

GRIT REAL ESTATE INCOME GROUP LIMITED

(Registered in Guernsey)

(Registration number: 68739)

LSE share code: GR1T

SEM share code: DEL.N0000

ISIN: GG00BMDHST63

LEI: 21380084LCGHJRS8CN05

("Grit" or the "Company" and, together with its subsidiaries, the "Group")



STRATEGY, PORTFOLIO AND ROBUST OPERATIONAL PERFORMANCE UPDATE TO 30 JUNE 2022

The board of Directors (the "Board") of Grit Real Estate Income Group Limited, a leading award winning women led, and only listed pan African impact real estate company, today provides update on its strategy, with the inclusion of GREA, and an operational and portfolio update showing strong cash rent collection, improved occupancy rates, strong leasing activity and contractual escalations being achieved ahead of the publication of the Company's results for the year ended 30 June 2022, expected to be published on 28 October 2022.

Grit invests in and manages a diversified, multi geography portfolio of impact real estate assets underpinned by predominantly US\$ and Euro denominated long term leases with high quality multi-national tenants generating sustainable returns for global investors.

The Group increased its stake in Gateway Real Estate Africa ("GREA") to 35.01% on 31 August 2022, allowing it to prioritise impact driven Real Estate, creating value for local communities and focusing on infrastructure assets specifically in corporate accommodation to the US State Department, data centres, healthcare and industrial sectors. Furthermore, it recently announced a sustainability led debt refinancing programme over US\$306 million of existing debt, enhancing the Group balance sheet and creating value for shareholders over the short and medium term.

Key highlights – range expected for the FY ended 30 June 2022

	30 June 2022 expected range	31 December 2021	30 June 2021
Income producing assets	US\$855.0 mln to US\$858.0 mln	US\$802.3 mln	US\$801.9 mln
Property portfolio US\$ valuation move y.o.y. (incl acquisitions)	+6.9%	+0.1%	-2.6%
Contractual lease collection rate	94.3%	94.9%	90.1%
Portfolio occupancy rate	95.3%	94.3%	94.7%
EPRA Topped up NIY	8.2%	7.3%	7.4%
Share price (LSE)	GBP 32.00	GBP 35.50	GBP 45.00
Share price Discount to actual / expected EPRA NRV *	53.1% to 55.4%**		36.9%*
Target and actual prior year dividend yield **	13.59% ***		2.47%*

* Calculated on LSE share price and converted at prevailing USD:GBP exchange rate at 30 June 2021

** Calculated on LSE share price and converted at exchange rate as at 16 September 2022

*** Targeted full year distribution of US\$5cps

Executive summary

During the Covid period, Grit's management and Board committed to key initiatives to ensure the stabilisation of operations, balance sheet enhancement and improved liquidity. This focus has resulted in the delivery of the following key highlights over the financial period.

- Portfolio valuation recovery.
- Improved retail leasing and valuation recovery.

- Hospitality assets fully trading once again and tenants up to date on rentals.
- Successful asset recycling and progress towards the Board's 31 December 2023 target.
- Significantly reduced loan to value.
- Robust operational performance including strong cash collections and growth in operational earnings.
- Resumption of dividends.
- Launch of sustainability linked debt restructure

Further commentary:

