



BIDVEST NAMIBIA LIMITED
1H16 Results Review
April 2016

Bidvest Namibia						Target Price (c)	1000
1H16 Results Review						Current Price (c)	1049
Year End 30 June	2013	2014	2015	F2016	F2017	Recommendation	SELL
Revenue (N\$m)	3,355	3,703	3,535	3,926	3,987	NSX Code	BVN
EBITDA (N\$m)	601	501	415	351	352	Market Cap (N\$m)	2,23
Net profit (N\$m)	427	343	412	255	257	Shares in Issue (m)	212
HEPS (c)	129.5	116.0	103.2	101.5	104.9	Free float (%)	24
HEPS growth (%)	-7.7	-10.4	-11.0	-1.7	3.3	52 week high (c)	1249
DPS (c)	69	63	56	51	52	52 week low (c)	1049
P/E (x)*	8.1	9.1	7.7	10.3	10.0	Expected Total Return (%)	0.3
DY (%)	6.6	5.6	5.3	4.8	5.0		

Source: BVN, IJG

*Based on current share price

1H16 Results

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 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 available to Namsoy. An interim cash dividend of 20 cents per share was declared, thus the company cut dividends by 9.1% when compared to 1H15.

Fishing

Performance by the fishing division was particularly poor. Firstly, lower horse mackerel quota was allocated directly to BVN by the Ministry of Fisheries and Marine Resources together with the fact that quota contributing partners exited from Trachurus Joint Venture, resulting in the tons of horse mackerel sales falling by 42.0%. Secondly, the hard currency prices of horse mackerel fell, down 18.8% year on year. Thirdly, management reported poor pilchard catches in the 2015 season and slow pilchard sales during the financial year. Lastly, broken down vessels in Angola also contributed to lower landings, therefore lower volumes sold.

In terms of tonnage landed and profit, the mid-water fishery is still the largest part of BVN's business. According to management the fish resource is healthy and landing are reported to be good, however, prospects for the horse mackerel division are not positive given various challenges faced by industry. We estimate that the average price of horse mackerel during the second half of the financial year to be slightly higher than in the same period of FY15. Our forecasts anticipate trading profit margins to widen slightly due to rand weakness. However, in our view, margin pressure could potentially be further compressed by the reduction in horse mackerel quotas allocated to BVN.

Freight and Logistics

Lower activity in the oil and gas industry as mining and oil exploration slowed down in the country is one of the main reasons for lack luster performance in this division. Given the integrated nature of the Freight and Logistics business, projects have spin-offs to all areas in the division. Therefore all entities in this division are facing challenging times. There are currently no projects underway for the next few months, therefore no expectation of an improved result for the full year.

Food and Distribution

The 1H16 results for Taeuber & Corssen (T&C), and therefore the entire food and distribution division was poor for various reasons, namely less consumer spending, stock shortages due to non-supply by principals and generally fewer products being sold. The results were also affected to a large extent by the loss of the contract for distribution of Namibia Poultry Industry products in 2015.

Commercial and Industrial Products and Services

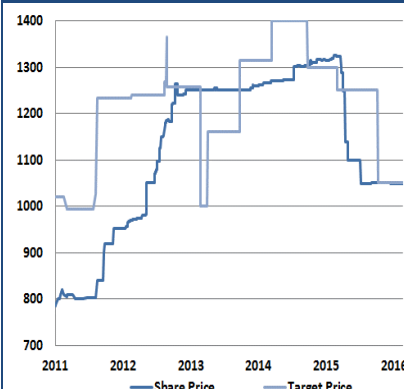
Various high-frequency indicators, such as new vehicle sales and private sector credit extension, are already illustrating a slowdown in consumer spending in Namibia. Growth is therefore not to be expected in the Commercial and Industrial Products and Services division for FY16, unless in the form of acquisitions or expansion.

Automotive

We saw exceptionally strong vehicle sales growth through 2014 and 2015, fueled by a strong consumer base supported by expansionary fiscal policy and real wage growth. However, the latest figures show that this trend is losing momentum. We expect to see a decrease in vehicle sales as purchases of vehicles by Government will be reduced this year. Further downside risks to this are rising interest rates which may limit marginal lenders from qualifying for financing as well as banking sector liquidity which may limit the availability of loans to finance vehicle purchases.

Valuation and Recommendation

The stock is currently trading on a FY16 dividend yield of 4.8% based on expected full year dividends of 51 cents per share at an assumed 50% payout ratio. This is in line with its average yield of 4.9% over the last seven years, but is relatively unattractive to cash yields that are currently on the rise. We have adjusted our earnings forecast and target price following a detailed analysis of the full year results. We forecast **FY16 earnings of N\$1.01 per share** and calculate a **target price of N\$10.00 per share** based on a **justified PE ratio of 9.86x**. We are concerned about the possibility of a dividend cut going forward should fish quota issues not be resolved, however remain cognizant of the large cash balances on the company's balance sheet, allowing them space to weather the current storm with acquisitions such as Novel Motors. In addition, however we do not expect the stock to trade much lower from current levels given the illiquidity of such and the possibility that once sold stock may be difficult to rebuy in future. Nevertheless, due to the current challenges faced by the company and limited earnings visibility, we have maintained our **recommendation to SELL**.

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

Analyst

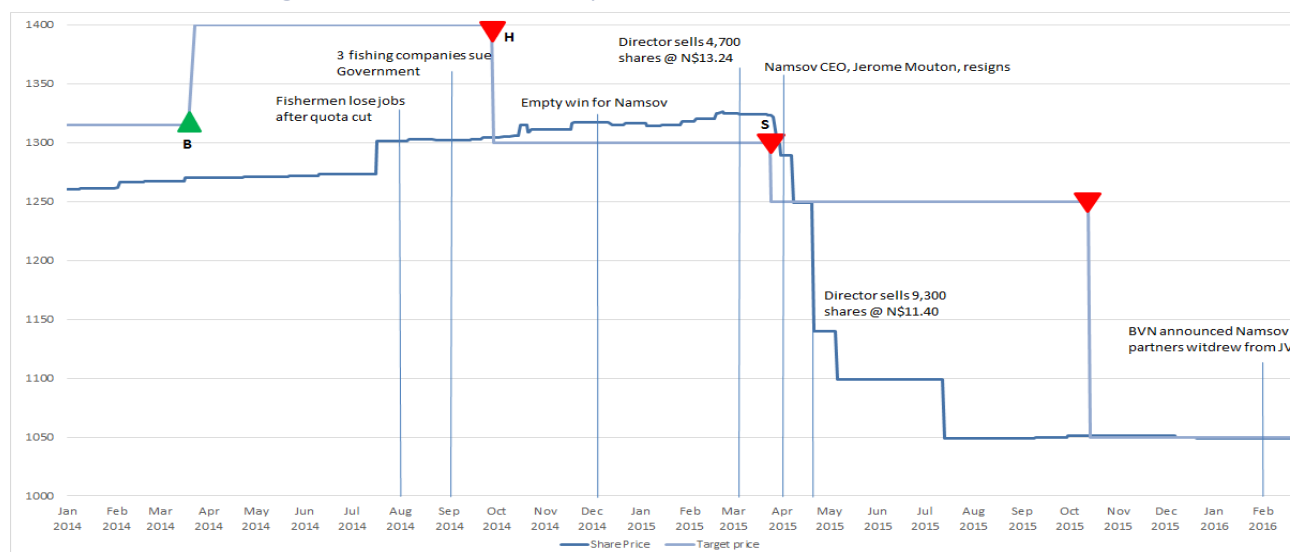
Jan-Hendrik Conradie
+264 61 383 523
janhendrik@ijg.net

Bidvest Namibia and the Namibian Fishing Industry

Time Line

2009	Bidvest Namibia mania ahead of NSX listing http://www.namibian.com.na/index.php?page=archive-read&id=58791 Bidvest Namibia lists on the NSX at N\$7.20	2010	Bernhardt Esau appointed as MFMR Process of extending & awarding fishing rights begin
2011	Bidvest bids for Taeuber & Corsen http://www.namibian.com.na/index.php?page=archive-read&id=85915	2012	UFE launches new canned products http://www.namibian.com.na/index.php?page=archive-read&id=95894 Fishing magnate forced out http://www.namibian.com.na/index.php?page=archive-read&id=99182 Rights extension and new right holders announced Horse mackerel cake thinner http://www.namibian.com.na/index.php?page=archive-read&id=99638
2013	Fishing reels in revenue for Bidvest http://www.namibian.com.na/index.php?page=archive-read&id=105810 Bidvest profit hit by fishing woes http://www.namibian.com.na/index.php?page=archive-read&id=113335	2014	Namibia Plastics opens branch in Walvis Bay http://www.namibian.com.na/index.php?page=archive-read&id=125860 Fishermen lose jobs after quota cut http://www.namibian.com.na/index.php?page=archive-read&id=127223 3 fishing companies sue Government http://www.namibian.com.na/index.php?page=archive-read&id=127629 Horse-mackerel prices to remain depressed http://www.namibian.com.na/index.php?page=archive-read&id=128671 Namsov fights for bigger quota http://www.namibian.com.na/index.php?page=archive-read&id=130696 Empty win for Namsov http://www.namibian.com.na/index.php?page=archive-read&id=131319
2015	Namibia Poultry violated agreement with Bidvest http://www.namibian.com.na/index.php?page=archive-read&id=134487 Dealing in securities by directors Jan Arnold sells 4,700 @ N\$13.24 Tough times ahead for Bidvest Namibia Set target price @ N\$12.5 and revised to a SELL. http://www.iig-research.net/bidvest-namibia-1h15-results-review/ Namsov boss bails http://www.informante.web.na/namsov-boss-bails.15720 Dealing in securities by directors Jan Arnold sells 9,300 shares @ N\$11.40 Bidvest Namibia acquires Novel Motors http://www.iig-research.net/bidvest-namibia-acquires-entire-stake-in-novel-motors-for-n231-8-million/ New fishing quota system to be introduced http://www.namibian.com.na/index.php?page=archive-read&id=141065 Fish law gets smelly http://www.namibian.com.na/index.php?page=archive-read&id=141065	2016	BVN announced Namsov partners withdrew from JV http://www.namibian.com.na/index.php?page=archive-read&id=141066

Share Price, Target Price and Analyst Recommendation



Source: BVN, Ministry of Fisheries and Marine Resources, IIG

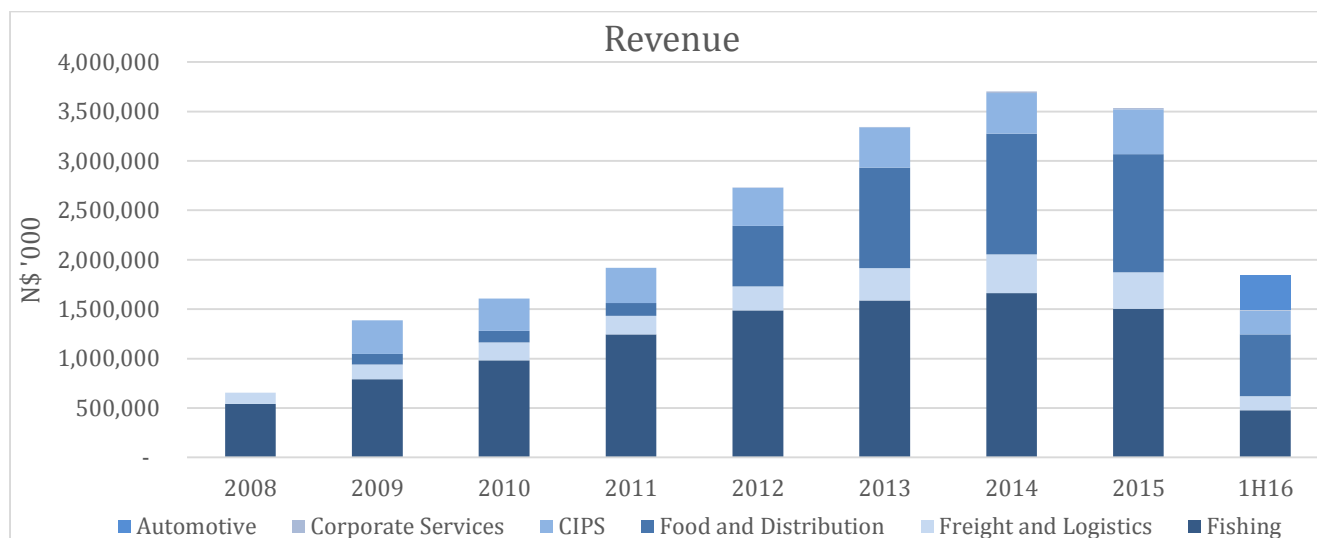


1H16 Results Review

Overall Performance

Revenue

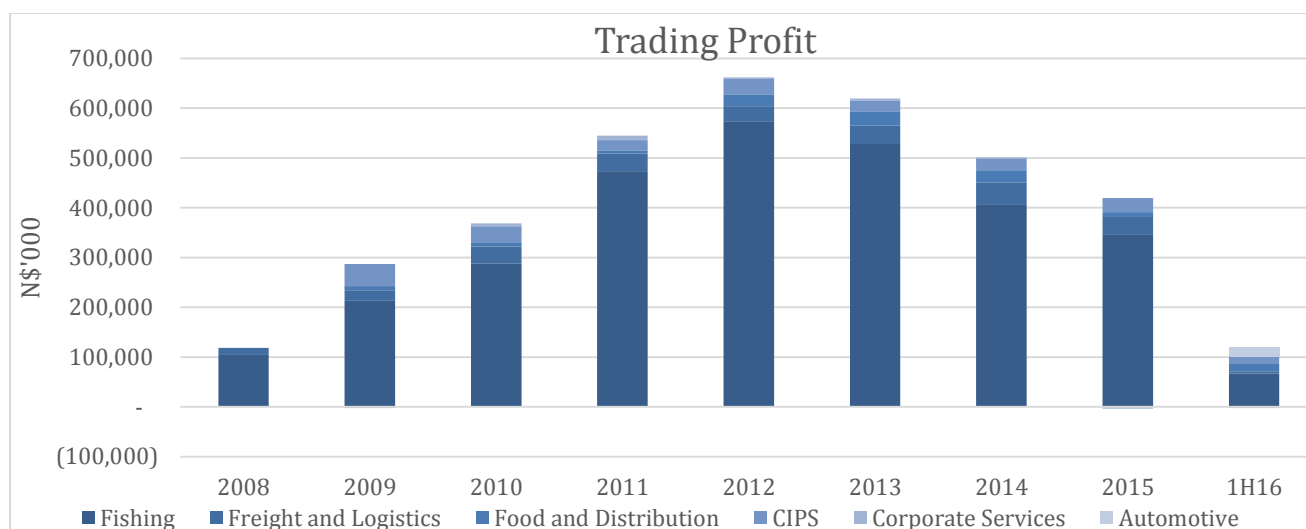
Revenues generated by BVN increased by 8.3% year on year, to N\$1.843 billion in 1H16. This increase was largely attributed to income generated by the automotive division with the acquisition of Novel Motors during the period under review. Performance by the fishing division was particularly disappointing. Revenue composition is now weighted towards the food and distribution division, rather than the fishing division as has always been the case. The fishing division contributed 26.0% towards revenue, down from the 39.7% contribution in 1H15. Food and distribution ended up adding 33.9% to total revenue, down from the 38.3% contributed during the previous period, followed by the automotive division at 19.0% and then commercial and industrial products and services at 12.9%.



