



# Oryx Properties Limited 2023 Rights Issue July 2023



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# Oryx Properties Limited

## 2023 Rights Issue

Target Price (c)\* 1335  
Current Price (c) 1100

Year End 30 June	FY20	FY21	FY22	1H22	Recommendation*	BUY
Revenue (N\$ m)	332.8	336.5	335.4	175.0	NSX Code	ORY
Vacancies (%)	5.4	5.9	5.4	6.1	Market Cap (N\$ m)	961.2
HEPU (c)	3.9	179.3	146.5	31.5	Shares in Issue (m)	87.4
HEPU growth (%)	-97.2	4,520.6	-18.2	91.0	Free Float (%)	100
DPU (c)	69.75	99.75	101.75	54.25	52-Week High (c)	1200
DY (%)	4.0	8.7	9.9	9.4**	52-Week Low (c)	1024
P/E (x)	448.5	6.4	7.0	6.7	Expected Return (%)	21.4
D/A (%)	39.1	38.2	36.5	36.7		

Source: Oryx Properties Limited, IJG Securities

\*Unchanged from our last report.

\*\*Annualised

### Overview of the 2023 Rights Issue

Oryx Properties Limited (Oryx) is currently in the final stages of a capital raise by way of a rights issue. The company is offering qualifying unitholders (those who bought units before 16 June 2023) 1 rights issue unit for every 2.5 linked units held, which equates to a total of 34,951,462 rights issue units available for subscription. Although, should the Rights Issue be fully subscribed the directors will restrict the units issues to the authorised 32,698,877 units. Oryx is offering these rights at a subscription price of 1161 cents per rights issue unit, which is inclusive of a 50 cent antecedent interest distribution. The company intends to raise N\$379.6 million.

At the General Meeting held on the 15<sup>th</sup> of June, 94.4% of unitholders voted in favour of the rights offer, while 0.1% abstained from voting. No votes were cast against the rights offer.

### Timeline – Key Dates:

Event Pertaining to Rights Issue	Date
Declaration Date	22 May 2023
Circular Release Date	26 May 2023
LDT in order to be eligible to vote in the General Meeting	02 June 2023
RD to be eligible to vote in the General Meeting	09 June 2023
General Meeting of Oryx Unitholders to be held at 09:00	15 June 2023
LDT to participate in Rights Issue	15 June 2023
<b>RD on which Unitholders are eligible to receive Letters of Allocation</b>	<b>23 June 2023</b>
Listing & trading of Letters of Allocation commences at 09:00	30 June 2023
<b>Rights Issue opens at 09:00</b>	<b>30 June 2023</b>
LDT Letters of Allocation on the NSX	07 July 2023
<b>Rights Issue closes at 12:00</b>	<b>14 July 2023</b>
Results of Rights Issue announced on NENS	31 July 2023
Excess applications allocated to Unitholders	31 July 2023
Refund unsuccessful and excess applications	31 July 2023
Issue of Securities	31 July 2023
List new units	01 August 2023

\*LDT – Last Day to Trade

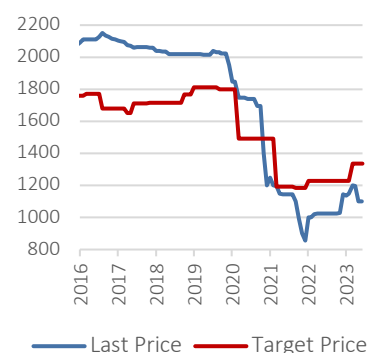
\*RD – Record Date

### Rationale for the Rights Issue

The rationale for the rights issue is to acquire the Dunes Mall (Pty) Ltd by raising 60%, or N\$379.6 million of the total N\$632.7 million purchase price, through equity and 40% through new debt. Management points out in the circular that a well participated capital raise would provide Oryx with sufficient capital to fund the growth requirements for FY23 and FY24 and thereby reduce the requirement for another capital raise in 2024.

This report does not constitute a target price update, as the outcome of the rights issue will determine the actual impact of the transaction on Oryx' distributable income.

