Growth good news ahead of Intu's takeover

By Alistair Anderson

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Intu Properties said it had recorded a "solid" performance last year, positioning itself for a takeover by Hammerson, which will create the largest property stock on the JSE.

"The underlying strengths of the Intu business were much in evidence in 2017 as we recorded a robust overall performance, confounding the external gloom and negativity in pre-Brexit UK about retail and retail property," said CEO David Fischel.

Intu recorded a strong year of leasing activity, signing 217 long-term leases in the UK and Spain, at rents in aggregate 7% ahead of previous rents, as retailers continued to focus on increasing their space in prime retail centres. This successful leasing performance meant that Intu achieved a third successive year of like-for-like net rental income growth. Following increases of 1.8% in 2015 and 3.6% in 2016, Intu delivered a 0.5% increase for the year overall, with a strong second half recovery with growth of 2.4%.

"This enabled us to reiterate our medium-term guidance, over the next three to five years, of 2% to 3% like-for-like net rental income growth per annum and now we expect to be in the range of 1.5% to 2.5% like-for-like net rental income growth in 2018," he said.

Fischel said Intu was well-positioned for the expected takeover by European shopping giant Hammerson who made a successful bid for Intu in December 2017.

Hammerson would nearly double in size and become a real estate group worth close to R110bn. This would position it as the largest property stock on the JSE. The deal was expected to be completed in the middle of 2018 after Intu releases results for the six months to June.

Fischel said Intu's asset performance in the UK had met expectations, while the Spanish portfolio had surprised on the upside. This had resulted in a revaluation surplus of £47m, which in turn drove an increased profit for the year of £203m. This was up 18% from £172m during the 2016 financial year. Intu’s net asset value per share rose 1.73% from 404p per share to 411p per share.

Other key performance indicators, such as 96% occupancy and increased footfall, also demonstrated that Intu is in good shape, said Fischel.

Garreth Elston of Golden Section Capital said Intu’s results were in line with his low expectations of UK major retail. “While the company has some very good retail properties, we remain negative on UK retail, and the only part of Intu’s operations that we are excited by are their continental operations. We also believe that the company’s debt levels are getting too high.”

Source: Business Day