GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Resilient REIT Limited

South Africa Corporate Analysis **March 2019**

Rating class	Rating scale	Rating	Rating outlook	Review date
Long term	National	AA-(ZA)	Stable	March 2020
Short term	National	A1+(ZA)		

Financial data:

(USD'm comparative)

	30/06/17	30/06/18
R/USD (avg.)	13.61	12.86
R/USD (close)	13.05	13.73
Total assets	3,758.5	2,963.8
Total debt	1,358.6	1,159.6
Total capital	2,204.6	1,667.8
Cash & equiv.	65.6	37.1
Rental income	176.5	203.7
Operating income	182.2	234.8
NPAT	172.1	(257.0)
Op. cash flow	52.4	87.9
Market cap.*	R23.7bn/USD1.7bn	
Market share		n.a

* As at 25/03/2019 @ R14.30/USD

Rating history:

Initial rating (June 2010)

Long term: A-(ZA)
Short term: A1-(ZA)
Rating outlook: Stable

Last rating (April 2018)

Long term: AA-(ZA)
Short term: A1+(ZA)
Rating outlook: Stable

Related methodologies/research:

Global Master Criteria for Rating Corporate Entities, updated February 2018

Global Criteria for Rating Property Funds and Commercial Real Estate companies, updated February 2018

Resilient REIT Limited ("Resilient") issuer rating reports (2010-18)

GCR contacts:

Primary Analyst
Sheri Morgan
Senior Analyst: Corporate Ratings
morgan@GCRratings.com

Committee Chairperson
Eyal Shevel
Sector Head: Corporate Ratings
shevel@GCRratings.com

Analyst location: Johannesburg, ZA
Tel: +27 11 784 – 1771

Website: http://www.globalratings.net

Summary rating rationale

- The high quality of Resilient's mid-sized South African retail property portfolio of R22.8bn continues to drive stable cash flows and earnings, with the overall portfolio 98.2% leased. The REIT also reflects a well-laddered lease expiry schedule, which together with distributions from the listed share portfolio should provide for sound income visibility, although potential pressure on rental rates and escalations on lease renewals is noted. Counterbalancing rating factors incorporate Resilient's geographic, asset and tenant concentrations.
- Whilst GCR recognises that Resilient's large listed equity portfolio (1H FY19: R9.3bn) does provide a level of geographic diversity and liquidity support (as it is predominantly unencumbered), the high market risk attached is noted, and given the size of the interests held, could further impede sellable values (also in view of contagion perceptions of the respective entities).
- Resilient's credit profile also benefits from its maintenance of low LTVs. Based on adjusted calculations (to exclude the BEE trust consolidation), the fund's fair value LTV is estimated at 25.7% at 1H FY19 (IFRS: 37%). In GCR's view, gearing levels remain within rating tolerance levels, even adjusting the calculation to stress for the Siyakha exposure, loans to staff and other (combined R68m at 1H FY19), as well as conservative haircuts to the listed portfolio/general market risk.
- Interest cover ratios have also been impacted by the Siyakha Trusts' consolidation and should correct to more comfortable levels in the 3x-3.5x range after the envisioned restructuring of the trusts.
- The REIT's liquidity profile is considered strong in view of available sources of liquidity, including R2.5bn in unutilised committed facilities (incorporates a newly approved Nedbank facility) and the unencumbered listed securities portfolio (with a conservative haircut applied). Furthermore, in implementation of the new Nedbank facility, R500m of cash on balance sheet will be released from collateral. This would cover obligations (debt and assumed capex) due over the next two years by at least 1x.
- The above mitigates the liquidity weakness implied by Resilient's mostly encumbered property pool (84%), although this entrenches relationships with a range of banking counterparties and good access to funding. However, capital market access (bond and equity markets) is yet to be properly proven in the wake of the notable repricing of the stock in 2018.
- The recently released findings by the Financial Sector Conduct Authority ("FSCA") cleared Resilient of allegations made in 2018 of insider trading. Investigations into market manipulation of its shares remain ongoing, and thus developments in this regard will continue to be monitored.

Factors that could trigger a rating action may include

Positive change: Could arise if the REIT grows larger and more diverse, while maintaining solid property performance and credit metrics.

