



LETSHEGO HOLDINGS (NAMIBIA) LTD

FY21 Initial Impression

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Letshego Holdings (Namibia) Ltd

FY21 Initial Impression

Target Price (c) 322

Current Price (c) 190

Year End 31 December	FY19A	FY20A	FY21A	FY21E	FY22E	Recommendation	BUY
Net interest income (N\$ million)	506	483	483	524	563	NSX Code	LHN
Non-interest income (N\$ million)	230	149	214	224	134	Market Cap (N\$ m)	790
Profit after tax (N\$ million)	401	321	303	335	358	Shares in Issue (m)	500
HEPS (c)	80.2	64.2	61.7	66.9	71.6	Free float (%)	22
DPS (c)	22.5	22.5	45.5	26.8	17.9	52 week high	220
DY (%)	8.3	11.3	23.9	13.4	6.7	52 week low	145
P/E	3.4	2.3	3.1	3.0	4.3	Expected Return (%)	69.5%
P/B	0.6	0.4	0.3	0.4	0.5		

Source: LHN, IJG Securities

FY21 Initial Impression

Letshego Holdings (Namibia) Ltd (LHN) released results for the year ended 31 December 2021 (FY21). Earnings and headline earnings per share declined by 5.5% y/y from 64.2cps in FY20 to 60.6cps in FY21, while profit after tax contracted by 5.61% y/y to N\$303.2 million. The lower profit has resulted in LHN's ROE falling from 15.0% in FY20 to 12.4% in FY21 and ROA declining from 8.8% to 6.1%. LHN declared a final dividend of 29.52 cps payable on 03 June 2022.

Total income rose by 5.7% y/y to N\$826.0 million in FY21, below our expectations and mainly attributable to lower interest income from lending activities in the second half of the year. Interest income from advances to customers declined by N\$37.9 million or 6.1% y/y to N\$582.3. Despite the decline in income from lending activities, net interest income after impairments increased marginally by 0.1% y/y to N\$483.8 million, following a credit impairment release of N\$16.5 million. Dividend income from the cell captive came in at N\$204.6 million, increasing by N\$56.0 million or 37.7% y/y. LHN restated the cell captive dividend amount of FY20 after it was discovered that it was incorrectly recorded gross of tax paid. This resulted in the tax paid being overstated. FY20's other operating income was subsequently revised down by N\$19.2 million to N\$148.6 million. The net effect on profit after tax was however zero following an equal decrease in the taxation figure.

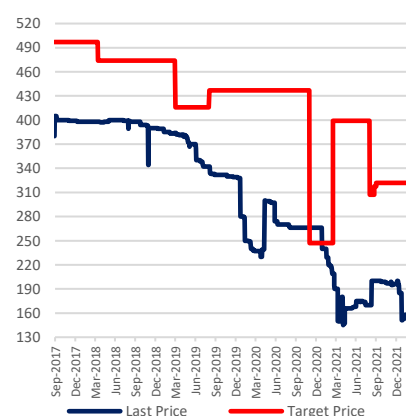
The company reported a strong increase in advances to customers, with the loan book growing by N\$669.9 million or 18.6% y/y to reach N\$4.06 billion at the end of the period. Most of the growth emanated in the second half of the year, increasing by N\$410.0 million in the last six months. The company's cash position fell from N\$ 468.3 million at FY20 to N\$287 million at FY21. LHN invested in South African government bonds of N\$480.0 million and treasury bills of N\$20.0 million during the second half of the year.

Total operating expenses grew by 55.7% y/y to N\$365.5 million in FY21, outpacing the growth in income. The increase is mainly attributable to an increase in management fees and insurance premiums which increased by 60.1% y/y to N\$56.4 million and 690.9% y/y to N\$73.8 million, respectively. LHN's cost-to-income ratio resultantly increased from 30.1% in FY20 to 44.2% in FY21.

LHN reported very strong deposit growth, increasing by 105.5% y/y to N\$386.1 million in FY21. The growth is led by a significant growth in term deposits which increased 326% y/y to N\$363.3 million while current account deposits declined 78% to N\$22.7 million. Borrowings from commercial banks increased by N\$426.0 million as the group seemed to have replaced the relatively more expensive funding from LHL (parent company) with less expensive local funding.

Overall, the results came in roughly in line with our expectations, with growth in advances exceeding our forecasts. LHN should see a strong increase in interest income, should the company be able to reprice the loans in line with the expected rate hikes this year. Pending further analysis of the FY21 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 FY21 results, as will the forecasts in the table at the top of the page.

LHN Share Price vs Target Price (c)



Dividends

A dividend of 29.52 cents per ordinary share has been declared.

- Last Day to Trade: 13 May 2022
- Ex-Dividend Date: 16 May 2022
- Record Date: 20 May 2022
- Payment Date: 03 June 2022

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