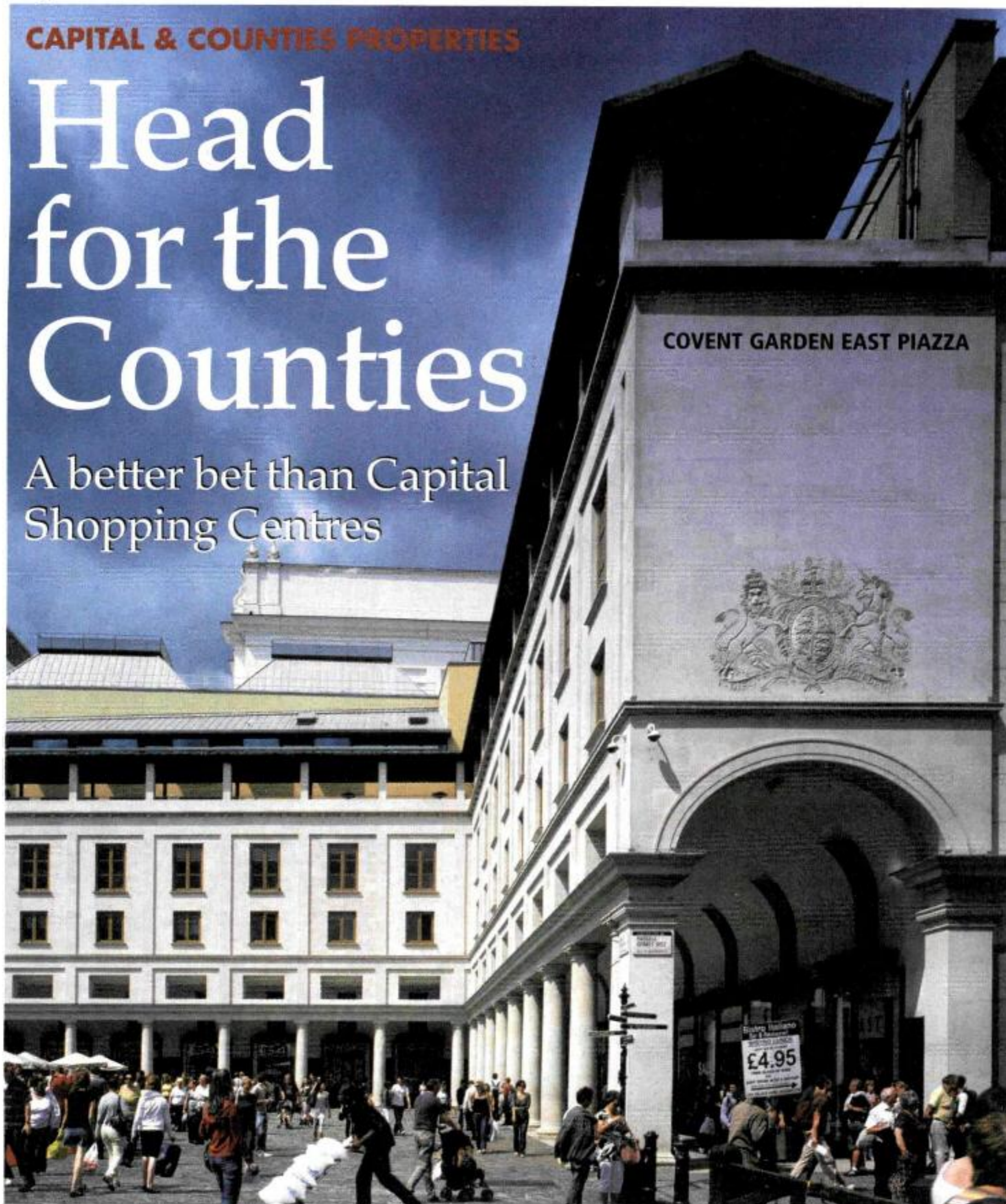


CAPITAL & COUNTIES PROPERTIES

# Head for the Counties

A better bet than Capital Shopping Centres



WHEN FORMER Liberty International split into London-based Capital& Counties (Capco) and retail play Capital Shopping Centres in May last year, the market wasn't entirely convinced the move would pay off. Capco was heavily oversold among South African shareholders in the weeks following the demerger, with investors clearly favouring Liberty International's more established and much larger £6,7bn (around R74,37bn) shopping centre arm.

