

FirstRand Namibia Limited FY24 Initial Impression September 2024



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FirstRand Namibia Ltd

FY24 Initial Impression

Target Price (c) 5647
Current Price (c) 4645

Year End 30 June	FY22A	FY23A	FY24A	FY25E	FY26E	Recommendation	BUY
Net Interest Income (N\$ m)	2,203	2,696	3,082	3,206	3,299	NSX Code	FNB
Non-Interest Income (N\$ m)	1,981	2,208	2,442	2,591	2,764	Market Cap (N\$ m)	12,430
Profit after Tax (N\$ m)	1,273	1,561	1,704	1,884	2,048	Shares in Issue (m)	268
HEPS (c)	474	582	641	700	761	Free Float (%)	24.0
DPS (c)	473	578	354	388	422	52-Week High (c)	5200
DY (%)	15.5	11.5	7.6	8.4	9.1	52-Week Low (c)	4644
P/E (x)	6.4	8.7	7.2	6.6	6.1	Expected Total Return	29.2%
P/B (x)	1.3	2.3	2.0	1.8	1.6		

Source: FirstRand Namibia Limited, IJG Securities

FY24 Initial Impression

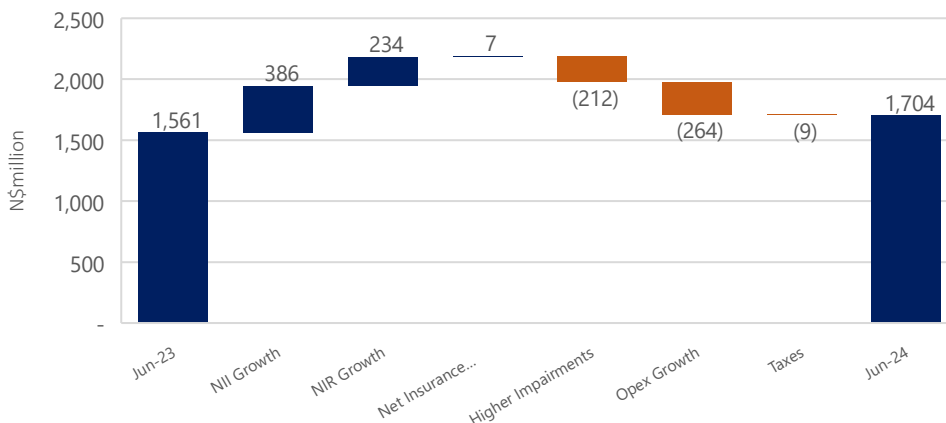
FirstRand Namibia Ltd (FNB) released results for the year ended 30 June 2024 (FY24). The group recorded a 9.1% y/y increase in profit after tax to N\$1.70 billion. Primarily driven by growth in the balance sheet, coupled with margin improvements and transaction volume increases. Headline earnings per share similarly rose by 10.1% to 641cps (FY23: 582cps). FNB declared a final dividend of 180.16cps (FY23: 368.14cps), resulting in a payout ratio of 55.2%. ROE rose to 27.9% in FY24, from 25.5% in FY23.

(N\$ million)	FY23	FY24	Δ %
Interest and Similar Income	4,961.3	6,048.2	21.9%
Interest Expense and Similar Charges	(2,265.1)	(2,965.8)	30.9%
NII before Impairment of Advances	2,696.2	3,082.4	14.3%
Impairment and Fair Value of Credit of Advances	(213.6)	(425.6)	99.3%
NII after Impairment of Advances	2,482.6	2,656.8	7.0%
Non-Interest Revenue	2,207.8	2,441.8	10.6%
Insurance before reinsurance contracts held	16.4	30.4	85.1%
Net expense from reinsurance contracts held	(2.5)	(9.7)	285.8%
Income from Operations	4,704.3	5,119.3	8.8%
Operating Expenses	(2,388.5)	(2,652.4)	11.1%
Income before Tax	2,315.8	2,466.8	6.5%
Indirect Tax	(53.9)	(55.0)	2.0%
Profit before Tax	2,261.9	2,411.8	6.6%
Income Tax Expense	(700.7)	(708.2)	1.1%
Profit for the Period	1,561.2	1,703.5	9.1%

