



**BIDVEST NAMIBIA LIMITED**  
**1H15 Initial Impression**  
**FEBRUARY 2015**

|                         |                   |      |
|-------------------------|-------------------|------|
| <b>Bidvest Namibia</b>  | Target Price (c)  | 1300 |
| 1H15 Initial Impression | Current Price (c) | 1325 |

| Year End 30 June  | 2012A | 2013A | A2014 | F2015 | F2016 | Recommendation            | HOLD |
|-------------------|-------|-------|-------|-------|-------|---------------------------|------|
| Revenue (N\$m)    | 2,702 | 3,355 | 3,703 | 3,698 | 4,117 | NSX Code                  | BVN  |
| EBITDA (N\$m)     | 647   | 601   | 501   | 483   | 519   | Market Cap (N\$m)         | 2,76 |
| Net profit (N\$m) | 461   | 427   | 343   | 344   | 370   | Shares in Issue (m)       | 212  |
| HEPS (c)          | 140.3 | 129.5 | 116.0 | 109.5 | 121.4 | Free float (%)            | 24   |
| HEPS growth (%)   | 16.9  | -7.7  | -10.4 | -4.4  | 6.8   | 52 week high (c)          | 1328 |
| DPS (c)           | 63.0  | 69.0  | 63.0  | 60.0  | 64.0  | 52 week low (c)           | 1267 |
| P/E (x)*          | 9.29  | 10.22 | 11.43 | 12.10 | 10.92 | Expected Total Return (%) | 4.3  |
| DY (%)            | 4.8   | 5.3   | 4.8   | 4.5   | 4.9   |                           |      |

Source: BVN, IJG

\*Based on current share price

**1H15 Initial Impression**

BVN released its results for the six months ended 31 December 2014. As we expected, the firm's results reflect the difficulties the fishing division finds itself in. EPS fell 10.3% to 49.7cps and HEPS decreased 10.4% to 49.6cps. At N\$1.707bn, revenue was in line with last year, however, trading profit shrunk 18.9% to N\$179.6m.

While BVN managed to grow revenues by 0.7% y/y, it was mainly attributed to the Freight and Logistics and Commercial and Industrial businesses. Cost of sales grew at 3.0% and operating costs by 13.5% to N\$179.6m from the N\$158.2m reported for 1H14. The main cost booster came in the form of the quota rentals fee BVN had to pay up in order to counter the impact of their lower direct quota allocation.

Trading profit shrunk by N\$41.8m to total N\$179.6m. As usual, the fishing division supplied the largest chunk of trading profit, coming in at N\$130.8m or 72.8%. This figure is 5.2% lower than the N\$170.0m seen in 1H14, as the division's individual revenue decreased by 2.5% y/y. The decline in revenue was primarily due to horse mackerel quota shortages following a smaller allocation of the 2014 quota reserve and the higher quota rental fees also resulted in the depressed margins. The fishing operations 1H15 trading profit margin fell to 19.3% from 24.5% reported in 1H14. Price regulations in the Democratic Republic of Congo and a general oversupply in the company's traditional markets following importation restrictions implemented in Nigeria, led to an 18.6% average lower realised selling price in US\$ for horse mackerel. The weaker Namibian Dollar as well as hard currency prices offset the lower volumes on revenue, but also had a significant impact on costs.

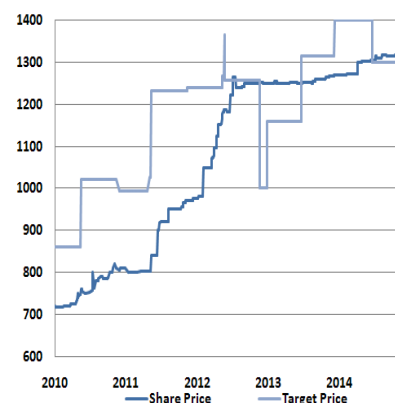
Food and Distribution had disappointing results on the back of poor performance from Taeuber&Corssen (T&C). Trading profit declining by 28.8% to N\$15.2m and contributed 2.3% of total trading profit, down from 3.3%. Management indicated that the T&C business declined as Namib Poultry Industries terminated the distribution agreement with T&C in September, which is currently being challenged legally. BVN reports that the Industrial and Commercial Products divisions showed improvement in trading results. Projected activity in the oil and gas industry supported the Freight division.

| Segmental Trading Profit Margin    | 1H14    | Margin | 1H15    | Margin | Change  |
|------------------------------------|---------|--------|---------|--------|---------|
| Fishing                            | 170,034 | 24.5%  | 130,803 | 19.3%  | -5.16%  |
| Freight and Logistics              | 17,517  | 11.2%  | 21,921  | 14.3%  | 3.17%   |
| Food and Distribution              | 21,352  | 3.3%   | 15,199  | 2.3%   | -1.01%  |
| Industrial and Commercial Products | 11,903  | 5.9%   | 13,611  | 6.2%   | 0.30%   |
| Corporate Services                 | 662     | 11.6%  | (1,912) | -30.5% | -42.14% |
|                                    | 221,468 | 13.1%  | 179,622 | 10.5%  | -2.54%  |

An interim cash dividend of 22cps was declared, thus the company cut dividends by 8.3% when compared to 1H14.

**Valuation and recommendation**

We are currently reviewing our BVN valuation model; and as such have left our forecasts and target price unchanged and retain our HOLD recommendation. We will release a detailed report following management discussions.

**BVN Share Price****Dividends**

Notice is hereby given that an interim dividend of 22 cents per ordinary share was declared on 27 February 2015 for the period ended 31 December 2014.

- Last day to trade cum dividend: 6 March 2015
- First day to trade ex-dividend: 9 March 2015
- Record date: 13 March 2015
- Payment date: 27 March 2015

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