



# PARATUS NAMIBIA HOLDINGS LTD

## **FY24 Initial Impression**

### October 2024

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# Paratus Namibia Holdings Ltd

FY24 Initial Impression

Current Price (c)

1,268

Year End 30 June	FY20*	FY21	FY22	FY23	FY24	Recommendation	
Revenue (N\$ m)	152	341	405	472	569	NSX Code	PNH
EBITDA (N\$ m)	41	94	123	162	227	Market Cap (N\$ m)	1,254
Profit after tax (N\$ m)	20	29	22	20	26	Shares in Issue (m)	98.9
HEPS (c)	50.5	57.9	53.5	38.5	47.3	Free float (%)	94.3
DPS (c)	10.0	20.0	20	20	15	52-week high	1,274
DY (%)	0.9	1.7	1.55	1.57	1.18	52-week low	1,199
P/E (x)	19.8	20.1	29.5	33.0	26.7		
EV/EBITDA	10.9	8.1	7.2	8.2	9.5		

PNH, IIG Securities

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

## FY24 Initial Impression

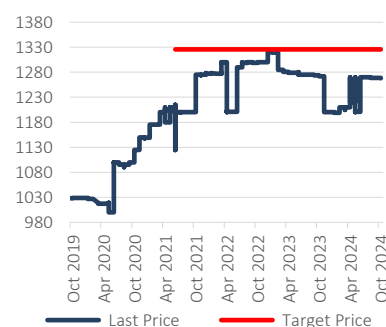
Paratus Namibia Holdings Ltd (PNH) released results for the year ended 30 June 2024 (FY24). Profit after tax grew by 33.7% y/y or N\$6.6 million to N\$26.2 million, mainly attributable to strong revenue growth. HEPS rose by 22.6% y/y to 47.5 cps. PNH declared a final dividend of 5cps, resulting in a total dividend of 15cps for FY24.

**Revenue:** PNH recorded strong revenue growth of 20.6% y/y or N\$97.0 million to N\$568.9 million. This growth is mainly driven by the ongoing fibre, SKY-Fi and LTE networks expansion across Namibia and increased occupation of the Data Center. PNH's 3-year CAGR is at 18.7%, reflecting continuous effort to consistently grow revenue. Additionally, PNH successfully concluded a rights issue, where they raised N\$602.2 million. The capital is ring-fenced for the expansion of PNH's terrestrial network and the roll-out of a business support system.

**Cost of sales and operating expenses:** Cost of sales rose by 22.9% y/y or N\$51.9 million to N\$278.7 million. Cost of sales growth outpaced revenue growth, but the money increment remains lower than the rise witnessed in revenue. Operating expenses outpaced NCPI of 4.6%, by rising 12.5% y/y or N\$20.0 million to N\$180.2 million over the same comparable period. This increase was mainly due to overheads from the network expansion and from the Data Centre. Employee costs rose by 14.8% y/y or N\$13.2 million to N\$102.5 million. An increase in impairment losses on financial assets were the 2<sup>nd</sup> largest contributor to the increase in operating expenses, with impairment losses increasing by N\$1.5 million to N\$2.4 million.

**Operating profit:** Operating profit rose by 34.6% y/y or N\$29.0 million to N\$112.8 million. This growth was primarily driven by rapid revenue expansion and a N\$5.7 million increase in other operating gains, largely due to foreign exchange gains.

## PNH Share Price vs Target Price (c)

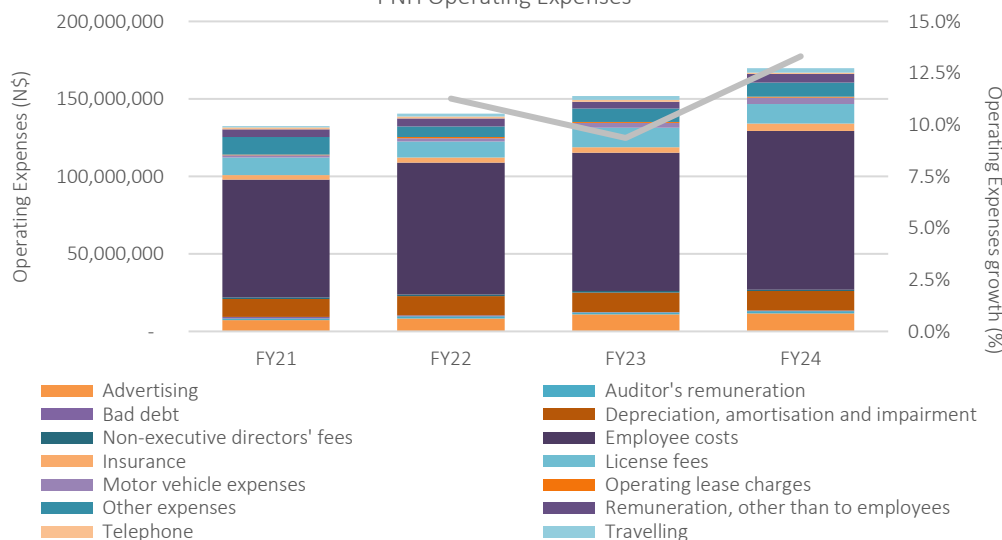


## Dividends

PNH declared a final dividend of 5 cents per share.

