

Redefine Properties Ltd.

Real estate

Company Update Report



Analyst recommendation

Counter	Share price	Intrinsic value	Difference
RDF-ZA	R4.83	R5.49	14%

August 2025

Executive summary

We maintain our buy recommendation on Redefine Properties Limited (RDF) with an intrinsic value of R5.49, and an upside of 14%. RDF released its 1H25 results, which were mixed, but we have not changed our view on the company. We expect RDF's distributable income per share to benefit from easing interest rate pressures. This is reflected in the company's FY25 guidance of 50 to 53 cents per share, indicating an improvement compared to FY24's 50 cents per share.

Valuation

Our view remains unchanged. Our intrinsic value for RDF remains R5.49, implying a 14% upside, based on FY26 forecasted FFO/s and a range of P/FO multiples. The original thesis hinged on improving property metrics and falling bond yields – the latter having declined by 107 bps. While we expect further yield compression due to rate cuts and controlled inflation, the upside appears limited as yields have reverted to their 10-year average, prompting a more cautious scenario weighting. We anticipate steady FY26 distributable income growth and a modest dividend increase, maintaining an 80–90% payout ratio. Despite a slight dip in the interest cover ratio (2.2x to 2.0x), it remains above the 1.75x covenant level.

What would change our minds?

- Changing view on government bonds and potential impact on property performance
 - Although bond yields have declined over the past 18 months. The current outlook anticipates further yield compression, supported by expected interest rate cuts and inflation stabilising within the South African Reserve Bank's (SARB) target range. Nevertheless, sector-specific risks persist—particularly due to the formation of the Government of National Unity (GNU) in South Africa and the potential for a global recession. Despite these headwinds, current valuations continue to offer compelling risk-adjusted returns.
- Potential deterioration in property fundamentals: Occupancy and rental reversion
 - The prevailing view is one of gradual improvement in property fundamentals. Retail sector performance is gaining momentum, which should support positive rental reversions. In the industrial sector, strong demand relative to limited new supply is expected to drive continued strength. Meanwhile, the office sector benefits from a low vacancy base, with return-to-office trends contributing to further occupancy gains. Overall, the outlook suggests improving conditions rather than deterioration.



Table 2: Qualitative summary

Factor review	Rating	Description
Growth		We maintain an expect revenue growth of 5% for the FY25 period driven by the acquisitions of strategic assets which offsets by the negative reversions. Office remains a highlighted risk. We also forecast an expansion in distribution of 3%, close to the midpoint of management's guidance.
Valuation		We have an intrinsic value of R5.49 with an upside of 14%.
Dividend yield		RDF trades with an 9.6% dividend yield.
Issuance		Share dilution over the last five years has been 27% primarily driven by a capital raise to fund the purchase of the Polish business, EPP.
Catalyst	A reduction in interest rates and finance costs is expected to support growth and positively impact DIPS growth.	
Quality of earnings		We continue to view RDF's quality of earnings as low, largely due to the significant impact of fair value adjustments on the bottom line—an issue that is prevalent across the broader property sector.
Management and governance		The average tenure of the company's management team is seven years. Under RDF's leadership, the loan-to-value (LTV) ratio has been reduced from 42% to 41.5%, with a firm commitment to maintaining it within the target range of 38% to 41%.
Balance sheet		RDF has an interest cover ratio of 2.0x with an LTV of 41.5%. The group has less than 5% of debt maturing in FY25. RDF has negotiated to reduce its ICR covenant from 2x to 1.75x for the next two periods.
Risks	RDF has material exposure to office space, which is a risk due to a structural change in demand for office space driven by changes involving work-from-home policies. Demand indicated by rental reversions has remained negative for SA Office, with SA Industrial providing a defensive element and SA Retail improving.	
Regulation		RDF complies with REIT regulations as showcased in their retained status and operates in a sector whose regulation is not as constrictive compared to others.
ESG		RDF has a FactSet ESG score of 71/100.
Momentum price		RDF has positive price momentum.
Momentum earnings		RDF has positive earnings momentum.

