12November2014

Trustco Group Holdings

1H15 Results – Initial impression

Target Price (c)	260
Current Price (c)	295

Year End 31 March	2012	2013	2014	F2015
Revenue (N$m)	713.3	595.2	843.6	851.6
Profit/ (Loss) (N$m)	206.7	39.4	252.7	211.2
HEPS (c)	20.27	4.65	18.80	20.0
P/E (x)	14.55	63.44	15.69	14.26
DPS (c)	3.75	4.15	2.00	2.00
ROE (%)	15.8	2.3	13.6	3.3

Source: ORY, IJG-

Recommendation	BUY
NSX Code	TUC
Market Cap (N$m)	2,162
Shares in Issue (m)	772
Free float (%)	39
P/E (x)	10.0
DY (%)	0.75

1H15 Results

Trustco (TUC) released results for the first half of FY15 ended 30 September 2014. The interim results reflect a strong operational performance with profitfor the period up 97.8% y/y. Basic EPS and HEPS rose 115.1% y/y to 18.48c and 18.35c, respectively. The board declared aninterim dividend of 2.75cps, after no interim dividends was declared in 1H13.

Operational and Segmental Highlights

Truscto previously operated under four segments, Insurance, Education, Finance and Properties, however, after acquiring Fides Bank, the company spilt into two divisions, namely Banking, which include capital loans and student loans; and Insurance.

Banking

After the acquisition of Fides the banking operations now run a portfolio of lending assets and depositsacross five branches in Namibia. Trustco managed to increase revenue for the banking division by 30.3% to N$62.1m in 1H15, while net profit after tax is up 73.4% to N$34.0m. Gross advances grew by 46% from the comparative interim period of 2013, predominantly dueto the increased demand for student loans, but also coupled with an increase insecured lending.

Insurance

Total insurance revenue increased 41.6% to N$393.7m and net profit was up a substantial 108.3% to N$94.6m.This division benefited from substantial gains in its investment portfolio. N$15.4m of fair value gains was augmented with realised gains of N$258.0m.

Investment portfolio

Net profit after tax from the investment portfolio increased 456.4% to N$86.0m which was to a large extent on account of the fair value gains as mentioned earlier. Thenet profit after tax from the investment portfolio made up more than 90% of total insurance revenue.

Namibia Insurance

The local insurance division delivered disappointing results as management decided not to increase insurance premiums for FY15 to remain competitive in the Namibian market. Net profit from the local insurance operations decreased 26.5% to N$48.2m from N$65.6m in 1H14.

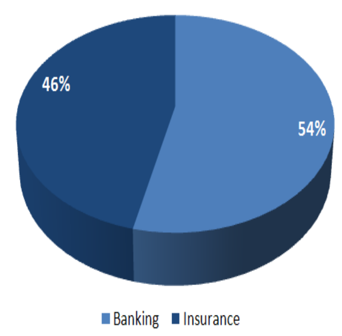
Africa

Performance from the rest ofthe African operations remained a drag on revenuegrowth. The African leg of the insurance division delivered inferior results, with revenue down 63.5% to N$9.2m, and the loss after tax increasing further to N$39.6m. The decline in insurance premiums is predominantly due to the termination of the legacy business in South Africa which operated a high premiumsreceipting base, but very low margins in FY14

Valuation

We are currently reviewing our Trustco valuation model and will update our forecasts and target price accordingly.

Revenue contribution



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