



ORYX PROPERTIES LIMITED

1H20 Initial Impression

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Oryx Properties Limited

1H20 Initial Impression

Target Price (c)* **1800**Current Price (c) **1848**

Year End 30 June	2017	2018	2019	F2020	F2021	Recommendation*	SELL
Revenue (N\$ m)	297.1	304.9	324.8	344.3	361.5	NSX Code	ORY
Vacancies (%)	6.4	6.5	3.2	3.8	4.0	Market Cap (N\$ m)	1,615
HEPU (c)	158.6	146.0	137.4	163.7	175.1	Shares in Issue (m)	87.4
HEPU growth (%)	-2.6	-7.9	-6.0	19.2	7.0	Free float (%)	100
DPU (c)	167	157	150	160	161	52 week high (c)	2060
DY (%)	8.1	7.8	7.7	7.8	7.8	52 week low (c)	1848
P/E (x)	13.0	13.8	14.8	13.7	12.8	Expected Total Return (%)	-2.6
D/A (%)	33.2	35.9	35.0	35.3	35.3		

Source: ORYX PROPERTIES LIMITED, IJG

1H20 Initial Impression

Oryx Properties Limited (Oryx) released half-year results for the period ended 31 December 2019. A distribution of 69.75 cents per linked unit was reported for the period, representing an 11.7% decrease from the 79.00c per unit reported for the corresponding period in 2019. No dividend was declared for the period. The decline in distributions is a result of the directors' commitment to only pay out 90% of distributable income. Earnings attributable to linked units per unit (EPU) increased by 77.8% y/y, mainly due to higher fair value adjustments on the property portfolio. Headline earnings attributable to linked units however decreased by 6.5% y/y from 79.87c in 1H19 to 74.66c in 1H20.

Net rental income increased by 12.5% y/y to N\$121.1 million, compared to N\$107.7 million in 1H19. Management attributed the increase to additional income stemming from the upgraded Gustav Voigts Centre, the Steeledale acquisition and the acquisition of the residential properties in October 2019. Rental expenses increased by a rather substantial 13.0% y/y to N\$53.8 million in 1H20. The results release gave no reasons for this relatively large increase, although it is roughly in line with the increase in revenue. Oryx' cost to income ratio remained relatively unchanged at 30.75%, compared to 30.64% in 1H19.

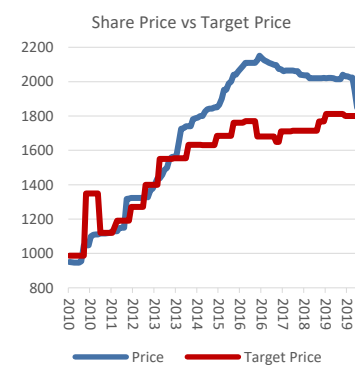
Oryx recorded a profit after tax of N\$50.1 million, compared to a N\$5.5 million loss after tax reported in 1H19. The company passed through N\$26.6 million as fair value adjustments to the property portfolio, which was attributed to the residential acquisition. Half-year valuations are done by the directors themselves, whereas valuations at year-end are done by an independent third party. Given the fact that economic conditions remain difficult (and are expected to remain challenging) we view the fair value adjustment as pre-mature. We would have expected the first fair value adjustment to be made in the full year numbers after consulting with an independent property valuator. Management stated that a conservative valuation approach has been applied to the rest of the property portfolio.

Oryx' vacancy factor (as a % of lettable area) increased from 3.2% at FY19 to 4.3% at 1H20, as residential properties are included in the figure for the first time. This is to be expected given that economic growth has remained depressed in 2019, putting financial pressure on both consumers and businesses. Oryx' vacancy rate however remains relatively low given the current conditions. One of Oryx' industrial property tenants, Steeledale, was put into liquidation after the reporting period. The vacancy rate is thus expected to increase, should Oryx not find a new tenant. The property makes up about 0.8% of Oryx' total lettable area.

Interest bearing borrowings increased to N\$1.30 billion in 1H20 from N\$1.16 billion in FY19. Oryx' gearing ratio increased to 37.3% as a result (FY19: 34.9%), but remained within management's self-imposed 40% cap. The weighted average interest rate for Namibian debt fell from 9.1% at FY19 to 8.8%, while the Euro debt's rate remained at 2.7%. Oryx' commercial paper of N\$128.7 million matured in November, and was replaced with a 3-year medium-term note of N\$83.3 million. The new bond was issued at 3-month JIBAR plus 2.2%.

Oryx announced that it had concluded a N\$100 million loan facility with Standard Bank Namibia after the reporting period. The loan carries interest at 3-month JIBAR plus 2% and has a four-year term. The results release states that a portion of the facility will be used for day to day cash flow while the other portion will be utilised for capital expenditure. Further information regarding the facility will be obtained from management for our full report, but the fact that some of it will be used to cover day to day expenses could signal that Oryx is facing challenges with the timing of operating cash flows. The lower payout ratio and lack of dividend payments should help with operating cash flows, which have been negative in most reporting periods since 2014.

Overall, Oryx' results remained resilient, given the current economic climate. Pending further analysis of the 1H20 results and management discussions, we maintain our **SELL** recommendation on ORY. Our target price and recommendation will be revised with our full report on the 1H20 results, as will the table at the top of the page.

Share Price (c)**Dividends**

Notice is hereby given that a distribution of 69.75 cents per linked unit was declared on 02 March 2020 for the period ended 31 December 2019.

- Last day to trade cum distribution: 13 March 2020
- First day to trade ex-distribution: 16 March 2020
- Record date: 20 March 2020
- Payment date: 03 April 2020



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