



IJG Namibia Quarterly 1Q16

Research Analysts:

Rowland Brown
rowland@ijg.net
+264 61 383 513

Jan-Hendrik Conradie
janhendrik@ijg.net
+264 61 383 523

Eric van Zyl
eric@ijg.net
+264 61 383 530



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Economic Backdrop

IJG Economic Outlook, 2016

Please follow the link to the full report [IJG Economic Outlook, 2016](#)

Overview

As the memories of the global recession fade in our minds, so we become complacent, and start to believe that the worst is over, behind us. However, as 2016 starts to grip, it appears that the clouds are once again building, and the frosty headwinds once again gaining force.

China is in turmoil, we all know it and have been aware of its coming for a number of years. A “triple bubble” appears to have started deflating, led by a stock market meltdown, with risks of contagion to the property and credit markets the major concern. Debt levels are too high, growth is too low. The shift from central driven investment lead growth, to large scale consumption lead growth, is proving a bumpy ride, to say the least.

Europe remains troubled, bouncing from one crisis to the next with little real resolution, and as the various cans get booted ever further down the track, the rainclouds build. Grexit, Brexit, debt crises aside, the refugee crisis looks set to derail the “European dream”, as vastly different views as to the European response see borders being once again erected, and the popularity of key leaders (notably Ms. Merkel) waning to unprecedented levels.

Snowstorms in the US (literally and figuratively) illustrate an economy that remains fragile, with little real growth in core sectors of the economy (notably manufacturing), and a fragile employment story to tell (low participation rates). The first interest rate hike in almost a decade has not gone down well, as both the stock market and economy appear to be somewhat shaken, and struggling to adjust to the new interest rate (just 0.25% above those of the past 7-odd years).

South Africa continues to teeter on the 3D precipice of high inflation, low growth (recession?) and a credit rating collapse. The causes, while too many to detail, include but are not limited to energy, leadership, commodity prices, labour unrest and capital outflows. With economic deterioration, rating downgrades and an ongoing rand rout, the outlook for our southern neighbour looks increasingly precarious, with many economists seeing “junk” status and recession as inevitable. The SARB is stuck between a rock and a hard place, as its mandate of price-stability stands to push the country into recession, while protecting the value of the rand for those that have some, but making it ever harder for those that do not, to get some.

Namibia too stands in the midst of a storm, where unlike the events of the late noughties, the outlooks for Namibia and South Africa have become notably more correlated. Limited policy space (debt-to-GDP at over 35% for the first time, for example), infrastructure challenges, rating risks, and current account weakness spell doom and gloom for the Namibian economy, but perhaps unlike our southern neighbour, the pain may be short-felt, if handled correctly. With our hand forced on interest rates, and a probable credit rating downgrade, cautious management of the fiscus will be required to ensure that the downturn is temporary. Efforts to keep the spending party going may well spell long term doom for the country, as the deficit will blow out, taking with it the cost of funding, and the debt stock, and making longer term recovery a sizable challenge. On the other hand, fiscal tightening will add fuel to an already slowing economy, making the fiscal tightrope a challenging one to traverse.



Hotspots of growth are to be few and far between, more on account of the exceptionally high base created in the local economy after the five consecutive boom-years from 2010 to 2014, than any great wrongdoing. Drought and commodity price weakness do little to help the cause, however remain largely out of the control of players in the local space.

The downturn will likely leave the pockets of consumers somewhat less padded, and with expected tax increases (solidarity tax and potentially others), and higher debt servicing costs, little growth is expected in the areas of consumer discretionary goods, particularly those considered most luxurious.

The external position is to remain under sizable pressure, both on account of rand weakness and import costs increasing (but volumes decreasing), slow growth in exports and limited FDI inflows. Net outflows are expected to continue in 2016, as was the case in 2015 (if the Eurobond flows are set aside for comparative purpose), leaving the already battered reserve position weaker once again.

The year 2017 should see some respite, all things being equal, as the vast Husab mine ramps up towards full production, adding extensively to mineral output and exports. In addition, our base case scenario sees the end of the current drought in 2016/17, and a slow recovery in agricultural activity, off the low, drought-level, base.

Energy and water remain key concerns, however with limited major increases expected in demand for the former, coupled with the relatively small consumption figures for the country and ongoing efforts to expand production, we expect to see energy issues resolved without a major hiccup. Water, however, remains of great concerns, as the security of supply, particularly for the mines at the coast and the central area, remains in the hands and the wills of the gods at present.

The good news for Namibia, however, is that much space still exists to improve the bang-for-buck spending of the national budget, while at the same time, certain state owned enterprises can be wholly or partially privatized, in order to free up some liquid capital for the state. In addition, the funds raised in Namibia's last Eurobond issue remain available to the country to ward off the unwelcome advances of recession, and to protect the external position from further degradation. Moreover, while under pressure, Namibia's key export minerals, namely diamonds, uranium and gold, have been far less badly affected by the recent commodity price rout, and when viewed in Namibia dollar terms, have actually seen price increases. Finally, Namibia remains a net creditor to the rest of the world, with a fairly sizable stock of international investments (the property, let us not forget, of pension fund members).

In all, Namibia is likely to experience a tough year in 2016, but if handled carefully, will likely be fairly short lived. The continued twin deficits situation will hopefully unwind come 2017, all things being equal. While unpleasant, weathering the storm is necessary, and part of the normal economic cycles. All, most certainly, is not lost.



Economic Data Snapshot

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
Inflation (y/y)	4.5%	3.6%	3.4%	2.9%	3.0%	3.0%	3.3%	3.4%	3.3%	3.4%	3.3%	3.7%
Repo Rate	6.00	6.25	6.25	6.25	6.25	6.50	6.50	6.75	6.75	6.75	6.75	6.75
Prime Rate	9.75	10.00	10.00	10.00	10.00	10.25	10.25	10.75	10.75	10.75	10.75	10.75
N\$/US\$	11.55	11.54	12.15	11.79	12.14	12.17	12.68	13.28	13.85	14.44	15.03	15.61
N\$/AUD	8.97	9.00	9.30	9.44	9.28	9.38	9.26	9.45	9.72	9.94	10.17	10.40
N\$/CAD	9.16	9.22	9.59	9.81	9.76	9.74	9.69	10.11	10.41	10.79	11.15	11.51
Vehicle Sales (y/y)	13.9	8.8	14.4	4.4	-3.2	-8.8	1.1	-6.0	-13.8	-15.5	-13.6	*
<i>Passenger</i>	6.4	11.1	0.2	8.3	-3.8	1.5	-4.5	-19.0	-10.7	-13.8	-23.0	*
<i>Commercial</i>	20.3	7.2	27.7	0.8	-2.7	-16.8	5.3	6.0	-15.9	-16.7	-7.7	*
M2 Money Supply (y/y)	9.8	3.0	3.0	0.0	1.4	13.1	10.3	8.6	7.9	11.8	8.9	*
PSCE (y/y)	16.1	16.6	16.5	15.7	15.8	14.8	15.9	15.8	15.7	14.9	14.5	*
<i>Business</i>	22.7	26.8	21.0	22.7	21.4	20.2	22.8	23.1	18.8	20.8	16.7	*
<i>Individuals</i>	12.0	10.0	13.5	11.2	11.9	11.1	11.4	11.0	13.5	11.0	12.9	*

Source: NSA, BoN, Bloomberg, NAAMSA, IJG



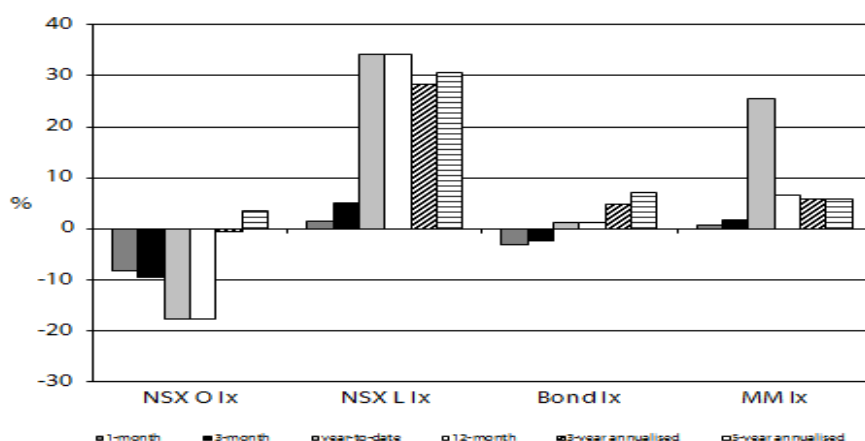
Namibian Asset Performance

The NSX Overall Index closed at 865.49 points in December down from 945.52 points in November losing 8.38% on a total return basis in December compared to a 6.70% m/m decrease in November. The NSX Local Index increased 1.39% m/m compared to a 1.11% m/m increase in November. For 2016 the NSX Overall Index returned -17.83% against +34.27% for the Local Index. The best performing share on the Overall Index in December was B2Gold at +7.85%, while Anglo American was the worst performer at -20.87%.

The IJG All Bond Index (including Corporate Bonds) fell 3.16% m/m in December after losing 0.45% m/m in November. Namibian bond premiums relative to SA yields in December generally strengthened with the GC17 premium unchanged at 64bp; the GC18 premium unchanged at 85bp; the GC20 premium strengthening by 9bp to 113bp; the GC21 unchanged at 110bp; the GC22 premium strengthening by 18bp to 100bp; the GC24 premium strengthening by 2bp to 110bp; the GC25 strengthening by 10bp to 122bp; the GC27 premium weakening by 2bp to 125bp; the GC30 premium strengthening by 12bp to 114bp; the GC32 premium weakening by 7bp to 142bp; the GC35 premium strengthening by 15bp to 115bp; the GC37 weakening by 2bp to 139bp; the GC40 premium strengthening by 8bp to 131bp; and the GC45 weakening by 0.4bp to 132bp.

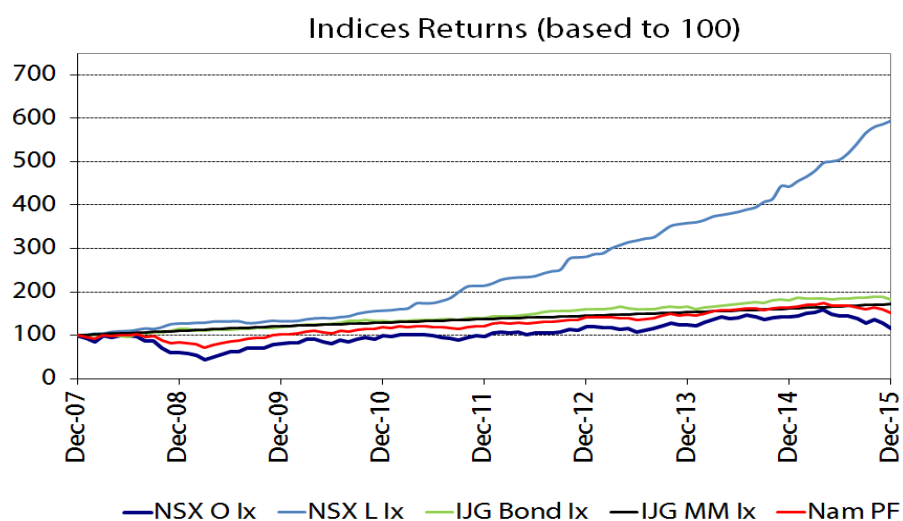
The IJG Money Market Index (including NCD's) increased by 0.56% m/m in December after rising 0.54% m/m in November.

