



PARATUS NAMIBIA HOLDINGS LTD

1H22 Initial Impression

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Paratus Namibia Holdings Ltd

1H22 Initial Impression

Target Price (c) 1,326

Current Price (c) 1,300

| Year End 30 June | FY19 | *FY20 | FY21 | FY22E | FY23E | Recommendation | BUY |
|--------------------------|------|-------|------|-------|-------|---------------------------|-------|
| Revenue (N\$ m) | 5 | 152 | 341 | 378 | 436 | NSX Code | PNH |
| EBITDA (N\$ m) | 7 | 41 | 95 | 118 | 150 | Market Cap (N\$ m) | 598 |
| Profit after tax (N\$ m) | 7 | 20 | 29 | 39 | 53 | Shares in Issue (m) | 48.7 |
| HEPS (c) | 30.7 | 50.5 | 57.9 | 79.0 | 110 | Free float (%) | 94.3 |
| DPS (c) | 0.0 | 10.0 | 20.0 | 26.1 | 36.2 | 52-week high | 1,300 |
| DY (%) | 0.0 | 0.9 | 1.7 | 2.1 | 2.8 | 52-week low | 1,125 |
| P/E (x) | 35.9 | 19.8 | 20.1 | 16.1 | 11.6 | Expected Total Return (%) | 3.5% |
| EV/EBITDA | 45.2 | 10.9 | 8.1 | 7.1 | 6.0 | | |

Source: PNH, IIG Securities

*IIG has restated FY20 results to include 12 months, instead of the 16 months reported by PNH for comparability purposes.

1H22 Initial Impression

Paratus Namibia Holdings Ltd (PNH) released interim results for the period ended 31 December 2021 (1H22). The company continues to grow at an impressive rate with profit after tax increasing by 18.4% y/y or N\$3.0 million to N\$19.6 million. Basic EPS rose by 14.7% y/y to 39.5 cps, while HEPS increased by 21.5% y/y to 39.5 cps. An interim dividend of 10 cps (1H21: 10 cps) was declared for the period.

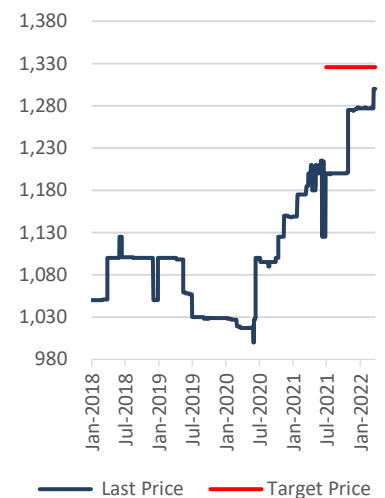
Paratus Telecommunications (Pty) Ltd Namibia, the main operating entity, posted revenue growth of 17.3% y/y or N\$28.9 million to N\$196.3 million, slightly ahead of our forecasts. The increase was driven by strong non-recurring revenue growth of 73.2% y/y on a like-for-like basis to N\$24.6 million, which management attributes to a local area network installation at a new property development project. The entity reported recurring revenue growth of 10.5% y/y to N\$166.2 million gross of discounts. Including the N\$771,833 worth of discounts that were allowed sees the recurring revenue figure drop to N\$165.5 million. Cost of sales growth of 19.9% y/y to N\$29.2 million outpaced revenue growth somewhat. This translated into a marginally lower gross margin of 51.6% (1H21: 52.7%). Management notes in the results release that the lower gross profit margin is attributable to the lower margins realised from the higher non-recurring revenue.

Operating expenses increased by 8.9% y/y to N\$67.5 million, primarily driven by an increase in bad debts to N\$983,996 (from a recovery of N\$1.18 million in 1H21). Employee costs were well contained, increasing by 3.2% y/y to N\$37.8 million. PNH's operating margin improved from 15.9% in 1H21 to 17.6% in 1H22, due to the quicker revenue growth. EBITDA rose by 25.2% y/y to N\$60.8 million, leading to an EBITDA margin of 31.0%, compared to 29.0% in 1H21.

Borrowings (made up of the two bonds issued in 2021) remained steady at N\$200.0 million. Total assets grew by 24.4% y/y to N\$945.4 million, which was mainly driven by a N\$118.6 million or 57.9% y/y increase in property, plant, and equipment (PPE) to N\$514.4 million. The substantial growth in PPE was due to infrastructure investments of N\$147.7 million during the period. N\$75.4 million was invested in the fiber network, of which N\$8.0 million was invested in the rollout of the fiber network in Namibia's northern towns and N\$15.0 million was invested towards expanding the current fiber network in the coastal towns. N\$11.0 million was invested in the LTE networks in Windhoek, the coastal towns, and the northern regions. Additionally, N\$34.8 million was invested in the Cable Landing Station in Swakopmund, which has already been finished and is ready for service. N\$50.4 million was invested in the Armada Data Center, located in the Brakwater area in Windhoek, and it is projected to be finished in the third quarter of 2022 for a total cost of N\$123 million.

Overall, the interim results came in line with our expectations, with the infrastructure roll-out strategy supporting robust revenue growth. Pending further analysis of the 1H22 results and management discussions, we maintain our **BUY** recommendation on PNH. Our target price and recommendation will be revised with our full review of the 1H22 results, as will the forecasts in the table at the top of the page.

PNH Share Price vs Target Price (c)



Dividends

The board declared a dividend of N\$10c per share.

- Last Day to Trade: 27 May 2022
- Ex-Dividend Date: 30 May 2022
- Record date: 03 June 2022
- Payment date: 17 June 2022

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