1. Grit targets a distribution of between 80% - 100% of distributable earnings and has resumed payment of dividends in the financial year to 30 June 2022 (US\$ 2.5cps was paid in the first half of the financial year).
2. Distributable earnings are expected to be at the lower end of the previously guided range of US\$5.00 – 6.00 cents per share, impacted by the increased cost of funding associated with the cash purchase of GREA and movements in the EUR vs the USD over the financial year.
3. At the lower end of the guided range, full year distributions could represent a 13.59% dividend yield on the current share price. The Board is currently contemplating paying the second half distribution as a mix of cash dividends and share buybacks, as it looks to support liquidity in the shares on both LSE and SEM.
4. EPRA NRV for the year ended 30 June 2022 is expected to be in the range of US\$0.785 to US\$0.825 per share (-23.3% to -19.4% versus prior year NRV of US\$1.024). The Group produced a robust underlying portfolio performance, and the NRV reduction predominantly relates to the dilutive impacts of the Company's equity issuance in December 2021.
5. The Company raised US\$76.3 million in an equity placement in December 2021, which was lower than targeted at that time. As a direct result, the acquisition of a controlling interest in GREA was restructured and the direct LTV benefits of financial consolidation delayed. LTV as at 30 June 2022 is now expected in the range of 44.50% to 46.5% (from 53% in June 2021), impacted by the GREA acquisition being settled in cash. LTV is expected to fall by 3.9ppts upon consolidation of GREA in December 2022.
6. From 31 August 2022, the Company owns 77.95% of APDM and 35.01% of GREA with an option to acquire Gateway Partner's remaining 1% in APDM and 13.61% stake in GREA by 15 December 2022.
7. The Group delivered a strong operational performance for the 12 months to 30 June with cash collection of 94.3% of contracted rentals, occupancy rates improving to 95.3%, strong leasing activity and contractual escalations being achieved. Notably, GREA has also delivered several completed projects including US embassy accommodation compounds in Ethiopia and Kenya, a data centre in Nigeria and an office park in Ghana and is making good progress on two further projects, targeted for completion by March 2023.
8. The Group recently announced a sustainability linked debt refinancing over \$306 million of existing debt facilities across Mozambique, Zambia, Ghana and Senegal, creating diversification, tenor, optimal funding costs and a scalable long term debt solution. The restructure is expected to be materially concluded by 30 September 2022 (link to original RNS). The Group currently has US\$100 million of its interest rate risk hedged and the sustainability led debt refinancing is expected to significantly reduce refinance risk over the medium term whilst minimising the impact of expected global interest rate and credit spread movements on the Group's weighted average cost of debt.
9. Asset recycling of up to US\$160.0 million (being 20% of the Group's gross asset balance at 30 June 2021) is still being targeted by 31 December 2023, including a potential sale of AnfaPlace Mall. Discussions with new interested parties are currently underway. The sale of ABSA House, Mauritius was recently completed and a partial disposal of Orbit Africa concluded on 18 July 2022. The Group has identified further assets and sectors for possible divestiture and will provide further detail in due course.
10. Reported property values are expected to increase by 6.9% driven by investment and acquisitions and strong functional currency portfolio performance. On a like for like basis (pre acquisitions), property values are expected to increase 4.1% in functional currencies. However, moves in EUR: USD exchange rates will result in like for like valuation declines in the reported USD values of 0.3%.
11. The Company is aiming to conclude the unwind of the Drive-in-Trading structure in the fourth quarter of 2022 after recently agreeing, in principle, that Grit will fund its US\$17.5 million guarantee commitment and that both Grit and PIC will take ownership of their related security (Grit ordinary shares), upon which the guarantee liability will be extinguished. The agreement is currently subject to

legal addendums, which are currently being drafted. As at 31 December 2021 Grit had provided for US\$12.1 million of the guarantee exposure.

- The financial results to 30 June 2022 are expected to be impacted by the material corporate actions undertaken in the financial year. The Board expects financial results to normalise beyond this date and is confident that the Group is well positioned to deliver its updated total return target of between 13% to 15% per annum from this date.

Bronwyn Knight, CEO of Grit Real Estate Income Group Limited commented:

“Grit’s family of partnerships across the African continent enables us to continue to deliver sustainable value for our shareholders and have real impact on the people of Africa. The acquisition of Gateway Real Estate Africa, a key milestone for the Group reinforces our solid growth and impact strategy. GREA recently handed over a newly constructed accommodation compound to the American Embassy (United States Bureau of Overseas Building Operations) in Nairobi, Kenya, and I’m proud to say this was delivered by a woman led development team. This unique, high impact asset was developed during the Covid period, delivered on time and within budget, is experiencing strong independently appraised valuation increases and has enhanced our local communities through programmes like BuildHer and the provision of Covid vaccinations.

The Group weathered the challenges over the Covid period and despite recent global uncertainty, is concluding new leasing activity, achieving contractual escalations, and has collected in excess of 94% of its contracted rentals for the financial year. Grit is on track with its long-term sustainability-linked refinance of existing debt exposures into a single facility, which brings with it the promise of a more streamlined and efficient Group loan management process.

Grit’s earnings and dividends are underpinned by the Company’s secure, diversified and growing index-linked income streams, as well as attractive capital appreciation from across our high-quality portfolio. The Grit Group is committed to, and passionate about, developing smart business solutions with impact real estate that goes beyond buildings. No matter what the challenges we encounter in Africa, as a team of spirited warriors we always find the way.”

