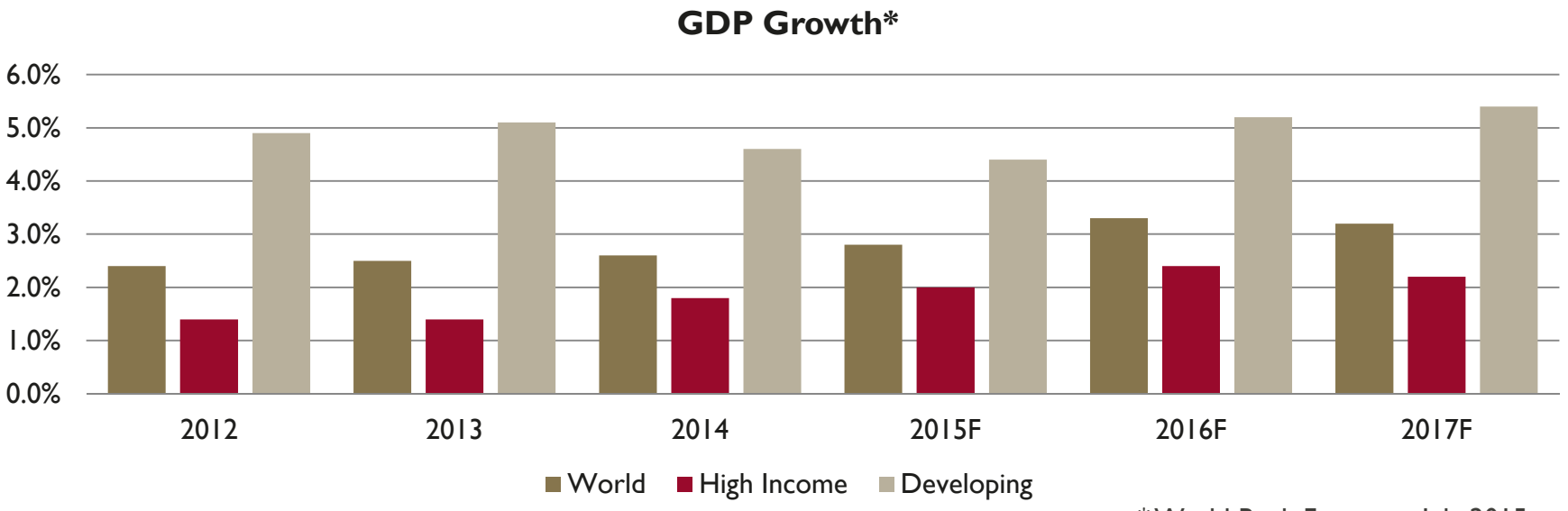
Hospitality
PROPERTY FUND

RESULTS PRESENTATION 2015

ECONOMIC OVERVIEW

DISSAPOINTING GLOBAL GROWTH

- Global economy showing sluggish growth at 0.1% to 2.6% in 2014 and 2.7% for Q1 2015
- Recent global market turmoil as a result of China economic slowdown and currency devaluation
- Commodity linked emerging markets have been particularly hard hit through global de-risking and evaporation of global carry trade

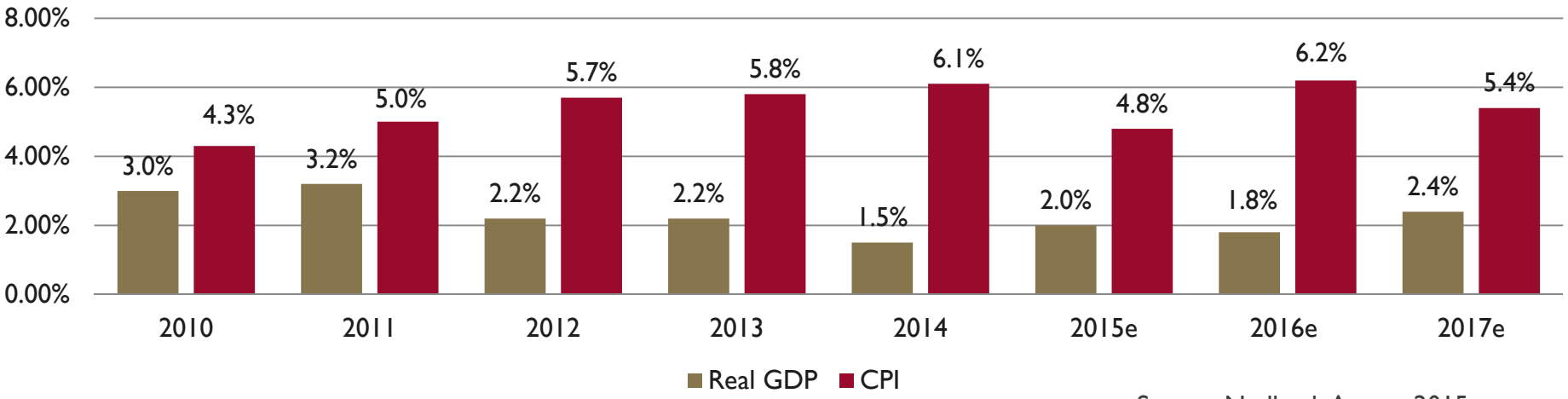


*World Bank Forecasts July 2015

ECONOMIC OVERVIEW

OUTLOOK ON DOMESTIC ECONOMIC CONDITIONS

- GDP slowed to 1.5% in 2014; GDP growth flat for H1 2015. Downside risks:
  - Increased pressure on output and exports due to continued structural constraints
  - Protracted structural challenges limiting growth capacity
- Rand depreciation and consequent inflationary effects versus contracting economic growth have brought into question the likelihood and timing of future interest rate hikes



Source: Nedbank August 2015

GLOBAL TOURISM

- International tourist arrivals grew by 4.4% in 2014 (1,1billion)
  - lead by strong growth in the Americas (+8%), Asia and the Pacific (+5%) and the Middle East (+5%)

- International tourist receipts, strongly correlated to arrivals, grew by 3.7% to $1 245 billion
- Top long haul source markets in 2014 were USA, UK, China, Canada, Japan and Germany
- Arrivals to Africa grew by 2% to 56 million and are forecast to grow by 3% - 5% in 2015
- European outbound travel is expected to rise 3% in 2015
- MICE market share continues to rise as traditional business trip segment declines due to technological solutions

AFRICAN & SA HOTEL MARKET

AFRICAN HOTEL MARKET

- Africa showed 2% increase in arrivals to 56 million while receipts showed growth at 3% to $36 billion
- Fear of Ebola outbreak in North Africa impacted arrivals to the entire African continent
- With African markets maturing, global hotel chains are shifting towards the multi-brand approach

SOUTH AFRICAN HOTEL MARKET

- SA tourism contributes 9.4% to GDP employing around 1,7 million people
- Domestic tourists down by 4% to 12 million (2014) contributing about 57% to total tourism expenditure
- New visa regulations and biometric requirements suggested to have caused 7% decline in foreign arrivals in Q1 2015

