L2D's first results fall short of expectations

The listing of Liberty Two Degrees (L2D) promised investors exposure to some of the best shopping centres in Africa for the first time, but its maiden year was disappointing.

By Alistair Anderson 20 Feb 2018

The company, which owns stakes in centres such as Sandton City, Eastgate Shopping Centre and Melrose Arch, missed dividend payout guidance for the year to December, despite very strong fourth-quarter retail trade, its financial results showed on Monday, 19 February.

Sandton City was the most visited shopping centre in SA during the 2017 festive season, according to research by Lightstone. Yet L2D failed to impress investors with its annual results. Having listed on the main board of the JSE in December 2016, its prelisting forecast was for a dividend per share of 65.07c in its first year.

The company managed only 59.22c per share in 2017. It has estimated only 60c per share for the 2018 financial year.

"Our first year since listing was marked by numerous operational accomplishments as well as some headwinds, which included a challenging macroeconomic and political environment, the impact of a put option exercised by Liberty, the clos of Stuttafords and Eastgate Shopping Centre's municipal valuation increase, all of which had an impact on our distribution said CEO Amelia Beattie.

L2D manages an R8.71bn portfolio of predominantly retail-focused assets.

The asset base grew substantially following the acquisition on 1 July of a further 9% of the larger Liberty Group's property portfolio for R2.51bn. Net asset value per unit grew to R9.86 as a result of good leasing progress, and arrears decreased 4.6%s, said Beattie.

Director at Meago Asset Management Thabo Ramushu said the results were poor even if L2D had tried to take steps to improve its fortunes.

"The results were indeed disappointing, given that they missed the revised lower guidance from prelisting.

"The management team have done well in reconfiguring the vacant Stuttafords space and incorporating tenants that previously were not present in the malls," Ramushu said.

"The outlook of 1.3% dividend growth for 2018 is well below the sector average, he said.

Evan Robins of Old Mutual Investment Group said it was a "very disappointing" set of results, especially as this was a new listing.

Beattie said approximate property income growth of 9% each year for the next few years would boost dividends.

Source: Business Day