Negative change: Downward pressure on the ratings could result from weaker liquidity management and/or persistently higher leverage or interest coverage pressures beyond GCR's expectations. Any adverse findings by regulatory investigations, would also be negatively considered.

GLOBAL CREDIT RATING CO.

Corporate profile and recent developments

Resilient is a JSE listed REIT, specialising in developing and managing retail properties. At 1H FY19, the REIT held a total direct property portfolio of R24.6bn, comprising South African assets of R23.2bn and Nigerian assets worth R1.4bn. The Portuguese portfolio (two retail assets held through 50% JV) was traded out for R1.1bn during 1H FY19. Other investments include sizable strategic holdings in offshore JSE listed property companies (comprising NEPI Rockcastle plc ("NEPI Rockcastle") and Lighthouse Capital Limited ("Lighthouse") - formerly Greenbay Properties Limited), totalling R9.3bn. Offshore assets represented 31% of total property investments, within the Board's stated mandate, which allows for up to 60% of direct and indirect property assets to be offshore.

The recently released findings by the Financial Sector Conduct Authority ("FSCA") cleared Resilient of allegations made in 2018 of insider trading. Investigations into market manipulation of its shares remain ongoing and thus developments in this regard will continue to be monitored.

Resilient has also made progress in terms of addressing other key concerns raised in conjunction with negative market reports released.

1) The cross-shareholding with Fortress REIT Limited ("Fortress"): Resilient unbundled its interest in Fortress to existing Resilient shareholders in 2018. Thus, Fortress no longer contributes to Resilient's earnings via dividends.
2) The restructuring of the Siyakha Trusts (used by Resilient and Fortress as Broad-Based Black Economic Empowerment vehicles) to create separate BEE ownership vehicles for Resilient and Fortress and to re-examine the previous accounting policies used: This remains ongoing, with management's ultimate intent to restructure the trusts by year-end FY19, given its negative NAV and limited BEE score impact. To date, the accounting treatment has been adjusted, whereby Resilient (through external consultation) was deemed to have control and has thus consolidated the trusts in its results (restated back to 2016). This increased its consolidated debt by the R3.9bn Siyakha owes to Fortress and listed investments by R1.9bn which relate to the Siyakha trust assets). As Siyakha obligations are ring-fenced, GCR has deconsolidated these amounts in the gearing calculations. Further, Resilient for its distributable earnings only recognises interest income accrued on the relevant trust loans to the extent that it is matched by dividends declared in the same period in respect of the shares held, net of the operating expenses.

The aforementioned allegations caused severe reputational damage, and saw Resilient's share price and the value of its listed securities plummet materially in 1Q 2018 (as reflected in table 1). Despite the volatility in Resilient's share price and the large shareholding by Fortress (FY18: 9.7%) and Siyakha (FY18: 9.3%), GCR still considers the institutional investor profile to be strong. Further, GCR has considered the Siyakha restructure, which may see Resilient repurchase its shares held by Siyakha or which may end up in public float, whilst Fortress has signalled that their interest in Resilient is non-core.

Whilst GCR recognises that Resilient's listed equity portfolio does provide a level of geographic diversity and liquidity support, the high market risk attached is noted, given the size of the interests held which could impede sellable values (and in view of contagion perceptions of the respective entities).

Table 1: Listed equities	FY17		FY18		1H FY19	
	Units (m)	R'm	Units (m)	R'm	Units (m)	R'm
Fortress-B	172.9	6,000.7	5.3	79.9	-	-
NEPI	29.3	4,843.0	-	-	-	-
NEPI Rockcastle	-	-	75.1	9,201.6	75	8,471.0
Rockcastle*	200.4	7,150.3	-	-	-	-
Hammerson*	9.4	915.0	-	-	-	-
Lighthouse*	1,551.0	2,993.4	2,052.4	2,709.1	102.6	810.7
Total		**21,902.4**		**11,990.6**		**9,281.7**

* Shown at fair value.

As a listed REIT, Resilient is subject to the Companies Act and JSE Listings Requirements. It also complies with the King IV code and has increased the number of independent directors on the board. It is noted that while Resilient and Fortress are jointly invested in three properties and both have substantial holdings in NEPI Rockcastle and Lighthouse, each operate independently with no common directors.