SA HOTEL PIPELINE

SA HOTEL DEVELOPMENT PIPELINE – SHORT TO MEDIUM TERM

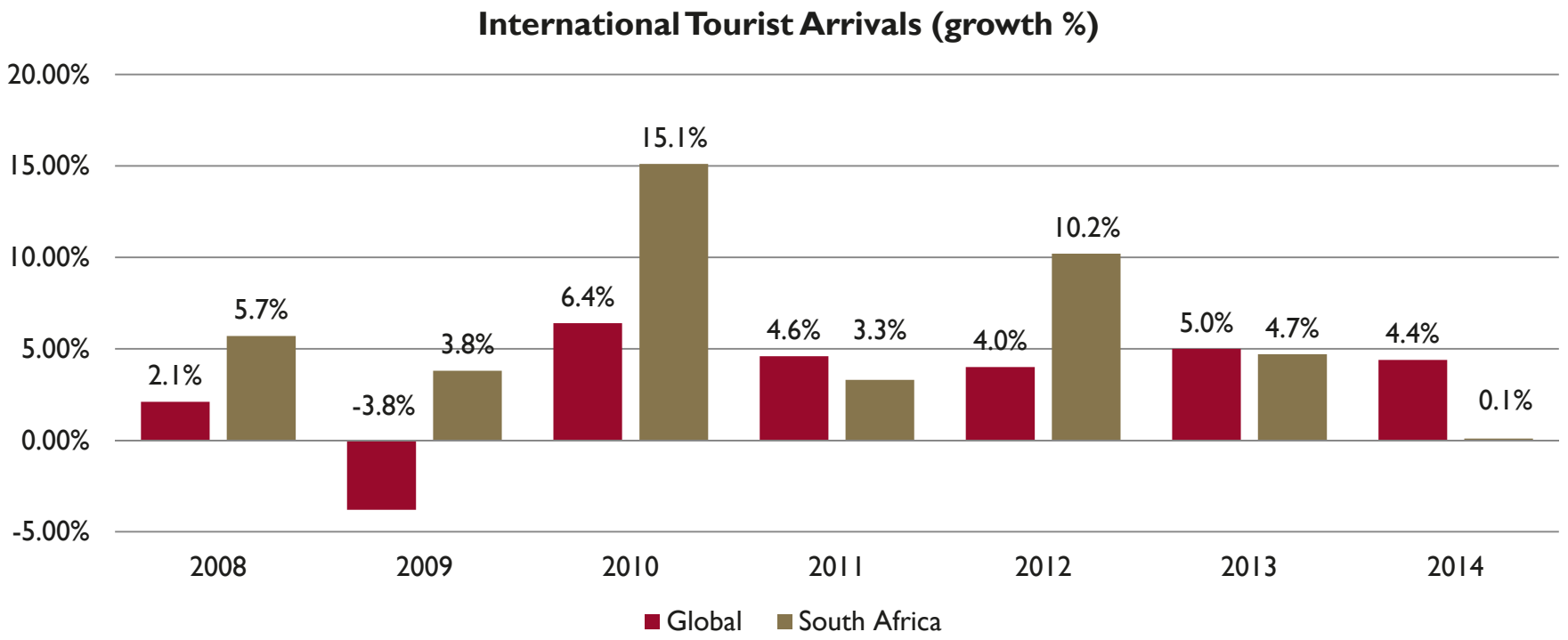
- High-end hotels trading at a discount to replacement costs reducing supply risk
- Long-lead time needed to develop competitive products, up to 36 months
- Development Pipeline:
  - Upscale:
    - Radisson Residence CT (214 keys)
    - The Houghton Hotel (143 keys of which 55 rentable)
  - Midscale:
    - City Lodge Johannesburg CBD (148 keys)
    - Radisson Red CT (V&A) (235 keys)
    - SunSquare CT (200 keys)
  - Economy:
    - Road Lodge Pietermaritzburg (90 keys)
    - CTICC Expansion
    - StayEasy CT (300 keys)

RISKS FACING SA HOTEL MARKET

- Stringent visa requirements
- Deterioration of infrastructure
- Airline capacity issues
- Reduced government spending
- Labour unrest – strikes
- Security concerns
- Xenophobia
- Competition from unregulated accommodation businesses such as AirBnB
- Terror impact on African markets
- African disease outbreak such as Ebola

SOUTH AFRICAN TOURISM MARKET

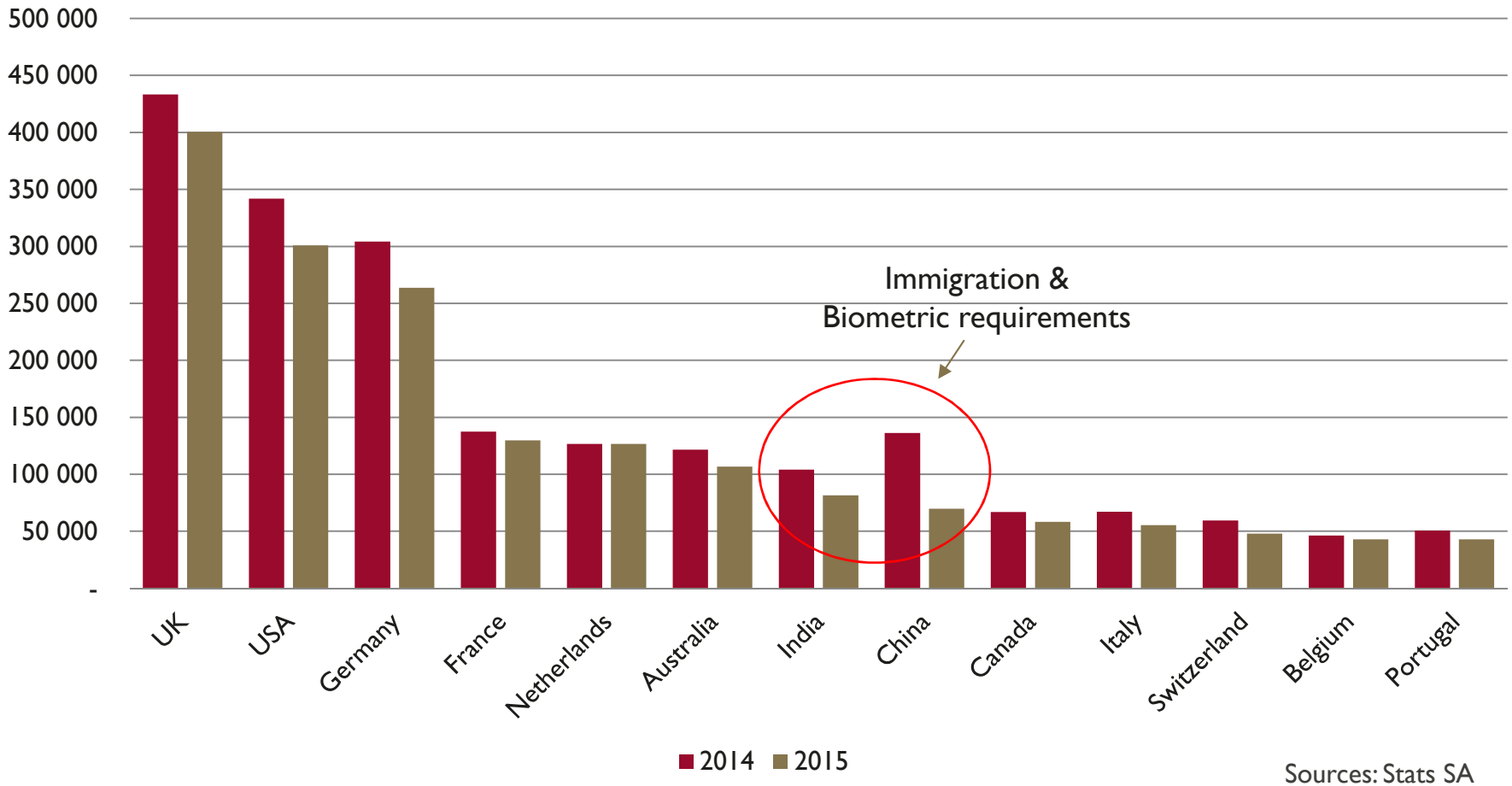
- International tourist arrivals showed meagre growth of 0.1% to 9,5 million in 2014



