

Aug/Sept 2022

TUHF Limited

Market Update



TUHF



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Introduction to TUHF

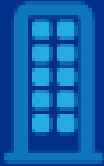


Our Vision

Impact Through Scale

Who We are

The leading **provider of residential commercial property finance** for in the inner cities of South Africa



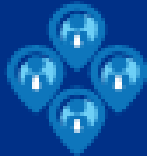
46 947
units financed



658
buildings



19 Years
in operation



5 Offices
in SA



141
suburbs



400
borrowers

R 3.6 Billion
Current Book

R 7.1 Billion
Financed since Inception

**58% of new
loans to PDI's**
Urban Land Reform

TUHF achieves **commercially competitive returns** to shareholders and investors with significant **development impact**



What makes us different?



Specialised knowledge of urban landscape

- Major Metros with areas suitable for Urban Densification.
- Metro's with appropriate policy objectives special development zones
- Convenience - access to schools, transport systems and businesses
- Existing infrastructure



Specialised approach to risk

- Best practice in credit processes - loan cycle management
- Both commercial and character assessment model
- Loan appraisal and loan servicing focused on affordable rental housing risks
- Company wide deep expertise of inner city



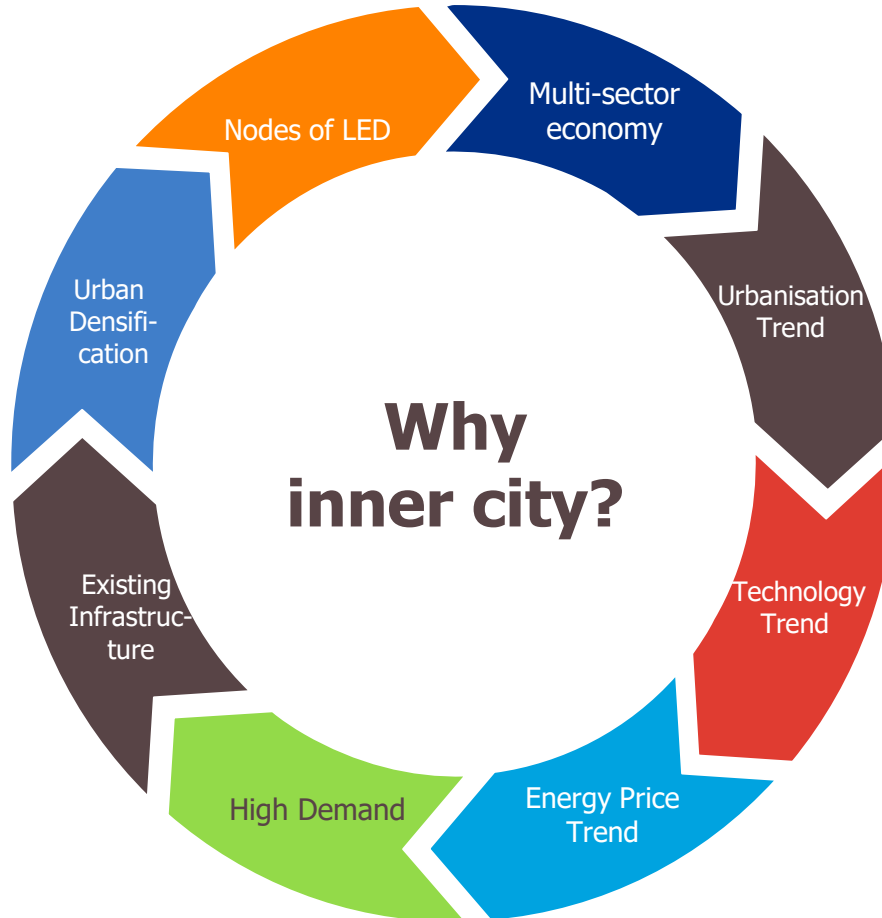
Hands on presence

- Unique ability to spot potential in people, buildings and areas
- Ability to connect and build relationships
- Street level presence

