



LETSHEGO HOLDINGS (NAMIBIA) LTD

1H22 Initial Impression

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Letshego Holdings (Namibia) Ltd

1H22 Initial Impression

Target Price (c) 322

Current Price (c) 265

Year End 31 December	FY18A	FY19A	FY20A	FY21A	FY22E	Recommendation	BUY
Net interest income (N\$ million)	567	506	483	483	563	NSX Code	LHN
Non-interest income (N\$ million)	255	230	149	214	134	Market Cap (N\$ m)	1,325
Profit after tax (N\$ million)	469	401	321	303	358	Shares in Issue (m)	500
HEPS (c)	76.2	80.2	64.2	61.7	71.6	Free float (%)	22
DPS (c)	23.5	22.5	22.5	45.5	17.9	52 week high	300
DY (%)	6.7	8.3	11.3	23.9	6.7	52 week low	150
P/E	4.6	3.4	2.3	3.1	4.3	Expected Return (%)	21.5%
P/B	0.8	0.6	0.4	0.3	0.5		

Source: LHN, IJG Securities

1H22 Initial Impression

Letshego Holdings (Namibia) Ltd (LHN) released interim results for the period ended 30 June 2022 (1H22). Earnings and headline earnings per share increased by 5.2% y/y from 31.93cps in 1H21 to 33.6cps in 1H22. Profit after tax also rose by 5.2% y/y from N\$159.6 million in 1H21 to N\$168.0 million in 1H22. Operating profit before tax however declined by 7.4% from N\$207.0 million in 1H21 to N\$191.7 million in 1H22 largely due to declining net interest income. LHN's ROE declined marginally from 12.6% in 1H21 to 12.1% in 1H22 while ROA dropped from 8.0% to 5.6%. LHN declared an interim dividend of 25.20cps, or 75% of its earnings after tax (1H21: 15.96cps).

LHN continued to record robust growth in advances to customers, with the loan book growing by N\$628.7 million or 16.3% y/y, although most of this increase was recorded in 2H21. Advances to customers grew by 5.1% or N\$218.7 million since FY21 to reach N\$4.50 billion. This is compared to growth in PSCE to individuals of 2.0% over the same period. The credit impairment charge for the period reported amounted to N\$4.8 million (1H21: N\$22.0 million), a marked decrease when compared to the prior period.

Total income rose by 10.4% y/y to N\$469.9 million in 1H22. The growth was primarily driven by a strong increase in cell captive dividend income, which rose by 47.1% y/y or N\$46.7 million from a revised N\$95.6 million in 1H21 to N\$128.9 million in 1H22. Total interest income declined by 0.7% y/y over the same period. Growth in interest income from lending activities continues to lag loan book growth, decreasing by 4.4% y/y or N\$14.4 million to N\$309.9 million, despite the Bank of Namibia hiking interest rates by 100 bps over the same period. Other interest income rose by 604% y/y to N\$14.1 million with interest received on bank deposits rising by N\$5.4 million while interest received on investments in government securities contributed N\$6.7 million to the increase in other interest income.

Total operating expenses grew by 21.2% y/y to N\$183.9 million. Employee benefits expenses, which have been the main driver of operating expenses growth over the past couple of years, were well contained, increasing by only 2.7% y/y in 1H22 to N\$38.1 million (compared to inflation of 6.0% over the same period). Other operating expenditures however grew by 27.1% y/y, mainly attributable to an increase in insurance expense on the microfinance lending book. Excluding insurance expenses sees other operating expenditures rise by 0.1% y/y.

LHN's borrowings increased by 275.0% y/y from N\$661.5 million in 1H21 to N\$2.48 billion in 1H22, although most of the borrowing originated in 2H21. During the period, the company raised an additional N\$200.0 million through its listed bond program, bringing the total amount outstanding on the bond programme to N\$431.0 million. The LHN02 was issued at 3-month JIBAR plus 280bps and matures on 29 June 2025. LHN continued to increase its local borrowing base from commercial banks while reducing its reliance on intercompany financing. Borrowings from LHL declined by 72.8% y/y or N\$454.0 million to N\$169.6 million in 1H22. The sharp rise in debt levels also culminated in a significant rise in borrowing costs, which rose by 62.5% y/y to N\$89.6 million in 1H22.

LHN remains very well capitalised, despite recording lower capital adequacy levels. Tier 1 capital fell from 65.4% in 1H21 to 42.9% in 1H22 while Tier 2 capital fell from 3.4% to 0.6%. Accordingly, the total capital adequacy ratio fell from 68.8% in 1H21 to 43.5% in 1H22, albeit well above the 10% minimum regulatory level.

The company reported very strong growth in deposits of 45.1% y/y to N\$437.3 million in 1H22. The results release states that LHN has added 39,000 active customers since the launch of the company's 'digital mall' (app) in December, and that it opened another branch in Windhoek.

LHN Share Price vs Target Price (c)**Dividends**

An interim dividend of 25.20 cents per ordinary share has been declared.

- Last Day to Trade: 14 October 2022
- Ex-Dividend Date: 17 October 2022
- Record Date: 21 October 2022
- Payment Date: 04 November 2022





0,0005	4,85%
0,0003	13,04%
0,001	50,00%
0,0003	14,29%
0,0005	12,50%

Overall, the financial results are somewhat mixed, with the strong growth in advances continuing to outpace relatively stagnant interest income. Pending further analysis of the 1H22 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 1H22 results, as will the table at the top of the page.



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