



FirstRand Namibia Limited 1H23 Initial Impression March 2023



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FirstRand Namibia Ltd

1H23 Initial Impression

Target Price (c) 3729
Current Price (c) 3357

Year End 30 June	FY21	FY22A	1H23	FY23E	FY24E	Recommendation	BUY
Net Interest Income (N\$ m)	1,877	2,203	1,328	2,934	3,068	NSX Code	FNB
Non-Interest Income (N\$ m)	1,954	1,981	1,120	1,997	2,017	Market Cap (N\$ m)	8,983
Profit after Tax (N\$ m)	1,032	1,273	845	1,758	1,781	Shares in Issue (m)	268
HEPS (c)	391	484.8	318.2	657.0	665.6	Free Float (%)	24.0
DPS (c)	212	472.8	396.6	818	665	52-Week High (c)	3357
DY (%)	7.3	15.7	*23.6	24.4	19.8	52-Week Low (c)	2950
P/E (x)	7.4	6.2	5.3	5.1	5.0	Expected Total Return*	23.7%
P/B (x)	1.4	1.3	1.4	1.4	1.3		

Source: FirstRand Namibia Limited, IJG Securities
*Annualised

1H23 Initial Impression

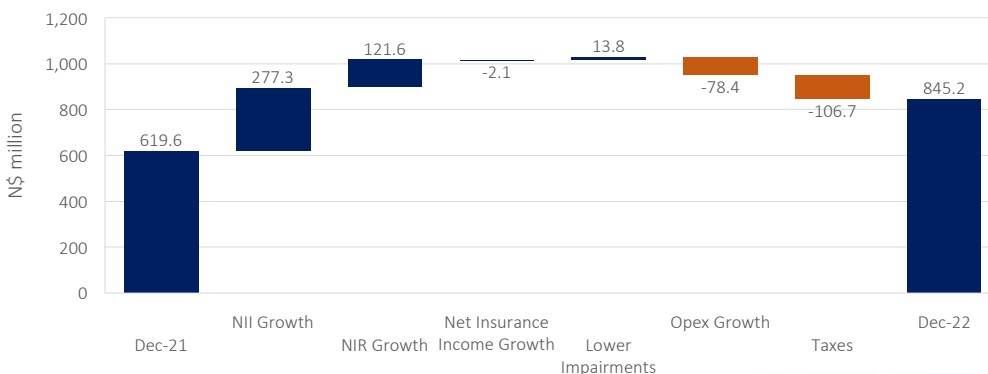
FirstRand Namibia Ltd (FNB) released interim results for the period ended 31 December 2022 (1H23). Profit after tax rose by 36.4% y/y to N\$845.2 million, while headline earnings rose by 20.9% y/y to 318.2cps. An interim ordinary dividend of 209.70cps (1H22: 153cps) as well as a special dividend of 186.85cps was declared for the period. ROE improved materially from 21.8% in 1H22 to 27.8% in 1H23, while ROA came in at 3.4% (1H22: 2.8%).

(N\$ million)	1H22	1H23	Δ %
Interest and Similar Income	1,527.7	2,280.1	49.2%
Interest Expense and Similar Charges	(476.9)	(952.0)	99.6%
NII before Impairment of Advances	1,050.8	1,328.2	26.4%
Impairment and Fair Value of Credit of Advances	(103.0)	(89.2)	-13.4%
NII after Impairment of Advances	947.9	1,239.0	30.7%
Net Insurance Premium Income	65.6	69.1	12.2%
Net Claims and Benefits Paid	(34.3)	(39.9)	5.4%
Non-Interest Income	998.4	1,120.0	16.3%
Income from Operations	1,977.5	2,388.2	20.8%
Operating Expenses	(1,061.8)	(1,140.1)	7.4%
Income before Tax	915.8	1,248.0	36.3%
Indirect Tax	(21.9)	(26.6)	21.6%
Profit before Tax	893.9	1,221.5	36.6%
Income Tax Expense	(274.3)	(376.3)	37.2%
Profit for the Period	619.6	845.2	36.4%