Investment Case for Inner Cities

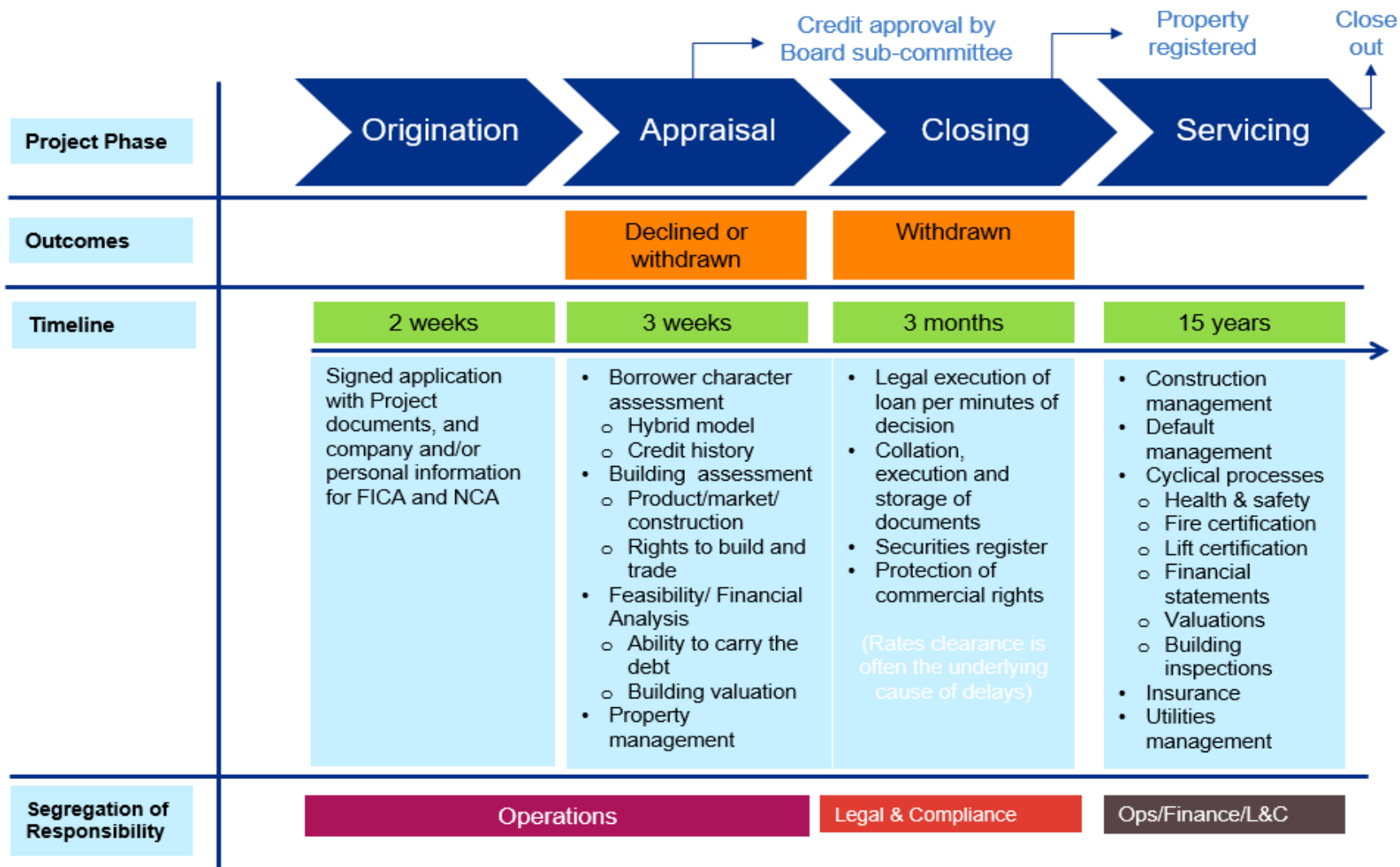
Reliable Cashflows – Commercial Resilience

- High Demand for well located housing
- Tenant incomes derived from many different economic sectors
- Urbanization an entrenched demographic trend
- Access to social infrastructure
- Demand substitution due to high cost and time commutes



Investment Impact Effects

- Inclusive Growth is a Micro Economic Effect
- Worldwide experience on decline and rejuvenation of City Centres
- Access to finance for SME's
- Large increases in low to moderate income housing supply
- Local Economic Development effects including broad SME and employment
- Urban Land Reform
- Fiscal impact



