ORYX PROPERTIES LIMITED

FY16 Initial Impression

August 2016

Oryx Properties Limited

FY16 Initial Impression

Target Price (c)	1770
Current Price (c)	2108

Year End 30 June	2014A	2015A	F2016	F2017
Revenue (N$m)	204.8	269.4	296.1	330.0
Vacancies (%)	0.9	0.7	1.5	1.5
HEPU (c)	162.2	159.6	159.2	178.2
HEPU growth (%)	8.9	-1.6	-0.2	21.0
DPU (c)	148.0	158.5	159.2	169.3
DY (%)	8.1	7.9	7.5	8.0
P/E (x)	11.2	12.5	13.3	11.8
D/A (%)	40.5	38.8	29.8	29.4

Recommendation	HOLD
NSX Code	ORY
Market Cap (N$m)	1,641
Shares in Issue (m)	77.9
Free float (%)	100
52 week high (c)	2115
52 week low (c)	1953
Expected Total Return (%)	7.9

Source: ORYX PROPERTIES LIMITED, IJG

FY16 Initial Impression

Oryx Properties Limited (Oryx) released its results for the financial year ended 30 June 2016, reporting 5.4% distribution growth to 167cpu from 158.5cpu reported for FY15. The distribution was supported by a 1c dividend per unit which is included in the 167cpu. Over the same period EPU decreased by 29%, from 448.11c to 316.64c, largely due to lower fair value adjustments on the property portfolio. HEPU rose by 2.1% to 163.01c from 159.62c in FY15.

Net rental income increased by 1.5% y/y to N$196.7m, in stark contrast to the 19% increase in FY15 and increases of over 20% for the two years prior to that. Rental expenses increased by 21% to N$91.5m, close to, but exceeding our expectations. Oryx reported a profit of N$105.6m for the period, down 45% y/y, largely as a result of lower valuation gains on the property portfolio.

At FY16 the property portfolio was valued at N$2.326bn, up 8.4% from FY15. This is a less aggressive upward revision in the value of the portfolio than seen in FY15 and reflects the state of the economy to some extent, although our initial impression of this upward revision is that it may be too aggressive still. This is largely due to our view of the current state of wholesale and retail trade among other factors affecting the economy.

Vacancies as a percent of lettable area grew to 2.1% for the year compared to 0.7% in FY15. Though no specific link was drawn to the source of these vacancies we suspect that a mixture of factors contributed to the increase, not least of all the slowdown in the Namibian economy in general which has contributed to a harsher business environment. We will defer our opinion on this until we have reviewed the full set of financial results for the period and consulted with management.

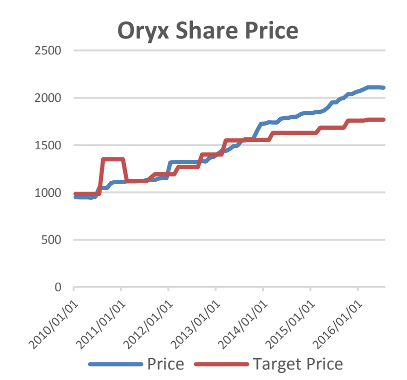
Net asset value per liked unit increased by 6.2% to 2,034 cents per unit compared to 1,915 cents per unit in FY15, according to the company release. The drivers of this increase were the positive fair value adjustment of the property portfolio as well as the rights issue that took place late last year.

The weighted average interest rate paid on the company's debt has increased to 9.4% as at the end of FY16 from 8.7% at the end of FY15. As at the end of the review period fixed rate borrowings made up 57% of total interest bearing borrowings compared to 46% at end FY15. Financial gearing has dropped to 29% due to the successful rights issue in October 2015 and as a result unutilised borrowing facilities now stand at N$286m.

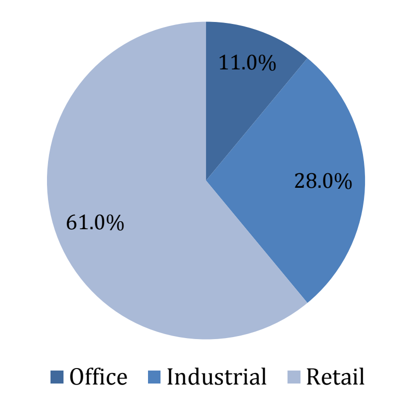
The FY16 distribution yield of 7.9% represents a further decline from the previous period's 8.1%. While this yield is still attractive, it continues to compare negatively to the 10-year Government Bond yield of approximately 10%. Distribution per unit growth has been slow over the last two periods while share price increases have been elevated which has stretched the valuation somewhat in our opinion.

We are currently working on revising our model and target price for the company pending consultation with management and the full set of financial results.

Share Price (c)



Property Portfolio



Dividends

Notice is hereby given that an interim dividend of 88.50 cents per linked unit was declared for the half year ended 30 June 2016.

- Last day to trade cum dividend: **02/09/16**
- First day to trade ex-dividend: **05/09/16**
- Record date: **09/09/16**
- Payment date: **30/09/16**

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