Source: BVN, IJG

Trading Profit

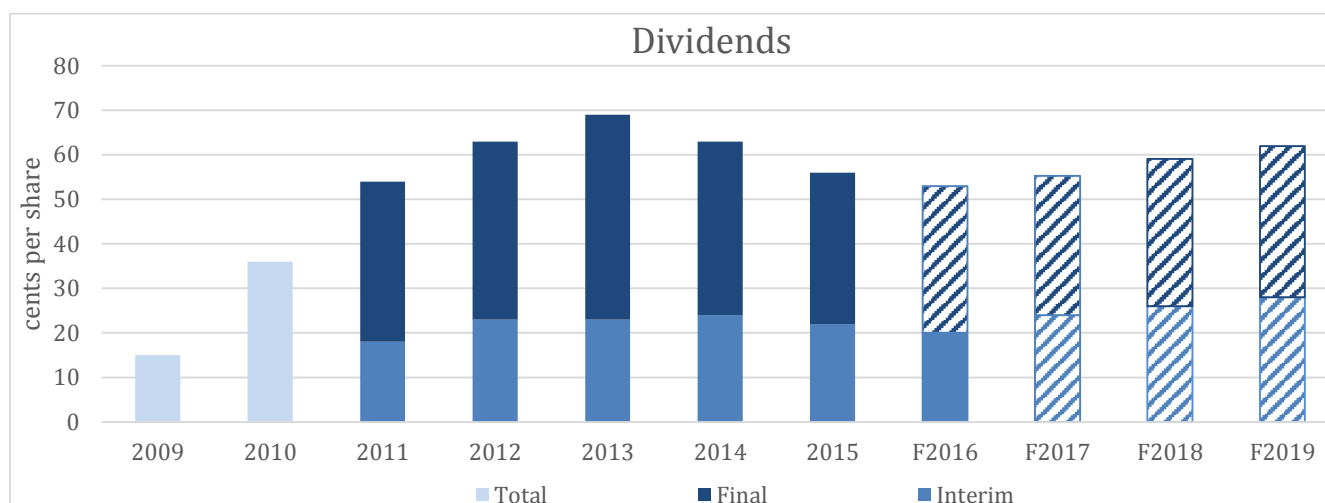
Trading profit shrunk by 32.5% year on year, to total N\$118.9 million from N\$176.3 million in 1H15. This decrease was attributed to a slowdown in all the segments except for the food and distribution division, which reported growth of 7.2%. The newly integrated automotive division also offset the decrease in trading profit to some extent. The decrease in total trading profit is largely attributed to poor performance in the fishing division. However, as usual, the fishing division supplied the largest share of total trading profit, coming in at N\$66.9 million or 56.2%. This figure compares to N\$127.5 million or 72.3% contribution seen in 1H15. The 47.6% decrease in the fishing divisions trading profit reflects depressed margins resulting from lower quota allocation from the MFMR and higher quota rental fees. Operating expenses increased 16.2% to N\$208.8 million in 1H16 from N\$197.6 million in 1H15.



Source: BVN, IJG

Earnings and dividends

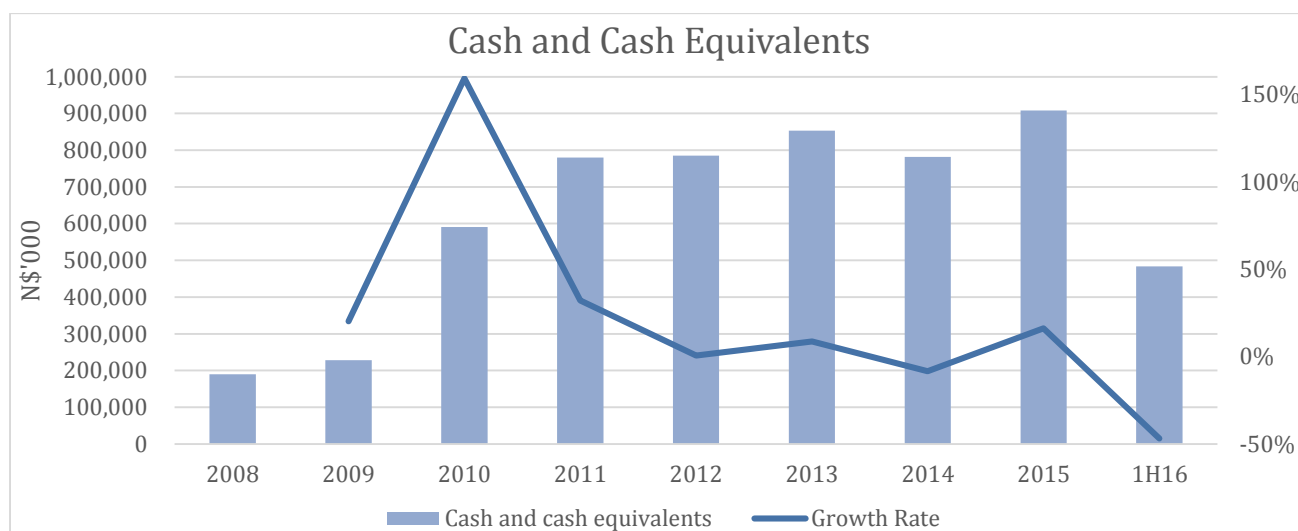
Basic EPS decreased 7.2% to 46.1 cents per share for the reporting period from 49.7 cents per share in 1H15, while HEPS fell 10.8% to 44.2 cents per share, from 49.6 cent per share previously. An interim cash dividend of 20 cents per share was declared, compared to 22 cents per share for the comparable period, thus the company cut dividends by 9.1% when compared to 1H15. The company also increased the payout ratio to 44% from 43% before, in light of the challenging operating environment.



Source: BVN, IJG

Cash Position

BVN's cash position as reported on the balance sheet has grown significantly over the last seven years, up N\$718.5 million from N\$189.8 million reported at the end of FY08 to N\$908.4 million at the end of FY15. However, the cash position contracted by 46.8% from the end of FY15 to N\$483.6 million as at the end of 1H16. This decrease was due to a number of acquisitions made during the period under review, such as the Novel Motors acquisition which amounted to N\$238.8 million and Namibia Bureau de Change acquired for N\$8.5 million.



Source: BVN, IJG

Segmental Highlights

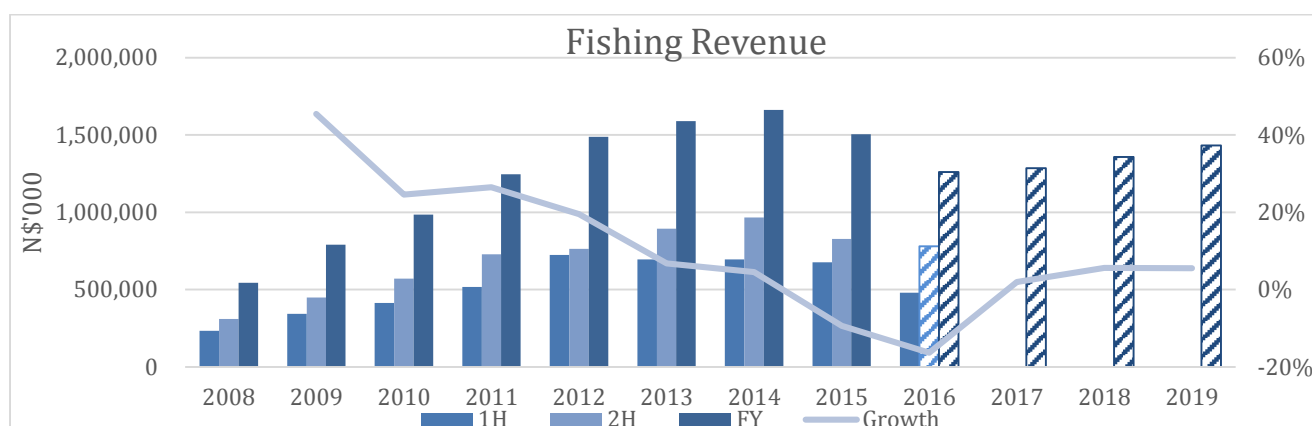
Segment analysis	Revenue			Trading Profit			Trading Profit Margin	
	1H15	1H16	change (y/y)	1H15	1H16	change (y/y)	1H15	1H16
Fishing	677,255	479,124	-29.3%	127,519	66,853	-47.6%	18.8%	14.0%
Freight and Logistics	152,888	141,962	-7.1%	21,921	4,312	-80.3%	14.3%	3.0%
Food and Distribution	653,521	625,523	-4.3%	15,199	16,287	7.2%	2.3%	2.6%
CIPS	217,887	238,418	9.4%	13,611	13,538	-0.5%	6.2%	5.7%
Corporate Services	6,262	7,316	16.8%	(1,912)	(2,314)	21.0%	-	-
Automotive	-	350,391	-	-	20,265	-	-	5.8%
Total	1,707,813	1,842,734		176,338	118,941		10.3%	6.5%

Source: BVN, IJG

Segmental Review and Outlook

Fishing Division

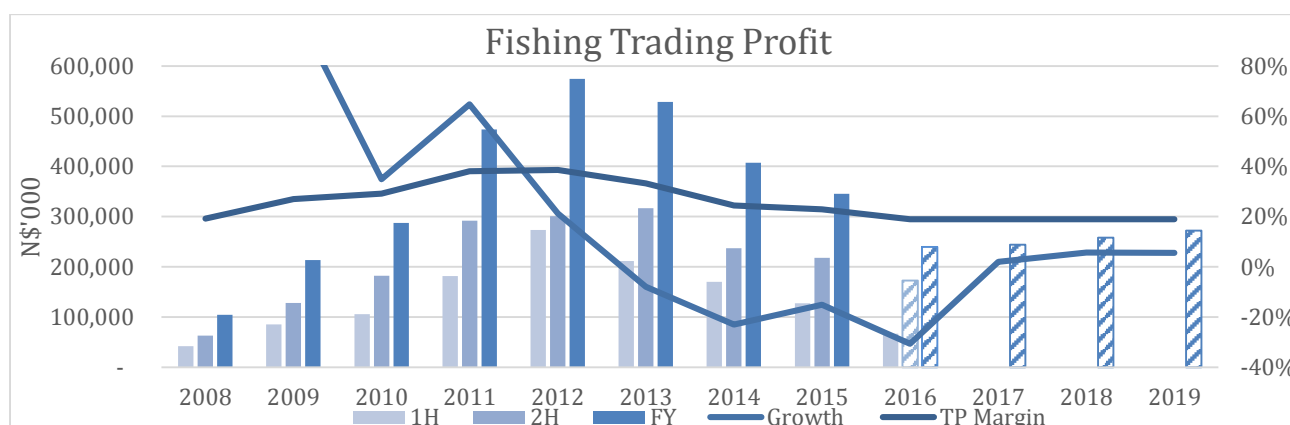
The fishing segment's revenue decreased by 29.3% to total N\$479.1 million, down from N\$677.3 million reported for the corresponding period in FY15. Fishing revenues were down due to several reasons. Firstly, lower horse mackerel quota was allocated directly to BVN by the Ministry of Fisheries and Marine Resources, together with the fact that quota contributing partners exited from Trachurus Joint Venture, resulting in a fall in the tons of horse mackerel sales of 42.0%. Secondly, the hard currency prices of horse mackerel fell, down 18.8% year on year. Thirdly, management reported poor pilchard catches in the 2015 season and slow pilchard sales during the financial year. Lastly, broken down Pesca Fresca vessels in Angola also contributed to lower landings, therefore lower volumes sold.



Source: BVN, IJG

Total Allowable Catches (TAC)'s are set by the Ministry of Fisheries and Marine Resources (MFMR) at the start of every calendar year and the bulk of the TACs are then allocated for that year, with the Ministry holding back a percentage of the TACs in reserve, to be allocated as the year progresses. As such, BVN usually run operations at full capacity during the first half of the calendar year i.e. the second half of BVN's financial year. This is why the second half of the financial year usually out performs the first half.

At 56.2% of trading profit, down from 83.1% in FY15, this division remains a significant part of the firm. As such, the challenging operating environment prevalent during 1H16 resulted in the subdued performance for the whole group. Trading profit generated by the division fell 47.6% year on year, down from N\$127.5 million in 1H15 to N\$66.9 million for the reporting period. This was on account of margin contraction, with margins decreasing from 18.8% to 14.0% in 1H16. The reduced margins come as a result of the company having to purchase quota on the secondary market, as the primary allocation to Namsoy and the Trachurus joint venture by the MFMR has declined. The fishing segment was put under further pressure through fishing vessels that were idle on dock and breakdowns in Angola. However, this was partially offset by a weakening Namibia Dollar and drastic fall in oil prices, which is a significant operating expense.



