ORYX PROPERTIES LIMITED

1H15 Initial Impression

FEBRUARY 2015

Oryx Properties Limited

1H15 Initial Impression

Warranted Price	1630
Target Price (c)	1851
Current Price (c)	1851

Year End 30 June	2013A	2014A	F2015	F2016
Revenue (N$m)	160.6	204.8	230.8	260
Vacancies (%)	0.4	0.9	1.5	1.5
HEPU (c)	148.9	162.2	149.9	180.8
HEPU growth (%)	13.0	8.9	-7.5	20.6
DPU (c)	139.5	148.0	149.9	180.8
DY (%)	8.9	8.1	8.1	9.8
P/E (x)	13.0	11.2	12.3	10.2
D/A (%)	39.2	40.5	38.7	36.7

Recommendation	HOLD
NSX Code	ORY
Market Cap (N$m)	1,223
Shares in Issue (m)	66.1
Free float (%)	76
52 week high (c)	1851
52 week low (c)	1740
Expected Total Return (%)	8.2

Source: ORYX PROPERTIES LIMITED, IJG

1H15 Initial Impression

Oryx Properties Limited (Oryx) released its results for the six months ended 31 December 2014, reporting a 6.8% increase in total distributions to N$47.4m from N$44.4m declared in 1H14. Distributions per unit grew from 67.25c to 71.75c or 6.8%. Over the same period EPU fell by 39.4% to 127.21c with the gain in net rental income being offset by the bargain purchase gain in the base period and a slower increase in fair value adjustments. HEPU fell 8.8% from 81.56c in 1H14 to 74.37c.

The company displayed good operational performance, with net rental income increasing by 29.3% y/y to N$93.4m, supported by above average occupancy levels, a low interest rate environment, as well as from strong renewals, characteristic of the period under review. Rental expenses increased by 86% to N$35.1m, largely on the back of the net metering of electricity as well as renovations and an increase in gross lettable area (GLA) from the previous period. Oryx reported a profit of N$36.6m down almost 50% y/y from N$72.3m, as a result in a more modest fair value gain and the once off bargain purchase gain recorded during the previous comparable period.

Vacancies (as a % of lettable area) decreased from 0.9% in 1H14 to 0.5%. The decrease in vacancies is attributable to the completion of the Maerua Mall renovation and expansion, as well as the completed renovations of various smaller properties in the portfolio. The vacancy rates are well below our projections of 1.5%.

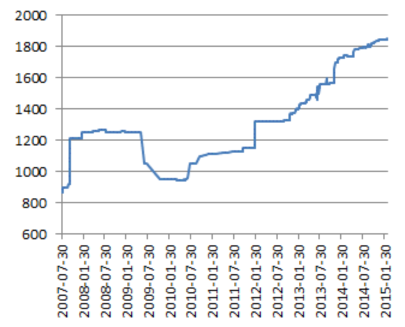
At the end of the interim period, Oryx' investment properties were valued at N$2.04bn, up from N$1.89bn in 1H14, on account of modest acquisitions, and revaluations. Retail space continued to represent the bulk of assets at 64%, industrial space contributed 29%, and office space made up 9%.

Oryx' long term borrowing increased by 10.7% y/y to N$861m in 1H15, from N$777.9m reported as at 1H14. Fixed interest loans make up N$400m of the total, with the remainder made up of floating rate loans. The weighted average borrowing rate on fixed rate debt is 7.97%, while that of floating rate debt is 9.41%. The average interest rate for borrowings is 8.75% compared to 8.07% in 1H14. Through swap transactions Oryx has greatly increased the portion of total debt that is fixed (46.5% versus 27.2% in 1H2014)

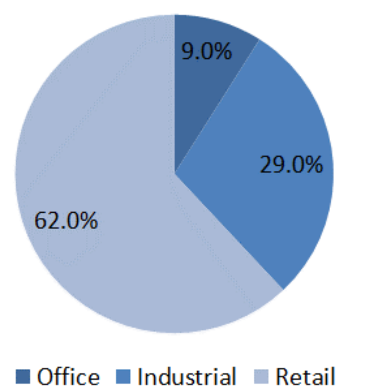
We forecast FY15 distributions to be 149.9c per linked unit. Based on this Oryx is currently trading on a distribution yield of 8.1%. The comparable GC24 is currently trading at a yield of 8.36%, which has come down significantly in the last couple of months. The relative attractiveness of Oryx shares at the current price has thus increased but is still below the risk free yield on 10 year government debt.

Overall the performance of the company remains satisfactory, and the shift away from floating rate debt should be beneficial in the long run. However the yield given the current price does not justify a buy recommendation in the short term. In the longer term, however, due to growth prospects for financial years 2016 and 2017, coupled with the illiquidity of the stock and the possibility that once sold units may be difficult to rebuy in the future, we recommend a hold on the stock. Please note that our target price is unchanged from our last full year review in 2014

Share Price (c)



Property Portfolio



Dividends

Notice is hereby given that an interim dividend of 71.75 cents per linked unit was declared on 26 February 2015 for the period ended 31 December 2014.

- Last day to trade cum dividend: 6 March 2015
- First day to trade ex-dividend: 9 March 2015
- Record date: 13 March 2015
- Payment date: 27 March 2015

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