Source: PSG Wealth



Outlook

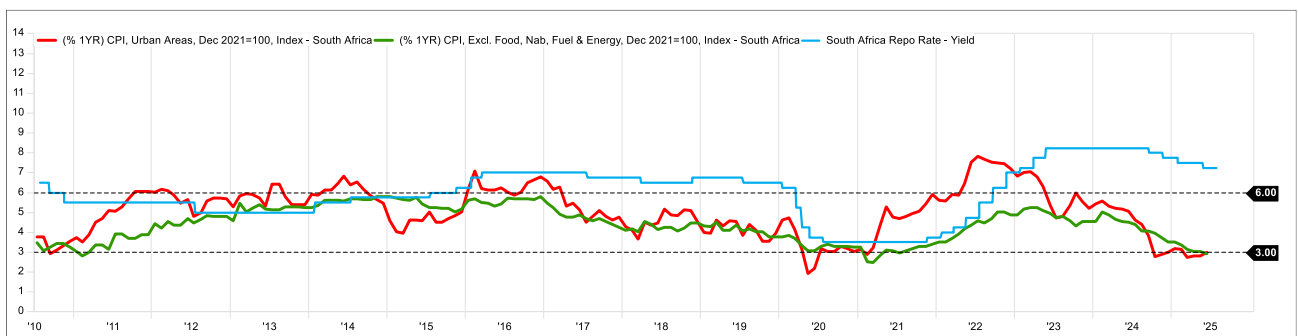
Our view remains unchanged. Bond yields have dropped by 107 basis points, and we maintain a positive outlook, expecting further compression driven by interest rate cuts. Yields have reverted close to their 10-year average, and while rate cuts may push them lower, we see limited upside in the bull case and have adjusted our scenario weightings to reflect a more probable outcome.

Graph 1: SA 10-year bond yield



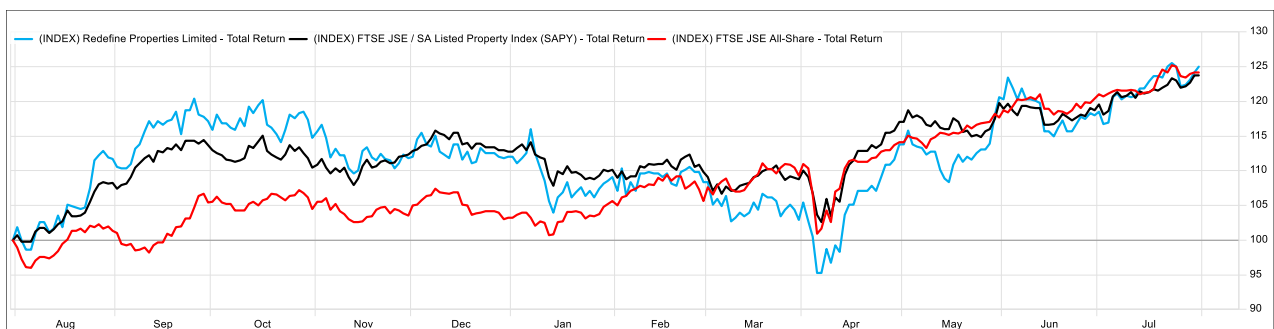
Source: FactSet

Graph 2: Inflation and repo rate



Source: FactSet

Graph 3: RDF, SAPY and ALSI indexed 1-year total returns



Source: FactSet



Valuation

We value RDF using a product of our forecasted FY26 FFO/s, and an expected range of P/FO multiples discounted to compute our intrinsic value of R5.49 with an upside of 14%. Our initial investment thesis focused on an expectation of outperformance as a combination of a positive inflection point in property metrics and a depression in bond yield levels. We have seen yields depressing over the last 18 months, along with inflection points in property metrics except office. Office remains a risk with RDF's exposure primarily in Gauteng. Reaching the inflection point is taking longer than anticipated from a renewals point of view, but the rest of the business (retail and industrial) gives us confidence.