OPERATIONAL UPDATE

The Group’s dividend is paid from distributable earnings, which predominantly comprise reported IFRS earnings adjusted for the distributable results of associates and an exclusion of non-cash items. The Board expects to resume sustainable bi-annual dividends in the financial year end to 30 June 2022 as a result of improvements in the Company’s financial position and increased confidence in the outlook for the portfolio, which include:

- contracted weighted average topped up NIY of 8.2% on the current property portfolio
- current WACD of 7.13%
- cash collection in excess of 94.3% of contracted rents
- EPRA occupancy improvement to 95.3% as a result of successful leasing activity

As at 30 June 2022, the Group’s high-quality property assets have a weighted average lease expiry (“WALE”) of 4.8 years (June 2021: 4.8 years), a weighted average contracted lease escalation of 5.4% per annum (June 2021: 3.8% p.a.) and are underpinned by a wide range of blue-chip multi-national tenants across a variety of sectors. Grit’s property portfolio comprises a total of 53 assets (including 25 properties held in Letlole La Rona in Botswana) with rentals predominantly collected monthly, of which 91.5% are collected in US\$, Euro or pegged currencies.

A summary of the expected portfolio performance on a Grit economic basis are as below:

Sector	Property Value 30 June 2021	Property Value 30 June 2022	Total Portfolio Move USD	Like for like Fair Move LCY	Like for Like Fair Value Move USD	Rental Collection FY2022	NOI FY 2021	Expected Movement for FY2022	EPRA topped up NIY
	USD'000	USD'000	%	%	%	%	USD'000	%	
Retail	186,295	190,944	2.5%	5.4%	1.4%	88.3%	9,429	+12.0% to +14.0%	8.1%
Hospitality	174,420	164,603	-5.6%	5.3%	-6.8%	90.6%	12,728	(2.5%) to (1.5%)	6.9%
Office	191,472	194,958	1.8%	3.3%	2.6%	101.1%	16,573	(12.5%) to (11.5%)	8.6%
Industrial	36,232	80,414	121.9%	5.7%	4.7%	91.5%	2,100	+74.0% to +76.0%	7.9%

Corporate									
Accommodation	127,899	128,989	0.9%	0.6%	0.7%	97.6%	11,139	(8.5%) to (7.5%)	8.9%
LLR portfolio	26,999	20,946	-22.4%	2.5%	-7.3%	n/a	2,476	+0.5% to +2.0%	11.7%
GREa portfolio	12,557	27,389	117.3%	15.1%	15.1%	93.8%	126	+ >250%	9.6%
TOTAL	755,874	808,244	6.9%	4.1%	-0.3%	94.3%	54,740	(0.5%) to +1.0%	8.2%

Retail sector

Retail sector valuation increase 2.5% bolstered by stronger Zambian retail performance that offset pressure on Zimpeto Square, Mozambique and currency translation losses on AnfaPlace Mall, Morocco.

- AnfaPlace Mall Morocco experienced positive letting activity in the period, including the introduction of Colin's and ICHTAH, reducing its reported vacancy rate from 29.0% in December 2021 to 18.1% as at 30 June 2022. Grit is currently undergoing fit out for the Hudson Group which will further reduce vacancy in Q4 2022. The centre has enjoyed high and rising levels of footfall, significantly surpassing both pre Covid and pre redevelopment levels, which bodes well for the outlook for the predominantly turnover linked leases currently in place and resulted in positive local currency fair value move in the financial year. The asset is still being targeted for disposal although formal negotiations with a previously interested buyer have broken down.
- Mukuba and Kafubu Malls, Zambia are largely fully let while Cosmopolitan Mall (Lusaka), has also seen good leasing activity and reduced vacancies.
- Buffalo Mall introduced Chandrana as new significant anchor tenant and further improved leasing activity is expected in the new financial year.

Hospitality sector

Hospitality operators are experiencing strong forward bookings at Grit owned assts and evidence of robust tourist demand is providing strong support to asset valuations, which have rebounded in Euros by 5.3% in the financial year to 30 June 2022. Euro devaluation for the period has offset these positive valuation trends and will result in reported US\$ valuations for the same period reducing by 5.6%. NOI has similarly increased in functional currency but upon translation has declined from the USD value reported in the prior year.

All Grit's hotel tenants are up to date on their tenant obligations and The Lux Group has repaid all amounts owing from 2021 deferred rents. Beachcomber resorts have been granted a 48-month period within which to repay 2021 deferred rents and will resume these payments from May 2023. Club Med Senegal opened on 5 December 2021 and are current on all their rental obligations.

