



Capricorn Group Limited FY24 Initial Impression September 2024



Research Analyst:

Zane Feris
zane@ijg.net
+264 81 958 3543

Capricorn Group Ltd

FY24 Initial Impression

Target Price (c) 2296
Current Price (c) 1954

Year End 30 June	FY22A	FY23A	FY24A	FY25E	FY26E	Recommendation	BUY
Net Interest Income (N\$ m)	2,337	2,718	3,088	3,252	3,304	NSX Code	CGP
Non-Interest Income (N\$ m)	1,669	1,875	2,141	2,306	2,488	Market Cap (N\$ m)	9,956
Profit after Tax (N\$ m)	1,146	1,580	1,736	1,848	1,908	Shares in Issue (m)*	518
HEPS (c)	221	300	321	333	344	Free Float (%)	24.5
DPS (c)	72	100	112	100	96	52-Week High (c)	1954
DY (%)	5.4	6.8	5.7	5.1	4.9	52-Week Low (c)	1580
P/E (x)	6.0	5.0	6.1	5.9	5.7	Expected Total Return	23.2%
P/B (x)	0.9	0.9	1.0	0.9	0.8		

Source: Capricorn Group Limited, IJG Securities

*Including 12.056 million treasury shares

FY24 Initial Impression

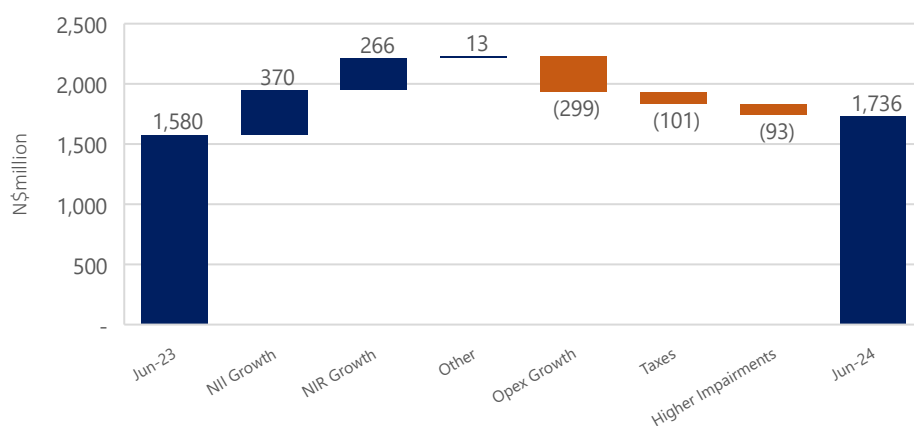
Capricorn Group Ltd (CGP) released results for the year ended 30 June 2024 (FY24). Profit after tax rose by 9.9% y/y or N\$155.8 million to N\$1.74 billion, driven by the loan book growth and an increase in transaction volumes. Headline earnings per share increased by 6.8% y/y to 320.7cps (FY23: 300.4cps). Average ROE contracted to 18.2% in FY24, from 18.8% during the same point in time last year. A final dividend of 64cps (FY23: 61cps) was declared by CGP, resulting in a payout ratio of 34.9% (FY23:33.3%).

(N\$ million)	FY23	FY24	Δ %
Interest and Similar Income	5,626.5	6,675.2	18.6%
Interest Expense and Similar Charges	(2,908.3)	(3,587.1)	23.3%
Net Interest Income	2,718.2	3,088.1	13.6%
Impairment Losses	(235.6)	(328.5)	39.4%
Net Interest Income after Impairment losses	2,482.6	2,759.6	11.2%
Non-Interest Income	1,875.4	2,141.4	14.2%
Operating Expenses	(2,443.9)	(2,742.9)	12.2%
Operating Profit	1,914.1	2,158.1	12.7%
Share of Associates' Results after Tax	182.3	195.1	7.0%
Profit before Tax	2,096.4	2,353.2	12.2%
Income Tax Expense	(516.5)	(617.4)	19.5%
Profit for the Period	1,579.9	1,735.8	9.9%

Source: CGP

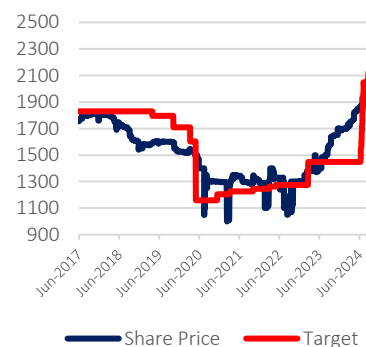
Net Interest Income (NII): CGP posted NII growth of 13.6% y/y or N\$369.9 million to N\$3.09 billion, driven by the increased repo rate and the robust loan book growth (more below). Interest expense rose by 23.3% y/y to N\$3.59 billion, outpacing the 18.6% y/y increase recorded in interest and similar income. CGP's net interest margin improved to 4.8% in FY24, from 4.6% in FY23. Bank Windhoek maintained their net interest margin above 5.0%, while Bank Gaborone's net interest margin increased by 131bps to 5.1% during the period under the review.