Table 3: Income statement items and estimates

	aFY-21	aFY-22	aFY-23	aFY-24	<i>FY-25 est</i>	<i>FY-26 est</i>
Revenue (Rm)	7 157	8 244	9 909	10 656	11 185	11 972
Growth (%)	-15%	15%	20%	8%	5%	7%
FFO (Rm)	2 395	3 662	3 629	3 465	3 586	3 570
Growth (%)	-15%	53%	-1%	-5%	3%	0%
FFO margin (%)	33.5%	44.4%	36.6%	32.5%	32.1%	29.8%
Change (BPS)	2bps	110bps	-78bps	-41bps	-5bps	-23bps
FFO per share (cents)	44.1	54.2	53.7	51.3	52.9	54.7
Growth	-15%	23%	-1%	-5%	3%	0%

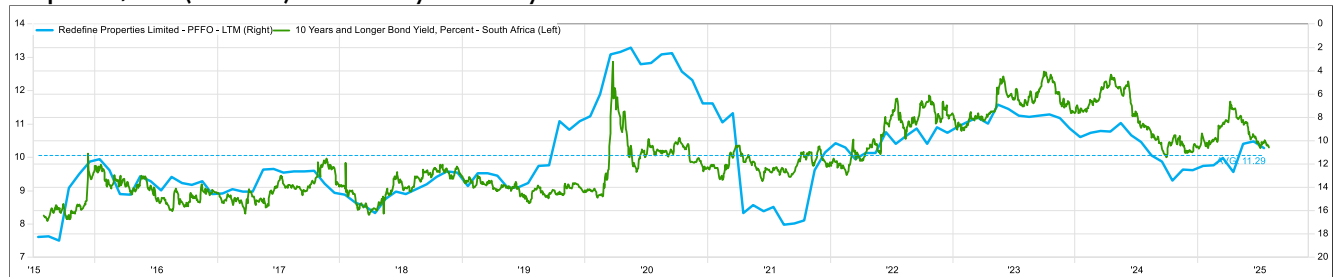
Source: PSG Wealth Research

Table 4: Valuation

	Bear	Base	Bull	Weighted
FFO (Rm)	3 009	3 676	3 711	3 483
FFO per share (cents)	44.4	54.2	54.7	51.4
Price/FFO multiple	9.0x	11.0x	15.0x	11.2x
Intrinsic value (Rands)	3.77	5.63	7.75	5.49
Upside/(Downside)	-22%	16%	60%	14%
Scenario	30%	50%	20%	-

Source: PSG Wealth Research

Graph 4: P/FFO (Inversed) and SA 10-year bond yield



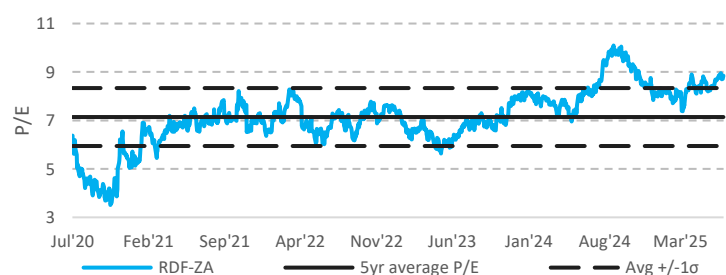
Source: FactSet

Table 5: Company data

52-week high	R5.22
52-week low	R3.69
Market value (bn)	R34.7
Price momentum	Positive
3m earnings revision	1.08%
Fiscal year-end	2025/08/31

