Redefine International declares distributable income growth

By Joan Muller

30 Oct 2013

Rand hedge property company Redefine International, which started trading on Monday (28 October) in its new guise as a secondary inward listing on the JSE, on Tuesday (29 October) declared distributable income growth of a healthy 18% for the year to August.

Overseas acquisitions have boosted Redefine International's property portfolio. Image: Redefine International

However, shareholders will see their full-year dividend payments drop by 29.3% - from 4.4p per share to 3.11p per share - on the back of an additional 388.5m shares issued during the year following a successful £144.3m (R2.28bn) capital raising. Full-year income payouts comprise two interim dividends of 1.475p per share and 1.635p per share respectively.

The company, whose £1bn (R15.8bn) portfolio spans the UK, Germany, Switzerland and Australia, is expected to return to dividend growth of about 4.5% in its current financial year. Redefine International's chief executive Michael Watters said the restructuring of the company is now well under way. Four major purchases have already been announced: three shopping centres in Germany for €189m (R2.5bn) and a fourth retail centre in Northampton, England for £84m (R1.3bn).

The company's aggressive growth strategy follows a tough 24 months during which debt restructuring issues prevented it from bulking up its portfolio.

Strong income returns likely

"The company is now repositioned to start delivering strong income returns, as we continue to focus on improving the quality of the portfolio through acquisition, disposal and asset management initiatives," Watters said. Earlier this week, he also attained his long-awaited goal of simplifying the firm's shareholding structure by unbundling the cumbersome South African holding company, Redefine Properties International.

On Monday, the company's British and South African shares were combined into a single entity with a dual listing on the London Stock Exchange and JSE. The latter now trades as Redefine International (RPL) on both bourses.

Watters said the simplified structure should significantly boost both the size and liquidity of the company and also make it more investor friendly, as it brings Redefine International in line with the JSE's other dual-listed offshore property stocks such as Capital & Counties Properties, Intu Shopping Centres and New Europe Property Investments.

Is the stock getting expensive?

Redefine International's market capitalisation on the JSE rose by about 65% following the inward listing, from R5.1bn to R8.4bn. Though Redefine International shareholders may have lost out on dividend growth this year, they have gained substantially in terms of capital growth. The stock has been one of the JSE's best performers for the year to date, with a share price gain of 60%.

That raises the question of whether the stock is starting to look expensive. Sesfikile Capital director Mohamed Kalla said Redefine International on the JSE is currently trading at a slight premium to its UK levels, which could see some short-term pressure on the rand price, as the new dual-listings start to correct in line with one another. However, he said it was still attractively priced given its forward yield of 6.6% compared with the markedly lower yields of between 4% and 5% that its UK-listed peers are trading at.