



# BIDVEST NAMIBIA LIMITED

## FY18 Initial Impression

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# Bidvest Namibia Limited

## FY18 Initial Impression

Target Price (c) **645**

Current Price (c) **777**

Year End 30 June	2016A	2017A	2018A	F2019	F2020	Recommendation	SELL
Revenue (N\$m)	3,858	3,776	3,381	2,653	2,693	NSX Code	BVN
EBITDA (N\$m)	294.9	92.5	18.1	36.8	46.8	Market Cap (N\$m)	1,651
Net profit (N\$m)	235.1	61.8	-29.9	34.6	43.2	Shares in Issue (m)	212
HEPS (c)	86.2	22.4	3.8	12.7	15.6	Free float (%)	24
HEPS growth (%)	-16.5	-74	-83.1	232.9	23.6	52 week high (c)	787
DPS (c)	38	10	10	10	10	52 week low (c)	774
P/E (x)*	9.0	32.6	204.5	61.4	49.6		
DY (%)	3.7	1.3	1.3	1.3	1.3		

Source: BVN, IJG

\*Based on current share price

Bidvest Namibia (BVN) released results for the year ended 30 June 2018. BVN's financial performance continues to be lackluster, delivering results below our estimates. BVN disposed of its entire shareholding in Bidfish to Tunacor with effect 30 June 2018. In accordance with IFRS, the fishing division's results have been listed separately as "discontinued operations" and the FY17 results have been restated to allow comparability. Excluding the discontinued operations, BVN's financial performance confirms our 1H18 assertion that ridding the group of the fishing division's misfortunes alone does not address the lackluster performance delivered by the operations that remain. Total Revenue, excluding Bidfish, decreased by 5.7% to N\$2.7 billion with three of the remaining five divisions posting declines in revenue. Trading profits for the review period decreased by 46.4% to N\$28.5 million from N\$53.2 million in FY17. Earnings per share (EPS) declined to -18.9 cents as a result of this year's losses of N\$20.1 million, the first since BVN's listing. Headline earnings per share (HEPS) decreased by 83.1% to 3.79 cents.

### Fishing

As previously mentioned, BVN disposed of its entire shareholding in Bidfish to Tunacor, but did so only after acquiring the remaining shareholding in Namsov Industrial Properties (NIP) and United Fishing Enterprises (UFE). This enabled Bidvest, through its subsidiary BidProp, to fully own the industrial properties previously shared by Bidfish as majority shareholder and Namsov's minority interest. The cash consideration paid by Tunacor for Bidfish was confirmed at N\$190.7 million, of which N\$175.4 million was received by BVN post year-end. The remaining N\$15.3 million was due to be paid five business days after the effective date of Bidfish's financial statements. A further N\$188 million in the form of a dividend payable by Bidfish to BVN was also received post year-end. These post year-end receipts increase BVN's cash position to over N\$600 million, after it decreased from N\$743 million at the end of FY17 to N\$299 million as at 30 June 2018. The Angolan and Mozambican operations have been listed as "assets held for sale". Management stated during the results presentation that they are at an advanced stage in disposing of Pesca Fresca (Angola) and that the sale will also aid in repatriating cash tied up in Angola. Management expects the sale of the distribution company in Mozambique to be concluded around November this year. BVN has written down N\$54.3 million related to cash in Angola (N\$32 million) and Mozambique (N\$21 million).

### Food and Distribution

The Food and Distribution division remains the group's largest contributor of revenue, accounting for almost half of the group's total revenue. Revenue for the division, decreased by 4.5% to N\$1.3 billion in FY18 from N\$1.4 billion the previous year. A management shakeup and cost savings measures introduced during the year brought about very little change. The division continues to struggle with inefficiencies. Stock damages and claims have resulted in trading losses of N\$34.3 million, a further deterioration from the N\$7.7 million loss reported in FY17. Management pointed out that BVN was not very effective in the handling of perishable goods during the results presentation but maintain that lessons have been learned and that the worst is behind them. Prospects for a turnaround are now rested in Mike Sampson's "fixer" capabilities, having done so for Freight and Logistics. Glenryck has been moved to F&D following the restructuring and subsequent sale of Bidfish and may offer some growth prospects for the division.

### Automotive

The automotive division's reliance on new vehicle sales continues to haunt BVN. Given the slowdown in countrywide new vehicles sales, it is not surprising that this division continues to struggle. Revenue for the period under review decreased by 16.8% to N\$583.0 million from N\$701.0 million the prior year. BVN's decision to focus more on used vehicle sales failed to make up for the slowdown in new vehicle sales. The slowdown in sales was more pronounced in the division's luxury brands. Trading profits were down 73.4% for the year.

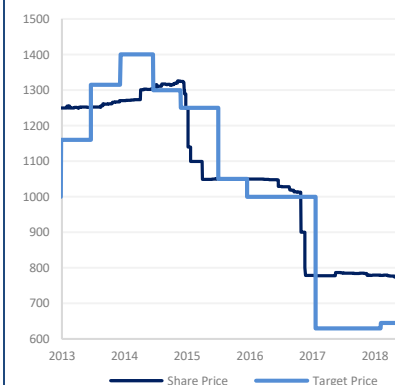
### CISP

The contraction in the construction industry has weighed heavily on the Commercial and Industrial Services and Products (CISP) division. However, the division was able to produce increases in revenue and trading profit of 3.3% and 22.1% respectively. Voltex and Plumblink remain the worst performers within the division while Prestige Cleaning services showed some improvement in performance. Revenue for the Freight and Logistics division was relatively flat, with cost savings measures contributing to an increase in trading profits of 43.5%.

### Valuation

We will release a detailed report following discussions with management and a review of the integrated annual report. **We maintain our SELL recommendation.**

### Share Price vs Target Price



### Dividend Declaration

Notice is hereby given that a final dividend of 10 cents per share has been declared for the period ended 30 June 2018.

- Last day to trade cum dividend: 28 September 2018
- First day to trade ex-dividend: 1 October 2018
- Record date: 5 October 2018
- Payment date: 19 October 2018



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