Source: FactSet

Graph 5: Price to earnings



Source: FactSet

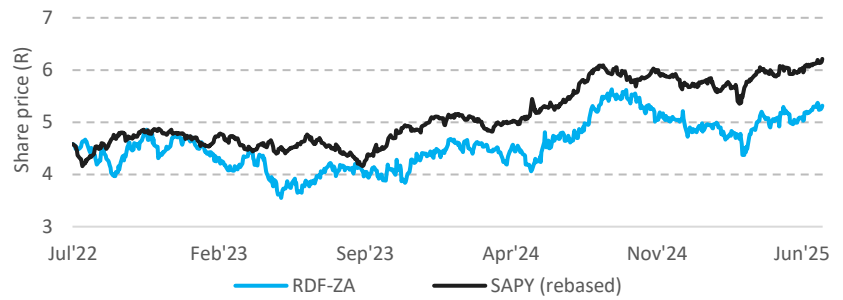


Table 6: Valuation multiples

Multiple	Latest: Jul-2025	Last note: Apr-2025
P/E	8.8x	8.6x
P/S	4.4x	4.2x
EV/EBITDA	13.4x	13.4x
EV/EBIT	12.0x	-
EV/SALES	9.7x	9.6x
Dividend yield	9.6%	9.9%

Source: FactSet

Graph 6: Share price history versus benchmark



Source: FactSet

Table 7: Performance versus benchmark

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Redefine Properties Limited	5.9%	5.2%	4.3%	9.3%	16.1%	36.5%	18.1%	42.6%	-58.3%
SAPY	6.6%	3.9%	4.4%	9.3%	18.0%	40.0%	34.1%	57.9%	-35.2%

Source: FactSet

Table 8: Key competitors

Code	Price (local)	Market Cap (Rbn)	P/E	Price % (3mo)	Price % (1YR)
RDF-ZA	4.8	35	8.8x	4.3%	16.1%
GRT-ZA	14.3	49	9.3x	9.4%	17.6%
HYP-ZA	45.7	18	10.8x	7.4%	43.7%
EQU-ZA	15.8	13	11.6x	4.2%	22.3%

Source: FactSet



Table 9: Key financials and ratios

Income Statement (ZAR bn)	2019	2020	2021	2022	2023	2024	5Yr CAGR
Revenue	9.2	8.5	7.2	8.2	9.9	10.7	2.90%
Y/Y growth (%)	-	-8.0	-15.7	15.1	20.2	7.5	
Gross Income	6.1	5.3	4.1	4.9	5.9	6.3	0.64%
Y/Y growth (%)	-	-12.8	-22.6	17.4	21.1	7.6	
EBITDA	5.3	4.3	4.6	4.5	5.0	4.6	-2.52%
Y/Y growth (%)	-	-18.5	8.2	-3.0	11.2	-7.6	
EBIT	4.6	1.7	5.7	6.5	4.9	7.1	9.19%
Y/Y growth (%)	-	-63.0	234.5	14.3	-24.5	45.1	
Net Income	3.3	-16.2	2.9	8.7	1.4	4.0	3.50%
Y/Y growth (%)	-	N/M	-118.0	198.4	-83.4	174.4	
EPS	0.6	-3.1	0.5	1.4	0.2	0.6	-0.98%
Y/Y growth (%)	-	N/M	-116.4	181.4	-84.9	174.4	

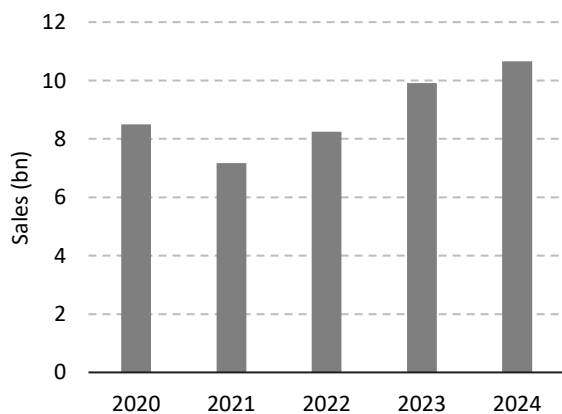
*N/M = Not Meaningful

Balance sheet and cash flow (ZAR bn)	2019	2020	2021	2022	2023	2024	5Yr CAGR
Capex (ZAR Mn)	9.3	14.6	28.6	10.3	9.1	24.5	21.32%
Cash from operations	4.6	2.7	2.3	2.6	2.6	2.9	-8.73%
Cash and ST investments	0.4	0.4	1.5	1.8	0.8	0.5	5.46%
Total assets	102.7	82.2	75.6	92.4	99.4	101.9	-0.16%
ST debt	4.5	1.9	2.3	4.3	5.8	1.8	-16.51%
LT debt	36.7	34.9	28.5	33.5	34.9	41.5	2.48%

