



# LETSHEGO HOLDINGS (NAMIBIA) LTD

## 1H21 Initial Impression

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*Research Analyst:*

*Danie van Wyk  
danie@ijg.net  
+264 61 383 534*

## Letshego Holdings (Namibia) Ltd

### 1H21 Initial Impression

**Target Price (c)** 399

**Current Price (c)** 170

Year End 31 December	2018	2019	2020	F2021	F2022	Recommendation	BUY
Net interest income (N\$ million)	567	506	483	557	600	NSX Code	LHN
Non-interest income (N\$ million)	255	168	168	224	235	Market Cap (N\$ m)	850
Profit after tax (N\$ million)	469	341	321	413	446	Shares in Issue (m)	500
HEPS (c)	76.2	80.2	64.2	82.5	89.2	Free float (%)	22
DPS (c)	23.5	22.5	22.5	28.9	31.2	52 week high	270
DY (%)	6.7	8.3	15.0	17.0	18.4	52 week low	145
P/E	4.6	3.4	2.3	2.1	1.9	Expected Return (%)	134.7%
P/B	0.8	0.6	0.4	0.3	0.2		

Source: LHN, IJG Securities

### 1H21 Initial Impression

Letshego Holdings (Namibia) Ltd (LHN) released interim results for the period ended 30 June 2021 (1H21). Earnings and headline earnings per share increased by 26.2% y/y from 23.3cps to 31.9cps, while profit after tax rose by 26.2% y/y to N\$159.6 million. Earnings growth was mostly driven by LHN being able to charge customers insurance premiums again. The increased earnings have led to the ROE increasing from 12.2% at 1H20 to 13.8% at 1H21, while the ROA improved from 7.7% to 8.0%. LHN will declare an interim dividend for the first time. The amount per share and date of payment will be announced on or before 30 September 2021.

Growth in advances to customers came in-line with our expectations, increasing by N\$727.3 million or 23.2% y/y, bringing the total advances to customers to N\$3.87 billion. In the last six months, the advances book grew by N\$259.8 million or 7.2%. This is significantly faster than growth recorded in PSCE to individuals of 1.9% over the same period. The credit impairment charge for the period was N\$22.0 million, almost double the N\$11.4 million impairment charge recorded in 1H20, but still well within tolerable levels.

Total income for 1H21 rose by 25.9% y/y to N\$435.9 million, with interest income from lending activities increasing by 7.2% y/y to N\$324.3 million, the quickest growth rate recorded since 1H18. Interest income from deposits with banks fell by 75.4% to N\$2.0 million. This was due to an 80.6% decline in cash and cash equivalents since FY20, along with the various interest rate cuts last year. Cell captive income rose 130.8% y/y to N\$661.5 million as LHN continued its efforts to again insure the rest of the uninsured portion of the advances book.

Management notes in the results release that these efforts, coupled with the drive to grow advances and earnings has led to operating expenses increasing by 43.7% y/y to N\$151.7 million, almost double the rate of growth in total income. This compares to a 2.8% y/y increase registered in 1H20. Employee benefit expenses, which have been the main culprit of operating expenses growth in the last few years, were relatively contained, increasing by only 2.2% y/y in 1H21 to N\$37.1 million.

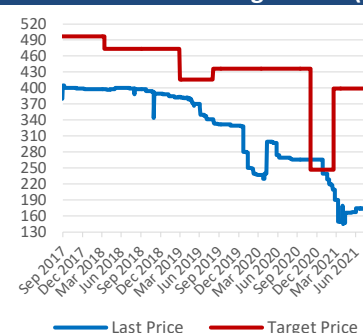
Total deposits due to customers increased by 59.8% in the last six months to N\$300.3 million. The increase was mostly driven by a N\$193.4 million increase in term deposits, while current account deposits fell by N\$81.0 million during the period.

LHN noted in their Integrated Annual Report that they are planning on releasing new home loan, short-term loan and overdraft offerings to the Namibian market. The International Finance Corporation (IFC) earlier in the month announced that it had partnered with LHN to extend US\$50 million worth of affordable housing finance to over 4,000 Namibians.

