IJG Securities (Pty) Ltd.
Member of the NSX

BIDVEST NAMIBIA LIMITED
1H17 Initial Impression
February 2017

Bidvest Namibia

1H17 Initial Impression

Target Price (c)	1000
Current Price (c)	900

Year End 30 June	2014	2015	2016	F2017	F2018
Revenue (N$m)	3,703	3,535	3,859	3,746	3,798
EBITDA (N$m)	501	415	295	283	284
Net profit (N$m)	343	412	235	206	208
HEPS (c)	116.0	103.2	86.2	76.7	82.1
HEPS growth (%)	-10.4	-11.0	-16.5	-8.7	4.3
DPS (c)	63	56	38	39	41
P/E (x)*	8.9	7.5	11.8	13.1	12.5
DY (%)	6.1	5.5	3.7	3.8	3.9

Recommendation	SELL
NSX Code	BVN
Market Cap (N$m)	1,908
Shares in Issue (m)	212
Free float (%)	24
52 week high (c)	1050
52 week low (c)	900

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

1H17 Results

Bidvest Namibia delivered poor results for the first half of FY17. As we expected, the firm's results reflect the difficulties the fishing division finds itself in. EPS decreased 79.2% to 9.6 cents per share, while HEPS fell 78.1% to 9.7 cents per share. At N$1.958 billion, revenue is up 6.2% from last year, mainly due to the acquisition of Novel Motor Company during the financial year, which added N$391.9 million to revenue. However, BVN's trading profit shrunk 81.7% to N$21.8 million, primarily as a result of significantly lower horse mackerel quota available to Namsov. An interim cash dividend of 4 cents per share was declared, thus the company cut dividends by 80.0% when compared to the 20 cents paid out in 1H16.

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 the Trachurus Joint Venture. Secondly, the hard currency prices of horse mackerel fell 11.2%, together with the fact that catch rates and sizes were down. Thirdly, the entire industry reported poor pilchard catches during the fishing season, consequently, BVN reached an agreement with Etosha Fishing to do all the canning, while BVN's United Fishing vessels were used to catch pilchards. The fishing division reported a loss for the first time since BVN listed on the Namibia Stock Exchange, coming in at N$9.2 million. This figure compares to a profit of N$66.9 million or 56.2% of trading profit seen in 1H16.

Freight and Logistics

Freight and logistics struggled due to a lack of projects and reduced port and freight volumes during the period under review. 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. Trading profit for this division decreased 10.1% to N$3.9 million, compared to N$4.3 million in 1H16.

Food and Distribution

The Food and Distribution division reported a loss N$2.1 million, down from N$16.3 million in 1H16, however, last year's trading profit included a N$7.0 million settlement received from Namibian Poultry Industry Proprietary Limited regarding their cancellation of a chicken distribution agreement in 2015. Performance for the Food and Distribution division was poor for various reasons, however, the division was affected to a large extent by the loss of the contract for distribution of Namibia Poultry Industry products, but the main problem remained stock-related costs.

Commercial and Industrial Products and Services

Commercial and Industrial Products and Services also delivered poor performance, with trading profit down 31.8%. Management reported that most of the businesses in the Commercial and industrial products and services division showed satisfactory results, which, however, were off-set by a poor performance at Voltex and Plumblink.

Automotive

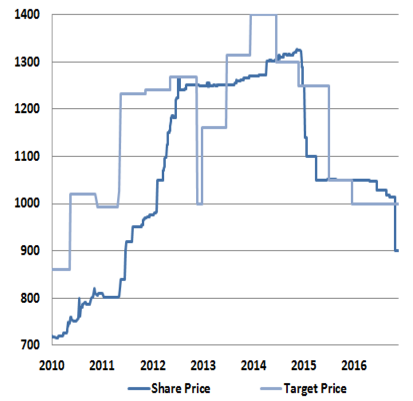
In the Automotive division, the newly acquired Novel Motor Company, brings diversification to the existing portfolio of the BVN structure, contributing 75.6% of the group trading profit, making it the largest contributor. The Automotive division also disappointed as the new vehicles market plummeted due to diminished consumer spending, tightening government spending and interest rates on the rise. The used vehicle market as a result recovered and showed good performance. However, this did not make up for the overall performance of the group.

Segmental Trading Profit Margin	1H16	Margin	1H17	Margin
Fishing	66,853	14.0%	(9,214)	-
Freight and Logistics	4,312	3.0%	3,878	3.0%
Food and Distribution	16,287	2.6%	(2,134)	-
Industrial and Commercial Products	13,538	5.7%	9,233	3.8%
Automotive	20,265	5.8%	16,493	4.2%
Corporate Services	(2,314)	-	3,547	26.8%
	118,941	6.5%	21,803	1.1%

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 cash dividend of 4 cents per ordinary share was declared for the period ended 31 December 2016.

- Last day to trade cum dividend: Friday, 3 March 2017
- First day to trade ex-dividend: Monday, 6 March 2017
- Record date: Friday, 10 March 2017
- Payment date: Tuesday, 28 March 2017

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