Source: BVN, IJG

Namibian Sea Products (Pty) Limited (Namsea)

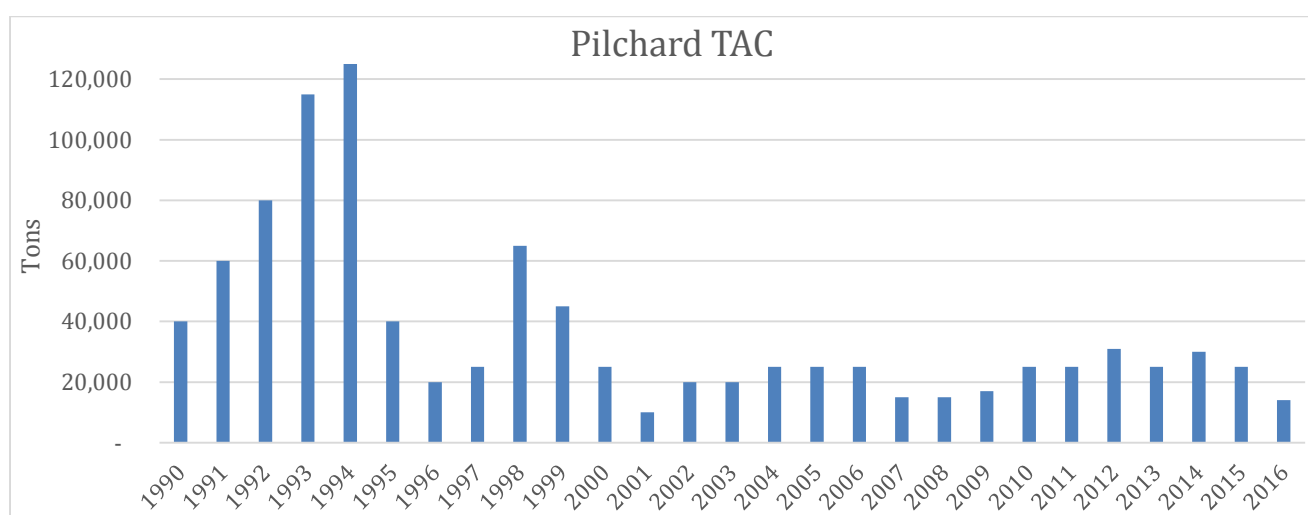
United Fishing Enterprises, which is the main operating entity in the Namsea Group of Companies, is active in the inshore small pelagic fishing industry with canning, fishmeal and fish oil processing facilities. Canned pilchards and other canned products, including beans are marketed under the Ocean Fresh and Ekunde labels, as well as the recently acquired Glenryck brand which is fully owned by BVN.

Small pelagic fish refers to those fish that live near the surface of the sea, mostly pilchard, anchovy and immature horse mackerel. These fish are caught using the purse-seine fishing method which involves using nets to encircle large schools of fish and then hauling the net on board. Small pelagic fish are either ground up for fishmeal and fish oil or if the catch is of sufficient quality, the fish is processed at BVN's factory in Walvis Bay. BVN has four purse-seine vessels at its disposal for small pelagic fishing, of which two are used for fishing in Angola.

BVN inshore products exported are mainly canned pilchard in tomato and chili sauce; fishmeal; canned hake and horse mackerel; canned smoked snoek and fish oil. According to export data released by the Namibian Statistics Agency, South Africa remains the main importer of Namibian canned pilchard taking up about 95% of total exports every year. The products are then distributed from South Africa within the region such as Mozambique, Zambia, Ghana, Cameroon, etc. The other products such as frozen cutlets are exported to Thai and Malaysian markets. Fishmeal goes to Japan, China, South Africa, Chile and Turkey; while fish oil is exported to Turkey.

Pilchard and other canned products

Prospects for pilchard are not positive as pilchard stocks remain of great concern to BVN and the entire industry. The pilchard population was seriously reduced due to negative environmental conditions, known as the Benguela Nino, in 1993 and 1995 and due to massive over-fishing in the period prior to Namibia's independence in 1990. This resource has never recovered from this over-fishing, and as such only very minor quota's, just to keep the fishery open and industry players active, are assigned each year. Given a promising biomass assessments done in 2014, the Ministry of Fisheries and Marine Resources, with the approval of Cabinet lifted the ban imposed on pilchard fishing, which was under moratorium since 2005 due to dwindling stock levels that threatened the extinction of this fish species in Namibian waters. However, recent biomass assessments showed a decrease in pilchard numbers and plankton levels, which is a key food source for pilchard. Based on this, the Marine Advisory Council recommended a TAC of only 14,000 tons for 2016, down from 25,000 in 2015.



Source: BVN, Ministry of Fisheries and Marine Resources, IJG

Given the decrease in TAC, the MFMR cut BVN's quota allocation by almost 30% to 10,000 tons. However, management indicated that horse mackerel will be canned instead, to keep the cannery occupied, preventing closure and job losses. Management is not concerned about imports from other markets as they are expensive and the 2015 South African TAC for pilchard was also decreased by two thirds, from 90,000 tons in 2015, resulting in a lack of supply.



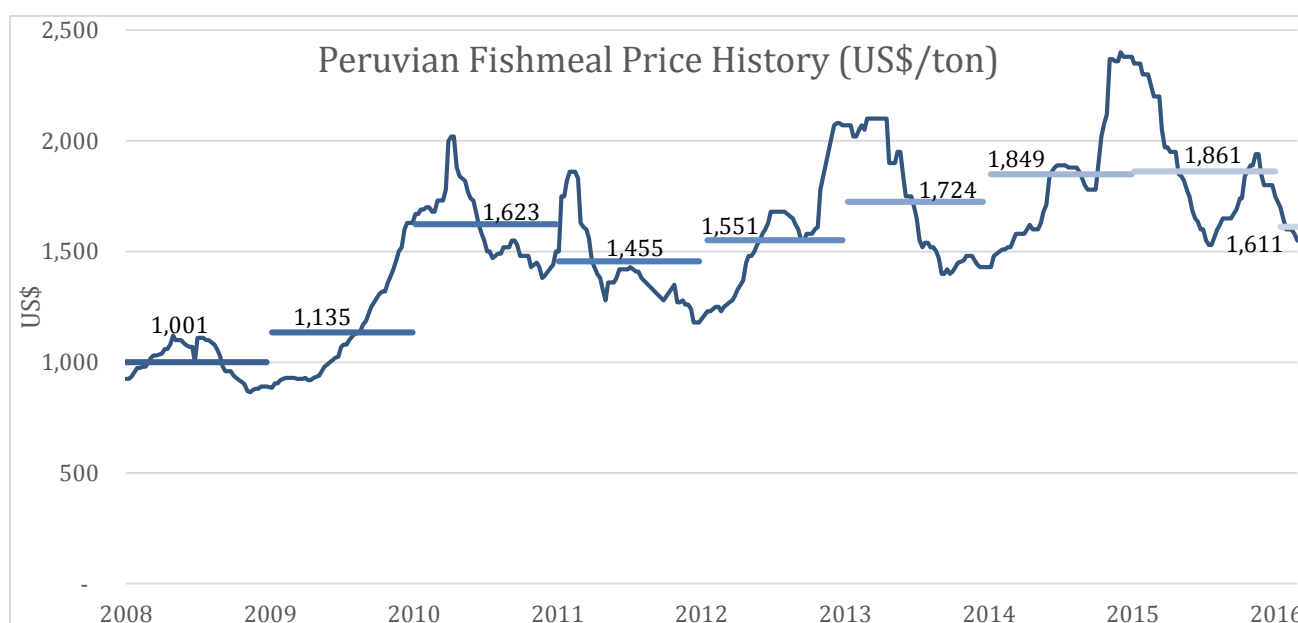
Nonetheless, Pilchard remains a sought after resource both on domestic and international markets, with canned pilchard and fishmeal, particularly, in constant demand. Competition for BVN's canned pilchard has been posed by the availability of fresh and frozen horse mackerel products in the domestic market, however, its main competitor is the Oceana products, under the Lucky Star brand.

We estimate that canned products price inflation is expected to remain strong and our forecasts also anticipate a widening of trading profit margins due to rand weakness. However, in our view, margin pressure could potentially be seen should a reduction in pilchard quotas allocated to BVN occur.

Fish Meal and Fish Oil

About 75% of the world's pelagic fish resources are processed into fishmeal and fish oil. The price of fishmeal is set on the world market and imposed on local producers. The variability of fishmeal prices on the world market is fully related to fluctuations of aggregate supply and demand, but interdependencies with other markets and speculative activities play a role in the variability.

In 2015, fishmeal was in short supply due to the cancelation of the second Peruvian fishing season, which was linked to an El Nino weather phenomenon. Although the fishery has since normalized and prices have corrected, this is part of the short-term price dynamics. In the long run, prices are expected to rise as the global demand for fishmeal is expected to increase, driven by growth in the aquaculture industry while at the same time supply is declining. The decline in supply has been driven by both lower wild catch of small pelagic fish and, more importantly, increasing direct human consumption of these species.



Source: Bloomberg

The fish oil market has experienced a dramatic increase in demand for feed or human consumption. This demand is due to its source of omega-3 unsaturated fatty acids, which is a unique feature of fish oil compared to other oils. The aquaculture industry is the main buyer of fish oil globally, consuming some 75% of available supply, primarily for use in salmon feed.

We believe that the growth lies to the upside for our fish meal and fish oil forecast and we estimate operating margins to widen between FY16 and FY17. In our view, we could see higher than expected Fishmeal prices due to the El Nino.



Trachurus

Trachurus is a joint venture between Namsof Fishing and Atlantic Harvesters with Kuiseb Fishing, Gendev Fishing and Emeritus Fishing as external partners. However, all three external partners has withdrawn from the joint venture during the period under review. Only Atlantic Harvesters, which is owned by United Fishing, effectively Namsof, remained.

The company is engaged in deep-sea fishing or mid-water trawling, beneficiating and processing of fish products as well as the transport and marketing thereof. It also services, charters and leases vessels with the main aim of developing fishing infrastructure, and engages in any other business which may seem directly or indirectly conducive to any of the objects of the company.

The mid-water fishery consists of those fish that live at various depths between the seabed and the surface, which is overwhelmingly horse mackerel. Horse mackerel is a vague vernacular term in the English dictionary for a range of species of fish. It is commonly applied to pelagic fishes, especially of the Carangidae family, most commonly those of the genera Trachurus or Caranx. Mid-water fish are caught by trawlers which use large nets to drag the fish up to the vessel where the fish are processed. BVN mainly freezes the horse-mackerel whole at sea with limited value addition taking place. However, small amounts are processed or canned onshore at BVN's factory in Walvis Bay. For horse mackerel catching, BVN currently own three midwater trawlers and also have a 25% share in Carapau which owns one midwater trawler.

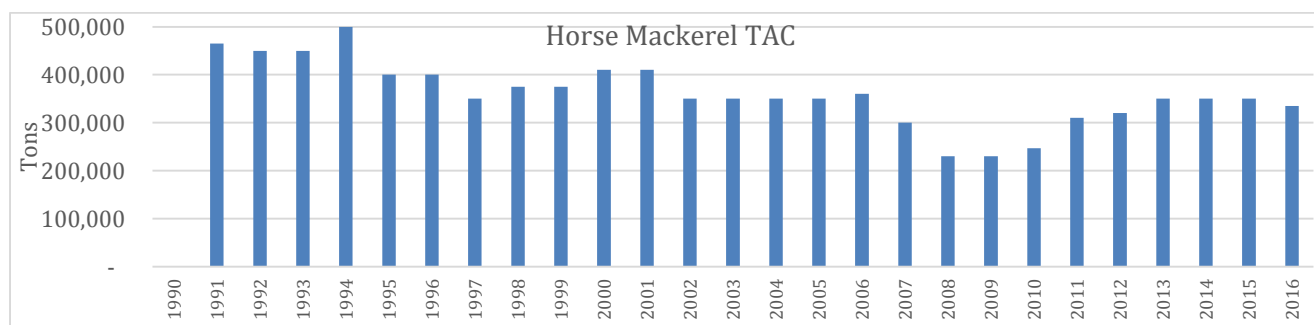
Namibian horse mackerel is mainly exported to African markets, with the DRC being the main importer. The domestic demand for horse mackerel has been good, however, despite the popularity of the fish, the proportion sold domestically is significant lower than the exported products within the SADC region. Namibia horse mackerel competes with that of Chile and Mauritania, the larger world suppliers of horse mackerel. Competition is posed through the size of the fish as well as the fat content.

In terms of tonnage landed and revenue, the mid-water fishery is still the largest part of BVN's business. According to management the fish resource is healthy and landing are reported to be good, however, prospects for the horse mackerel division is not positive given various challenges faced by BVN.

Total Allowable Catches

The TAC for horse mackerel has declined since the early 1990s and was considerably higher than landings for most of the 1990s. In recent years the TAC has stabilised between 300,000 and 350,000 tons. The 1991 White Paper on fisheries estimated that the long-term sustainable off-take of horse mackerel was between 400,000 and 450,000 tons, and the conservative approach of managing the resource by the MFMR has proven to be effective in recent years, with the resource showing recovery.

However, Angola re-introduced mid-water trawling in 2013, allowing midwater trawling in Angola to the same levels as in Namibia, with 350,000 of horse mackerel tons per annum. This effectively means the effort and extraction allowed on the shared horse mackerel resource has doubled since the re-introduction by Angola. Fisheries in the industry highlighted that this does not bode well for the resource. The TAC for horse mackerel, set by the MFMR, was lowered to 335,000 tons in 2016 after the biomass assessment done by Marine Advisory Council indicated lower fish stock. The TAC set for 2016 compares to a 350,000 ton level set for each of the preceding 3 years.