Sources: Stats SA & UNWTO

SA TOURISM MARKET

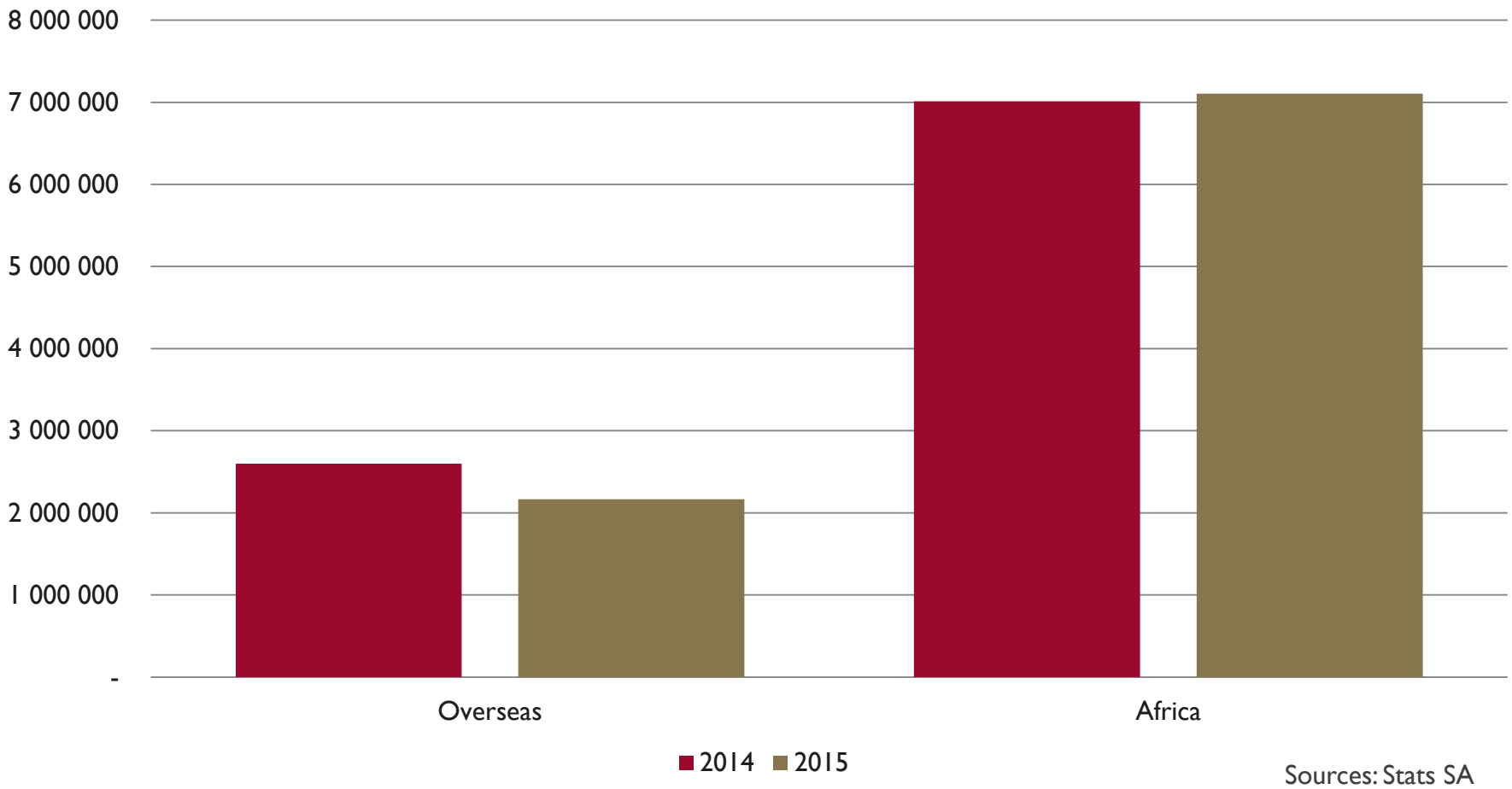
MAY 2014 – APRIL 2015: SOURCE MARKET OVERSEAS ARRIVALS



