



5 August 2024

RDC Properties Limited

RDCP	Current Price	Fair Value
	P 2.40	P 2.56

BOTSWANA'S FAMILY-DOMINATED BEHEMOTH – QUO VADIS?

Investment Proposition

RDC Properties Limited is a variable loan stock company listed on the Botswana Stock Exchange. The company is currently Botswana's second largest listed property company in market capitalisation terms, despite having the largest portfolio by asset value. It currently operates in Botswana, South Africa, Madagascar, Mozambique, Zambia, Croatia, and the United States of America. The portfolio consists of seventy-two properties across six sectors. The company's portfolio varies in quality considerably across sectors. The majority of the portfolio consists of office and mixed-use properties, and is located outside of Botswana, with the bulk of assets being in South Africa.

Key Points

- The latest annual results from December 2023 saw RDC's portfolio increase to P 5.97 billion from P 5.91 billion. This includes the sale of P 138 million of assets.
- Group rental income increased by 6.87% to P 561 290 000, up from P 525 205 000 in 2022.
- Group revenue increased by 6.87% to P 561 million from P 525 million, while profit from operations (before fair value adjustments) increased by 12.83% to P 309 million from P 274 million). Profit before tax decreased by 14.02% due to unrealised fair value reductions on interest rate derivatives
- LTV has reduced from 45.4% to 43.3%.
- NAV per linked unit (net of deferred tax) grew by 5.37% to P 3.73 from P 3.54.
- Portfolio vacancies improved to 10.70%, down from 12.80% in 2022.
- The company recently amalgamated RDC Properties International into RDC Properties Ltd.
- The company has indicated that it seeks to acquire all the units of competitor company PrimeTime Property Holdings in an all-share transaction.

Valuation

The company is close to being fairly valued at present, trading at 6.15% below Golden Section Capital's justified value of P 2.56 (and 35.7% below current NAV). The valuation is impacted by the varied portfolio quality, high vacancy levels, volatile distributions, sub-optimal board structure, but tempered by improving LTV and income. The company's NAV discount is high, but there are several levers available to it to lower the justified NAV discount going forward.

Downside Risks

- Downside risks include potential political instability in South Africa and Mozambique, resulting in adverse market, valuations, income, and currency movements.
- Any increases in funding costs, coupled to slower than expected interest rate decreases in all the markets RDC operates in will negatively impact estimated of fair value.
- Occupational demand being weaker than anticipated could result in a decline in rents and property values, with a rise in tenant defaults and vacant space negatively affecting cash flows.
- RDC's exposure to non-BWP earnings from South Africa and Croatia could be negatively impacted by adverse currency movements.

Golden Section Capital

Please Note: The contents of this document are confidential and subject to our Disclosure & Disclaimers

Garreth E. Elston MBA, MA, BCom, MRICS
 076-434-0918
garreth@goldensection.co.za
www.goldensection.capital



COMPANY DATA			
Last Price	P 2.40	Shares O/S (m)	758.23
Distr. Ps (thebe)	6.9	Mkt. Cap (USD mn)	\$134
1 Year High	P 2.40	1 Year Low	P 2.25
PE Ratio	17.3	1 Yr. Beta	0.00
1 Yr. TR	7.84%	Av. Daily Vol	P 0.00
Benchmark	Botswana Property	Free Float	72.50%
NAV	P 3.73	NAV Prem/Disc	-35.66%
LTV	43.30%	Yield	2.88%
WACD	9.7%	REIT/Non-REIT	Non
WVAP (20 Day)	P 0.00	50-day SMA	P 2.40
YTD	0.00%	Consensus B/H/S	Not Covered

BALANCE SHEET			
	2021	2022	2023
Total Current Assets	6 096 846 000	6 127 686 000	6 208 174 000
Fixed Assets	5 535 902 000	5 575 136 000	5 429 077 000
Total Current Liabilities	155 998 000	543 334 000	301 596 000
Total Long-Term Debt	2 830 877 000	2 369 095 000	2 520 452 000
Total Long and Short-Term Debt	2 830 877 000	2 375 201 000	2 529 045 000

FUNDAMENTAL			
	2021	2022	2023
EPS	163.99	18.84	14.23
DPS	9.37	3.50	6.90
CPS	-0.01	33.04	38.94

INCOME STATEMENT			
	2021	2022	2023
Revenue	150 065 000	540 746 000	571 669 000
Total Operating Expense	-85 140 000	-256 076 000	-268 249 000
Operating Income	64 925 000	284 505 000	303 478 000
Net Income Before Taxes	642 462 000	208 914 000	179 634 000
Net Income After Taxes	633 621 000	137 299 000	101 039 000

PROFITABILITY ANALYSIS			
	2021	2022	2023
ROE Tot Equity %	35.2	5.6	4.0
ROA Tot Assets %	14.7	2.2	1.6
Income Aff Tax Margin %	422.2	25.4	17.7
Revenue/Tot Assets	0.0	0.1	0.1
Long Term Debt/Equity %	115.7	94.9	96.6
Total Debt/Equity %	96.3	78.4	79.8

Source: Bloomberg

Standard House, Gaborone



The Company

RDC Properties Limited is a variable loan stock company listed on the Botswana Stock Exchange. The company was initially named RealEstate Development Company Limited, and it listed in 1992 with four properties and a portfolio value of P 26 million. In 1996 RealEstate Development Company Ltd converted to a variable rate loan stock structure and changed its company name to RDC Properties Limited. In the same year, it incorporated Property and Asset Management Company Limited (PAM) as the external management company of the portfolio. The company is headquartered in Botswana, but also has management presence and operations in Cape Town, South Africa. The company has grown by acquisitions, and in 2017 it acquired a controlling stake in South Africa's Capitalgro for R 170.9 million. Capitalgro primarily focusses on development and management in the Western Cape area of South Africa. In 2021 it acquired Tower Property Fund Limited for R 1.3 billion, Tower had a portfolio diversified across the major South African centres of Cape Town and Johannesburg, as well as properties in Croatia. RDC currently has P 5.9 billion in property assets, 577 shareholders, including several large Botswanan institutional investors, and its market capitalisation is P 1.8 billion. It currently operates in Botswana, South Africa, Madagascar, Mozambique, Zambia, Croatia, and the United States of America. The majority of the portfolio (74.8%) is located outside of Botswana. The Giachetti family members and associated entities are the largest holders of RDC units at approximately 37.46%, and the Botswana Public Officers Pension Fund is the largest institutional holder of RDC units at 34.07%. With these two groups holding over 70% of the company.