Source: BVN, Ministry of Fisheries and Marine Resources, IJG



BVN Fishing Quota

BVN's annual fishing capacity was estimated at 160,000 tons per annum at the end of 2014, however, BVN sold one of five vessels to Carapau during FY15 and another vessel was used to buy out minority shareholders in Trachurus during 1H16. The most obvious reason for this was to down scale on the back of reduced quota allocations and the fact that quota contributing partners exited the joint venture. Also, it is becoming more and more difficult to get hold of quota from third parties as the other quota holders are becoming operational, which is requirement by the MFMR should they wish to continue receiving quota allocations. During 1H16, Trachurus vessels were idle on dock whilst finalising the exit of the partners. However, going forward, we should see a decline in operating expenses, as these vessels have been sold. BVN's fishing capacity of horse mackerel is currently 100,000 tons per annum, for the three vessels only.

Over the last few years, the share of the TAC allocated directly to BVN has fallen. In 2011, the MFMR allocated 41.3% of the total quota directly to BVN; 25.0% of the CY12 total quota; 24.4% of the CY13 total quota and 20.4% of the CY14 total quota. The number of concession holders have increased over time, as such, BVN's share of TAC decreased. To make matters worse, the amount of quota BVN acquires indirectly from other quota holders has decreased as well. Quota contributing partners exited from the Trachurus joint venture, which according to management, was due to fear of contamination on being associated with Bidvest Namibia.

According to management, quota acquired from other holders are not disclosed as this data no longer forms part of the public information domain and the standard circulation there-off through the MFMR ceased. They did, however, indicate that the direct quota allocated to Namsof for 2015 was 33,615 tons and that quota allocation for 2016 was more or less in line with 2015. However, only a small portion of 2016 TACs have currently been allocated as the rest of the TAC will be allocated according to the Minister's new scorecard which is being developed. Management also highlighted that most other quota holders were not willing to engage with Namsof during the last year or are in structures with other foreign vessels. As the majority of quota are not allocated yet, no significant quota tonnage has been bought yet.

Given management's reluctance to provide us with the quota figures bought, we followed an alternative route to obtain fishing quota to do forecasts. As per our understanding the correct procedure to follow is to address a request to the Ministry of Fisheries and Marine Resources Permanent Secretary's office to view the official register in respect of quota allocations at the Ministry of Fisheries and Marine Resources Head Office.

According to the Marine Resources Act Nr. 27, 2000, clause 43:

43 Register

- (1) The Permanent Secretary shall keep a register in respect of every right, exploratory right, quota and licence, such particulars as may be prescribed.
- (2) Any suspension, cancellation, reduction or transfer of a right, an exploratory right, quota or a licence under section 41 shall be recorded in the register referred to in subsection (1).
- (3) The register kept under subsection (1) **shall be available for inspection by any person** at such place, during such times and upon payment of such fees, if any, as may be prescribed.

According to the Government Gazette No. 5853 of 15 October 2015

REGULATIONS RELATING TO INSPECTION OF REGISTER: MARINE RESOURCES ACT, 2000

Under section 61(1)(m) of the Marine Resources Act, 2000 (Act No. 27 of 2000), read with section 43(3) of that Act, I have made regulations set out in the Schedule.

Definitions

1. In these regulations, any expression to which a meaning has been assigned in the Act bears that meaning and, unless the context otherwise indicates –

“inspection” means viewing of the register as contemplated in subsection 43(3) of the Act.

“register” means the database upon which information relating to rights, quota, licence and right holders are kept as contemplated in section 43(1) of the Act.



Date and time of inspection

2. A person who wishes to inspect the register, pursuant to section 43(3) of the Act, may do so at the Ministry of Fisheries and Marine Resources Head Office, situated at Brendan Simbwaye Square A Block, on Thursday from 14h30 to 17h00.

In a letter addressed to the Permanent Secretary of the Ministry of Fisheries and Marine Resources, we requested to view the official register kept at the MFMR Head Office. However, after many visits to their office, the Permanent Secretary indicated that the request was referred to the Attorney General's Office as they were under the impression that only right holders are allowed to view the register, despite the fact that the Marine Resources Act, 2000 (Act No. 27 of 2000) clearly states that it **"shall be available for inspection by any person"**.

By time of releasing the report, we had not yet been allowed to view the register. Therefore, in our FY16 forecasts, we had no choice but to make certain assumptions regarding quota allocations to BVN for 2016. That said, the lack of information makes forecasting very difficult. We do know that the quota contributing partners exited from the Trachurus joint venture and that the MFMR announced that the TAC for the 2016 fishing season has been reduced to 335,000 tons for 2016, which indicates lower quota and does not bode well for BVN.

	2011	2012	2013	2014	E2015	E2016
Direct Quota Allocation	127,905	79,906	85,483	71,446	45,000	45,000
% of total BVN TAC	77.3%	57.3%	58.4%	57.2%	50.0%	50.0%
Indirect Quota acquired	37,568	59,482	60,809	53,401	45,000	45,000
% of total BVN TAC	22.7%	42.7%	41.6%	42.8%	50.0%	50.0%
BVN Total TAC	165,473	139,388	146,292	124,847	90,000	90,000
Total TAC	310,000	320,000	350,000	350,000	350,000	335,000
% of total TAC	53.4%	43.6%	41.8%	35.7%	25.7%	26.9%

Source: BVN, Ministry of Fisheries and Marine Resources, IJG

Along with the lower direct quota allocation, the amount paid to secure additional quota has risen, from N\$1,500 per ton in 2011 to the latest price of N\$3,250 in 2015. The prices have increased dramatically over the last 5 years. This said, we do not foresee the quota rental fees increasing as dramatically going forward, as Namibian fees have normalised with those of Mauritania, approximately N\$3,300 per ton at present, which price appears to be a point beyond which quota demand tails off, as the marginal unit of profit on this quota undermines viability.

Tetelestai (Pty) Limited (Tetelestai)

Tetelestai is an oyster producing company based in Walvis Bay, supplying fresh and frozen oysters under the brand name Tetelestai to regional markets and markets in the Far East. Management highlighted difficulties faced by the oyster farm with meager growth expectations due to excess cadmium levels in the water and export restrictions to east which is limiting sales. However, from a contribution perspective, revenue generated from the oysters make up a small percentage of the total fishing division, less than 1% contribution to revenue.

Pesca Fresca Limitada (Pesca Fresca)

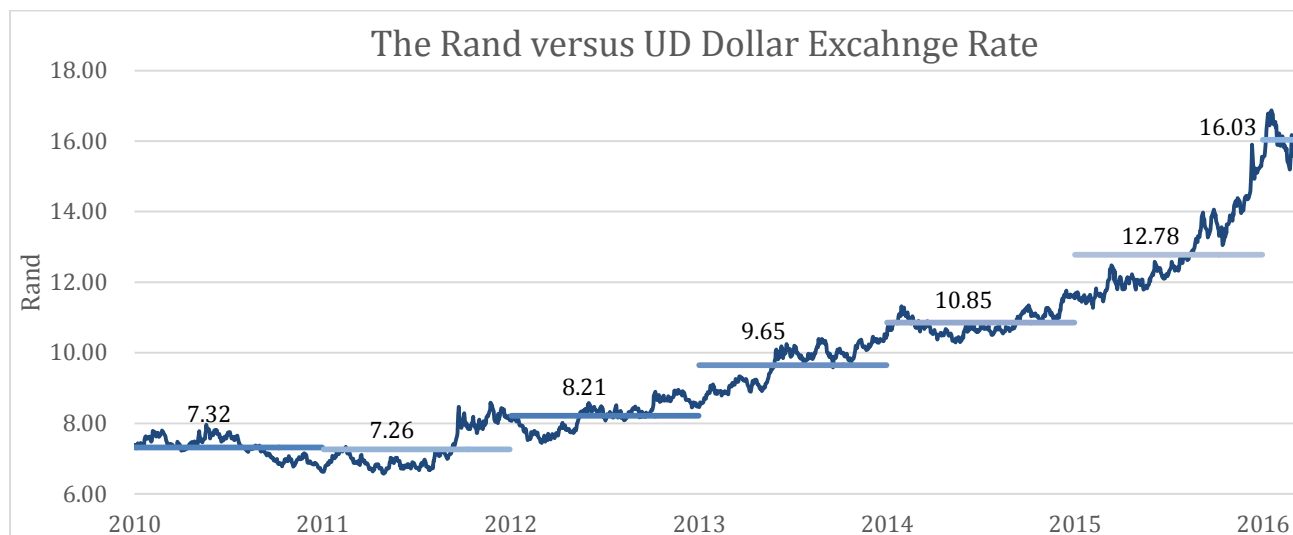
Namsof invested in Angola in March 2008 by securing a meaningful stake in the company Pesca Fresca. This company is engaged in the small pelagic industry, catching and processing mainly sardinella and horse-mackerel. Fresh and frozen fish is sold to the local market and fishmeal and fish oil is exported to the Far East and Southern Africa. Management seem to be more positive on the Angolan business given a stable resource, favourable local market prices and satisfactory demand.

Currency

Currency movements present a perpetual risk to BVN, as much of the fishing division's expenditure and production is hard currency priced. In this regard, the vast majority of the main fish products produced by BVN are sold abroad, with Horse Mackerel largely sold into central Africa, and is generally priced in US Dollars. Many of the other smaller ocean products, such as oysters are sold into Asia, also usually priced in hard currency.

However, the exchange rate boosted fishing revenues over recent years, as the US dollar strengthened more than 100.0% since 2011, vis a vis the Namibia Dollar, averaging at N\$8.8, N\$10.4 and N\$11.5 to the US\$ for FY13, FY14 and FY15 respectively. During the first half of the 2016 financial year, the Namibia Dollar averaged N\$13.62 to the US Dollar, offsetting the lower US dollar horse mackerel price effect on revenue to a large extent.



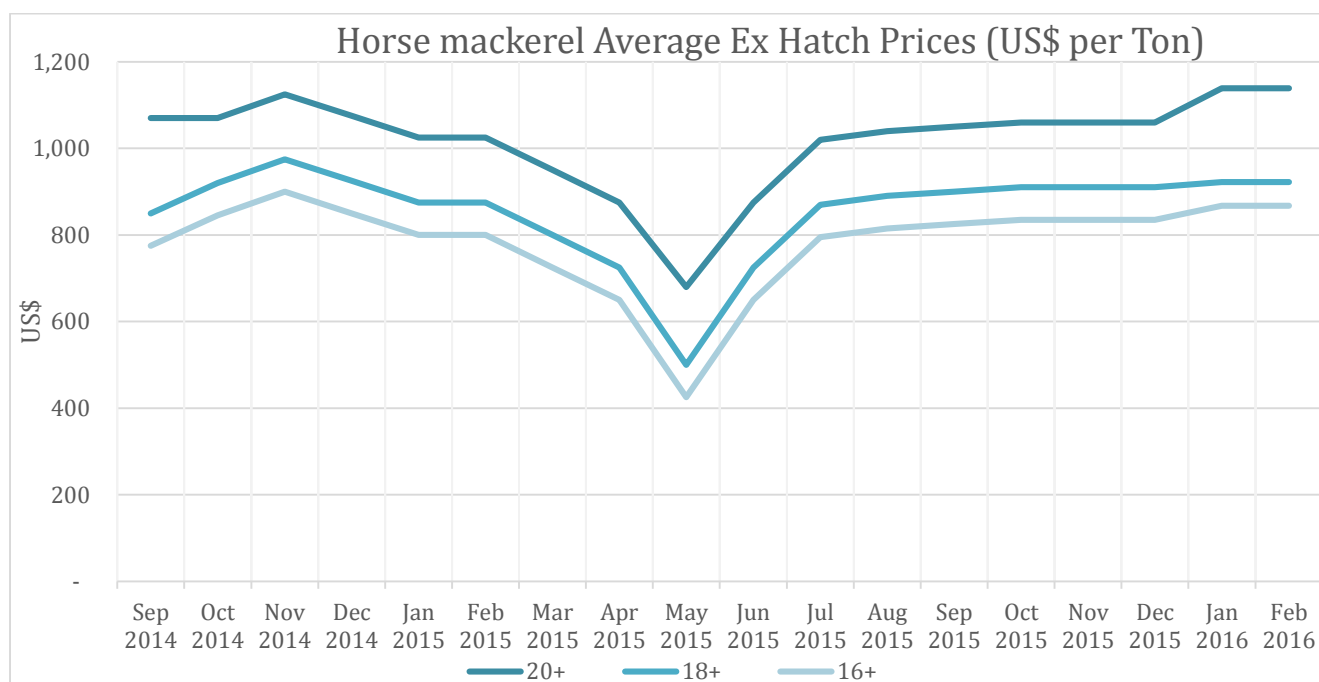


Source: Bloomberg

For the three months ending March 2016 or the third quarter of FY16, the Namibian Dollar averaged at N\$16.03 to the US Dollar, however strengthened somewhat by mid-April. Given that we are already halfway into the second half of the financial year, we derived our FY16 and FY17 BVN estimates using a US Dollar to Namibian Dollar of N\$15.00. This may prove to be conservative should the rand weaken further against the US Dollar.

At the same time, fishing regulations in the Democratic Republic of Congo and the general oversupply in the traditional markets of Namsof following restrictions implemented by the Nigerian government, led to a decline in the average realised horse mackerel price in USD. According to management, the average price achieved per ton of horse mackerel during 1H16 was 18% less than during 1H15. However, the weaker Namibian Dollar offset the lower US dollar price effect on revenue, but this also had a significant impact on costs. According to the price lists of United Fishing Enterprises as at the end of February 2016, the price of horse mackerel has recovered to some extent, as can be seen on the graph below.