Table 2: Corporate governance summary	
No. of directors	14
-Independent non-executives	10
-Executives	4
Separation of the chairman	Yes, the chairman is independent.
Frequency of meetings	Quarterly board meetings, additional meetings called as required.
Board committees (6)	Audit; Investment; Nomination; Risk; Remuneration; Social and Ethics.
Internal control and compliance	Periodic external assessments as commissioned by the Audit committee.
External auditor	Deloitte & Touche has issued unqualified audit reports for each year under review. PKF has been appointed as the new auditor.

Direct property portfolio overview

South Africa

As at 1H FY19, Resilient owned 28 retail properties (and seven plots of land) throughout South Africa, valued at R23.2bn (FY18: R22.7bn; FY17: R21.2bn). Despite increasingly difficult business conditions in the retail sector, the REIT's necessity-driven retail properties in strong and growing metropolitan locations continue to underpin its competitive assets. Importantly, consistency in property revaluations appear intact, and attests to the high quality portfolio. Such valuations are conducted by an independent valuer on the entire property portfolio at each financial year-end, with Jones Lang LaSalle Proprietary Limited performing the FY18 valuations in 2018.

With the largest property, Galleria Mall, accounting for 9.6% of the total portfolio value and the top 10 assets 58%, there is a level of asset concentration risk. This is partially mitigated by the spread of the portfolio geographically, with the largest areas by rentals comprising Limpopo (32%), Gauteng (25%), KZN (14%) and Mpumalanga (13%).

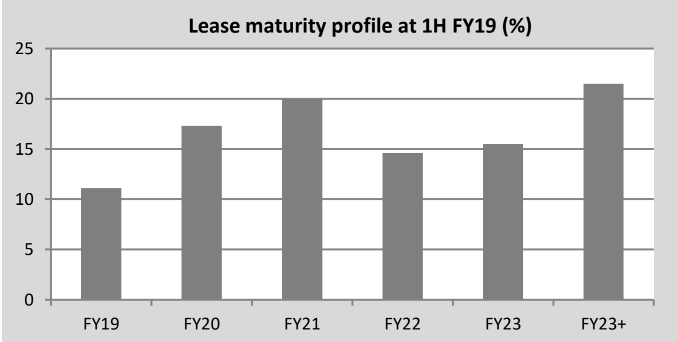
Table 3: SA property portfolio fundamentals	FY16	FY17	FY18	1H FY19
No. properties*	27	28	27	28
Valuation** (R'm)	18,959.5	21,245.3	22719.5	23,202.3
GLA (m^2)	1,065,547	1,102,551	1,096,890	1,171,946
Vacancy rate (%)	1.8	1.9	1.7	1.8
Weighted average rental escalation (%)	7.2	7.1	7.0	7.0
Gross property expense ratio (%)	36.1	35.6	35.0	36.1

*Income producing.
**Consolidated IFRS total, including vacant land.

With the South African portfolio comprised of dominant regional malls and small shopping centres in secondary locations, most centres have upheld solid sales growth, with the overall portfolio registering 4.7% comparable sales growth for the interim period. This has allowed Resilient to continue to attract high quality tenants, with mostly long-term leases, and sustain low vacancy rates. As at 1H FY19, the vacancy rate equated to 1.8% (FY18: 1.7%; FY17: 1.9%), and according to management has subsequently reduced to 1.6% as a result of vacant space taken up at Mams Mall.

Resilient's tenant base is of good quality, with A-grade and B-grade lessees contributing 68% and 25% to rental income. However, a level of tenant concentration is evident, with largest tenant, The Foschini Group, comprising around 8% of revenues and the 10 largest nearing 50%. In particular, the REIT's Edcon exposure at 6.4% of rentals (3.5% of which relates to Edgars stores directly) remains a risk to revenues, as management has agreed to the proposed rental reductions (similar to some other market peers) in exchange for an equity stake in the business. However, in the interim the rightsizing of this space will continue, with created space to be filled by strong demand by new tenants or existing lessees taking more space.

