TRADEHOLD COUNTERS CHALLENGES IN DEMANDING MARKETS

Tradehold weathered extremely demanding market conditions to increase headline earnings per share from 2.3 pence in 2018 to 6.9 pence for the six months to August 2019. Tangible net asset value per share is slightly lower at 117 pence (2018: 119 pence) per share.

Tradehold’s main property holdings are in South Africa (49.3%) and the UK (42.7%). It also owns smaller portfolios in Namibia and elsewhere in Southern Africa. In addition, it owns 90% of Boutique, previously The Boutique Workplace Company, which provides serviced office space in more than 30 properties in Greater London.

Joint CEO Friedrich Esterhuyse said during the period under review management devoted most of its energy to building its resilience, developing strategies to respond to a changed environment while also strengthening the intrinsics of the business to effectively withstand the challenges in the market.

“We focused primarily on enhancing the quality of our various portfolios and protecting our income streams. To bolster the company’s financial position, we accepted an offer from I-Group Holdings to subscribe for a 25.7% shareholding in Collins Group, our South African subsidiary, at a cost of R833m. The capital raised was used to reduce gearing and to start restructuring the remaining debt more efficiently.”

In the six months to August, Tradehold increased total assets by 8.6% to £916.3m while revenue at £47.7m was marginally less than in the corresponding period (£48.6m). It reported a loss of £0.4m against a profit of £5.7m in 2018, largely due to fair-value write-downs of £14.6m in respect of the UK portfolio in particular.

Esterhuyse said Collins Group, Tradehold’s major asset of which it now holds 74,3%, is fortunate in owning a property portfolio with 91% of its 1.6m m² of gross lettable area comprising large industrial and distribution centres of which many are let on long-term leases to major South African corporates. “Vacancies in the entire portfolio was a low 1.55%, with the weighted average lease expiring profile at more than seven years.”

As part of its defensive strategy, the company continued disposing of non-core assets - a collection of 37 smaller properties of which 16 have been sold to date. At the same time it has started looking at growing its industrial portfolio with quality assets coming on the market. Collins generated a profit of £4.8m for the period (2018: £4.6m).

In the UK the property industry was particularly hard hit by the protracted uncertainty surrounding Brexit with a rising number of retail and leisure-oriented tenants defaulting through insolvency or company voluntary arrangements (CVAs), the UK version of business rescue.

The income of its highly-rated Market Place mall in Bolton, Greater Manchester, was impacted by the decision of its anchor tenant, the financially troubled Debenhams chain, to enter into a CVA. This saw Debenhams rental automatically reduced to 63% of the agreed contract price. At the end of the reporting period the fair value of the centre was reduced by £5.3m from £61.9 million to £56.6 million.

Not only have retailers seen a drop in consumer spending, but they have also had to contend with changes in consumer buying patterns. In response, Tradehold management has been repurposing its malls, reducing the focus on retail and providing a more relevant tenant mix that addresses the rising demand for health and wellness facilities, as well as for new dining and other community- oriented experiences.

Boutique performed well in the market for flexible office space, achieving an occupancy rate of 91%. It now offers 4 500 work stations spread across 31 conveniently located buildings in Greater London. The plan is to expand its services into regional markets, including the UK’s major university cities.

Esterhuyse said in the light of the unstable economic conditions in its main markets and the fact that these are expected to continue for the foreseeable future, Tradehold will continue with its present defensive strategy.

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MEDIA ENQUIRIES Friedrich Esterhuyse, joint CEO, Tradehold,

 021 928 4800