- Last Day to Trade: 18 October 2024
- Ex-Dividend Date: 21 October 2024
- Record Date: 25 October 2024
- Payment Date: 08 November 2024

## PNH Operating Expenses



Source: PNH, IIG Securities

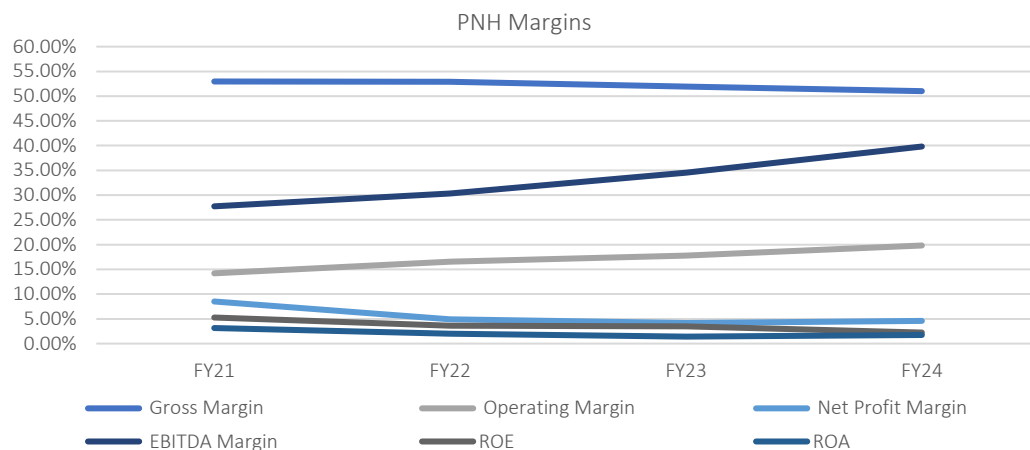


0,0005	4,85%
0,0003	13,04%
0,0001	50,00%
0,0003	14,29%
0,0005	12,50%

EBITDA rose 39.0% y/y to N\$226.5 million, resulting in an EBITDA margin of 39.8% (FY23: 34.5%). According to management the large difference between profit before tax and EBITDA stems from the large depreciation charges recorded on infrastructure deployed.

**Finance costs:** Finance costs rose by 39.1% y/y or N\$20.6 million to N\$73.4 million. This was primarily driven by an N\$8.2 million increase in interest from the indefeasible right of use of the Equiano Subsea Cable, along with an N\$2.1 million rise in costs related to the Equiano spectrum. Additionally, an N\$8.7 million increase in bond interest expenses contributed to the overall rise.

**Margins:** PNH's gross profit margin narrowed to 51.0% (FY23: 51.9%). However, the operating margin increased to 19.8% from 17.7% in FY23. Their net profit margin increased by 40bps to 4.6%, while the return on equity declined to 2.2% (FY23: 3.5%) and return on assets contracted by 10bps to 1.3%.



Source: PNH, IIG Securities

**Borrowings:** As mentioned in our review of the 1H24 results, N\$175.0 million was transferred from non-current borrowings to current borrowings, as the PNJ24 floating rate note matured in June 2024. The PNJ29 floating rate note was issued on 18 June 2024, with a nominal value of N\$175.0 million and optional redemption on 18 June 2027. Non-currents borrowings amount to N\$330.0 million.

**Assets:** Total assets rose by 31.3% y/y or N\$695.1 million to N\$2.09 billion, attributed to the rights issue raise of N\$586.4 million that was invested in a money market fund. The amount was disclosed under investments at fair value. When ignoring this amount, total assets grew by around 7.8% y/y or N\$108.7 million, attributed to a N\$99.4 million increase in property, plant and equipment (ppe). The increase in ppe is mainly driven by PNH's terrestrial network expansion plan, which is expected to go live at the end of next year.

**Board Changes:** Mr MR Mostert was not available for re-election and retired from the board. Mr I van der Merwe, who held numerous senior executive positions in the telecommunications sector, was appointed as a non-executive director with effect from 17 September 2024.

PNH is well-positioned for continued growth, driven by its ongoing fibre and network expansions and increasing Data Centre utilisation. Strong revenue growth and rising EBITDA margins highlight the effectiveness of its strategic investments. However, increasing finance costs and narrowing profit margins may challenge short-term profitability. Overall, with a robust capital raise and expansion plans in place, PNH remains poised for long-term success in Namibia's evolving telecommunication landscape.

Our target price, forecasts and recommendation will be updated with the full review of the FY24 results.

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