



BIDVEST NAMIBIA LIMITED

Circular and Proxy Note

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Research Analyst:

*Eric van Zyl
eric@ijg.net
+264 61 383 530*

Bidvest Namibia Ltd

Circular and Proxy Note

Offer Price (c) 1050
Current Price (c) 994

Year End 30 June	2014	2015	2016	2017	2018	Recommendation	Approve Offer
Revenue (N\$m)	3,703	3,535	3,859	3,776	2,711	NSX Code	BVN
EBITDA or trading profit (N\$m)	501.31	415.61	294.89	53.16	28.48	Market Cap (N\$m)	2,107
Net profit (N\$m)	343.74	412.47	235.11	11.88	-20.09	Shares in Issue (m)	212
HEPS (c)	116	103.2	86.2	22.4	3.8	Free float (%)	24
HEPS growth (%)	-10	-11	-16	-74	-83	52 week high (c)	999
DPS (c)	63	56	38	10	10	52 week low (c)	689
P/E (x)*	11.0	8.1	12.1	32.9	204.4		
DY (%)	4.9	5.1	3.6	1.3	1.3		

Source: BVN, IJG

*Based on prevailing share price at time of earnings announcement

Intended Binding Offer – Bidvest Group

Bidvest Namibia (BVN) received an intended binding offer from parent company Bidvest Group Limited. A NENS announcement released on the 1st of March referred to the cautionary announcements of 12 December 2018 and 23 January 2019, introducing the offer for the first time. JSE listed Bidvest Group made it known that it intends to make an offer for the ordinary shares in Bidvest Namibia that it does not already hold. The offer price, a cash only consideration of N\$10.50 per share, was 52% above the market price of Bidvest Namibia on the 1st of March (N\$6.89). The price responded rapidly, increasing by 12% the following trading day.

Latest Circular

The Conditional Take-over Offer (the Offer), as the latest circular refers to the offer, is conditional on the de-listing resolution being passed and Bank of Namibia approval. For this to happen, an independent board would need to resolve to invite shareholders to vote on the de-listing of Bidvest Namibia. The independent board was established and has supported the offer, informing shareholders of the offer and scheduling the **General Meeting for the 12:00 on the 17th of May**.

Fair and Reasonable Opinion

The independent board reached their conclusion to support the Offer after evaluating the Fair and Reasonable Opinion conducted by Ernest and Young Advisory Services (EY). The Fair and Reasonable Opinion established a fair and reasonable valuation range of N\$8.95 to N\$9.45 per Bidvest Namibia ordinary share, well below the offer amount. The independent board arrived at a unanimous conclusion that the Offer is both fair and reasonable. Other considerations taken into account which favoured supporting the Offer were; low liquidity in Bidvest Namibia shares on the NSX, the premium offered, high cash position of Bidvest Namibia after disposing of the fishing business, continued recessionary economic climate.

Way Forward

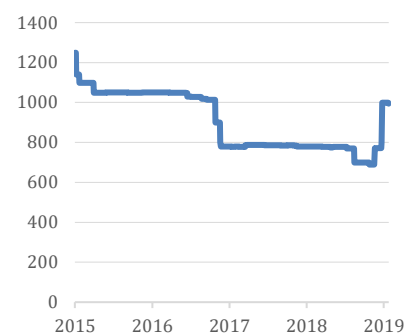
As a result of the abovementioned resolution to allow ordinary shareholders to vote on the de-listing of Bidvest Namibia by way of a de-listing resolution, a general meeting has been announced for 12:00 on the 17th of May 2019. The circular states that Bidvest Namibia shareholders that wish to accept the Offer should, during the **Acceptance Period (9:00 on Monday 20 May to 14:00 on Monday 3 June)**, complete and return the Form of Acceptance, Surrender and Transfer and lodge it with Transfer Secretaries. The Form of Acceptance, Surrender and Transfer will only constitute a valid acceptance of the Offer if it is received by **12:00 on the Closing Date (3 June 2019)**. Bidvest Namibia shareholders that do not wish to accept the offer need not take any action, according to the circular. The results of the general meeting will be published on NENS on the 20th of May.