### ORY Share Price vs Target Price (c)



### Disclaimer

Please note that IJG Advisory Services (Pty) Ltd is acting as the Corporate / Transaction Advisor for the Oryx Rights Issue.



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## Background & Strategy 2025

The end of the Covid-19 pandemic saw Oryx introduce its long-term strategy (now called Strategy 2025), to take advantage of the economic recovery, with one of the objectives being to grow the value of the property portfolio to N\$4.50 billion (from the directors' N\$2.96 billion valuation at 1H23).

With Strategy 2025, management intends to reduce the concentration risk of Maerua Mall in the current portfolio and to grow revenue. At FY22, the Maerua Mall node made up N\$1.38 billion or 47.4% of Oryx' total property portfolio value and contributed 46.7% to total revenue. In the FY22 Annual Report, management mentioned that they were "looking at smaller regional malls, and the unlisted sector".

### The Dunes Mall Transaction

In December 2022, Oryx announced that it plans to acquire 100% of the shareholding in Dunes Mall (Pty) Ltd in Walvis Bay at a purchase price of N\$620.0 million. Oryx received regulatory approval for the transaction from the Namibian Competition Commission without conditions in March 2023.

The terms of the agreement state that Oryx will pay:

- N\$620.0 million for Dunes Mall;
- N\$8.25 million for an adjacent piece of land earmarked for future development;
- An additional N\$22.85 million contingent on the seller filling the vacancies within three years post-closing date.

This brings the maximum adjusted purchase price to N\$651.1 million, excluding costs of N\$4.47 million. The circular contains no additional detail regarding the size of the adjacent land. However, management has indicated that there are several interested parties for these additional developments, and they intend to pursue these opportunities once the transfer of the Dunes Mall has taken place. The opportunities include additional retail space, entertainment and food and beverage offerings as well as tourism-related offerings.

The Dunes Mall was built in two phases in 2017 and 2019 at a total cost of around N\$600 million, and consists of 32,438m<sup>2</sup> of gross lettable area (GLA). Anchor tenants include Checkers, Game, Pick 'n Pay. The mall's [tenants](#) are mostly made up of South African retailers and restaurants, and vacancies stood at 4.9% of GLA during 2022. This compares to retail vacancies of 7.9% at FY22 at Oryx' existing properties.

Oryx forecasts the income yield over the next five years to be as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Yield	9.50%	10.00%	10.60%	11.20%	11.80%

Source: Oryx Properties

Oryx' comparative retail portfolio is currently trading at a yield around 8.5%. Dunes Mall was independently valued at N\$680.0 million last year, at a cap rate of 8.5%, providing Oryx with valuation upside in Year 1.

Maerua Mall's concentration (both as a percentage of revenue and of total asset value) will be smaller after the acquisition, but a larger portion of Oryx' overall portfolio will be exposed to the retail sector. The advantage for Oryx is that the company has existing relationships with the majority of the tenants of the Dunes Mall, as they are primarily South African retailers who already lease at Oryx' other properties. Management's plan is therefore to "leverage its relationships with these multinationals to ensure the sustained profitability of the Dunes Mall".





According to Oryx' forecasts, when the Dunes Mall transaction is concluded, Maerua's concentration to overall revenue and total assets drop as follows:

	Pre-Acquisition	Post-Acquisition
Maerua Node as a % of Total Revenue	46.7%	36.7%
Maerua Retail as a % of Total Revenue	38.4%	30.2%
Maerua Node as a % of Total Assets	47.4%	38.4%
Maerua Retail as a % of Total Assets	38.9%	31.5%

Source: Oryx Properties

At 1H23, Oryx' retail portfolio accounted for 62.9% of the total value of the company's property portfolio. The Dunes Mall acquisition (at the maximum adjusted purchase price of N\$651.1 million) will increase this to 69.6%. Oryx forecasts that total revenue for FY22 would have been 28.8% higher at N\$458.2 million from the N\$355.9 million reported, had Dunes Mall been part of the portfolio. This means that Dunes Mall would contribute about 22.3% to Oryx' total revenue and the retail portfolio will contribute about 73.4% (FY22: 65.8%). Oryx' current retail portfolio has at least logged a rebound in revenue of 9.7% y/y to N\$105.4 million in 1H23. This however remains N\$12.8 million below the pre-covid interim revenues for this segment.

