BIDVEST NAMIBIA LIMITED

FY17 Initial Impression

August 2017

Bidvest Namibia

FY17 Initial Impression

Target Price (c)	630
Current Price (c)	778

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

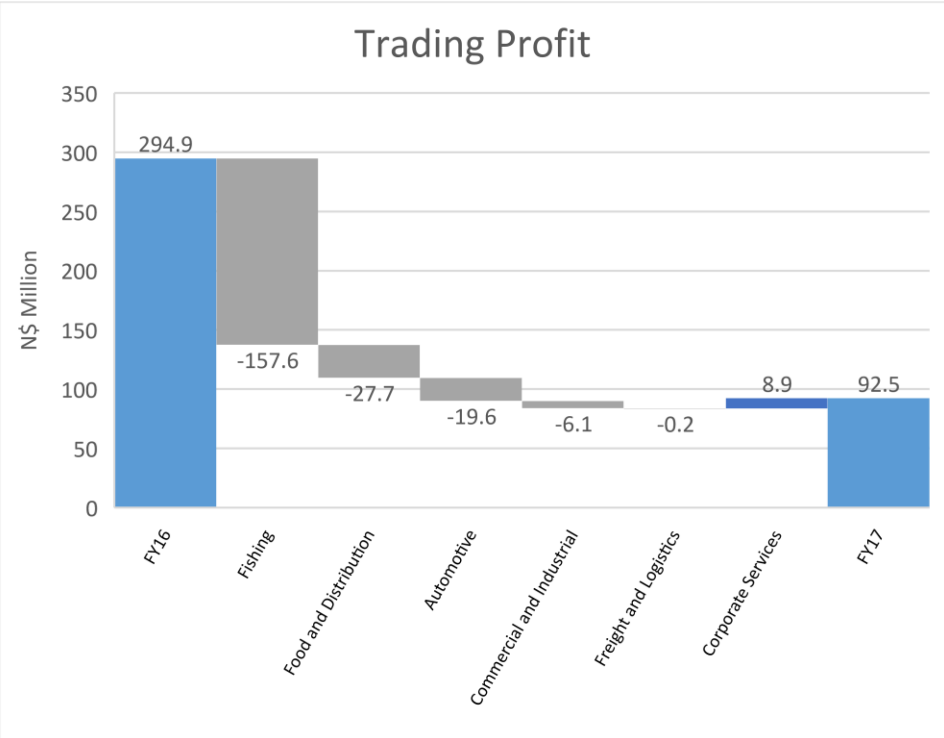
Recommendation	SELL
NSX Code	BVN
Market Cap (N$m)	1,668
Shares in Issue (m)	212
Free float (%)	24
52 week high (c)	1048
52 week low (c)	778

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

FY17 Results

Bidvest Namibia delivered disappointing results for the 2017 financial year, which reflect the ongoing difficulties in the fishing division and was exacerbated by a weak economic environment. The downturn in consumer spending was quite negative given the cyclical nature of the business. However, the results were in line with our expectations.

EPS decreased 72.5% to 23.9 cents per share, while HEPS fell 74.0% to 22.4 cents per share. At N$3.776 billion, revenue declined 2.1% from last year, however trading profit declined by 68.6% to N$92.5 million. A final cash dividend of 6 cents per share was declared, taking the total dividend for the year to 10 cents per share, thus the company cut dividends by 73.7%, in line with the decrease in EPS.



Fishing

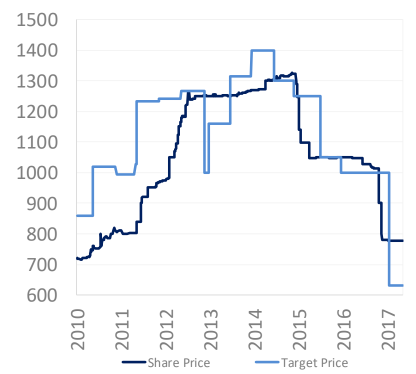
The fishing division continues to be affected by the reduction in quotas. The overcapacity has led the company to dispose of one of its three vessels during the last financial year with another being held for sale. Currently the company has own quota for only one of its fishing vessels and the rest have been purchased at great expense. According to management roughly N$88 million has been spent in the last financial year to purchase the additional quota.

Additionally, the average price of fish has decreased by 7.5% in hard currency terms while exchange rate fluctuations had a 6.5% negative impact on revenue. To further complicate matters catch rates and sizes have deteriorated year on year, while competition in traditional markets such as the Democratic Republic of Congo has increased following import quotas in in the Nigerian market.

Automotive

The automotive division also showed contraction in the low growth environment. Revenues declined by 7.2% while trading profits declined by 46.0%. According to management, new vehicle sales declined by 29% while second hand vehicle sales decreased by only 1.5%. The current business model is heavily weighted towards new vehicles, which make up roughly 90% of sales volumes.

BVN Share Price vs Target Price



Dividends

Notice is hereby given that a final dividend of 6 cents per ordinary share was declared for the period ended 30 June 2017.

- Last day to trade cum dividend: 1 September 2017
- First day to trade ex-dividend: 4 September 2017
- Record date: 8 September 2017
- Payment date: 22 September 2017

Analyst

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Despite the slowdown, Novel ford have opened a second dealership and service centre in Windhoek to reduce the congestion at the current servicing centre as well as to gain visibility. Management have indicated their interest in expanding their activities in the second-hand market to further diversify their income streams.

Freight and Logistics
Freight and logistics struggled due to a lack of projects and reduced port and freight volumes during the financial year. However, the solar energy project in Lüderitz provided some relief. Revenues declined by 14.6% while trading profits decreased by 1.8%. According to management, Manica remains well poised to take advantage of any projects that might emerge, especially in the oil and gas industry.

Food and Distribution
Revenue in the food and distribution segment grew by 2.9% while a trading loss of N$8.2 million was registered in the FY17 financial year. This was largely due to Taeuber & Corssen which experienced a general slowdown in the demand for consumer goods, but also suffered significant stock loss and damages claims.

Additionally, Parmalat, the leading dairy principal has cancelled their agency agreement with Taeuber & Corssen effective 31 August. Management indicated that this client generated revenues in the region of N$100 million per annum. However, the perishable nature of dairy as well as the transport of these products, resulted in large losses due to expired products and damages claims. Management therefor believes, that the loss of this client will be profit neutral and will free them up to find more lucrative opportunities.

Commercial and Industrial Products and Services
Commercial and Industrial Products and Services also delivered poor performance, with revenue down 3.4% and trading profit declining 26.8%. Management reported that most of the businesses in the Commercial and industrial products and services segment were affected by lower government and consumer spending, while Voltex struggled due to the decline of the construction industry. Bidvest Namibia has also taken over Prestige, a leading cleaning agency which employs over 500 people.

Valuation and recommendation
We are currently reviewing our BVN estimates and target price; and as such have left our forecasts and target price unchanged and retain and reiterate our SELL recommendation. We will release a detailed updated report following management discussions and review of the integrated annual report.

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