

Stanlib's Ndlovu says there is a view in the market that Vukile may be overpaying for the three Rebosis malls. "The deal equates to an acquisition yield of 9%. Some believe a yield of 9.5%-10% makes more sense. So there is a risk that the deal may not initially be approved by the required Vukile quorum, more so given that there are a number of other conditions precedent," he says.

Ngebulana concedes that the Vukile deal may not be a shoo-in. But he says that Rebosis has other options to consider if the deal doesn't get the go-ahead – including a proposed buyout by a private equity suitor. There have also been advances from other JSE-listed funds looking to merge with Rebosis. "Given the current tough market conditions, it will be foolhardy not to look at all one's options," he says.

Another worry is that the banks may start getting jittery if Rebosis breaches its loan covenants, and seek to repossess some of the company's properties. As Mvula Seroto, portfolio manager at Catalyst Fund Managers, points out: "Rebosis faces potential loan covenant breaches and subsequent cash flow concerns. The business is in a distressed state in its current form and one of a few ways it can reposition its capital structure is by either disposing of assets or a takeover."

But Seroto says a takeover by another listed fund is unlikely, given that most SA Reits are trading at a steep discount to NAV and dealing with their own challenges. Besides, he believes the uncertainty of when Rebosis will resume sustainable dividend payouts reduces the likelihood of a takeover.

Critically though, Ngebulana says that Rebosis hasn't yet breached its loan covenants. "Besides, the banks understand that the market has changed and that everyone has to act responsibly. We have a long relationship with our bankers and they are supportive of the steps we are taking to lower our LTV levels."

Ngebulana believes the banks also appreciate the fact that Rebosis is still a solid business. "We have R17bn in assets. That's a huge portfolio. Ultimately, everyone wants to do what is in the best interest of shareholders," he says.

That's a sentiment shared by Meago Asset Managers director Anas Madhi. He says the intrinsic value of Rebosis far exceeds its market cap. He believes efforts must be directed towards unlocking shareholder value as opposed to just resolving debt breaches.

"As such, it's imperative that the banks work closely with the Rebosis management team to enable the empowerment vehicle to recover from its UK setback," says Madhi.

He adds: "BEE in the property sector remains elusive and the sector cannot afford the loss of one of its pioneers." ✘