

Arrowhead increases distribution by 13.49%

Acquisition-hungry Arrowhead Properties achieved 13.49% distribution growth to 62.58c per combined A and B linked unit in the six months to March, its results showed.

By [David Furlonger](#) 13 May 2014



Gerald Leissner, Chief Executive of Arrowhead is driving acquisitions and increasing the value of the listed property company. Image: Arrowhead

During the period, the group's asset base increased from R3.1bn to R4.6bn and its market capitalisation increased from R2.8bn to R4.4bn, owing to acquisition activity.

Arrowhead listed in 2011, having been a subsidiary of Redefine Properties. Since then it has grown a portfolio of assets from R1.72bn to more than R4bn.

The company disposed of the Education Building in King William's Town for R2.8m during the period.

Arrowhead also bought, by the issue of Arrowhead units, 22% of the B units in broad-based black economic empowerment company Dipula Income Fund, as well as 32% of the units in Vividend Income Fund (VIF) and the Vividend Management Company for R88.6m.

The company is to make an offer to buy all the issued linked units in Vividend through schemes of arrangement.

Arrowhead's net borrowings were R873m at the end of March, up from R575m in the same period last year which translates to a gearing ratio of 23% versus 21% for the comparable period.

"Our treasury places excess funds in our access facility to reduce the overall interest charge. The effective interest rate for the period is 8.28% and interest rates on more than 90% of our debt have been fixed for five years at rates of between 9.37% and 9.58%," Arrowhead's Chief Financial Officer Imraan Suleman said.

Sharp rise in revenue

Revenue, including rental income and expenditure recoverable from tenants, increased by 39.5% to R270.5m, boosted by the full effect of the acquisitions concluded during the previous financial year, the partial effect of the assets acquired in the current period, as well as the annual escalations of existing leases.

The Arrowhead property portfolio consists of 48% commercial, 35% retail, 14% industrial and 3% residential properties across all nine provinces within South Africa. The occupancy rate of the portfolio as at the end of the period was 98.5%.

March was 92%.

Arrowhead concluded an accelerated book-build in January this year, which was over-subscribed at a discount of just more than 3% on the closing price on the day prior to the book-build. The amount raised w increased from R400m to R490m as a result of the high demand.

Arrowhead Chief Executive Gerald Leissner said the company's strategy was to buy a diverse range of assets among residential, retail and industrial properties.

"We have worked hard during the past six months growing our asset base, acquiring five commercial, industrial and retail properties for R535m and residential properties for R150m, all at yields that are reven enhancing.

"We are confident that our strategy provides our investors with a diversified portfolio at acceptable risk lev that enhance distributions," he said.

"Gerald Leissner finds properties which work well. He is driving impressive growth at Arrowhead which the market did not expect to be so quick," said Keillen Ndlovu, head of the Stanlib Property Income Fund.

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