

Attacq

FY24 distributable income outperforms

Attacq is a diversified real estate investment trust (REIT), which generates revenue from a ZAR22.9bn investment property portfolio made up of shopping centres, collaboration hubs (offices), logistics, hotels and data centres in South Africa. It also taps into its huge land bank and 1.4 million sqm of bulk with development rights in various sectors to build residential properties for sale. Attacq's gross revenue for FY24 increased 6.9% to ZAR2.6bn, largely bolstered by rental income growth of 8.8% to ZAR2.5bn. Distributable income per share (DIPS) came in at 86.2c, up 19.9% y-o-y, above management's previous guidance. Attacq has provided DIPS guidance of 103.4c for FY25, which implies an 82.7c dividend per share, given the 80% payout ratio. The stock is trading at a price to NAV multiple of 0.7x, with a dividend yield of 5.3% and a shareholder yield of 31.8% (sum of dividend yield, share buyback yield and net debt repayment yield). The share buyback and net debt repayment yields are 0.6% and 25.9%, respectively, although the shareholder yield has benefited from asset sales.

Improvement in occupancy rates

Attacq's group occupancy rate was registered at 92.8%, a slight improvement from 92.5% in FY23. The blemish remains the collaboration hubs, which have an occupancy rate of 86.2%, due to Waterfall View, Allendale Building and Brooklyn Bridge Office high vacancy rates. By contrast, the retail and logistics segments posted 97.3% and 93.4% occupancy rates, respectively. The logistics vacancy was caused by the two newly completed midi-units. In FY24, Attacq's retail portfolio delivered a strong performance, as demonstrated by the rent reversion rate of 5.6% and rent escalation growth of 6.5%. Since July 2022, Mall of Africa, Attacq's largest mall, has posted a 23% growth in trading density, higher than the Clur Index benchmark growth of 15.8%. Similarly, in FY24, super and regional malls' footcount (the number of people in a space) monthly growth rates were consistently positive, except for the MooiRivier Mall and Garden Route Mall. However, the 12-month trading density growth rates were 8.9% and 6.4%, respectively.

Debt management underpins strong balance sheet

Attacq's debt position has benefited hugely from the ZAR2.7bn sale proceeds of a 30% share in Attacq Waterfall Investment Company to the Government Employees Pension Fund. Gross interest-bearing debt decreased to ZAR6.1bn from ZAR8.4bn in FY23. Consequently, the loan-to-value ratio improved to 25.4% from 37.3% in FY23. Attacq has ZAR874.6m in available liquidity, with 55.2% in unrestricted cash balances. The interest cover ratio increased to 2.3x, a significant improvement from 1.7x in FY23. Management expects gearing to remain below 30% for FY25.

Historical financials

Year end	Revenue (ZARm)	Distributable income (ZARm)	DIPS* (c)	DPS (c)	NAV per share (ZAR)	P/NAV (x)	Dividend yield (%)
06/22	2,521.5	442.5	62.8	50.0	17.5	0.7	3.8
06/23	2,436.4	506.8	71.9	58.0	17.7	0.7	4.5
06/24	2,604.7	605.7	86.2	69.0	17.9	0.7	5.3

Source: Company financial reports. Note: *Distributable income per share.

Real estate
12 September 2024

Price **ZAR12.84**
Market cap **ZAR8,984m**

Share price graph



Share details

Code	ATT
Listing	JSE
Shares in issue (excluding 46.4m shares held in treasury)	699.7m

Business description

Attacq has a diversified portfolio of investment properties, which comprises retail shopping centres, logistics hubs, collaboration hubs, hotels and data centres in South Africa. The REIT also builds residential properties for sale in Waterfall City.

Bull

- Retail and logistics portfolios showing great performance.
- Shareholder yield benefits from improved capital structure.
- The shares are trading at a 28% discount to NAV.

Bear

- Portfolio concentrated in Waterfall City.
- Collaboration hubs (office) vacancy rate remains high.
- Absence of global diversification strategy.

Analyst

Thobelani Maphumulo +44 (0)20 3077 5700

financials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE-OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

General disclaimer and copyright

This report has been prepared and issued by Edison. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2024 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.