Performance by Asset Class



Source: IJG

Indices Returns (based to 100)



Source: IJG



Namibian Returns by Asset Class [N\$, %] - September 2015

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
NSX Overall Index	-8.38	-9.51	-19.69	-17.83	-17.83	-0.66	3.38
NSX Local Index	1.39	5.02	17.59	34.27	34.27	28.40	30.59
IJG ALBI	-3.16	-2.29	-0.84	1.11	1.11	4.76	7.19
IJG GOVI	-3.20	-2.35	-0.94	1.01	1.01	4.82	7.14
IJG OTHI	-2.81	-1.71	0.08	2.23	2.23	4.65	7.72
IJG Money Market Index	0.56	1.66	3.29	6.47	6.47	5.90	5.90

* annualised

Source: IJG

Namibian Returns by Asset Class [US\$, %] - September 2015

	1 month	3 month	6 month	12 month	year-to-date	3 years*	5 years*
US\$ Strength/(Weakness)	-7.13	-10.96	-21.79	-25.64	-25.64	-18.32	-15.71
NSX Overall Index	-14.92	-19.42	-37.19	-38.90	-38.90	-18.86	-12.86
NSX Local Index	-5.84	-6.49	-8.03	-0.16	-0.16	4.88	10.07
IJG ALBI	-10.07	-13.00	-22.45	-24.82	-24.82	-14.43	-9.65
IJG GOVI	-10.10	-13.05	-22.52	-24.89	-24.89	-14.38	-9.69
IJG OTHI	-9.74	-12.48	-21.72	-23.99	-23.99	-14.52	-9.21
IJG Money Market Index	-6.01	-8.90	-18.69	-20.32	-44.29	-13.32	-10.62

* annualised

Source: IJG



Individual Equity Total Returns [N\$, %] December 2015

	Month end price (c)	NSX FF Market Cap Weight	1 month	3 month	6 month	12 month	year-to-date
FINANCIALS							
<i>banks</i>			-8.01	-4.44	-9.60	-1.42	-1.39
BWH	1,700	0.19%	-10.62	-13.47	-22.45	-14.72	-14.72
FST	4,237	13.28%	5.88	8.42	10.95	33.06	33.06
FNB*	4,355	0.29%	-9.44	-12.75	-18.70	-12.37	-12.37
NBK	18,861	3.76%	0.47	7.24	35.69	71.14	71.14
SNB	11,350	14.25%	-10.23	-13.09	-20.25	-21.02	-21.02
<i>insurance</i>			-12.26	-14.95	-28.15	-17.62	-17.62
SNM	18,950	0.65%	-10.03	-15.43	-10.55	-8.92	-8.92
<i>life assurance</i>			-5.37	3.70	1.52	9.56	9.56
MMI	2,200	2.33%	-6.54	-6.09	-25.05	-22.75	-22.75
OLM	4,145	20.28%	-7.40	5.58	9.15	24.17	24.17
SLA	6,054	10.99%	-1.39	2.29	-6.94	-10.55	-10.55
<i>investment companies</i>			1.39	2.35	28.50	20.04	20.04
NAM*	73	0.01%	1.39	2.35	28.50	20.04	20.04
<i>real estate</i>			-6.63	-5.82	-1.03	1.57	1.57
ORY*	2,060	0.11%	1.63	5.02	9.59	20.66	20.66
VKN	1,690	1.04%	-7.47	-6.92	-2.11	-0.38	-0.38
<i>specialist finance</i>			-8.65	3.17	-0.37	15.69	16.51
IVD	10,950	2.84%	-9.31	4.13	1.21	15.99	15.99
KFS	780	0.27%	-1.39	-1.45	-11.13	0.00	9.82
TUC	381	0.12%	-9.18	-9.36	-13.80	43.98	43.98
HEALTH CARE							
<i>health care providers</i>			3.54	7.98	16.29	0.00	18.23
MDC	11,900	6.03%	3.54	7.98	16.29	0.00	18.23
RESOURCES							
<i>mining</i>			-17.91	-29.34	-52.88	-59.23	-59.23
ANM	6,899	9.43%	-18.01	-29.59	-53.67	-59.90	-59.90
PDN	334	0.42%	-20.87	-39.00	-59.76	-66.24	-66.24
FSY	151	0.02%	3.41	108.75	12.46	1.52	1.52
DYL	11	0.01%	-2.58	8.63	-12.72	-20.11	-20.11
BMN	42	0.01%	10.00	10.00	22.22	-15.38	-15.38
MEY	4	0.00%	-4.55	40.00	-8.70	-37.31	-37.31
B2G	1,635	0.65%	0.00	0.00	0.00	0.00	0.00
EOG	190	0.01%	7.85	13.31	-14.22	-11.29	-11.29
<i>chemicals</i>			14.46	68.14	108.94	19.50	19.50
AOX	1,300	0.18%	-11.30	-13.32	-4.27	-17.29	-17.29
INDUSTRIAL							
GENERAL INDUSTRIALS			-2.39	-0.66	-8.54	24.92	24.92
<i>diversified industrials</i>			-18.63	0.91	-34.32	-32.88	-32.88
BWL	6,197	1.41%	-18.63	-16.89	-34.32	-32.88	-32.88
<i>Support Services</i>			-0.16	0.05	-0.36	-3.02	-3.23
BVN*	1,049	0.06%	0.25	1.24	-1.95	-16.28	-16.28
CLN	1,700	0.24%	-8.96	-7.92	0.00	0.00	-9.09
NON-CYCLICAL CONSUMER GOODS							
<i>beverages</i>			0.77	2.93	11.74	25.63	25.63
NBS*	2,247	0.24%	0.77	2.93	11.74	25.63	25.63
<i>food producers & processors</i>			3.86	22.51	22.89	15.38	15.38
OCG	11,700	0.41%	3.86	22.51	22.89	15.38	15.38
CYCLICAL SERVICES							
<i>general retailers</i>			-3.21	8.42	8.75	107.42	107.42
NHL*	240	0.00%	0.00	0.00	-4.35	n/a	-8.33
TRW	9,115	4.01%	-3.21	8.43	8.76	107.52	107.52
NON-CYCLICAL SERVICES							
<i>food & drug retailers</i>			1.13	-8.26	-16.46	-12.84	-12.84
SRH	14,326	6.45%	1.13	-8.26	-16.46	-12.84	-12.84

Source: IJG, NSX, JSE, Bloomberg

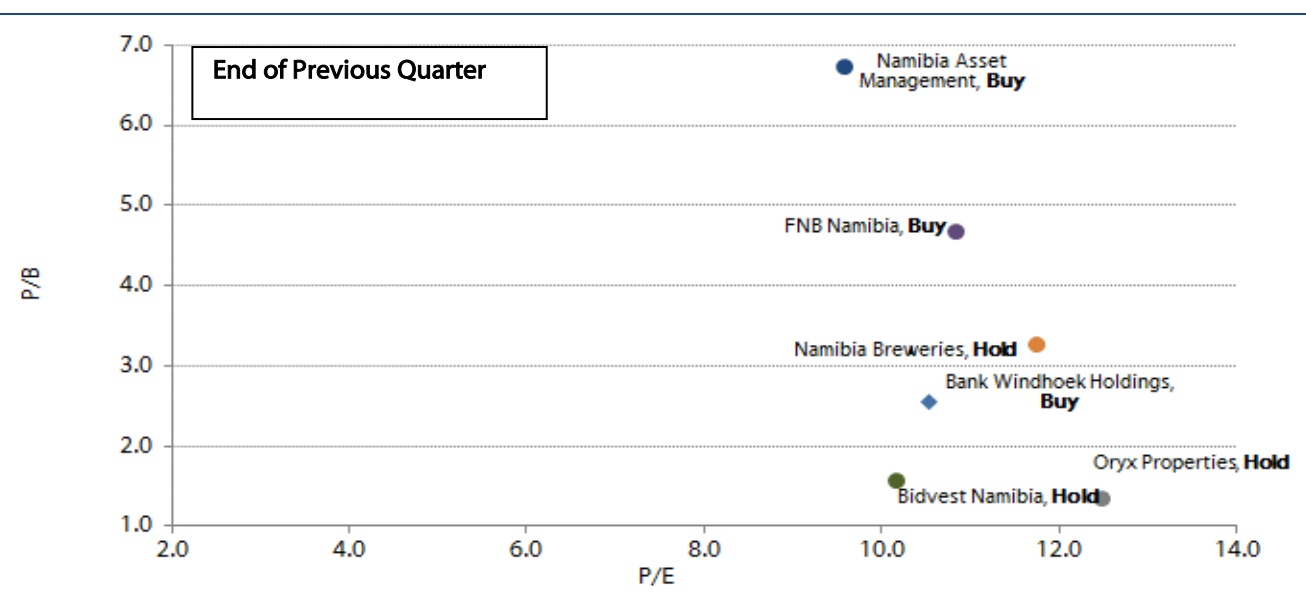
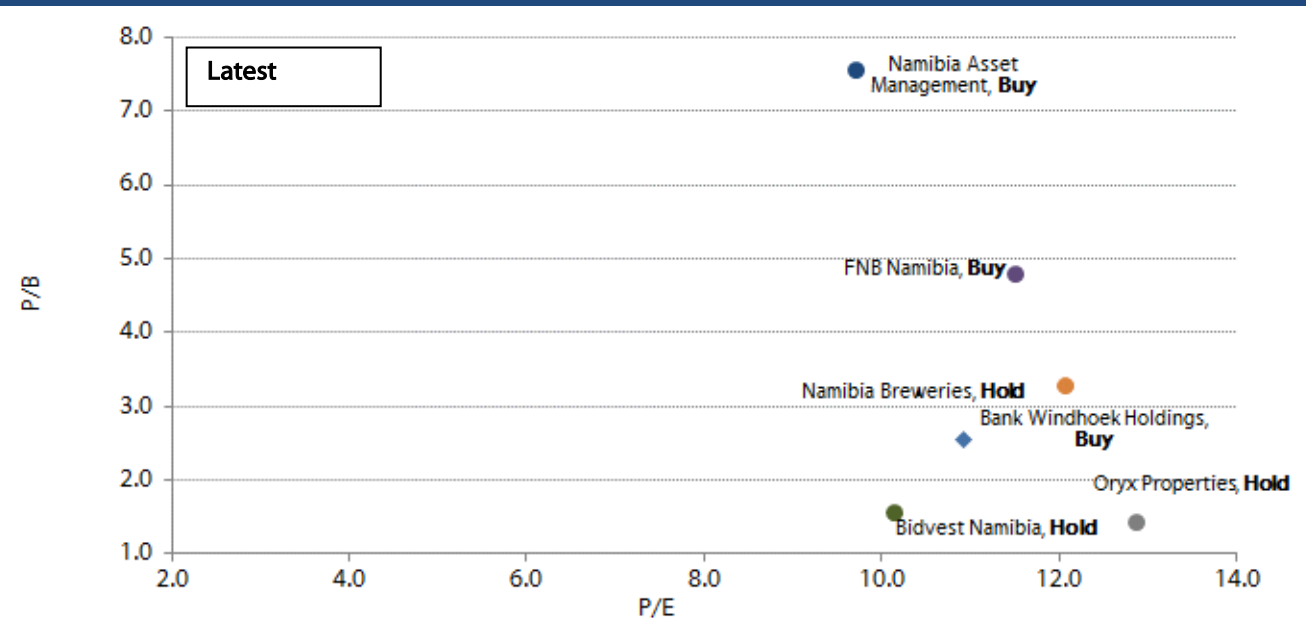
NSX Company Round-Up