Profit After Tax Breakdown



Source: CGP, IJG Securities

CGP Share Price vs Target Price (c)



Dividends

CGP declared a final ordinary dividend of 64 cents per share.

- Last Day to Trade: 27 September 2024
- Ex-Dividend Date: 30 September 2024
- Record Date: 04 October 2024
- Payment Date: 18 October 2024





0,0005	4,85%
0,0003	13,04%
0,001	50,00%
0,0003	14,29%
0,0005	12,50%

Assets and Advances: Total assets grew by 10.7% y/y or N\$6.81 billion to N\$70.58 billion, driven by a 7.4% y/y or N\$3.40 billion increase in gross loans and advances. Gross loans and advances grew to N\$50.66 billion, outpacing PSCE growth of 1.8% y/y over the same period. Term loans grew by 15.4% or N\$2.45 billion to N\$18.38 billion, contributing the most to the latter mentioned growth. CGP's associates posted robust loan book growth, with Bank Windhoek's growing by 4.6% y/y to N\$39.04 billion, Bank Gaborone's increased by a robust 16.9% y/y to BWP6.86 billion, Entrepo's book grew by 17.8% y/y to N\$1.81 billion and Peo Finance's gross loans and advances grew by 14.6% y/y to BWP448.0 million. It is noteworthy that Peo finance has grown its loan book by more than double since inception in FY22.

Impairments and NPLs: The Groups impairment charges increased 39.4% y/y or N\$92.9 million to N\$328.5 million, due to a greater financial strain on customers in Namibia. Bank Gaborone's impairment charges increased by 362% y/y to BWP37.3 million, due to the concerning macroeconomic conditions in Botswana. CGP's NPLs (excluding interest in suspense) decreased by 3.3% y/y to N\$2.03 billion in FY24, translating to a NPL ratio of 4.0% (FY23: 4.5%), well below the 6.1% industry average in Namibia. CGP's credit loss ratio (CLR) is at 0.67% from 0.51% in FY23, substantially lower than Standard Bank Namibia's (SNO) 0.72% (1H24 annualised) and FirstRand Namibia's (FNB) 1.08% over the same period.

Non-Interest Revenue (NIR): NIR grew 14.2% y/y to N\$2.14 billion. Fee and commission revenue rose by 12.6% y/y or N\$162.2 million to N\$1.45 billion, driven by higher transaction volumes on electronic channels at Bank Windhoek. Net trading income increased by 26.9% y/y to N\$27.1 million, followed by a 12.9% y/y or N\$24.2 million increase in asset management fees by Capricorn Asset Management, bring the total asset management fee to N\$211.5 million.

Deposits: Deposits grew by a robust 13.3% y/y or N\$6.07 billion to N\$51.85 billion, mainly attributed to large increases in demand deposits, current accounts and NCDs. Demand deposits rose by 33.7% y/y or N\$2.31 billion to N\$9.18 billion, current accounts increased by 15.2% y/y or N\$1.83 billion to N\$13.88 billion and NCD deposits grew by 10.4% or N\$938.1 million to N\$9.92 billion. The group aims to keep its loan-to-funding ratio below 90% in 2024, from the current 86.3% (2023: 89.2%). CGP maintained strong capital ratios with a capital adequacy ratio of 17.9% (FY23: 16.9%).

Operating Expenses (opex): Opex rose by 12.2% y/y or N\$299.0 million to N\$2.74 billion, well ahead of Namibia's annual CPI growth of 4.6% y/y over the same period. Staff costs, the largest contributor to opex, increased by 12.7% y/y or N\$175.2 million. The latter increase was largely driven by above inflation annual salary increases and filling key IT resource vacancies. The group's cost-to-income (CTI) ratio of 50.0% in FY24, is well below SNO's ratio of 54.9%, but above FNB's CTI ratio of 47.8%.

