

SAFARI INVESTMENTS RSA LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2000/015002/06
Share code: SAR
ISIN: ZAE000188280
(Approved as a REIT by the JSE)
("Safari" or "the Company")



PRE-CLOSE OPERATIONAL UPDATE

Safari hereby provides its pre-close operational update relating to business activities prior to the close of its financial year ending 31 March 2022 and ahead of the start of its closed period commencing 1 April 2022.

Safari is a South African Real Estate Investment Trust ("REIT") with a portfolio of premium retail assets in semi-urban areas in South Africa focused on creating long-term shareholder value. The portfolio, externally valued at R3,46 billion in 2021, comprises 7 retail shopping centres and a day hospital in South Africa. One mixed use development is held in Namibia. The Company's defensive income stream is underpinned by careful tenant selection, efficiencies in property management and strategically located assets.

While the operating environment remained challenging, the operational performance of the portfolio for the period up to 28 February 2022 was in line with expectations and guidance communicated to shareholders. The Company's strategic focus on food-anchored convenience shopping centres in mainly semi-urban areas has proven again to be a key factor in the defensive nature and financial stability of its portfolio.

OPERATIONAL HEADLINES

Improvements were evident in all key trading metrics of the portfolio. In particular increased tenant turnover and trading densities are encouraging and bear testament to the resilience and dominance of Safari's centres. Tenant turnover and trading density metrics for February 2022 were in line with (or above) pre-Covid levels of February 2020, notwithstanding the negative impact of an anchor tenant, SuperSpar, not trading at Thabong centre since the July 2021 riots.

KEY TRADING METRICS (retail portfolio only)	February 2020	February 2021	February 2022
Trading Density (ZAR per square metre)	32 700	33 700	33 900
Trading Density (growth %)		3%	1%
Arrears (ZAR)	7 150 000	9 859 000	11 690 000
Arrears as % Outstanding	2,43%	3,07%	3,01%
Vacancy Factor	3,33%	3,12%	3,03%

As at the end of March 2022 the weighted average lease expiry of Safari's retail portfolio stands at 3,3 years. Considering the 11 months to February 2022 the retail portfolio shows a collection rate of 98% of contractual billings. Should deferrals to collection be disregarded the rate improves to 99%.

With a number of new leases still under negotiation, current estimates indicate that a positive reversion rate in the region of 0,5% will be achieved for the period ending 31 March 2022. This is a significant improvement compared to the negative reversion of -2,5% for the corresponding period ended 31 March 2021. This is indicative of the portfolio reaching a rental base from which sustainable growth may again be achieved. It may however be affected by other shocks to the economy, including rising levels of inflation.

The strategic layout and positioning of each property in its target market are continuous focus points. Safari's centres must maintain their dominance and remain relevant while changes in tenant and consumer needs are recognised. In line with our vision for each site, refurbishments of certain assets and introduction of new tenants were implemented across the portfolio.

Redevelopment of the Victorian Village shopping centre is near completion. Despite the centre's relatively small size it has been re-established as the most prominent convenience retail destination in Heidelberg, Gauteng.

Denlyn shopping centre in Mamelodi, Pretoria became a triple-anchored centre with the recent addition of Boxer Superstore alongside the existing anchors Shoprite and SuperSpar.

Nkomo Village shopping centre continues to trade exceptionally well. Construction of an entire new phase for the centre is due to commence in April 2022, adding approximately 5 000 square metre of GLA. The expansion will accommodate Shoprite and other nationals including Mr Price, Sheet Street, Ackermans Connect, Pep Home and Burger King to cover a broader customer-base in future.

After the damage caused by the civil unrest in July 2021 the restoration of Thabong shopping centre provided an opportunity to optimize its tenant mix. A repositioning and right sizing of the Standard Bank branch was completed successfully and Nedbank is in the process of doing the same. Ackermans was increased in size, SportScene relocated to a larger unit and a Sneaker Factory was added. Ackermans Connect opened for trade in February 2022 and it is anticipated that Shoprite, a fourth anchor, will open by the end of 2022.

