



ORYX PROPERTIES LIMITED

1H23 Initial Impression

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Oryx Properties Limited

1H23 Initial Impression

Target Price (c)	1335
Current Price (c)	1149

Year End 30 June	FY21	FY22	1H23	FY23E	FY24E	Recommendation	BUY
Revenue (N\$ m)	336.5	335.4	175.0	342.0	354.5	NSX Code	ORY
Commercial Vacancies (%)	5.9	5.4	6.1	6.1	5.8	Market Cap (N\$ m)	1,004.0
HEPU (c)	179.3	146.5	31.5	155.5	163.5	Shares in Issue (m)	87.4
HEPU growth (%)	4,520.6	-18.2	91.0	14.0	-2.8	Free Float (%)	100
DPU (c)	99.75	101.75	54.25	116.6	122.7	52-Week High (c)	1150
DY (%)	8.7	9.9	9.4*	10.1	10.7	52-Week Low (c)	1000
P/E (x)	6.4	7.0	6.7	7.5	7.1	Expected Return (%)	16.2
D/A (%)	38.2	36.5	36.7	37.4	38.1		

Source: Oryx Properties Limited, IJG Securities
*Annualised

1H23 Initial Impression

Oryx Properties Limited (Oryx) released interim results for the period ended 31 December 2022 (1H23). Earnings attributable to linked units (EPU) rose by 16.8% y/y to 93.14 cents per unit, while headline earnings attributable to linked units rose by 91.0% y/y to 31.54cpu. Oryx reported a profit after tax for the period of N\$33.8 million, an increase of 8.7%. An interim distribution of 54.25cpu was declared (1H22: 44.00cpu).

Net rental income grew by 8.6% y/y to N\$109.4 million. Total revenue grew by N\$12.3 million or 7.9% y/y to N\$168.1 million. According to management, rental reversions came in at 7.0% during the first six months (FY22: -7.3%), following tenant collections averaging 104%. All segments recorded revenue growth. The retail portfolio encouragingly logged a rebound in revenue of 9.7% y/y to N\$105.4 million. This however remains N\$12.8 million below the pre-covid interim revenues for this segment. The office portfolio similarly finally saw a meaningful recovery in revenues of 13.9% y/y. The industrial- and residential portfolios however recorded lower single digit growth rates of 1.3% y/y and 2.4% y/y, respectively, although it is worth noting that both these segments were less affected by the pandemic and saw positive revenue growth rates over the last couple of years. Rental expenses were relatively well contained, increasing by 6.6% y/y, slightly slower than inflation of 6.9% over the same period. Oryx' cost-to-income ratio fell marginally from 35.3% in 1H22 to 34.9% in 1H23.

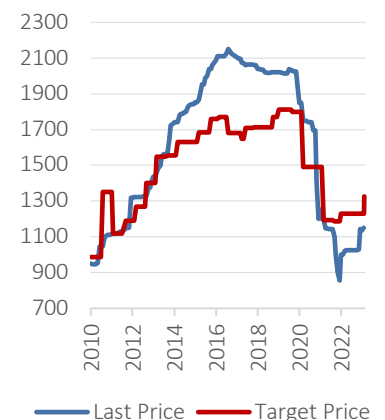
Oryx' property portfolio was valued at N\$2.96 billion by the directors at the end of 1H23, an increase of 1.8% from the June 2022 valuation (when including the Channel Life building). According to management this is in line with the N\$53 million worth of capital expenditure that was incurred during the period, primarily on the retail portfolio. The Channel Life building, that was classified as an investment property held-for-sale in the FY22 results, was reclassified as an investment property and again disclosed under non-current assets "due to the low probability of realising the sale in the near future". No reasons were given in the results release why the sale failed.

Dunes Mall Acquisition: In December, Oryx announced that it plans to acquire 100% of the shareholding in Dunes Mall (Pty) Ltd in Walvis Bay at a purchase price of N\$648.8 million, which translates to a first-year yield of 9.5%. Oryx already received regulatory approval from the Namibian Competition Commission, but the transaction remains subject to the "successful completion of a partial equity raise with the remainder being funded through debt." Management notes in the results release that the acquisition will materially increase the value of the property portfolio and diversify the company from the concentration risk in Maerua Mall, although it is worth pointing out that the acquisition will further increase Oryx' exposure to the Namibian retail sector. The retail portfolio made up 63% of Oryx' total property portfolio at the end of 1H23.

The company's **commercial vacancy factor** (as a % of lettable area) deteriorated slightly from 5.4% at the end of FY22 to 6.1% at 1H23. Residential vacancies improved further from an average of 1.9% reported at FY22 to 1.7% by the end of the interim period.

Interest bearing borrowings increased to N\$1.23 billion at 1H23 from N\$1.20 billion at FY22. The company's gearing ratio remained steady at 36.5% at 1H23. The weighted average interest rate paid on the company's debt increased from 7.3% in FY22 to 9.1% in 1H23, following the 300bps worth of rate hikes by the Bank of Namibia in 2022. At the end of the review period, fixed rate borrowings made up 49% of total interest-bearing borrowings. Oryx' N\$83.3 million ORYJ22 bond matured in November and was replaced with a 3-year medium-term note of N\$248.5 million. The new bond (ORYJ25) was

ORY Share Price vs Target Price (c)



Dividends

Oryx declared an interim distribution of 54.25 cents per linked unit.

- Last day to trade cum distribution: 24 March 2023
- First day to trade ex-distribution: 27 March 2023
- Record date: 31 March 2023
- Payment date: 14 April 2023



0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

issued at 3-month Jibar plus 250bps. Subsequent to period end, Oryx concluded the N\$200 million facility agreements with ABSA for the Maerua Mall refurbishment project. The 2-year development facility bears interest at prime less 1% and includes an option to convert it to a term loan for another two years at 1-month Jibar plus 2%.

Overall, Oryx delivered satisfactory interim results, with the recovery in rental income from the retail and office portfolios positive news, given that rental reversions of these portfolios were still negative to low with the release of last year's FY22 results. A required yield of 11.7% combined with our expectation of FY23 distributable income of 155c per unit informs our target price. Assuming a normal 90% distribution equivalent of 140c per unit generates our **target price of N\$13.35**. This represents a 16.2% premium to the current unit price. As a result of the apparent discount to fair value, we maintain a **BUY** recommendation on Oryx.



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