There has been a change to LHN's funding mix. The company issued a N\$231 million floating rate bond (LHN01) on 17 May. The bond was issued at 3-month JIBAR plus 355 bps and matures on 17 May 2024. The cheaper funding should lead to LHN's net interest margin increasing going forward. LHN remains highly capitalised as Tier 1 capital fell from 67.8% in 1H20 to 65.4% in 1H21, while Tier 2 capital fell from 4.1% to 3.4% in 1H21.

Overall, the results are in-line with our expectations, with the return of cell captive income supporting earnings growth. Pending further analysis of the 1H21 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 1H21 results, as will the forecasts in the table at the top of the page.

### LHN Share Price vs Target Price (c)



### Dividends

An interim dividend will be declared. The amount per share and date of payment will be announced on or before 30 September 2021.



## IJG Holdings

**Group Chairman**  
Mathews Hamutenya  
Tel: +264 (61) 256 699

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

**Group Financial Manager**  
Helena Shikongo  
Tel: +264 (61) 383 528  
helena@ijg.net

**Group Compliance Officer**  
Zanna Beukes  
Tel: +264 (61) 383 516  
zanna@ijg.net

## IJG Securities

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

**Financial Accountant**  
Tashiya Josua  
Tel: +264 (61) 383 511  
tashiya@ijg.net

**Settlements & Administration**  
Maria Amutenya  
Tel: +264 (61) 383 515  
maria@ijg.net

**Sales and Research**  
Danie van Wyk  
Tel: +264 (61) 383 534  
danie@ijg.net

**Equity & Fixed Income Dealing**  
Leon Maloney  
Tel: +264 (61) 383 512  
leon@ijg.net

**Financial Accountant**  
Gift Kafula  
Tel: +264 (61) 383 536  
gift@ijg.net

**Sales and Research**  
Dylan van Wyk  
Tel: +264 (61) 383 529  
dylan@ijg.net

**Sales and Research**  
Josh Singer  
Tel: +264 (61) 383 514  
josh@ijg.net

**Sales and Research**  
Kimber Brain  
Tel: +264 (61) 383 514  
kimber@ijg.net

## IJG Wealth Management

**Managing Director**  
René Olivier  
Tel: +264 (61) 383 520  
rene@ijg.net

**Portfolio Manager**  
Ross Rudd  
Tel: +264 (61) 383 523  
ross@ijg.net

**Money Market & Administration**  
Emilia Uupindi  
Tel: +264 (61) 383 513  
emilia@ijg.net

**Wealth Manager**  
Andri Ntema  
Tel: +264 (61) 383 518  
andri@ijg.net

**Wealth Administration**  
Lorein Kazombaruru  
Tel: +264 (61) 383 521  
lorein@ijg.net

**Wealth Administration**  
Madeline Olivier  
Tel: +264 (61) 383 533  
madeline@ijg.net

**Wealth Manager**  
Wim Boshoff  
Tel: +264 (61) 383 537  
wim@ijg.net

## IJG Capital

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

**Business Analyst**  
Mirko Maier  
Tel: +264 (61) 383 531  
mirko@ijg.net

**Business Analyst**  
Lavinia Thomas  
Tel: +264 (61) 383 532  
lavinia@ijg.net

**Value Add Analyst**  
Fares Amunkete  
Tel: +264 (61) 383 527  
fares@ijg.net

## IJG Advisory

**Managing Director**  
Herbert Maier  
Tel: +264 (61) 383 522  
herbert@ijg.net

**Director**  
Jolyon Irwin  
Tel: +264 (61) 383 500  
jolyon@ijg.net

## Aldes Namibia Business Brokers

**Broker**  
Ursula Gollwitzer  
Tel: +264 (61) 383 535  
ursula@aldesnamibia.com

**Broker**  
Richard Hoff  
Tel: +264 (61) 383 500  
richard@aldesnamibia.com

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4th Floor, 1@Steps, C/O Grove and Chasie Street, Kleine Kuppe, Windhoek  
P O Box 186, Windhoek, Namibia  
Tel: +264 (61) 383 500 [www.ijg.net](http://www.ijg.net)