NSX Company Round-Up

Company	Code	Mkt Cap (N\$m)	Share price (c)	P/E (A)	P/E (F)	HEPS (A)	HEPS (F)	Rec
Bank Windhoek Holdings	BWH	8,287	1,640	10.9	9.2	150.0	178.0	BUY
FNB Namibia	FNB	11,646	4,352	11.5	9.8	377.6	442.0	BUY
Namibia Asset Management	NAM	146	73	9.7	8.2	7.5	8.9	BUY
Oryx	ORY	1,361	2,060	12.9	12.5	160.0	165.0	HOLD
Namibia Breweries	NBS	4,672	2,262	12.1	11.5	187.0	197.0	HOLD
Bidvest Namibia	BVN	2,223	1,049	10.2	10.1	103.2	103.6	SELL

**Based on the last year-end earnings and quarter-end share price*

P/B vs P/E



Source: NSX, IJG

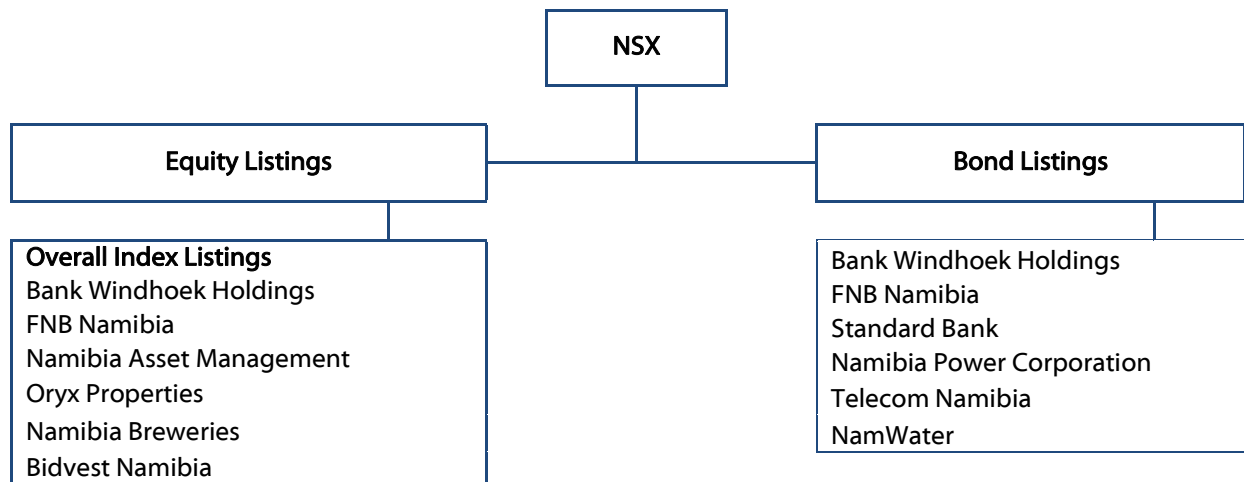


Quarterly Recommendations Changes

Overall Index	Target Price (c)	Recommendation	Change from
Bank Windhoek Holdings	1770	BUY	
FNB Namibia	4720	BUY	
Namibia Asset Management	65	BUY	
Oryx Properties	1760	HOLD	
Namibia Breweries	2300	HOLD	SELL
Bidvest Namibia	1050	SELL	

Source: IJG

Coverage of Companies on NSX



Bank Windhoek Holdings

Recommendation: **BUY**, TP: **1770**, Code: **BWH**

Nature of Business: Bank Windhoek Holdings (BWH) was created in 1982 from Volkskas' Namibian branches. BWH is a Namibian bank assurance business offering a wide spectrum of financial services via its subsidiaries and associates. The bank listed on the NSX on 20 June 2013.

Top Shareholders: Capricorn Investment Holdings (62.8%) Nammic Financial Services (10.5%)

BWH released its results for the year ended 30 June 2015. The firm recorded exceptional growth over the period, with profit before tax increasing by 21.5% year on year, to surpass the N\$1 billion mark for the first time in the Bank's history. Profit after tax increased by 20.5% to N\$753 million, surpassing our forecast by 7.9%. Earnings per share expanded by 20.6% to 150.4cps, while headline earnings per share expanded 24.4% to 150.5cps. Headline earnings growth exceeded our expectations by 8.3%. A dividend of 53cps was declared by the company, an increase of 20.5% over the previous year, and surpassing our expectation by 3cps, or by 6%.

Net interest income added 19.9% to N\$1.267 billion on the back of a 16.7% increase in loans and advances, as well as an improvement in the net-interest margin as interest rate increases in Namibia resulted in a widening margin between South African interest rates (off which a portion of funding is priced) and Namibian rates (off which loans are priced). This income was notably better than forecast, with the company beating our net-interest income expectations by some N\$60 million.

On the side of non-interest income, the company experienced growth of 19.4% to N\$812 million. According to the Bank, this increase was driven by "strong growth in transaction volumes, and income from trading activities, cards and electronic channels" and comes about despite "the implementation of zero cash handling fees on certain accounts during the year under review."

From an operating expense position, the company continued to perform well, as the cost-to-income ratio improved from 53.6% to 51.6%. This was driven by cost containment despite a notable increase in operating income. All told, operating expenses increased by 13.9% to N\$1.042 billion. According to the company, this increase was mainly due to higher staffing numbers, as well as an increase in transaction volumes, as well as investment in technological upgrades.

Over the year, the bank grew its assets by 17.6% to N\$28.609 billion, largely off the back of the aforementioned loan book, which grew by 16.7% to N\$23.622 billion. Deposits grew by 17.1% to N\$21.994 billion, while debt securities in issue increased by 33.7%, to N\$2.461 billion. While this increase will no doubt have negatively affected the marginal cost of funding, given the relatively minor relative contribution of debt securities to total funding, the average cost will not have been much affected. Following these developments, the bank's funding position has improved, with the loan-to-funding ratio improving from 98.2% to 96.6%.

The overall health of the bank's balance sheet remains extremely good despite a doubling in total impairments on loans and advances in FY15 when compared to FY14. Total impairments remain minute, representing just 0.2% of total advances. The group remains well capitalised with a total risk based capital adequacy ratio of 15.8%, well above the minimum regulatory requirement of 10%.

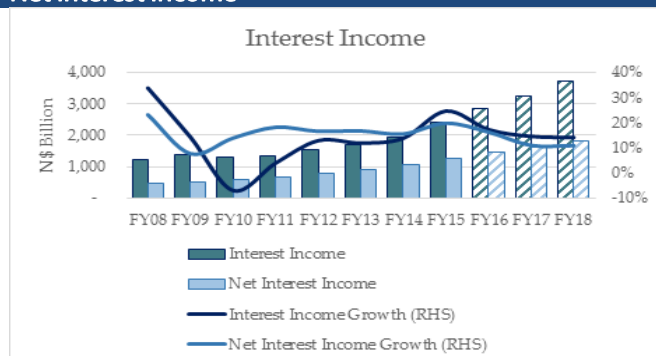
Target price and recommendation: For the purpose of valuing the company, we establish a required rate of return, or **cost of equity, of 14.12%**. Based on this cost of equity, a highly conservative **long-term growth rate for the company of 10.5%**, and a **dividend pay-out ratio of 36%**, broadly in line with historic pay-out ratios, we believe a **PE of 9.9x can be justified** on this share. Given **expected earnings growth of 18.3% in FY16**, taking **total earnings to c178/share**, we derive a **target price of c1770/share**. Coupled with an **expected dividend of 64cps**, we expect a **total return of 14.6% in FY16**. This price and dividend means a **dividend yield of 4.0%**. We thus **change our HOLD recommendation to a BUY recommendation for Bank Windhoek Holdings**.

Bull Points:

- Controlled credit growth
- Diversification of income streams
- Improved efficiencies

Bear Points:

- Lucrative returns attracting new entrants
- Regulatory focus on non-interest income
- Bank of Namibia divergence from SARB

Net Interest Income**Net interest margin**

Fiscal Year End: June	2011	2012	2013	2014	F2015
Income Statement Extract (N\$M)					
Net interest income	671	783	914	1,057	1,267
Fee and Commission Income	301	355	523	493	564
Operating expenses	643	707	763	915	1,042
Operating profit	404	515	755	793	978
Share of profit from jointly controlled assets	54.8	53.3	60.4	84.3	87.2
Profit before tax	462.6	570.0	816.5	878.3	1,067.1
Income tax (expense)\ credit	134.0	167.4	216.4	253.4	314.1
Net gains on available for sale financial assets	0.9	14.0	22.4	14.2	28.5
Total Comprehensive Income	329.4	416.6	622.5	639.2	781.5
Balance Sheet (N\$M)					
Governemnt and other debt securities	1,194.8	1,523.8	1,493.2	2,104.9	2,587.5
Loans and advances	13,004.4	15,484.9	17,652.0	20,245.4	23,621.9
Due from other banks	362.2	211.0	251.4	473.0	740.3
Total Assets	15,984.8	18,921.1	20,938.6	24,318.3	28,608.8
Due to customers	9,852.7	12,126.6	16,915.7	18,782.4	21,994.0
Deposits from banks and others	247.0	237.6	167.0	282.7	130.2
Debt securities in issue	767.3	917.3	943.1	1,841.3	2,461.2
Total Liabilities	14,412.0	17,034.0	18,314.6	21,224.1	24,965.5
Total shareholders' equity	-	-	-	-	-
Growth Rates (%)					
Net interest income	18.2%	16.6%	16.8%	15.6%	38.5%
Loans and advances	14.9%	19.1%	14.0%	14.7%	33.8%
Due to customers	17.0%	23.1%	39.5%	11.0%	30.0%
Total Assets	10.6%	18.4%	10.7%	16.1%	36.6%
Financial Summary					
HEPS (c)	74.0	87.0	109.0	121.0	150.5
DPS (c)	90.0	100.0	32.8	44.0	54.0
NAV (c)	1,573	1,887	2,624	3,094	3,643
Weighted Average shares (m)	448.13	452.48	493.14	501.12	500.52
Key Statistics					
RoAA (%)	0.0%	0.0%	0.0%	0.0%	0.0%
RoAE (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation Metrics					
P/E (x)	22.2	18.9	15.0	13.6	10.9
P/BV (x)	3.0	2.5	14.7	13.2	10.6
Dividend Yield (%)	5.5%	6.1%	2.0%	2.7%	3.3%
Earning Yield (%)	4.5%	5.3%	6.6%	7.4%	9.2%



FNB Namibia Holdings

Recommendation: **BUY**, TP: **4720**, Code: **FNB**

Nature of Business: FNB Namibia Holdings (FNB) is one of the largest financial services groups in Namibia and offers a wide product range spanning from banking to insurance products. In FY03 FNB merged with Swabou Holdings Limited and in FY12, FNB disposed of its interest in Momentum.

