m <sup>2</sup> )	222	220	223	222	219	221	214
Average net rental after rent relief (R/m <sup>2</sup> )	219	215	184	167			
Occupancy (%)	97.9	98.3	99.0	99.6	100.0	98.6	98.1
Occupancy including pre-lets (%)	97.9	98.7	99.0	99.6	100.0	99.4	98.1
<b>Lifestyle Centre retail</b>							
Average net rental (R/m <sup>2</sup> )	161	154	173	169	163	167	165
Average net rental after rent relief (R/m <sup>2</sup> )	160	146	141	126			
Occupancy (%)	96.3	94.6	96.0	96.8	98.7	94.5	92.8
Occupancy including pre-lets (%)	96.3	95.9	96.0	96.8	98.7	98.0	92.8

Quarterly turnover growth



Quarterly turnover growth





# NELSON MANDELA SQUARE

	Dec 2021	Jun 2021	Dec 2020	Jun 2020	Dec 2019	Jun 2019	Dec 2018
<b>Retail</b>							
Average net rental (R/m <sup>2</sup> )	451	462	517	528	516	508	475
Average net rental after rent relief (R/m <sup>2</sup> )	354	352	315	306			
Occupancy (%)	88.5	88.9	77.3	90.4	91.0	90.5	99.1
Occupancy including pre-lets (%)	89.5	88.9	88.2	91.2	91.7	91.2	100.0
<b>Office</b>							
Average net rental (R/m <sup>2</sup> )	108	117	129	137	107	112	108
Average net rental after rent relief (R/m <sup>2</sup> )	108	117	110	137			
Occupancy (%)	69.9	71.1	66.5	58.1	59.3	62.8	67.7
Occupancy including pre-lets (%)	69.9	71.1	66.5	59.4	62.3	63.2	70.7



# LIBERTY PROMENADE

	Dec 2021	Jun 2021	Dec 2020	Jun 2020	Dec 2019	Jun 2019	Dec 2018
<b>Retail</b>							
Average net rental (R/m <sup>2</sup> )	172	172	164	173	165	154	157
Average net rental after rent relief (R/m <sup>2</sup> )	171	171	144	132			
Occupancy (%)	99.5	99.4	98.7	99.1	99.5	98.9	99.3
Occupancy including pre-lets (%)	99.5	99.7	99.3	99.5	99.5	98.9	99.7



# BOTSHABELO MALL

	Dec 2021	Jun 2021	Dec 2020	Jun 2020	Dec 2019	Jun 2019	Dec 2018
<b>Retail</b>							
Average net rental (R/m <sup>2</sup> )	149	144	136	139	132	130	124
Average net rental after rent relief (R/m <sup>2</sup> )	147	138	125	139			
Occupancy (%)	97.3	94.3	94.5	93.4	94.8	95.4	94.2
Occupancy including pre-lets (%)	97.3	94.3	94.5	94.8	94.9	95.4	94.2