RDC Properties Limited Major Linked Unitholders		Current Holding	Current Holding %
	Associated with Giachetti Family	284 058 710	
	- RealEstate Financière SA	169 797 025	
	- Giorgio Giachetti	75 476 750	
1	- Aspera Holdings Ltd	31 057 081	37.46% *
	- Artena SRL	6 827 465	
	- Federica Giachetti	348 973	
	- Valeria Giachetti	348 973	
	- Property and Asset Management Ltd	175 310	
	- Italtswana Construction Company (Pty) Ltd	27 133	
2	BPOPF (across all asset managers)	258 361 804	34.07%
3	Bifm (across all funds)	95 009 843	12.53%
4	Botswana Motor Vehicle Accident Fund (across all asset managers)	21 635 865	2.85%
5	Debswana Pension Fund (across all asset managers)	25 474 533	3.36%
6	Botswana United Revenue Service (across all asset managers)	9 869 023	1.30%
7	SCBN(PTY) LTD RE: AG 028922700004	5 553 276	0.73%
8	Shakawe (PTY) LTD	5 553 276	0.73%
9	SCBN (PTY) LTD RE: AG 216/001	3 969 545	0.52%
10	Simon Susman	2 462 006	0.32%
Top 10 Holders		453 855 735	93.57%
Total RDC Units in Issue		758 232 937	

* Estimated

Source: Company Reports, Bloomberg, Golden Section Analysis

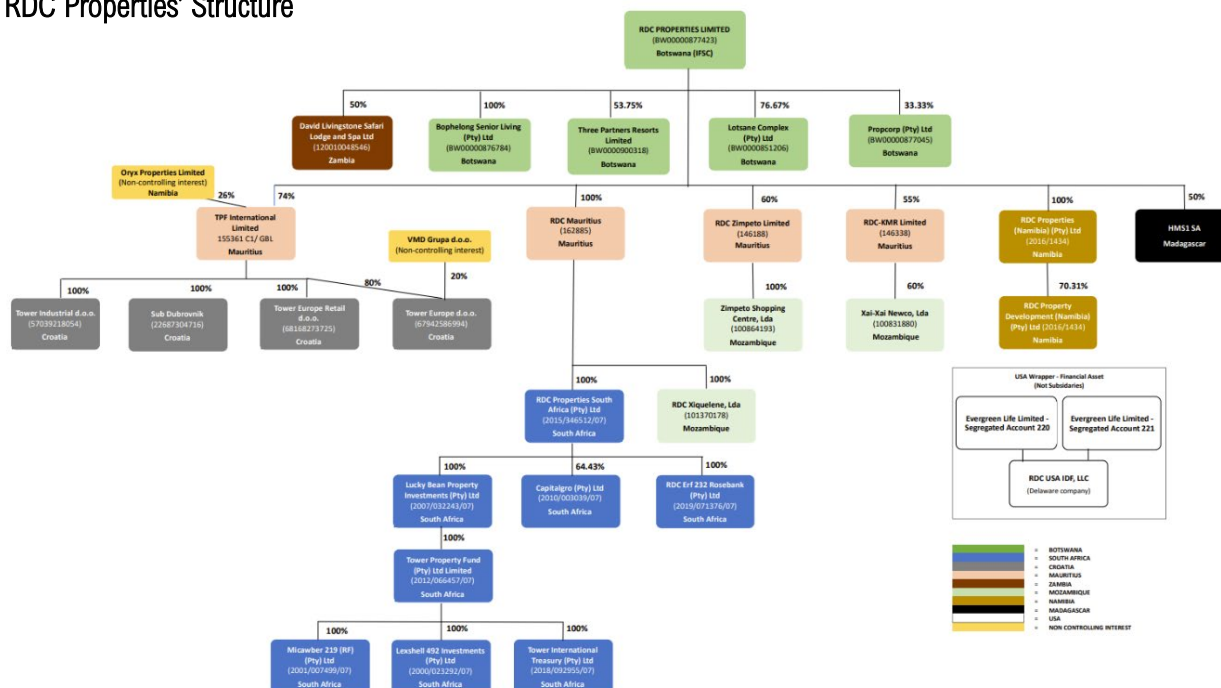
Directors' Holdings	Held directly	Held indirectly
Guido Giachetti	-	207 884 014 *
Giorgio Giachetti	75 476 750	*
Simon Susman	2 462 006	-
Jacopo Pari	1 850 000	-
Federica Giachetti	348 973	*

* Includes: RealEstate Financière SA, Aspera Holdings Ltd, Artena SRL, Property and Asset Management Ltd, Italtswana Pty Ltd.

Source: Company Reports, Bloomberg, Golden Section Analysis

The company has an external management structure, and the external management of the company is conducted by Property and Asset Management Company Limited (PAM). PAM manage the day-to-day operations of the Group, Notwane Asset Management Company (Pty) Ltd (a subsidiary of PAM) manages the South African portfolio. Capitalgro operates separately but has cross-directorships with PAM and RDC. PAM is employed on a full-service management contract. RDC has six staff members directly employed in RDC Properties, the direct costs of these staff are offset against the fees paid to PAM. The other related parties include Italtswana Construction Company (Pty) Ltd, Bophelong Senior Living (Pty) Ltd, Chobe Marina Lodge (Pty) Ltd, Three Partners Resorts Limited, Antya Investments (Pty) Ltd, Yuagong (Pty) Ltd, Propcorp (Pty) Ltd, Lotsane Complex (Pty) Ltd, the USA investment is through a private placement. The company has recently amalgamated RDC Properties International into RDC Properties limited. The RDC board is ultimately responsible for the leadership and control of RDC.

RDC Properties' Structure



Source: RDC Properties

We prefer internal management teams, and RDC's external management and high levels of related parties are not viewed favourably by most listed property investors.

