



NSX Share code	ORY
Unit price (cpu)	815
Distribution yield	9.7%
12-month average volumes	N\$0.39m
Market cap at year-end	N\$383m
Current market Cap.	N\$442m

to N\$38.3m representing an unchanged 84% of revenue.

Investment income eased to N\$8.3m from N\$11.6m while changes in the fair value of investment properties (ex-straight line adjustments) jumped 55% to N\$63.9m. Debenture interest climbed 22% to N\$34.6m due to increased rental inflows and a greater number of linked units in issue resulting in a marginally lower pre-tax profit of N\$64.9m. An effective tax rate of 37% from 28% in 2005 depressed after tax profit by 14% to N\$40m.

N\$m	2005	2006	2007E	2008E
<b>Rental income</b>	36 388	45 814	79 188	83 939
<b>%change</b>	16%	26%	73%	6%
<b>Net rental income*</b>	30 747	38 339	66 854	70 509
<b>%change</b>		25%	74%	5%
<b>Net rental margins</b>	0.84	0.84	0.84	0.84
<b>Pretax profit</b>	65 727	64 903	72 465	75 845
<b>%change</b>	91%	-1%	12%	5%
<b>H EPLU</b>	77.1	87.2	87.7	90.8
<b>DPU</b>	70.3	78.0	82.0	84.0
<b>Dividend Yield</b>	138	9.7	10.1	10.3

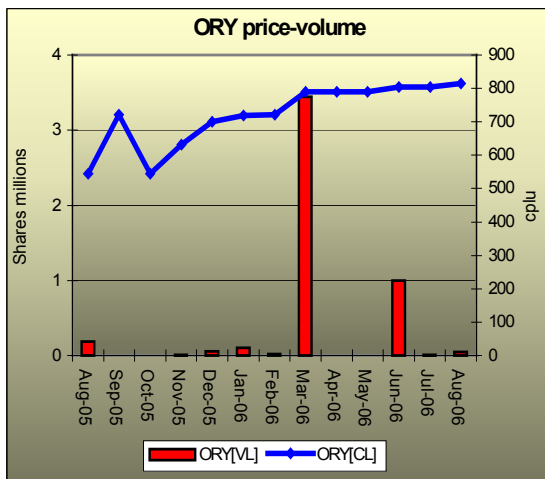
Oryx declared its 7<sup>th</sup> distribution of 39.75 cents per linked unit (cplu) for H206 bringing the total distribution for the year to end June 2006 to 78cplu (+11%). This implies a historical 9.7% distribution yield. Linked units will trade ex div as from Monday 11 September while payment is set for 29 September 2006.

With the the Maerua extensions having been completed by year-end and the acquisition of the Baines Shopping Centre, the value of investment properties rose 89% to N\$560.6m. Long-term borrowings rose to N\$119.96m from N\$9.8m while preference share capital was reduced to N\$12m from N\$50m.

The results are un-audited due to a possible change in audit opinion, which may require premiums on the issue of units to be split between share and debenture premiums. Previously these were classified as share premium, which should now be amortised over the initial term of the debentures, with the amortised amount being reflected as income. We estimate a potential increase in earnings of just under N\$1.3m per year over the next 25 years to result from a reclassification of debenture premiums.

During the course of the H206 Oryx raised additional capital of N\$52 297 522 following a 9% oversubscribed rights offer, by the issue of 6,529,029 new Oryx linked units at a price of 801cplu.

In August 2006 Oryx announced an agreement to acquire the 4,877m<sup>2</sup> Channel Life Building in Post street mall for N\$40.66m.



Oryx unaudited results for the year-ended June 2006, reflected a 26% increase in rental cash flows to N\$45.8m driven by extensions to the mall and other growth in the groups property portfolio. Net rental income excluding straight-line adjustments rose by 25%

The building is located in the centre of town with offices constituting 89% of gross lettable area (GLA), while the remainder is also suitable for retail operations. Oryx forecasts an after tax operational income of N\$5.1m from the acquisition.

The acquisition of Channel Life Building provides Oryx with an opportunity to increase its limited exposure to investment in offices and diversify away from its high exposure to the retail sector. Following the acquisition, Oryx's exposure to offices will constitute 11% of its property portfolio. Given the demand for CBD office space, we do not envisage any occupancy related problems and expect more acquisitions in the same sector.

We have observed numerous retail space developments in Windhoek over the last 12-months. Maerua Phase II seemed to trigger an increased propensity to expand amongst the traditional shopping complexes such as Wernhill, while several new retail complexes have sprung-up or are currently in the construction phase in and around the capital. This increases competition for the mall and leads one to wonder whether growth in the general levels of disposable income can match ongoing surge in retail properties. Credit sales remain the driving force behind merchandise sales; we view this as a risk considering the increasing likelihood for further interest rate hikes going forward.

Interactions with several Maerua mall tenants revealed that the extension of the mall have resulted in increased business particularly in consumer goods as the number of employees at the mall has increased significantly. Checkers, which is reported to be trading well, confirms this. High margin niche market operators seem to perform better than low margin high volume operators due to the upmarket nature of the mall and transport costs associated with accessing it.

Property remains an excellent diversification opportunity with sound real returns, while a historical yield of 9.7% compares favourably with that of JSE listed property loan stock companies. Oryx's share price appreciated by 58% over the year under review implying a total return of 73%. The stock remains tightly held and we do not expect much downside to the price of Oryx linked units in the tightening environment.

It is our view the counter's 9.7% distribution yield represents fair value. We retain our **HOLD** recommendation.



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