IJG
Securities (Pty) Ltd.
Member of the NSX

TRUSTCO GROUP HOLDINGS LIMITED

FY15 Initial Impression

JUNE 2015

Trustco Group Holdings

FY15 Initial Impression

Target Price (c)	260
Current Price (c)	450

Year End 31March	2012	2013	2014	2015	F2016
Revenue (N$m)	713.3	595.2	843.6	1,017	1,030
Profit/ (Loss) (N$m)	206.7	39.4	252.7	303.2	427.7
HEPS (c)	20.27	4.65	18.80	39.6	22.75
P/E (x)	14.88	83.18	13.40	10.32	6.78
DPS (c)	3.75	4.15	2.00	5.75	2.00
ROE (%)	15.8	2.3	13.6	15.8	3.3

Recommendation	BUY
NSX Code	TUC
Market Cap (N$m)	3,475
Shares in Issue (m)	772
Free float (%)	39
P/E (x)	10.0
DY (%)	1.3

Source: BVN, IJG

FY15 Results

Trustco (TUC) released results for the year ended 31 March 2015. The interim results reflect a strong operational performance with profitfor the period up 20% y/y, which is combination of an increase in revenue together with profit margins opening up. Basic EPS rose 30% y/y to 43.6c and HEPS increased 111% y/y to 39.6c. The board declared afinal dividend of 4cps, taking the total dividendsfor FY15 to 7.00c per share, up from 4.75c paid in FY14.

Operational and Segmental Highlights

Trustco's current operations are broadly categorised in four main segments, namely: insurance & investments, banking & finance, resources and emerging markets.

Banking& Finance

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 59.3% to N$173.1m in FY15, while net profit after tax is up 11.7% to N$52.5m. Total advances stood at N$806.9m by the end of FY15, up 15.3% from the previous year, predominantly dueto the increased demand for student loans, but also an increase insecured lending.

Insurance& Investments

Total revenue from this category increased 19.9% to N$828.8m,while profit for year was uponly 4.0%, to N$354.1m.This division benefited from substantial gains in its investment portfolio. During the year the group acquired investment property at a cost of N$13.3m. The property portfolio as a whole saw a revaluation gain ofN$103.2m.

Emerging Markets

Performance from the rest ofthe African operations remained a drag on revenuegrowth, with revenue in this category down 65.4% to N$15.2m. However, the loss after tax decreased to N$103.4m from N$134.9m last year. The South African insurance business closed branches marketing a free term life product linked to cellphone spending and certain insurance products during the financial year under review, in order to realign the products towards more technology-based solutions. According to the annual report, the closure of the branches has had the effect of a substantial reduction in costs and a minimal reduction in sales, resulting in South African operations reaching a cash break-even point on a month-to-month basis.

Resources

Trustco has entered into an option agreement with Quinton van Rooyen, which gives Trustco the option to buy Huso Investments. Huso is the holding company of Northern Namibian Development Company (Pty) Ltd, a diamond mining and exploration entity in Namibia, and Morse investments (Pty) Ltd, a licensed diamond processing and polishing factory in Namibia. Huso is owned by the van Rooyen family who are also the majority shareholders of Trustco.

It appears that the option agreement provides minority shareholders of Trustco with the opportunity to decide whether or not to proceed with the proposed transaction. The exercise of the option by the Company is subject to the conclusion of a share purchase agreement between the parties and Trusco obtaining sufficient irrevocable undertakings to vote in favour of the transaction from remaining shareholders of Trustco. The share purchase agreement will be announced on SENS on or about 14 July 2015.

Valuation

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

TUCShare Price

Dividends

Notice is hereby given that afinal dividend of 4 cents per ordinary share was declared on 26 June 2015 for the year ended 31 March 2015.

- Last day to trade cum dividend: 24 July 2015
- First day to trade ex-dividend: 27July 2015
- Payment date: 21August 2015

Analyst

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