The board currently consists of five Independent Directors, four Executive Directors, and two Non-Executive Non-Independent Directors. It has a gender split of five females and six males. There are three Giachetti family members that serve on the board, and considering Non-Independents, Executives and Family, the Board can be viewed as Non-Independent and is not structured in a manner that we would consider to be optimal. On the positive side Mr. Guido Giachetti has recently stepped down as Executive Chairman (he remains as current Vice Chairman) and Mr. Andrew Bradley has been appointed as Independent Non-Executive Chairman of the board.

The company secretarial function is outsourced to PricewaterhouseCoopers (Pty) Ltd (PwC Botswana), and Mr Saumendu Sinha is the PwC employee responsible.

Director's fees are reasonable, but executive pay disclosure is lacking due to the external management structure. From a governance point of view, the concentration of Giachetti control through units held and board representation is far from what would be considered corporate governance best practice. The company has several opportunities for improving board independence.

Director	Type	Role	Appointed	Location	PAM Director	Capitalgro Director	Itaitswana Director
Guido Giachetti (61)	Executive	Vice Chairman	1996	RSA / Botswana	Yes	-	Yes
Jacopo Pari (50)	Executive	CEO Operations Developments	2013	RSA / Botswana	Yes	Yes	Yes
Joanne Mabin (44)	Executive	Chief Financial Officer	2022	RSA	Yes	Yes	-
Gary Fisher (58)	Executive	CEO Properties	2022	RSA	-	Yes	-
Federica Giachetti (29)	Non-Executive	-	2022	RSA	-	-	-
Giorgio Giachetti (81)	Non-Executive	-	1996	RSA / Botswana	Yes	-	Yes
Andrew Bradley (61)	Independent Non-Executive	Chairman	2016	RSA	Yes	-	-
Kate Maphage (62)	Independent Non-Executive	-	2012	Botswana	-	-	-
Nicola Milne (49)	Independent Non-Executive	-	2022	RSA	-	-	-
Simon Susman (74)	Independent Non-Executive	-	2022	RSA	-	-	-
Sithabile Mathe (50)	Independent Non-Executive	-	2023	Botswana	-	-	-

Source: Company Reports, Golden Section Analysis

Diversification Without Focus

RDC's portfolio consists of seventy-two properties, spread across Botswana, South Africa, Madagascar, Mozambique, Zambia, Croatia, and the USA. The company also has land in Namibia (Tsumeb and Katima Mulilo), but these parcels are fully impaired, and the company is seeking to dispose of them. The company disposed of four properties during the previous financial year (The Equinox P 73 million, Research Court P 33 million, Clearview Motor Village P 29 million, and Section 14 of Coachman's Crossing Block D P 1 million). A 50% share of the David Livingstone Safari Lodge and Spa was acquired in Livingstone, Zambia.

The company has been under pressure to successfully integrate, manage, and extract maximum value from the Tower portfolio that more than doubled the number of properties in RDC's portfolio in 2021.

RDC reported an increase in group revenue of 7% on the prior year from P 525 m to P 561. A key factor in this is the improvement in the hospitality sector which (which prior to the Livingstone acquisition constituted 10.22% of portfolio value). Hospitality rental payments to RDC totalled approximately P 50 million, compared to P 28.5 million in 2022, with an occupancy rate of 63% compared to 45% in the prior period. The Protea Hotel by Marriott Gaborone, Masa Square Hotel, and Chobe Marina Lodge have exceeded the pre-pandemic revenue levels from 2019.

Profit from operations, before fair value adjustments, increased by 13% to P 309 million and Profit before tax decreased by 14% due to unrealised fair value reductions (versus prior year gains) on interest rate derivatives.

	2023 P '000	2022 P '000	2021 P '000	2020 P '000	2019 P '000
Revenue	561 290	525 205	146 562	131 594	152 481
Profit from operations before fair value adjustment	309 237	274 069	62 692	82 720	106 690
Profit from operations after fair value adjustment	380 406	412 351	115 375	64 259	191 436
Profit before tax	179 634	208 914	65 120	18 967	162 080
Profit attributable to owners	101 039	137 299	51 983	26 805	118 807
Average number of linked units in issue	758 232 937	758 232 937	391 792 630	352 644 215	350 982 285
Earnings per linked unit (thebe)	14.23	18.84	16.63	7.60	33.85

Source: Company Reports, Golden Section Analysis

Properties	2023	2022	2021	2020	2019	2018
Number of properties	72	75	79	30	30	30
Portfolio Value pula	5.98 bn	5.91 bn	5.82 bn	2.29 bn	2.02 bn	1.94 bn
Portfolio vacancies	10.7%	12.8%	14.2%	11.79%	7.53%	5.45%

Source: Company Reports, Golden Section Analysis

South Africa constitutes the bulk of RDC's portfolio with thirty-nine properties and 61.32% of GLA and 48.69% of portfolio value. This is followed by Botswana with twenty-three properties, and represents 25.42% of the portfolio value, and 20.56% of GLA. The mixed-use Masa property in Gaborone is the single largest asset in the RDC portfolio. Croatia's

four properties constitute the largest average value per property, constituting 11.20% of GLA, but 23% of portfolio value. The Croatian portfolio experienced a value uplift of P 74 million.

Country	GLA (m ²)	%	Property Value P	%	Properties
South Africa	209 499	61.32%	2 870 388 805	48.69%	39
Botswana	70 244	20.56%	1 498 367 000	25.42%	23
Croatia	38 246	11.20%	1 355 899 000	23.00%	4
Madagascar	8 900	2.61%	28 468 500	0.48%	1
Zambia	8 250	2.41%	73 594 815	1.25%	1
USA	7 383	*	46 752 322	0.79%	1
Mozambique	6 492	1.90%	68 812 172	1.17%	3
Total	341 631		5 942 282 614		72

* Due to the structure of the USA Investment, RDC excludes the USA from total GLA.

Source: Company Reports, Golden Section Analysis

RDC has a diversified mix of sector types in its portfolio, and the portfolio varies quite markedly in quality from P-Grade through to C. The largest component of RDC's portfolio consists of office properties, followed by mixed-use and retail. Industrial, which is currently one of the most in demand sectors, consists of seven properties, and potentially offers the best potential growth area for the company.

