



Credit Rating Announcement

GCR affirms Oryx Properties Limited's Rating at BBB_(NA). Outlook Stable

Rating Action

Johannesburg, 23 April 2021 – GCR Ratings ("GCR") has affirmed the national scale long-term and short-term Issuer ratings assigned to Oryx Properties Limited ("Oryx" or "the fund") at BBB_(NA) and A3_(NA), respectively. The Outlook is Stable.

Rated Entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Oryx Properties Limited	Long Term Issuer	National	BBB _(NA)	Stable Outlook
	Short Term Issuer	National	A3 _(NA)	

Rating Rationale

Oryx Properties Limited's ("Oryx" or "the fund") ratings reflect its small and concentrated portfolio against strong property management rigour, as well as continued stability in the funding profile amidst a challenging environment.

Oryx's property portfolio is underpinned by good quality assets in prime locations in Namibia, with high tenant quality and well laddered lease maturities. As the portfolio is retail heavy (64%), the fund's performance has been negatively impacted by a deterioration in the general operating climate and COVID-19 related disruptions necessitating rent relief for some tenants (cumulatively totalling NAD34m to date). Rentals are expected to remain under pressure over the outlook period, with the retail and office sectors reporting flat or negative reversions, although vacancy rates (excluding the residential portfolio) have remained intact at a relatively low 4.4% (FY20: 5.4%) underscoring sound asset management and the relative defensiveness of the portfolio. Additionally, collection rates have trended back to historical levels of c.90%, whilst costs remain well-controlled. Whilst Oryx's modest earnings diversification through its indirect exposure to Croatia is positively considered, the fund's fairly small size, high asset and tenant concentrations (particularly its hotel exposure) are constraints to the portfolio quality assessment.

The fund's credit risk profile remains constrained by its moderately high leverage. On the back of higher debt-funded capex taken on prior to the onset of the pandemic, and subsequent pressure on property valuations due to the weaker operating climate, the net LTV tracked upward to 39.8% at 1H FY21, from 35.9% in FY19. The fund does, however, remain committed to the implementation of initiatives to ensure stability of the ratio at/below 40% over the outlook period, though GCR does not expect the LTV to strengthen materially beyond this range over the rating horizon. Net interest cover at 2.3x and net debt to operating income of 6.6x at 1H FY21 are likely to remain at weaker levels over the short term, reflecting restrained earnings due to COVID-19 related disruptions. Positively, we do note good funding relationships, demonstrated by the recent large refinancing of NAD779m undertaken post 1H FY21 to lengthen the debt expiry profile, with only minimal maturities of NAD90m due until June 2022.

Cash preservation measures, including the retention of distributions coupled with the terming out of maturities is supportive of comfortable liquidity coverage of around 1.5x over the next 12 months. Nevertheless, covenant pressure remains heightened given limited headroom, whilst high asset encumbrances (1H FY21: >90%) limits financial flexibility. Thus, continued proactive treasury management is necessary to sustain GCR's more favourable view of liquidity over the outlook period.

Outlook Statement

The Stable Outlook reflects our expectations that Oryx will sustain a stable financial position as the fund remains committed to conservative balance sheet management, despite the current operating pressures.

Rating Triggers

Negative action may be taken if 1) earnings pressure persists beyond the COVID-19 crisis 2) there is a further and sustained deterioration in leverage metrics 3) there is unremedied covenant pressure arising from a decline in valuations and/or earnings underperformance.

Positive rating action is unlikely until the operating environment improves. However, a meaningful improvement in earnings performance and credit protection measures on a consistent basis and enhanced portfolio granularity would be positively considered.

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Related Criteria and Research

Criteria for the GCR Ratings Framework, May 2019

Criteria for Rating Real Estate Investment Trusts and Other Commercial Property Companies, May 2019

GCR's Commercial Property Sector Risk Scores, August 2020

GCR's Country Risk Scores, April 2021

Ratings History

Oryx Properties Limited					
Rating class/Stock code	Review	Rating scale	Rating	Outlook/Watch	Date
Long Term Issuer	Initial	National	BBB+ _(NA)	Stable Outlook	February 2015
Short Term Issuer	Initial	National	A2 _(NA)		
Long Term Issuer	Last	National	BBB _(NA)	Negative Outlook	April 2020
Short Term Issuer	Last	National	A3 _(NA)		

RISK SCORE SUMMARY

Rating components & factors	Risk scores
Operating environment	10.75
Country risk score	5.75
Sector risk score	5.00
Business profile	(1.00)
Portfolio quality	(1.00)
Management and governance	0.00
Financial profile	(1.25)
Leverage and Capital Structure	(1.00)
Liquidity	(0.25)
Comparative profile	0.00
Group support	0.00
Peer analysis	0.00
Total Score	8.50

Glossary

Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding. In insurance, it refers to an individual or company's vulnerability to various risks
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
Issuer	The party indebted or the person making repayments for its borrowings.
Lease	Conveyance of land, buildings, equipment or other assets from one person (lessor) to another (lessee) for a specific period of time for monetary or other consideration, usually in the form of rent.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loan To Value	Principal balance of a loan divided by the value of the property that it funds. LTVs can be computed as the loan balance to most recent property market value, or relative to the original property market value.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Property	Movable or immovable asset.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Rating Horizon	The rating outlook period
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity. The ratings above were solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the ratings.

The rated entity participated in the rating process via face-to-face management meetings, as well as other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- the 2020 audited annual financial statements (plus four years of audited comparative numbers);
- unaudited consolidated results for the six months ended December 2020;
- Facility schedules and property schedules.

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