Office sector

Office sector valuations in Mozambique have remained resilient despite isolated tenant rotation, with recovering natural gas and commodity prices providing a strong underpin to the economy. The Ghanaian office market is showing signs of additional re-leasing risks and tenant rotations, although Grit has successfully filled vacated space through pleasing new leasing activity in the financial year. The NOI decline in the financial year relates to a non-repeating tenant exit fee in 2021 and increased Covid re-opening operational expenditure costs in the Ghanaian portfolio.

The reported office sector value in USD for the year ended 30 June 2022 has grown by 1.8%, and on a like for like basis increased by 2.6%. During the financial year, the Group disposed of ABSA House in Mauritius which accounts for the bulk of the difference.

Corporate accommodation sector

Corporate Accommodation sector valuation increased by 0.9% year-on-year. Grit continues to work with the new owner of Vale's mine in relation to their corporate accommodation needs and expects valuation recovery upon renewal of the current lease, which still has 1.9 years until expiry. The sector experienced rising operational expenditure costs in 2022 as assets required increased repairs and maintenance in the current year.

Light industrial sector

The sector enjoyed strong year on year increase upon the completion of the Bollore asset upgrade and growth through acquisition. Grit concluded the acquisition of the Orbit Africa Facility in Nairobi, Kenya in March 2022, which represented a key step forward in geographically and sectorally balancing the portfolio into an undersupplied and futureproof asset class. The strategic unlocking of a long-term partnership with

the IFC also brings with it further opportunities for collaboration as the Group continues to see further investment opportunities in this sector.

On 18 July 2022 Grit introduced a 30% co-investor, Letlole La Rona (“LLR”) to the Orbit asset for an investment of US\$7.23 million. LLR’s shareholders have approved a “Go-to-Africa” strategy and have aligned with Grit as their recognised real estate specialist partner, positioning them as preferred co-funder for further investment opportunities in the sector. ([link to RNS](#))

GREA

GREA is a private real estate development company specialising in risk mitigated turnkey construction of real estate in Africa. GREA develops assets on the strength of USD-denominated or USD-linked long-term lease contracts signed with multinational tenants, who are predominantly either current or target clients of Grit. GREA’s current approved project pipeline is fully funded, and debt financing is secured and in place.

Acquiring control of GREA will provide Grit with control of its own significant pipeline of accretive developments whilst creating positive and sustainable impacts and value to the local people and communities we serve across Africa.

GREA has had a successful 12 months to 30 June 2022, and specifically delivered several key projects that have supported both valuation growth and the outlook for operating income growth in subsequent financial years. On average GREA has developed at a development yield of over 10.5% and its assets, on average, enjoy post completion yield compression to levels of c.8.5%.

Name	% Complete	Completion date	Anchor tenant	Total Estimated Project Cost
ADC Nigeria (data centre)	100%	January 2022	Liquid telecom	\$24,422,288
OBO Ethiopia (embassy accommodation)	100%	October 2021	US embassy	\$55,722,775
OBO Kenya (embassy accommodation)	100%	September 2022	US embassy	\$51,845,651
The Precinct, Mauritius (office)	81%	January 2023	Grit, Dentons, W17	\$28,726,554
Adumah Place, Ghana (office)	100%	March 2022	Appolonia City	\$3,888,823
Eneo, Tatu City, Ghana	11%	December 2023	CCI	\$36,783,967
Falcon Hospital, Curepipe, Mauritius	62%	January 2023	Artemis	\$20,136,467
Coromandel Hospital, Mauritius	5%	August 2024	Artemis	\$32,509,733
OBO Mali (embassy accommodation)	5%	Q3 2024	US embassy	\$52,455,451

Pathway to control over GREA

Grit successfully lifted its stake in GREA to 35.01% in August 2022, after it also acquired a 77.95% controlling interest in APDM, the asset manager of GREA, in April 2022. Through the APDM investment Grit currently exercises operational control over all material business activities of GREA (including development of properties, day to day management of the completed assets, leasing activity and operational cost management), governed by the terms of the asset management agreement and the GREA Investment Charter.

Beyond that, for Grit to obtain a majority at the GREA Board (and thereby control GREA), any of the following events would need to occur:

- Grit exercises and concludes its option to acquire the remaining 13.61% interest owned by Gateway Partners by 15 December 2022 thereby acquiring all the rights of Gateway Partners under the shareholder agreement; or
- Gateway Partners sell their remaining shares to a third party; or
- GREA makes changes to the shareholders agreement to remove certain rights granted to the founding shareholders.

GREA management remuneration policies have also been aligned with Grit’s, and senior management of APDM have now been included in the Grit long term incentive plan, which are specifically linked to value creation at the Grit equity holder level.

