



**Oryx Properties Limited**

(Incorporated in the Republic of Namibia)

(Registration number 2001/673)

Share Code: ORY

ISIN Code: NA0001574913

**RATIONALE FOR GENERAL MEETING OF DEBENTURE HOLDERS: 29 JUNE 2020 AT 10:00**

With the Covid-19 pandemic that has hit the world and with the uncertainty that is still surrounding this pandemic which is seeing some countries slowly starting to roll out plans to restart their economies, including the gradual lifting of border closures does not take us out of the woods yet. Although Namibia's cases have not been as a result of local transmission the recent increase in positive cases adds to the uncertainty and the way forward for Namibia, with the risk still looming of additional restrictions being placed should the position deteriorate further.

This coupled with the ongoing recession in which Namibia finds itself with debt to GDP ratio anticipated to increase in the near term, the recent financial difficulty in which a number of businesses find themselves with some even having to close their doors and the recent constraints on liquidity within the financial services industry continues to cast doubt on the future economic conditions with which the country and the company may be faced.

In terms of Oryx governance philosophy, all directors are expected to take decisions objectively in the best interests of the Company and act in good faith to promote Oryx's success. The Board, as a whole, is collectively responsible for the sustainability of Oryx and acts as the custodian for corporate governance which includes discharging fiduciary duties, acting in good faith, with due diligence and care and in the best interest of all its stakeholders.

Oryx recognises that the Debenture Holders play a key role in the decision making of the Company with regards to the Debenture Trust Deed, and, as per clause 24.1 of the Debenture Trust Deed, should be consulted in the matter:

*24.1 The debenture holders shall, in addition to the powers given elsewhere in this deed and without derogating from the powers conferred on the trustee by this deed, have the following powers which may only be exercised by special resolution:*

*(a) To bind the debenture holders to any compromise or arrangement to be made between the company and the debenture holders or any of them;*

*(b) to agree to any variation or modification of any of the rights of the debenture holders, in each case subject to the consent or concurrence of the Company.*

Oryx is aware that the SA Real Estate Investment Trusts (REITs) have engaged with the SA Treasury directly rather than with their shareholders to ask for a two-year reprieve from paying out dividends, Oryx's is a loan stock Company with debenture holders and can therefore not pursue this avenue.

It is on the above basis that Oryx would like to provide some context to Debenture Holders on which to base their vote:

NOTICE (CONTINUED)

- Rental Collections for the month of April and May have decreased by 50% when compared to previous months and likely to continue through the recovery. This creates uncertainty on whether this will become the new norm for collections for the foreseeable future.
- Rental relief and rental rebates requests continue to be prevalent with management being inundated with these requests from many of our tenants across many industries and which is set to significantly impact cashflows.
- Recent guidance has indicated that an uptick in the provision for bad debts is anticipated in terms of IFRS 9 as a result of COVID-19 which is further aggravated by the decrease in collections.
- Vacancy rates within the market continue to remain under pressure, with the liquidation of our Steeledale tenant post our half year. The recent news in the media regarding Edcon being placed under business rescue exerts further pressure on vacancies. This coupled with sourcing of new tenancies result in a trade in being considered between rent relief or a vacancy which might take months to fill.
- The Tourism sector has been significantly impacted with indications that borders are only to re-open in the latter part of the year, with global travel not anticipated to return to previous norms in the next 12 to 18 months. Some of our largest paying and longest serving tenants in this sector has been severely impacted and will require several months to recover.
- The Retail industry has been significantly impacted with no indications when business will return to a new 'normal'. Specifically, a number of these retailers that have managed to re-open are facing significant challenges with bringing stock into the country as our regional partners are in more restricted lock down phases than when compared to Namibia.
- The Residential sector has remained stable during COVID-19 but is expected to worsen in coming months as a result of various job losses in the market due to COVID.
- The Office sector was already under strain prior to COVID-19, where some businesses are changing business models to allow more remote working and therefore require less space.
- Bank of Namibia (BoN) introduced relief measures on 26 March 2020 to corporations with regards to loan payment moratorium for 6 to 24 months through the banking system.
- Relief from Oryx's financiers has not been forthcoming or even when made available, attached certain restrictions to not pay any distribution payments. These restrictions are beyond the authority of the Board to unilaterally agree and in direct conflict with the Debenture Trust Deed.
- Current debt maturity profile.

The above matters are discussed in detail in the following SENS announcement released by Oryx and should be read in conjunction with the above to make an informed decision:

1. Oryx Interims results and distribution announcement released 2 March 2020.
2. Distribution payment postponement released on 27 March 2020
3. Covid-19 operational update released on 5 May 2020
4. Covid-19 operational update released on 8 June 2020

As Oryx has historically been paying out 100% of distributable income and on occasions payment of realised capital reserves. This has not allowed the business to build up reserves as seen by many other businesses. The decision of the Board to only pay-out 90% of distributable income in the 2019 financial year has not been in place long enough to have a significant impact on cashflows.

Further, the liability imposed on directors by Section 430 of the Companies Act, Act 28 of 2004 where they can be held liable in their personal capacity should it be proved that they have traded recklessly, was taken into consideration when it was resolved to enter into urgent engagement with Debenture Holders in terms of the Debenture Trust deed to seek a compromise as part of the solution to overcome the impact of the current pandemic on the company's business and sustainability in the long run.

At the board meeting held on 2 June 2020, the Board resolved to make the following recommendations to the Debenture Holders for consideration:

1. Special resolution 1: Request to waive notice period
2. Special resolution 2: That the interim distribution declared for 2020 be cancelled
3. Special resolution 3: That no final distributions for 2020 financial year be made

NOTICE (CONTINUED)

4. Special resolution 4: That a moratorium be placed on the 2021 financial year distributions with the Board being able to declare a distribution should the Company be in a position to do so financially.
5. Special resolution 5: That the Trust Deed be amended to a 75% pay-out ratio with effect from the commencement of the 2022 financial year. The 75% pay-out ratio is similar to current SA REIT legislation.

The above resolutions will ensure that the Company is able to build up reserves during these unprecedented times, able to meet current debt obligations, invest into yield enhancing capital projects in a time where liquidity is constrained in the market and most importantly ensure that the Company will continue to operate in a market which has seen so many others not being able to see through the storm. This will remove the need for a possible Rights Issue to debenture holders in these unprecedented times and allow for long term decision making.

The Debenture Trust Deed Trustee, Fisher Quarmby & Pfeifer represented by Mr. C Gouws, and the Namibian Stock Exchange have been consulted by the Board who are both fully supportive of the recommendations presented to Debenture holders.

### **BY ORDER OF THE BOARD**

10 June 2020

#### **REGISTERED OFFICE**

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#### **Sponsor**

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