The de-listing resolution must be resolved upon at the general meeting by more than 50% of all Bidvest Namibia shareholders present or represented by proxy at the general meeting. The circular does not mention whether the 50% threshold refers to the number of shareholders or the proportional voting rights of each shareholder's holding in Bidvest Namibia. There is a big difference between the two. We assume that 1 share = 1 vote, but it is not explicitly worded that way in the circular, referring rather to the number of shareholders present or represented by proxy. This point needs to be clarified at the general meeting before the vote takes place.

The Offer will become unconditional should BoN approval be given on or before the **Acceptance Date (20 May)**, **AND** the de-listing resolution is approved at the general meeting. Should both of these conditions not be fulfilled, the Offer will lapse.

Shareholders may elect to not accept the offer and are entitled to remain minority shareholders in Bidvest Namibia post the delisting. However, if more than 90% of the non-controlling shareholders (all shareholders bar Bidvest Group) accept the offer then Bidvest Group will follow the procedure set out in the Companies Act to acquire the remaining shares in Bidvest Namibia. As we understand it, Bidvest Group will be entitled to and bound to acquire these shares at the Offer price if the shareholder has not entered an application to the Court within 30 days of the date of notice. We advise against shareholders following this route as it would carry unnecessary costs and shareholders are unlikely to unlock additional value.

BVN Share Price



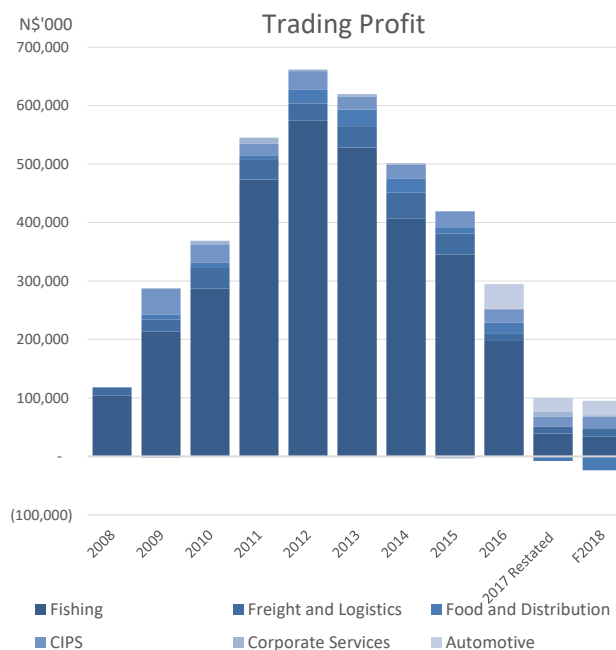
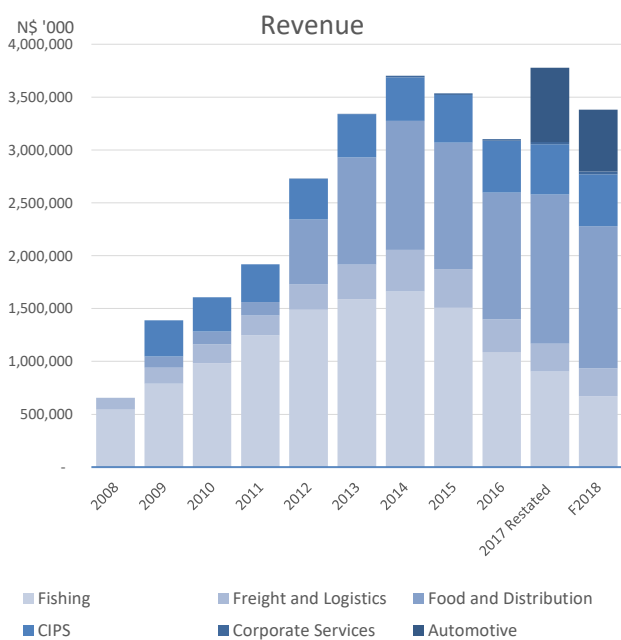


