



# LETSHEGO HOLDINGS (NAMIBIA) LTD

## FY18 Initial Impression

### March 2019

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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

### FY18 Initial Impression

**Target Price (c)\*** 479

Current Price (c) 385

Year End 31 December	2015	2016	2017	2018	F2019	Recommendation	BUY
Net interest income (N\$ million)	286	331	471	567	544	NSX Code	LHN
Non-interest income (N\$ million)	196	230	207	255	232	Market Cap (N\$m)	1,925
Profit after tax (N\$ million)	272	330	385	469	439	Shares in Issue (m)	500
HEPS (c)	54	66	71.7	93.8	81.6	Free float (%)	22
DPS (c)			19.2	23.5	21.9	52 week high	401
DY (%)	-	-	4.8	6.1	5.4	52 week low	344
P/E	7.0	5.8	5.2	4.1	4.6	Expected Total Return (%)	24.4%
P/B	1.6	1.3	1.1	0.9	1.0		

Source: LHN, IJG

unchanged from 1H18 Report

Letshego Holdings (Namibia) Ltd (LHN) released results for the full year ended 31 December 2018 (FY18). Overall, the results are robust given the abnormally prolonged economic recession. Earnings and headline earnings per share increased by 22% y/y from 77cps to 94cps, and profit after tax increased by 22% y/y to N\$468.9 million. A final dividend of 23.5 cents per share has been declared, an increase from the 2017 final dividend of 19.2 cents per share.

Total revenue for FY18 increased by 11.5% y/y to N\$874.7 million, with interest income from lending activities increasing by 5.9% to N\$596.7 million. Net interest income after impairments increased by 20.3%, mainly due to a large decrease in interest expense, which (as we reported in our [1H18 Results Review](#)) is the result of converting the loan from the parent company into preference shares. Adjusting net interest income for the preference dividends, however, sees the net interest income growth rate drop to around 1.7%.

Advances to customers increased by 5.4% y/y (N\$131.4 million), bringing the total advances to customers to N\$2.56 billion. This compares to PSCE growth of 7.4% during the year. The credit impairment charge for the period was N\$18.2 million, or 0.7% of gross advances. This follows an impairment release of N\$9.6 million for FY17. Non-performing loans decreased from 3.9% to 3.6% of gross advances during the period.

Operating expenses increased by 16.9% to N\$145.9 million. The cost to income ratio, however, slightly declined from 24% in FY17 to 23% in FY18. The expense category which saw the largest increase was other operational expenses, which increased by 118.0% y/y to N\$30.3 million. The financial statements do not state what exactly these operational expenses are. LHN's cost-to-income ratio remains well below the average of the Namibian listed commercial banks.

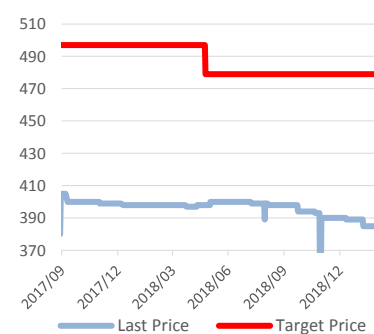
During the first half of the year, N\$895.3 million (or N\$897.1 million according to the 1H18 financials) of the intercompany loan from Letshego Holdings Limited was converted into 1,000 redeemable non-cumulative preference shares. N\$100 million worth of these preference shares were redeemed during the second half of the year. As a result of the conversion, the company's debt to equity ratio decreased from 54% to 16%.

The change in capital structure caused the total capital adequacy ratio to increase from 68.6% in FY17 to 95.2% in FY18, and means that LHN remains highly capitalised. Tier 1 capital increased from 68.6% in FY17 to 94.9% in FY18, while Tier 2 increased from 0.2% in FY17 to 0.3% in FY18.

Loan from commercial banks increased by N\$277.5 million to N\$341.1 million. The financials state that the loans are partially secured and bear interest at rates between Namibia prime plus 0.3% and prime plus 2.6%. Intercompany payables due to LHL increased by N\$64.4 million during the year, and currently stands at N\$123.4 million. Deposits due to customers have decreased from N\$90.2 million to N\$74.7 million. Term deposits decreased by N\$18.9 million to N\$71.3 million in FY18, while current account deposits increased from N\$25,000 to N\$3.4 million.

Pending further analysis of the FY18 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 FY18 results, as will the table at the top of the page.

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



#### Dividends

Notice is hereby given that a final dividend of 23.5 cents per ordinary share was declared for the year ended 31 December 2018.

- Last day to trade: 22 March 2019
- Record date: 29 March 2019
- Payment date (on or about): 12 April 2019



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