GCR does consider the well laddered lease maturity profile favourably, given the pressurised leasing environment. To this end, while the REIT was able to continue to secure positive reversions on expiring leases of 1.3% at 1H FY19, rental rates/escalations on lease renewals are likely to continue to moderate. Nevertheless, above inflation average rental escalations of 7% on in-force contracts bodes well for continued strong cash flows, although operating margins are expected to be somewhat dampened by rising utilities and rates and taxes and as lessees try to manage down their all-in cost of occupancy. GCR expects overall robust combined operating margins to ensue given uplift from listed equity dividends that should reflect low variability through the cycle (and in consideration of management's progressive foreign dividend hedging strategy).



Note: Based on contractual rentals.

The conservative development appetite, which is focused on extensions or redevelopments with high pre-leasing, is also favourably factored into the ratings. As at 1H FY19, committed capital expenditure totalled R245m for the next 12-18 months. The extension of Irene Village Mall is still being mooted, although the project scope is expected to be scaled back and remains subject to reapprovals.

Nigeria
Resilient's Nigerian property exposure is held through its 60.94% stake in Resilient Africa (a joint venture with Shoprite and local partners). The portfolio comprises Delta Mall (13,748m^2), Asaba Mall (8,028m^2) and Owerri Mall (8,743m^2), and vacant land where the development of a new mall is still being considered. Trading conditions in the region remain tough, although some improvements have been evidenced of late. To this end, certain malls continue to attract increasing footfall, which has aided in reducing the portfolio vacancy rate to 5% (FY18: 6.3%). Resilient's proportionate share of the portfolio is valued at R695m (FY18: R662m), but remains below the original investment made. This highlights the investment risk associated with geographic expansions into higher risk jurisdictions. In terms of funding, a seven-year USD45m facility is in place, secured against all three aforementioned malls, with no recourse to Resilient's South African balance sheet.

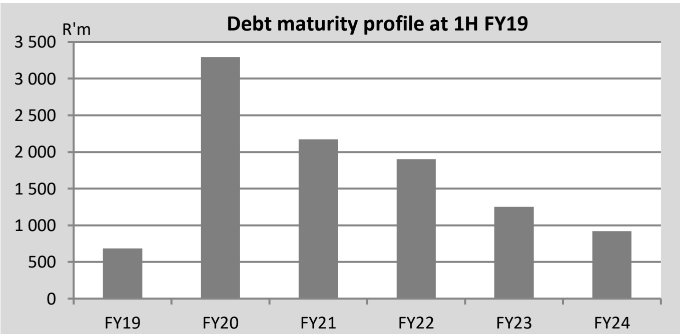
Funding and liquidity profile

Table 4: LTV reconciliation at 1H FY19 (R'm)				
Debt	*IFRS*	*Proportionate consolidation**	*Siyakha deconsolidation*	*Adj Total*
Gross debt	14,149	(264)	(3,915)	9,971
Cash	(661)	11	-	(649)
Net debt	**13,489**	**(253)**	**(3,915)**	**9,321**
Investments				
Properties**	24,579	(1,404)	-	23,174
NEPI Rockcastle	8,471	-	-	8,471
Lighthouse	811	-	-	811
Loans to co-owners	594	91	-	685
Loans to staff	41	-	-	41
Loans to Siyakha	-	-	3,083	3,083
Loans advanced	27	-	-	27
Siyakha listed equities	1,987	-	(1,987)	-
Total	**36,510**	**(1,313)**	**1,096**	**36,292**
Adj. net LTV	***36.9%***			***25.7%***

*Accounts for Resilient's proportionate share in properties.
**Includes property under development and straight lining.

On balance sheet on an IFRS basis, gross debt was reported at R14.1bn at 1H FY19 (FY18: R15.9bn), which together with the consolidation of certain investments, saw the net LTV equate to 37% at 1H FY19 (FY18: 39%). Table 4, however, factors in the fair value information to assess Resilient's look through gearing position to exclude the debt (R3.9bn) and listed investments (R2bn) of Fortress' exposure to the BEE trusts, the proportionate consolidation of partially owned subsidiaries, and includes Resilient's net exposure to the BEE trusts. This indicates a truer reflection of the LTV, which equated to 25.7% at 1H FY19. In GCR's view, gearing levels remain within rating tolerance levels after adjusting the calculation to stress for the Siyakha exposure, loans to staff and other (combined R68m at 1H FY19), as well as conservative haircuts to the listed portfolio/general market risk.

