



Paratus Namibia Holdings FY22 Initial Impression October 2022



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Paratus Namibia Holdings

FY22 Initial Impression

Target Price (c)*	1326
Current Price (c)	1299

Year End 30 June	*FY20	FY21	FY22	FY22E	FY23E	Recommendation*	BUY
Revenue (N\$ m)	152	341	397	386	440	NSX Code	PNH
EBITDA (N\$ m)	41	94	110	118	134	Market Cap (N\$ m)	597
Profit after Tax (N\$ m)	20	29	24	37	42	Shares in Issue (m)	48.7
HEPS (c)	50.5	57.9	61.6	77.6	86.7	Free Float (%)	94.3
DPS (c)	10.0	20.0	20.0	25.9	29.0	52-Week High (c)	1300
DY (%)	0.9	1.7	1.6	1.9	2.1	52-Week Low (c)	1200
P/E (x)	19.8	20.1	25.0	17.5	15.6	Expected Total Return*	3.6%
EV/EBITDA	10.9	8.2	7.5	7.1	6.0		

Source: Paratus Namibia Holdings, IJG Securities

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

FY22 Initial Impression

Paratus Namibia Holdings Ltd (PNH) released results for the year ended 30 June 2022 (FY22). Profit after tax decreased by 11.4% y/y or N\$3.3 million to N\$25.7 million. Basic EPS fell by 13.3% y/y to 51.87 cps, while HEPS increased by 6.4% y/y to 61.59 cps. A final dividend of 10 cps was declared, bringing the total dividends for the financial year to 20 cps (FY21: 20 cps).

Paratus Telecommunications (Pty) Ltd Namibia (PTNA), the main operating entity and 100% held by PNH, posted recurring revenue growth of 12.4% y/y or N\$37.7 million to N\$343.0 million. Non-recurring revenue came in at N\$43.0 million, growing by 41.0% y/y, which, according to management, was due to a local area network installation at the new Nedbank building in Windhoek. Total revenue growth for PNH came in at 16.5% y/y to N\$396.6 million. Cost of sales growth of 19.1% y/y, to N\$190.7 million, outpaced revenue growth, translating to a gross profit of N\$205.9 million. Operating expenses rose by 11.7% y/y to N\$148.0 million. Operating profit came in at N\$54.0 million, an increase of 11.8% y/y, resulting in PNH's operating margin coming in slightly lower at 13.6% compared to the 14.2% recorded in FY21. Management attributed this to lower margins realised from the higher non-recurring revenue. EBITDA saw growth of 16.2% y/y to N\$109.7 million, leading to an EBITDA margin of 27.7%, similar to FY21.

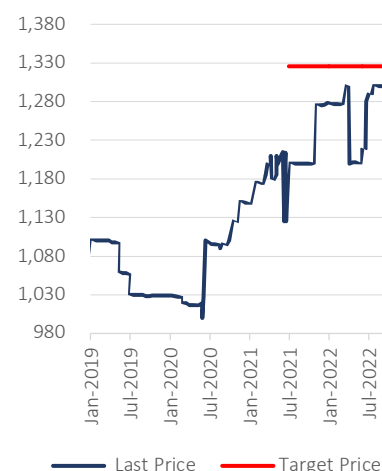
Profit before tax increased by 1.9% y/y to N\$43.0 million in FY22. The effective tax for the year was however higher at 41%, compared to 31% in 2021, which caused the decline in profit after tax. According to management, this was due to a foreign withholding tax credit from FY21 that had to be written off against the income tax expense.

PNH's borrowings (made up of the two bonds issued in FY21) remained steady at N\$200.0 million. Subsequent to the reporting period, the company raised a further N\$130 million through two additional bonds, bringing the total amount outstanding on the bond programme to N\$330 million. The PNJ25 was issued at 3m-JIBAR plus 270bps and matures on 16 September 2025, while the PNJ27 was issued at 3m-JIBAR plus 325bps and matures on 16 September 2027. The funds will be used for a CAPEX programme of N\$280 million. The CAPEX programme includes N\$121.3 million towards fiber rollout, N\$63.6 million towards the LTE network and N\$40.7 million towards the completion of the data centre. A further N\$18.7 million will be used for network infrastructure and N\$8.6 million for the completion of the cable landing standing.

Total assets grew by 8.1% y/y to N\$997.0 million, which was mainly driven by a 57.6% y/y or N\$224.6 million increase in property, plant, and equipment (PPE) to N\$614.1 million. The increase in PPE was attributable to N\$279.8 million of infrastructure investments during FY22. N\$128 million was invested in fiber network, N\$23 million was invested in LTE networks in Windhoek, the coastal towns, and the northern part of Namibia. N\$35.3 million was invested in the cable landing station and N\$110 million in the data centre.

Overall, the results are satisfactory. Pending further analysis of the FY22 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 FY22 results, as will the forecasts in the table at the top of the page.

PNH Share Price vs Target Price (c)



Dividends

PNH declared a final dividend of 10 cents per share.

- Last Day to Trade: 21 October 2022
- Ex-Dividend Date: 24 October 2022
- Record Date: 28 October 2022
- Payment Date: 11 November 2022

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