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Safari Investments

Real estate

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Portfolio optimisation to enhance value

Safari Investments (SAR) is a retail property specialist that owns and operates suburban shopping centres in South Africa and Namibia: four small regional shopping centres and four community centres. The book value of the investment property portfolio is ZAR4.0bn. The company's strategy is to enhance value through acquiring new assets, redevelopments and refurbishments, and divesting non-core assets. SAR plans to dispose of two non-core shopping centres: Mnandi in Atteridgeville and Platz am Meer in Swakopmund, Namibia. The stock's historical dividend yield is 12.4% and it is trading at a price to book of 0.6x. The healthy dividend yield has been achieved despite FY24 debt repayments, while shareholders have benefited from recent share buybacks.

Disposal of Mnandi Shopping Centre

Mnandi Shopping Centre is a community shopping centre in Atteridgeville, Gauteng province. It has a gross lettable area of 8,771sqm, which is below the company's target of 20,000–30,000sqm. The centre contributes 4% to property income and has an annual trading density (ATD) of ZAR23,973/sqm, which is below the weighted ATD of ZAR40,936/sqm. Mnandi has limited bulk reserve, which does not fit management's strategy of using bulk reserve to expand the gross lettable area. According to management, the asset is valued at ZAR166m. SAR has two other sizeable shopping centres in Atteridgeville: Atlyn Shopping Centre and Nkomo Village, with gross lettable areas of 31,222sqm and 22,743sqm, respectively.

In addition, SAR has a strong pipeline of new developments and redevelopments in Atteridgeville, Mamelodi and Lynnwood. Management is redeveloping the Atlyn Shopping Centre and will add 2,460sqm (second anchor Spar and Tops, as well as a Burger King drive-through) to increase the gross lettable area to 33,785sqm. The company is also aiming to develop a new 10,000sqm mixed-used development in Lynnwood, but it is still in the planning phase.

Disposal of Platz am Meer

Platz am Meer, in Swakopmund in Namibia, is the only one of SAR's retail assets outside South Africa. The centre has been trading since 2016 and the book value is ZAR291m. Occupancy has improved significantly with a vacancy rate of 1.9%. The exit strategy is as a result of Namibia not having REIT legislation, which is negative for tax efficiency. Under REIT structure, companies avoid double taxation. South African REITs are required to distribute 75% of taxable income to investors, who then pay taxes on their dividends.

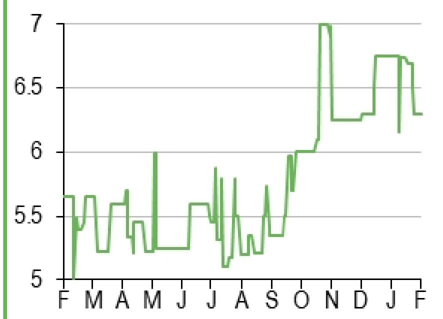
Historical financials

Year end	DPS (ZAc)	NAV/ share (ZAR)	Revenue (ZARm)	PBT (ZARm)	EPS (ZAc)	P/E (x)	EV/sales (x)	Yield (%)	P/NAV (x)
6/22	57.00	8.6	416.0	262.9	98.40	6.4	7.5	9.0	0.73
6/23	65.00	9.2	456.9	339.0	125.50	5.0	6.9	10.3	0.68
6/24	78.00	10.1	680.1	419.5	157.40	4.0	4.6	12.4	0.62

Source: Company financial reports. Note: FY24 is for 15 months; the company has changed year-end from March to June. FY22 and FY23 have a March year-end.

Price	ZAR6.30
Market cap	ZAR1,624m

Share price performance



Share details

Code	SAR:JSE
Listing	JSE
Shares in issue	257.8m
Net cash/(debt) at 30 June 2024	ZAR(1,509.5)m

Business description

Safari Investments is a retail specialist that owns and operates small regional and community shopping centres in South Africa and Namibia.

Bull points

- Revenue generation is not overly sensitive to interest rates. Most shoppers receive social grants from the government and do not have mortgages or vehicle finance.
- Historical dividend yield of 12.4%.
- According to consensus forecasts, the South African economic and political outlook is positive following the formation of the Government of National Unity.

Bear points

- Delays in executing non-core disposals could be a negative.
- Potential yield dilution from defensive capital spending, although this would be a short-term event.
- High oil price and weak rand could adversely affect disposable income.

Analysts

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