

28 August 2014

Bidvest Namibia

FY14 Initial Impression – Margin Pressure!

Target Price (c) 1400

Current Price (c) 1302

Year End 30 June	2011	2012	2013	2014	2015F	Recommendation	BUY
Revenue (N\$m)	1,919	2,702	3,355	3,700	4,149	NSX Code	BVN
EBITDA (N\$m)	545	647	601	501	717	Market Cap (N\$m)	2,76
Net profit (N\$m)	384	461	427	349	507	Shares in Issue (m)	212
HEPS (c)	120.0	140.3	129.5	116.0	164.5	Free float (%)	40
HEPS growth (%)	37.4	16.9	-7.7	-10.4	16.3	52 week high	1303
DPS (c)	54.0	63.0	69.0	63.0	82.0	52 week low	1251
P/E (x)	10.43	9.13	10.05	11.23	9.20	Expected 12 m return (%)	16.3
DY (%)	4.2	4.8	5.3	4.8	6.5		

Source: BVN, IJG

FY14 Initial Impression

BVN released its results for the year ended 30 June 2014. The firm posted reasonable results in light of the difficulties the fishing division finds itself in. EPS fell 10.6% to 129.6cps and HEPS decreased 10.4% to 129.5cps, missing our forecast. However revenue came in exactly inline with our forecast at N\$3.7bn, thus the earnings miss is attributed to weaker than forecasted margins.

From a segmental perspective “fishing” disappointed on trading profit level, while “services” disappointed on both revenue and trading profits and “food and distribution” surprised negatively on trading profits and margins.

Commercial businesses kept the boat afloat

While BVN managed to grow revenues by 10.4% y/y to N\$3.7bn, mainly attributed to the T&C business and Freight and Logistics, cost of sales grew at 13.8% and operating costs by 36.9% to N\$385.3m from the N\$281.4m reported for FY13. The main cost booster came in the form of the quota rentals fees BVN had to pay up in order to counter the impact of their lower direct quota allocation.

Costs almost sunk the ship

Trading profit shrunk by 16.7% y/y to total N\$501.3m. As usual, the fishing division supplied the largest chunk of trading profit, coming in at N\$407.1m or 81%. This figure is 23.0% lower than the N\$528.5m seen in FY13, despite the division’s individual revenue increasing by 4.6% y/y, reflecting depressed margins resulting from the quota rental fees. The fishing operations FY14 trading profit margin fell to 24.5% from 33.2% reported in FY13. Price regulations in the Democratic Republic of Congo and a general oversupply in the company’s traditional markets following importation restrictions implemented in Nigeria, led to an 18.6% average lower realised selling price in US\$ for horse mackerel. The weaker Namibian Dollar offset the lower US Dollar price effect on revenue, but also had a significant impact on costs.

Contribution by Commercials

Food and Distribution contributed 4.9% of total trading profit (while contributing 32.9% to total revenue) and rose 15.8% to report a trading profit of N\$24.6m, despite a drop in poultry sales as a result of price pressure caused by restrictions on imports. BVN reports that almost all businesses in the Industrial and Commercial Products divisions showed improvement in trading results. Projected activity in the oil and gas industry supported the Freight division.

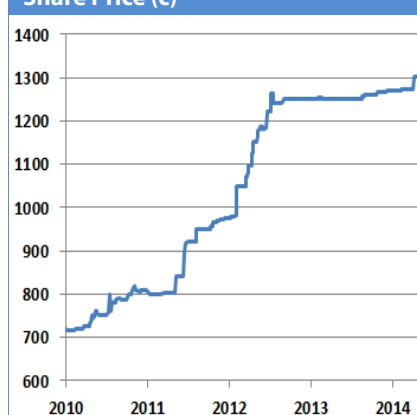
Increased payout ratio

A final cash dividend of 39cps was declared, with the total dividend of 63cps for the year, thus the company cut dividends by 8.7% on FY13, with the payout ratio increasing to 54% from 53% before. Last day to trade is 5 September 2014 with the dividends payable 26 September 2014.

Valuation and recommendation

We are currently reviewing our BVN valuation model; and as such have left our forecasts and target price unchanged and retain our BUY recommendation, with an eye on the attractive dividend yield of 4.8% and the view that the worst is behind us. We will release a detailed report following management discussions.

Share Price (c)



Analyst

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

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

Money Market & Administration

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

TashiyaShekutamba
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

Naïke Burcpasger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing

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

Stuart Main
Tel: +264 (61) 383 512
stuart@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
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