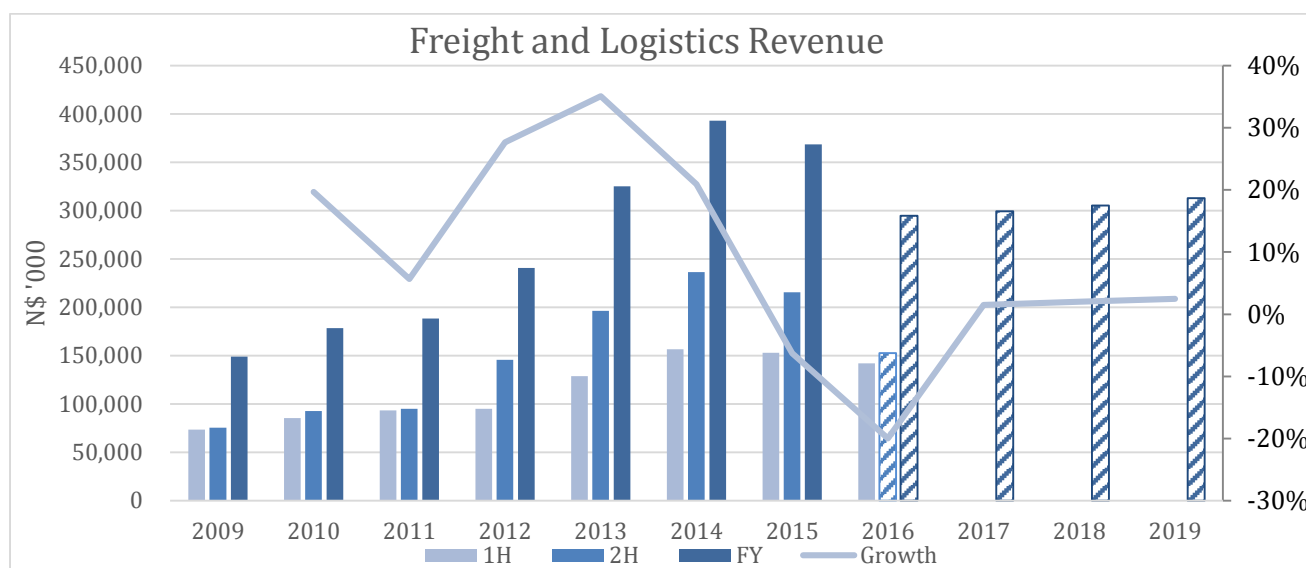
We estimate that the average price of horse mackerel during the second half of the financial year to be slightly higher. In our forecasts we also anticipate the widening of trading profit margins due to rand weakness. However, in our view, margin pressure could potentially be compressed by the reduction in horse mackerel quotas allocated to BVN. BVN currently still has significant surplus capacity and management indicated that they will either need to obtain another joint venture arrangement like Carapau or sell a further vessel.



Source: BVN, Ministry of Fisheries and Marine Resources, IJG

Freight and Logistics

In the case of Freight and Logistics, revenue decreased 7.2% year on year to N\$141.9 million for 1H16, and trading profit decreased significantly for the period, reporting a slowdown of 80.3% year on year. Trading profit decreased from N\$21.9 million to N\$4.3 million, as the trading profit margin contracted from 14.3% reported for FY15 to the current figure of only 3.0%. Freight and Logistics performed poorly due to no project activity during the entire half year under review.

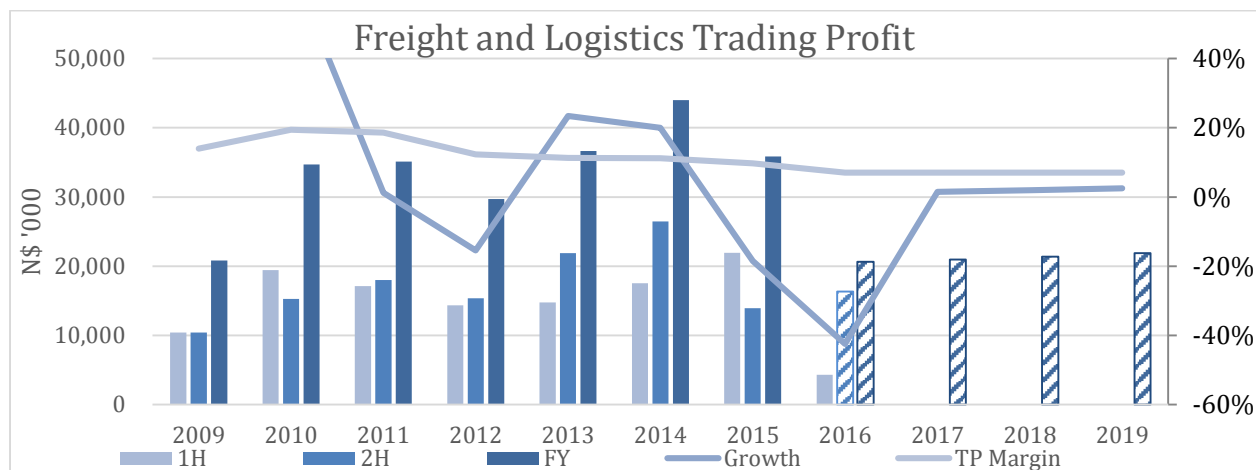


Manica Group Namibia, which provide freight and integrated logistics solutions, include:

- Woker Freight Services
- Ocean Liner Services
- GAL/MOL
- Monjasa Namibia
- Macs
- Rennies Consolidated
- Walvis Bay Airport Services
- Walvis Bay Stevedoring
- Lubrication Specialists
- Orca Marine Services
- Luderitz Bay Shipping and Forwarding
- Manica Oil and Gas
- Manica Lodistics Services

Given the integrated nature of the Freight and Logistics business, projects have positive spin-offs to all areas in the division, therefore all entities in this division are facing challenging times during this zero project year.

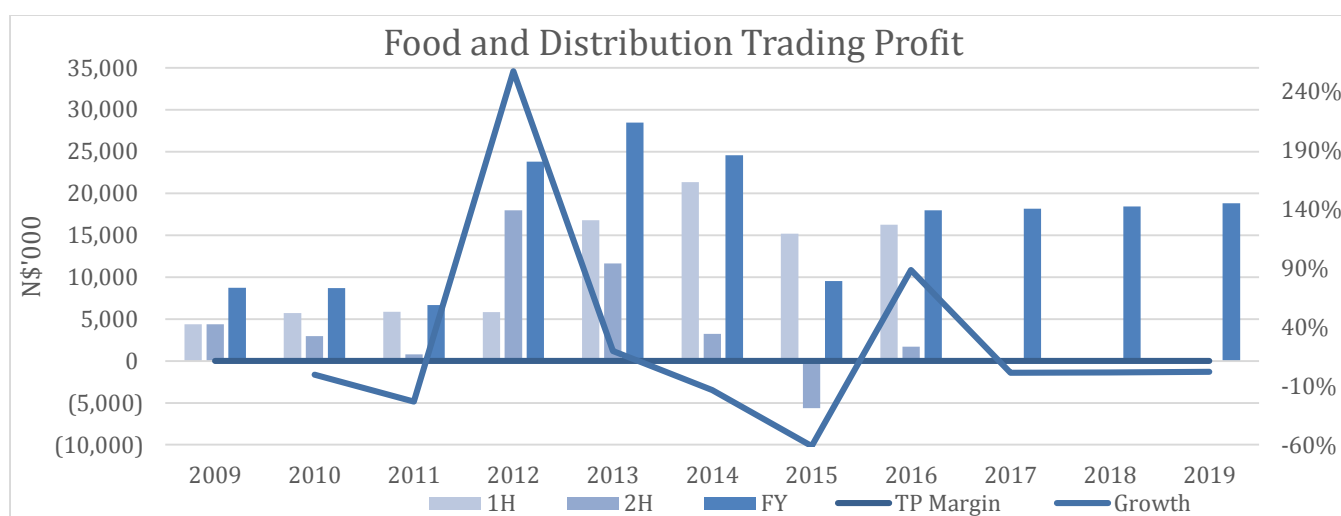
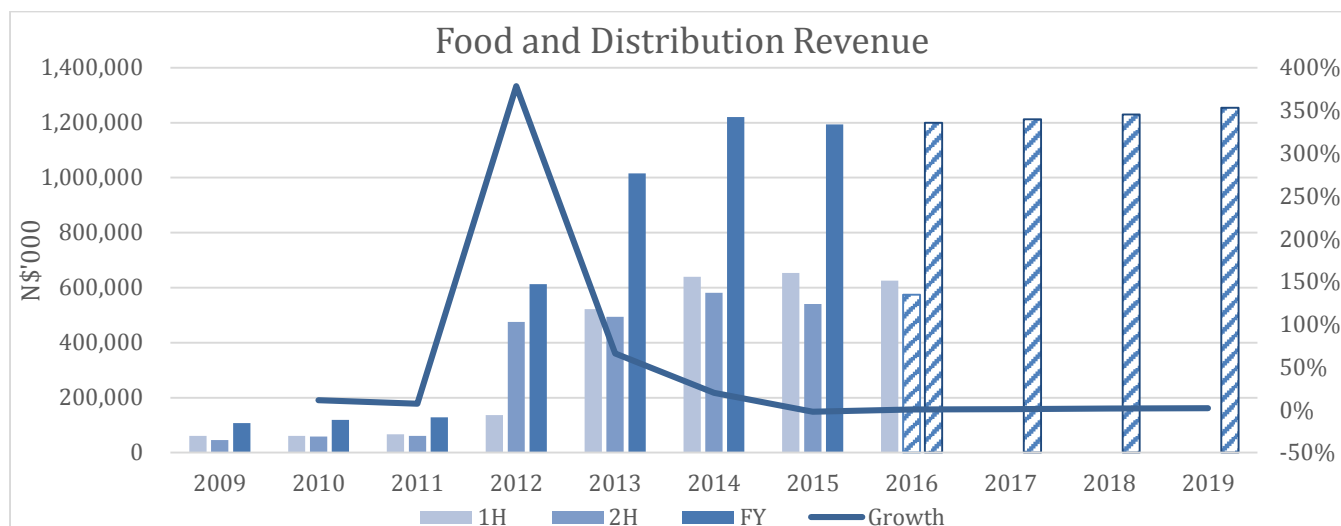
Lower activity in the oil and gas industry as mining and oil exploration slowed down in the country is one of the main reasons for this decline. The global interest in offshore Namibian oil stems from the fact that Namibia's coastal shelf mirrors that of Brazil across the Atlantic and Angola bordering to the north, Africa's second-biggest oil producer. However, the recent plunge in crude oil prices has curbed oil and gas explorers' plans for drilling in Namibia.



The division is currently trying to compact its business to cut down on costs and to streamline all areas down to a core business orientated focus. Mr Mike Samson has been appointed as the new MD of the segment. He has extensive experience in the logistics industry. There are currently no projects underway for the next few months therefore no expectation of an improved result. The focus is on containing costs and to make structural changes in the division to align cost structures and to focus on areas of greater potential and simultaneously drive to secure projects.

Food and Distribution

The food and distribution division reported revenue of N\$625.5 million, down 4.3% from 1H15 while trading profit rose 7.2% to N\$16.3 million, reflecting an improvement in the trading profit margin. This is due to a firm turnaround plan, which was implemented by management and has now started to pay off as of December. However, the weak results of the months prior had a drag on overall performance. Nonetheless, the profit margin for this division widened from 2.3% reported for 1H15 to 2.6% in 1H16. Food and Distribution contributed 33.9% of total revenue, down from 38.4% in 1H15, while the contribution to total trading profit increased from 8.6% to 13.7% in 1H16.



Taeuber & Corssen

The Taeuber & Corssen (T&C) group of companies is an established business in Namibia and has been operating in the country for more than 95 years. T&C is a sales and distribution company based in Windhoek, distributing a wide variety of premium fast-moving consumer goods product brands in the retail, hospitality and other sectors on behalf of a broad spectrum of South African and International principals and manufacturers such as Unilever, County Fair and Nestlé, to name a few. T&C delivers to retailers such as Pick 'n Pay, Shoprite, Spar and various other retail chains in Namibia. BVN acquired T&C during December 2011.

Additionally, BVN acquired Pro Trade Agencies in March 2013 and was integrated with T&C. Pro Trade Agencies was a small business and comprised a single outlet in Windhoek initially, distributing non-food products. However, it grew significantly with the consolidation with the T&C distribution network nationwide. The additional profits from Pro Trade filtered through to the bottom-line from FY14 onwards.



The 1H16 results for T&C and therefore the entire division were poor for various reasons, being less consumer spending, stock shortages due to non-supply by principals and generally less product being sold. The decrease in revenue was also affected to a large extent by the loss of the contract for distribution of Namibia Poultry Industry products in FY15.

The Windhoek High Court on 4 March 2015 ruled that Namibia Poultry Industries had violated a distribution agreement it reached in 2012 with National Cold Storage, a subsidiary of Bidvest Namibia. The legal dispute with NPI has been settled and BVN received N\$7 million, which was recorded under Other Income. However, management indicated that this does not make up for the potential revenues as the cancellation of the agreement came with a loss of N\$60 million in revenue during FY15.

T&C is actively implementing its turnaround strategy and if successful, should deliver better performance during the second half of the financial year. According to management, initiatives include inter alia reducing stock shortages, finding new principals, boosting sales through promotions and active stock and credit control.

