



# PARATUS NAMIBIA HOLDINGS LTD

## 1H24 Initial Impression

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## Paratus Namibia Holdings Ltd

### 1H24 Initial Impression

Current Price (c)

1,210

Year End 30 June	FY20*	FY21	FY22	FY23	1H24	Recommendation	
Revenue (N\$ m)	152	341	405	472	281	NSX Code	PNH
EBITDA (N\$ m)	41	94	123	162	120	Market Cap (N\$ m)	585
Profit after tax (N\$ m)	20	29	22	20	19	Shares in Issue (m)	48.7
HEPS (c)	50.5	57.9	53.5	38.5	38	Free float (%)	94.3
DPS (c)	10.0	20.0	20	20	10	52-week high	1,285
DY (%)	0.9	1.7	1.55	1.57	1.67**	52-week low	1,199
P/E (x)	19.8	20.1	29.5	33.0	15.7**		
EV/EBITDA	10.9	8.1	7.2	8.2	12		

Source: PNH, IIG Securities

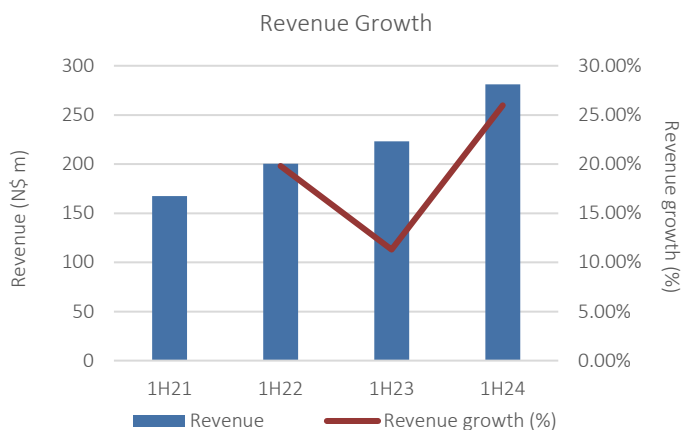
\*IIG has restated FY20 results to include 12 months, instead of the 16 months reported by PNH for comparability purposes.

\*\*Annualised

### 1H24 Initial Impression

Paratus Namibia Holdings Ltd (PNH) released interim results for the period ended 31 December 2023 (1H24). Profit after tax grew by a robust 37.1% y/y or N\$5.03 million to N\$18.6 million. Basic EPS rose by 37.1% y/y, while HEPS climbed 40.2% y/y to 37.7 cps. PNH declared an interim dividend of 10 cps, aligning with the interim dividend pattern maintained over the past four years.

PNH posted strong revenue growth of 26.0% y/y or N\$58.0 million to N\$281.1 million. The strong growth was driven by the expansion of fibre, SKY-FI and LTE networks across Namibia. Management further attributes the increase in revenue to capacity sales on the Equiano subsea cable and occupation of the data centre. Paratus continues to expand its infrastructure, with funding for this currently being derived from operational cash flows, although the group is currently also embarking on a rights issue, aiming to raise N\$600 million. The continued infrastructure investments should enhance revenues going forward. Cost of sales rose 31.1% y/y or N\$32.8 million to N\$138.1 million. While cost of sales growth outpaced revenue growth, the actual monetary increment remains lower than the rise observed in revenue.



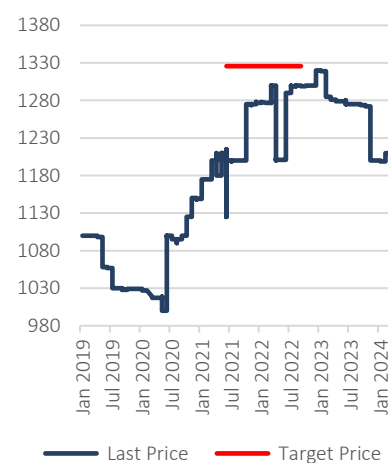
Source: PNH, IIG Securities

Operating expenses rose by 4.4% y/y to N\$80.2 million, primarily driven by additional depreciation charges emanating from the data centre and the acquired Equiano branch. The quick revenue growth observed resulted in the operating margin for PNH to improve to 23.5% in 1H24 from 18.4% in 1H23. Operating profit rose 61.22% y/y, primarily driven by gross profit growth, while credit loss allowances increased to N\$4.19 million from N\$531,518 in 1H23. In perspective, PNH anticipates that debt amounting to 2.9% of gross profit is unlikely to be recovered.

EBITDA rose 74.6% y/y to N\$120.1 million, leading to an EBITDA margin of 42.7% (1H23: 30.8%). According to management, the infrastructure deployment during the first half of the financial year, resulted in large depreciation charges, effectively responsible for the N\$90.7 million disparity witnessed between EBITDA and profit before tax (N\$29.4 million).