Top Shareholders: FirstRand (59.8%), GIPF (14.5%)

FNB Namibia released its results for the financial year ended 30 June 2015. The firm once again posted phenomenal results, with profit for the year up 27.3% to just under N\$1 billion, 3.6% above our already aggressive expectation of N\$964 million. Headline earnings per share climbed 28.0%, 3.2% ahead of expectations, to 377.6cps. Return on average equity rose to 32.2% from 30.9% in FY14, while return on average assets was 3.6%, up from 3.2% in FY14. On account of these strong results, FNB Namibia announced a final dividend of 112cps. This reflects a notable increase in the dividend payout ratio, which is now at 48.5%, up from 36.9% in FY14, reflecting the strong balance sheet position of the bank.

Net interest income (after impairments) grew by 27.7% on an annual basis, to N\$1,453m, while non-interest income expanded by 15.9%, to N\$1,260m. The growth in net interest income was driven by two factors, firstly, growth in loans and advances, which expanded by 14.2% over the year; and secondly, an improvement in the net interest margin, up from 4.4% in FY14 to 4.9% in FY15. This improvement comes about due to relatively more rapid increases in interest rates in Namibia vis-à-vis south Africa, as (some) deposits are priced off South African interest rates, while loans tend to be priced off Namibian rates. Non-interest income growth was driven by a number of factors, however is primarily ascribable to a notable increase in electronic transactions, which according to the company, grew 17% over the year. Moreover, the company notes that “traditional activities now contribute only 10% of total volumes”. From a combined transactional volume perspective, transactions increased 15%, due to a 10% increase in customer numbers and an 8% increase in active accounts.

The bank's operating costs increased by 14.3%, to N\$1.2 billion, however due to significantly stronger growth in income, the bank's cost to income ratio improved to 43.9%, from 46.9% in FY14. The main cost increases were driven by staff costs, which climbed 16.7%, due to wage increases and a larger staff complement. Operating costs also reflect continued investment in infrastructure, with new branches added at the Grove Mall and in Kuisebmond, while the Okahandja and Maerua Mall branches were relocated. In addition, 46 additional ATMs were installed through the year.

Despite a 170% increase in impairment losses, the ratio of these losses to total advances remains minute, at just 0.22%. Total impairment losses totalled N\$49.9m in FY15, from N\$18.4m in FY14. As mentioned, however, this is negligible when compared to total advances of N\$22.8 billion. The ratio of non-performing loans to gross advances improved to 0.74%, from 0.80% in FY15. This represents an increase in non-performing loans of 4.8%, to N\$171 million, from N\$164 million in FY14, well below the increase in advances over the period. Thus, the asset quality of the bank remains excellent, as attested to by these highly favourable ratios, despite increasing interest rates.

Valuation: Based on a required rate of return of 14.12%, a highly conservative long-term growth rate for the company of 10.0%, and a dividend pay-out ratio of 44%, broadly in line with historic pay-out ratios, we believe a PE of 10.7x can be justified on this share. Given expected earnings growth of 17.1% in FY16, taking total earnings to c442/share, we derive a target price of N\$4720/share. Coupled with an expected dividend of 194cps, we expect a total return of 15.6% in FY16. This price and dividend means a dividend yield of 4.1%. We thus maintain our BUY recommendation on FNB Namibia, which remains our most preferred locally listed stock.

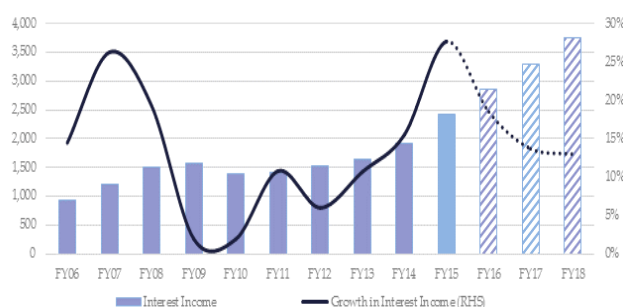
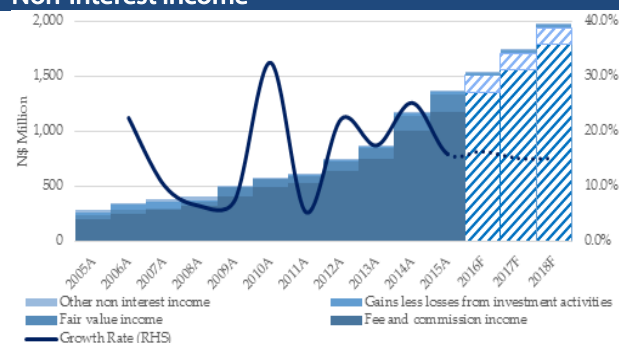
Bonds: FNB currently has N\$390m nominal bonds in issue, N\$280m in the FNB22 and N\$110m in the FNBX22. The FNB22 is benchmarked against the 3-month JIBAR at a premium of 165bp and the FNBX22 trades at a premium of 50bp to the GC17.

Bull Points:

- Solid strategy and management
- Stable advances growth
- Compelling e-bank/technology offering
- Strong macroeconomic environment

Bear Points:

- Lucrative returns attracting new entrants
- Regulatory focus on non-interest income

Interest Income**Non-interest income**

Cash and short-term funds	2010	2011	2012	2013	2014	F2015
Income Statement (N\$M)						
Net interest income after impairments	744.7	851.8	931.8	961.6	1,119.6	1,403.0
Non-interest income	574.3	604.9	739.6	868.5	1,087.4	1,260.1
Net insurance premium income	56.2	71.9	84.5	99.7	125.8	153.9
Net claims and benefits paid	(38.3)	(41.4)	(41.0)	(50.9)	(71.1)	(82.3)
INCOME FROM OPERATIONS	1,334.6	1,486.5	1,719.3	1,879.0	2,261.6	2,734.7
Operating expenses	(718.7)	(768.9)	(884.1)	(944.3)	(1,069.4)	(1,222.0)
Income from associates	5.2	5.0	3.0	2.0	0.6	0.6
Profit before tax	621.1	722.5	838.2	936.7	1,192.8	1,513.3
Income tax (expense)\ credit	(218.0)	(258.3)	(299.6)	(329.0)	(408.2)	(514.6)
Minorities	29.6	42.7	9.9	11.0	11.4	14.6
Net Profit	458.9	539.0	772.0	607.6	784.6	998.7
Balance Sheet (N\$M)						
Cash and short-term funds	455.2	428.1	1,002.1	690.3	867.6	795.2
Loans and advances	11,226.7	12,464.3	14,076.8	16,964.7	19,990.8	22,833.7
Due from other banks	851.2	763.1	1,925.7	1,889.0	1,766.3	1,585.0
Investment Securities	2,799.7	1,643.5	2,144.4	2,272.8	2,833.1	3,365.9
Total Assets	15,937.1	17,163.9	19,697.6	22,499.4	26,255.8	29,784.3
Deposits and current accounts	12,045.9	13,305.6	16,238.5	18,835.7	21,522.4	23,951.8
Due to banks and other fin institutions	54.3	43.9	48.4	319.1	813.0	1,020.0
Policyholder liabilities	1,043.0	41.7	45.1	50.5	63.0	69.8
Debt	269.6	270.6	392.6	392.6	392.6	392.6
Total Liabilities	13,786.0	15,178.1	17,313.9	20,209.7	23,478.7	26,395.5
Shareholders' equity	1,951.6	1,820.1	2,362.0	2,262.0	2,745.9	3,348.7
Minorities	199.5	165.7	21.6	27.7	31.3	40.2
Total shareholders' equity	2,151.1	1,985.8	2,383.6	2,289.7	2,777.2	3,388.9
Growth Rates (%)						
Income from operations	6.3%	11.4%	15.7%	9.3%	20.4%	20.9%
Loans and advances	7.1%	11.0%	12.9%	20.5%	17.8%	14.2%
Deposits	13.6%	10.5%	22.0%	16.0%	14.3%	11.3%
Assets	13.0%	7.7%	14.8%	14.2%	16.7%	13.4%
Financial Summary						
EPS (c)	166.1	191.8	294.3	230.2	297.7	377.6
HEPS (c)	165.7	191.6	203.1	229.4	294.7	377.6
DPS (c)	67.0	247.0	262.0	100.0	109.0	183.0
NAV (c)	755.1	703.6	912.0	872.6	1,057.0	1,290.9
Weighted Average shares (m)	267.6	267.6	267.6	267.6	267.6	267.6
Key Statistics						
Net interest margin (%)	5.2%	5.6%	5.4%	4.7%	4.7%	5.2%
RoA (%)	2.7%	2.8%	2.9%	2.9%	3.2%	3.6%
RoE (%)	20.6%	22.4%	24.7%	26.0%	31.0%	32.4%
Valuation Metrics						
P/E (x)	26.3	22.7	21.4	19.0	14.8	11.5
P/BV (x)	5.8	6.2	4.8	5.0	4.1	3.4
Dividend Yield (%)	1.5	5.7	6.0	2.3	2.5	4.2
Earning Yield (%)	3.8	4.4	4.7	5.3	6.8	8.7



Namibia Asset Management

Recommendation: **BUY**, TP: **65c**, Code: **NAM**

Nature of Business: Namibia Asset Management Ltd's (NAM) focus is on asset and unit trust management.

Top Shareholders: Coronation Investment Management (Pty) Ltd (48.0%), Heike 39 Investments (Pty) Ltd (14.0%), AE Gams Investments (Pty) Ltd (8.6%).

FY14 Highlights: Namibia Asset Management (NAM) released its results for the financial year ended 30 September 2013. The company reported increased profitability with Basic and Diluted EPS both rising by 24.6%/y. NAM declared a dividend 5.5cps, with last day to trade 14 November 2014.

Revenue and AUM

Revenue increased by 26.0% in FY14, to N\$80.5m from N\$63.8m. This stemmed from strong growth in assets under management (AUM), which increased 19.0%, or N\$2.9bn, to N\$18.2bn. Institutional AUM increased by 16.4% from N\$13.4bn in FY13 to N\$15.6bn at the end of FY14. This performance was on the back excellent investment performance across all portfolios and good inflows during the period. Retail AUM increased 31.6% to N\$1.9bn again on excellent fund performance and flows.

Earnings

The company reported increased profitability with the total comprehensive income up by 23.6% to N\$13.0m from N\$10.5m reported for FY13. Basic and Diluted EPS both rising by 24.6%/y. NAM declared a dividend 5.5cps, with last day to trade 14 November 2014. NAM sits on strong balance sheet with cash and equivalents amounting to N\$9.7m, representing approximately 34% of the company's total assets and in our view increasing the probability for a special dividend in the near future.