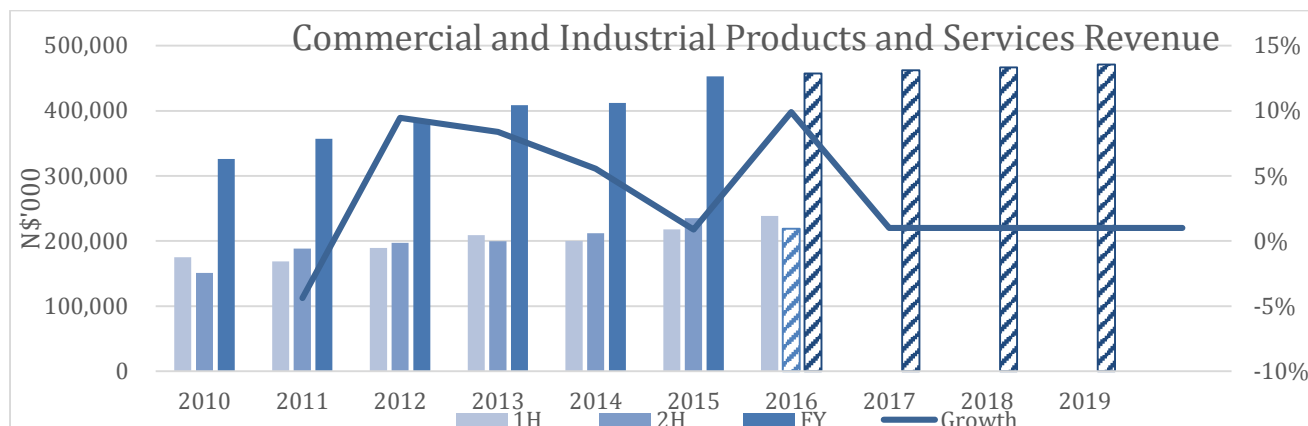
Caterplus

Cater plus is the distributor of perishable foods to hospitality, leisure, foodservice, wholesale and retail industries. Lack luster performance by Caterplus during the period under review was mainly due to stock shortages in the frozen seafood category, fierce competition of frozen vegetables, and the loss of a principal for franchised products. Effort is being made to regain market share in the franchised product business and obtaining other principals. Management also highlighted the fact that the business is striving to reduce claims from customers.



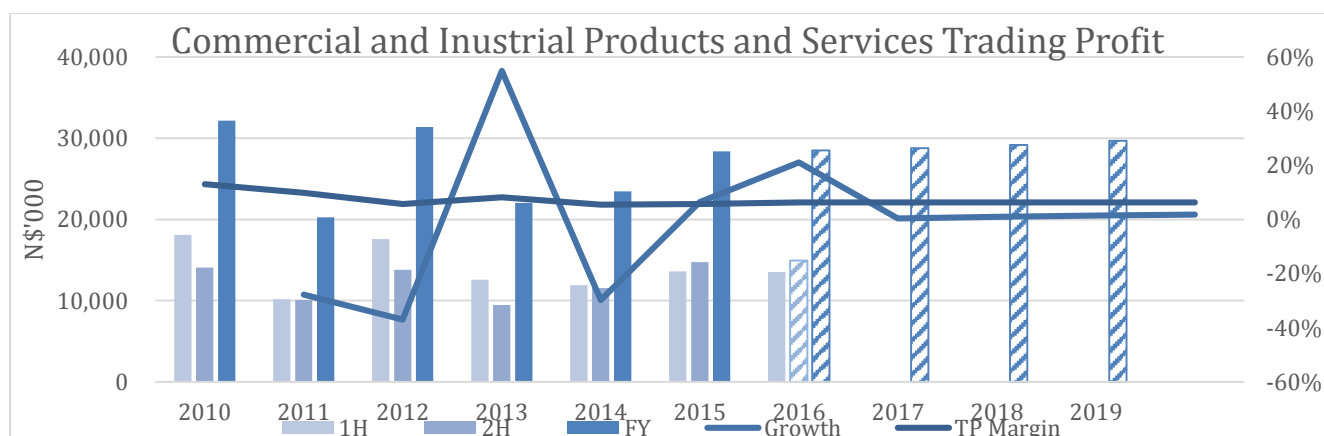
Commercial and Industrial Products and Services

The Industrial and Commercial Products and Services division delivered a stable performance, on par with the corresponding period last year. This division's revenue increased by 9.4% to total N\$238.4 million, up from N\$217.9 million reported for the corresponding period in FY15. Increased sales initiatives and effective implementation of strategies proved to be profitable, however, management noted a slowdown in the Namibian economy and that the drought impacted consumer spending, especially in the northern areas of Namibia.



Source: BVN, IJG

Trading profit for the period declined slightly, to N\$13.5 million in 1H16, down 0.5% year on year, as the trading profit margin narrowed to 5.7% from the 6.2% reported for FY16 and 5.9% for 1H15. Management advised that most of the companies in these segments are performing well, with the exception of Voltex, which is experiencing tight margins, as competition remains strong, dragging down profitability.



Source: BVN, IJG

Cecil Nurse

Cecil Nurse is a South African furniture retail brand, with 8 stores located across South Africa, and one store in Namibia and Botswana. BVN's local branch had an excellent 1H16, with large projects signed with SME's. However, management indicated this does affect profit margins as these projects are very competitive. The largest competitor in Namibia is Lewis Group Ltd, which has been operating in Namibia since the early 1970's. Lewis lately increased its presence in Namibia with the acquisition of 62 Ellerines and Beares stores in southern Africa, which means it now owns 27 stores, both in urban and rural areas of the country.

Kolok and Minolco

Kolok is a distributor of office accessories, appliances, printer consumables and commodities, data media, computer hardware and other peripherals. Management reported that Kolok performed extremely well during 1H16 by managing prices and controlling their stock. Kolok faces a difficult trading environment given high levels of competition, therefore thin profit margins. Minolco is a licensed distributor of Konica Minolta branded copiers, printers, etc. According to management, Minolco delivered a good set of results for the period under review given a significant rise in the number of copy-clicks and increased business from internal rentals of products rather than outright sales.



Rennies Travel Namibia

Rennies Travel is a travel service provider with more than 60 years of experience specializing in a range of travel services. Rennies Travel performed well during the first half of the year despite a very competitive market which is mainly due to a strong customer orientated service and long standing relationships with travel agents.

Namibia Bureau der Change

BVN acquired 49% shareholding in Namibia Bureau de Change for N\$8.5 million, with the deal being effective as off 16 July 2015, which means it has been included in the financials for the first half of FY16. The Namibian Bureau de Change is complimentary to BVN's other businesses, especially that of Rennies Travel, allowing currency exchange services to its customers.

Steiner

Bidvest Steiner specialises in providing hygiene rental equipment and related services to a wide spectrum of businesses and institutions across all industries in Namibia. Steiner has branches in South-Africa and in Namibia. Management highlighted the Namibian branches have done well during the period under review given growth in the hygiene rental customer base and the addition of pest control services.

Voltex

Voltex is a leading stockist and reseller of a comprehensive range of electrical, lighting products and energy-saving products, including national and international suppliers and their brands. Voltex is divided into specialised supply and distribution business units. The fourteen supplier divisions provide a wide range of products, while the distribution division distributes the product directly into the retail industry. According to management, Voltex performed poorly during 1H16 as it continued to struggle in a very competitive market. A strict view on credit control which was necessary to be implement had a negative impact on the business and the effects are felt on the bottom line.

Waltons

Waltons Namibia is a commercial business and retail and wholesale stationary brand that has operated in Namibia since 1979. It provides items such as paper products, school and office stationary and supplies. It also operates as an office furniture and corporate gifts retailer. Management reported that revenues increased over the prior period and profit margins widened due to active price management, however paper margins remain under pressure due to consumers becoming more digital orientated.

Commercial and Industrial Products and Services Outlook

BVN's management noted that the economy is slowing down at the moment and it is felt throughout all businesses, especially in the Commercial and Industrial Products and Services. The exceptional economic growth seen in Namibia over the last few years has been largely on account of unusually high levels of government spending, personal income tax cuts and low interest rates for a long period in the country, which placed the consumer in very favourable position. However going forward, there appears to be a high likelihood that growth will slow of an exceptionally high base that was created over recent years.

Various high-frequency indicators, such as new vehicle sales and private sector credit extension, are already illustrating a slowdown in consumer spending. Growth is expected to be severely dampened by a weak exchange rate, which is likely to force down demand for consumables as the price of such consumables increases, at the same time as the local economy is slowing and household's disposable incomes are coming under pressure. This is likely to be further exacerbated by increasing interest rates, which will put further pressure on consumers, further reducing the growth in demand for consumables, thus driving down growth in this division. In addition, a major slowdown in the Angolan economy has resulted in a notable decline in retail businesses in the northern areas of Namibia, a situation that is expected to continue for the foreseeable future. The current drought situation in the large parts of the country and the lack of income in the Northern part of Namibia can be felt in the spending in those areas.

Major growth is therefore not to be expected in the in the Commercial and Industrial Products and Services division for FY16. Plumblink supplies Plumbing services, Sanitary ware, Brassware and Allied Products in South Africa. BVN decided to expand its footprint beyond the South African borders. The first such venture will be the opening of a Plumblink store in Windhoek. The new Plumblink store began trading in March 2016.



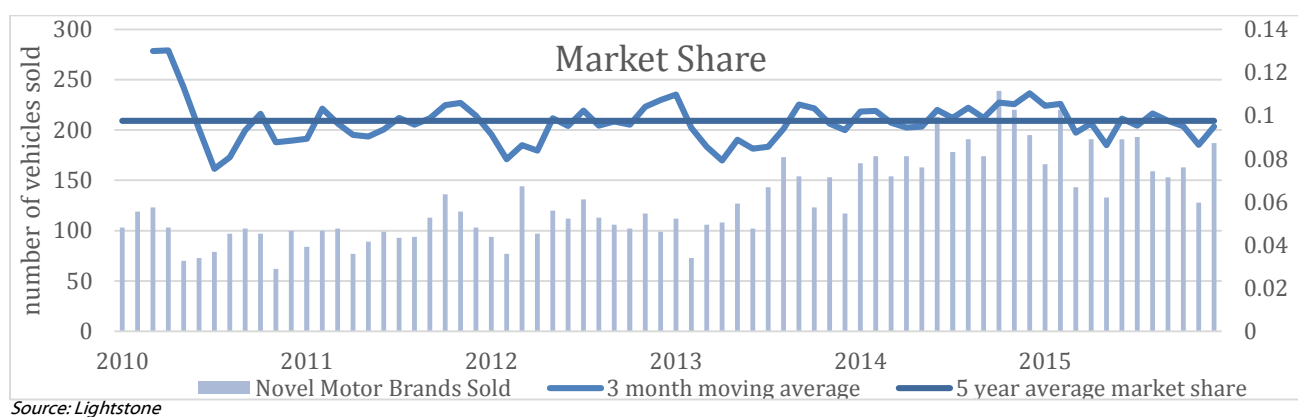
Automotive

BVN has, through wholly owned subsidiaries, acquired the entire issued share capital of International Capital Investments (Pty) Ltd, trading as Novel Motor Company ("Novel Motors") and Lenkow (Pty) Ltd, which owns the Windhoek showroom and service center premises from where Novel Motors operates, for N\$238.8 million. Novel Motors operates two dealerships in Namibia and is the main representative of Ford and the sole representative of Jaguar, Land Rover, Volvo and Mazda vehicles in Namibia. Novel Motors offers the sale of new and pre-owned vehicles, financing and insurance products, parts and accessories and after-sales service.

BVN acquired the shares for a total consideration of N\$231.8 million, which was funded from internal cash resources. The deal was effective 31 July 2015, thus is reflected in the 1H16 financial results for five of the six months. The automotive division reported revenue of N\$350.4 million for the five months, with an accompanying trade profit of N\$20.3 million. This translates to a profit margin of 5.8%. From a contribution perspective, the automotive division made up 19.0% of total revenue and contributed 17.0% to total trading profit, making it the third largest contributor to revenue and the second largest division in terms of trading profit.

Vehicle Sales

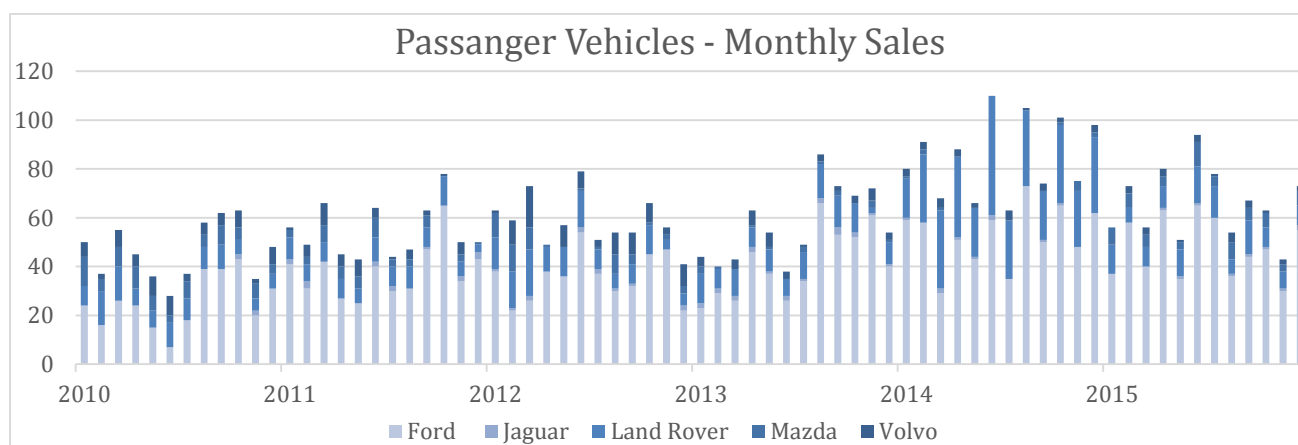
Novel Motors is the main representative of Ford and the sole representative of Jaguar, Land Rover, Volvo and Mazda vehicles in Namibia. The average market share, including passenger, light commercial and extra heavy commercial vehicle sales of these brands in Namibia is 9.8% since 2010.