In April, the Namibian Ports Authority (Namport) announced that it has recorded an 87% increase in passenger vessel calls in FY2022/23 compared to FY2021/22, and Oryx believes that the port will become a major logistics hub for the region over the medium-term, which should aid economic activity in the area. Management mentions in the circular that they have knowledge of various upcoming developments near the Dunes Mall that they believe will expand the catchment area and broaden the demographic profile of its shoppers.

## Transaction Financing

Oryx intends to finance 60% or N\$379.6 million of the acquisition price through a rights issue and the remaining 40% through debt financing. Management has reached a debt financing agreement with RMB, which sees the bank lending Oryx N\$500 million over a 4-year term at 3-month Jibar + 1.39% through a preference share facility.

Oryx intends to use the new RMB debt to repay an existing N\$100 million facility Oryx has with RMB and a N\$75 million Nedbank loan, which both mature in August 2023. These are currently Oryx' two most expensive loans (at 3m Jibar + 2.98% and + 2.85%, respectively), and repaying them with the new RMB loan will translate to a N\$2.7 million saving in interest expenses. The realised savings will be paid back into the ABSA revolving credit facility, which will lead to further interest expense savings.

The impact of the acquisition is further explained in the 'Financial Impact of the Transaction' section of this report.



## 2023 Rights Issue

To raise the aimed N\$379.6 million, Oryx is offering qualifying unitholders (those who bought units before 16 June 2023) 1 new linked unit for every 2.5 linked units held, which equates to a total of 34,951,462 rights issue units available for subscription. Although, should the Rights Issue be fully subscribed the directors will restrict the units issues to the authorised 32,698,877 units. The rights are offered at a subscription price of 1,161 cents per right issue unit, which is inclusive of a 50 cent per unit antecedent interest distribution.

The rights issue **opened at 09:00 on Friday, 30 June 2023** and **closes at 12:00 on Friday, 14 July 2023**.

Qualifying unitholders are faced with a few options:

1	<b>Exercise Their Rights</b> For every 2.5 linked units currently owned, unitholders can purchase another unit for N\$11.61. Exercising their rights will allow unitholders to maintain their proportional holding/investment in Oryx.  Unitholders are also entitled to apply for excess units, if there are excess Rights Issue Units available for allocation once the Rights Issue has closed.
2	<b>Sell Their Rights</b> Unitholders who do not want to exercise their rights can attempt to sell them. The Letters of Allocation (rights) will in respect of the rights issue units will be listed and tradable on the NSX from 09:00 on Friday, 30 June until 17:00 on Friday, 07 July.  In the event that the Letters of Allocation (rights) do not sell, the unitholder is under no obligation to exercise their rights. The rights will simply lapse.
3	<b>Renounce Their Rights</b> Unitholders who choose to not participate in the Rights Issue can either renounce their rights in full or renounce their rights in favour of another party.  By doing this, the investor enables another party (either a specified party or one applying for excess rights) to take up the rights to assist Oryx in raising the funds.
4	<b>Do Nothing</b> If unitholders are not interested in acquiring additional Oryx units, and/or are unable to sell their rights, the rights will lapse. In such a case, the investor's percentage holding of Oryx will decline since they will own the same number of units, but total number of units issued by Oryx increases.
5	<b>Acquiring Additional Rights</b> Since the Letters of Allocation can be traded on the NSX, it is possible to purchase additional rights.

### Antecedent Interest Distribution

As a property loan stock company, Oryx is obliged to pay a minimum of 75% (90% from FY25) of its distributable income to unitholders, as per the company's Debenture Trust Deed. As mentioned previously, the 1161 cents rights issue price is inclusive of a 50 cent per unit antecedent interest portion.

Management's argument for including the antecedent interest portion in the rights issue price is that the new units are not being issued at the very beginning of a distribution period, meaning



that unitholders who do not participate in the rights issue will be diluted since the distributable income will be split amongst a larger number of issued units. In fact this Rights Issue is taking place after the end of the financial year which would mean that the dilutionary impact would be at its largest had the antecedent distribution not been included.

