ORYX PROPERTIES LIMITED
N$300m TPF International Investment
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Oryx Properties Limited

Finalization of initial N$200m investment in TPF International

Target Price (c)	***1714***
Current Price (c)	2019

Year End 30 June	2016A	2017A	F2018	F2019	F2020
Revenue (N$m)	288.3	297.1	301.6	344.7	370.0
Vacancies (%)	2.1	6.4	2.0	2.0	2.0
HEPU (c)	163.0	158.6	131.6	169.1	190.5
HEPU growth (%)	2.1	-2.6	-17.0	28.5	12.7
DPU (c)	167	167	167	169.1	190.5
DY (%)	7.8	8.1	8.2	8.3	9.3
P/E (x)	13.2	13.0	15.5	12.1	10.7
D/A (%)	29.0	33.2	41.5	42.09	42.09

Recommendation	SELL
NSX Code	ORY
Market Cap (N$m)	1,572
Shares in Issue (m)	77.9
Free float (%)	100
52 week high (c)	2080
52 week low (c)	2019
Expected Total Return (%)	8.1

Source: ORYX PROPERTIES LIMITED, IJG

Tower International Share Purchase

Oryx Properties announced on 18 July that it had signed the sale agreement that has allowed the company to diversify its property portfolio into Europe, specifically Croatia. The agreement, first announced on the 2nd of March this year, consists of two parts, a share purchase agreement for N$200 million worth of Tower Property Fund International (TIL) shares from JSE listed Tower Property Fund (TPF), as well as a subsequent subscription for TIL shares amounting to N$100 million. The 18 July announcement notes that the sale agreement was signed on the 16th of July and the N$200 million paid to TPF.

Tower Property Fund's Croatian Portfolio

TPF announced in November 2017 that it planned to ringfence its €96m Croatian property portfolio because the growth of the portfolio was being restricted by low inflation in the Euro area. TPF set out to accomplish this through a company it would incorporate in Mauritius as TPF International (TIL). TIL looks to benefit from its parent's existing relationships in Croatia as well as the surrounding countries in an effort to grow its European exposure. Oryx so too will leverage off TPF's existing presence and relationships established in the region. TIL will have its own management with TPF maintaining representations on the TIL board, which will include TPF CEO Marc Edwards. Oryx will also have a representative on the board. TIL will raise its own capital to fund new acquisitions in Croatia and surrounding countries, if opportunities exist to do so. At present the Croatian portfolio, with a total of five properties, is made up of four retail properties measuring over 30,000m², and one 10,691m² office building.

The signing of the share sale agreement indicates the finalization of the incorporation of TIL in Mauritius, which was a condition precedent to the signing of the two-part agreement. The announcement released by Oryx on the 2nd of March stated that TIL further intends to list on the Mauritian Stock Exchange as well as on the Johannesburg Stock Exchange following its incorporation in Mauritius. At present we do not have details on the timeframe for the listings.

TPF intends to use the proceeds from the sale of TIL shares to reduce its local (South Africa) and off-shore debt, and to possibly buy back shares should its share price remain attractive to do so.

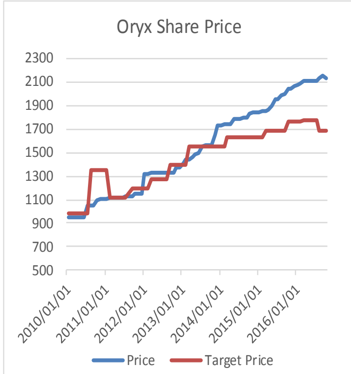
The subscription by Oryx for an additional N$100m worth of TIL shares (second part of the agreement) has not taken place as yet and the announcement doesn't provide clarity on the timing thereof, stating only that it will take place in due course. As the agreement is set to lapse on the 31st of July we assume that the subscription will be concluded before this date. TIL intends to use the subscription proceeds to fund new acquisitions.

Funding Implications and Ownership

Oryx has made use of bank finance to fund the transaction with a 3-year N$300m Euro equivalent loan at an interest rate of 3-month Euribor plus 1.37%, and an additional margin of 1.35%. The low Euro interest rate environment currently provides Oryx with a cheaper form of funding needed to settle both parts of the agreement.

Oryx' announcement in March estimated that once both agreements were finalised Oryx's shareholding in TIL would amount to roughly 28%, with TPF remaining the majority owner. When Oryx first announced its intention to invest in TIL, €1 cost N$14.68. The currency has depreciated to N$15.48 as at the 16th of July, a drop of 5.2%. The weaker Namibia dollar effectively means N$300m buys Oryx less euros now than it could in March, which we estimate will result in Oryx' shareholding in TIL being reduced by 1.3%.

Share Price (c)



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