Where feasible, solar installations are expanded to maximum capacity across the portfolio to ensure uninterrupted trading while mitigating the energy supply risk and minimising our carbon footprint.

INSURANCE COVER FOR IMPACT OF COVID-19 AND THE JULY 2021 RIOTS

Rent relief granted to tenants in the 2022 financial year totalled approximately R1,5 million due to the Covid-19 pandemic. Together with the R27 million relief granted in the 2021 financial year this brings the total relief granted by Safari due to the pandemic to R28,5 million. The Company's legal claim against its insurers is still in process and the Board is hopeful that a settlement will be achieved in the 2023 financial year to recover the loss.

The unfortunate period of civil unrest in South Africa in July 2021 resulted in material damage to certain assets, most notably at Thabong shopping centre in Sebokeng. To date the Company incurred R25 million in expenses for material repairs. Interim compensation payments received from Sasria amount to R22 million. The claim for the recovery of the remainder of the expenses is still in process.

This event naturally caused severe business interruption, again mainly at Thabong shopping centre. Rent relief granted to tenants for the period of closure and repairs total approximately R11 million to date with interim payments of R7 million received from the insurer. The precise shortfall still to be recovered will be determined in due course.

SECURITY SERVICES INTERNALISED

In a joint venture with Heriot REIT Limited, Safari internalised its security function. This entity, HS Secure, has taken over the security services on the majority of the Safari and Heriot retail sites with the aim to improve services and allowing management a more hands-on and controlled approach to securing and safeguarding Safari's shopping centres and shoppers.

DISPOSAL STRATEGY ON TRACK

In line with the Company's strategic focus on dominant retail assets in semi-urban and township areas, Safari has earmarked two non-core assets for disposal. There is engagement with potential buyers for Soweto Day Hospital and the Mnandi shopping centre. The sale of these assets is in line with the Board's objective to optimise capital allocation and focus on higher yielding retail opportunities.

The majority of the 36 residential apartments forming part of the Platz am Meer mixed-used development is now sold. Safari is confident that the remaining balance of 9 units in stock will be sold during the 2023 financial year. The medium to longer term view is for Safari to exit Namibia and focus on the South African retail landscape.

IMPROVED REPORTING ON ESG

To integrate ESG principles into business has become increasingly important in the REIT environment. A priority in the 2022 integrated annual report will be an improved focus and reporting on Safari's various initiatives and partnerships that support sustainability. This will assist investors in gauging the societal impact of the business with a better understanding of the Company's various non-financial and socially responsible practices.

OVERVIEW OF FINANCIAL STABILITY

Safari continues to prudently manage its balance sheet and liquidity. The loan-to-value percentage of approximately 38% based on 31 March 2021 valuations and the interest cover ratio are well within the required debt parameters, and it is expected that these covenants will continue to be comfortably met. Currently, approximately 47% of debt is hedged.

During the financial period under review R800 million of the Company's total facilities of R1,4 billion matured and were successfully refinanced. Liquidity remains sound with unutilised credit facilities of approximately R100 million in place on date of this announcement.

DISTRIBUTION GUIDANCE

The Company intends to continue to apply a consistent dividend pay-out ratio as a result of strong underlying cash flows and comfortable levels of gearing. Shareholders are referred to the full year distributable income per share guidance published as part of Safari's interim results for the 6 months ended 30 September 2021 and are advised that the guidance remains unchanged at this stage.

DISCLAIMER

Safari enters a closed period from 1 April 2022 until the publication of its annual results for the year ending 31 March 2022. Safari will announce its 2022 annual financial results towards the end of June 2022. For further details contact info@safari-investments.co.za

The information contained in this document has not been reviewed or reported on by the auditors of Safari. Estimates, assumptions, and forward-looking statements may therefore differ from the annual results to be published in June 2022.

Pretoria
31 March 2022

Sponsor
PSG Capital