

Arrowhead's share price plunges after warning of lower dividends

By <u>Alistair Anderson</u> 23 Nov 2017

The warning of a lower dividend payout by Arrowhead Properties, the diversified JSE-listed real estate investment trust, resulted in its share price falling nearly 10% in early trade on Wednesday, 22 November.



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The company forecast a drop in dividend growth of 6.5% for the 2018 September financial year. The share price dropped 9.63% to R6.85.

The dividend warning was made during the release of financial results for the year to September. Most other listed property funds have managed to forecast dividend or distribution growth for their 2018 financial years. This is despite concerns that SA-focused groups are struggling to grow income payouts and that dividends could fall in 2019 or beyond.

Arrowhead declared a dividend of 87.52c per share for the year ended September 30, representing growth of 6.02% from the previous reporting period.

[&]quot;The current uncertain political and economic circumstances have caused a rapid deterioration in our operating environment. These factors have greatly impacted our tenants," CEO Mark Kaplan said. "The combined effect of the

challenging macroeconomic situation and political uncertainty have a negative impact on rentals, tenant installations and broker commissions and we are pleased to have delivered on our 2017 forecast."

But Kaplan said lower-than-expected reversions, longer vacancies and general difficulty in space letting, particularly large, single-tenanted units, were all factors expected to affect performance in the 2018 financial year.

"We believe that in the current economic environment, the company needs to be conservative. As a result we have taken the strategic decision that with effect from the 2018 financial year we will no longer distribute any amounts that do not reflect a sustainable income base from which the company can deliver growth," he said.

The board would also consider the change from quarterly dividends to semi-annual dividends. However, this proposed change had not been taken into account in the forecast.

"Distribution of available non-sustainable income would have pushed the projected dividend growth into positive territory," said Kaplan. "However, this would have created an unsustainable base off which we could not confidently project future growth and would have weakened Arrowhead's balance sheet, at a time when we believe its well-positioned balance sheet is of significant benefit. The retained amounts that could have been distributed will instead be reinvested by the company, to drive sustainable growth."

Source: BDpro

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