IJG
Securities (Pty) Ltd.
Member of the NSX

BIDVEST NAMIBIA LIMITED

1H16 Initial Impression

February 2016

Bidvest Namibia

1H16 Initial Impression

Target Price (c)	1050
Current Price (c)	1049

Year End 30 June	2013	2014	2015	F2016	F2017
Revenue (N$m)	3,355	3,703	3,535	3,596	3,679
EBITDA (N$m)	601	501	415	438	441
Net profit (N$m)	427	343	412	313	326
HEPS (c)	129.5	116.0	103.2	106.8	107.8
HEPS growth (%)	-7.7	-10.4	-11.0	3.5	1.0
DPS (c)	69.0	63.0	56.0	59.0	59.0
P/E (x)*	7.35	8.09	9.05	7.68	9.82
DY (%)	6.0	6.6	6.0	5.3	6.2

Source: BVN, IJG
**Based on current share price*

Recommendation	SELL
NSX Code	BVN
Market Cap (N$m)	2,223.3
Shares in Issue (m)	212
Free float (%)	24
52 week high (c)	1325
52 week low (c)	1049

1H16 Initial Impression

Bidvest Namibia results for the first half of the 2016 financial year disappointed, once again. As we expected, the firm's results reflect the difficulties the fishing division finds itself in. EPS decreased 7.2% to 46.1 cents per share, while HEPS fell 10.8% to 44.2 cents per share. At N$1.843 billion, revenue is up 7.9% from last year, mainly due to the acquisition of Novel Motor Company, which has added N$350.0 million to revenue. However, BVN's trading profit shrunk 32.5% to N$118.9 million, primarily as a result of significantly lower horse mackerel quota allocation received by Namsov and its joint venture partners in the second half of the 2016 calendar year. An interim cash dividend of 20 cents per share was declared, thus the company cut dividends by 9.1% when compared to 1H15.

From a segmental perspective, revenues and trading profit in the fishing division shrunk dramatically, down 29.3% and 47.6% respectively. As usual, the fishing division supplied the largest chunk of total trading profit, coming in at N$66.9 million or 56.2%. However, this figure compares to N$127.5 million or 72.3% in 1H15. The decline in revenue was primarily due to horse mackerel quota shortages following a smaller initial allocation. The tons of horse mackerel sold decreased by 42.0% compared to the previous period, while hard currency prices also fell by 18.8%, and the higher quota rental fees also resulted in the depressed margins. The fishing operations 1H16 trading profit margin fell to 14.0% from 18.8% reported in 1H15. Factors that made matters worse were poor pilchard catches in the 2015 season, slow pilchards sales and vessel breakdowns in Angola. The weaker Namibia Dollar offset the lower volumes on revenue to some extent, but also had a significant impact on costs.

Commercial and Industrial Products and Services, which showed 9.4% growth in revenue, experienced a slight decline in trading profit, with management noting that the lack of rain in the north of the country contributed to lower consumer spending.

Food and Distribution experienced a decline in revenue of 4.3%, which includes a N$7.0 million settlement received from the Namibian Poultry Industry regarding a cancellation of a distribution agreement settled during the period under review. The division managed to increase trading profit by 7.2% to N$16.3 million, contributing almost 14.0% to total trading profit. Trading profit margins widened to 2.6% in 1H16 from 2.3% in 1H15.

Freight and Logistics performed worse than expected, showing a 7.1% decrease in revenues and an 80.3% decline in trading profit, as the division was unable to secure any large projects during the period which could be due to lower oil and gas project activity in Namibia.

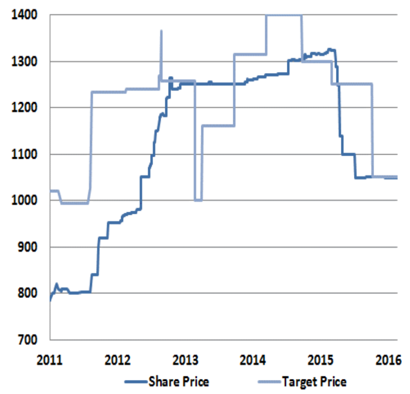
In the Automotive division, the newly acquired Novel Motor Company, brings diversification to the existing portfolio of the BVN structure, contributing 17.0% of the group trading profit, making it second largest contributor given a trading profit margin of 5.8%.

Segmental Trading Profit Margin	1H15	Margin	1H16	Margin	Change
Fishing	127,519	18.8%	66,853	14.0%	-4.88%
Freight and Logistics	21,921	14.3%	4,312	3.0%	-11.30%
Food and Distribution	15,199	2.3%	16,287	2.6%	0.28%
Industrial and Commercial Products	13,611	6.2%	13,538	5.7%	-0.57%
Corporate Services	-	-	20,265	5.8%	
	(1,912)	-30.5%	(2,314)	-31.6%	-1.10%

Valuation and recommendation

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

BVN Share Price



Dividends

Notice is hereby given that an interim dividend of 20 cents per ordinary share was declared for the period ended 31 December 2015.

- Last day to trade cum dividend: 4 March 2016
- First day to trade ex-dividend: 7 March 2016
- Record date: 11 March 2016
- Payment date: 30 March 2016

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