Sector	GLA (m ²)	%	Property Value P	%	Properties
Office	123 913	36.27%	1 938 157 000	32.62%	32
Mixed Use	83 300	24.38%	1 411 801 000	23.76%	7
Retail	74 164	21.71%	1 209 532 172	20.35%	17
Hospitality	32 361	9.47%	673 089 560	11.33%	4
Industrial	18 224	5.33%	356 120 000	5.99%	7
Residential	9 669	2.83%	299 936 560	5.05%	2
Development	7 383 *	*	46 752 322	0.79%	1
Land	10 511 *	*	6 894 000	0.12%	2
Total	341 631		5 942 282 614		72

* Excluded from total GLA.

Source: Company Reports, Golden Section Analysis

Portfolio Value and NAV

The RDC portfolio increased by P 76 million to P 5.97 billion (2022 P 5.91 billion), including the sale of P 138 million of assets during the year. The uplift in portfolio value was the result of a gain on the revaluation of investment properties. The company's policy is that each property is only valued independently by an accredited valuer at least every three years. When not done by an accredited valuer, directors' valuations are used and RDC directors use their judgement in selecting an appropriate valuation technique for the investment properties. In 2023 only 59% of the portfolio (by value) was independently valued, and it appears that it was only purely South African assets that were independently valued in the last financial year. Golden Section's view is that a three-year independent valuation policy is not conducive to investors and potential investors receiving adequate up to date portfolio valuations and having director's valuations for potentially up to three years is highly sub-optimal. Independent valuations should be conducted far more frequently,

and director's valuations should only be used on an interim basis and not for multi-year periods. In comparison, South Africa's Growthpoint Properties values at least 75% of its total portfolio of 389 properties externally every year.

	Location	Type	Sold For P	Valued P	Discount
Equinox	Cape Town RSA	Office	73 000 000	74 542 580	-2.07%
Research Court	Georgia USA	Office	33 000 000	34 560 000	-4.51%
Clearview Motor Village	Johannesburg RSA	Vehicle Retail	29 000 000	31 798 664	-8.80%
Coachman's Crossing Block D	Johannesburg RSA	Office	1 184 000	1 226 821	-3.49%

Source: Company Reports, Golden Section Analysis

The increase in portfolio value, portfolio property sales, and repayment of debt resulted in RDC's NAV increasing by 5.37% from P 3.54 to P 3.73 (when adjusted for deferred tax).

	2023 P '000	2022 P '000	2021 P '000	2020 P '000	2019 P '000
Portfolio value	5 986 283	5 910 111	5 823 921	2 299 123	2 024 491
Increase pula	76 172	86 190	3 524 798	279 040	64 087
Increase %	1.29%	1.48%	153.31%	13.59%	3.27%
Net Asset Value (NAV)	2 609 717	2 497 463	2 447 686	1 156 823	1 169 406
NAV per linked unit (pula)	3.44	3.29	3.23	3.27	3.33
NAV plu adj. deferred tax (pula)	3.73	3.54	3.45	3.64	3.13

GLA by Size	>12 000 m ²	>5 000 m ² to 11 999 m ²	<5 000 m ²
RDC Properties Limited	6	20	46

Property Value pula	> P 100 m	> P50 m to P 99.9 m	> P20 m to P 49.9 m	> P10 m to P19.9 m	> P9.9 m
RDC Properties Limited	15	9	26	15	7

Source: Company Reports, Golden Section Analysis

Portfolio Vacancies have Improved from 2022

The portfolio's vacancy rate of 10.7% (while down from the previous 12.8%) is higher than desirable, and it is primarily driven by high vacancies in South Africa, especially Gauteng at 23.2%, Durban at 16.9%, and Botswana (the only region to increase vacancies year-on-year from 6.7% to 7.5%). Croatia has no vacancies which is an important driver of RDC's portfolio performance along with the Cape Town portfolio which saw vacancies decline markedly from 10.2% to 4.4%. The Cape Town properties saw significant reductions in vacancies both in the ex-Tower (2.9%) and Capitalgro (3.9%) portfolios.

	Total	Botswana	RSA Cape Town	RSA Gauteng	RSA Durban	Croatia
Vacancy by Geography GLA	10.7%	7.5%	4.4%	23.2%	16.9%	0%