Business Performance and Industry Update



TUHF

Business Performance

- Group collections continue to recover at 91%, target improvement to 95% (pre-Covid norm) (See TUHF Collections Bounce Back slide)
- TUHF's well-managed collections throughout the Pandemic and post-Pandemic period are reflective of the group's excellent property management solution assessment, balancing great customer service and firm credit control
- Covid-19 once again proved TUHF's strategy and affordable housing asset class's resilience and the investment case for this market niche
- Affordable housing's performance and recovery have outstripped other property asset classes like retail and office
- Post Covid, project cash flows are stressed tested for all new approvals to ensure a minimum DSCR ratio (Debt-Service Coverage Ratio) of 1.1x is achieved at stressed levels of vacancy and "normal" interest rates
- Good progress in resolving loans in arrears and litigation: 7 large projects remain with good progress now the Courts are beginning to catch up to Pre-Pandemic functionality.

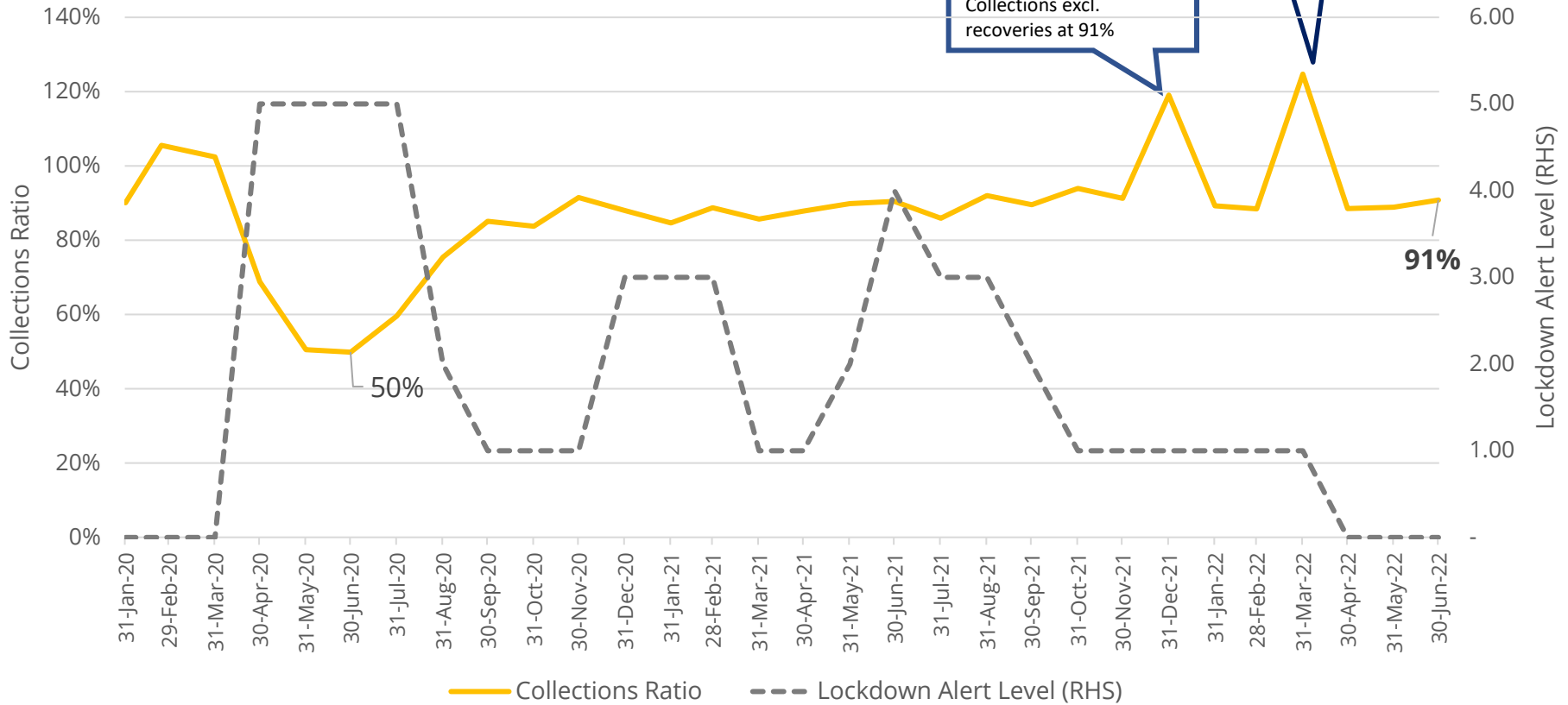
Financial results – TUHF key highlights

Highlights

- TUHF Limited to made a R12 million after tax for the 2022 Financial Year
- This is still significantly below the pre-Covid profit peak of R35 million after tax and is expected to be the low for the cycle with profitability recovering over the next few years
- Disbursements of R490m in the FY ending March 2022 (R311m in the previous year) have started to show improvement after credit was closed during Covid