Debt adjusted earnings based gearing metrics also remain sound and whilst GCR notes that net interest cover was reported well below historical levels at 2.2x at 1H FY19, it has been impacted by the Siyakha consolidation and should correct to more comfortable levels in the 3x-3.5x range after the restructuring of the trusts. For 1H FY19, the all-in cost of funding totalled 9% and includes the cost of Resilient's interest rate hedges, with 110% of the domestic interest rate risk hedged (EUR: 91%) against an internal threshold of 80%.



Resilient has a track record of financial discipline and a proactive approach towards capital management, such that the REIT terms out its borrowings well ahead of maturity. At 1H FY19, whilst almost R4bn of debt is to mature over the next 18 months to FY20, to date R503m has been repaid and R1.1bn in Standard Bank loans are currently being refinanced with 3-year tenors (credit approved). Additionally, a new committed facility of R570m has been approved by Nedbank's credit committee. The new facility will release the listed equity script held as collateral and associated cash ceded (R500m) on the loans. This as the REIT did see two facilities breach their respective covenant limits on the back of the sharp decline in the share prices (albeit timeously remedied before year-end FY18), and as such funders' have become more reticent to this type of collateral.

Table 5: Debt Profile at 1H FY19* (R'm)	**Facilities**	**Drawn**	**Security pledged**	
			Property	**Shares^**
Bank facilities				
Nedbank	1,615	1,555	924	571
RMB	3,350	2,872	8,095	1,209
Standard Bank	3,958	2,367	8,204	-
Libfin	810	816	2,231	-
Nigeria**	647	647	1,377	-
DMTN	1,951	1,978	-	-
Total	***12,331***	***10,235***	***20,831***	***1,780***
Unutilised bank funding	2,096			

*Based on IFRS, but excludes Siyakha debt relating to Fortress.
**Includes non-controlling shareholder interest of R242m.
^Value determined by close date prices of NRP: R113 and LTE: R7.90.

The REIT's liquidity profile is considered strong in view of available sources of liquidity, including R2.5bn in unutilised committed facilities (including the newly approved Nedbank facility) and the unencumbered listed securities portfolio (with a conservative haircut applied). Furthermore, in implementation of the new Nedbank facility, R500m of cash on balance sheet will be released from collateral. This covers obligations (debt and assumed capex) due over the next two years by at least 1x (even with a conservative haircut on unencumbered securities that can be sold after accounting for the encumbrance covenant on the Standard bank facility). This mitigates the liquidity weakness implied by Resilient's mostly encumbered property pool (84%), although entrenches relationships with a range of banking counterparties and good access to funding. However, the REIT's capital market access (bond and equity markets) is yet to be properly proven in the wake of the notable repricing of its stock in 2018. Thus, while Resilient has used equity as a significant source of financing in the past, no new equity is likely to be deemed necessary over the short term, given the current LTV covenant headroom available to pursue potential acquisition opportunities.

Resilient REIT Limited

(Rand in millions except as noted)

