28 February 2014

Oryx Properties Limited

1H14 Initial Impression

Target Price (c)	1555
Current Price (c)	1741

Year End 30 June	2012A	2013A	2014F	2015F
Revenue (N$m)	132.8	160.6	203.3	238.1
Vacancies (%)	0.6	0.4	1.0	1.5
HEPU (c)	131.7	148.9	143.0	174.7
HEPU growth (%)	11.2	13.0	-4.0	22.1
DPU (c)	128.0	139.5	143.0	174.7
DY (%)	7.4	8.0	8.2	10.0
P/E (x)	13.2	11.7	12.2	10.0
D/A (%)	30.8	39.2	35.1	33.7

Source: ORY, IJG

Recommendation	HOLD
NSX Code	ORY
Market Cap (N$m)	1.150
Shares in Issue (m)	66.0
Free float (%)	76.0
52 week high (c)	1741
52 week low (c)	1437
Expected Total Return (%)	8.4

1H14 Initial Impression

Oryx Properties Limited (Oryx) released its results for the six months ended 31 December 2013. Total distributions for the interim period totalled N$44.4m, up 20% from the N$37.0m declared for the previous corresponding period. Distribution per unit however, remained unchanged at 67.25cpu on the back of 11,008,335 new linked units that have been issued November last year. Over the same period EPU rose by 113.5% to 209.85c but HEPU only rose by 12.3% to 81.58c.

The company displayed another period of good operational performance, with net rental income increasing by 20.9% y/y to N$89.7m, supported by above average occupancy levels, low interest environment, as well from strong renewals characteristic of the period under review. Rental expense added 42.6% to N$18.9m. Oryx reported a profit of N$75.9m (up 344.7% y/y), mainly as a result of a 237.6% higher change in the fair value of investment property of N$46.6m (1H13: N$13.8m) and a bargain purchase gain stemming from acquisition of Tuinweg Properties, which is the owner of the Gustave Voigts Centre.

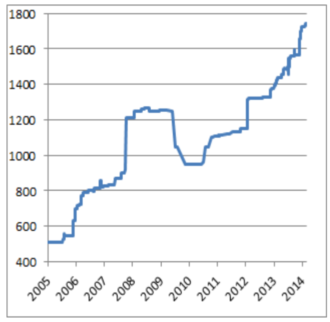
Vacancies (as a % of lettable area) increased from 0.35% as at December 2012 to total 0.95% this time round. The increase in the vacancy rate was to be expected, and is in line with our forecast, as a result of the additional lettable area coming upstream following Maerua construction and the Gustav Voigts acquisition.

At the end of the interim period, Oryx' investment properties were valued at N$1.89bn, up from N$1.45bn end December on account of acquisition, construction and revaluation. Retail contributed 62% to this valuation, Industrial 29% and Offices 9%. The Maerua Mall extension and refurbishment project is nearing completion. As at 31 December 2013 the project was approximately 86% complete with expected finalisation of construction works in April 2014.

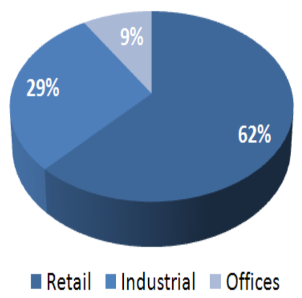
Oryx' long term borrowings added 53.1% y/y to N$777.9m from N$507.8m reported as at 1H13, with N$211.7m (27.2%) in fixed interest rate loans coupled with a weighted average interest rate of 10.15%; and N$566.2m in variable interest rate loans carrying a weighted average rate of 7.30%. Thus, the weighted average interest rate of total borrowings amounts to 8.07% as at 1H14, down from 8.45% as at 1H13. The firm took on a Development Loan Facility of N$330m with Absa Bank in order to finance the Maerua Mall extension and upgrade, of which N$239.5m had already been utilised by 31 December 2013.

We forecast FY14 distribution to be 143c per linked unit, this is after incorporating for the repayment of debt and the dilution effect. Based on this Oryx is currently trading on a before tax yield of 8.2%, compared to the GC24 at 9.27%, pointing to the stock's relative expensiveness considering the Oryx tend to trade at a premium to the government bond. We have left our forecasts and target price unchanged and will follow with a detailed report after discussions with management.

Share Price (c)



Property Portfolio



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