



# BIDVEST NAMIBIA LIMITED

## 1H19 Initial Impression

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**Bidvest Namibia Ltd**  
1H19 Initial Impression

**Target Price (c)**  
Current Price (c) 770

Year End 30 June	2017	2018	F2019	F2020	F2021	Recommendation	HOLD
Revenue (N\$m)	3,776	2,711	2,569	2,608	2,636	NSX Code	BVN
EBITDA (N\$m)	92.52	28.48	34.87	44.65	55.55	Market Cap (N\$m)	1,632
Net profit (N\$m)	61.82	-20.09	33.28	41.64	50.80	Shares in Issue (m)	212
HEPS (c)	22.4	3.8	12.7	15.6	16.9	Free float (%)	24
HEPS growth (%)	-74	-83	232.9	23.6	8	52 week high (c)	780
DPS (c)	10	10	10	10	8	52 week low (c)	689
P/E (x)*	32.9	204.5	61.4	49.7	46		
DY (%)	1.3	1.3	1.3	1.3	1.1		

Source: BVN, IJG

\*Based on current share price

**1H19 Initial Impression**

Bidvest Namibia (BVN) released interim results for the period ended 31 December 2018. Overall revenue from BVN's continued operations increased to N\$1.52 billion in 1H19, up 3.0% from the N\$1.48 billion generated in 1H18. Trading profit increased by 51.0% in the interim period, rising to N\$29.5 million from N\$19.6 million a year ago. The increase in both revenue and trading profit is largely a result of BVN's continued operations increasing off of a low base. The results generated by the divisions classified as continued operations were mixed. Revenue growth was largely driven by Corporate Services, Commercial and Industrial Products and Services (CIPS), and Freight and Logistics, which together accounted for almost a third of BVN's 1H19 revenue. Revenue from Food and distribution (F&D) was in line with 1H18 and the automotive division was a drag on overall revenue growth. These two divisions also posted trading losses during 1H19 of N\$14.0 million and N\$596,000, respectively.

Overall basic earnings per share (EPS) rose to 6.2 cents per share in 1H19, made up of 5.4 cents per share from continuing operations and 0.8 cents per share from discontinued operations (fishing). A year ago, EPS was 12.6 cents per share, which was mainly a result of the disposal of fishing vessels propping up earnings in 1H18. Earnings from continuing operations were negative in 1H18.

Segment analysis	Revenue N\$ (mil)			Trading Profit N\$ (mil)			Margins		
	1H19	1H18	(y/y)	1H19	1H18	change (y/y)	1H19	1H18	(y/y)
Automotive	288	316	-8.8%	-0.596	4	-114.0%	-0.2%	1.3%	-1.6%
Freight & Logistics	139	120	15.6%	10	8	28.7%	7.4%	6.6%	0.8%
Food & Distribution	787	784	0.3%	-14	-12	13.1%	-1.8%	-1.6%	-0.2%
CIPS	291	243	19.7%	10	11	-9.3%	3.5%	4.6%	-1.1%
Corporate Services	18	14	25.6%	24	9	175.6%	133.0%	60.6%	72.4%
Fishing	-	290	-100%	-5	-15	-67.2%	0.0%	-5.3%	5.3%
<b>Total</b>	<b>1 522</b>	<b>1 767</b>	<b>13.9%</b>	<b>25</b>	<b>4</b>	<b>459.3%</b>	<b>1.6%</b>	<b>0.2%</b>	<b>1.4%</b>
<b>Total (Ex Fishing)</b>	<b>1 522</b>	<b>1 477</b>	<b>3.0%</b>	<b>30</b>	<b>20</b>	<b>50.5%</b>	<b>1.9%</b>	<b>1.3%</b>	<b>0.6%</b>

**Segmental Review (Continuing Operations):**

**Automotive**

Poor results from the automotive division can be attributed, for one, to the protracted economic downturn that has seen a nationwide decline in new vehicle sales. BVN acquired Novel Ford in 2015 at a time when new vehicle sales were at record highs. BVN had positioned itself to exploit what inevitably turned out to be a poorly timed investment. The enactment of the amended national credit act in 2016, and eventual slowing of the Namibian economy has significantly impacted the auto division's profitability. Commentary from the results release notes that efforts to drive down the division's dependency on new vehicle sales are ongoing. A shift in focus to push second-hand sales volumes in order to reduce reliance on new vehicle sales is yet to add meaningful returns.

**Food and Distribution (F&D)**

Although it is the largest contributor to revenue F&D continued to incur losses. The inefficiencies in Taeuber & Corssen's distribution chain continue to negatively impact profitability. Management of F&D was overhauled in 2017 with Michael Samson assuming the responsibility as director, tasked specifically with addressing the inefficiencies curtailing earnings growth and reducing costs. The expected positive results from this turnaround strategy are, as noted in management's commentary, taking longer to realize than was initially expected. The results release also cites sourcing challenges as the reason for poor results from Glenryck SA, which was moved to F&D following BVN's disposal of BidFish.

