LIBERTY

two°degrees

Liberty Two Degrees' consistently applied prudent capital management strategy, supported by quality assets, delivers value

- **Full year Distribution of 32.33 cents per share (FY19: 60.43 cents)**
- **Recovery in Q4 2020 is encouraging | Turnover and footcount improving**
- **Retail occupancies high at 95.3%**
- **Strong balance sheet | Loan-to-value of 20.5% (FY19: 16.1%)**
- **The L2D portfolio is the first portfolio in South Africa to receive Green star ratings for all retail assets, with Sandton City receiving a world-leading 6-star rating**

22 February 2021 - Liberty Two Degrees (L2D), a South African, precinct focused, retail-centred REIT, released its full year financial results for the year ended 31 December 2020.

Commenting on the results, Amelia Beattie, Chief Executive of L2D said ***"As the country emerges from the national lockdown, the real estate industry remains under pressure, with key indicators pointing to a lengthy road back to full economic recovery. After a year unlike any we have faced before, we remain confident in the long-term prospects of Liberty Two Degrees and the value of our iconic assets.***

As at 31 December 2020, L2D remains well capitalised, has sufficient liquidity and borrowing headroom with a Loan-to-Value ratio of 20.5% (31 December 2019: 16.1%). Despite the material impact of the lockdown on revenue, we remained committed to the basics in managing our portfolio and supporting our tenants in ensuring a sustainable recovery. The Board has approved a full year distribution of 32.33 cents per share."

"Our commitment to maintain the quality of our assets predates the pandemic, and we have long maintained that quality is a key driver in fostering customer loyalty. We have complemented our experiential offerings with an appropriate and diverse tenant mix that addresses customer needs and captures recovering customer spend" adds Beattie.

- As can be expected the footfall levels in the portfolio were negatively impacted by the restricted trading environments, recording an overall 30% drop compared to the prior period. As restrictions were gradually lifted, a significant improvement in the fourth quarter was seen where footfall nearly doubled compared to the prior two quarters.

Partnering with our tenants in a difficult trading environment

The adverse impact on tenant businesses over the period called for bold decisions in responding with empathy. In supporting its tenants, L2D aimed to balance the support provided with the need to protect the sustainability of its business. This was achieved by ensuring its assets retain high occupancies and keeping the malls safe while responding with agility in the short term and adapting to longer-term consequences of the pandemic.

- In addition to the operational support, the co-owned portfolio provided rental relief to the value R336 million for the year ended 31 December 2020 of which L2D's effective share is R112million.
- Given the economic climate, tenant arrears have increased to R96.4 million at 31 December 2020 (R30.8 million at 31 December 2019). Consequentially L2D's provisioning for credit losses have seen a similar level of increase.

"The intentional approach of partnering with our tenants during this difficult period has assisted our collective sustainability. Following a difficult first half, this strategy enabled distributions to be paid as a result of a progressive improvement in rental collections in the second half of the year, with lower than initially anticipated tenant failures and avoiding the associated impact of vacancies." says José Snyders, Financial Director at L2D.

- Retail occupancies remain high at 95.3%, contributing to early signs of recovery in tenant turnover levels as lockdown restrictions are eased. Post year-end, with new letting to date, the occupancy level increases to 96.8%.
- Portfolio turnover is 9.5% down in the fourth quarter of 2020 in comparison to those recorded prior to COVID-19 in the same period of 2019.
- Sandton City's turnover for the month of December 2020 was marginally down 1.5% compared to the corresponding period in 2019. This is due to the high demand for luxury brands at the centre's Diamond Walk, further highlighting the relevance of quality super regional centres that address the demand for an experiential offering while being optimally located.

Commenting on L2D's conservative capital position, Snyders says ***"We decided at the onset of the pandemic to maintain low gearing levels and ensure adequate access to liquidity in anticipation of the pressure on property valuations and strain on the working capital in our tenants' businesses. Our risk management remains strong and we believe that we have the necessary management actions in place to continue to mitigate and manage our risks sufficiently".***

- At 31 December 2020, L2D's 100% South African property portfolio was valued at R8.5 billion (2019: R10.1 billion) and the net asset value per share has decreased from R9.65 at December 2019 to R7.71 as at December 2020. Valuations were negatively impacted by inter alia; discounts given on current year rentals and the rebasing of certain leases as well as the revised growth assumptions for the forecasted period. The valuations assume higher vacancies for the forecasted period and the likelihood of negative reversions for lease renewals in addition to the expectation that letting currently vacant space will take longer than usual. Independent valuations were performed for all assets and the portfolio was written down by R1.7 billion in 2020.
- Ster-Kinekor Theatres Proprietary Limited was placed in voluntary business rescue with effect from 27 January 2021. It is still early in the business rescue process but at this stage, with the information currently at hand L2D does not anticipate that this would have a material impact on the property valuations as at 31 December 2020.

Supporting sustainable recovery

"Our reported revenue and net property income (NPI) decreased by 12.1% and 45.6% respectively in comparison to the prior year. This is due to; the rental relief provided to tenants, the impact of the suspension of trading at the hotels and the convention centre, less parking revenue and the additional provisioning for increased tenant arrears and the non-recovery of certain debtor balances most notably related to Edcon" says Snyders**.**

Profit from operations decreased by 48.8% and operating costs have increased by R2.6 million compared to the prior year.

