



# ORYX PROPERTIES LIMITED

## **FY23 Initial Impression**

### September 2023



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## Oryx Properties Limited

FY23 Initial Impression

Target Price (c) 1454  
Current Price (c) 1130

Year End 30 June	FY21	FY22	FY23A	FY23E	FY24E	Recommendation	BUY
Revenue (N\$ m)	336.5	335.4	356.3	342.0	475.6	NSX Code	ORY
Commercial Vacancies (%)	5.9	5.4	6.8	6.1	6.8	Market Cap (N\$ m)	1,291.9
HEPU (c)	179.3	146.5	116.2	155.5	166.3	Shares in Issue (m)	114.3
HEPU growth (%)	4,520.6	-18.2	-20.8	14.0	43.1	Free Float (%)	100
DPU (c)	99.75	101.75	105.25	116.6	124.7	52-Week High (c)	1200
DY (%)	8.7	9.9	9.3	10.1	11.0	52-Week Low (c)	1024
P/E (x)	6.4	7.0	9.7	7.5	6.8	Expected Return (%)	28.7
D/A (%)	38.2	36.5	35.2	37.4	37.5		

Source: Oryx Properties Limited, IJG Securities

## FY23 Initial Impression

Oryx Properties Limited (Oryx) released results for the year ended 30 June 2023 (FY23). Earnings attributable to linked units (EPU) rose by 29.5% y/y to 287.82 cents per unit, while headline earnings attributable to linked units fell by 20.8% y/y to 116.21cpu. Oryx reported a profit after tax for the year of N\$158.5 million, an increase of 50.9% y/y. A final distribution of 51cpu was declared to the unitholders on the register on 30 June 2023, which brings total distributions for the year to 105.25cpu (FY22: 101.75cpu). Meanwhile a 50cpu distribution was declared on the new units issued on 26 July 2023.

**Net rental income** fell by 2.8% y/y to N\$235.4 million. Total revenue for the year remained relatively steady at N\$356.3 million. Rental reversions came in at 3.7% (FY22: -7.3%), which should aid revenue growth going forward. The industrial portfolio recorded revenue growth of 4.7% y/y, while the residential and office portfolios each recorded growth of around 4.4% y/y. The retail portfolio's revenue was however 2.2% lower. Rental expenses grew by 6.4% y/y, slightly quicker than inflation of 5.3% over the same period. Oryx' cost-to-income ratio climbed from 31.9% in FY22 to 33.9% in FY23.

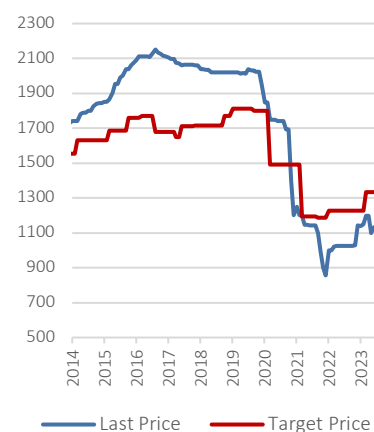
**Rights Issue:** After 94.4% of unitholders voted in favour of the rights issue in June, unitholders subscribed for 26,947,033 linked units (82.4%) of the 32,698,877 available, resulting in Oryx raising N\$312.9 million, or 49% of the Dunes Mall's acquisition price. The new units were issued on 26 July and bring Oryx' total linked units in issue to 114,325,868.

**Property Portfolio:** Oryx' property portfolio was valued at N\$3.10 billion by an independent third party; an increase of 4.5% from the directors' 1H23 valuation of N\$2.96 billion, with a positive fair value adjustment of N\$99.7 million. It is worth noting that this valuation predates the Dunes Mall transaction, which concluded on 1 August. Oryx paid N\$620.0 million for Dunes and N\$8.25 million for adjacent land earmarked for future development. In the rights issue circular, management mentioned that the mall was independently valued at N\$680.0 million last year, at a cap rate of 8.5%, providing Oryx with valuation upside during the first year of ownership. Using the N\$628.3 million Oryx paid for the Dunes Mall and the adjacent piece of land, sees the current value of the property portfolio at around N\$3.72 billion. Dunes adds 32,438m<sup>2</sup> of gross lettable area (GLA) to the property portfolio. The results release mentions that management is currently exploring various other acquisition opportunities in Namibia.

**Vacancies:** The group's commercial vacancy factor (as a % of lettable area) deteriorated further from 6.1% at 1H23 to 6.8% at FY23 (FY22: 5.4%). Management mentions in the results release that one of the challenges they faced during the year was to retain tenants, evidenced by Oryx' tenant retention ratio dropping from 97% in FY22 to 84% in FY23. Residential vacancies meanwhile improved further from an average of 1.7% at the end of 1H23 to 1.4% at FY23.

**Interest-bearing borrowings** increased to N\$1.24 billion at FY23 from N\$1.23 billion at 1H23. The group's gearing ratio improved from 36.5% at 1H23 to 35.0% at year-end. The weighted average interest rate paid on the company's debt increased from 7.3% in FY22 to 8.9% in FY23, resulting in finance costs climbing by 20.2% y/y to N\$102.7 million. Subsequent to year end, Oryx funded 51% or N\$319.9m of the Dunes Mall's acquisition price by means of a N\$500 million bridge facility from RMB which will be converted to preference shares. A portion of the remaining funds was used to repay a N\$75 million facility Oryx had with Nedbank, and a N\$100 million facility with RMB will be repaid during September. In the rights issue circular, management estimated that savings from the repayments

## ORY Share Price vs Target Price (c)



## Dividends

Oryx declared a final distribution of 51.0 cents per linked unit to unitholders on the register on 30 June 2023. A 50.0 cents per linked unit distribution was declared on the new units issued on 26 July 2023.

- Last day to trade cum distribution: 15 September 2023
- First day to trade ex-distribution: 18 September 2023
- Record date: 22 September 2023
- Payment date: 06 October 2023



would amount to around N\$2.7 million per annum. The new RMB facility has a four-year tenure and bears interest at 3-month JIBAR plus 139bps.

Overall, Oryx's FY23 results were satisfactory, given that the operating environment remains challenging, in the form of low consumer confidence and high finance costs. Going forward, the addition of the Dunes Mall to the portfolio as well as the positive rental reversions should bolster revenues and distributions, albeit partially offset by the increase in vacancies. A required yield of 11.4% combined with our expectation of FY24 distributable income of 166c per unit generates our **target price of N\$14.54**. This represents a 28.7% 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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