### Previous Rights Issue

The last Oryx rights issue was in 2019. On that occasion Oryx aimed to raise N\$309 million by offering 15,789,275 rights at a subscription price of 1959 cents per unit, which was inclusive of a 40 cents antecedent distribution. Approximately 61% of unitholders voted in favour of the rights offer. Unitholders took up 8,432,166 (53.4%) of the available linked units, resulting in the company raising N\$165.2 million. The two-week period between 1 and 15 March saw 15% of the total available rights trade on the NSX.

## Financial Impact of the Transaction

The below extract of the consolidated pro-forma statement of comprehensive income shows the impact the Dunes Mall would have had on Oryx' income statement, had it been part of the current property portfolio during FY22. The Dunes Mall's figures were obtained from the property's 2022 financial statements with certain adjustments made, such as to exclude management fees and executive remunerations, which are not charged by Oryx.

### Extract of the Consolidate Pro-Forma Statement of Comprehensive Income of Oryx for the year ended 30 June 2022 (FY22)

	FY22	DUNES MALL IMPACT	AFTER	CHANGE
<b>REVENUE</b>	355,886	102,302	458,188	28.75%
Property Expense	(113,661)	(34,391)	(148,052)	30.26%
<b>Net Rental Income</b>	<b>242,225</b>	<b>67,911</b>	<b>310,136</b>	<b>28.04%</b>
<b>AMORT. OF DEBENTURE PREMIUM</b>	21,413	7,205	28,618	33.65%
Other Expenses	(34,154)	(3,616)	(37,770)	10.59%
Other	75,826	-	75,826	0.00%
<b>OPERATING PROFIT BEFORE FINANCE COSTS &amp; DEBENTURE INTEREST</b>	<b>305,310</b>	<b>71,500</b>	<b>376,810</b>	<b>23.42%</b>
Less: Finance Costs	(85,421)	(19,679)	(105,100)	23.04%
<b>Oper. Profit before Debenture Interest</b>	<b>219,889</b>	<b>51,821</b>	<b>271,710</b>	<b>23.57%</b>
Less: Debenture Interest	(88,721)	(33,462)	(122,183)	37.72%
<b>Profit before Tax</b>	<b>131,168</b>	<b>18,359</b>	<b>149,527</b>	<b>14.00%</b>
Less: Taxation	(26,116)	(10,432)	(36,548)	39.94%
<b>Profit for the Period</b>	<b>105,052</b>	<b>7,927</b>	<b>112,979</b>	<b>7.55%</b>
Other Comprehensive Income	804	-	804	0.00%
<b>Total Comprehensive Income</b>	<b>105,856</b>	<b>7,927</b>	<b>113,783</b>	<b>7.49%</b>
<b>WEIGHTED NR OF UNITS IN ISSUE</b>	87,163,072	32,698,877	119,861,949	

Source: Oryx Properties, IJG Securities

The inclusion of the Dunes Mall sees Oryx' net rental income 28.0% higher than the FY22 reported figure at N\$310.1 million.

The operating profit before debenture interest of N\$271.7 million is what would have been available for distribution to unitholders. The inclusion of the Dunes Mall therefore results in Oryx' distributable income being 23.6% higher than what Oryx reported in FY22. Oryx however still only distributes 75% of distributable income until the end of FY24, after which it will revert to paying out the minimum of 90% as per the Debenture Trust Deed.



The incremental finance costs were determined based on a 3-month Jibar rate of 7.45%, consistent with the rate observed in February 2023, bringing the total interest rate to 8.84%. The 3-month Jibar rate has however increased since then, and at the end of June was trading at 8.49%, meaning that Oryx' finance costs will be higher than the figure in the pro-forma statements. Using the February 3-month Jibar rate brings the additional net total interest costs to an estimated N\$19.7 million, after deducting N\$24.6 million which Oryx forecasts it will save by using the new RMB preference share facility to settle existing debt.