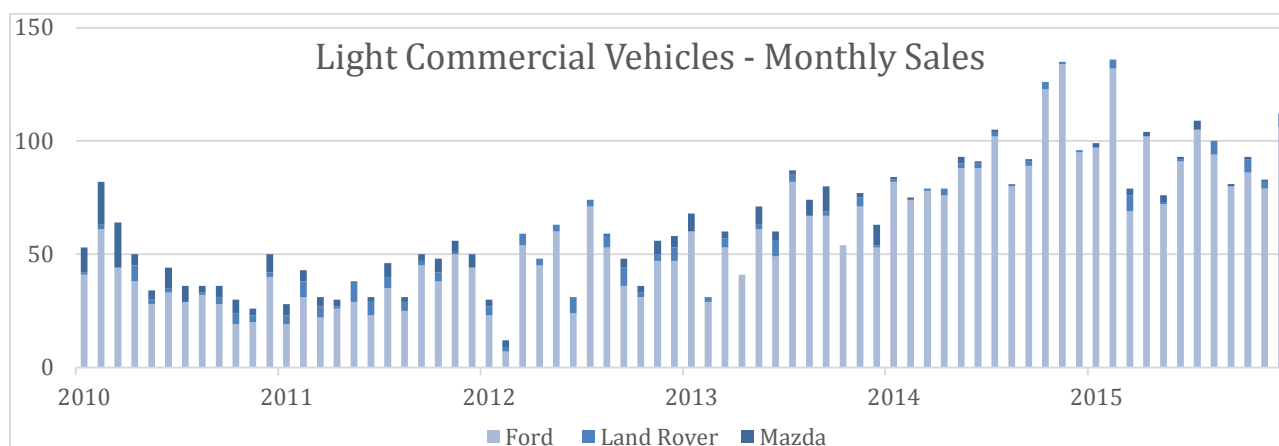
Over the five months, from 1 August 2015 to 31 December 2015, new vehicle sales of these brands totaled 790 vehicles sold. From a market share perspective, this amounts to 9.5% of the 8,310 new vehicles sold in Namibia during this period. Note that the N\$350.4 million revenue reported for the Automotive division by BVN also includes income from pre-owned vehicles sold, financing and insurance products, parts and accessories and after-sales service.

Passenger and Light Commercial Vehicle Market

The passenger market includes all five brands, with Ford being the most popular brand with regards to monthly sales numbers followed by Land Rover. Please refer to appendix A for a description of vehicle shapes and sizes for passenger and light commercial vehicles.



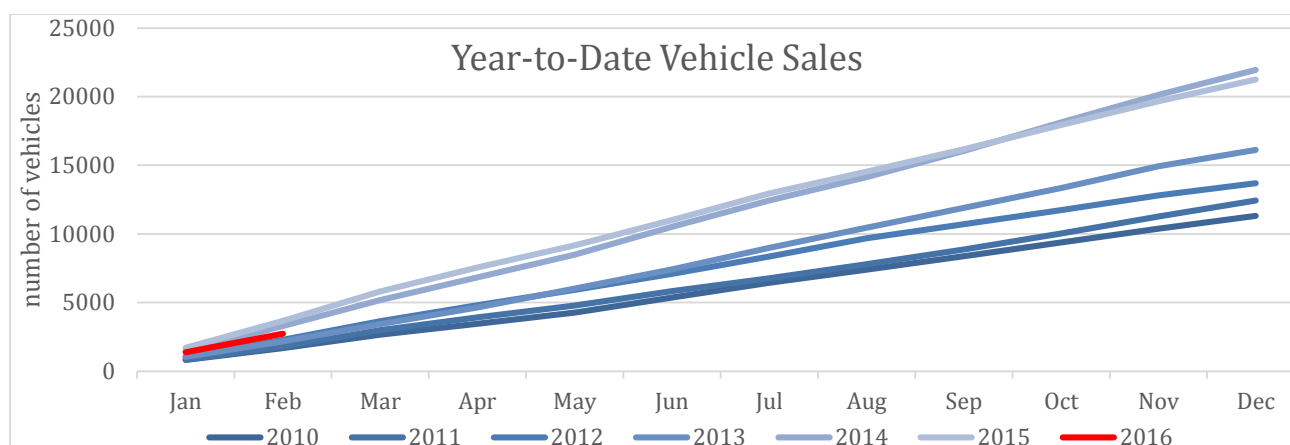
The light commercial vehicles only include Ford, Land Rover and Mazda, with Ford reporting the highest monthly sales numbers in this category of the market as well. Light commercial vehicles by body shape definition includes pickup trucks (bakkies) which are popular with Namibian customers, especially the Ford brand.



Source: Lightstone

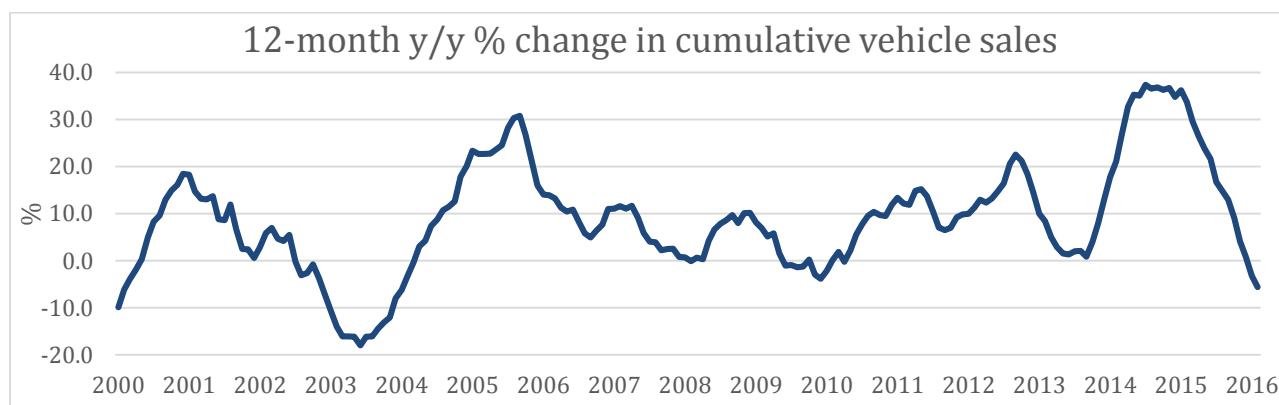
Automotive Outlook

According to management the acquisition is seen as a continuation of BVN's objective to broaden its business base and will strengthen the commercial portfolio. In our view this is a positive development to reduce risk as the company is heavily weighted towards the fishing Industry. However, we have noticed a slow-down in the economy and vehicle sales when looking at new vehicle sales data and other high frequency indicators.



Source: Lightstone

At this point of the year, 2,739 vehicles have been sold so far in 2016, down 25.2% on the comparable period of 2015. This declining growth rate of new vehicle sales suggests that we may see another contraction in new vehicle sale this year, only to a much larger extent than the slight decrease seen in 2015. Rolling 12 month sales continued to contract after turning negative in December for the first time in 69 months, with the year on year 12 month percentage change -8.9% for February 2016.

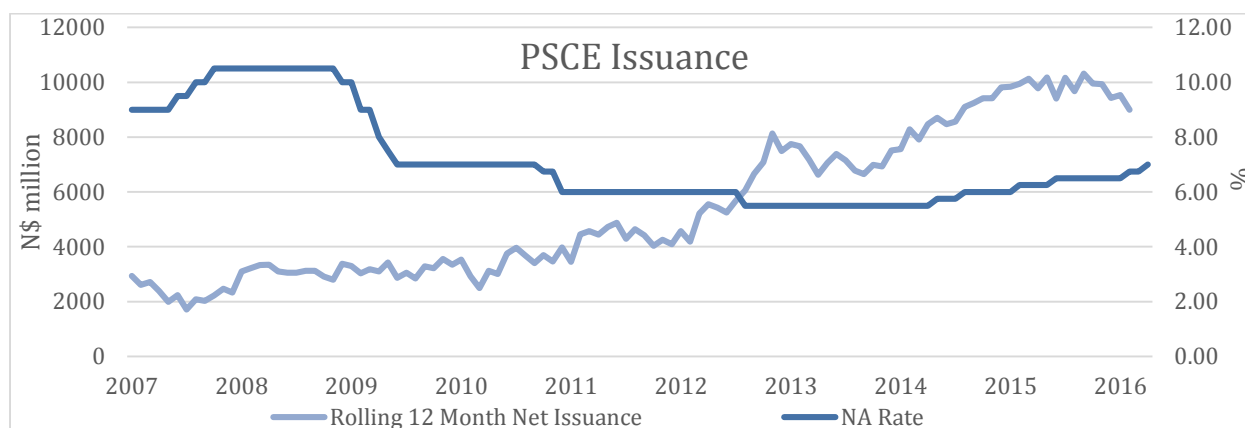


Source: Lightstone



We have seen exceptionally strong vehicle sales growth through 2014 and 2015, fueled by a strong consumer base supported by expansionary fiscal policy and real wage growth, but the latest figures show that this trend is losing momentum. Strong vehicle sales over the last two years have elevated the base substantially which has led to lower percentage growth figures, although the number of vehicles sold as a whole is still relatively strong.

However, we expect to see a decrease in vehicle sales as purchases of vehicles by Government will be reduced this year. The Ministry of Finance has allocated N\$426.8 million to vehicle purchases in the 2016/17 National Budget, this is N\$592.9m or 58.1% less than the N\$1.019 billion what was spent on vehicles during the previous financial year.



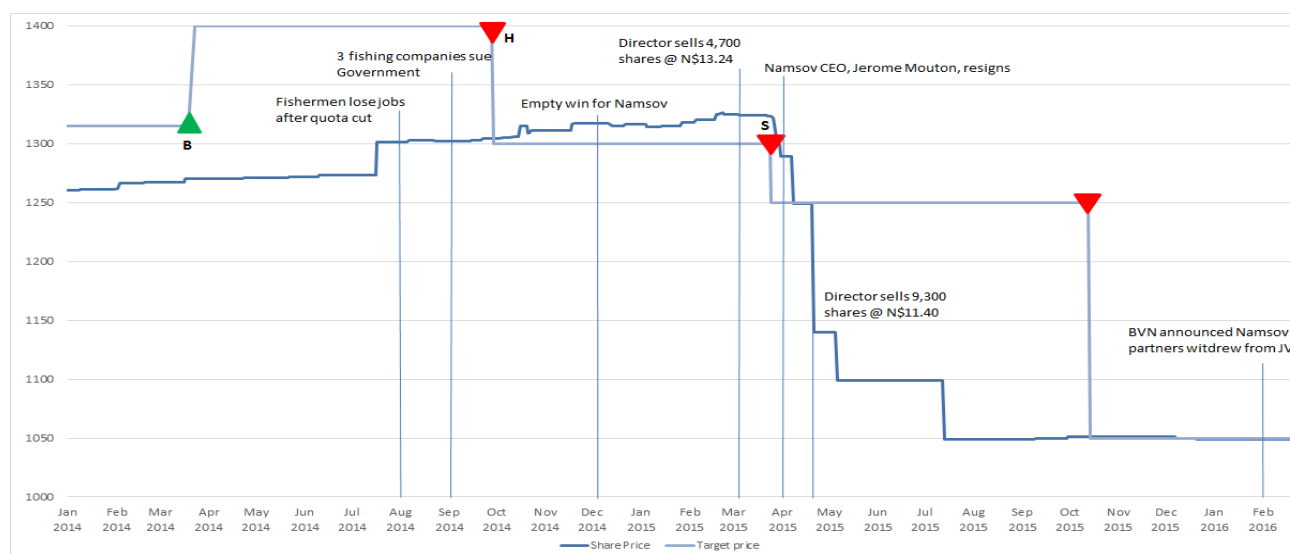
Source: BoN, IJG

Further downside risks to this are rising interest rates which may limit marginal lenders from qualifying for financing as well as banking sector liquidity which may limit the amount of loans available to finance vehicle purchases.

Valuation and Recommendation

The stock is currently trading on a FY16 dividend yield of 4.8% based on expected full year dividends of 51 cents per share at an assumed 50% payout ratio. This is in line with its average yield of 4.9% over the last seven years, but is relatively unattractive to cash yields that are currently on the rise. We have adjusted our earnings forecast and target price following a detailed analysis of the full year results. We forecast **FY16 earnings of N\$1.01 per share** and calculate a **target price of N\$10.00 per share** based on a **justified PE ratio of 9.86x**. We are concerned about the possibility of a dividend cut going forward should fish quota issues not be resolved, however remain cognizant of the large cash balances on the company's balance sheet, allowing them space to weather the current storm with acquisitions such as Novel Motors. In addition, however we do not expect the stock to trade much lower from current levels given the illiquidity of such and the possibility that once sold stock may be difficult to rebuy in future. Nevertheless, due to the current challenges faced by the company and limited earnings visibility, we have maintained our **recommendation to SELL**.

Share Price, Target Price and Analyst Recommendation



Source: BVN, Ministry of Fisheries and Marine Resources, IJG

ANNEX 1: African Influence

Nigeria

Nigeria is often referred to as the "Giant of Africa", owing to its large population and economy. With approximately 182 million inhabitants, Nigeria is the seventh most populous country in the world and the most populous country in Africa, accounting for about 18% of the continent's total population. As of 2015, Nigeria is the world's 20th largest economy, worth more than US\$500 billion and US\$1 trillion in terms of nominal GDP and purchasing power parity respectively. It overtook South Africa to become Africa's largest economy in 2014.



Given the dynamics of Nigeria and the fact that fish is a staple food source in Africa, Nigeria is one of the largest fish consuming countries in the world. Even as fish is essential to the daily meal of the people, the local production falls short of the consumption requirement of the country by 1.4 million tons of fish according to the Food and Agriculture Organisation of the United Nations. FAO's figures indicated global average of fish consumption at 18.7 kilograms per person, while Nigeria has 11.2 fish consumption per capita. With present local production at 600,000 tons from the sea and inland lakes, farmed catfish production in excess of 200,000 tons and an annual baseline fish import figure at 700,000 tons, total available fish is only 1.5 million tons, whilst demand exceeds 2.2 or more million tons.

In 2013, the Nigerian government announced that it would take measures to reduce fish imports by 25% per annum via quota, or by significantly increasing duties on the commodity from 1 January 2014 as part of plans to make the country self-sufficient in seafood and boost its domestic fish farming business. Reports indicated that the government and importers have settled on an annual baseline fish import quota for 2014 at 500,000 tons, representing a 29% reduction against the old baseline figure. Nigeria's structured restrictions on fish imports continued last year, but with higher import quotas being handed out for the first six months of 2015. The country's Fisheries Ministry issued quotas for fish imports totaling 300,000 tons for the first half of 2015, which is up from the just 150,000 tons issued for the same period in 2014. Although Nigeria handed out higher volumes for imports, there is still uncertainty about the new import quotas to be set for 2016.