Investment income rose to N\$22,639 from N\$7,945, while finance costs rose by 88.4% or N\$17.3 million to N\$36.7 million, attributed to finance costs on the issued floating rate notes rising by N\$7.3 million to N\$19.2 million, as well as finance costs related to the indefeasible right-of-use (IRU) contracts liability (related to

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



### Dividends

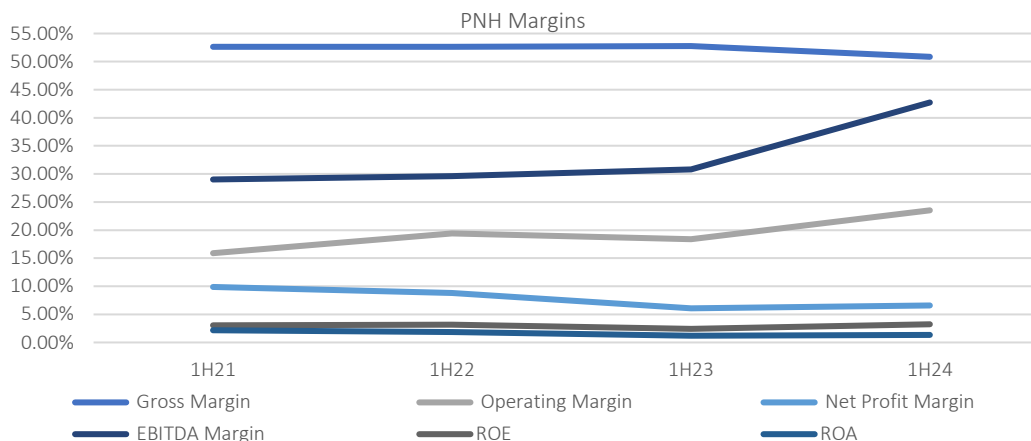
PNH declared an interim dividend of 10 cents per share.

- Last Day to Trade: 19 April 2024
- Ex-Dividend Date: 22 April 2024
- Record Date: 26 April 2024
- Payment Date: 17 May 2024





funds received in advance on the IRU contracts of the Trans-Kalahari fibre route, Equiano Subsea Cable and Equiano spectrum) which rose by N\$9.5 million. PNH’s gross profit margin narrowed to 50.9% from 52.8% in 1H23, on the back of cost of sales growth outpacing revenue growth. The group’s net profit margin expanded by 50 bps to 6.6%. Return on equity rose to 3.2% from 2.4% in 1H23 and return on assets rose marginally to 1.3% (1H23: 1.2%).



Source: PNH, IJG Securities

Borrowings rose 13.9% y/y to N\$1.35 billion. N\$175 million were transferred from non-current borrowings to current borrowings, as the PNJ24 floating rate note will mature in June 2024. Management notes in the results release that they intend to refinance the note and that no cash outflow is expected for the items included in current liabilities. Total assets grew by 24.9% y/y to N\$1.41 billion, mainly driven by a 43.7% y/y or N\$310.0 million increase in property, plant and equipment, including the N\$75 million investment in infrastructure. The majority of capital expenditure during this period was towards capacity expansion and increasing customer access of the current network. The construction of the fibre line running through Botswana to link the Equiano subsea cable in Swakopmund to Johannesburg is expected to be completed mid-March 2024, the estimated total cost is US\$2.55 billion (approximately N\$48.5 billion) and N\$17.3 billion was invested for the period up to 31 December 2023.

Paratus Telecommunications (Pty) Ltd Namibia, the main operating entity, realised recurring revenue of N\$249.8 million, up from N\$200.3 million in 1H23. Non-recurring revenue grew 41.5% y/y to N\$25.9 million. Management mentions that their focus is to grow recurring revenue as opposed to lower margin non-recurring revenue. The net profit before tax for the main operating entity rose N\$9.80 million to N\$32 million and EBITDA grew 63% y/y to N\$121.3 million. This increase in profitability is primarily driven by strong revenue growth and cost containment.

PNH aims to expand its current offerings by adding mobile connectivity and new core systems, thereby maximising the utilisation of its existing network to better cater to customer demands. To facilitate this expansion, the company will initiate a rights issue commencing on 11 April 2024, offering 103 shares at N\$12.00 per share for every 100 shares held. A fully subscribed rights issue will see an additional 50,184,817 shares issued.

Overall, the interim results for 1H24 is satisfactory, with infrastructure investments contributing to robust revenue growth. The notable growth in EBITDA is remarkable, highlighting significant growth in operating profit while effectively controlling the rate of operating expense growth.

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



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