



LETSHEGO HOLDINGS (NAMIBIA) LTD

1H19 Initial Impression

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0,0005	4,85%
0,0003	13,04%
0,201	50,00%
0,0003	14,29%
0,0005	12,50%

Letshego Holdings (Namibia) Ltd

1H19 Initial Impression

Target Price (c)*	416
Current Price (c)	342

Year End 31 December	2015	2016	2017	2018	F2019	Recommendation	BUY
Net interest income (N\$ million)	286	331	471	567	584	NSX Code	LHN
Non-interest income (N\$ million)	196	230	207	255	257	Market Cap (N\$m)	1,710
Profit after tax (N\$ million)	272	330	385	469	475	Shares in Issue (m)	500
HEPS (c)	54	66	71.7	93.8	95.6	Free float (%)	22
DPS (c)	-	-	19.2	23.5	24.0	52 week high	399
DY (%)	-	-	4.8	6.1	6.2	52 week low	341
P/E	7.0	5.8	5.2	5.1	5.0	Expected Total Return (%)	21.6%
P/B	1.6	1.3	1.1	0.9	0.9		

Source: LHN, IJG

*unchanged from FY18 Report

Letshego Holdings (Namibia) Ltd (LHN) released interim results for the period ended 30 June 2019 (1H19). Earnings and headline earnings per share increased by 2.2% y/y from 46cps to 47cps, and profit after tax increased by 2.2% y/y to N\$235.1 million. Normalising earning for the change in interest expense due to the preference share conversion, however, sees EPS increase by 2.9% to 39.6cps. As the company pays dividends annually, no interim dividend has been declared.

Total revenue for 1H19 increased by 4.0% y/y to N\$447.7 million, with interest income from lending activities increasing by 2.5% to N\$300.7 million. This growth is relatively low compared to the double-digit growth figures seen in recent years, but is a result of the economic environment that LHN operates in. Management notes in the results release that it expects economic conditions to remain challenging over the medium term.

Advances to customers increased by 4.2% y/y (N\$107.1 million), bringing the total advances to customers to N\$2.66 billion. This is slightly slower than PSCE growth of 7.1% over the same period. The credit impairment charge for the period was N\$9.9 million, which translates to a loan loss ratio of 4.0% of gross advances. This follows an impairment charge of N\$2.3 million in 1H18.

Operating expenses were well contained, and only grew by 0.9% y/y in 1H19. LHN's cost to income ratio increased somewhat from 23.6% to 24.1%, which management notes in the results release is due to "capacity investments against compressing margins." The expense category which saw the largest monetary increase was collection fees, which increased by 7.1% y/y to N\$18.3 million. As these fees are micro-finance related, this increase indicates that it has either become more difficult for LHN to collect payments or that collectors are charging higher fees to LHN.

LHN reduced its cash holdings of N\$750.9 million at FY18 markedly to N\$213.1 million at 1H19. The cash was mainly used to grow LHN's advances portfolio and to redeem some of the preference shares. The N\$330.8 million redemption of the preference shares is positive in our view, as the cost of this funding is relatively high.

Deposits due to customers decreased by a significant N\$60.6 million from N\$74.7 million at FY18 to N\$14.2 million at 1H19, and is a result of term deposits falling during the period. LHN also used some of its cash to pay back borrowings from commercial banks, which decreased from N\$341.1 million at FY18 to N\$233.6 million at 1H19. Intercompany payables due to LHL decreased by N\$13.4 million to N\$110.0 million

LHN remains highly capitalised as Tier 1 capital increased from 68.7% in FY18 to 75.0% in 1H19, while Tier 2 fell from 26.5% in FY18 to 20.1% in 1H19, as a result of the redemption of the preference shares.

Pending further analysis of the 1H19 results and management discussions, we maintain our **BUY** recommendation on LHN. Our target price and recommendation will be revised with our full report on the 1H19 results, as will the table at the top of the page.

LHN Share Price vs Target Price (c)



Dividends

No interim dividend has been declared.



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