Redefine to move to lower European dividend metric

By Alistair Anderson

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Redefine International is set to pay out a lower proportion of its income as dividends as it caters for the demands of its UK shareholders.

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The company has to juggle the different demands of its South African and international investors, with JSE investors seeking income growth and investors on the London Stock Exchange wanting net asset value appreciation. It believes moving to a European Public Real Estate Association (Epra) distribution metric is a method of doing so.

"We want to be more fiscally conservative in a low-growth UK environment," said deputy CE Stephen Oakenfull. "The company will be moving to an industry standard Epra-based earnings metric. Adopting this earnings measure, adjusted only for necessary company-specific adjustments, allows for a closer alignment between earnings and operating cash flow.

"To facilitate our leverage objectives and to provide greater financial flexibility, a medium-term dividend payout ratio within the range of 90% to 95% of our rebased earnings measure will be targeted. In the short term, some degree of flexibility in the payout ratio may be required to smooth distributions to shareholders following the transition to the Epra-based earnings metric," he said.

Earnings per share guidance of 2.70p to 2.80p per share for the financial year ended August 31 2017 was subject to suitable reinvestment opportunities being secured. Growth in earnings per share was targeted to be between 3% and 5% per annum over the medium term.

Meago Asset Management director Anas Madhi said while Redefine International had elected to rebase its payouts, other property companies with UK and JSE listings would not necessarily follow suit.

"The proposed 90% to 95% payout thereafter is intended to provide them with greater financial flexibility, especially as they seek to reduce their gearing to below their current levels, which are circa 53%," he said.

Source: Business Day