ORYX PROPERTIES LIMITED

FY18 Initial Impression

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Oryx Properties Limited

FY18 Initial Impression

Target Price (c)	***1714***
Current Price (c)	2018

Year End 30 June	2016A	2017A	2018A	F2019	F2020
Revenue (N$m)	288.3	297.1	304.9	344.7	370.0
Vacancies (%)	2.1	6.4	6.5	2.0	2.0
HEPU (c)	163.0	158.6	146.0	169.1	190.5
HEPU growth (%)	2.1	-2.6	-7.9	28.5	12.7
DPU (c)	167	167	157	169.1	190.5
DY (%)	7.8	8.1	7.8	8.3	9.3
P/E (x)	13.2	13.0	13.8	12.1	10.7
D/A (%)	29.0	33.2	35.9	42.1	42.1

Recommendation	**SELL**
NSX Code	ORY
Market Cap (N$m)	1,571
Shares in Issue (m)	77.9
Free float (%)	100
52 week high (c)	2080
52 week low (c)	2017
Expected Total Return (%)	8.1

Source: ORYX PROPERTIES LIMITED, IJG

FY18 Initial Impression

Oryx Properties Limited (Oryx) has released results for the financial year ended 30 June 2018. Total distributions per linked unit for the year decreased by 6.0% to 157.00c compared to 167.00c. The distributions are made up of debenture interest of 138.75c, dividends paid of 4.25c and dividends declared of 14c. Oryx adjusted its dividend declaration treatment during the year. According to Oryx the result of this change means dividends are only accrued once the right to receive them has been determined, which happens after year end. Oryx no longer records the accrual in the current year results and deems the impact on the prior year as insignificant. Earnings attributable to linked units per unit (EPU) decreased by 5.2% to 187.31c for the period under review, from 197.53c EPU in FY17. Headline earnings attributable to linked units decreased by 7.9% from 158.64c in FY17 to 146.04c in FY18.

Oryx' full year net rental income (NRI) for the period was N$203.1 million, increasing by 1.0% compared to FY17 NRI of N$201.0 million. Rental revenue for the period decreased by 0.5% but positive straight-line adjustments to rentals brought growth in total revenue up to 2.6% for the year. This compares poorly to growth in revenue of 3.6% and 7.0% in FY17 and FY16 respectively. Namibia remains Oryx' largest contributor in terms of revenue generation, accounting for 97% of revenue after the group sold off a number of high yielding SA properties. Management has been efficient in slowing growth in rental expenses, which increased by 5.9% to N$101.8 million from N$96.1 million the previous year. Profit after tax for the period increased by 19% to N$37.8 million compared to N$31.7 million the prior year.

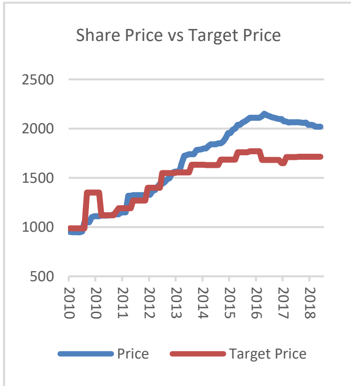
Oryx' vacancy factor (as a % of lettable area) remained elevated at 6.5% for the period under review, marginally higher than the 6.4% recorded in FY17. The Isando property in Johannesburg continues to be a thorn in Oryx' side, accounting for 57% of the total vacancy factor. Management discussion during the 1H18 results review revealed that the property was due to be auctioned but this has not materialised. Also mentioned in our 1H18 review was the vacant industrial property in Prosperita that was a large contributor to total vacancies. Oryx was only able to fill this vacancy prior to year-end.

As is customary for the full-year numbers, the property portfolio valuation was carried out by a 3rd party which valued Oryx' properties at N$2.56 billion. This represents a 5.2% increase in valuation compared to the N$2.44 billion valuation for FY17. The core portfolio, which excludes the SA disposals, grew by 8.3% in value. Oryx embarked on numerous capital projects including the Maerua Mall upgrades, with the addition of the Family Entertainment (FEC) being completed during the financial year. Furthermore, renovations to the Avani lobby and the addition of a new restaurant resulted in a fair value gain of N$23.4 million. Additional capital expenditure includes N$44 million spent on the Gustav Voigts Centre (GVC) retail node, as well as a N$26 million extension of the solar panel network installed at Maerua Mall. Another addition to the property portfolio is the reserved land at Elisenheim valued at N$40 million that will house a strip mall. Construction of phase one (of three) is expected to be complete by FY20.

Oryx' interest bearing borrowings increased by 13.7% y/y to N$951 million in FY18 from N$836 million in FY17. Oryx successfully raised N$128.7 million last year from a total approved medium-term note program of N$500 million. The 1-year JIBAR plus 170bps note was the main reason Oryx' weighted average interest cost for the review period dropped to 9.1% compared to 9.4% in FY17. The ratio of fixed to variable rate borrowings for the period was almost evenly split at 49:51 versus 37:63 the prior year. Oryx, post year-end, utilised an ABSA variable rate loan for the N$300 million euro-equivalent off-shore investment that pushed the ratio to 60:40. The group was geared at 35.9% as at the end of FY18, just under management's self-imposed 40% cap although group allows for 50%.

Overall performance for the period was poor in respect to past performance, reflected by a decrease in distribution yield to 7.8% for the period versus 8.1% in the previous year. Oryx also had a change in management with Mr. Ben Jooste replacing Mr. Carel Fourie with effect 01 April 2018. We maintain our target price pending a more detailed analysis of the results and consultations with new management.

Share Price (c)



Dividends

Notice is hereby given that a distribution and dividend of 65.00 cents per linked unit and 14.00 cents per linked unit respectively, was declared on 31 August 2018 for the period ended 30 June 2018.

- Last day to trade cum distribution: 07 September 2018
- First day to trade ex-distribution: 10 September 2018
- Record date: 14 September 2018
- Payment date: 03 October 2018

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