Business Performance - Collections

TUHF Group Collections since January 2020



Vacancies and Valuations

- **National vacancies declined to 8.26% in Q2 2022 from a high of 13.31% in Q1 of 2021 but is still above the pre-pandemic levels of 7.47% (TPN)**
- Vacancies per Region as reported by TPN
 - » Gauteng – 8.69%
 - » Western Cape – 2.9%
 - » KZN – 13.2%
 - » Eastern Cape – 7.7%
- Nodal analysis shows that the affluent market seems to be still be driving these vacancies. TUHF's vacancies are on par in Gauteng and Cape Town and below the TPN vacancies in EC and KZN at below 5%
- Within TUHF, our Gauteng Book continues to be the book most under pressure with vacancies between 6-8%
- Rentals have started to show nominal increases across the regions
- TUHF uses a conservative cap rate (13%) and so we have not seen values negatively impacted relative to our valuations

Business performance: Looking ahead

- Focus on net loan book growth, income growth, lower CTI and loan book quality
- R 1.235 billion approval target and expected disbursements of R 950 m
- Approvals for new projects is active and good project pipeline is building to attain the targeted R 950 m disbursements
- Loan pipeline: Year-to-date, R295 m closed, closing pipeline at R255 m and the appraisal pipeline is at R 731 m
- Expanding beyond only inner-city to In City areas. Also targeting near node areas e.g. Randburg and affordable rental in townships
- We are monitoring the effect of higher inflation and interest rates on tenants and borrowers. (Historically higher interest rates have been good for rental)
- Business continues to focus on cementing our position as a leading impact investor (**Urban Ubomi Sustainable Bond Framework and JSE Sustainability Index**)

Significant Business Initiatives



Significant Business Initiatives

Optimising the Corporate Structure

- Ring fenced risk - separate servicer and administrator to be established for the group
- Review of corporate rating approach - possibility of moving Corporate rating to TUHF Holdings and a Servicer Rating for the new Ops entity
- SB Warehouse facility increased to R1 billion and being modified to allow for some NPLs to be included
- Implementation of new Basel 3 covenants

Significant Business Initiatives

Reducing concentration risk/look through to tenants

- New loans are increasingly being structured to include enhancements that reduce our concentration risk and exposure to borrower events
- ❖ Ring fenced Borrower SPVs
- ❖ Cash Flow Waterfalls
- ❖ Tenant level reporting