Income Statement	Year ended : 30 June	2015	2016 ˣ	2017 ˣ	2018 ˣ	1H 2019°
Contractual rental & recoveries		*1,755.2*	*2,185.2*	*2,402.6*	*2,620.1*	*1,389.1*
Straight line rental accrual		*121.4*	*58.3*	*(23.6)*	*41.7*	*44.6*
Gross rental income		**1,876.7**	**2,243.5**	**2,379.0**	**2,661.8**	**1,433.6**
Property expenses		(600.1)	(794.6)	(869.8)	(931.0)	(508.1)
Net property income		**1,276.5**	**1,448.9**	**1,509.2**	**1,730.7**	**925.6**
Administrative expenses		578.2	618.3	1,120.9	1,442.3	446.0
Distributable earnings from associates and investments		(89.2)	(104.6)	(150.6)	(153.3)	(52.6)
Operating income		0.0	0.0	0.0	0.0	0.0
Net finance charges		**1,765.5**	**1,962.5**	**2,479.5**	**3,019.8**	**1,319.0**
Interest capitalised		(428.9)	(205.0)	(1,524.8)	(1,569.2)	(669.0)
Fair value gains/(losses)		76.6	80.8	92.7	55.5	30.0
Capital items		4,168.2	2,103.5	1,284.5	(8,992.5)	(599.0)
Distribution to linked debenture holders		207.3	105.4	3.2	3,314.4	(27.4)
NPBT		**5,788.7**	**4,047.1**	**2,335.2**	**(4,172.0)**	**53.6**
Taxation charge		(304.7)	(59.8)	7.3	866.6	(91.6)
NPAT		**5,484.1**	**3,987.3**	**2,342.5**	**(3,305.4)**	**(38.0)**
Cash Flow Statement						
Cash generated by operations		**1,651.8**	**1,564.7**	**2,165.4**	**2,722.6**	**1,273.1**
Utilised to increase working capital		(22.5)	57.3	72.9	(33.3)	0.0
Net interest paid		(428.9)	(205.0)	(1,524.8)	(1,557.4)	(572.0)
Taxation paid		0.0	0.0	0.0	(1.8)	(34.9)
Cash flow from operations		**1,200.4**	**1,417.0**	**713.5**	**1,130.2**	**666.2**
Distribution to shareholders		(1,218.3)	(1,711.6)	(1,893.2)	(2,296.3)	(960.5)
Retained cash flow		**(17.9)**	**(294.6)**	**(1,179.7)**	**(1,166.2)**	**(294.3)**
Net expansionary capex		(1,499.9)	(853.9)	(1,690.7)	(714.8)	(485.0)
Investments and other		(2,899.2)	(4,321.8)	(1,135.3)	(1,111.2)	1,770.2
Proceeds on sale of assets/investments		1,202.2	1,490.4	602.7	2,489.9	1,169.2
Shares issued/repurchased		4,647.3	2,096.0	0.0	2,462.2	(144.6)
Cash movement: (increase)/decrease		18.0	0.0	(822.5)	345.7	(150.5)
Borrowings: increase/(decrease)		(1,450.4)	1,883.9	4,225.5	(2,305.6)	(1,865.0)
Net increase/(decrease) in debt		**(1,432.4)**	**1,883.9**	**3,402.9**	**(1,959.9)**	**(2,015.5)**
Balance Sheet						
Total shareholders interest		**26,216.7**	**28,286.6**	**28,769.7**	**22,898.7**	**21,986.7**
Short term debt		573.6	1,555.2	1,354.8	2,217.5	2,646.6
Long-term debt		5,333.7	10,949.1	16,375.0	13,703.3	11,502.9
Total interest-bearing debt		**5,907.4**	**12,504.3**	**17,729.8**	**15,920.8**	**14,149.4**
Interest-free liabilities		2,065.6	2,495.3	2,548.9	1,873.2	1,578.6
Total equity and liabilities		**34,189.7**	**43,286.2**	**49,048.4**	**40,692.6**	**37,714.8**
Fixed assets		0.0	0.0	0.0	0.0	0.0
Properties incl. straight lining adjustments		18,679.8	20,832.9	22,547.1	25,093.5	24,578.8
Investments		12,115.2	21,099.9	24,314.6	14,050.1	11,269.1
Loans/advances & JV's		2,642.6	826.5	840.3	512.8	635.7
Cash and cash equivalent		45.2	33.2	855.8	510.0	660.6
Other assets		707.0	493.7	490.6	526.2	570.7
Total assets		**34,189.7**	**43,286.2**	**49,048.4**	**40,692.6**	**37,714.8**
Ratios						
Cash flow:						
Operating cash flow : total debt (%)		20.3	11.3	4.0	7.1	9.4
Profitability:						
Contractual rental income growth (%)		36.9	24.5	9.9	9.1	6.0
Net property income: revenues (%)		61.6	62.0	64.4	63.5	61.5
Property expense ratio (%)		34.2	36.4	36.2	35.5	36.6
Operating profit margin (%)		93.7	87.1	104.2	113.7	91.7
Properties under development/JVs : total properties (%)		7.9	4.6	3.5	3.2	1.7
Coverage:						
Income from operations and investments : gross interest (x)		2.4	2.7	1.6	1.8	1.9
Income from operations and investments : net interest (x)		4.1	9.6	1.6	1.9	2.0
Income from operations and investments incl. capitalised interest (x)		5.0	15.8	1.7	2.0	2.1
Capitalisation:						
Total debt : equity (%)		22.5	44.2	61.6	69.5	64.4
Net debt : equity (%)		22.4	44.1	58.7	67.3	61.4
Total debt : operating income (%)		359.3	656.6	708.3	534.6	555.1
Net debt : operating income (%)		356.6	654.9	674.1	517.5	529.2
Loan to value						
Total debt : properties (%)		31.6	60.0	78.6	63.4	57.6
Net debt : properties (%)		31.4	59.9	74.8	61.4	54.9
Total debt : properties & investments (%)		19.2	29.8	37.8	40.7	39.5
Net debt : properties & investments (%)		19.0	29.7	36.0	39.4	37.6
Total debt : properties, investments & advances (%)		17.7	29.2	37.2	40.1	38.8
Net debt : properties, investments & advances (%)		17.5	29.2	35.4	38.9	37.0