Sources: Stats SA

SA TOURISM MARKET

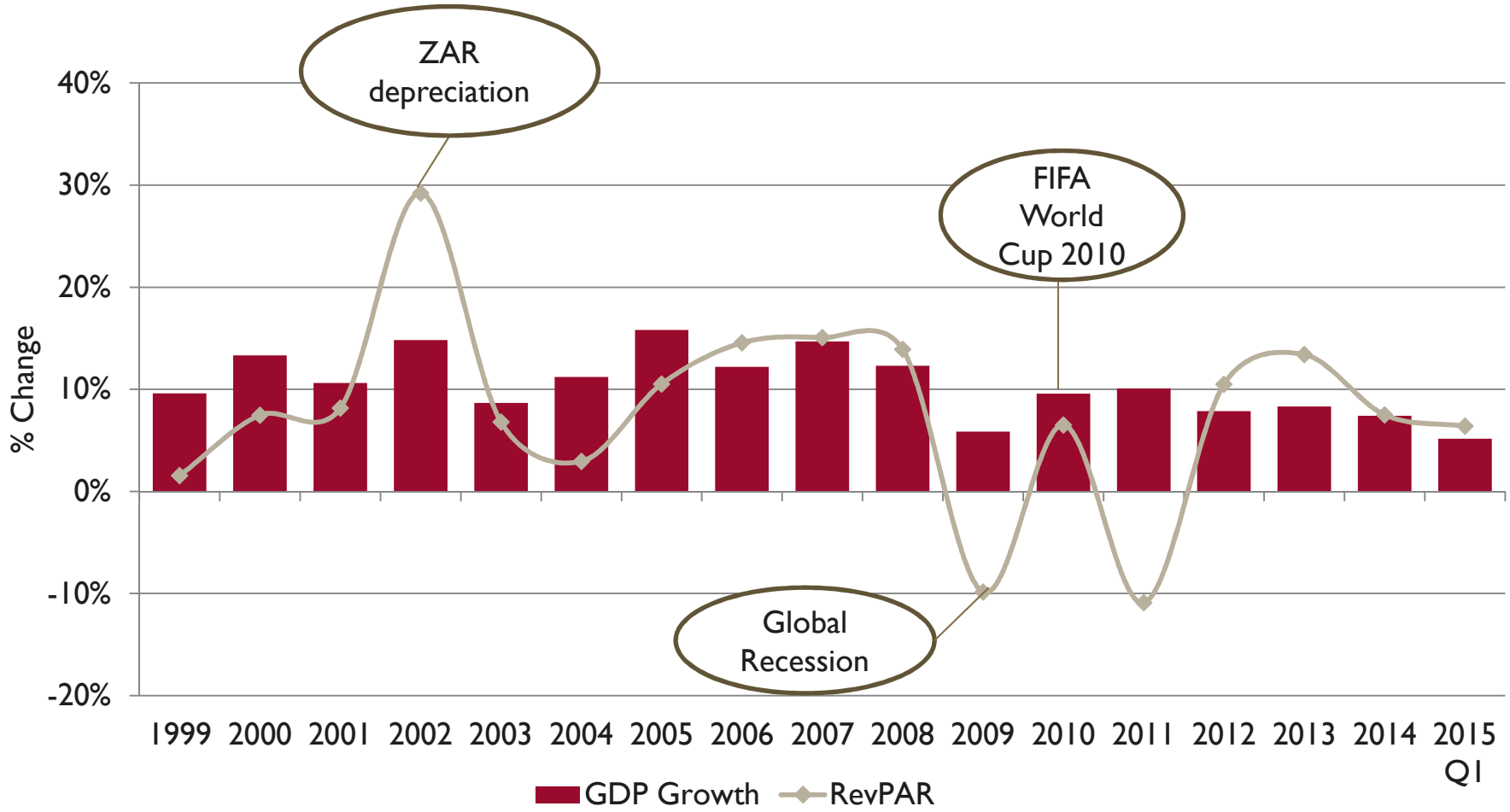
MAY 2014 – APRIL 2015: SOURCE MARKET OVERSEAS & AFRICA ARRIVALS



Sources: Stats SA

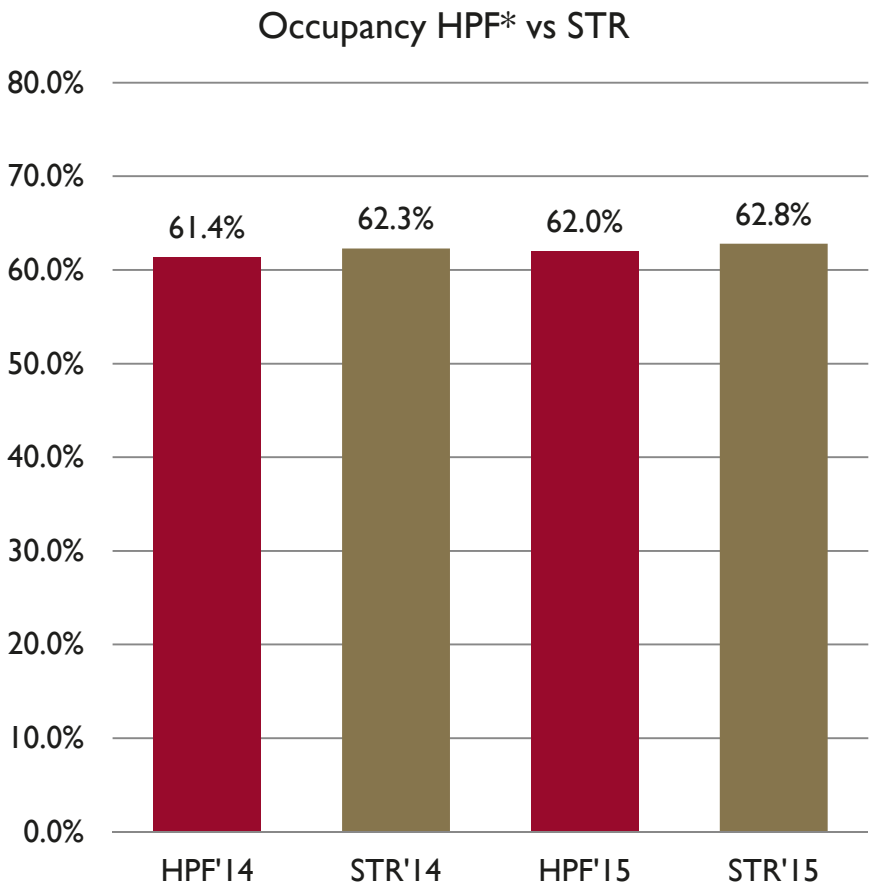
NOMINAL GDP & REVPAR GROWTH

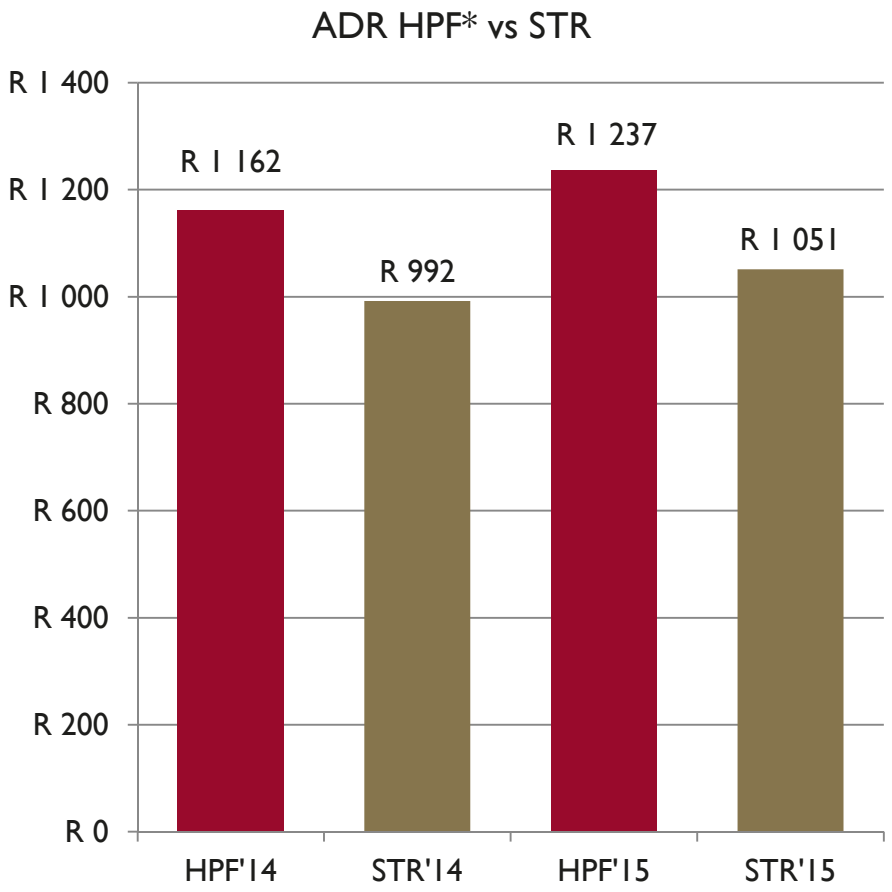
NOMINAL GDP AND REVPAR GROWTH RATES



Hospitality
PROPERTY FUND

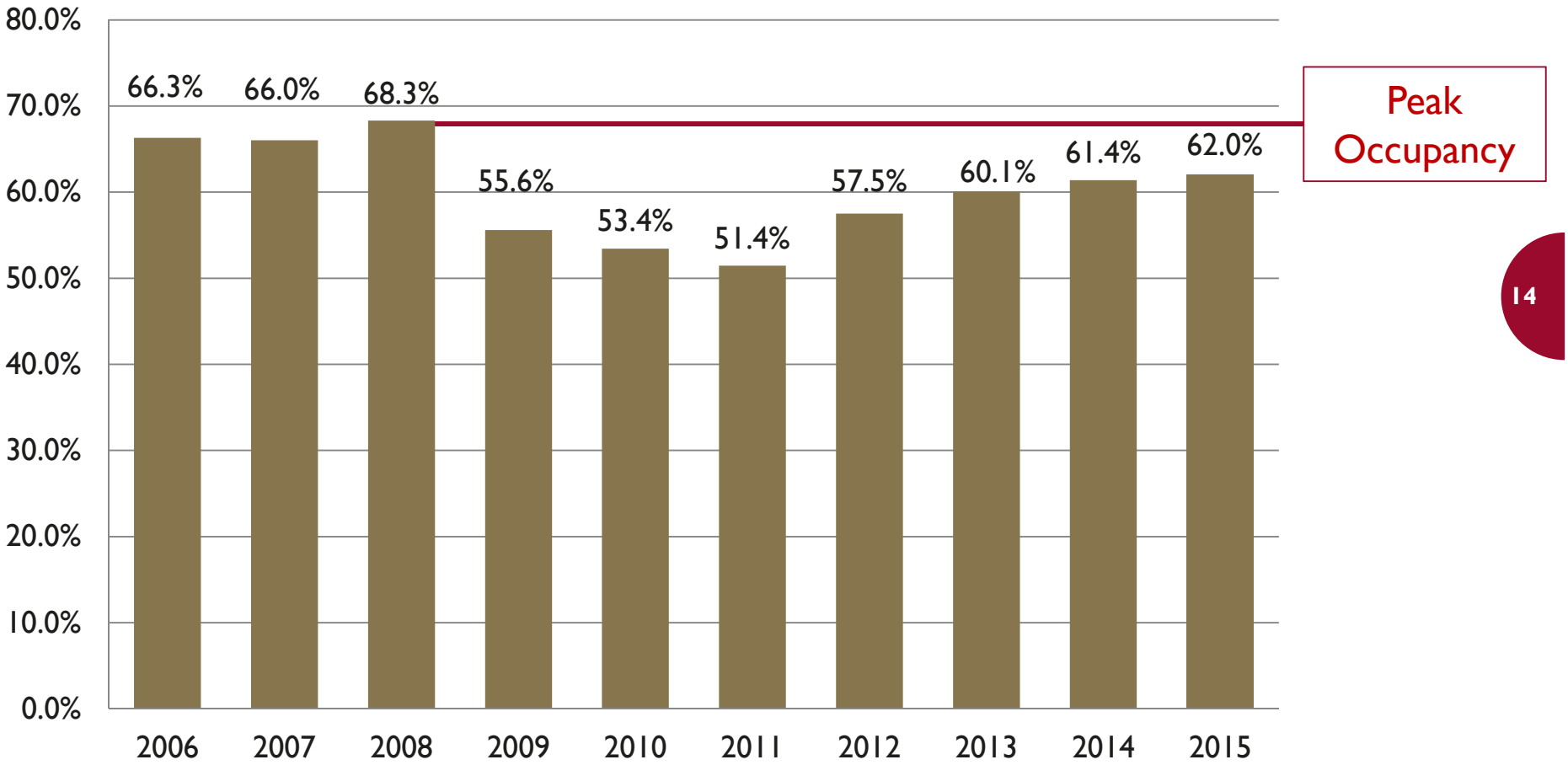
TRADING FIGURES OUTPERFORM THE OVERALL MARKET (JULY 2014 – JUNE 2015)





* HPF YE June 2015 data for traditional F&V and Variable hotels (i.e. excluding conference hotels)