Ratios	2019	2020	2021	2022	2023	2024	5Yr CAGR
Gross margin (%)	66.4	62.9	57.8	58.9	59.4	59.4	59.7
EBIT margin (%)	49.8	20.0	79.5	79.0	49.7	67.0	59.0
Net income margin (%)	36.2	-191.2	40.8	105.8	14.6	37.2	1.4
Total debt to equity	73.6	96.1	78.7	77.6	78.2	81.8	82.5
Total debt to assets	40.1	44.8	40.8	40.9	40.8	42.5	42.0
ROA (%)	3.3	-17.6	3.7	10.4	1.5	3.9	0.4
ROE (%)	5.9	-34.5	7.5	19.9	2.9	7.6	0.7

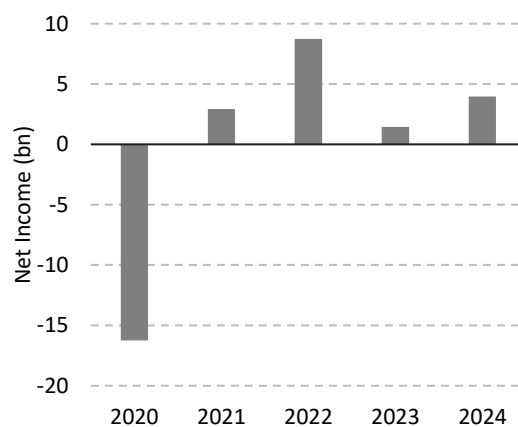
Source: FactSet

Graph 7: Annual sales



Source: FactSet