Township market

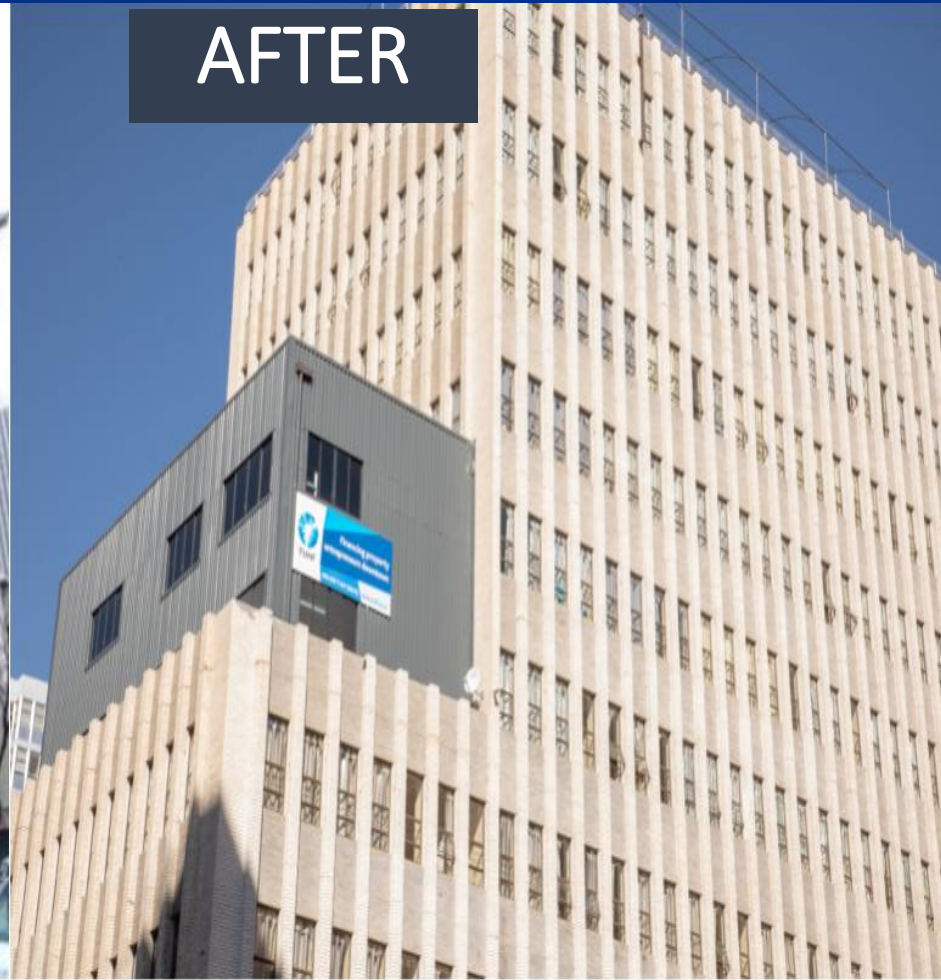
- TUHF going into the township market through the acquisition of uMaStandi into the TUHF Holdings group
- uMaStandi is in its early stage of business, with a loan book of c.R51m
- The product design is similar to TUHF's products, but originated/serviced by a specialist township team
- uMaStandi Fund of R125m already secured to originate township assets
- Urban Ubomi 1 will not include these assets but expect to include township projects from Urban Ubomi 2

Case Study: Cape York

BEFORE



AFTER



Case Study: Cape York

History

- A historically hijacked building.
- Part of the Bad Buildings register of the City of Johannesburg.
- The building was bought by a dubious 'developer' whilst hijacked.
- This was not a legitimate sale and the Client went through extensive work to trace the legal owner - the Bank of Mozambique.

