



Newpark



SHORT-FORM ANNOUNCEMENT: SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION for the 12 months ended 28 February 2022

AT A GLANCE

REVENUE

decreased to
R110,0 million
(DOWN 1,6%)

FUNDS FROM OPERATIONS

increased to
R46,6 million
(UP 16,8%)

TOTAL DIVIDEND

increased to
46,91 cents
per share
(UP 17,63%)

NET ASSET VALUE PER SHARE

decreased to
R8,45
(DOWN 4,5%)

LOAN-TO-VALUE RATIO

improved to
33,6%
(UP from 34,6%)

HEADLINE EARNINGS PER SHARE

increased to
51,20 cents
(UP 116,9%)

EARNINGS PER SHARE

increased to
26,88 cents
(UP 57,3%)

NATURE OF BUSINESS

Newpark is a property holding and investment company that holds high-quality commercial and industrial properties.

INVESTMENT STRATEGY

Whilst Newpark's mandate is relatively broad, the focus remains on securing property assets that deliver strong underlying cash flows. Three of Newpark's four assets are buildings that are let to single tenants of good credit quality on secure leases. This provides a high degree of stability to Newpark's cash flows, whilst the remaining asset allows for upside potential via asset management activities. The intention is to continue with the current portfolio of stable, income producing properties and to supplement it with some additional assets that offer value.

PROPERTY PORTFOLIO

Newpark's property portfolio consists of four properties. Two are located in the heart of Sandton, Gauteng, namely the JSE Building which has 18 163 m² of gross lettable area ("GLA") and an adjoining mixed-use property known as 24 Central, which has 15 641 m² of GLA. A further property is situated in Linbro Business Park which has 12 387 m² of GLA and the fourth property is situated in Crown Mines and has 11 277 m² of GLA. The combined valuations of these properties, prepared by the registered property valuer, are performed annually at the group's year-end. The latest valuation as at 28 February 2022 was R1,33 billion.

COMMENTARY ON RESULTS

The company's board of directors ("board") is pleased to present the group's results for the year under review.

Newpark's vision is to build a portfolio of high-quality property assets that is capable of withstanding economic stress, and yet is able to offer attractive returns from both a capital and income perspective. The solid underpin provided by a combination of assets that have sound property fundamentals and a high-quality tenant mix, has proven its worth amidst very difficult operating conditions. Focus on growing the portfolio over the past two years has been secondary to management of the existing assets, and whilst potential acquisitions were considered, Newpark was unable to find the value that it required in order to execute on any transactions.

Newpark's balance sheet continues to remain financially healthy with a satisfactory gearing level with a loan-to-value ratio of 33,6% (F2021: 34,6%).

The challenging economic environment coupled with the outlook on future rental rates, continues to impact valuations, particularly in the office and retail space, and has resulted in a net decrease in fair value of the portfolio of R24 million at 28 February 2022.

Largely as a result of active asset management on the retail component of 24 Central, the group's vacancies decreased during the period to 10,6% (F2021: 13,5%).

Other than the replacement of certain tenants that ceased trading in the mixed-use segment, the tenant profile has remained largely the same with the majority of the tenants (72%) in the portfolio having leases that are renewable in 2025 and 2026.

Revenue for the financial year ended 28 February 2022 ("the financial year") was R110,0 million (F2021: R111, 8 million), down 1,6%. Operating profit before fair value adjustments was R77,3 million (F2021: R82,9 million), down 6,8% (F2021: down 7,0%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the financial year was R26,88 million (F2021: R17,09 million), up 57,3% (F2021: up 40,5%), representing earnings of 26,884 cents per share ("cps") (F2021: 17,089 cps). The total dividend for the financial year is 46,91 cps (F2021: 39,88 cps), 17,63% over the 39,88 cps declared in the prior year.

Cash generated from operations for the financial year increased by 18,22% from R80,4 million to R95,1 million, mainly as a result of rental escalation, reduced vacancies and reduced impact of COVID-19 on operations.

OUTLOOK

Newpark will continue to focus on the management of its existing assets and will remain alert to any potential acquisitions that are in keeping with the stated strategy. The group is well-positioned to capitalise on opportunities that are likely to present themselves in a suppressed real estate market.