UPDATED STRATEGY DRIVING VALUE CREATION AND INCREASING CONFIDENCE IN OUTLOOK

The Grit Group is people centred, pioneers, proudly African and woman led, powered by purposeful impact through authentic partnerships. We recognise our role in transforming the design of buildings and developments and creating smart business solutions for long-term sustainability, especially with the African landscape rapidly urbanising. The Group's sustainability efforts focus on community impact, the empowerment of women, energy efficiency and carbon reduction.

The Board remains committed to a five-year target of a 25% reduction in carbon emissions and a 25% improvement in our building efficiency. Grit continues to make significant progress and is ahead of plan in the achievement of these targets.

In addition to environmental responsibility, the Group prides itself on achieving more than 45% of women in leadership positions at Grit, more than 65% localised employees and significant support to the numerous communities in the countries where we operate through extensive ESG and upliftment programmes.

Following the equity issuance in December 2021 Grit was able to reduce its overall debt exposure and reduce its LTV, and in combination with the targeted asset recycling strategy, has positioned the Company for a strong post Covid-19 recovery.

While Grit has assumed operational control of GREA from April 2022, Grit has also agreed a pathway to control over GREA by 31 December 2022, upon which, the consolidation is expected to lower the Group LTV by 3.9ppts.

This leaves the Group well positioned for recovery in a post-pandemic environment backed by strong cash collection, increased leasing activity, resilient assets, reduced debt levels and the potential for stronger NAV growth going forward. Upon the final completion of the GREA acquisition the Board's total return target will increase from the current 12% to a range of between 13% and 15% per annum.

The Group continues to deploy its resources within these principal strategic areas:

1. Owning and managing a diversified portfolio of high quality real estate assets across the African continent (excluding South Africa) – with strong valuation recovery potential post Covid disruptions.
2. Pursuing limited risk-mitigated real estate developments for existing and target tenants, predominantly focused on the industrial, embassy accommodation and data centres sectors driving accelerated NAV growth into the future. Development exposure will not exceed more than 20% of Group gross asset value, and upon completion, will be included in the income producing portfolio of the Group thereby underpinning future income growth – leading to an expectation of enhanced yield and income, etc upon completion.
3. Fee generation income from real estate, facilities and development management services to both internal clients and to third party clients and co-investors – resulting in an expectation of enhanced income.

The Company refreshed its buy back authority at the last annual general meeting, and recently published a circular seeking a linked treasury issuance authority. The combination of these will allow the Board to contemplate a treasury buyback programme in support of trading liquidity and distributions to shareholders and will provide opportunities to execute the Drive-in-trading guarantee unwind.

Further detail and outlook for the operating divisions of the Group will be provided at a Company hosted Capital Markets Day being planned after the release of the audited annual financial statements. Further details will be provided to interested stakeholders in due course.

By Order of the Board

20 September 2022

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU no. 596/2014) (as amended) as it forms part of UK domestic law by virtue of the European union (withdrawal) act 2018 and other implementing measures. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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NOTES:

Grit Real Estate Income Group Limited is the leading pan-African real estate company focused on investing in, developing and actively managing a diversified portfolio of assets in carefully selected African countries (excluding South Africa). These high-quality assets are underpinned by predominantly US\$ and Euro denominated long-term leases with a wide range of blue-chip multi-national tenant covenants across a diverse range of robust property sectors.

The Company is committed to delivering strong and sustainable income for shareholders, with the potential for income and capital growth.

The Company holds its primary listing on the Main Market of the London Stock Exchange (LSE: GR1T) and a secondary listing on the Stock Exchange of Mauritius (SEM: DEL.N0000).

Further information on the Company is available at <http://grit.group/>

Directors: Peter Todd+ (Chairman), Bronwyn Knight (Chief Executive Officer)*, Leon van de Moortele (Chief Financial Officer)*, David Love+, Sir Samuel Esson Jonah+, Nomzamo Radebe, Catherine McIlraith+, Jonathan Crichton+, Cross Kgosidiile and Bright Laaka (Permanent Alternate Director to Nomzamo Radebe).

(* Executive Director) (+ independent Non-Executive Director)

Company secretary: Intercontinental Fund Services Limited

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Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

UK Transfer secretary: Link Asset Services Limited

SEM authorised representative and sponsor: Perigeum Capital Ltd

Mauritian sponsoring broker: Capital Markets Brokers Ltd

This notice is issued pursuant to the FCA Listing Rules and SEM Listing Rule 15.24 and the Mauritian Securities Act 2005. The Board of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.