BIDVEST NAMIBIA LIMITED
1H18 Initial Impression
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Source: BVN, IJG

Bidvest Namibia Limited		
1H18 Initial Impression	Current Price (c)	780

Year End 30 June	2014	2015	2016	2017	F2018
Revenue (N$m)	3,703	3,535	3,859	3,776	3,828
EBITDA (N$m)	501	415	295	93	115
Net profit (N$m)	343	412	235	61	88
HEPS (c)	116.0	103.2	86.2	22.4	25.4
HEPS growth (%)	-10.4	-11.0	-16.5	-72.5	13.4
DPS (c)	63	56	38	10	11
P/E (x)*	8.9	7.5	11.8	34.7	30.6
DY (%)	6.1	5.5	3.7	1.3	1.4

*Based on current share price

Recommendation	SELL
NSX Code	BVN
Market Cap (N$ m)	1653
Shares in Issue (m)	212
Free float (%)	24
52 week high (c)	787
52 week low (c)	778

1H18 Initial Impression

Bidvest Namibia (BVN) released interim results for the period ended 31 December 2017 and the group's performance continues to disappoint. Total revenue fell by 9.8%, with four of the six trading divisions posting declines in revenue. The group is still reeling from the ongoing difficulties in the fishing division and from operational challenges in the food and distribution division which continue to compound the poor performance. EPS are up 31.3% to 12.6 cents per share, due in large to the profit made on the sale of BVN's second last fishing vessel. HEPS however, fell a colossal 130% to -2.9 cents per share. Trading profits shrunk by 80% to N$4.4 million, largely due to the decline in revenue from food and distribution, and fishing. The company has not declared an interim dividend for 1H18

Segmental Trading Profit Margin	1H17 ('000)	Margin	1H18 ('000)	Margin
Fishing	(9 214)	-1.7%	(8 452)	-1.8%
Freight and Logistics	3 878	3.0%	7 981	6.6%
Food and Distribution	(2 134)	-0.3%	(15 975)	-2.6%
Commercial and Industrial Products and Services	9 233	3.8%	11 073	4.6%
Corporate Services	3 547	26.8%	5 501	39.9%
Automotive	16 493	4.2%	4 255	1.3%
	21 803	1.1%	4 383	0.2%

Fishing

Performance by the fishing division remained poor. BVN continues to align capacity with the limited quota made available to them. BVN sold another vessel and realized a capital profit of N$48.8 million and in the process right-sized the horse mackerel fleet. Pilchard catches have been declining and the ministry of fisheries and marine resources, in bid to preserve the species, placed a three-year moratorium on pilchard catches. As a result, the cannery remains closed. Currency volatility proved challenging, with a strengthening rand leading to a decline in hard currency earnings. The fishing division reported losses of N$8.5 million, which represents and improvement of 8.3%, which is a relatively smaller loss compared to the N$9.2 million recorded in 1H17.

Food and Distribution

The Food and Distribution division reported a concerning increase in losses for 1H18. Trading losses increased to N$16 million during the review period from a loss of N$2.1 million reported during the corresponding period a year ago. Reduced consumer spending in the wake of the recessionary environment contributed to the negative earnings in food and distribution. Additionally, the distribution agreement with Parmalat was effectively terminated in August 2017. This entity generated revenues of around N$100 million annually, however, inefficiencies relating to the transport of perishable goods resulted in losses and damages claims. New management has been put in place to address these challenges.

Freight and Logistics

Freight and logistics reported improved results with trading profits up 106% to N$8 million compared to N$4 million reported during the previous six-month period. The divisions improved trading profits were buoyed by activity in the southern coastal town of Lüderitz, which has been the focus of renewable energy projects. BVN states that it remains well poised to pursue oil and gas opportunities should any be forthcoming.

Commercial and Industrial Products and Services

Commercial and Industrial Products and Services delivered improved results, despite revenues being flat for the period under review. Trading profits were up 20%, increasing to N$11.1 million for the period compared to N$9.3 million during the comparable period a year ago. Management reported that most of the businesses in the commercial and industrial products and services division showed improved results, while only Voltex continued to struggle. Management attributed Voltex' negative performance largely to the slowdown in the construction industry.

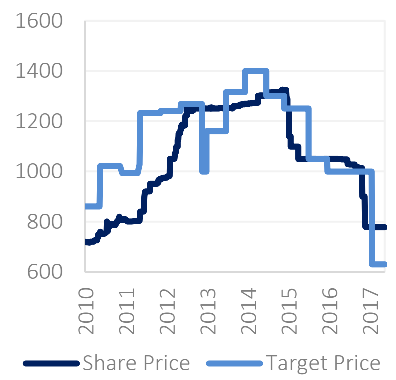
Automotive

The automotive division produced rather worrying results. Revenue was down 20% and trading profits declined by 74.2% for the period under review. BVN is looking to diversify the revenue generating streams, having pointed out that the company's over-reliance on new vehicle sales have been to its detriment. Tighter credit controls on vehicle financing, slowing private credit sector credit extension, and reduced government and consumer spending have put a dent in the financial performance of the automotive division. Management is set to give greater priority to second-hand vehicle sales and after sales offerings where the real value add is.

Valuation and recommendation

While reviewing the BVN results in full and pending management discussions we retain our prior SELL recommendation. The recommendation in this initial impression is thus unchanged pending a full review of the results.

BVN Share Price vs Target Price



Dividends

No interim dividend has been declared.

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