CAPRICORN INVESTMENT GROUP
1H20 Initial Impression
February 2020

Research Analyst:

Dylan van Wyk
dylan@ijg.net
+264 61 383 500

Capricorn Investment Group Ltd

1H20 Initial Impression

Target Price (c)	***1710***
Current Price (c)	1515

Year End 30 June	2018	2019	F2020	F2021	F2022
Net interest income (N$ m)	1,819	2,133	2,355	2,576	2,826
Non-interest income (N$ m)	1,225	1,359	1,472	1,596	1,732
Profit (N$ m)	934	1,015	1,123	1,223	1,341
HEPS (c)	158	182	202	220	241
DPS (c)	60	66	67	73	80
DY (%)	3.5	4.1	4.2	4.6	5.0
P/E (x)	10.9	8.8	7.9	7.3	6.6
P/B (x)	1.6	1.3	1.2	1.1	0.9

Source: CGP, IJG

Recommendation*	HOLD
NSX Code	CGP
Market Cap (N$ m)	7,866
Shares in Issue (m)	519.2
Free float (%)	20.1
P/B (x)*	1.2
52 week high	1606
52 week low	1515
Expected Return	14.9%

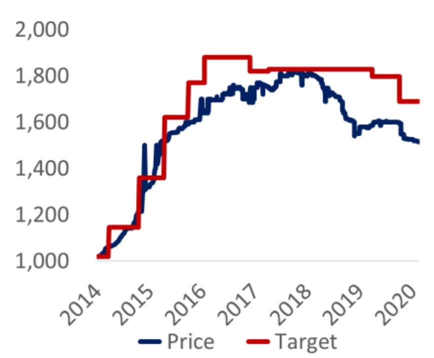
Capricorn Investment Group released their results for the half year ended 31 December 2019. The results were in line with our expectations, with profit after tax increasing by 7.9% y/y to N$557.2 million, and total comprehensive income increasing by 1.4% y/y to N$541.9 million. Headline Earnings per Share (HEPS) increased by 6.4% to 99.5cps for the half year, indicating that the group is well on its way to deliver results in line with our FY20 forecasts.

The gains were largely top line driven as net interest income increased by 7.9% to N$1.131 billion. Interest income increased by 7.1% y/y to N$2.497 billion while interest expense was contained to 6.4% y/y or N$1.366 billion. This allowed the net interest margin to open from 4.5% in 1H19 to 4.8% in 1H20.

Gross loans and advances grew by 5.5% y/y to N$40.50 billion, compared to Namibian private sector credit extension of 6.9% y/y over the same period. The results pointed to gross loans and advances growth as the main driver of net interest income growth, supported by a 14.6% increase in liquid assets in combination with a 30bps increase in the yield on its assets.

	Dec 2019 N$'000	Dec 2018 N$'000	% Change
Interest and similar income	2,497,493	2,332,624	7.1%
Interest and similar expenses	-1,366,098	-1,283,919	6.4%
Net interest income	**1,131,395**	**1,048,705**	**7.9%**
Impairment charges on loans and advances	-55,608	-38,150	45.8%
Net interest income after loan impairment charges	**1,075,787**	**1,010,555**	**6.5%**
Non-interest income	711,706	677,386	5.1%
Operating income	**1,787,493**	**1,687,941**	**5.9%**
Operating expenses	-1,078,087	-1,013,655	6.4%
Operating profit	**709,406**	**674,286**	**5.2%**
Share of joint arrangement's results after tax	1,855	2,063	-10.1%
Share of associates' results after tax	40,895	37,848	8.1%
Profit before income tax	**752,156**	**714,197**	**5.3%**
Income tax expense	-194,931	-197,750	-1.4%
Profit for the year	**557,225**	**516,447**	**7.9%**

CGP Share Price vs Target Price



Dividends

Notice is hereby given that a final dividend of 30 cents per ordinary share was declared for the period ended 31 December 2019.

- Last day to trade: 6 March 2020
- Ex Date: 9 March 2020
- Record date: 13 March 2020
- Payment date: 27 March 2020

Impairment charges increased by 45.8% y/y which was to be expected given the current recessionary economic. However, at a 0.29% credit loss ratio, the impairment charges are still remarkably low. Non-performing loans also only ticked up slightly from 4.2% to 4.3% of total advances, indicating a very resilient advances book.

Once again, Entrepo was a major contributor to both the increase in profit and the growth in assets. Entrepo's profit after tax increased by 20.6% y/y, accounting for 40.4% of the increase in the group's profit. Asset growth was also strong in the microlending segment, increasing by 15.1% to N$1.37 billion.

Botswana banking operations displayed stellar growth in profit after tax of 17.6% y/y, supported by decent asset growth of 9.0% y/y. Zambia, on the other hand, continued to post losses. However, this included N$30 million in restructuring costs and the turnaround of the Zambian banking operations will likely still take some time to implement.

Non-interest income showed decent growth, increasing by 5.1% y/y to N$711.7 million. This was largely driven by the continuing growth in transaction fees from electronic and digital channels, which was up by 12.1% y/y. Asset management also posted strong growth, delivering a 11.5% y/y increase in asset management fees.

Operating expenses were well contained, growing by only 3.5% y/y on a normalised basis (excluding the Zambian restructuring costs). This is likely a combined result of cost containment and a generally low inflation environment over the reporting period.

The group remains well capitalised with its total risk-based capital adequacy ratio of 14.6%, slightly up from the 14.5% recoded in December of 2018. This is well above the minimum regulatory capital requirement of 10.0%.

Overall, the results were in line with expectations. The Namibian banking operations provided a solid base and the subsidiaries delivered well on growth in profits. Pending a meeting with management and full review of the results we maintain our **HOLD** recommendation on CGP. Our target price will be updated in our full 1H20 review.

TEAM NAMIBIA MEMBER

IJG Holdings

Group Chairman
Mathews Hamutenya
Tel: +264 (61) 256 699

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

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

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

Financial Accountant
Gift Kafula
Tel: +264 (61) 383 536
gift@ijg.net

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

Settlements & Administration
Annetjie Diergaardt
Tel: +264 (61) 383 515
anne@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) 383 531
mirko@ijg.net

Business Analyst
Lavinia Thomas
Tel: +264 (61) 383 532
lavinia@ijg.net

IJG Advisory

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

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

Talk to IJG today ...
and let us make your money work for you

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

STOCKBROKING | PRIVATE EQUITY | WEALTH MANAGEMENT | ADVISORY

IJG