



LETSHEGO HOLDINGS (NAMIBIA) LTD

1H24 Initial Impression

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Letshego Holdings (Namibia) Ltd

1H24 Initial Impression

Current Price (c)

456

Year End 31 December	FY21	FY22	1H23	FY23	1H24	Recommendation	BUY
Net Interest Income (N\$ m)	599	621	218	438	251	NSX Code	LHN
Non-Interest Income (N\$ m)	237	301	161	314	157	Market Cap (N\$ m)	2,280
Profit after Tax (N\$ m)	303	350	171	353	199	Shares in Issue (m)	500
HEPS (c)	60.65	70.08	34.29	70.67	39.89	Free Float (%)	22.0
DPS (c)	45.48	54.70	34.29*	70.67	39.89*	52-Week High (c)	465
DY (%)	23.2	18.2	17.6	18.1	17.2	52-Week Low (c)	388
P/E (x)	3.2	4.2	5.7	5.5	5.8		
P/B (x)	0.4	0.5	0.7	0.7	0.8		

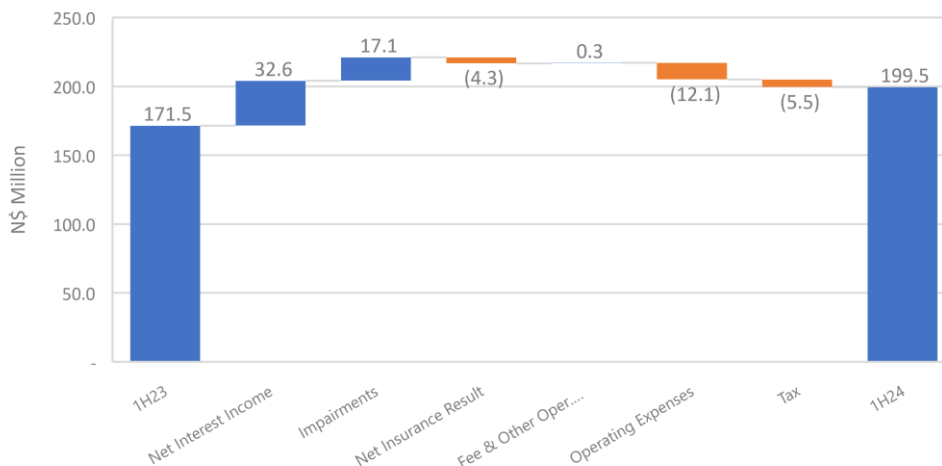
Source: LHN, IIG Securities
*Interim

1H24 Initial Impression

Letshego Holdings (Namibia) Ltd (LHN) released interim results for the period ended 30 June 2024 (1H24). Profit after tax rose 16.3% y/y to N\$199.5 million, mainly driven by higher yields on interest-earning assets and growth in advances to customers. ROE rose from 13.5% in 1H23 to 15.7% in 1H24. An interim dividend of 39.89cps was declared (1H23: 34.29cps), translating to a payout ratio of 100%.

Net Interest Income: Net interest income rose 15.0% y/y to N\$250.9 million, attributed to higher yields on interest-earning assets. LHN's net interest margin rose to 8.2% during the period under review, up from 7.2% in 1H23. The improved margin was driven by repricing of low interest loans and quicker growth in interest received from lending activities, which outpaced growth in advances to customers (more below).

LHN Profit after Tax Growth Breakdown



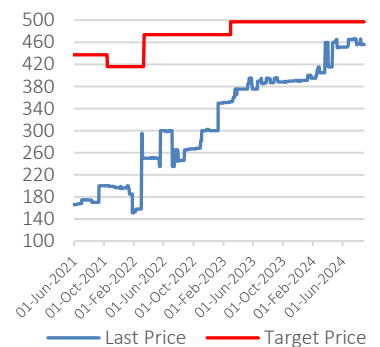
Source: LHN, IIG Securities

Assets and Advances: Total assets declined marginally by 0.9% or N\$61.1 million over the interim period to N\$6.74 billion. The decline was due to a 21.4% or N\$195.7 million reduction in 'government and other securities'. A further 4.7% or a N\$35.5 million decline in cash and cash equivalents also contributed to the decline in total assets. However, at N\$715.4m, cash balances remain elevated compared to historic balances. Gross advances to customers increased by 2.6% or N\$122.7 million to N\$4.91 billion over the interim period, translating to year-on-year growth of 3.0%. This is quicker than PSCE growth of 1.81% over the same period.

Impairments: Credit impairment charges decreased by 76.7% y/y or N\$17.1 million to N\$5.2 million, translating to a credit loss ratio of 0.21% (1H23: 0.96%). LHN reported recoveries worth N\$52.8 million over the period, driving the decrease in impairment charges.

Non-Interest Revenue: NIR fell by 2.5% y/y to N\$157.2 million. The group restated comparative information to transition to IFRS 17, which resulted in cell captive dividend income to be classified as insurance revenue and insurance expense on the face of the statement of comprehensive income. The

LHN Share Price vs Target Price (c)



Dividends

LHN declared an interim dividend of 39.89 cents per share.

- Last Day to Trade: 01 November 2024
- Ex-Dividend Date: 04 November 2024
- Record Date: 08 November 2024
- Payment Date: 22 November 2024





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

net insurance result was the main driver for the decrease in NIR, declining by 3.1% y/y or N\$4.3 million to N\$136.7 million.

Operating Expenses: Total operating expenses grew by 7.1% y/y or N\$12.1 million to N\$183.2 million, outpacing June's inflation print of 4.6% y/y. Employee benefits rose by 4.5% y/y to N\$47.1 million, with a substantial decrease noted in staff incentives. Other operational expenses increased by N\$4.3 million, followed by a N\$1.6 million increase in 'consulting and secretarial' fees. Growth in total income substantially outpaced growth in total operating expenses, resulting in the group's cost-to-income ratio remaining relatively steady at 44.9% (1H23: 45.1%).

Borrowings: LHN's borrowings decreased by 9.6% or N\$300.2 million to N\$2.82 billion over the interim period. LHN reduced its reliance on commercial bank funding, with the balance of loans from commercial banks decreasing by N\$235.2 million to N\$1.61 billion. The company raised N\$29.0 million with the issuance of the LHNS01 note, which was issued at 3-month JIBAR plus 295bps and matures on 17 May 2027. The LHN01 note (3-month JIBAR plus 355) matured on 17 May 2024. The amount outstanding on bond notes now amount to N\$463.8 million. LHN remains well capitalised with a capital adequacy ratio of 35.0% (FY23: 35.0%).

Management and Board: Ms Maryvonne Palanduz resigned as an independent non-executive director in January and Ms Kamogelo Chiusiwa resigned as non-executive director in June. Further changes occurred after the interim period in July, with Ms Mansueta-Maria Nakale appointed as chairperson and Mr Richard Ochieng appointed as non-executive director. Mr Jerome Mutumbu and Mr Jaco Esterhuysen were appointed as non-executive directors.

Our Take

Overall, LHN delivered a robust set of interim results, aided by margin expansion and growth in loans and advances. While non-interest revenue saw a slight decrease, LHN's cost-to-income ratio remains significantly below that of the commercial banks, highlighting operational efficiency.

Our target price, forecasts and recommendation will be updated with the full review of the 1H24 results.

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