**Press release**

**10 March 2021**

**EPP delivers solid performance amid the COVID-19 challenges**

**Johannesburg Stock Exchange listed EPP (JSE: EPP), Poland’s biggest retail landlord, reported results for the year ended 31 December 2020 with distributable earnings reaching €5.56 cents per share, exceeding its guidance of between €4.75 and €5.25 cents. This, combined with a strong retail rebound in Poland and promising economic prospects, bodes well for EPP’s future performance. However, EPP’s Board prudently resolved not to distribute a dividend for the second half of its financial year to reinforce its capital structure given COVID-19 challenges.**

Poland’s ongoing COVID-19 vaccination programme and eased lockdown limitations that currently allow 96% of EPP’s GLA to operate provide the Polish landlord with a solid basis for performance recovery. The EPP portfolio occupancy is a stable 96% and continues to attract new store openings by leading brands including Primark, Pepco, Dealz, Sephora, Levi’s and Carrefour.

**Retail rebounds**

EPP saw a strong retail rebound post each of the three lockdowns implemented by the Polish government to date with tenant turnover growth outpacing footfall increases. The company can also rely on its shoppers, who prefer a physical shopping experience to e-commerce. While online sales increase during lockdown periods, they decline sharply when restrictions are lifted. Visiting brick-and-mortar retail remains the most favoured form of shopping for Poles due to its unique shopping experience and social aspects. Also, the high sanitary standards implemented in EPP’s shopping centres make customers feel safe.

EPP operates in a resilient and strong economy. Poland reported a relatively small drop in GDP of 2.8% in 2020 and remains one of the most attractive investment markets in Europe, and is expected to achieve rapid GDP growth of 8% combined in the next two years. Retail spending is driven by stable low unemployment rates and consistently rising wages. Additionally, it has achieved one of the highest rates of COVID-19 vaccine doses administered per 100 people in Europe, with 3.3 million doses given to 5.7% of its population (4.8% EU average) by 27 February 2021. Poland’s COVID-19 infections are expected to steadily decline in the months ahead, supporting the economy’s dynamic recovery.

**Liquidity and discipline**

EPP safely managed its financial liquidity during the pandemic with a disciplined approach. Thus, it can meet all its financing commitments and has adequate debt headroom in terms of financial covenants. However, EPP was not unscathed by the pandemic. Polish retail faced two closure periods in 2020, lasting more than 10 weeks in total, during which landlords could not legally enforce rent payments. Current legislation in Poland allows tenants not to pay rent during lockdowns in exchange for extending their leases by six months, plus the amount of time the tenant’ store is closed. This had a material €40 million impact on EPP’s net operating income. Net property income declined to €114.2 million, and distributable earnings fell to €50.5 million. This regulation, however, resulted in an extension of current lease agreements and EPP’s lease expiry profile increased to 5.3 years.

*“EPP closed 2020 with better results than anticipated. We maintained our financial liquidity during the pandemic thanks to thoughtful and well-balanced decisions, taking a long-term approach to support our tenants and achieving higher-than-expected distributable earnings per share despite the extensive tenant relief granted. Stringent cost savings, conservative assumptions about the impact of COVID-19 and fewer tenant failures than initially anticipated contributed positively to performance,”* says Tomasz Trzósło, CEO of EPP.

The value of total investment properties reduced to €2.13 billion due to valuations declining 8.4% on a like-for-like basis. On the back of the property devaluation, EPP’s net asset value per share decreased to €1.09.

*“We believe that not only is most of the short-term cashflow impact caused by COVID-19 reflected in these values but also the long-term fundamental retail market changes, and further devaluations are unlikely,”* continues Tomasz Trzósło.

**Outlook**

The Polish landlord aims to reduce its loan-to-value (LTV) ratio materially as the investment market improves. Currently, EPP’s 54.8% net LTV is well within EPP’s average covenant levels of 67% and below the average LTV levels for Polish real estate, which is dominated by private market investors who strategically seek to maximise LTV. While it remains at appropriate financial and operational levels, EPP is acutely aware that the South African market prefers lower LTV levels for listed property and plans to reduce it materially over the next two years as the investment market improves.

In September 2020, EPP announced its strategy to dispose selected properties and sell stakes in certain assets, with EPP remaining as the active asset manager and leveraging its platform and expertise. This disposal programme will play a key role in reducing LTV. EPP has commenced work on this strategy, which is expected to gain momentum from mid-2021 under the direction of a senior professional appointed to lead sales and acquisitions.

*“We are working off a carefully compiled strategy and are confident we can deliver. The Polish real estate market is the largest and most liquid in the CEE and continues to see rising interest from investors, supporting our success. Given the prospects for future economic recovery, we foresee this strategy taking around two-years to finalise, which will help to avoid deep discounts in the current market and take advantage of the best possible market fundamentals,” adds Tomasz Trzósło.*

**Supporting innovations**

2021 marks EPP’s fifth anniversary, a proud milestone on its journey as it builds its business for the long-term. In a relatively short time, EPP has achieved significant growth, experience and maturity, forging a reputation as a solid and reliable property investor and a retail landlord recognised and respected by retailers in its market. As a young and energetic business, changes in retail and technology excite EPP, and innovation is high on its priority list. The company is working on several initiatives for post-COVID-19 retail success, including an omni-channel strategy and last-mile logistics to support click-and-collect services and drive additional in-store sales.

Commenting on EPP’s plans for the remainder of the 2021 financial year, Tomasz Trzósło said: *“We are focused on resuming dividend payments to shareholders as soon as possible while being cognisant of our balance sheet strength. EPP will focus on the disposal programme, refinancing upcoming debt expiries and reinforcing the overall capital structure to support this. We are committed to the Polish market for the long term, and this is clear in our preference to retain assets in joint ventures with suitable partners. EPP owns top shopping centres in affluent retail destinations with excellent shopping and leisure experiences backed by high quality international and Polish tenants. They have a track record of outperforming the market, and their exciting futures will benefit significantly from the broader reopening of the economy.”*

EPP provided guidance of between €7.00 and €7.25 cents distributable earnings per share for its 2021 financial year, assuming no further significant market disruptions.

**/ ends**

**EPP**

EPP is the largest owner of retail real estate in Poland in terms of GLA. The company’s portfolio comprises 32 projects (25 retail, 6 office and one multifunctional under planning) with a total value of approx. EUR 2 billion and more than one million square metres of lettable space. EPP’s properties are located in the most attractive Polish cities with the highest consumer demand and growth potential. The company is committed to deliver the best possible rates of return to its shareholders by providing consumers with a unique shopping experience and tenants with attractive space and innovative solutions to help them develop their business. EPP, which operates like a REIT, is listed on the stock exchanges in Johannesburg (JSE) in the Republic of South Africa and Luxembourg (LuxSE Euro MTF). More information at [www.epp-poland.com](http://www.epp-poland.com).

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