The group is budgeting for growth in funds from operations per share ("FFOPS") for the year ending 28 February 2023 of in excess of 15%, being at least 53,61 cps compared to the FFOPS for the year ended 28 February 2022 of 46,63 cps. A corresponding increase in the dividend per share for the year ending 28 February 2023 is budgeted.

The forecast is based on the assumption that no further deterioration in the macro-economic environment will prevail, no material tenant default will occur, operating cost increases will not exceed inflation and no changes will be made to the property portfolio. This forecast has not been audited or reviewed by the company's auditors.

FUNDING

A refinance of Newpark's facilities was carried out in February 2021, aligning the funding to the underlying investment profile.

For the financial year ended 2022, 80% of the interest rate risk had been hedged with interest rate swaps expiring between 2022 and 2024, with the balance of the interest rate risk being hedged through a zero-cost collar. This strategy has limited Newpark's ability to immediately benefit from the unforeseen decrease in interest rates brought about by the deterioration in economic conditions as a consequence of the COVID-19 pandemic. From 1 June 2022 for the next 24 months, 65% of Newpark's borrowings will be hedged at an average rate of 6,52% per annum before banker's margin. The board has noted that this is below the previously stated target of 70%, but after considering Newpark's relatively low gearing ratio of 34% and the current unfavourable hedging environment, the board is comfortable with the current level of hedging and will continue to monitor the position.

CHANGES TO THE BOARD OF DIRECTORS

During the year we said farewell to Howard Turner who retired as an independent non-executive director and chairman of the Audit and Risk and Social and Ethics Committees on 24 November 2021, and Dries Ferreira who resigned as the financial director with effect from 10 January 2022 in order to pursue a new opportunity. Howard and Dries both provided valuable input in their roles over a number of years and we wish them well for the future.

Roy Campbell (appointed 25 November 2021) and Alan Wilson (appointed 1 January 2022) joined the board to replace Howard and Dries, respectively, and we look forward to benefitting from the insights that they bring with their experience.

CASH DIVIDEND DECLARATION

The board has approved and notice is hereby given of the final gross cash dividend of 25,24943 cents per share for the year ended 28 February 2022.

The dividend is payable to Newpark's shareholders in accordance with the timetable set out below:

	2022
Last date to trade cum dividend	Tuesday, 7 June
Shares trade ex dividend	Wednesday, 8 June
Record date	Friday, 10 June
Payment date	Monday, 13 June

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 June 2022 and Friday, 10 June 2022, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 13 June 2022. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 13 June 2022.

In accordance with Newpark's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividend will be deemed to be a dividend for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders submitted the following forms to their Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is exempt from dividends tax; and
- a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any dividends received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholders. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 20,19954 cents per share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident shareholder, has submitted the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shares in issue at the date of declaration of dividend: 100 000 001.

Newpark's income tax reference number: 9114003149.

By order of the board
18 May 2022

The above announcement is a summary of information in the full announcement and does not contain full or complete details and is the responsibility of the directors. Any investment decisions by investors and/or shareholders should be based on the full announcement which is available on

<https://senspdf.jse.co.zadocuments/2022/jse/issue/NRLE/YE22.pdf>

and published on the company's website on

http://www.newpark.co.za/pdf/annual_reports/FY2022FYRA.pdf

on 18 May 2022. The full announcement is also available at the company's registered office (51 West Street, Houghton, Gauteng, 2198) for inspection, at no charge, during office hours on any business day at the registered offices of the company and at the offices of the designated advisor, Java Capital (6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196). Copies of the full announcement may be requested by email to info@newpark.co.za.

The annual financial statements including the audit opinion of the external auditor, BDO South Africa Incorporated, is available on the company's website on

http://www.newpark.co.za/pdf/annual_reports/FY2022AFS.pdf.

The valuation of investment properties was noted as a key audit matter. An unmodified audit opinion has been issued on the audited consolidated financial statements for the financial year ended 28 February 2022.

NEWPARK REIT LIMITED

(Incorporated in the Republic of South Africa) • (Registration number 2015/436550/06) • JSE share code: NRL • ISIN: ZAE000212783 • (Approved as a REIT by JSE)
("Newpark" or "the company" or "the group")

Directors:

S Shaw-Taylor (Chairperson) **, SP Fifield (Chief Executive Officer), AJ Wilson (Financial Director), DT Hirschowitz *, KM Ellerine *, BD van Wyk *, RC Campbell **, TS Sishuba **
* Non-executive director ** Independent non-executive director