Looking forward, due to import restrictions on fish, despite a significant shortfall in Nigeria, prices are set to remain depressed and less demand for Namibian horse-mackerel. However, we have seen a slight uptick in Prices from mid-2015 levels. BVN's outlook for the fishing division is described by management as set to remain challenging in the medium term, where they are positive about the long-run prospects, however, we foresee the market price for horse-mackerel continue to be a reason for concern.

Angola

The Republic of Angola is the seventh-largest country in Africa, with Namibia on its southern border, the Democratic Republic of the Congo to the north, Zambia to the east, and the Atlantic Ocean to west, giving it access to the one of the most productive fishing grounds in the world, located in the central region of the Benguela system, one of four eastern boundary upwelling systems in the world. Angola also has vast mineral and petroleum reserves, making it sub-Saharan Africa's second-largest oil producer and contributes significantly to the country's GDP.



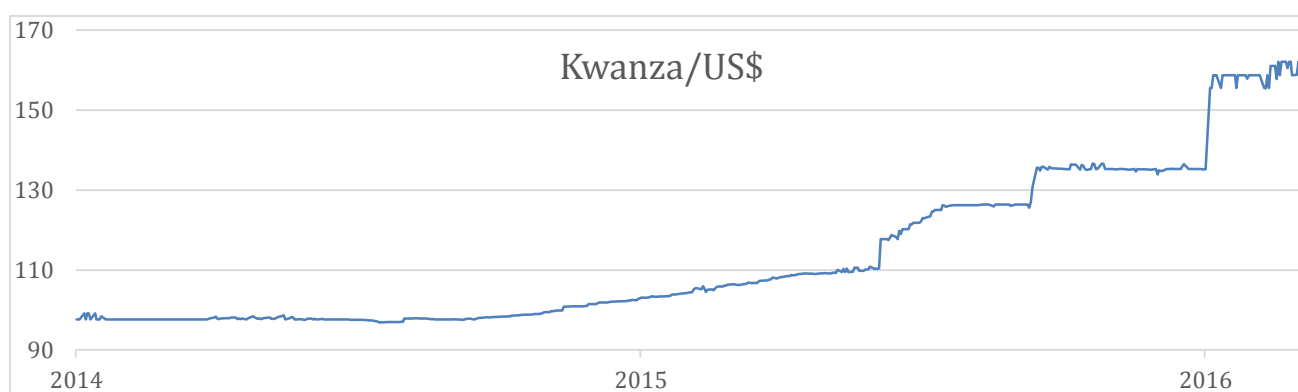
Angola re-introduced mid-water trawling in 2013, allowing midwater trawling in Angola to the same levels as in Namibia, at 350,000 of horse mackerel tons per annum. This effectively means the effort and extraction allowed on the shared horse mackerel resource has doubled in recent years. Fisheries in the industry highlighted that this does not bode well for the fish resource. The total amount of horse mackerel catch for the year 2015 in the Angolan market was set at 360,000 tons, according to the Fisheries Minister, Victória de Barros Neto. The current state of fish stocks seems to be healthy, with fishing companies reporting fair landings, however, the Namibian TAC for horse



mackerel was reduced to 335,000 tons for 2016 by the Ministry, from 350,000 tons for the last three years following a biomass survey done by the Ministry of Fisheries and Marine Resources of Namibia. The Fisheries minister of Angola also informed that the importation of mackerel for 2016 is set at 90,000 tons.

On the other hand, prospects for BVN's Angolan business, Pesca Fresca, is positive despite headwinds. The profitability of the Angolan fishing division has been delayed compared to initial management expectations, however, BVN resolved a number of legal issues regarding shareholders and the business is now under BVN management control. Pesca Fresca faced some operational challenges during the first half of 2016, with the fishing vessel only back in the water in December after being out of order for almost six months. Management also noted that the declining exchange rate, Angolan kwanza to the US dollar affects revenue negatively.

In January this year, the kwanza experienced the biggest single devaluation since policy makers started cutting the currency's exchange rate in several moves during the course of 2015. The kwanza slid as much as 46.8 percent to an all-time low of 162.14 against the dollar from June last year.



Source: Bloomberg

The economic crisis in Angola has had spill-over effects on the Namibian economy, with many businesses experiencing a rapid decline as was the case for BVN. To make matters worse, the currency-conversion agreement between Angola and Namibia that allowed for the reciprocal conversion of the two national currencies was suspended last year December after only four months. The idea behind the currency-conversion agreement was simple - Namibia converts Kwanza in to Namibia Dollars, those Namibia Dollars are spent in Oshikango (and elsewhere) in exchange for goods and services, meaning the Namibia Dollars remain in the country, as do the Kwanza. Thus, Namibia keeps the Namibia Dollars and gets the Kwanza, in exchange for the aforementioned goods and services. Later, the Kwanza is exchanged back into US Dollars by the Banco Nacional De Angola. However, rather than spending this money in Namibia, much of it was taken back into Angola as Angolan's trust the value of the Namibia Dollar, more than the Kwanza.

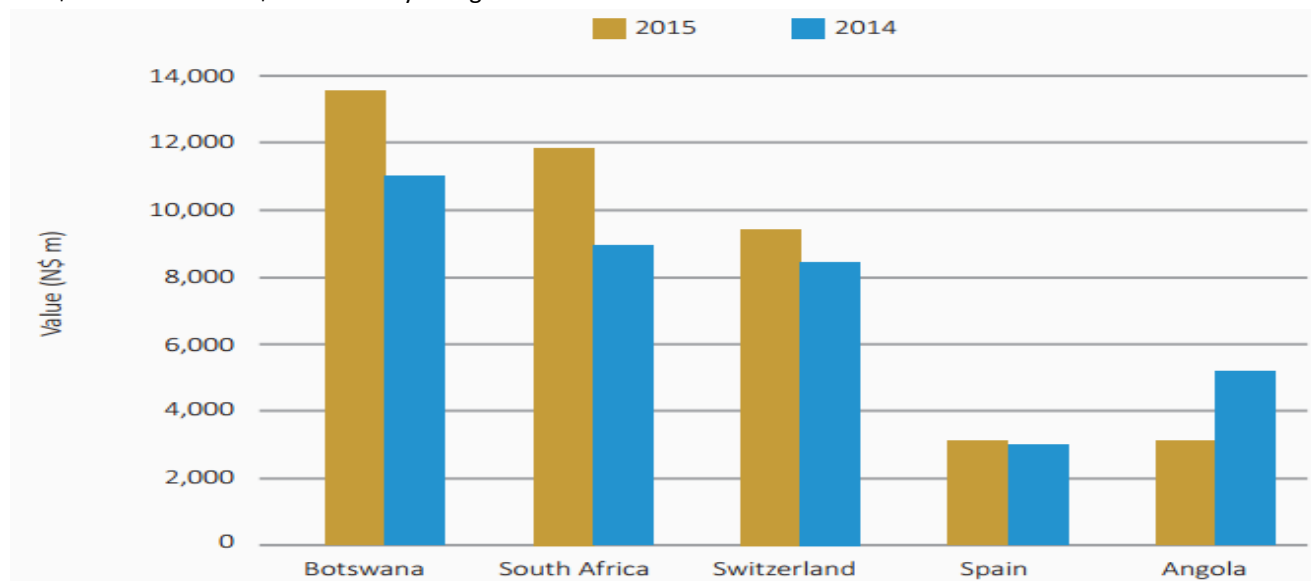
With the devaluation of the kwanza, the central bank's Governor, Jose Pedro de Morais intention was to align the kwanza's official exchange rate and that on the black market, where the currency was trading between 270 and 280 per US dollar. However, the significant fall in the price of crude oil since 2014 has curtailed the flow of US dollars into the Angola's economy. Given the lack of availability of the US dollar, the Namibian dollar is "the next best thing".

The lack of US dollars for conversion and the fact that a large amount of Namibia dollar notes are currently in Angola means that the multiplier effect on this cash money, which to base money is usually 12-24x, means the effect of removing these notes from circulation is absolutely vast in terms of trade.

According to the Annual Trade Statistics Bulletin released by the Namibian Statistics Agency indicated that Namibia's trade deficit for 2015 amounted to N\$39.2 billion. The trade deficit widened by 43.1 percent to N\$39.2 billion compared to a revised figure of last year in which the deficit was estimated to be N\$27.4 billion. The deficit widened as expenditure on imports expanded by 6 percent while export revenue dropped by 9.8 percent.



During the year 2015, Namibia's overall exports declined by N\$6.3 billion or 9.8 percent to N\$58.4 billion compared to N\$64.7 billion registered in 2014, this was mainly due to a contraction in foreign demand for domestic goods mainly by Angola, USA, Canada and Germany. Figures released by the NSA indicated that from 2014 to 2015, there had been a dramatic decrease in exports to Angola, which is one of Namibia's main export destinations, contracting by 44.7 percent to N\$2.6 billion from N\$4.7 billion a year ago.



Source: NSA

Mozambique

Mozambique, a Southern African country with the Indian Ocean to the east, is one of the poorest and most underdeveloped countries in the world. Mozambique is endowed with rich and extensive natural resources and the country's economy is based largely on agriculture and fishing.

Bidvest Namibia, or Namsoy acquired 40% shareholding in Industria Alimentar Carnes De Mocambique Ltda for N\$61.9 million in December 2015. The company is a downstream distribution company in Mozambique and according to management, they are positive about the outlook for the company citing the company being a credible partner despite only being cash positive for 1 year.



Democratic Republic of the Congo

Democratic Republic of the Congo is located in Central Africa, bordering the Republic of the Congo, the Central African Republic, and South Sudan to the north; Uganda, Rwanda, Burundi and Tanzania to the east; Zambia and Angola to the south; and the Atlantic Ocean to the west. It is the second largest country in Africa by area, the largest in Sub-Saharan Africa, and the eleventh largest in the world. With a population of over 75 million, the DRC is the fourth most populated nation in Africa and the nineteenth most populated country in the world.



BVN's management highlighted the fact that Kinshasa is one of BVN's largest markets with regards to fish sales. Kinshasa is the capital and the largest city of the DRC, located on the Congo River. Once a site of fishing villages, Kinshasa is now an urban area with a 2014 population of over 11 million. Kinshasa is the third largest urban area in Africa after Cairo and Lagos. It is also the second largest "francophone" urban area in the world after Paris. If current demographic trends continue, Kinshasa should surpass Paris in population around 2020.



Kinshasa is the major river port of the Congo. River transport connects to dozens of ports upstream, such as Kisangani, Bangui and Brazzaville. There are road and rail links to Matadi, the sea port in the Congo estuary 150 km from the Atlantic Ocean. There are no rail links from Kinshasa further inland, and road connections to much of the rest of the country are few and in poor condition.

Looking forward, a major concern to us is that Angola poses a major threat to BVN's DRC market and the price of horse mackerel. Given the fact that Angola has reintroduced horse mackerel trawling and that it borders the DRC, it gives Angola easy access to that market and with the increase in supply of horse mackerel, it means that the price for horse mackerel will remain depressed.



ANNEX 2: Vehicle Sale Categorization

Description	Weight Criteria
Passenger	3,500kg
Light Commercial Vehicle	3,500kg
Medium Commercial Vehicle	3,501-8,500kg
Heavy Commercial Vehicle	8,501-16,500kg
Extra Heavy Commercial Vehicle	> 16,500kg
Bus	> 8,500kg

Passenger market Bodyshape	Lightstone Auto Definition
Sedan	A four door closed body with a boot; four or five seats
Coupe	A fixed roof closed body with two doors; two or four seats.
Cabriolet	An open-top body with two or four doors; two or four seats.
Estate	A four door closed body with a rear carrying area and rear loading door with five seats.
Hatch (3-dr or 5-dr)	A four door closed body with a rear carrying area and rear loading door with five seats.
SUV (Sport Utility Vehicle)	A raised fixed roof closed body with three or five doors including rear door; five to seven seats; varying degrees of off-road capabilities.
MPV	A closed body with four to five doors, typically one or two sliding on side panels; five to seven seats, typically removable.
Crossovers	A closed or open-top body with two to five doors; built on a passenger car-based platform incorporating a mixture of features from Sports Utility Vehicles; Estates; Hatchbacks; MPV's; Sedans etc.
Minibus (Passenger)	A closed body with four to five doors, typically one or two sliding on side panels; more seats than a multi-purpose vehicle, but fewer seats than a full-size bus. Not used for commercial transport purposes.

Light Commercial market Bodyshape	Lightstone Auto Definition
Utility	A four door closed body with an extended rear section incorporating a carrying area; four to seven seats; 4x4.
Minibus	A closed body with four to five doors, typically one or two sliding on side panels; more seats than a multi-purpose vehicle, but fewer seats than a full-size bus. Usually used for commercial transport purposes.
Pickup:	A body with an enclosed cab and elongated uncovered loadbay.
Single Cab	Single Cab with two doors; two or three seats.
Extra Cab	Extended Cab with two doors; two or three seats with extra space behind the front seats.
Double Cab	Double Cab with four doors; five seats.
Panel Van	A closed body with a rear door and sliding doors on the side panels; without rear side windows; two seats.



Managing Director

Romé Mostert
Tel: +264 (61) 383 520
rome@ijg.net

Sales and Research

Rowland Brown
Tel: +264 (61) 383 513
rowland@ijg.net

Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Eric van Zyl
Tel: +264 (61) 383 530
eric@ijg.net

Money Market & Administration

Tashiya Shekutamba
Tel: +264 (61) 383 511
tashiya@ijg.net

Director

Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Financial Manager

Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

IJG Direct

Naike Burger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing

Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Leon Maloney
Tel: +264 (61) 383 521
leon@ijg.net

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100 Robert Mugabe Avenue, Heritage Square
P O Box 186, Windhoek, Namibia
Tel: +264 (61) 383 500 Fax: +264 (61) 304 671
www.ijg.net www.ijgdirect.net

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