Source: Company Reports, Golden Section Analysis

RDC Portfolio Details

	Property	Country	City	Sector	GLA (m ²)	Property Value P
1	Boswa Enterprises	Botswana	Serowe	Retail	1 518	11 229 000
2	Broadhurst Business Centre	Botswana	Gaborone	Office	1 150	20 244 000
3	Chobe Commercial centre	Botswana	Chobe	Office	3 945	14 323 000
4	Chobe Marina Lodge	Botswana	Kasane	Hospitality	1 144	278 137 000
5	Diamond Mall	Botswana	Jwaneng	Retail	2 251	32 777 000
6	European Union	Botswana	Gaborone	Office	1 496	42 281 000
7, 8	Gaborone West Warehouses	Botswana	Gaborone	Industrial	7 282	56 089 000
9	Mebala Centre	Botswana	Gaborone	Retail	1 348	33 877 000
10	PEP Serowe *	Botswana	Serowe	Retail	471 *	5 000 000
11	Phakalane Warehouse *	Botswana	Phakalane	Industrial	4 384 *	19 000 000
12, 13	ICC Flats	Botswana	Gaborone	Residential	5 787	140 994 000
14	Mole Mall #	Botswana	Gaborone	Land	10 000 #	433 000
15	RDC Mpingo	Botswana	Gaborone	Office	1 094	15 105 000
16	RDC Tholo	Botswana	Gaborone	Office	2 594	37 863 000
17	RDC Tsuma	Botswana	Gaborone	Office	1 127	16 558 000
18	Standard House	Botswana	Gaborone	Office	6 644	141 278 000
19	Standard Serowe	Botswana	Serowe	Retail	855	5 471 000
20	Tsodilo Centre	Botswana	Maun	Retail	492	5 602 000
21	Bophelong Senior Living (Pty) Ltd #	Botswana	Gaborone	Land	511 #	6 461 000
22	Lotsane	Botswana	Palapye	Retail	3 895	42 891 000
23	Masa Centre	Botswana	Gaborone	Mixed use	26 961	572 754 000
24	Cape Quarter Square	South Africa	Cape Town	Mixed use	22 057	382 552 000
25	32 Napier Street – Commercial	South Africa	Cape Town	Retail	530	19 220 000
	32 Napier Street – Units *	South Africa	Cape Town	Residential	*	7 635 105
26	De Ville	South Africa	Cape Town	Mixed use	13 530	175 931 000
27	Sunclare	South Africa	Cape Town	Office	14 707	212 053 000
28	Old Cape Quarter - Commercial	South Africa	Cape Town	Mixed use	5 458	77 588 000
	Old Cape Quarter - units *	South Africa	Cape Town	Residential	*	151 307 455
29	St Andrew Office Park	South Africa	Johannesburg	Office	1 639	14 738 000
30	Viscount Road Office Park	South Africa	Johannesburg	Office	2 867	24 999 000
31	Waterford Office Park	South Africa	Johannesburg	Office	1 161	6 119 000
32	Coachman's Crossing Block C	South Africa	Johannesburg	Office	1 062	13 361 000
33, 34, 35, 36, 37	Upper Grayston Blocks A, B, D, E & F	South Africa	Johannesburg	Office	8 179	85 857 000
38	Constantia View Office Park *	South Africa	Johannesburg	Office	5 814 *	23 116 000
39	Willowdale	South Africa	Johannesburg	Office	2 080	11 816 000
40	382 Jan Smuts	South Africa	Johannesburg	Office	5 700	39 328 000
41	3 River Road	South Africa	Ekurhuleni	Office	4 998	14 957 000
42	31 Beacon Road	South Africa	Johannesburg	Office	4 161	30 364 000
43	6-8 Sturdee Avenue	South Africa	Johannesburg	Office	6 896	69 764 000
44	308 Kent Avenue	South Africa	Johannesburg	Office	5 503	35 085 000
45	Hanover Square	South Africa	Johannesburg	Office	3 348	13 719 000
46	Whitby Manor	South Africa	Johannesburg	Office	3 741	10 283 000
47	Sparrow Shopping Centre	South Africa	Modimolle	Retail	7 847	46 291 000
48	Evagold shopping centre	South Africa	Evaton	Retail	11 944	62 304 000
49	Isando *	South Africa	Ekurhuleni	Industrial	14 396 *	26 342 000
50	Kuit Street *	South Africa	Tshwane	Industrial	8 039 *	26 280 000
51	Route 21	South Africa	Tshwane	Industrial	4 967	38 914 000
52	Musgrave Road	South Africa	Durban	Mixed use	4 527	30 959 000
53	Clifton Place	South Africa	Durban	Office	6 293	51 067 000
54	Link Hills	South Africa	Durban	Retail	13 232	119 758 000
55	Tyger Lake	South Africa	Cape Town	Office	719	13 917 000
56	The Regent	South Africa	Cape Town	Mixed use	5 433	95 462 000
57	Westlake Lifestyle Centre	South Africa	Cape Town	Mixed use	5 334	76 555 000
58	The Edge	South Africa	Cape Town	Office	11 133	269 643 000
59	Voortrekker Road	South Africa	Cape Town	Office	11 417	146 972 000
60	Caxton Street	South Africa	Cape Town	Office	3 888	69 658 000
61	Radisson Red Hotel	South Africa	Johannesburg	Hospitality	11 266	292 889 245
62	108 Albert Road & Frere Street *	South Africa	Cape Town	Office	6 719 *	83 585 000
63	Sub City	Croatia	Dubrovnik	Retail	12 259	493 967 000
64	VMD	Croatia	Zagreb	Office	10 650	410 104 000
65	Meridijan	Croatia	Zagreb	Retail	9 362	262 333 000
66	Yazaki	Croatia	Zagreb	Industrial	5 975	189 495 000
67	Xai Xai	Mozambique	Xai Xai	Retail	3 547	21 829 484
68	Zimpeto	Mozambique	Maputo	Retail	725	23 223 368
69	RDC XQL	Mozambique	Maputo	Retail	2 220	23 759 320
70	The Manning **	United States of America	Nashville	Development	7 383 **	46 752 322
71	Isalo Lodge	Madagascar	Ambarinakoho	Hospitality	8 900 m ² 60 Rooms	28 468 500
72	David Livingstone Safari Lodge	Zambia	Victoria Falls	Hospitality	8 250 m ² 77 Rooms	73 594 815
					341 631	5 942 282 614

* Held for Sale - Excluded from total GLA.

Development / Land - Excluded from GLA

** USA Structure - Excluded from GLA

Source: Company Reports, Golden Section Analysis

Debt is High but Seemingly Under Control

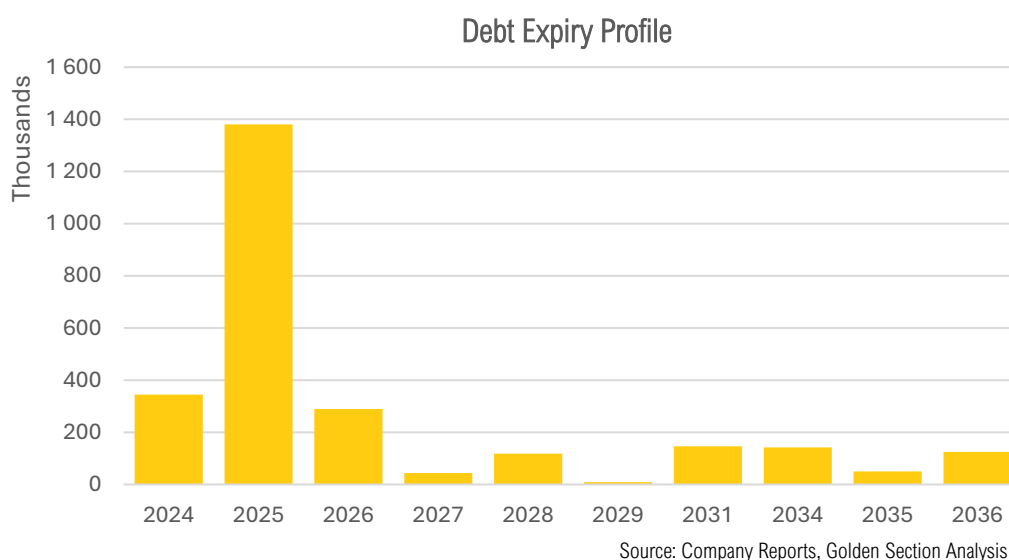
In 2023 RDC lowered its loan-to-value ratio from 45.4% to 43.3%. Management has stated that it aims to further reduce this ratio to below 40% in the near to medium-term. 40% is typically considered the upper end of prudent LTV and RDC is moving in the right direction by focussing on getting its LTV below 40%.