Our Take

CGP's strong performance, driven by robust loan book growth and increased transaction volumes, reflects solid financial health despite rising impairments. Its improving net interest margins and well-managed NPL ratio position it favourably against peers. However, rising costs and macroeconomic challenges in Namibia and Botswana warrant close monitoring. Overall, CGP remains well-capitalised with promising growth potential in both assets and revenue streams.

Using a panel of standard valuation techniques, a cost of equity of 16.2% and a long-term sustainable return on equity of 17.5%, we derive a **target price of N\$2296**. Coupled with a total dividend of 112cps, we derive a potential total return of 23.2%. Based on this, we view the current share price as undervalued and retain our **BUY** recommendation on CGP.



IJG Holdings

Mathews Hamutenya	Group Chairman		Tel: +264 (61) 256 699
Mark Späth	Group Managing Director	mark@ijg.net	Tel: +264 (81) 958 3510
Helena Amutenya	Group Financial Director	helena@ijg.net	Tel: +264 (81) 958 3528
Leonie De Klerk	Group Compliance Officer	leonie@ijg.net	Tel: +264 (81) 958 3533
Tashiya Josua	Financial Manager	tashiya@ijg.net	Tel: +264 (81) 958 3511
Benita Windisch	Financial Manager	benita@ijg.net	Tel: +264 (81) 958 3539
Lynnet Sasele	Financial Accountant	lynnet@ijg.net	Tel: +264 (81) 958 3536
Counney Kemp	Group PA	reception@ijg.net	Tel: +264 (81) 958 3500

IJG Securities

Eric van Zyl	Managing Director Designate	eric@ijg.net	Tel: +264 (81) 958 3530
Leon Maloney	Equity & Fixed Income Dealing	leon@ijg.net	Tel: +264 (81) 958 3512
Maria Amutenya	Settlements & Administration	maria@ijg.net	Tel: +264 (81) 958 3515
Zane Feris	Sales and Research	zane@ijg.net	Tel: +264 (81) 958 3543

IJG Wealth Management

Andri Ntema	Managing Director	andri@ijg.net	Tel: +264 (81) 958 3518
Wim Boshoff	Head Wealth Manager	wim@ijg.net	Tel: +264 (81) 958 3537
Aretha Thiert	Wealth Manager	aretha@ijg.net	Tel: +264 (81) 958 3540
Katja Greeff	Wealth Manager	katja@ijg.net	Tel: +264 (81) 958 3538
Wetu Ishitile	Junior Wealth Manager	wetu@ijg.net	Tel: +264 (81) 958 3500
Maunda Rautenbach	Head of Operations	maunda@ijg.net	Tel: +264 (81) 958 3529
Lorein Kazombaruru	Wealth Administration	lorein@ijg.net	Tel: +264 (81) 958 3521
Francoise van Wyk	Wealth Administration	francoise@ijg.net	Tel: +264 (81) 958 3513
Calvin Mwinga	Wealth Administration	calvin@ijg.net	Tel: +264 (81) 958 3514

IJG Capital

Jakob de Klerk	Managing Director	jakob@ijg.net	Tel: +264 (81) 958 3517
Mirko Maier	Senior Manager: Investments	mirko@ijg.net	Tel: +264 (81) 958 3531
Fares Amunkete	Senior Manager: Investments	fares@ijg.net	Tel: +264 (81) 958 3527
Peterson Mbise	Manager: Investments	peterson@ijg.net	Tel: +264 (81) 958 3532
Veripi Ngapurue	Senior Associate	veripi@ijg.net	Tel: +264 (81) 958 3500
Jacinda Lima	Associate	jacinda@ijg.net	Tel: +264 (81) 958 3500

IJG Investment Managers & IJG Unit Trusts

Chidera Onwudinjo	Portfolio Manager	chidera@ijg.net	Tel: +264 (81) 958 3523
Danie van Wyk	Portfolio Manager	danie@ijg.net	Tel: +264 (81) 958 3534

IJG Advisory

Herbert Maier	Managing Director	herbert@ijg.net	Tel: +264 (81) 958 3522
Jolyon Irwin	Director	jolyon@ijg.net	Tel: +264 (81) 958 3500
Hugo van den Heever	Corporate Advisor	hugo@ijg.net	Tel: +264 (81) 958 3542
Lucas Martin	Corporate Advisory Associate	lucas@ijg.net	Tel: +264 (81) 958 3541

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