Coronation Fund Managers

NAM has a strategic business alliance with Coronation Fund Managers of South Africa since 1996 and CML holds a 48.05% shareholding in Namibia Asset Management Ltd. Coronation produced a decent set of results for FY14. CML reported FY14 diluted HEPS of 571.6cps, an increase of 37% compared with the trading statement guidance of 30% to 40% up side. CML maintained its 100% pay-out ratio, since 2009, which gives a 6.0% DY.

Outlook: In the results statement, NAM highlighted that the outlook on the macroeconomic environment remains uncertain although recent US economic statistics have positively surprised. However, risks around Europe and China continue to increase and recent data confirms that growth is slowing. The Namibian economy continues to perform admirably, particularly given the current challenging global economic environment. Despite these global headwinds, the country, has consistently grown at 5% or more for the past three years, which growth is forecast to strengthen and remain high in 2014 and 2015.

Valuation: In our view the share is attractively priced at 4.3x book and 8.7x earnings with a dividend yield of 8.5%. We value NAM relative to the JSE General Finance sector, applying a 35% discount for NAM to account for lower liquidity in the Namibian market. This implies a target P/E of 7.3x and a target price of 83c. Coronation Fund Managers is currently trading at a P/E of 17.7x. We thus maintain our Buy recommendation with an expected total return of 36.2%.

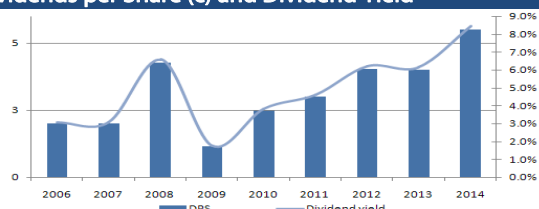
Bull Points:

- Institutional and retail inflows
- Institutional support from Coronation
- Growth from new products, e.g. medical aid

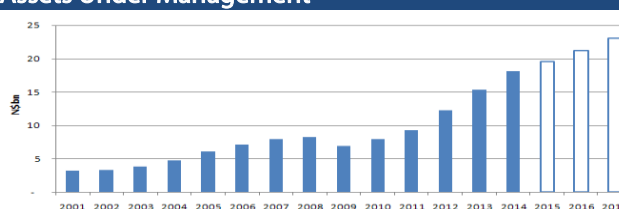
Bear Points:

- Risk of challenging market conditions continuing
- Uncertainties regarding Regulation 28

Dividends per Share (c) and Dividend Yield



Assets Under Management



Fiscal Year End: September	2010	2011	2012	2013	F2014
Income Statement (N\$m)					
Revenue	28.8	45.5	41.6	63.8	80.5
Other income	0.0	0.1	0.0	0.0	0.4
Net finance income	0.9	0.5	0.7	1.2	1.2
Operating expenditure	22.9	38.9	31.0	50.3	63.3
Profit before tax	6.9	7.2	11.4	14.8	18.8
Income tax (expense)\ credit	(1.2)	(2.4)	(3.8)	(4.7)	(6.1)
Net Profit	5.7	4.8	7.7	10.1	12.6
Balance Sheet (N\$m)					
Assets under management	7,920.0	9,300.0	12,200.0	15,300.0	18,100.0
Cash and short-term funds	6.8	8.1	8.8	9.7	27.9
Total Assets	22.2	21.5	26.2	28.6	50.6
Debt	-	-	-	-	-
Total Liabilities	6.9	8.1	10.1	9.7	52.1
Total shareholders' equity	15.3	13.5	16.1	17.2	25.8
Growth Rates (%)					
Revenue	22%	58%	-8%	53%	26%
Assets under Management	14%	17%	31%	25%	18%
Assets	21%	-3%	22%	9%	77%
Financial Summary					
EPS (c)	2.9	2.9	4.6	6.0	7.5
HEPS (c)	2.9	2.9	4.6	6.0	7.5
DPS (c)	2.5	3.0	4.0	4.0	5.5
NAV (c)	7.6	8.1	9.7	10.2	15.2
Weighted Average shares (m)	200	166	166	169	169
Valuation Metrics					
P/E (x)	25.6	25.4	15.7	12.2	9.8
P/BV (x)	9.6	9.0	7.5	7.2	4.8
Dividend Yield (%)	3.4	4.1	5.5	5.5	7.5
Earning Yield (%)	3.9	3.9	6.4	8.2	10.2



Oryx Properties

Recommendation: **HOLD**, TP: **1760c**, Code: **ORY**

Nature of Business: Oryx Properties (Oryx) is a property loan stock company listed in the Real Estate sector on the NSX. Retail makes up 62% of the portfolio (mainly from Maerua Mall shopping centre in Windhoek) while Industrial contributes 28% to the portfolio and Offices contribute 10%.

Top Shareholders: Standard Bank Namibia Nominees (38.6%), TLP Investments One Three Seven (Pty) Ltd (25.5%), CBN Nominees (Pty) Ltd (6.1%)

FY15 Highlights: Oryx Properties Limited (Oryx) released its results for the financial year ended 30 June 2015, reporting 7.1% distribution growth to 158.5 cpu from 148.0 cpu reported for FY14, and 5.7% above our estimate of 149.9 cpu. Over the same period EPU increased by 35%, from 331.75c to 448.11c, largely on account of an increase in the fair value of investment properties. As such, the property portfolio is now independently valued at N\$2.2 billion, up from N\$2.0 billion as at the end of June 2014. HEPU fell by 1.6% to 159.54c from 162.16c in FY14 due to a larger share base being employed to calculate the figure. Thus, headline earnings are up modestly on the back of better than expected net rental income.

Net rental income increased by 19% y/y to N\$193.9m, supported by above average occupancy levels and a low interest rate environment for most of the period. Rental expenses increased by 80% to N\$75.5m, largely on the back of the bulk metering of electricity. Oryx reported a profit for the period of N\$191.3m up 79% y/y, from N\$106.9m, largely as a result of a revaluation of the property portfolio.

Vacancies as a percentage of lettable area fell to 0.7% for the year compared to 0.9% in FY14. The decrease in vacancies is attributable to the completion of the Maerua Mall renovation and expansion, as well as the completed renovations of various smaller properties in the portfolio. The vacancy rates are still well below our projections of 1.5%. Strong lease agreement renewals were once again exhibited as management continues to build on creating an attractive environment for tenants.

Net asset value per liked unit increased by 16.6% to 1,915 cents per unit compared to 1,643 cents per unit in FY14. The property valuation process is conducted on a relatively conservative manner according to Oryx management. The net asset value of 1,915 cents per share gives Oryx a current price to book value of approximately 1.0x.

The weighted average interest rate paid on the company's debt has remained at 8.7% for FY15, as Oryx management continue to fix rates amid the current interest rate hiking cycle. The weighted average interest rate of variable rate borrowings has increased to 9.4% from 8.4% in FY2014, while the weighted average interest rate of fixed rate borrowings (fixed via swap agreements) is 8%. The ratio of fixed rate debt to variable rate debt was 46:54 at FY2015.

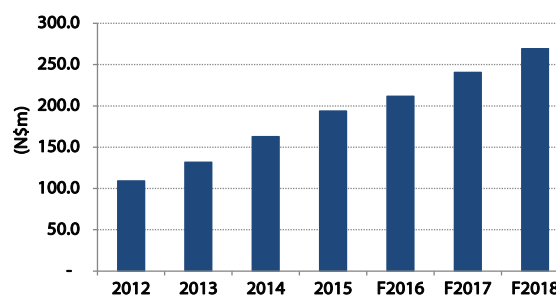
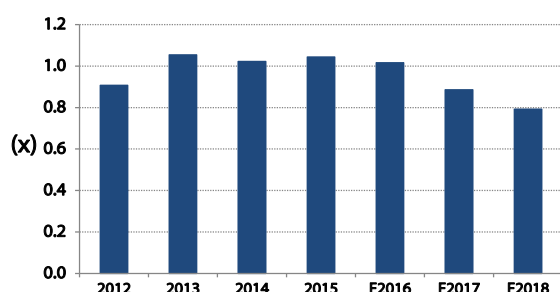
Valuation: We retain our HOLD on Oryx although we have changed our target price to 1,760 cents per share. While distribution yields are currently low in comparison to government debt, the conservative and reasonable nature of the property valuation process goes far in reassuring us that Oryx will continue to grow distributions at a steady rate. The current share price is overdone however and this negatively affects the distribution yield during the period under review. The average yield on the IJG Generic 10 year bond over the last year has been 9%. Should this be substituted for the required distribution yield on Oryx we calculate a target price of 1,760 cents per share. The same calculation done over a five year average results in a price of 1,825 due to a lower average yield of 8.7% on risk free debt. We believe that the one year price of 1,760 is more reflective of the current risks in the market due to Government's external position and the liquidity issues facing the country at present. This is thus our target price for the current valuation.

Bull Points:

- Very low vacancy levels
- Location of properties
- Quality tenant profile
- Value adding acquisitions

Bear Points:

- Interest rate increases
- Lack of good expansion opportunities (especially in the Namibian market)
- High exposure to a single property (Maerua Mall)



Fiscal Year End	2011	2012	2013	2014	2015	F2016
Income Statement (N\$M)						
Revenue	96.7	115.3	132.8	160.6	204.8	269.4
Rental expense	20.1	21.7	23.6	28.9	41.9	75.5
Net rental income	76.5	93.6	109.2	131.7	162.9	193.9
Investment income	6.0	0.4	1.2	0.8	0.9	0.9
Amortisation of debenture premium	2.8	2.8	2.8	3.2	7.7	11.2
Fair value changes	92.2	90.9	41.1	5.5	71.5	179.4
Other expenses	(5.7)	(6.6)	(8.6)	(10.4)	(10.6)	(11.7)
Finance cost	(17.4)	(21.5)	(28.3)	(37.9)	(52.1)	(76.1)
Debenture interest	(60.1)	(64.7)	(70.5)	(76.8)	(97.8)	(104.7)
Profit before tax	95.8	95.0	36.4	20.0	111.7	192.5
Income tax expense	15.3	0.2	(1.3)	4.6	4.8	1.2
Net Profit	80.5	94.9	37.7	15.4	106.9	191.3
Balance Sheet (N\$M)						
Cash and other liquid assets	2.2	4.9	3.0	3.6	14.3	9.8
Investment properties	883.1	1,041.5	1,239.7	1,447.3	1,924.6	2,149.9
Trade and other receivables	11.2	10.8	11.7	18.7	22.2	24.1
Total Assets	918.3	1,084.1	1,284.2	1,507.3	2,015.0	2,248.6
Linked unitholders for distribution	30.1	33.6	36.5	39.8	53.4	57.3
Debentures	247.1	247.1	247.1	247.1	296.6	296.5
Long-term borrowings	187.3	256.2	395.7	590.4	815.6	872.1
Total Liabilities	536.8	607.7	770.1	978.2	1,379.0	1,421.3
Total shareholders' equity	381.5	476.4	514.2	529.1	636.1	827.4
Growth Rates (%)						
Revenue	7.0%	19.2%	15.2%	20.9%	27.5%	31.5%
Rental expense	14.3%	7.7%	8.7%	22.6%	44.9%	80.3%
Net rental revenue	5.2%	22.3%	16.7%	20.6%	23.7%	19.0%
Investment properties	252.7%	-93.4%	211.3%	-38.7%	18.3%	-4.0%
Assets	18.6%	18.1%	18.5%	17.4%	33.7%	11.6%
Liabilities	-2.4%	13.2%	26.7%	27.0%	41.0%	3.1%
Financial Summary						
HEPU (c)	109.2	117.5	128.0	139.5	162.2	159.6
DPU (c)	109.3	117.5	128.0	139.5	148.0	158.5
NAV (c)*	1,230.0	1,397.3	1,460.8	1,482.9	1,759.4	1,915.3
Weighted Average shares (m)	55.0	55.0	55.0	55.0	61.7	66.1
<i>*realisable NAV</i>						
Key Statistics						
Vacancies (as % of GLA)	0.8%	2.6%	0.6%	0.5%	0.9%	0.7%
Property expenditure/revenue	20.8%	18.8%	17.8%	18.0%	20.5%	28.0%
Debt/Equity	0.5	0.5	0.8	1.1	1.3	1.1
Valuation Metrics						
P/E (x)	18.9	17.5	16.1	14.8	12.7	12.9
P/BV (x)	1.7	1.5	1.4	1.4	1.2	1.1
Distribution Yield (%)	5.3	5.7	6.2	6.8	7.2	7.7
Earning Yield (%)	5.3	5.7	6.2	6.8	7.9	7.7



