TRADEHOLD BACK IN THE PROFIT ZONE

For the first six months to August 2021, Tradehold trounced tough trading conditions in its key markets to post a net profit of £4.9m, bouncing back from a loss of £8.7m in the corresponding period a year ago. As a result, the company has declared a cash dividend of 30c per ordinary share.

Given the volatility of the rand and that most of its subsidiaries conduct their operations in pounds sterling, Tradehold has always reported in this currency.

At the reporting date, net assets of £825m were split across the UK (39.5%), South Africa (52.3%) and the rest of Africa (8.2%). In the UK, its major subsidiaries are the Moorgarth Property Group and Boutique, the latter specialising in flexible office accommodation. In South Africa, it owns 74,3% of the Collins Property Group.

Joint CEO Friedrich Esterhuyse said the star performer was again the Collins Group, reporting a net operating income of R187m. This was well above budget, with management able to collect 99% of all rentals and arrears.

“An impressive performance, in our view, notwithstanding the unrest in KwaZulu-Natal in July. We didn’t escape unscathed, however. We had 21 smaller buildings that were impacted, resulting in a loss of some R74m.

“Fortunately, none of the company’s large industrial parks and distribution centres, that form the bulk of the portfolio, suffered any damage or looting. This was thanks to hands-on management and the deployment of specialised security for their protection.”

He said the unrest had underlined the need to diversify the company’s property portfolio, both in asset class and geographic spread. “Although no new acquisitions were made during the reporting period, we did acquire six properties in Austria last year and management is now pursuing further options.”

In the UK, where the market fully opened in July, footfall in shopping centres increased substantially and Moorgarth was able to raise rental collections to over 90%. Progress here and elsewhere enabled Moorgarth to achieve a net profit of £1.9m against a budgeted loss of £0.6m.

Currently, retail represents 37% of the value of Moorgarth’s total property holdings as against 54% in 2019. The intention is to further reduce exposure to traditional retail and negotiations for the sale of its major shopping centre in Reading near London have now reached an advanced stage.

Esterhuyse said property valuations were retained at year-end levels as no material changes had occurred in the market to warrant a revaluation at this stage.

Moorgarth other UK subsidiary Boutique has been able to capitalise on the increasing demand for flexible office space.

Boutique operates from 29 buildings in Greater London that together house more than 5 100 workstations in a hybridised working environment adapted to meet the requirements of individual tenants.

Esterhuyse said Boutique’s occupancy rate had dropped from 92% at the start of the pandemic to 67% at the beginning of the present financial year. “Following an intensive marketing campaign and assisted by a steadily recovering market, occupancy grew to 85% by the end of the reporting period. As a result, the expected loss for the period was substantially reduced.”

In looking ahead, Esterhuyse said the South African economy was expected to feel the fallout from the July riots that had cost the country R50bn, for some time to come. He added that the UK’s recovery was being hampered by prevailing supply chain interruptions and shortages of essential materials.

“However, we are confident these shortages will be temporary and that the UK’s economy will soon return to pre-pandemic levels. In South Africa, our operations are to a large extent protected by the long-term leases with major tenants that are, almost without exception leading players in the local economy.

“Although Boutique has been the only one of our subsidiaries to report a loss for the first six months, we are confident it is well placed to benefit from the changing work culture worldwide. We believe it is in the right place at the right time and, if managed well, as we think it is, should continue to enhance its performance,” Esterhuyse said.

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