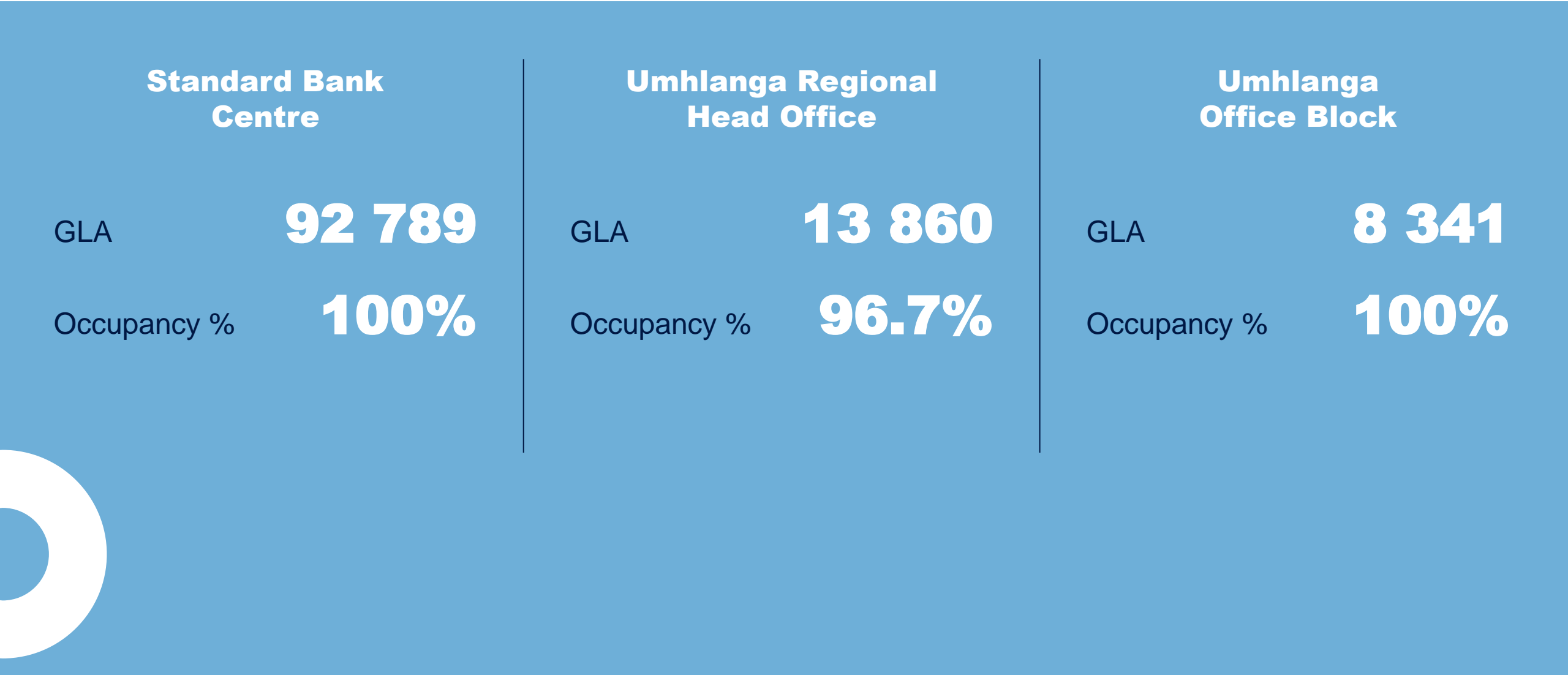
# MELROSE ARCH

	Dec 2021	Jun 2021	Dec 2020	Jun 2020	Dec 2019	Jun 2019	Dec 2018
<b>Retail</b>							
Average net rental (R/m <sup>2</sup> )	221	223	193	185	226	244	235
Average net rental after rent relief (R/m <sup>2</sup> )	221	223	138	158			
Occupancy (%)	96.5	94.4	93.2	94.0	94.3	96.7	100.0
Occupancy including pre-lets (%)	96.5	94.4	93.2	94.0	94.3	96.7	100.0
<b>Office</b>							
Average net rental (R/m <sup>2</sup> )	211	206	197	218	214	208	198
Average net rental after rent relief (R/m <sup>2</sup> )	211	206	196	178			
Occupancy (%)	83.7	82.8	85.6	92.7	93.5	95.7	95.6
Occupancy including pre-lets (%)	83.7	82.8	85.6	92.7	93.5	95.7	95.6