Source: FirstRand Namibia

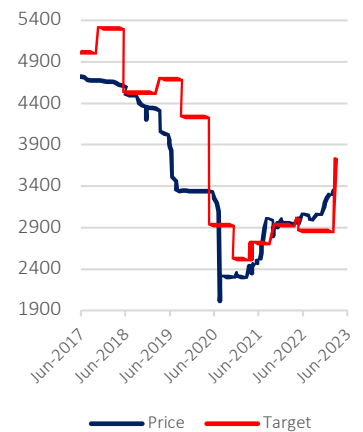
Net Interest Income: As the graph below shows, the profit growth was mainly driven by an increase in net interest income of N\$277.3 million or 26.4% y/y to N\$1.33 billion, aided by the endowment effect following 300bps worth of rate hikes by the central bank. Interest and similar income increased by 49.2% to N\$2.28 billion, emanating from growth in interest earned on advances, which grew by 33.4% y/y or N\$425.0 million and growth in interest earned on cash and cash equivalents of 91.4.4% or N\$264.6 million. Interest expense and similar charges grew by 99.6% or N\$475.1 million to N\$952.0 million.

FNB Profit after Tax Growth Breakdown



Source: FirstRand Namibia, IJG Securities

FNB Share Price vs Target Price (c)



Dividends

FNB declared an interim ordinary dividend of 209.70 cents per share and a special dividend of 186.85 cents per share.

- Last Day to Trade: 24 March 2023
- Ex-Dividend Date: 27 March 2023
- Record Date: 31 March 2023
- Payment Date: 21 April 2023





0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

Assets and Advances: Total assets grew by 25.6% y/y to N\$54.5 billion, and are up by 4.0% from June 2022. Gross advances again posted robust growth of N\$2.16 billion or 6.7% y/y to N\$34.7 billion, ahead of normalised PSCE growth of 3.9% y/y over the same period. The increase was to a large extent driven by 6.1% y/y growth in property finance to N\$16.2 billion. Term loans grew by 6.6% to N\$9.75 billion. Retail advances increased by 6.2% y/y, commercial advances grew by 7.7% and corporate advances climbed by 6.0% y/y. The segment contributions to overall loans and advances remained unchanged from FY22, with FNB's advances making up 86% of the group's advances and RMB making up the rest.

Impairments and NPLs: Impairment charges fell by 13.4% y/y to N\$89.2 million or 0.26% of gross advances (1H22: 0.32%). Management attributes this improvement to improved credit management of the advances portfolio, better-than-expected collection outcomes, and a reduction in stage 3 loan impairments. Non-performing loans made up 5.3% of gross advances (1H22: 5.5%).

Non-Interest Revenue: The group reported non-interest revenue growth of 12.2% y/y to N\$1.12 billion in 1H23, following moderate growth of 1.4% in FY22. Card commissions increased by 23.2% y/y to N\$165.9 million and bank charges climbed by 14.2% y/y to N\$848.1 million. The fee and commission income growth was on the back of a 13% increase in transaction volumes.

Deposits: Nearly all deposit account categories recorded growth on a year-on-year basis, resulting in total deposits growing by 11.4% y/y to N\$39.2 billion. Call deposit accounts growth of N\$2.17 billion or 26.4% year-on-year was responsible for more than half of the N\$4.0 billion increase in deposits. Current accounts grew by 7.0% y/y to N\$13.0 billion.

Operating Expenses: Operating costs climbed by 7.4% y/y to N\$1.14 billion, slightly ahead of Namibian annual CPI growth of 6.9% over the same period. Staff costs, which make up 56.5% of total operating expenses, grew by 9.0% y/y to N\$644.3 million. Management ascribed the increase to salary increases of 5.8% and variable remuneration (bonuses and LT incentives) growth of 28% due to improved performance. As revenue growth outpaced expenses growth, the company's cost-to-income ratio improved from 51.0% in 1H22 to 46.0% 1H23.

Our Take

FNB delivered another set of impressive results bolstered by the endowment effect and robust non-interest revenue growth, resulting in the group's ROE improving to the highest level since 2016.

Using a panel of standard valuation techniques, a cost of equity of 16.9% and a long-term sustainable return on equity of 20.0%, we derive a **target price of N\$3729**. Coupled with an expected final dividend of 422cps, we derive a potential total return of 23.7%. Based on the discount, we view the current share price as undervalued and upgrade our recommendation on FNB to **BUY**.

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