



ORYX PROPERTIES LIMITED
FY20 Initial Impression
September 2020

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Oryx Properties Limited

FY20 Initial Impression

Target Price (c)* 1491

Current Price (c) 1740

Year End 30 June	2018	2019	2020	F2020	F2021	Recommendation*	SELL
Revenue (N\$ m)	304.9	324.8	332.8	312.4	329.5	NSX Code	ORY
Vacancies (%)	6.5	3.2	5.4	4.5	4.5	Market Cap (N\$ m)	1,520
HEPU (c)	146.0	137.4	3.9	119.3	127.8	Shares in Issue (m)	87.4
HEPU growth (%)	-7.9	-6.0	-97.2	-13.2	7.1	Free float (%)	100
DPU (c)	157	150	69.75	133	143	52 week high (c)	2060
DY (%)	7.8	7.7	4.0	7.2	6.9	52 week low (c)	1730
P/E (x)	13.8	14.8	448.5	15.5	14.5	Expected Total Return (%)	-14.3
D/A (%)	35.9	35.0	39.1	35.3	35.3		

Source: ORYX PROPERTIES LIMITED, IJG

FY20 Initial Impression

Oryx Properties Limited (Oryx) released results for the year ended 30 June 2020 (FY20). During the year earnings attributable to linked units (EPU) fell from 533.00c to a loss of 110.64c per unit. The decrease is largely due to negative fair value adjustments on the property portfolio. Headline earnings attributable to linked units decreased by 97.2% y/y from 137.34c in FY19 to 3.88c in FY20. Following the outcome of the vote on Special Resolution 3 at the Extra Ordinary General Meeting of debenture holders on 29 June 2020, no final distributions were declared or will be paid. Management notes in the results release that resolutions relating to future distributions will be tabled at the AGM as the board "strongly believes that these changes remain necessary to see the Group through these unprecedented times".

Net rental income rose by 1.5% y/y to N\$226.7 million, compared to N\$223.4 million in FY19. Total revenue increased by 2.5%, which is better than expected in our view given the fact that rental relief of N\$18 million was provided to tenants between April and June. The rental growth is attributable to the residential properties that were acquired in 1H20. Rental expenses were relatively well contained and grew by 4.7% y/y to N\$106.1 million, although outpacing the growth in revenue. Oryx' cost to income ratio thus increased slightly as a result, to 31.9%, compared to 31.2% in FY19.

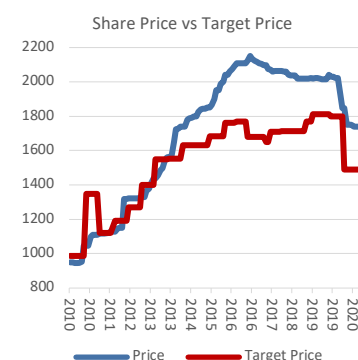
Oryx reported a loss after tax for the period of N\$157.6 million, compared to a profit after tax of N\$303.0 million reported in FY19. An independent third party has valued Oryx' property portfolio at N\$2.855 billion, which is in line with the FY19 valuation, but is a decrease of N\$164.0 million compared to the directors' valuation of N\$3.019 billion at 1H20. This negative fair value adjustment was for the main driver of the decline in profits. We pointed out in our 1H20 Results Review that we are of the view that the fair value adjustments the directors made at 1H20 were pre-mature. Management states that the current economic environment does at least provide opportunities in all property sectors, but the board remains cognisant of the fact that the current debt to assets ratio is currently 39.1%, just below management's self-imposed 40% cap.

Oryx' vacancy factor (as a % of lettable area) increased from 3.2% at FY19 to 5.4% at FY20. This was expected given that economic growth remains depressed, especially after the COVID-19 induced lockdowns. Residential vacancies amounted to 9.3% of lettable area. Post year-end, the company entered into a new three-year lease agreement with Retailability, the new owners of Edgars, which should reduce the risk of a potential vacancy in the short-term.

Interest bearing borrowings increased to N\$1.31 billion in FY20 from N\$1.16 billion in FY19. The decrease in the repo rate has at least resulted in Oryx' weighted average interest rate falling from 7.48% in FY19 to 5.83%. Post year-end, Oryx obtained a N\$100 million facility from Rand Merchant Bank. The loan carries interest at 3-month JIBAR plus 2.98% and has a three-year term. A N\$75 million Nedbank loan has also been refinanced at 3-month JIBAR plus 2.85% for a three-year term, post year-end. A waiver was obtained from ABSA Bank relating to the vacancy covenant of 5% on the bonded portfolio.

Ms Lizette Smit has resigned as CFO effective 30 September 2020. On 15 September, Oryx announced that Ms Francis Heunis has been appointed as CFO effective 1 October. Ms Heunis is currently the Finance Manager at Oryx.

Overall, Oryx' results has been impacted negatively by the difficult economic environment, although the results have come in more or less in line with our expectations. Pending further analysis of the FY20 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 FY20 results, as will the table at the top of the page.

Share Price (c)**Dividends**

Following the outcome of the vote on Special Resolution 3 at the Extra Ordinary General Meeting of debenture holders on 29 June 2020, no final distributions were declared or will be paid for the financial year ending 30 June 2020.

The interim distributions of 69.75 cents per linked unit however remain payable:

- Last date to trade cum distribution: 13 March 2020
- Record date: 20 March 2020
- Payment date: 02 October 2020



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