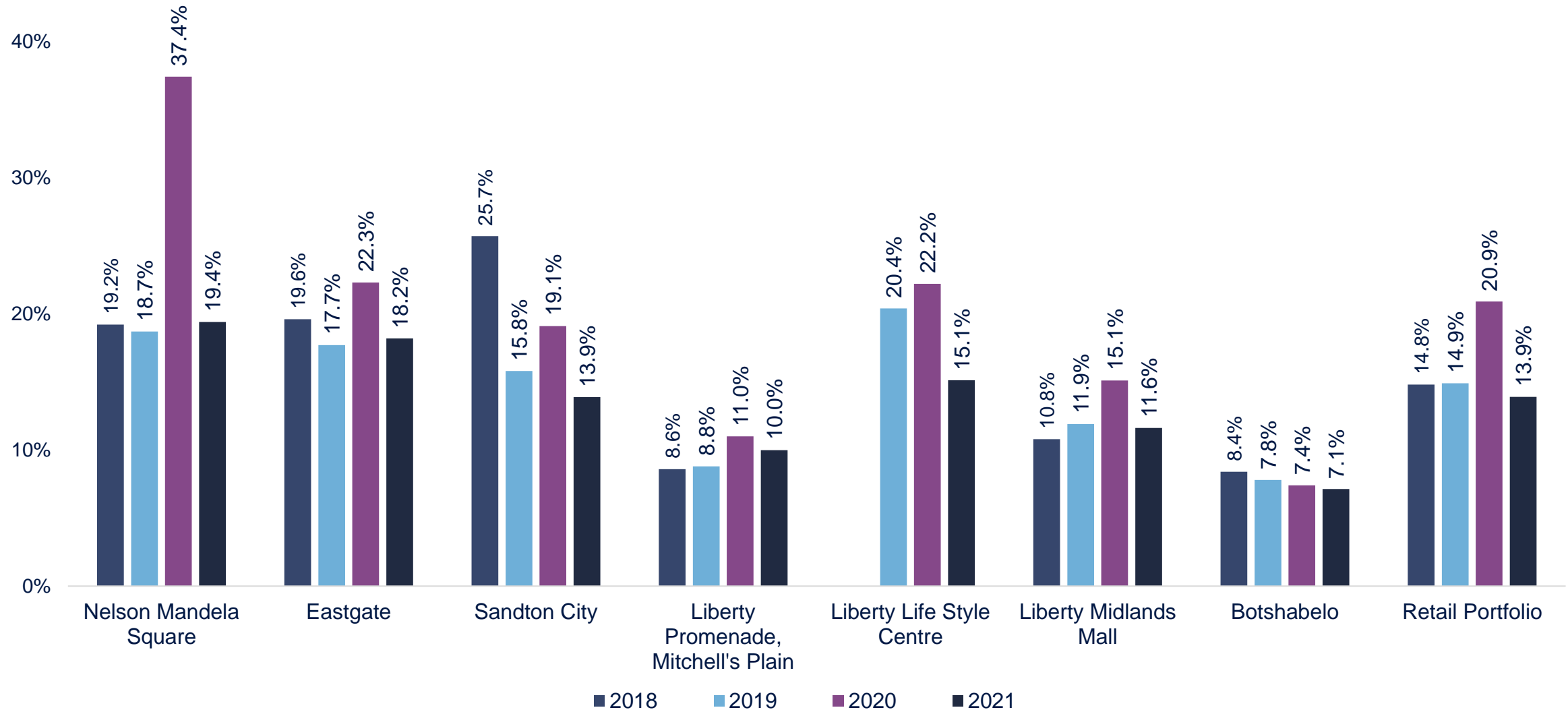


# OFFICES



Standard Bank Centre is currently held for sale

# COMPREHENSIVE COST OF OCCUPATION



# RENT RELIEF IMPACT

Discounts of R17.3m were granted during the year and R0.4m were provided for.

2020 discount accrual reversals amounted to R9.9m

	Total (Rm)
Unlisted	0.5
Movies/Theatre	0.1
Office	0.02
Restaurant/Fast foods	14.6
SMME	0.7
Specialised	1.5
Other	0.3
2020 accrual reversal	(9.9)
<b>Total</b>	<b>7.8</b>

	Arrears R'000	I/S charge R'000
COVID-19 related provision		7 758
ECL additional provision on arrears		(22 739)
Balance of arrears	66 357	n/a
<b>Total</b>	<b>66 357</b>	<b>(14 981)</b>

