

# Attacq eyes first dividend and Reit conversion

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Attacq CEO Morne Wilken says the development company is on track to pay its first dividend of 73c per share next year, and will convert to a real estate investment trust (Reit) in the following year.



Mall of Africa

The JSE-listed property developer reported diluted headline earnings per share increased about 92% in the year to end-June compared with the previous period, while vacancies across its retail and office portfolios rose.

Profit for the year fell 56.7% to just over R600m, mainly due to the strengthening of the rand, fair value adjustments and a one-off payment of R480m in the previous year, the company said in a statement. Adjusted net asset value per share rose 3.2% to R22.59 in the year to end-June. Net rental income rose to R1.86bn from R1.1bn during the period. Basic earnings per share increased to 23c from 12c, the company said in a statement. The fair market value of the investment in MAS Real Estate increased by 18.9% to R3.5bn, while cash generated by operations increased 23.4% to R1bn.

Vacancies in retail properties increased to 2.4% from 2.1%, and office vacancies increased to 5% from 4%. Vacancies that were filled after year-end relate mainly to the Allandale Building, the Mall and Waterfall Corner. The remaining vacancies are mainly attributable to Brooklyn Bridge Office Park, Newtown Junction and The Majestic. Attacq's industrial and hotel properties are fully tenanted, the company said.

Wilken said the group's property portfolio in the Waterfall region of Johannesburg was a strong value proposition.

The company planned to convert to a Reit from the 2019 financial year.

"We have development opportunities sitting on our doorstep at Waterfall. Our competitors have to look for opportunities across SA," he said.

Attacq recycled R1.9bn of capital and celebrated the first anniversary of the opening of Mall of Africa on 28 April 2017.

The group's gearing ratio improved from 39.9% to 37.1%, while cash generated from operations increased by 23.4% to R1bn.

"This year has been a transition year of consolidation and repositioning for Attacq. We have revisited our strategy, took cognisance of lessons learned, internalised our development team, cleaned up our portfolio and entered the 2018 financial year with a focused approach," Wilken said at the results presentation on Tuesday, 12 September.

"The business model has been simplified, creating the platform for future growth centred on our four value drivers - namely our quality South African portfolio; strategic investment in MAS; Waterfall development pipeline, which is Attacq's unique value proposition; and our retail investments in the rest of Africa.

"We are excited about our conversion to a Reit and believe our revised strategy is well positioned to unlock considerable value to shareholders in future."

Many investors have wanted Attacq to become a Reit, which would require it pay regular dividends. This is because net asset value growth for investors has been disappointing since Attacq listed in late 2013.

At 10.51am Attacq shares were up 0.37% at R18.75. The stock has risen 11.01% so far this year.

Attacq is targeting a maiden dividend payment from its income-producing assets, namely the existing operational portfolio and MAS investment, of 73c per share for the year ended June 30 2018, with annual distribution growth of 20% for three years after that, the company said in a statement.

The guidance is based on assumptions that include forecast rental income based on contractual terms and anticipated market-related renewals, the expected roll-out of the current and budgeted development portfolio, the company said.

*Source: BDpro*

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