	2023	2022	2021	2020	2019
RDC LTV	43%	45%	46%	31%	20%

Source: Company Reports, Golden Section Analysis

RDC refinanced P 142 million of loans during the year 2023. In December 2023, the Group renewed a P 93 million fixed rate corporate bond for tenors spread over one, three and five years, at rates fixed at 8.35%, 8.80%, and 9%, respectively. The Group has received a term sheet for a € 8.4 million loan in Croatia and the loan is for a five-year tenor, amortising at 5.5% per annum and at a rate of 3-month Euribor (Euro Interbank Offered Rate) plus 2.3%. It is important to note that the bulk of the Croatian portfolio's debt consisting of P 252.3 million (€ 16.9 million) of debt fixed at 2.50%, and P 135.8 million (€ 9.1 million) at Euribor +3.5%, will mature in 2025, and the refinancing of the euro debt will be an important factor for RDC.

The company's current and long-term borrowings total P 2 601 895 000 and are down by 5.85% from 2022's P 2 763 685 000, and we estimate RDC's Weighted Average Cost of Debt to be 9.66%. The company has a substantial amount of debt facilities maturing in the next three years, and the more benign rates outlook should allow them to successful refinance at better terms.



Solid Group Income and NAV Growth

In 2023 group rental income increased by 6.87% to P 561 290 000, up from P 525 205 000 in 2022. RDC reported a year-on-year increase of 4.62% in Net Asset Value (NAV) from P 2.49 bn to P 2.60 bn, and an increase to 373 thebe per linked unit from 354.

RDC's distributions have been volatile over the last three years, falling from 9.37 thebe in 2021, to 3.50 in 2022, and then rising to 6.90 in 2023. The current yield of 2.88% is low due to the drop in distributions, it is expected that 2024 will see distributions improve again.

Share Performance Has Been Positive

On a one-year view basis (June 2023 to June 2024), RDC has been the third best performer in the Botswanan listed property peer group. We use a market cap weight approach to construct a Botswana Listed Property sector benchmark. In Total Return terms RDC has returned 7.84% compared to the Sector's 8.05%.

	Share Return Rolling 1 Year	Total Return Rolling 1 Year	Shares Traded Rolling 1 Year	Average per Day
FaR Properties	-24.69%	-20.97%	2 955 678	10 481
Letlole La Rona	-7.74%	-0.69%	29 110 398	103 228
New African Properties Limited	7.78%	16.89%	11 817 963	41 908
PrimeTime Property	-8.57%	-3.08%	4 880 037	17 305
RDC Properties Limited	6.67%	7.84%	6 628 621	23 506
Turnstar Holdings	6.04%	22.65%	34 778 402	123 328
Sector Index	0.84%	8.05%	90 171 099	319 756

Source: Bloomberg, Golden Section Analysis

RDC, as with most of Botswana's listed property companies has low liquidity, and its low daily average of shares per day is not surprising considering the concentrated holding of company shares. On a rolling one-year period from June 2023 to June 2024, 6 628 621 shares were traded, an average of 23 506 per day (but only forty days saw trades during the period).

Valuation

Golden Section Capital utilises an equally weighted model consisting of Justified Net Asset Value (JNAV), Dividend Discount (DDM), and Discounted Cash Flow (DCF) methods to arrive at our one year forward justified valuation.

Our justified NAV component incorporates our views on a company's earnings quality, balance sheet, competitive advantages, management, ESG and other factors to arrive at what we view to be the justified NAV discount, or premium, of a particular company. Our DDM and DCF use 5-year forward forecasts to arrive at our justified values. We use a Market Risk Premium of 6.35%, a Risk-Free Rate of 5.09%, and a Long-Run Growth assumption of 5%.

GOLDEN SECTION CAPITAL FUNDAMENTAL ANALYSIS MODEL

	Justified NAV Premium/Discount	Value	Premium to Current Price	Weight	Weighted Value
① NAV Model	-24.04%	2.83	18.01%	33.3%	0.94
② DDM Model		1.78	-25.7%	33.3%	0.59
③ DCF Model		3.05	27.27%	33.3%	1.02
			6.55%	100%	2.56

Our one year forward justified price for RDC is P 2.56 per unit, giving a potential upside of 6.55%. We envisage lower debt costs in South Africa and Botswana over the upcoming year, improved revenue growth from hospitality assets, and better portfolio returns as the South African and Botswanan economies see improved growth. We also expect improved trading conditions in South Africa post the recent elections, an improving outlook for rate cuts, and improved economic growth to drive better returns. The recent rate cut in Botswana and more favourable economic conditions should deliver better growth for the company. The company's target to reduce the LTV in order to reach a maximum of 40% is prudent, as is their target to increase the Group's income derived from hard currency to reach 50% of total income, but achieving this may take a good deal of time and further acquisitions of offshore portfolios.

Downside risks include political instability in South Africa, and Mozambique, resulting in adverse market, valuations, income, and currency movements. Any increases in funding costs (especially refinancing the expiring fixed Croatia debt), coupled to slower than expected interest rate decreases in all the markets RDC operates in will negatively impact our estimate of fair value.

In our view RDC is currently fairly valued, the P 2.56 justified value has a large discount as a result of the closely held nature of the share by the Giachetti family, the current board structure, and lack of true independence and oversight.

RDC and PrimeTime Property Holdings

RDC has also recently expressed an interest in potentially acquiring all the units of PrimeTime Property Holdings. Should RDC acquire PrimeTime at the low price it has initially indicated, the deal will be accretive for RDC in terms of lowering portfolio vacancies, improving exposure to Botswana based assets, and boosting portfolio quality. It is not clear how PrimeTime fits within RDC's stated strategic goals, especially hard currency income, and lowering LTV, as the potential transaction will not aid either of these initiatives. Further details on the potential transaction remain limited at present.