Source: FirstRand Namibia

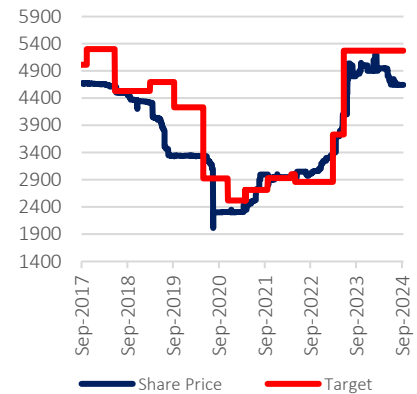
Net Interest Income: NII increased by 14.3% y/y to N\$3.08 billion, aided by the higher repo rate over the reporting period. This increase is mainly attributed to growth in interest earning assets and 'strategic and agile' pricing. Interest expense rose by 30.9% y/y to N\$2.97 billion, outpacing the 21.9% y/y increase witnessed in interest income. However, FNB's net interest margin rose to 5.3% in FY24, from 5.0% in FY23

Profit After Tax Growth Breakdown



Source: FirstRand Namibia, IJG Securities

FNB Share Price vs Target Price (c)



Dividends

FNB declared a final ordinary dividend of 180.16 cents per share.

- Last Day to Trade: 04 October 2024
- Ex-Dividend Date: 07 October 2024
- Record Date: 11 October 2024
- Payment Date: 25 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 4.2% y/y to N\$60.79 billion but contracted slightly by N\$38.2 million since 1H24. Gross advances posted robust growth of 7.2% y/y or N\$2.64 billion to N\$39.42 billion, outpacing PSCE growth of 1.8% y/y over the same comparable period. The increase is primarily attributed to a 20.6% y/y or N\$2.18 billion increase in term loans and instalment sales agreement growth of 18.2% y/y or N\$637.3 million. Overdrafts and cash managed accounts notably declined by 22.1% y/y or N\$975.6 million in FY24.

Impairments and NPLs: Impairment charges nearly doubled in FY24, increasing by N\$212.0 million to N\$425.6 million, driven by increased defaults in the commercial business banking and SME sectors. The group also witnessed higher defaults in personal and home loan products. The credit loss ratio (CLR) was 1.08%, from 0.58% in FY23, notably higher than those of Standard Bank Namibia at 0.72% (1H24 annualised) and Capricorn Group at 0.67% over the same period. Non-performing loans (NPLs) were N\$2.39 billion as of 30 June 2024, translating to a NPL ratio of 6.1%, which is fairly in line with the industry average of 6.1%.

Non-Interest Revenue (NIR): FNB reported NIR growth of 10.6% y/y or N\$234.0 million to N\$2.44 billion in FY24, translating to a compounded annual growth rate of 6.7% over the past seven financial years. This growth was mainly driven by total transaction volumes, which increased by 12.0% y/y to 196.0 million. Bank charges, the biggest contributor to NIR, rose by 7.2% y/y or N\$115.6 million to N\$1.72 billion. Dividends received also notably increased by N\$46.8 million to N\$90.7 million during the year.

Deposits: Deposits increased by 4.5% y/y or N\$1.92 billion to N\$44.67 billion but contracted by N\$250.9 million from 1H24. Deposits in current accounts, which is a relatively cheap source of funding, increased by 17.9% y/y or N\$2.69 billion to N\$17.74 billion, driven by improved channels of utilisation and product innovation. Fixed and noticed deposits declined by N\$1.34 billion or 11.9% y/y to N\$9.89 billion. FNB maintained strong capital ratios with a capital adequacy ratio of 17.6% (FY23: 17.9%)

Operating Expenses: Operating expenses increased by 11.1% y/y or N\$264.0 million to N\$2.65 billion, outpacing NCPI growth of 4.6% y/y over the same period. This increase was somewhat expected, given the continuation of investment in technology and digital solutions. Staff costs increased by N\$10.4% y/y or N\$138.6 million to N\$1.47 billion, with annual salary increases averaging at 6.2% for FNB. IT expenses, the second largest contributor to growth in operating expenses, increased by 17.9% y/y or N\$90.1 million to N\$593.3 million, due to the above-mentioned technology investments.

Our Take

FNB delivered solid FY24 results, driven by strong balance sheet growth, margin improvements, and increased transaction volumes. However, rising impairments, especially in the commercial and SME sectors, pose a challenge. Looking forward, FNB's focus on digital investments and product innovation should support growth, but economic uncertainties may keep credit risk elevated. Maintaining a strong capital position will be key to navigating these risks.

Using a panel of standard valuation techniques, a cost of equity of 16.3% and a long-term sustainable return on equity of 22.5%, we derive a **target price of N\$5647**. Coupled with a total dividend of 354cps, we derive a potential total return of 29.2%. Based on this, we view the current share price as undervalued and retain our **BUY** recommendation on FNB.



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