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Resilient gives shareholders 20,9% more in payouts

By Joan Muller

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Des de Beer and his team's ability to make money for Resilient shareholders is underscored by the 20,9% increase in income payouts achieved for the year to June.

Resilient's Des de Beer says that prospects and opportunities abound in South Africa, Eastern Europe and Africa, specifically Nigeria. Image: Resilient

That's more than double the average 8% distribution growth that have come out of the listed property sector as a whole so far this year.

Earnings performance was boosted partly by a weaker rand through increased exposure to the dollar- and euro-based portfolios of sister funds Rockcastle and New Europe Property Investments (Nepi), the Romanian mall owner.

But the fund's core SA portfolio of 26 shopping centres, the bulk of which are located in rural areas and townships, also continues to trade strongly, with the exception of its North West malls, which were hit by the platinum mining strike.

Resilient investors are not only scoring on the dividend growth front: The share price is up around 22% over the past year compared with the sector's average 7%. That makes Resilient one of the few property stocks that have now surpassed the peaks reached in May last year, when weaker bond yields sent the property index crashing.

The JSE's fifth-largest property counter, with a market capitalisation of R20bn, breached R65 a share for the first time last week. Resilient is now trading at a forward yield of around 6% compared with the sector's average 7,6%.

Questions over the price of stock

That raises the question of whether the stock is overpriced. Analysts don't believe so. Macquarie Research's Leon Allison says: "Resilient's consistently higher growth performance continues to justify its rating premium."

Resilient has recently bought Irene Mall and plans to transform it and change its tenancy. Image: Woodline

Allison notes that Resilient has recorded dividend growth of an average 13,5% a year over the past 10 years, way ahead of its peers' 8,4% a year during the same period. He expects the outperformance to continue for at least the next two years, with forecast dividend growth of 12% a year for 2015 and 2016, against 8% a year for the sector as a whole.

"So investors are forgoing a higher yield, but gaining higher growth, which should translate into continued share price performance," Allison says.

Stanlib head of listed property Keillen Ndlovu is equally bullish. "Yes, Resilient looks expensive but for good reason. It's been a perennial outperformer, and management never rests on its laurels, but consistently looks for growth."

Ndlovu also likes the fact that management owns a sizeable stake in Resilient, which he believes aligns its interests with those of shareholders. "We will continue to maintain our overweight position in Resilient given the recent positive results and growth prospects."

Plenty of growth opportunity

Stanlib's Keillen Ndlovu says that Resilient has been a "perennial outperformer" in the property sector for a number of years. Image: SA Commercial Prop News

De Beer, who is Resilient's Managing Director, said at the company's results presentation last week that though retail sales had held up better than expected, there was not a lot of opportunity left to grow revenues in the SA mall market or to build new shopping centres.

That's especially true for non-metropolitan areas, where Resilient has been a dominant performer over the past 10 years. However, De Beer said the company would continue to look for new development and redevelopment opportunities locally, which could show a swing towards metropolitan areas.

He referred to the recent acquisition of the Irene Mall south of Pretoria, which offers extension and retenanting opportunities within a strong and wealthy growth node.

But De Beer said he saw better growth opportunities in Eastern Europe and the rest of Africa in the future. "SA is a low-growth economy, and we want to be exposed to high-growth ones," he said.

De Beer said Resilient would continue to increase its offshore exposure through Nepi, Rockcastle and Resilient Africa, a Nigerian joint venture with Shoprite Checkers and Standard Bank.

The intention is to turn Rockcastle, which plans to build a sizeable development pipeline in Poland and Zambia, into the new Nepi. "We will probably also double our investment in Resilient Africa to R2bn and list the fund as a separate vehicle next year," De Beer added.

Two Nigerian malls are under construction, while negotiations are at various stages on an additional seven sites. But De Beer warned that Africa beyond SA's borders is a complex market in which to develop. "There's lots of corruption in Nigeria and land acquisition is fraught with risk. So our Nigerian pipeline is taking longer [to develop] than we expected," he said.

Source: Financial Mail via I-Net Bridge