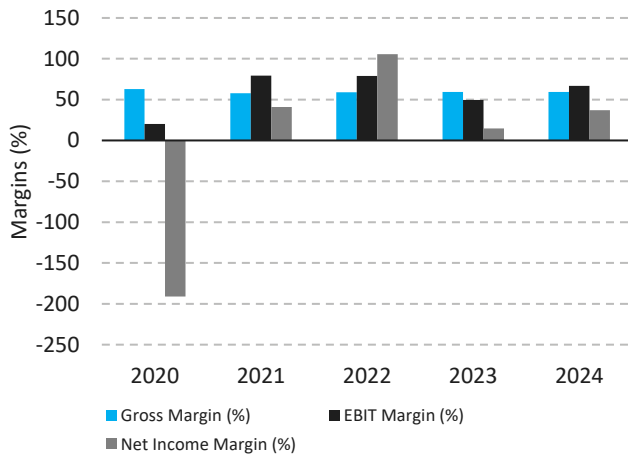
Graph 8: Annual net income



Source: FactSet

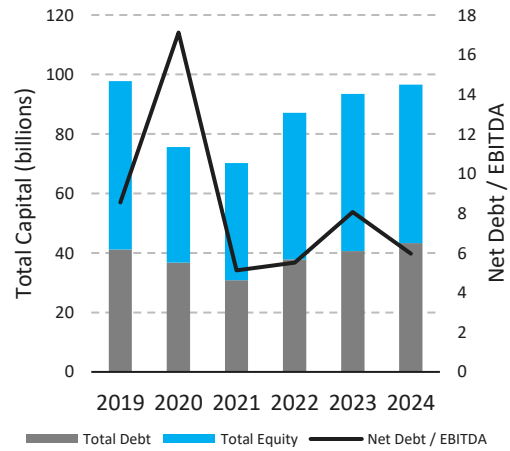


Graph 9: Gross, EBIT, net margins



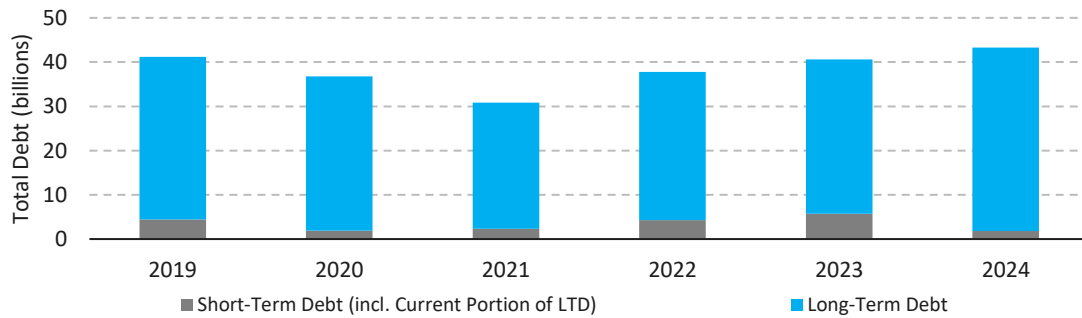
Source: FactSet

Graph 10: Capital structure & net debt / EBITDA



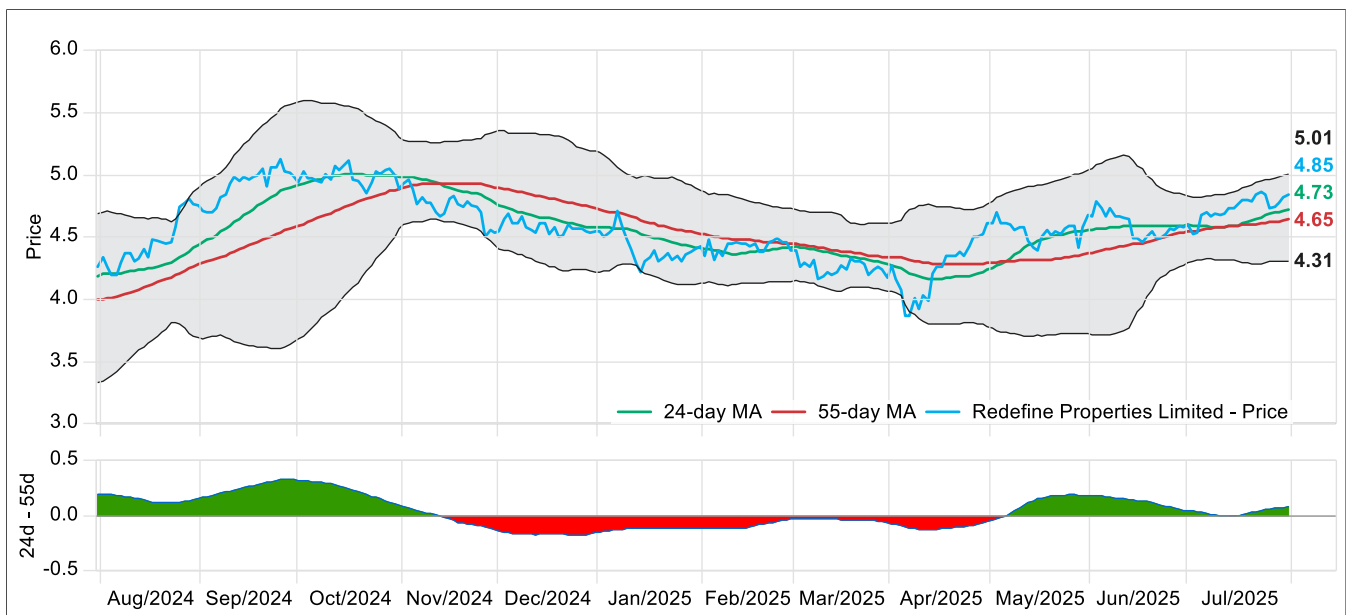
Source: FactSet

Graph 11: Short-term and long-term debt



Source: FactSet

Graph 12: Price momentum



Source: FactSet



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