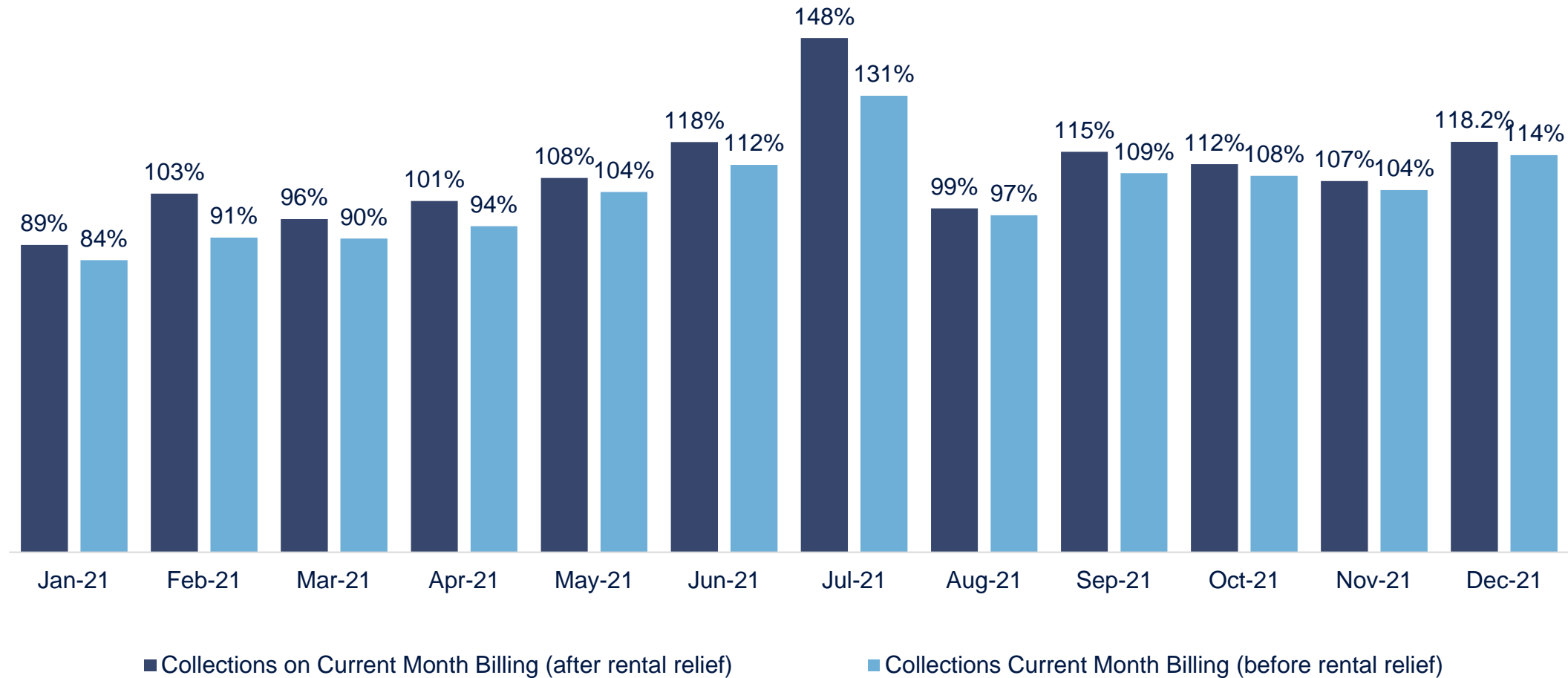
## Deferred tax asset of R16.4m

Raised on temporary differences considered recoverable, and likely to unwind in the next year.