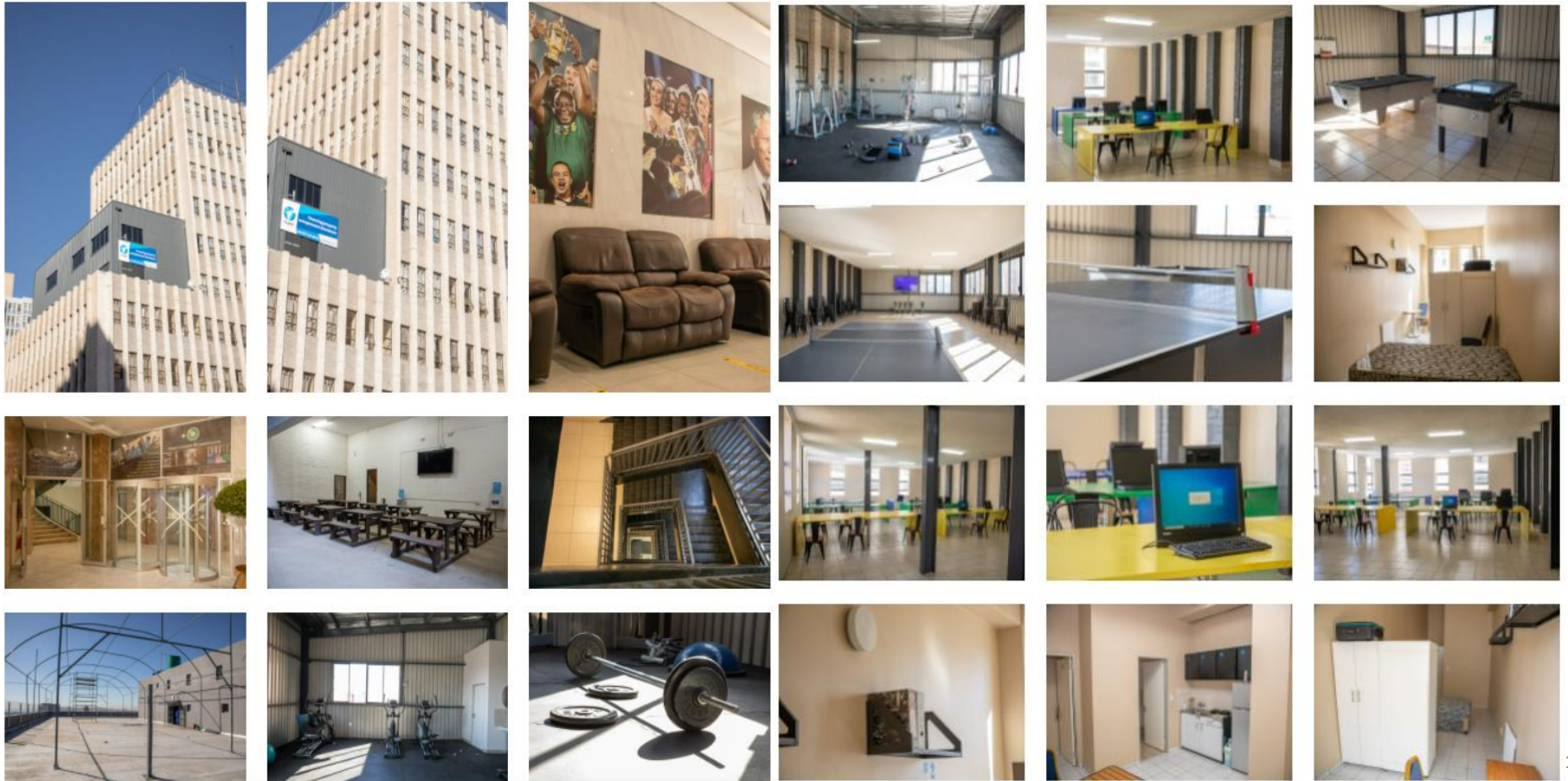
TUHF's involvement

- TUHF assisted the Client to legitimately purchase the building from the Bank of Mozambique.
- The Client then assembled a team of professionals to do the construction and refurbishment, including a Structural Engineer as the building had been significantly impacted by fire while it was hijacked and occupied by illegal squatters.
- TUHF assisted the Client to install Green infrastructure at Cape York, ensuring maximum efficiency in the building and reducing risk in terms of rapidly escalating operating costs, load shedding and City of Johannesburg Rates and Utility bills.

Case Study: Cape York

Impact made

- Today Cape York is a transformed building
- Completely refurbished and fully compliant
- Offers quality accommodation within the City
- Improved safety for residents of the building and the small business community surrounding the building
- Other clients and developers now interested to invest in adjacent properties
- Opportunity to partner and create a safe, clean, walkable neighbourhood surrounding the refurbished buildings





Sustainability Performance:



A Second Party Opinion ("SPO"), performed by Institutional Shareholder Services ("ISS ESG") on TUHF's sustainability performance affirms that the Company is **active in contributing** to the vision and progression of the United Nation's Sustainable Development Goals ("SDG").

The purpose of such an assessment is to give sustainability-orientated investors security that the projects they fund are suitably green or social. Additionally, the assessment aims to provide bond issuers with independent confirmation of the credibility of the sustainable quality of the issuer's business.

Principles Alignment:














TUHF's Sustainable Bond Framework aligns with the ICMA's GBPs, SBPs, and SDGs in terms of the following criterion:

- Use of proceeds
- Process of project evaluation and selection
- Management of proceeds
- Reporting

TUHF's Impact Story

TUHF's contribution to SDGs:

The Company's Sustainability Quality is rated as positive, as seen in the table, with particular respect to the highlighted categories:

Use of proceeds	Contribution or obstruction	Sustainable Development Goals
Affordable housing	Significant contribution	 
Financial inclusion	Significant contribution	  
Improve access to funding for SMEs	Significant contribution	 
	Limited contribution	
Green buildings	Significant contribution	
Renewable energy (Rooftop solar panels)	Significant contribution	 
Energy efficiency	Limited contribution	

Source: ISS ESG Second Party Opinion: TUHF Limited Sustainable Bond Framework

Funding and Securitisation Structures Update



Capital Market Funding

70 % of all funding likely to be sourced from structured finance capital market deals:

- DMTN – R280 m and R280 m roll-over and extension to 5 years
- TUHF Urban - R500 m and R150 m Tap Issuance
- Urban Ubomi 1 – R672 m and R440 m Tap Issuance
- Last tap issue under Urban Ubomi 1 planned for in Q4 2022

Bank Warehouse provided by Standard Bank

- The warehouse facility remained available throughout 2020 and 2021 and has been renewed/revolved twice now
- Facility increased from R700 m to R1 billion after the Urban Ubomi February 2022 tap issue

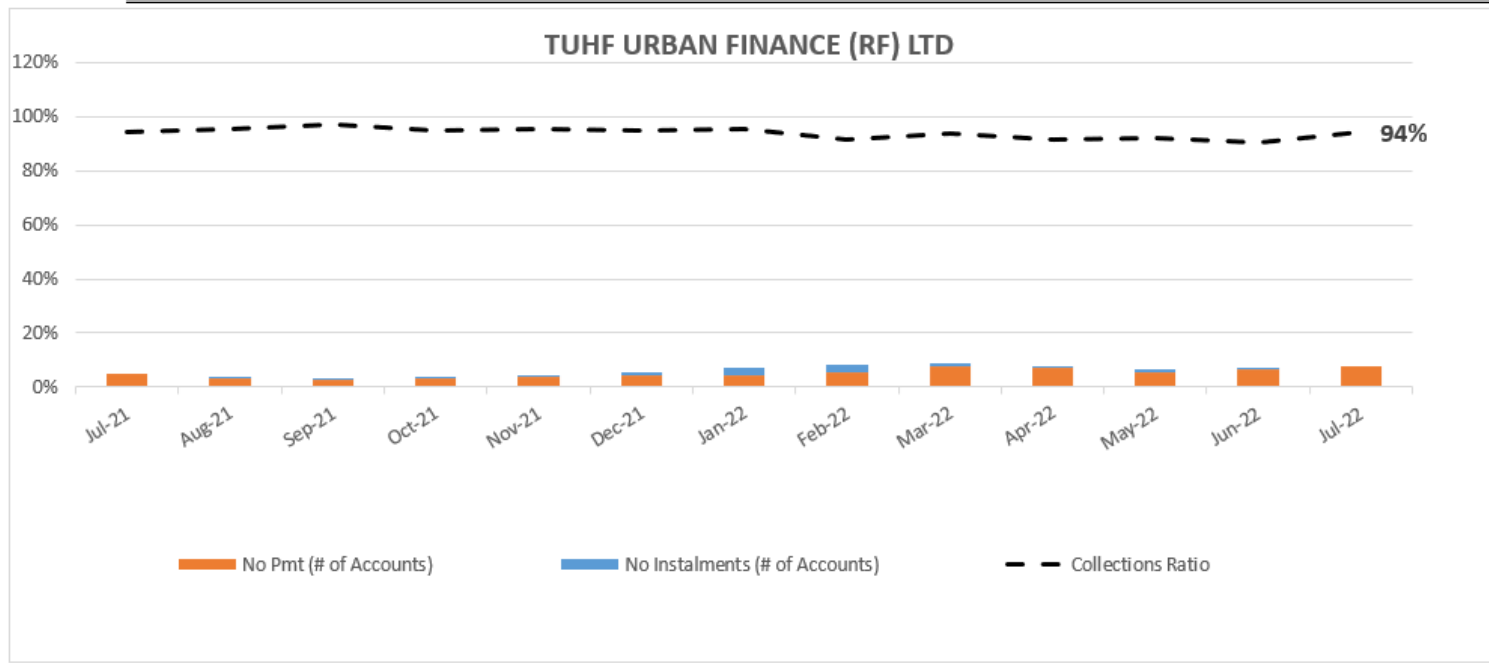
Bilateral/Balance Sheet Funding

Balance sheet purpose will be asset origination and funding new asset classes e.g. students, large loans etc. So, we will continue sourcing new bilateral facilities on balance sheet for this purpose.

- R200m bilateral with Nedbank based on new covenants (credit approval obtained) – contracting to be completed by Oct 2022
- R160 m bilateral with PROPARCO based on new covenants (credit approval obtained) – contracting to be completed by Nov 2022
- Additionally, facilities with a total value of over R1.5 billion being discussed/negotiated.
- All existing bilateral facilities in the process of moving to new Basel covenants.