Namibia Breweries Limited

Recommendation: HOLD, TP: 2300, Code: NBS

Nature of Business: Namibia Breweries Limited (NBS) operated as a family business for many years and listed on the Namibian Stock Exchange in 1996. NBS produces its beer in accordance with the Reinheitsgebot, a purity standard which guarantees that only natural products are used in the production process. Other products produced are soft drinks that fall under the McKane range and the newly launched Vigo. Its preferred brands are Tafel Lager and the Windhoek range.

Top Shareholders: NBL Investment Holdings (NBLIH, 50.1%), Standard Bank (Namibia) Nominees (37.7%), FNB Namibia Nominees (6.7%), CBN Nominees (2.5%) & Namibia Breweries Share Purchase Trust (2.3%). Heineken and Diageo's stake of 28.9% in Nambrew consists of a 44% stake in the 50.1% shareholding of NBLIH, as well as a 6.8% direct stake in Nambrew. The remaining 56% of NBLIH is held by Olifira in the Ohlthaver & List Group.

FY15 Results

Namibia Breweries (NBS) released results for the year ended 30 June 2015. The full year results reflect a stable operational performance with operating profit up 12.2% y/y. Basic EPS increased 26.0% y/y to 125.4c and HEPS is up 17.6% from 159.1c to 187.1c. The board declared a final dividend of 37cps, taking the total dividend for the year to 74cps, up 8.8% on last year.

Sales and Volumes

NBS managed to increase local sales volumes, however, export sales declined with the migration of RTD production to Sedibeng Brewery. Revenue increased by 5.1% y/y to N\$2.434 billion, with total sales of goods up by 4.9% y/y, while royalty income rose 9.0%. Locally, sales volumes continued to increase on the back of beer sales, which was led by Tafel Lager and Windhoek Draught. As RTDs are generally a lower margin business than the core, beer, business, the drop in RTD volumes lead to an increase in the operating margin and cushioned the blow on the bottom line.

Revenue per Category	FY14	FY15	y/y % Δ
Beer	2,105,731	2,266,443	7.6%
Softs	121,247	133,911	10.4%
RTDs	82,808	29,146	-64.8%
Other	7,146	4,677	-34.6%
Total	2,316,932	2,434,177	5.1%

Export Markets

Volumes produced by NBS and sold to the DHN Drinks joint venture (JV) in South Africa increased slightly in FY15, however the total value of export sales to South Africa, including products sold to Heineken and Diageo decreased 8.9% or N\$91.8 million, largely on account of the migration of production volumes to the Sedibeng Brewery in South Africa, which according to management is in line with the volume migration plan, together with the fact that Diageo is selling out of the JV. Most of the migration was from the RTD products, which in value terms, decreased by N\$53.7 million or 64.8% for NBS. Export sales continued to decline as a percentage of total sales of goods, as production was moved from the local plant to the Sedibeng Brewery. Export sales to South Africa were recorded at 39.8% of total sales, down from 45.9% a year ago.

DHN Drinks JV

The equity loss from the JV increased to N\$127.5 million in FY15, from N\$120.3 million in FY14, with the increase attributed to a fiercely competitive environment in South Africa and timing differences relating to marketing and operational spend. On 27 July 2015, NBS entered into an agreement to acquire 25% of the issued share capital of Sedibeng Brewing (Pty) Ltd and an additional 9.5% of the issued share capital of DHN Drinks (Pty) Ltd from Diageo Highlands Holdings. The total estimated investment required is N\$610.0 million, which according to the company will be "financed out of operations and by way of a medium term loan to the amount of N\$200.0 million".

Intrinsic Value: We use a dividend discount model to assess the intrinsic value of the company. Our required rate of return of 14.1%, is based on a risk free rate of 8.22% (GC25), equity risk premium of 4.6%, a beta of 1.0, and a long-term sustainable growth rate of 10.5%. Based on these assumptions and our forecasted dividends for NBS, we value the company at an intrinsic value of N\$18.45 per share.

Valuation: Using a justified PE multiple of 14.0x, however, we set a target price for NBS of N\$23.00 per share. This implies an expected total return of 7.8% over the next twelve months. Generally, we are notably more optimistic as to the future of the company following the restructuring of the JV and after NBS gained a share of the Sedibeng Brewery, which was critical to the JV's success from an NBS perspective. We remain cautious as to the effect SAB will have on the company's market share domestically going forward, as well as the impact of the potential water challenges the company may experience in FY16 and FY17. Nevertheless, we change our SELL recommendation to HOLD, based on the company's improved outlook following the JV change.

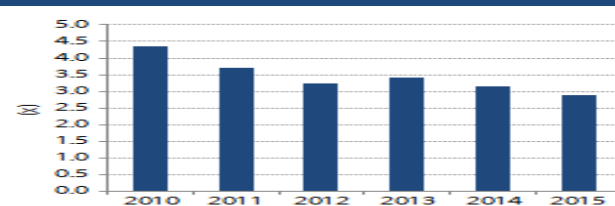
Bull Points:

- Migration from mainstream to premium brands
- Gaining a share of the Sedibeng Brewery Maintaining local market share

Bear Points:

- Increased competitive pressures in key export markets
- New SABMiller plant

Price to Book



Operating Profit



Fiscal Year End	2010	2011	2012	2013	2014	2015	2016
Income Statement (N\$m)							
Sales Revenue	1,731.1	1,797.1	2,160.1	2,383.4	2,316.9	2,328.7	2,370.0
Operating Profit	303.0	375.3	429.0	500.1	451.3	460.7	446.5
Net interest income(expense)	6.3	6.9	(0.9)	(3.3)	(2.6)	(5.2)	14.9
Profit before tax	230.9	307.3	336.0	199.7	328.7	335.5	361.3
Income tax expense	(71.1)	(96.0)	(114.0)	(126.8)	(122.9)	(107.4)	(115.6)
Net Profit	159.8	211.3	222.0	72.9	205.9	228.2	245.7
Balance Sheet (N\$m)							
Cash and other liquid assets	177.0	91.7	91.9	267.8	55.9	647.6	716.5
PPE	474.1	668.6	799.8	827.7	874.9	832.3	832.7
Intangible assets	2.7	4.6	6.4	12.2	11.5	2.7	0.9
Investment in JV	553.4	121.4	118.1	13.6	-	118.1	118.1
Inventories	124.5	151.1	203.2	285.9	209.6	240.5	270.7
Total Assets	1,609.7	1,406.7	1,672.5	1,714.2	1,541.2	2,086.8	2,251.1
Interest bearing debt	159.1	189.4	270.2	275.4	114.6	200.0	200.0
Current liabilities	380.8	304.9	356.1	672.8	397.1	461.6	415.7
Non-current liabilities	529.7	310.1	409.2	180.9	212.4	395.0	413.7
Total Liabilities	910.5	615.0	765.2	853.7	609.6	856.5	829.4
Total shareholders' equity	677.5	791.7	907.3	860.5	931.6	1,018.7	1,194.0
Growth Rates (%)							
Sales	10.5%	3.8%	20.2%	10.3%	-2.8%	0.5%	1.8%
Operating Profit	18.1%	23.9%	14.3%	16.6%	-9.7%	2.1%	-3.1%
Cash and other assets	165.3%	-48.2%	0.3%	191.4%	-79.1%	1057.7%	10.6%
Interest Bearing debt	2020.4%	19.1%	42.6%	2.0%	-58.4%	74.5%	0.0%
Inventories	-33.0%	21.4%	34.4%	40.7%	-26.7%	14.8%	12.5%
Assets	6.4%	-12.6%	18.9%	2.5%	-10.1%	35.4%	7.9%
Financial Summary							
EPS (c)	77.4	102.3	107.5	35.3	99.5	125.4	119.0
DPS (c)	45.1	49.0	54.0	62.0	68.0	74.0	71.6
NAV (c)	3.28	3.83	4.39	4.17	4.51	4.93	5.78
Valuation Metrics							
P/E (x)	28.4	21.5	20.5	12.4	22.1	17.6	18.5
P/BV (x)	4.3	3.7	3.2	3.4	3.2	2.9	2.5
Dividend Yield (%)	2.0	2.2	2.5	2.8	3.1	3.4	3.3
Earning Yield (%)	3.5	4.6	4.9	8.1	4.5	5.7	5.4



Bidvest Namibia

Recommendation: **SELL**, TP: **1050**, Code: **BVN**

Nature of Business: Bidvest Namibia (BVN) is part of The Bidvest Group Limited, which is listed on the JSE and operates on 4 continents. Similar to the Bidvest Group in SA, BIDNam is a diversified industrial conglomerate. BIDNam's business activities span across the fishing, freight services, distribution, business support and tourism industries. The group operates through two holding companies, Bidfish and Bidcom. Bidcom operates through the Bidfreight, Bidserv, Bidfood and Bid Industrial and Commercial Products operating divisions.

Top Shareholders: The Bidvest Group (51%), Ovanhu Investments (14%), Government Institutions Pension Fund (11%)

FY15 Results

BVN released disappointing results for the 2015 financial year. As we expected, the firm's results reflect the difficulties the fishing division finds itself in. FY15 Basic EPS increased by 17.8% y/y to 136.5 cents per share, which was due to the sale of one of the fishing vessels at approximately N\$100.0 million, while the severe margin pressure contributed towards an 11.0% y/y fall in HEPS to 103.2 cents per share. At N\$3.535 billion, revenue is down 4.6% from last year, however, trading profit shrunk 17.1% to N\$415.6 million. A final cash dividend of 34cps was declared, taking the total dividend to 56cps for the year, thus the company cut dividends by 11.1% when compared to FY14.