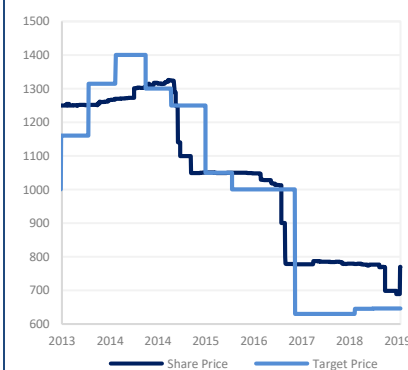
**Commercial and Industrial Products and Services (CIPS)**

CIPS increased revenues by almost 20.0% to N\$291 million which was driven by good results from the travel, printing, cleaning and in stationary businesses. Despite the increase in revenues, trading profits from CIPS declined by 9.3% to N\$10.0 million in 1H19 from N\$11.1 million. The decline is mainly attributable to Voltex, which was impacted by the slowdown in the construction sector and continued to incur losses.

**Freight and Logistics (F&L)**

The freight and logistics division continued to do well, reporting a 16.0% increase in revenue to N\$139 million, with trading profit increasing by 29.0% to N\$10.3 million. The results commentary cites that oil and gas projects spurred activity in F&L which contributed positively towards the division's performance.

**BVN Share Price**



**Dividends**

Notice is hereby given that a final dividend of 5 cents per share has been declared for the period ended 31 Dec 2018.

- Last day to trade cum dividend: 22 March 2019
- First day to trade ex-dividend: 25 March 2019
- Record date: 29 March 2019
- Payment date: 5 April 2019



0,0005	4,85%
0,0003	13,04%
3	50,00%
0,0003	14,29%
0,0005	12,50%

#### Corporate Services and Properties

Corporate services and properties generated revenue of N\$17.8 million, which is about 1.2% of BVN's N\$1.52 billion in total revenue. Although the division's contribution to total revenue is small, its revenue increased the most by 25.6% in 1H19, the largest increase in all divisions. Surprisingly, the division reported trading profits of N\$23.7 million in 1H19, which is 33% higher than the revenue it generated, and represents an increase of 175.6% from the N\$8.6 million trading profit reported in 1H18. The 133% profit margin anomaly also makes the division the biggest contributor of trading profits in 1H19. The results from corporate services is in large what lifted BVN's overall performance from a low base.

#### Discontinued Operations:

##### Fishing

In adherence to IFRS guidelines the financial results of the fishing division are included in BVN's results as discontinued operations. BVN concluded the disposal of BidFish to Tunacor at the end of FY18. The sale excluded the Angolan and Mozambican businesses. The operations were classified as held for sale and placed under the management of Tunacor until such time. Trading losses eased by 67.0% to -N\$5 million in 1H19 from -N\$15.2 million in 1H18. BVN is in the process of finalizing the sale of the Angolan business for which it had received a partial payment of N\$50 million during the review period, with conclusion of the transaction dependent on receipt of the remaining balance. The Mozambican operations still remain on the books as held for sale with a fair value of N\$341 million. No offers have been forthcoming for these operations as yet. Furthermore, BVN received the full consideration of N\$378 million from the sale of BidFish to Tunacor post FY18. BVN's cash and cash equivalents increased from N\$229 million as at FY18 to N\$535 million as at 1H19, as a result.

#### BVN Intended Binding Offer

Following the release of the 1H19 results BVN made public an announcement noting that it had received an intended binding offer for the acquisition of all its shares outstanding. The offer to acquire all of BVN's shares outstanding was made by BVN's majority shareholder, Bidvest Group Limited (BVT). This follows previous cautionary announcements in December 2018 and January 2019 where BVN advised it was in the process of dealings that could affect the company's composition. BVT currently owns 66% of BVN. BVT owned 52% of BVN before, acquiring a 13.7% shareholding of BVN from the Ovanhu and Endeni empowerment structure. BVT now intends to acquire the remaining 34% which is split between pension funds (25%), companies (8%), and individuals (1%) at an offer price of N\$10.50 per share (current share price: N\$7.70 cents per share).

The offer will become binding only once a de-listing resolution has been approved by the majority of the 34% minority shareholders of BVN. An independent board has been setup which will facilitate the informing and inviting of minority shareholders to vote on the de-listing of BVN. If the requisite majority of shareholders vote in favour of the de-listing resolution, the offer will be open for 4 months from day of passing. Our initial view of the intended offer is that a 36.4% premium to the current share price is an attractive offer, should the resolution be passed successfully. We've had a Sell recommendation on BVN since 2015 as the company ran into challenge after challenge. In this context the minority buy-out offer from BVT comes as a relief to minority shareholders. IJG will provide a revised target price once we have conducted a full analysis of the 1H19 results and after we have met with management. In light of the intended binding offer to acquire all minority shares we recommend a **HOLD** on the stock and advise caution when dealing in BVN securities pending further analysis.



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