Our View

We are of the view that the Offer is generous at a 52% premium to the trading price of Bidvest Namibia ordinary shares prior to the Offer being announced. The Offer is also a 11% premium to the top end of EY’s Fair and Reasonable valuation range. The market price of Bidvest Namibia ordinary shares has not traded above N\$8.00 since March 2017, more than two years ago.

Bidvest Namibia’s financial performance has been slipping since the fishing division started losing fishing rights to other players in the market. Fishing made up the bulk of revenues from listing until 2015 after which fishing revenues dropped off sharply and food and distribution contributed more to the top line. The fishing assets were still held within the business, but profits dropped off as rights were purchased at breakeven costs, eating into profit margins. In terms of profit the fishing division contributed the bulk of the profits too. Even during boom times in the Namibian economy, the other divisions showed little in terms of ability to diversify the source of profits (bar a few successes such as freight and logistics). These divisions have been struggling even more in the current economic climate. Bidvest Namibia was in a large sense a play on the Namibian fishing industry and without this asset the impact of investing into various other industries in an abnormal economic upswing has become evident in the bottom line. While the demise of the fishing division was to a large extent outside of management’s control, the deployment of capital into the other divisions reflects somewhat poorly on the capital allocation capacity within the company.

While this document does not aim to provide a quantitative analysis on the cash flow generation capacity of the company we feel that the Offer, at a premium of 65% above our average target price over the last two years, is generous and should thus be accepted.



Source: BVN, IIG





IJG Holdings

Group Chairman

Mathews Hamutenya
Tel: +264 (61) 256 699
mathews@millennium-invest.com

Group Managing Director

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

Group Financial Manager

Helena Shikongo
Tel: +264 (61) 383 528
helena@ijg.net

IJG Securities

Managing Director

Lyndon Sauls
Tel: +264 (61) 383 514
lyndon@ijg.net

Equity & Fixed Income Dealing

Leon Maloney
Tel: +264 (61) 383 512
leon@ijg.net

Sales and Research

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

Danie van Wyk
Tel: +264 (61) 383 534
dani@ijg.net

Settlements & Administration

Annetjie Diergaardt
Tel: +264 (61) 383 515
anne@ijg.net

Financial Accountant

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

Dylan van Wyk
Tel: +264 (61) 383 529
dylan@ijg.net

IJG Wealth Management

Managing Director

René Olivier
Tel: +264 (61) 383 522
rene@ijg.net

Portfolio Manager

Ross Rudd
Tel: +264 (61) 383 523
ross@ijg.net

Money Market & Administration

Emilia Uupindi
Tel: +264 (61) 383 513
emilia@ijg.net

Wealth Manager

Andri Ntema
Tel: +264 (61) 383 518
andri@ijg.net

Wealth Administration

Lorein Kazombaruru
Tel: +264 (61) 383 521
Lorein@ijg.net

IJG Capital

Managing Director

Herbert Maier
Tel: +264 (61) 383 522
herbert@ijg.net

Portfolio Manager

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

Business Analyst

Mirko Maier
Tel: +264 (61) 383 500
mirko@ijg.net

IJG Advisory

Director

Jolyon Irwin
Tel: +264 (61) 383 500
jolyon@ijg.net

Business Analyst

Jason Hailonga
Tel: +264 (61) 383 529
jason@ijg.net

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4th Floor, 1@Steps, C/O Grove and Chasie Street, Kleine Kuppe, Windhoek
P O Box 186, Windhoek, Namibia
Tel: +264 (61) 383 500 www.ijg.net

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