Margin Pressure

Trading profit shrunk by 17.1% y/y to total N\$415.6 million. Of this N\$85.7 million decrease, N\$61.6 million is attributed to a decrease in trading profit in the fishing division. As usual, the fishing division supplied the largest share of trading profit, coming in at N\$345.5 million or 83.1%. This figure is 15.1% lower than the N\$407.1 million seen in FY14, reflecting depressed margins resulting from lower quota allocation from the Ministry of Fisheries and Marine Resources (MFMR) and higher quota rental fees. The FY15 trading profit margin for the fishing division fell to 22.9% from 24.5% reported in FY14.

Freight and Logistics performed poorly, with lower project activity in the oil and gas industry as mining and oil exploration slowed down in Namibia. This division reported an 18.5% decrease in trading profit and made up 8.6% of trading profit, down from 8.8% in the previous year.

Food and Distribution contributed 2.3% of total trading profit, down from 4.9% last year as trading profit fell 61.1% y/y to N\$9.5 million, highlighting a very poor second half as BVN reported trading profit for this division of N\$15.2 million during the first half of the year. Trading profit was largely affected by the loss of the contract for distribution of Namibia Poultry Industry products.

Uncertain outlook for Bidfish

The outlook for the fishing division remains challenging according to company's management, given uncertainties surrounding quota allocations and regulatory changes. Additionally, we expect the market price for horse-mackerel to remain depressed over the next year, as supply continues to outstrip sustainable demand. However, fundamental demand is likely to remain strong over the long term.

Valuation:

The stock is currently trading on a FY16 dividend yield of 5.6% based on expected full year dividends of 59cps, due to expected earnings per share of 106.8c and an assumed 55% payout ratio. This is in line with its average yield of 5.8% over the last five years, but is relatively unattractive to cash yields that are on the rise.

The weaker selling prices of horse-mackerel and lower quota allocations have put pressure on revenue in the fishing division, while the cost of securing additional quota and regulatory changes will negatively affect the company's bottom line, thus revenue and trading profit margins are expected to contract further through FY16. In addition, quota and price uncertainty have notably decreased earnings visibility beyond 2016.

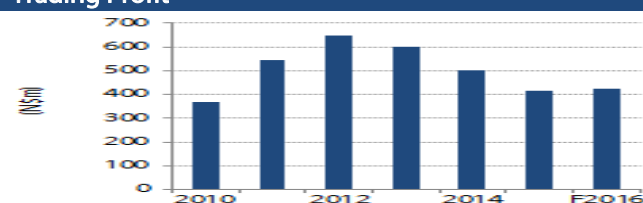
We have adjusted our earnings forecast and target price following a detailed analysis of the full year results. We forecast FY16 earnings of N\$1.07 per share and calculate a target price of N\$10.50 per share based on a justified PE ratio of 9.8 times. We are concerned about the possibility of a dividend cut going forward should fish quota issues not be resolved, however remain cognizant of the large cash balances on the company's balance sheet, allowing them space to weather the current storm with acquisitions such as Novel Motors. In addition, however we do not expect the stock to trade much lower from current levels given the illiquidity of such and the possibility that once sold stock may be difficult to rebuy in future. Nevertheless, due to the current challenges faced by the company and limited earnings visibility, we have left our recommendation on SELL.

Bull Points:

- Exchange rates
- Strong brands in the industries in which BIDNam operates
- Oil price

Bear Points:

- Fishing industry conditions and regulation
- Margin contraction
- Quota fees

Price to Book**Trading Profit**

Fiscal Year End	2010	2011	2012	2013	2014	2015	F2016
Income Statement (N\$m)							
Sales Revenue	1608	1919	2731	3355	3703	3535	3596
Cost of sales	(1102)	(1207)	(1890)	(2488)	(2832)	(2783)	*
Gross Profit	506	712	841	867	872	752	*
Operating expenses	(159)	(186)	(209)	(281)	(385)	(360)	*
Trading Profit	369	545	647	601	501	416	439
Net interest income(expense)	1.3	6.1	17.6	13.0	16.3	27.1	8.0
Income from associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	353	568	672	615	517	545	447
Income tax expense	(116)	(184)	(211)	(188)	(174)	(133)	(134)
Minorities	72	126	162	161	98	123	86
Net Profit	237	384	469	444	349	425	313
Balance Sheet (N\$m)							
Cash and other liquid assets	591	780	785	853	782	908	*
Property, Plant and Equipment	549	569	764	830	842	829	*
Intangible assets	39	31	31	35	31	28	*
Goodwill	69	69	102	120	119	119	*
Inventories	217	230	324	376	400	432	*
Total Assets	1725	1940	2469	2779	2765	3025	*
Interest bearing debt	50.2	0.0	0.0	0.0	2.6	0.1	*
Current liabilities	417	390	517	586	455	526	*
Non-current liabilities	151	149	239	233	245	220	*
Total Liabilities	569	539	757	820	699	747	*
Shareholders' equity	1156	1402	1712	1959	2065	2278	*
Total shareholders' equity	1725	1940	2469	2779	2765	3025	*
Growth Rates (%)							
Sales	16%	19%	42%	23%	10%	-5%	1.7%
Trading Profit	30%	48%	19%	-7%	-17%	-17%	5.5%
Cash and other assets		32%	1%	9%	-8%	16%	
Inventories		6%	41%	16%	6%	8%	
Assets		13%	27%	13%	-1%	9%	
Financial Summary							
EPS (c)	86	125	143	130	116	137	107
HEPS (c)	0	120	140	130	116	103	107
DPS (c)	36	54	63	69	63	56	59
Weighted Average shares (m)	192	207	210	212	212	212	212
Key Statistics							
Operating margin (%)	22%	29%	24%	18%	14%	15%	12%
Current ratio (x)	2.5	3.3	3.0	3.0	3.9	3.6	*
Debt/Equity	2.9%	0.0%	0.0%	0.0%	0.1%	0.0%	
RoE (%)	32.4%	36.7%	37.0%	29.8%	22.1% 	24.4%	22.1%
Valuation Metrics							
P/E (x)	12.28	8.42	7.37	8.11	9.07	7.70	9.84
P/BV (x)	2.01	1.82	1.55	1.41	1.32	1.19	1.45
Dividend Yield (%)	3.4%	5.1%	6.0%	6.6%	6.0% 	5.3%	6.0%



Maintenance Coverage

Stimulus Investments

Nature of Business: Stimulus Investments provides expansion capital and funding of management buy-outs or empowerment buy-ins. The company focuses on acquiring interests in established, high cash yielding businesses in Namibia which require empowerment credentials. Stimulus is also actively involved in the management of its investments.

Top Shareholders: AllanGray (68.3%), Sanlam Life (16%), Namibia Asset Management (10.1%), Metropolitan Life 1.9%.

FY14 Highlights:

During the year ended 28 February 2014, group revenue increased by 4.0% from N\$22.1m to N\$22.9m. Operating expenses increased slightly, up 2.7% to N\$10.2m from a value of N\$9.9m recorded for FY13. The gain on fair value adjustments was smaller than last year, adding N\$39.7m, down from N\$47.0m in FY13. While finance costs decreased N\$5.6m y/y, the cumulative effect on the bottom line was negative, with profits coming in at N\$10.3m, below the N\$11.9m reported for FY13.

The firm advised that the size of the investment portfolio (excluding cash) experienced organic growth, stemming from a combination of corporate action and growth in the fair value of its investments. The firm declared a preference dividend of N\$24.6m, up from N\$12.8m, for FY13, and translating to a dividend to 656c per preference share based on 3.75m preference shares in issue (FY13: 340c, based on 3.75m preference shares in issue).

Stimulus Investments currently has the following investments:

- Democratic Media Holdings
- Cymot
- Nashua Namibia
- Plastic Packaging
- Walvis Bay Stevedoring
- Joe's Beerhouse Properties

Outlook: Stimulus will keep reviewing and updating risk management processes so as to aid in achieving success with its portfolio.

Bull Points:

- Sufficiently available capital
- Little to no competition
- Well balanced portfolio with strong underlying investments

Bear Points:

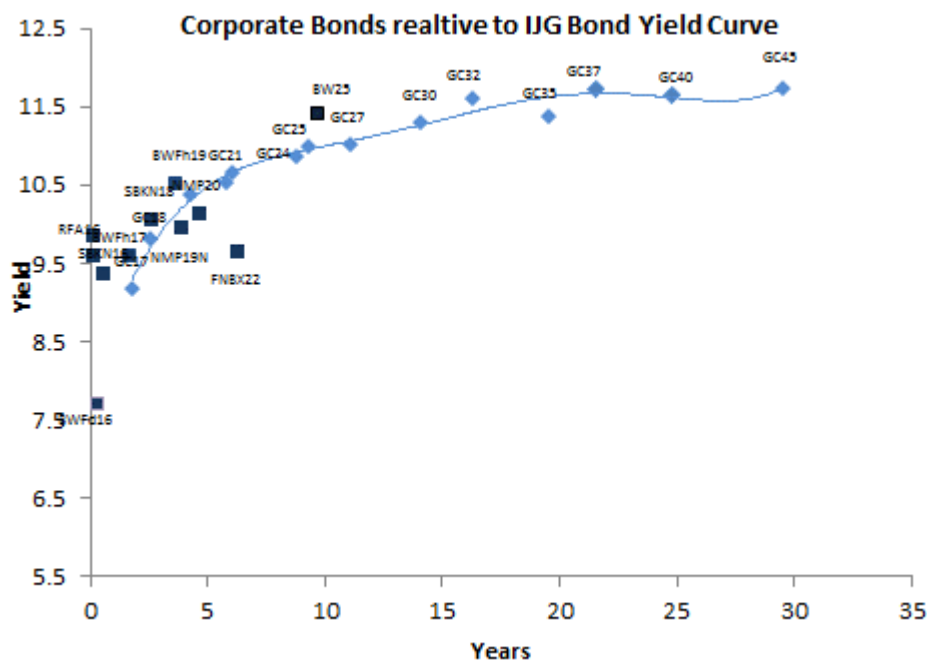
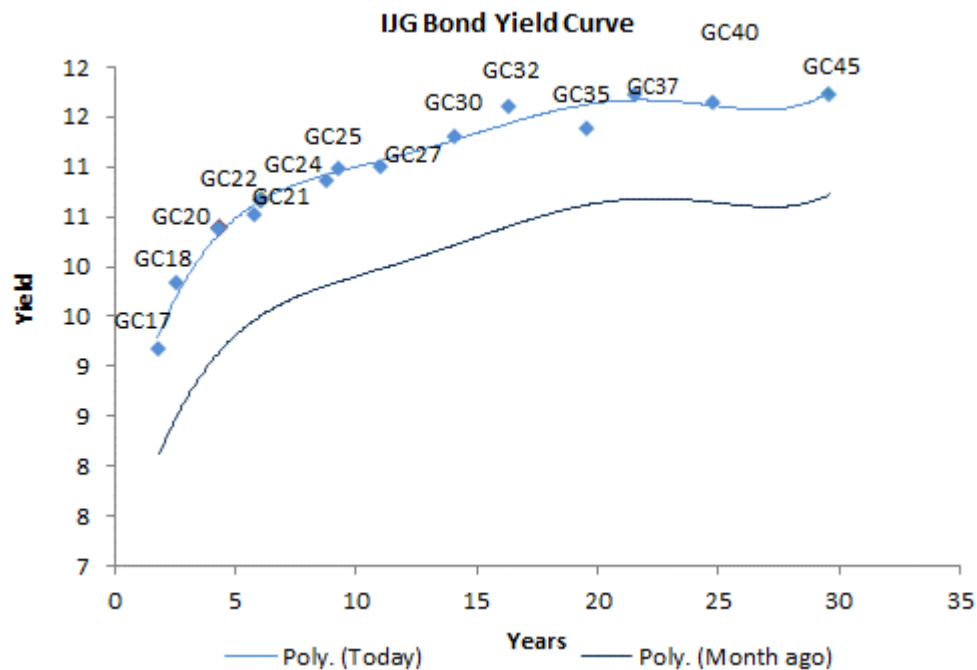
- Financial skills shortage



Bond Listings

- Bank Windhoek Holdings
- FNB Namibia
- Standard Bank Namibia
- Namibia Power Corporation
- Telecom Namibia

31 December 2015:



Standard Bank Namibia

Nature of Business: Standard Bank Namibia is one of the largest financial services groups in Namibia with a total asset base of N\$21.8bn as at FY14. Standard Bank offers a full range of banking services as well as insurance broking, asset management, unit trusts and safe custodianship services.