Appendix: Balance Sheet

RDC Properties Limited			
	2021	2022	2023
BALANCE SHEET DATA			
Cash	143 801 000	86 183 000	81 699 000
Marketable Securities etc.			
Accounts Receivable - Trade	124 231 000	36 478 000	26 340 000
Straight Line Adjustment		90 336 000	112 686 000
Taxation Receivable	3 893 000	3 578 000	166 000
Other Current Assets	99 522 000	161 076 000	182 005 000
Current Assets	371 447 000	377 651 000	402 896 000
Investment in Subsidiary	26 408 000	25 746 000	102 063 000
Investment Properties	5 662 323 000	5 717 639 000	5 514 400 000
Accumulated Depreciation			
Straight Line Adjustment	-4 641 000	-4 992 000	-7 509 000
Goodwill and Nonamort. Intangibles	15 129 000	11 642 000	11 421 000
Work in Progress			
Property Held for Sale	26 180 000		184 903 000
Amounts Due from Related Party			
TOTAL ASSETS	6 096 846 000	6 127 686 000	6 208 174 000
Accounts Payable - Trade	149 306 000	142 638 000	144 978 000
Due to Related Parties			
Overdraft	6 692 000	6 106 000	8 593 000
Borrowings	1 079 981 000	394 590 000	81 443 000
Current Lease Liabilities			62 705 000
Deferred Revenue			
Tax Payable			3 877 000
Current Liabilities	1 235 979 000	543 334 000	301 596 000
Long Term Debt	1 750 896 000	2 369 095 000	2 520 452 000
Deferred Taxes	168 956 000	185 060 000	216 022 000
Lease Liabilities			
Other Non-Current Liabilities			
TOTAL LIABILITIES	3 155 831 000	3 097 489 000	3 038 070 000
Minority Interest in Subsidiaries			25 780 000
Debentures	242 634 000	242 634 000	242 634 000
Common Stock + Paid in Capital	1 058 199 000	1 058 199 000	1 058 199 000
Retained Earnings / Reserves	1 120 745 000	1 193 847 000	1 269 448 000
Accum. Other Comprehensive Income	-24 360 000	2 783 000	13 656 000
Debenture Interest Reserve	50 468 000		
Non-Controlling Interest	493 329 000	532 734 000	560 387 000
SHAREHOLDERS' EQUITY	2 941 015 000	3 030 197 000	3 170 104 000
TOTAL LIABILITIES AND EQUITIES	6 096 846 000	6 127 686 000	6 208 174 000
SUPPLEMENTAL DATA			
Cash	143 801 000	86 183 000	81 699 000
Overdraft	-6 692 000	-6 106 000	-8 593 000
Cash at End of Year	137 109 000	80 077 000	73 106 000
Change in Cash Position	-	-57 032 000	-6 971 000
Weighted average number of linked units	391 792 630	758 232 937	758 232 937
Earnings per linked unit (thebe)	163.99	18.84	14.23
Distribution per linked unit (thebe)	9.37	3.50	6.90
Market Price per Share (pula)	2.15	2.22	2.40
Market Capitalisation (pula)	842 354 155	1 683 277 120	1 819 759 049
NAV	2 941 015 000	3 030 197 000	3 170 104 000
NAV per unit (thebe)	345	354	373
Premium / Discount to NAV	-37.68%	-37.29%	-35.66%
LTV	45.00%	45.41%	43.29%

Source: Company Reports, Bloomberg, Golden Section Analysis

Appendix: Income Statement

RDC Properties Limited			
	2021	2022	2023
INCOME STATEMENT DATA			
Revenues	146 562 000	525 205 000	561 290 000
Cost of Goods Sold	-47 083 000	-201 634 000	-216 560 000
Gross Profit	99 479 000	323 571 000	344 730 000
Exchange Differences		2 259 000	-922 000
Other Operating Expenses	-40 290 000	-132 090 000	-54 096 000
Other Operating Income	19 554 000	93 024 000	12 844 000
Non-Recurring Operating Gains	36 632 000	-12 695 000	6 681 000
Operating Profit	115 375 000	274 069 000	309 237 000
Interest Income	18 343 000	8 791 000	14 048 000
Interest Expense	-68 598 000	-212 228 000	-241 617 000
Other Income or Gains (Bargain purchase gain)	577 342 000		
Unusual Income or Gains FV Adjustment	13 165 000	138 282 000	71 169 000
Other Expenses or Losses	-3 949 000		26 797 000
Income before Tax	651 678 000	208 914 000	179 634 000
Income Tax Expense		-24 752 000	-46 288 000
Income from Discontinued Operations			-4 146 000
NET INCOME	651 678 000	184 162 000	129 200 000
Other Comprehensive Income Items		27 143 000	54 439 000
COMPREHENSIVE INCOME	651 678 000	211 305 000	183 639 000

Source: Company Reports, Golden Section Analysis

Appendix: Cash Flows

RDC Properties Limited			
	2021	2022	2023
STATEMENT OF CASH FLOWS DATA			
Net Income	115 375 000	412 351 000	380 406 000
Depreciation and Amortization	2 483 000	8 308 000	7 165 000
(Incr.) Decrease in Accts. Receivable - Trade	30 791 000	2 583 000	12 212 000
(Incr.) Decrease in Accts. Payable - Trade	-8 170 000	-7 019 000	-177 000
(Incr.) Decr. in Other Curr. Assets Properties	-36 632 000	-97 516 000	-106 921 000
(Incr.) Decr. in Other Curr. Assets		13 005 000	-6 145 000
Incr. (Decr.) in Other Current Liabilities Related Parties	413 000	-310 000	-536 000
Incr. (Decr.) in Other Non-Current Lease Liabilities		-71 292 000	16 040 000
Income Tax Paid	-1 256 000	-9 625 000	-6 798 000
NET CF FROM OPERATIONS	103 004 000	250 485 000	295 246 000
Property, Plant, and Equipment Sold		50 813 000	102 633 000
Property, Plant, and Equipment Acquired	-1 338 428 000	-2 241 000	-976 000
Interest Received	111 819 000	3 977 000	38 721 000
Disposal of Property		76 355 000	2 374 000
Property Acquired		-40 744 000	-29 659 000
Other Investment Transactions (2)	44 591 000	2 025 000	-1 362 000
NET CF FROM INVESTING ACTIVITIES	-1 182 018 000	90 185 000	111 731 000
Decrease in ST Borrowing	-68 598 000	-212 228 000	-241 617 000
Increase in LT Borrowing	532 768 000	489 814 000	274 830 000
Decrease in LT Borrowing	-16 622 000	-557 006 000	-377 848 000
Issue of Capital Stock	669 562 000		
Debenture Interest Paid	-40 636 000	-94 115 000	-50 618 000
Interest on Lease Liabilities	2 487 000	1 124 000	1 146 000
NET CF FROM FINANCING ACTIVITIES	1 078 961 000	-372 411 000	-394 107 000
Effects of exchange rate changes on cash	-21 178 000	-25 291 000	-19 841 000
NET CHANGE IN CASH	-21 231 000	-57 032 000	-6 971 000