"Navigating the current crisis, we know that long-term investments that protect value must be maintained. Our commitment to ESG underpins and enables our financial and operational performance and ensures our portfolio remains relevant. Achieving our sustainability objectives reduces our exposure to commercial risk and asset obsolescence by ensuring that our assets are future ready. We believe that our dedication and commitment to the net zero journey is an opportunity to further create value in the long-term" *says Beattie.*

- L2D is pleased to announce that its entire retail portfolio has received Green star ratings by the Green Building Council of South Africa, which is a first for the industry. With great support from Ecocentric, a green building consultancy that guides green building projects from concept to certification, this achievement demonstrates L2D's leadership, innovation, stewardship and social responsibility.
- Sandton City received a world-leading 6-star Green rating
- Individually, the rest of the assets were rated as follows; Eastgate Complex, Nelson Mandela Square, Promenade Shopping Centre and Midlands Mall received 5-star ratings and Botshabelo Mall achieved a 4-star rating.
- L2D remains committed in driving its sustainability targets of net zero waste by 2021, net zero water by 2025 and net zero energy by 2030.
- L2D malls have been awarded COVID-19 compliant ratings by the SAFE asset group, in line with the SHORE-standard for risk, resilience and security.
- Sandton City Precinct and Eastgate Shopping Centre have been certified as SAFE Retail Destinations and awarded for Gold Level Excellence for their ability to prevent, adapt, respond to, recover and learn from operational disruptions.

Outlook

Over the last year L2D has focused on the operational continuity of its business and continues to work with tenants to; minimise the consequences, adapt to the changes and create sustainable outcomes for its business operations.

"*Looking ahead, we aim to fulfil our vision to be the leading South African precinct focused, retail-centred REIT and will continue to create experiential spaces to benefit generations. We remain focused on; future proofing our assets through unrivalled experiential offerings, supporting our passionate people to drive execution, while delivering sustainable growth overtime through improved financial performance, digital transformation initiatives and execution of the asset masterplans.*" Beattie concludes.

- ***Ends –***

Enquiries:
Liberty Two Degrees
investors@liberty2degrees.co.za

NOTES TO EDITORS

About Liberty Two Degrees Limited

Liberty Two Degrees (L2D) is a South African precinct-focused, retail-centred REIT, first listed as a Collective Investment Scheme in Property (CISIP) on the Johannesburg Stock Exchange in December 2016. With effect from 1 November 2018, L2D was reconstituted as a corporate REIT to Liberty Two Degrees Limited. This better positions L2D for sustainable growth whilst unlocking shareholder value.
L2D's **purpose** is to continue to create experiential spaces that benefit generations, with a **vision** to be the leading South African, precinct-focused, retail-centred REIT. L2D's purpose and vision guide its strategy and underpin its everyday business activities.

About Liberty Two Degrees' portfolio

L2D has investments in a quality portfolio of iconic assets, these are:

- **Johannesburg:**
  - Sandton City Complex; Eastgate Complex; and Nelson Mandela Square;
  - Sandton Sun Hotel, the InterContinental Sandton Towers and the Garden Court Sandton City;
  - Standard Bank Centre offices; and
  - Melrose Arch precinct
- **Cape Town:** Liberty Promenade Shopping Centre;
- **KwaZulu-Natal:** Liberty Centre Head Office and Umhlanga Ridge Office Park; Liberty Midlands Mall; John Ross Eco-Junction Estate; and
- **Bloemfontein:** Botshabelo Mall

L2D is focused on continuously improving the quality of its assets, introducing innovative and unique experiences that attract tenants, shoppers and visitors to its malls in order to create sustainable value for stakeholders. L2D aims to create spaces that provide a sense of community and go beyond the ordinary shopping experience.

About L2D's Strategic Value Drivers

To enable sustainable value creation and reduce the effects of the challenging environment, a main focus for the year was on executing initiatives that align to our strategic value drivers. These are articulated as **customer experience**, **tenant experience**, **employee experience** and **capital and risk management** which translate into our financial outcomes and are underpinned by the **good we do**.

Our strategic value drivers measure our performance against key metrics that enable the creation of stakeholder value.

About L2D's building blocks

L2D's aim is to create spaces that enable personal, memorable human engagements and seamless interactions between retailers and consumers, continually driving authentic encounters through community-driven engagements and a strong focus on sustainable and ethical practices. This has been articulated through the L2D strategic building blocks, which help futureproof the assets and truly set them apart in the market and sharpen the focus of L2D's efforts and business activities. The L2D building blocks are:

- **Good Spaces:** L2D's shopping malls are ecosystems that provide trading and experiential environments for some of the world's most iconic brands as well as brands in high demand. L2D understands the importance of partnering with its stakeholders to accelerate its positive impact on the natural environment. L2D remains bold in driving its net zero commitments, which is evident at a number of its business operations and sites. L2D continues to reduce carbon emissions, water use and waste generation as it moves towards achieving its net zero sustainability target by 2030. Supportive initiatives have been implemented to achieve this goal.
- **Smart Spaces:** L2D aims to secure and sustain its leading position in the market by remaining at the forefront of innovative design thinking. The creation of smart environments that integrate technology to enhance the customer and retailer experience is a key initiative in this strategic growth area. Through Smart Spaces, L2D aims to accelerate its roadmap to create the seamless interaction between digital and physical retail
- **Interactive Spaces:** Interactive Spaces is about providing an interchange of ideas and experiences within the L2D malls. The emphasis is on interaction, a fast pace, excitement, experience and stimulus, with a vision to create vibrant and diverse spaces with experience at their heart. Interactive Spaces encourages common ownership, placemaking and enjoyment of the physical environments in which L2D operates.
- **Safe Spaces:** L2D's building blocks are all underpinned by Safe Spaces. L2D aims to drive a clearly defined mall strategy that ensures the mall environments hold the highest standard of safety and security for tenants and shoppers. L2D has been affirmed by SAFE Shopping Centres, a Global certification and advisory company, as the first responsible owner in Africa to achieve international certification following a Covid-19 assessment, taking the extra steps to ensure duty of care for tenants and shoppers.