Main temporary differences related to the rental relief and ECL provision

# COLLECTIONS

Collection % on respective month billing

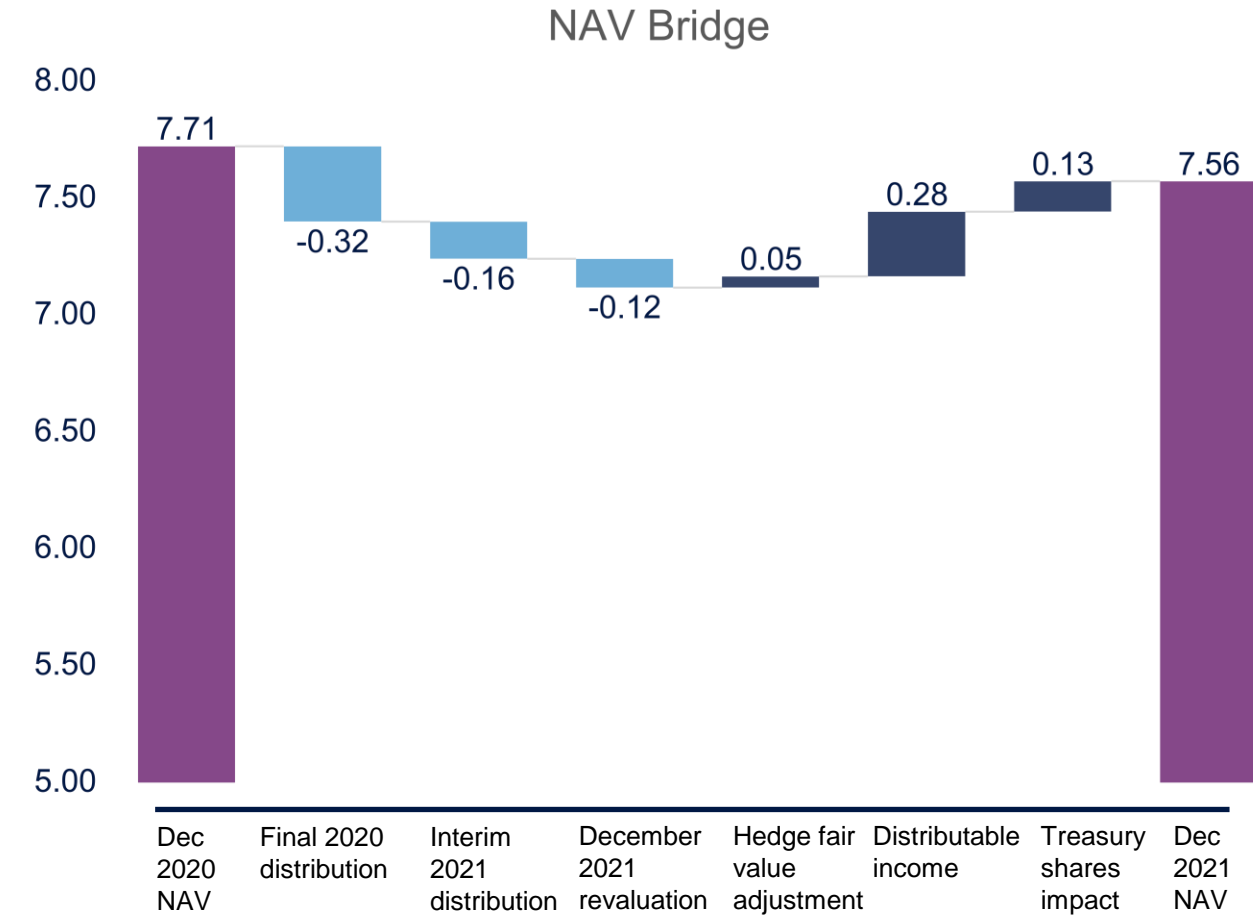




# NET ASSET VALUE PER SHARE BRIDGE

1.9% decrease in NAV from 1 January 2021

- Mainly as a result of
  - Payment of 2020 distribution and 2021 interim distribution
  - Property revaluation
  - Distributable income for the year
  - Impact of treasury shares acquired during the year



# DEBT FACILITIES

**23.87%** (FY20: 20.51%)  
Group loan-to-value

**7.85%** (FY20: 7.89%)  
NACA  
(weighted average cost of debt)

**R340m** (FY20: R509m)  
Unutilised RCF  
facilities

**3.1 x** (FY20: 3.9)  
Group interest rate cover (ICR)

**R1.95bn** (FY20: R1.74bn)  
Term debt

**2.32 years** (FY20: 2.11years)  
average hedge expiry

## Maturity profile

1 year – 44% | 2 year – 26% | 5 year – 30%

# DISCLAIMER

- 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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