

Grit Real Estate Income Group

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GRIT Real Estate Income sees huge opportunity in African property

Grit Real Estate Income Group Limited's (LON:GR1T) is already looking at more properties to acquire following its listing in London in July.

The Africa-focused property trust raised US\$132mln when it joined the London market.

WATCH: GRIT Real Estate looks to build platform after successful main market listing

GRIT used the money raised to bolster the balance sheet and reduce gearing from to 42% from 51% having used debt to add to the portfolio over the previous year.

Bronwyn Corbett says the listing in London was a rigorous exercise but brought in a whole raft of new UK-based institutional investors, many of whom had not invested in Africa before.

The trust invests just in commercial property rented to multinational, large corporates or other A-list tenants.

GRIT uses six safety margins to assess potential investments: Hard currency, repatriation of funds; political and economic risk; land tenure; the ability to raise debt and the counterparty.

Payment is either in dollars or euros, with leases a minimum five year and return on capital of at least 7%.

Currently, the portfolio comprises 22 investments spread across seven countries: Ghana, Botswana, Mauritius, Morocco, Mozambique, Kenya and Zambia.

Tenants include miner Vale, Barclays, telco Vodacom and retailer Shoprite.

READ: GRIT Real Estate upbeat on African potential as assets rise by 6% Results for 2018 showed assets grew by 6% using European standard measures to 145.7 US cents, with the gross value of properties on the books up to US\$642mln from US\$489mln.

That was despite some headwinds, especially in Mozambique where the economic situation has been difficult, but here things might be on the turn.

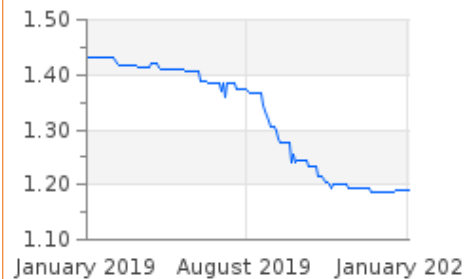
A rise in the crude price back above US\$80 per barrel again has sparked renewed exploration interest in Africa's potential oil reserves.

In Mozambique, majors ExxonMobil, Eni and Anardarko are also in the process of firming up plans for extracting liquid gas from the Rovuma Basin, something that has been estimated as a potential boost of more than US\$20bn to the

Price: 1.19

Market Cap: \$363.6 m

1 Year Share Price Graph



Share Information

Code: GR1T

Listing: LSE

| 52 week | High | Low |
|---------|------|-----|
| | 1.44 | 1.1 |

Sector: Real Estate

Website: grit.group

Company Synopsis:

Grit Real Estate Income Group is a listed property income group operating in carefully selected African countries. The Company optimizes its structural investments underpinned by solid property fundamentals to achieve superior US Dollar and Euro based returns. Grit's strong management team has over 59 years' experience on the continent and is supported by in-country asset and property managers.

action@proactiveinvestors.com

country's economy if it goes ahead.

GRIT is the only Pan-African property company listed in London, but Corbett adds there few companies are doing what it does anywhere in Africa and certainly not on its scale.

Country experience

Country experience is a reason for that, Corbett adds.

GRIT has been working in its core countries for many years and that local knowledge is tough to replicate.

Possibly it can be acquired and if GRIT ever did decide to switch outside its current countries of operation that might be the route it takes.

For now, though, the trust is building up the portfolio in areas it knows.

The target for 2019 is a minimum 12% return comprising asset growth of 3.5% and a dividend yield of 8.5%.

That yield reflects the focus on Africa, but Corbett believes that with its investment criteria it has mitigated a lot of the perceived risk while still allowing it to take advantage of the African growth story.

At US\$1.46, it is being valued at an asset value with a market cap of US\$343mln.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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