HPF'S OCCUPANCY CYCLE*



* HPF YE June 2015 data for traditional F&V and Variable hotels excluding conference hotels.

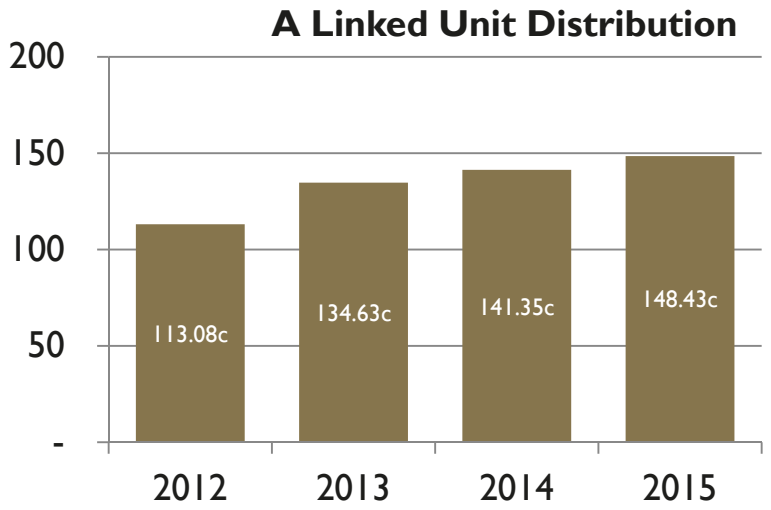
THE YEAR IN REVIEW

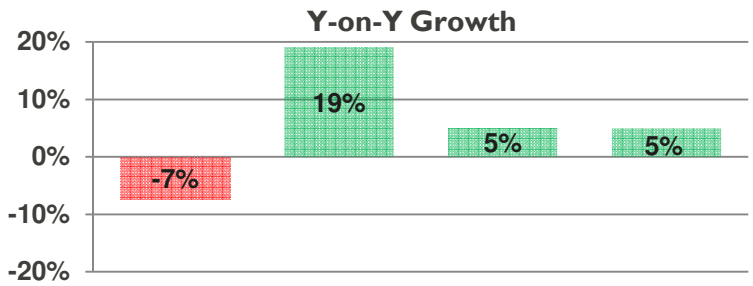
YEAR END 30 JUNE 2015

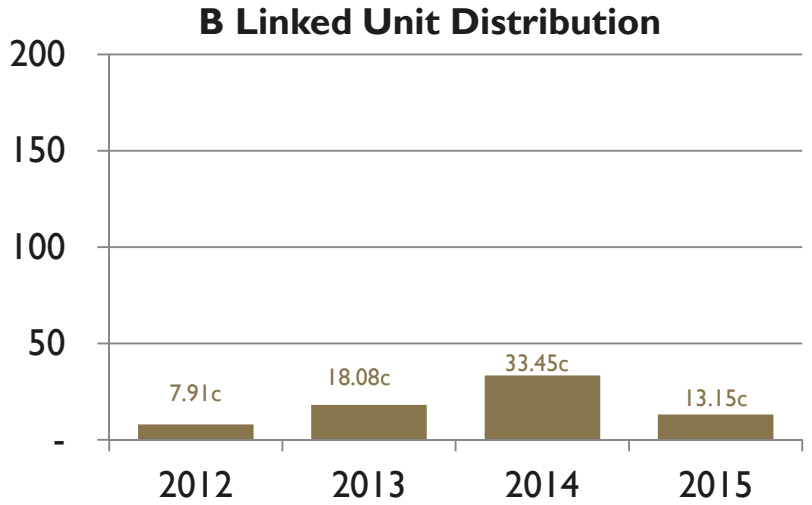
YE2014			YE2015
Gross Rental Income			
R 426 million	↑	1.8%	R 434 million
Portfolio Value			
R 4,83 billion	↑	6.8%	R 5,16 billion
Weighted Average Cost of Debt			
9.14%	↓	-0.2%	9.12%
Total Debt			
R 1,77 billion	↑	5.1%	R1,86 billion

