



PARATUS NAMIBIA HOLDINGS LTD

FY21 Initial Impression

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Paratus Namibia Holdings Ltd

FY21 Initial Impression and initiation of coverage

Target Price (c) N/A
Current Price (c) 1,200

Year End 30 June	2018	2019	*2020	2021	F2022	Recommendation	N/A
Revenue (N\$ m)	2	5	152	341		NSX Code	PNH
EBITDA (N\$ m)	1	7	41	94		Market Cap (N\$ m)	585
Profit after tax (N\$ m)	1	7	20	29		Shares in Issue (m)	48.7
HEPS (c)	11.0	30.7	50.5	57.9		Free float (%)	94.3
DPS (c)	0.0	0.0	10.0	20.0		52-week high	1,215
DY (%)	0.0	0.0	0.9	1.7		52-week low	1,000
P/E (x)	95.5	35.9	19.8	20.1		Expected Total Return (%)	N/A
EV/EBITDA	147.1	30.2	10.9	6.3			

Source: PNH, IIG Securities

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

1H21 Results Review

Paratus Namibia Holdings Ltd (PNH) released full year results for the period ended 30 June 2021 (FY21). IIG has adjusted FY20 results to reflect a 12-month period instead of the 16 months reported by PNH for comparability purposes. The performance therefore reflects our adjustments and mention of FY20 refers to our adjusted results.

Revenue increased by 123.4% y/y to N\$340.6m, which translated to N\$180.4m gross profit, a 120.4% y/y increase from FY20. Profit before tax increased by 76.5% y/y to N\$42.2m and net profit rose 46.1% y/y to N\$29.0m. Basic earnings per share increased by 7.6% y/y to N\$59.8c per share, while headline EPS rose by 14.7% y/y to N\$57.9c per share.

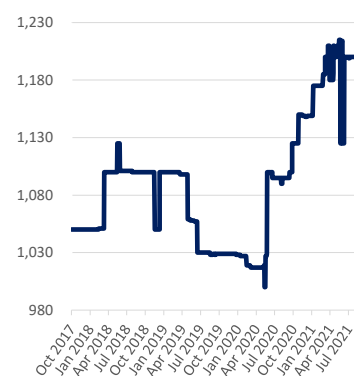
PNH's impressive revenue growth was matched by a 126.8% y/y increase in cost of sales, which increased slightly faster than revenue for the year, however PNH's gross margin was little changed at 53.0% (53.7% in FY20.) The increase in cost of sales was likely driven by depreciation and amortization, which rose by 132.5% y/y to N\$45.2m in FY21. Operating expenses notably expanded by 113.0% y/y to N\$132.4m, while operating profit climbed by 110.9% y/y to N\$48.4m for the year, resulting in a slight decline in PNH's operating margin, from 15.0% in FY21 to 14.2% in FY21. FY21 also saw strong growth in EBITDA, which rose by 128.3% y/y to N\$94.4m, resulting in an EV/EBITDA ratio of 6.3, compared to 10.9 in FY20.

Non-current assets expanded by 24.4% y/y to N\$688.5m, which was driven by a N\$135.8m increase in property, plant, and equipment. Current assets also grew by 28.0% y/y to N\$233.4m, due to a 38.9% y/y increase in investments at fair value. Consequently, total assets increased by 25.3% y/y to N\$921.9m. Total shareholder's equity expanded by 6.4% y/y to N\$550.5m. PNH increased its leverage considerably over the last 12 months, which is evident in the increase in the company's leverage ratio, from 1.4 in FY20 to 1.7 in FY21. This resulted from a 208.2% y/y increase in borrowings to N\$200.0m and a N\$4.1m increase in bank overdrafts.

During FY21, a total of 342km of new fibre ducts were installed in Windhoek's suburbs. Fibre was also rolled out in Kramersdorf in Swakopmund and Meersig in Walvis Bay. Additionally, PNH onboarded their first customers in Grootfontein and made additional expansions in Otjiwarongo. Paratus noted that backhaul capacity between fibre points of presence had to be increased ten-fold to accommodate the growth. The company has completed the acquisition of an erf on which to construct a data centre, and construction has commenced. The project is expected to be completed in 3Q22, at a total cost of N\$123m.

At first glance, Paratus Namibia Holdings recorded robust growth in FY21. A full initiation report including a target price and recommendation will follow pending the release and analysis of the FY21 integrated annual report.

PNH Share Price (c)



Dividends

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

- Last day to trade: 22 Oct 2021
- Record date: 29 Oct 2021
- Payment date: 12 Nov 2021



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