°Unaudited results for the six-month period to 31 December 2018; ratios do not show leading indicators. ˣ Restated.

Note: ratios including revenue and profitability indicators have been adjusted to strip out straight lining and other non-cash items. Ratios also do not include leading indicator adjustments.

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S CORPORATE GLOSSARY

Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Capital Expenditure	Expenditure on long-term assets such as plant, equipment or land, which will form the productive assets of a company.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Committed Facility	A line of credit extended to a borrower that is guaranteed to be available for a specified period. The lender is obliged to lend the predetermined amount for the defined period under the terms of the agreement.
Corporate Governance	Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed, and is used to ensure the effectiveness, accountability and transparency of an entity to its stakeholders.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.
Fair Value	The fair value of a security, an asset or a company is the rational view of its worth. It may be different from cost or market value.
Financial Year	The year used for accounting purposes by a company or government. It can be a calendar year or it can cover a different period, often starting in April, July or October. It can also be referred to as the fiscal year.
Gearing	With regard to corporate analysis, gearing (or leverage) refers to the extent to which a company is funded by debt and can be calculated by dividing its debt by shareholders' funds or by EBITDA.
GLA	GLA is the portion of the total floor area of a building that is available for tenant leasing, and is usually expressed in square meters or square feet.
Hedge	A form of insurance against financial loss or other adverse circumstances.
Hedging	A financial risk management process or function to take a market position to protect against an eventuality. Taking an offsetting position in addition to an existing position. The correlation between the existing and offsetting position is negative.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest Rate Risk	The potential for losses or reduced income arising from adverse movements in interest rates.
Joint Venture	A project or other business activity in which two persons or companies partner together to conduct the project.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loan To Value	Principal balance of a loan divided by the value of the property that it funds. LTVs can be computed as the loan balance to most recent property market value, or relative to the original property market value.
Long-Term Rating	A long term rating reflects an issuer’s ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation’s current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Mandate	Authorisation or instruction to proceed with an undertaking or to take a course of action. A borrower, for example, might instruct the lead manager of a bond issue to proceed on the terms agreed.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market Risk	Volatility in the value of a security/asset due to movements in share prices, interest rates, currencies, commodities or wider economic factors.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Operating Margin	Operating margin is operating profit expressed as a percentage of a company's sales over a given period.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Revaluation	Formal upward or downward adjustment to assets such as property or plant and equipment.
Risk	The possibility that an investment or venture will make a loss or not make the returns expected. There are many different types of risk including basis risk, country risk, credit risk, currency risk, economic risk, inflation risk, liquidity risk, market or systemic risk, political risk, settlement risk and translation risk.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short-Term Rating	A short term rating is an opinion of an issuer’s ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.

This page has been intentionally left blank

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

Resilient REIT Limited participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to Resilient REIT Limited.

The information received from Resilient REIT Limited and other reliable third parties to accord the credit ratings include:

- the 2018 audited annual financial statements (plus four years/periods of comparative numbers);
- condensed unaudited interim financial statements for the six months ended 31 December 2018;
- a breakdown of facilities available and related counterparties at 31 December 2018 and 28 February 2019.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.