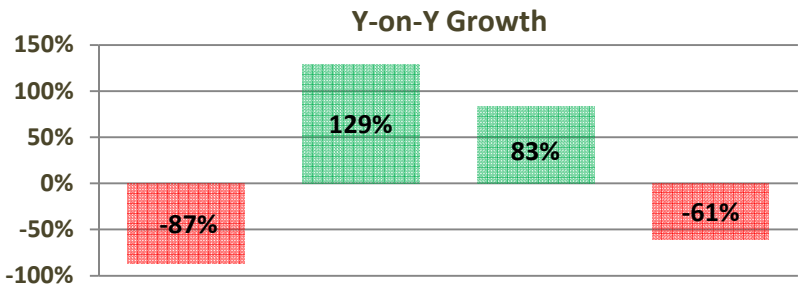
YE2014			YE2015
Net Asset Value per Linked Unit			
1 140 cents	↑	3.0%	1 174 cents
Distributable Debenture Interest			
R240 million	↓	-2.8%	R 233 million
Gearing (% of asset value)			
36.7%	↓	-1.9%	36.0%
Interest Cover Ratio			
2.64x	↓	-7.2%	2.45x

YEAR END 30 JUNE 2015

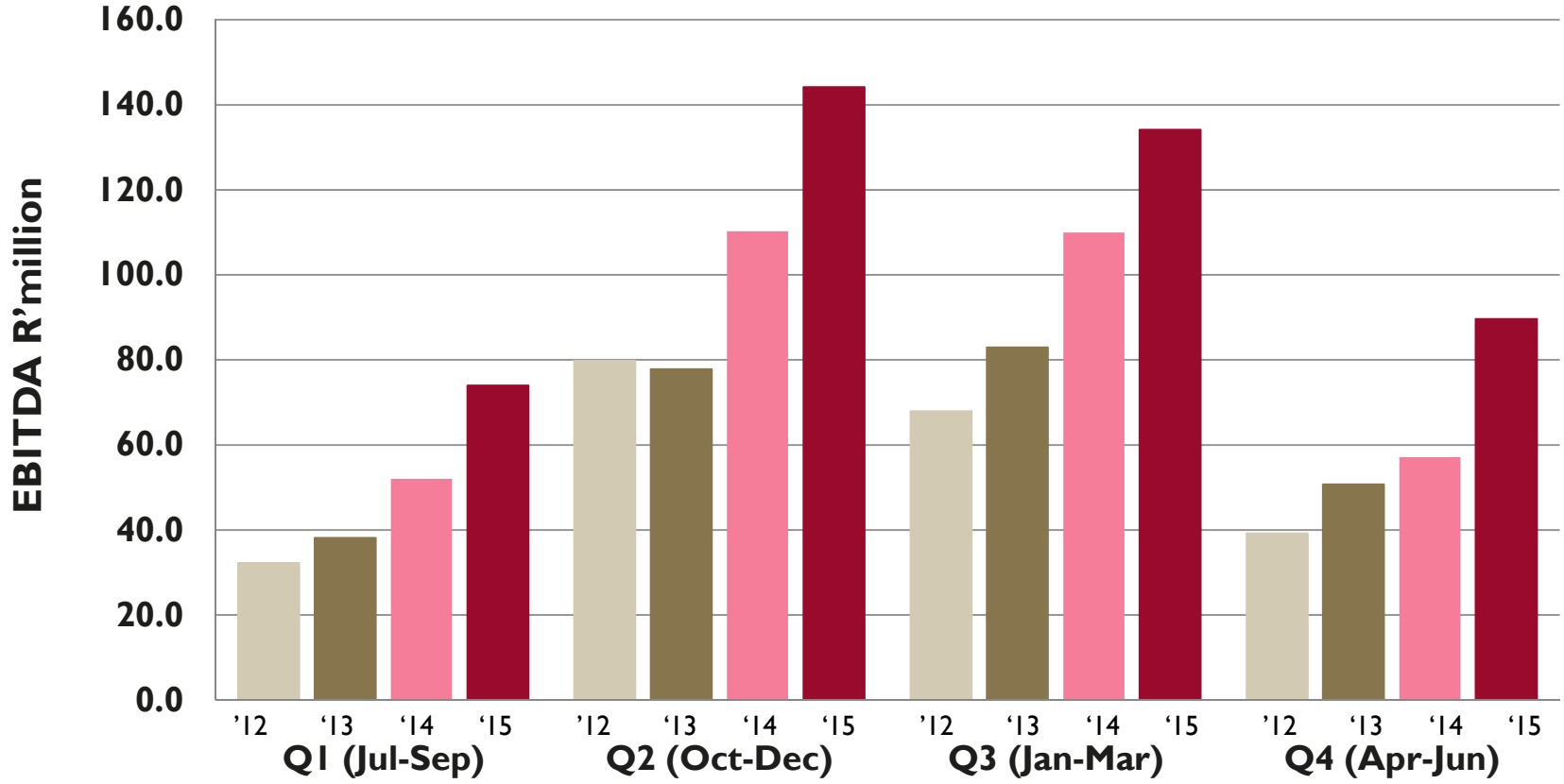




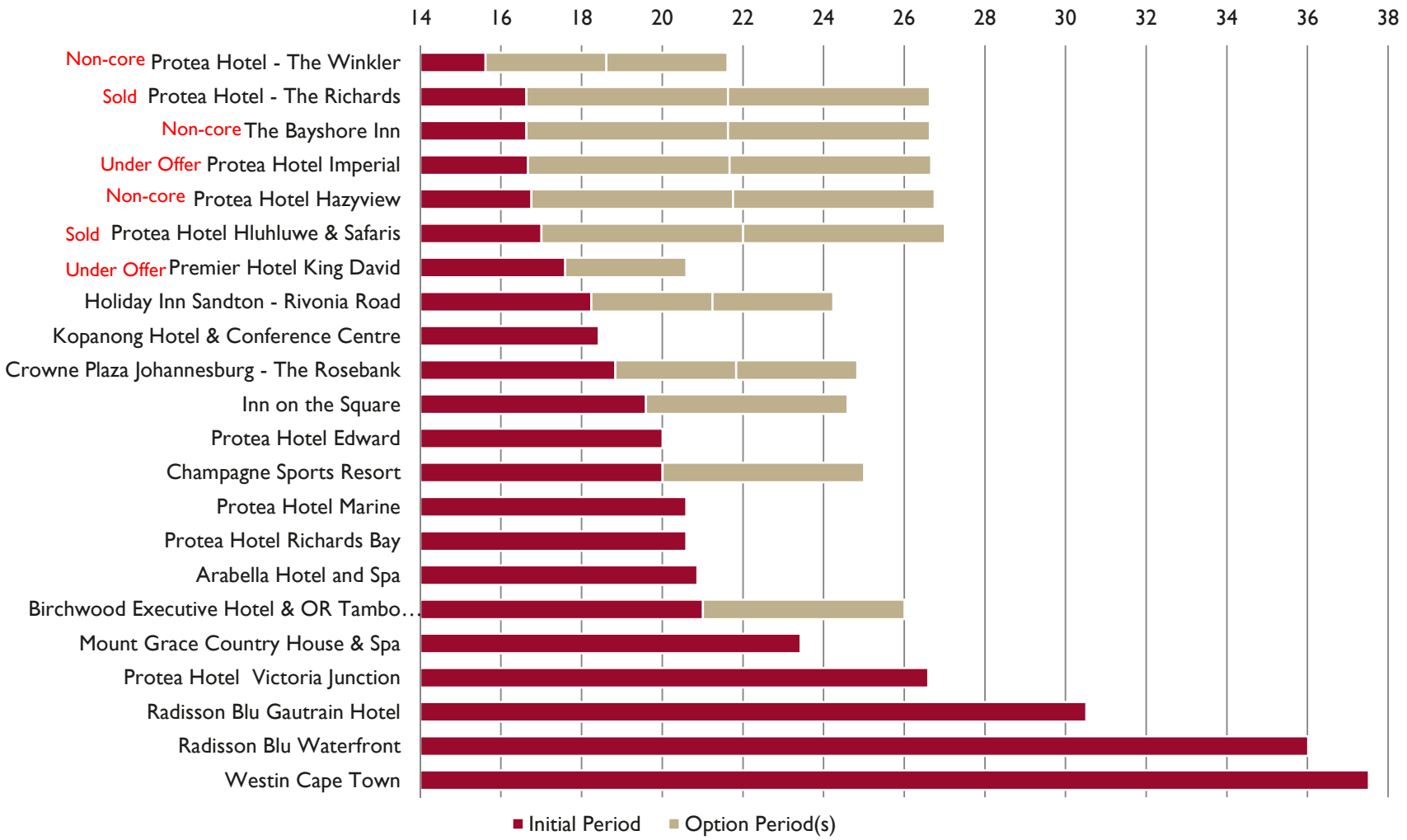




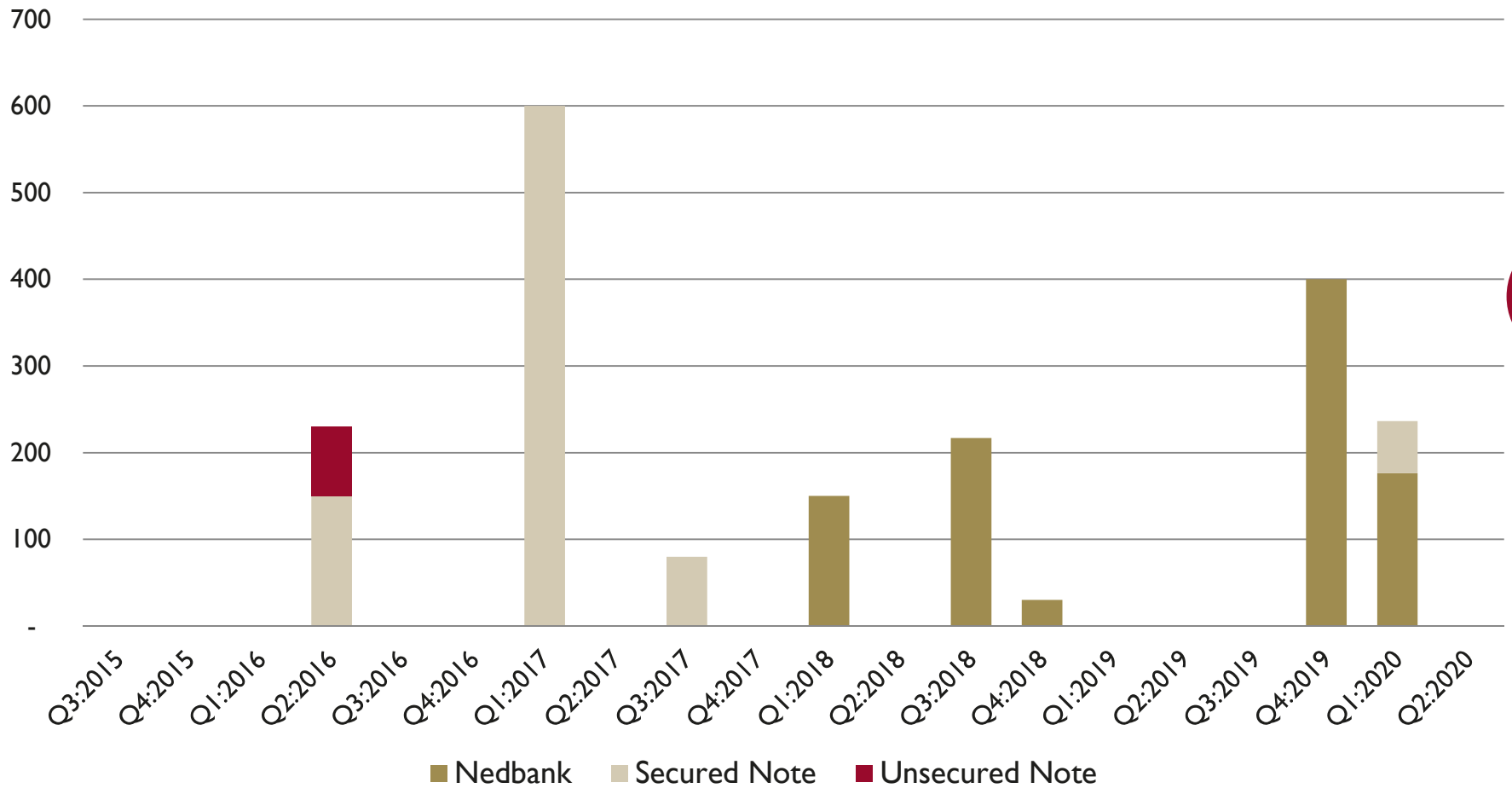
Q2 AND Q3 ARE THE STRONGEST PERFORMING MONTHS IN TERMS OF EBITDA



LEASE EXPIRY PROFILE (CY) – WEIGHTED AVERAGE EXPIRY 12.1 YEARS



DEBT MATURITY PROFILE AS AT 30 JUNE 2015 (R'MILLION)