The below extract of the consolidated pro-forma statement of financial position shows that Oryx's property portfolio would have been 22.9% larger at N\$3.40 billion, had the Dunes Mall been included in the FY22 financials. The N\$632.7 million increase was calculated using a 9.5% yield on N\$58.9 million net operating income, coupled with N\$8.25 million for the value of the vacant land and transaction costs of N\$4.47 million. Both pro-forma statements are based on the assumption that all qualifying unitholders exercise all their rights.

#### Extract of the Consolidate Pro-Forma Statement of Financial Position of Oryx as at 30 June 2022 (FY22)

	FY22	DUNES MALL IMPACT	AFTER	% CHANGE
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Investment Properties	2,763,340	632,723	3,396,063	22.9%
<b>INVESTMENT IN ASSOCIATE</b>	290,111	-	290,111	0.0%
Property & Equipment	888	406	1,294	45.7%
Property Held for Sale	70,000	-	70,000	0.0%
<b>OTHER</b>	93,469	164	93,633	0.2%
	<b>3,217,808</b>	<b>633,293</b>	<b>3,851,101</b>	<b>19.7%</b>
<b>CURRENT ASSETS</b>				
Trade & Other Receivables	28,117	11,285	39,402	40.1%
Cash & Equivalents	18,127	4,948	23,075	27.3%
Other	12,146	-	12,146	0.0%
	<b>58,390</b>	<b>16,233</b>	<b>74,623</b>	<b>27.8%</b>
<b>TOTAL ASSETS</b>	<b>3,276,198</b>	<b>649,526</b>	<b>3,925,724</b>	<b>19.8%</b>
<b>EQUITY &amp; LIABILITIES</b>				
<b>CAPITAL AND RESERVES</b>	<b>1,281,698</b>	<b>327</b>	<b>1,282,025</b>	<b>0.0%</b>
<b>NON-CURRENT LIABILITIES</b>				
Debentures	391,061	146,818	537,879	37.5%
Debenture Premium	252,560	216,140	468,700	85.6%
Interest Bearing Borrowings	947,352	262,927	1,210,279	27.8%
Deferred Tax	57,817	-	57,817	0.0%
	<b>1,648,790</b>	<b>625,885</b>	<b>2,274,675</b>	<b>38.0%</b>
<b>CURRENT LIABILITIES</b>	<b>345,710</b>	<b>23,314</b>	<b>369,024</b>	<b>6.7%</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>3,276,198</b>	<b>649,526</b>	<b>3,925,724</b>	<b>19.8%</b>

Source: Oryx Properties, IJG Securities

If all rights are exercised, Oryx' unencumbered property value will increase by N\$162.7 million from N\$206.5 million at FY22 to N\$369.2 million when the Nedbank facility is settled. The company's debt-to-asset ratio will increase from 36.5% at FY22 to 38.6% at, which remains below management's 45% cap. The forecasted weighted cost of debt will increase from 7.3% at FY22 to 8.6%, based on the 3-month Jibar rate at the end of February.





0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

## Conclusion

Oryx is offering unitholders rights at a subscription price of 1161cpu (inclusive of the antecedent distribution) which, at the last traded price of 1100c, represents a premium of 5.5%. However, the illiquid nature of the Namibian stock market results in the rights issue price being at a discount of 31.5%, based on the lowest offer in the market of 1696c at the time of writing.

This report does not constitute a target price update, as the outcome of the rights issue will determine the actual impact of the transaction on Oryx' distributable income. Based on the outcomes of past rights issues in the Namibian market, including Oryx', we see it as unlikely that all rights will be exercised. The proposed uses of the proceeds from a successful rights issue would be yield enhancing according to the forecasted yields in the circular, and the acquisition of the Dunes Mall should result in the company's property portfolio growing by at least N\$632.7 million to around N\$3.47 billion, thereby reducing Maerua Mall's concentration risk in the overall portfolio. The tenants Oryx will be gaining are however the same South African retail tenants they have Maerua, meaning that if these companies face financial difficulties back home, it will likely affect both properties. As management however points out in the circular however, they have existing favourable relationships with these tenants which they can use to their advantage.

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