Source: Company Reports, Golden Section Analysis

Appendix: Shares in Subsidiaries

Subsidiary	Percentage
David Livingston Safari Lodge and Spa	50%
Norman Kwati Matetse Proprietary Limited	100%
RDC Properties International Proprietary Limited (Amalgamated 2024)	100%
RDC Mauritius	100%
RDC Properties South Africa (Proprietary) Limited	100%
RDC Erf 232 Rosebank (Proprietary) Limited	100%
RDC Xiquelena Lda	100%
RDC Properties (Namibia) (Proprietary) Limited	100%
Lotsane Complex Proprietary Limited	76.67%
RDC Property Development (Namibia) (Proprietary) Limited	70.31%
Capitalgro (Proprietary) Limited	61.11%
RDC Zimpeto Limited	60%
Zimpeto Shopping Centre Lda	60%
RDC-KMR Limited	55%
Three Partners Resorts Limited	53.75%
108 Albert Rd (Proprietary) Limited	50%
HMS1 Société Anonyme (HMS1)	50%
Propcorp Proprietary Limited	33%
Xai-Xai Newco Lda	33%
TPF International Limited	74%
Tower Industrial d.o.o. (Croatia)	74%
Sub Dubrovnik (Croatia)	74%
Tower Europe Retail d.o.o. (Croatia)	74%
Tower Europe d.o.o. (Croatia)	59.20%
Lucky Bean Property Investments (Pty) Ltd	100%
Tower Property Fund (Pty) Ltd	100%
Micawber 219 (RF) (Pty) Ltd	100%
Lexshell 492 Investments (Pty) Ltd	100%
Tower International Treasury (Pty) Ltd	100%

Source: Company Reports, Golden Section Analysis

Appendix: Company Timeline

- 1992 RealEstate Development Company Limited became the first publicly listed property and development fund in Botswana.
Portfolio Value: P 26 million and 4 Properties
- 1993 RDC expands its operations to major centres in Botswana, Serowe and Maun.
Portfolio Value: P 39 million and 7 Properties
- 1994 Expansion of retail development offering to include the Boswa Centre, Diamond Centre in Jwaneng and Lotsane Complex in Palapye.
Portfolio Value: P 48 million and 10 Properties
- 1996 Conversion to a variable rate loan stock structure and name-change to RDC Properties Limited. Property and Asset Management Company (PAM) is incorporated to manage the portfolio. RDC acquires Professional House in Gaborone, Botswana.
Portfolio Value: P 67 million and 14 Properties
- 1997 Adoption of a portfolio improvement strategy and expansion into Antananarivo, Madagascar. Refit of Standard House. First elective capitalisation of dividends.
Portfolio Value: P 67 million and 14 Properties
- 1999 RDC launches RDC Properties Mauritius Limited and enters the industrial Segment of the property market by investing in Phakalane Industrial estate.
Portfolio Value: P 83 million and 15 Properties
- 2000 Investment into the Tholo office building, and the Tana Waterfront development in Madagascar.
Portfolio Value: P 95 million and 17 Properties
- 2002 Official opening of the Tana Waterfront in Antananarivo, Madagascar as a joint venture investment. RDC invests in the Chobe Marina Lodge property and the lodge is relaunched following completion of renovations.
Portfolio Value: P 109 million and 19 Properties
- 2003 RDC completes first Public-Private Partnership with the Gaborone City Council. Acquires the EU Delegation building and enters its first euro denominated lease.
Portfolio Value: P 131 million and 21 Properties
- 2006 Acquisition of Isalo Rock Lodge in Isalo National Park, Madagascar. Completion of refurbishment works at Standard House.
Portfolio Value: P 174 million and 22 Properties
- 2010 Isalo Rock Lodge in Madagascar is opened. RDC strategically disinvests in the Tana Waterfront in Antananarivo Madagascar.
Portfolio Value: P 470 million and 22 Properties
- 2012 Completion of works on Masa Centre in New Gaborone CBD. RDC completes first split of shares at 5:1.
Portfolio Value: P 750 million and 22 Properties
- 2015 Investment in the residential market by acquiring the ICC Flats. Expansion of portfolio in Namibia and Mozambique. Raises P 232.1 million from first rights issue.
Portfolio Value: P 1 104 million and 23 Properties
- 2017 Acquisition of controlling stake in Capitalgro, South Africa, valued at R 335 million. Investment in Nashville, Tennessee, USA.
Portfolio Value: P 1 627 million and 29 Properties
- 2018 Capitalgro acquires The Edge Building in Cape Town.
Portfolio Value: P 1 943 million and 30 Properties
- 2019 Acquisition of a turnkey development, the Radisson RED Rosebank Hotel in Johannesburg. RDC enters into franchise agreement enabling the conversion of the Masa Square Hotel to a Protea by Marriott Hotel.
Portfolio Value: P 2.02 billion and 30 Properties

- 2021 Acquisition of Tower Property Fund Limited in South Africa. The Radisson RED Rosebank opens. Second Rights Offer of P 667 million.
Portfolio Value: P 5.8 billion and 79 Properties
- 2022 RDC Properties Limited undergoes rebranding. Successful integration of the Tower Portfolio. Notwane Asset Management Company (Pty) Ltd (NAM) is registered to manage the South African portfolio as a subsidiary of PAM.
Portfolio Value: P 5.9 billion and 75 Properties
- 2023 Acquisition of 50% of The David Livingstone Safari Lodge and Spa, Zambia.
Portfolio Value: P 6.0 billion and 72 Properties
- 2024 Amalgamation of RDC Properties International into RDC Properties Limited effective from 1 July 2024.

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