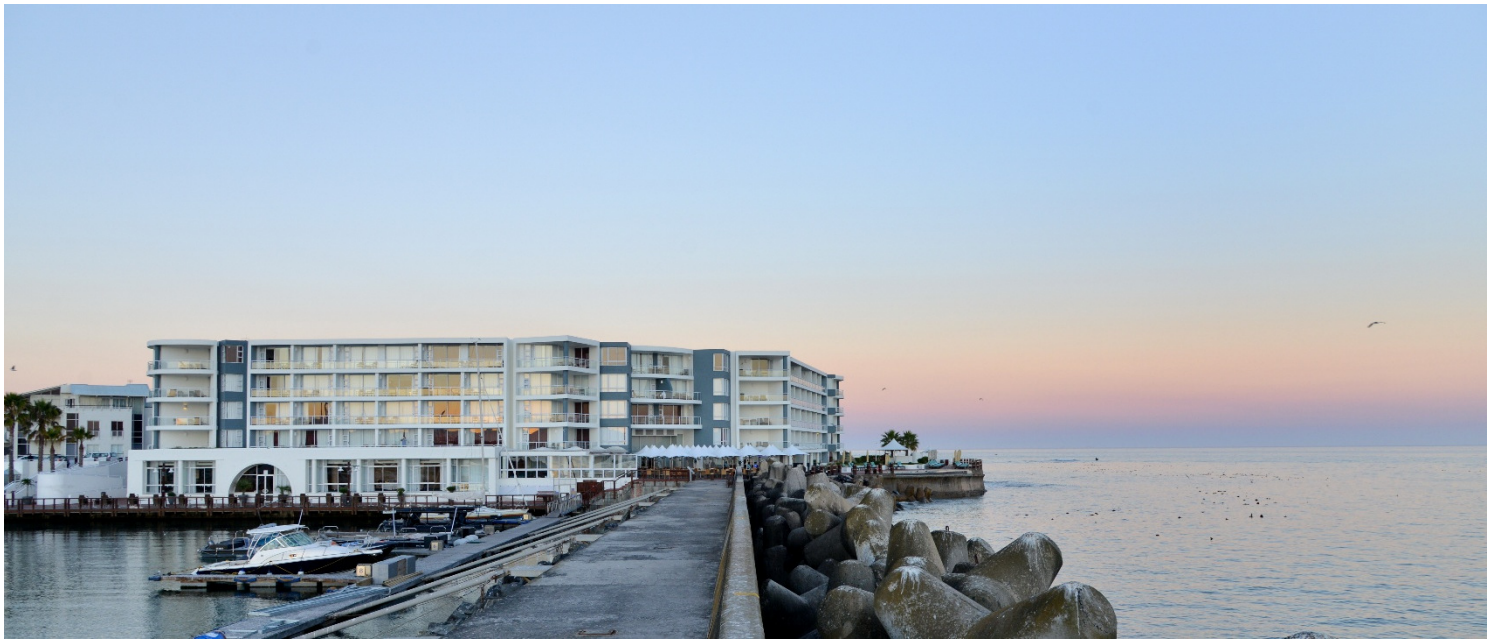


CAPEX SPENT IN 2015 (R53 MILLION)

- **Birchwood** - Soft refurbishment of 167 rooms relaunched as "The Silverbirch Hotel"; Capex spent: R20,7 million
- **Mount Grace Country House & Spa** - Development of a Mountain Bike and a Kids Club and Replacement of all thatched roofing across the resort; Capex spent R13,2 million
- **Radisson Blu Gautrain Hotel** - Refurbishment of the reception level including; Capex spent R3 million
- **Radisson Blu Waterfront** - Refurbishment of public and reception areas including the conference rooms and business centre; Capex spent R9,0 million
- **Westin Cape Town** - Construction of outside swimming pool; Capex spent R7,3 million

ACQUISITIONS

- 25 additional units at Radisson Blu Waterfront (R76 million)
- 4 additional units and 25 parking bays at Radisson Blu Gautrain Hotel (R12,4 million)
- 35% undivided share in 215 rooms at Birchwood (R60 million)



Radisson Blu Waterfront

PROPERTY PORTFOLIO

DISPOSALS

- Interests in 4 Courtyard properties (sold R80 million)
- PH The Richards (sold R46 million)
- PH Hluhluwe & Safaris (sold R14,5 million)
- Premier King David (under offer)
- PH Imperial (under offer)
- PH Richards Bay (under negotiation)
- Kopanong Hotel & Conference Centre (3 sold to date)
- Bayshore Inn
- PH Hazyview
- PH The Winkler

PH Hluhluwe & Safaris

PH Imperial

MARKET OUTLOOK

SA HOSPITALITY OUTLOOK

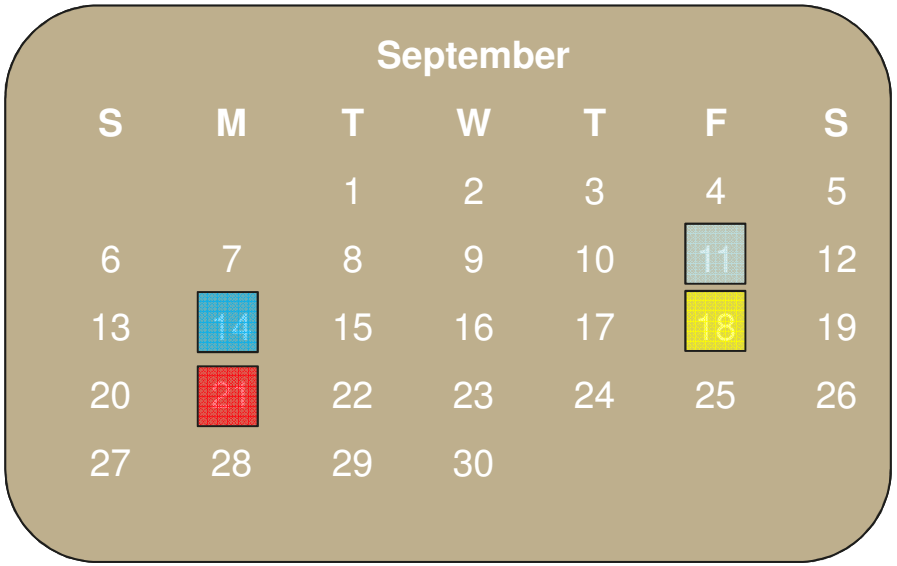
- Pessimistic market outlook driven by concerns relating to new visa regulations negatively affecting the foreign leisure and foreign business segments
- International source markets to continue to decline amid visa regulation 'crisis' somewhat offset by weaker Rand
- Government conferencing rate ceiling expected to be relaxed in the next 12 months
- Minimal occupancy growth expectation, RevPAR growth driven by inflationary rate growth
- SA hotel development pipeline focused on Cape Town, 4-5 new developments by 2018
- Continued above inflation pressure on salaries & wages and utility costs
- Weaker Rand lead to South African leisure traveller to remain local

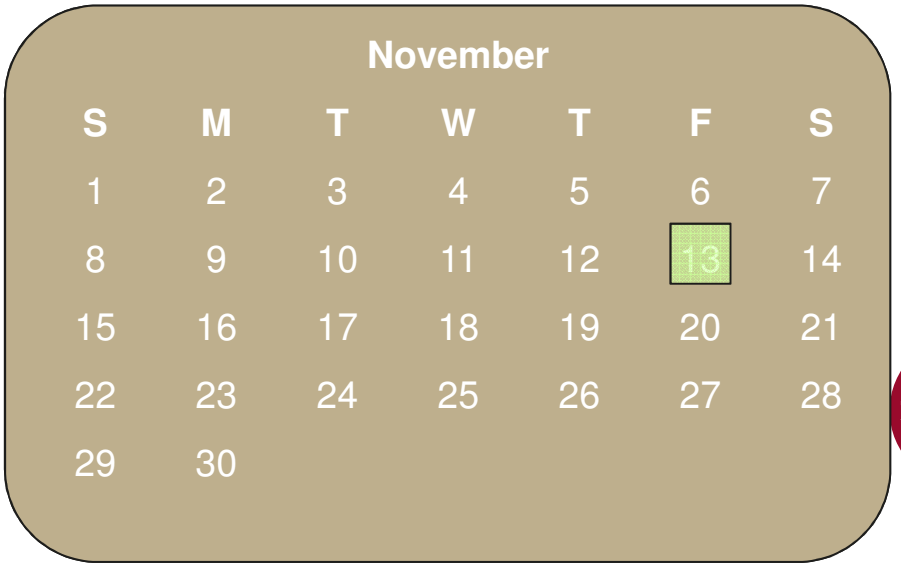
THE YEAR AHEAD

- Tough trading conditions to continue until the economy picks up
- Focus on:
  - Driving revenues
  - Operational efficiencies
  - Value extraction
- Capital restructure
- Tsogo potential transaction
  - Issue of shares for property
  - Conversion to single share class
- REIT conversion

Mount Grace Country House & Spa – Kids Club

DISTRIBUTION TIMEFRAME





Last day to trade *cum* interest	11 September	
Linked units trade ex-interest	14 September	
Record date	18 September	
Payment date	21 September	
Annual general meeting	13 November	

Hospitality
PROPERTY FUND

RESULTS PRESENTATION 2015