However, the situation has reversed somewhat, with Capco now emerging as the more interesting buying proposition. Although Capco currently pays a much lower dividend than Capital Shopping Centres (around 1% versus 4%), Capco

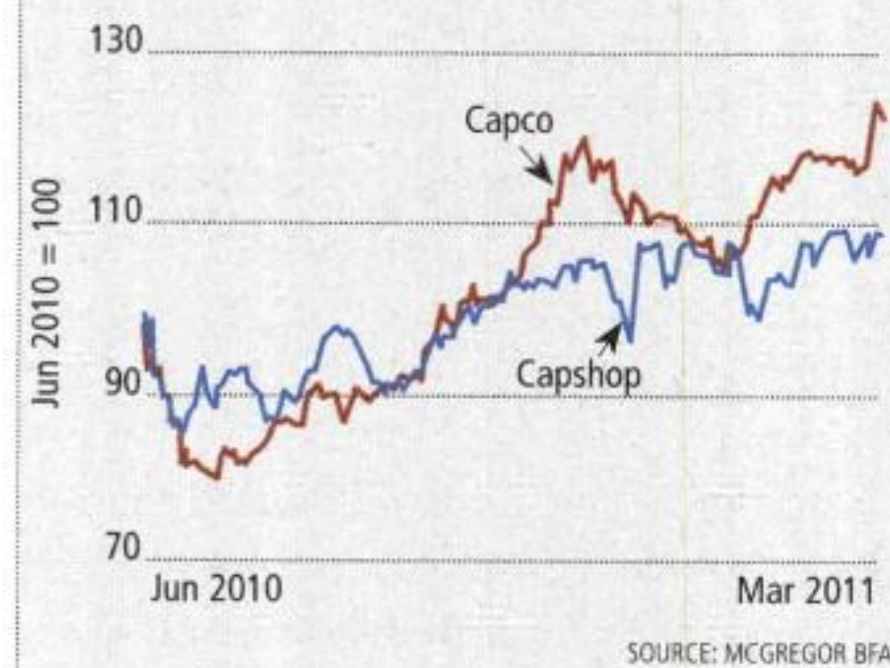
offers stronger capital growth upside.

The counter, which houses a £1,4bn (R15,54bn) portfolio of central London-based properties, already rallied 8% over the week following the release of a pleasing set of maiden results earlier this month.

Management has impressed with the progress made in rejuvenating its iconic live, play and shop precinct, Covent Garden. A number of new leases were signed at the mixed-use hub. Those include Ralph Lauren's first "Rugby" store, Apple's largest store worldwide, a new outlet for fashion chain Burberry, Kurt Geiger's European flagship store and Lucy in Disguise, pop singer Lily Allen's first retail venture.

Capco last year received planning

## CAPCO'S GROWTH UPSIDE



permission to redevelop its events venue Olympia, which will no doubt boost profits over the next few years. Management is also currently creating a master plan to develop Capco's 56,8ha of land at Earls Court, one of London's biggest undeveloped sites.

Evan Jankelowitz, director of property equity specialists Sesfikile Capital, says despite the recent run in Capco's share price there's still plenty of value to be unlocked through the redevelopment of Olympia and Earls Court and the recent set of results has given the market the confidence in their ability to deliver.

The same value unlock is not quite as apparent in Capital Shopping Centres. It's a very different animal to Capco and is premised on a long-term sustainable earnings stream of the highest quality, as opposed to near-term catalysts that could prove very lucrative to the latter. The CSC balance sheet looks a lot healthier than pre-"Global Financial Crisis" and the earnings have recovered nicely, but the stock is trading quite full and it's difficult to get excited at current prices.

Anton de Goede, property analyst at Coronation Fund Managers, says Capco has proved with its recent set of results there's more than meets the eye in its value creation drive. "Not only is management successfully transforming Covent Garden into one of London's foremost retail and leisure destinations, in the process it's also increasing medium-term rental revenue prospects."

JOAN MULLER

joanm@finmedia24.com