Securitisation Performance: TUHF Urban Finance

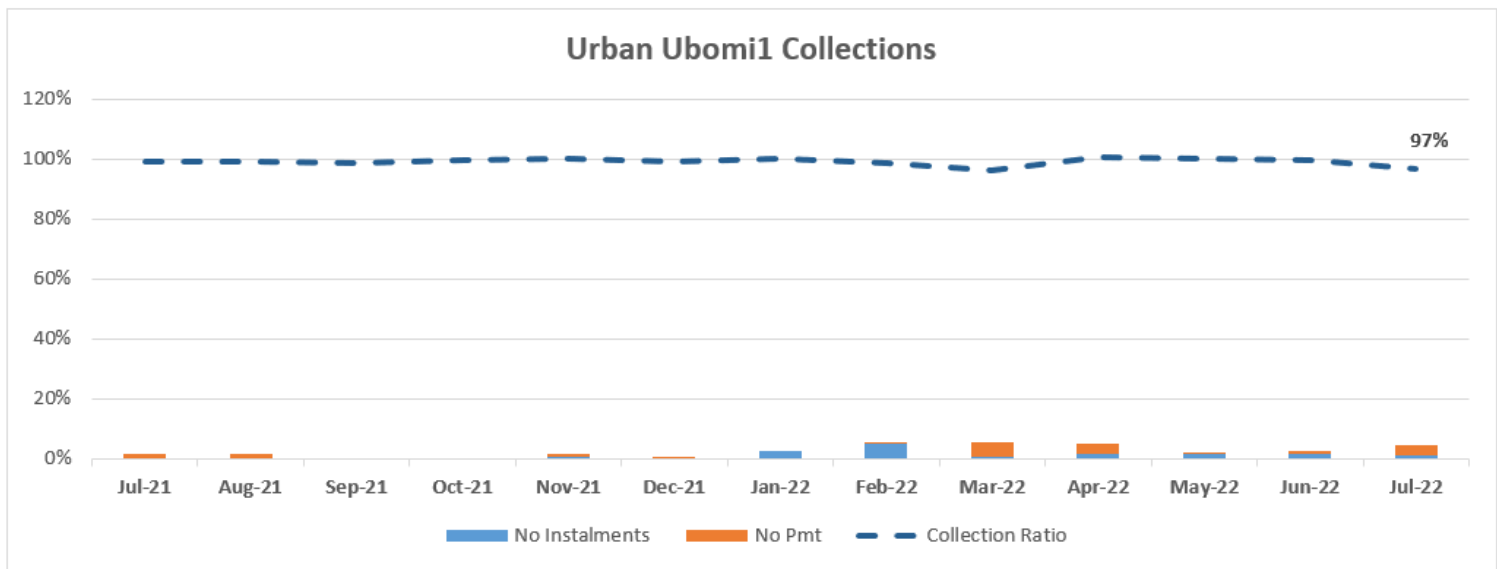
Period	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Collections Ratio	94%	96%	97%	95%	95%	95%	95%	91%	94%	92%	92%	90%	94%
# of Accounts	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
No Instalments	0	1	1	1	1	3	6	5	2	1	2	1	0
Full Pmt	213	209	211	204	199	194	186	181	179	177	174	167	170
Partial Pmt	5	9	5	9	8	8	9	10	8	11	11	16	10
No Pmt	11	7	6	7	8	9	9	12	16	14	11	13	15
Total	229	226	223	221	216	214	210	208	205	203	198	197	195



- *TUHF Urban continues to perform well with strong collection levels.*
- *The structure continues to repay capital to Noteholders*

Securitisation Performance: Urban Ubomi 1

Period	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Collection Ratio	99%	99%	99%	99%	100%	99%	100%	98%	96%	100%	100%	100%	97%
# of Accounts	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
No Instalments	0	0	0	0	1	0	3	9	1	3	3	3	2
Full Pmt	108	108	109	107	107	107	101	164	164	167	167	164	166
Partial Pmt	2	2	3	4	1	1	1	2	2	3	3	5	0
No Pmt	2	2	0	0	1	1	0	1	9	6	1	2	6
Total	112	112	112	111	110	109	105	176	176	179	174	174	174



- *Strong collections to date*
- *Shorter term notes continue to repay capital to Noteholders (Class A1 and A4 notes)*

Thank You



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