Top Shareholders: Standard Bank Group (100%)

FY14 Highlights:

Standard Bank Namibia's reported profit for FY14 rose 13% to N\$362m with revenue increasing 20% to N\$1.68bn. During the period, Standard Bank's loans and advances increased by 19% to N\$15.6bn, while the funds in its current and deposit accounts grew by 10% to N\$17.5bn. Standard Bank Group return on equity decreased slightly to 17.7% for FY14 from 18.5%.

Tier 1 capital adequacy was little changed at 11.47% while FY14 total capital adequacy for the group improved to 13.2% compared to 12.5% in FY13, well in excess of Basel III regulations. The FY14 period once again saw large investments in systems and banking infrastructure in line with the implementation of the new core banking system. While this has put pressure on the bank's financial performance the growth in revenues and net profit do show progress.

Impairment losses during the period proved a challenge as larger provisions had to be made for specifically instalment sales, finance leases, unsecured lending, and card debt going bad. 2014 saw higher levels of customers defaulting resulting in lending parameters being tightened during the period.

A tough operating environment and banking competition have posed a challenge for the bank during the upgrading of their core banking systems and infrastructure. As these improvements reach completion Standard Bank grows in competitiveness. These improvements could lead to growth in the client base in the long run and are essential in maintaining the bank's relevance in the industry.

Bonds: Standard Bank currently has five bonds in issue, namely the SBKN15, SBKN16, SBKN17, SBKN18, and SBKN24 amounting to N\$733m listed on the NSX. SBKN15, SBKN16, SBKN17, SBKN18, and SBKN24 are currently trading at premiums over their respective benchmark notes of 105bp, 94bp, 120bp, 25bp, and 100bp, respectively.

Maturity dates for the bonds are as follows:

SBKN15:	11 July 2015
SBKN16:	7 July 2016
SBKN17:	23 October 2017
SBKN18:	7 July 2018
SBKN24:	23 October 2024

Bull Points:

- Large asset base
- Largest banking face to face customer footprint in Namibia

Bear Points:

- Government pressure to decrease banking fees
- Margin pressure
- Increasing interest rates on non-performing loans



Namibia Power Corporation

Nature of Business: Namibian Power Corporation (NamPower) is Namibia's power utility which specialises in the generation and transmission of electricity. NamPower is the sole energy generator, trader and transmitter in Namibia. Electricity is generated by the 4 power stations; Van Eck, Ruacana Hydro, Paratus and Anixas.

Top Shareholders: Namibian Government (100%)

FY14 Highlights

NamPower's revenue increased by 20% in FY14, amounting to N\$3.97bn. Total comprehensive income for the year was up 3.5% to N\$585m in FY14, after jumping 276% in FY13. Units sold decreased slightly from 3,861GWh in FY13 to 3,831GWh in FY14, while maximum demand grew by 2.4% to 624MW.

NamPower's gross margin fell to 46% in FY14 from 50% in FY13 as a result of expensive electricity imports. During the year under review NamPower imported 66% of the electricity used within the country. The cost of electricity increased by 30% in FY14 to N\$2.2bn after increasing by 48% in FY13, largely due to the high cost of imports. The local tariff increase of 13% being well below the increased cost of importing electricity exacerbating the fall in margins.

The supply shortage within Namibia continues to be a concern, especially with the recent energy production issues experienced by Namibia's main electricity suppliers within the region. NamPower has been pursuing the possibility of a medium term solution to the current supply shortage which has manifested in the form of the Xaris liquefied natural gas power plant near Walvis Bay. The plant will cost an estimated US\$550m to build and will deliver 300MW at full capacity, with the option to expand as necessary. The project is expected to commission and deliver the power plant in July 2015.

In addition to the medium term Xaris power plant, the long speculated Kudu gas-to-power plant is gaining momentum with the latest government budget allocating N\$4.93bn to the project over the next three years. The Kudu plant is estimated to generate 800MW of electricity at peak capacity, which is in excess of Namibia's current peak requirements and thus would lead to Namibia exporting electricity and engaging its neighbours with off-take agreements. The current estimated date of completion is 2018.

Fitch Ratings affirmed NamPower's long-term foreign currency Issuer Default Rating (IDR) in 2014 at 'BBB-' and national long-term rating at 'AA-(zaf)' with outlook stable. The affirmation continues to reflect the alignment of NamPower's ratings with those of the Namibian sovereign (local currency 'BBB'/Stable).

Bonds: NamPower currently has two bonds, NMP19N and NMP20N, to the amounts of N\$250m and N\$500m respectively, listed on the NSX. The NMP20 bond has a coupon rate of 9.35% and is trading at a 90bp premium to its benchmark (R207), while the NMP19N has a 10.00% coupon and trades 13bps over the GC18.

Bull Points:

- Financial support from Government
- Electricity generation and transmission monopoly in Namibia
- Cheap electricity generative fuels (diesel & coal)
- Future generation prospects receiving the necessary attention

Bear Points:

- High electricity demand from mining sector
- High reliance on imported electricity



Telecom Namibia

Nature of Business: Telecom Namibia Limited (Telecom) is the national telecommunications operator and sole fixed line service provider in Namibia. Telecom provides mobile telephony (Switch) and broadband – data network in addition to fixed line telephony.

Top Shareholders: Namibia Post and Telecommunication Holdings (100%).

FY13 Highlights:

Telecom's FY13 saw a 7.25% increase in revenue to N\$1.31bn from N\$1.22bn previously. Operating profit was reported at a loss of N\$140.2m for the financial period, down from the last year's restated amount of N\$116.8m which represents a decrease of 220%. Group profit after tax fell to a negative N\$167.1m down from a profit of N\$52.3m in FY12. The group posted an uncharacteristic profit in FY12 as losses of N\$87.4m and N\$122.2m were posted in FY11 and FY10 respectively. This growth was attributable to the increased uptake of the broadband offerings (up 500% from 2009 to 2012) following the capital investment amounting to N\$746m since 2009, but seems to have been unsustainable.

Telecom Namibia has been declared as having the dominant position in the industry with a market share of over 35% based on revenue. The repercussion of this is that Telecom now has a duty to provide other operators non-discriminatory access to network elements on an unbundled basis. Telecom relinquished the Powercom technology neutral licence, fully integrating the GSM business acquisition (previously Leo) into Telecom Namibia. The brand name, tn mobile, was subsequently trademarked.

During the financial year Telecom has continued to expand on its ICT network capabilities. The acquisition of the mobile operator, Leo, completed Telecom's transformation from a traditional telecommunications company to a modern ICT service provider in line with the stated strategy. Telecom claims that they have seen an increase in bandwidth demand of over 80% during the 2013 financial year which supported the implementation of a Dense Wavelength Division Multiplexing transport platform to bolster high capacity long distance routes. In addition points of presence (PoPs) were installed in Johannesburg, Cape Town, London, and Frankfurt, to increase the diversity of connections. All of this has led to stronger international connections resulting in faster, more stable, internet connections.

Along with the above international developments, Telecom has expanded national coverage, as well as rolling out fibre-to-the-home (FTTH) connections in existing areas. Profitability in the ICT expansion is critical for Telecom to regain profitability on a company level. We are likely to see further expansion in this area of the business in the future.

Bonds: Telecom currently has five bonds in issue, the TCN15, TCN16, TCNF01, TN15 and TCNF02, with a total nominal amount of N\$347m. The TCN15, TCN16, TCNF01, TN15 and TCNF02 are trading at premiums of 149bps, 175bps, 151bps, 91bps and 149bps relative to their respective benchmarks. All of these will be maturing before the end of 2016.

Bull Points:

- Fixed line monopoly
- Transition into an IP based company
- Completion of network infrastructure investment programme
- Increased market share in mobile telecommunication through tn mobile

Bear Points:

- Uncertainties presented by the market liberalisation process
- No experience in mobile network systems
- Competition from mobile operators
- Negative operating profits



Important Company Dates

Company	Share code	Fin year	Interims	Finals
Bank Windhoek Holdings	BWH	30-Jun	28-Feb	30-Sep
FNB Namibia	FNB	30-Jun	28-Feb	30-Sep
Namibia Asset Management	NAM	30-Sep	30-Jun	30-Nov
Trustco Group Holdings	TTO	31-Mar	31-Dec	30-Jun
Oryx Properties	ORY	30-Jun	28-Feb	29-Aug
Bidvest	BVN	30-Jun	31-Mar	30-Sep
Namibia Breweries	NBS	30-Jun	31-Mar	30-Sep
Nictus	NCT	31-Mar	31-Dec	30-Jun
Paladin Energy	PDN	30-Jun	31-Dec	30-Sep
B2Gold	B2G	31-Mar	30-Sep	28-May
Eco (Atlantic) Oil & Gas	EOG	31-Mar	31-Dec	30-Jun
Deep Yellow	DYL	30-Jun	31-Dec	30-Sep
Bannerman	BMN	30-Jun	31-Dec	30-Sep
Forsys Metal Corporation	FSY	31-Jan	30-Sep	30-Apr
Marenica	MEY	30-Jun	31-Dec	30-Sep

Source: NSX, Company reports

The above table shows the financial year-ends of all NSX local companies, the NSX share code, and the dates that interim and final results are due to be, or were last released.



Managing Director

Romé Mostert
Tel: +264 (61) 383 520
rome@ijg.net

Sales and Research

Rowland Brown
Tel: +264 (61) 383 513
rowland@ijg.net

Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Eric van Zyl
Tel: +264 (61) 383 530
eric@ijg.net

Money Market & Administration

Leon Maloney
Tel: +264 (61) 383 521
leon@ijg.net

Tashiya Shekutamba
Tel: +264 (61) 383 511
tashiya@ijg.net

Director

Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Financial Manager

Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

IJG Direct

Naïke Burger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing

Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Stuart Main
Tel: +264 (61) 383 512
stuart@ijg.net



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