



SBN HOLDINGS LIMITED
FY20 Initial Impression
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Standard Bank Namibia Holdings					Target Price (c)	649
FY20 Initial Impression					Current Price (c)	798
Year End 30 June	FY20A	FY21E	FY22E	FY23E	Recommendation	SELL
Net interest income (N\$m)	1,174	1,222	1,269	1,331	NSX Code	SNO
Non-interest income (N\$m)	1,193	1,230	1,284	1,347	Market Cap (N\$m)	4,169
Profit (N\$m)	421	414	410	430	Shares in Issue (m)	522
HEPS (c)	81	79	78	82	Free float (%)	15.0
DPS (c)	35	33	33	35	52 week high	845
DY (%)	4.4	4.2	4.1	4.3	52 week low	669
P/E (x)	9.9	10.1	10.2	9.7	Expected Total Return (%)	-14.8
P/BV (x)	1.0	1.0	1.0	1.0		

Source: SNO, IJG, Bloomberg

Standard Bank Namibia Holdings Limited released their results for the financial year ended 31 December 2020. Profit after tax declined by 31.3% y/y to N\$421.2 million while HEPS declined by 33.6% y/y to 81 cps. ROE dropped from 17.3% to 10.2%. The results should be viewed in the context of the COVID-19 pandemic, the resultant lockdowns and the radical reduction in interest rates. However, the company's results were below IJG's expectations, largely due to top line missing our estimates. A final dividend of 14cps was declared, bringing the full year dividends to 35cps.

(N\$'000)	FY20	FY19	Δ%
Net interest income	1,174,462	1,332,543	(11.9%)
Non-interest revenue	1,192,672	1,262,756	(5.6%)
Total income	2,367,134	2,595,299	(8.8%)
Credit impairment charges	(253,910)	(239,165)	6.2%
Income after credit impairments	2,113,224	2,356,134	(10.3%)
Operating expenses	(1,503,291)	(1,488,037)	1.0%
Net income	609,933	868,097	(29.7%)
Share of profit from investment	(1,604)	3,929	(140.8%)
Profit before taxation	608,329	872,026	(30.2%)
Taxation	(187,144)	(258,528)	(27.6%)
Profit after taxation	421,185	613,498	(31.3%)

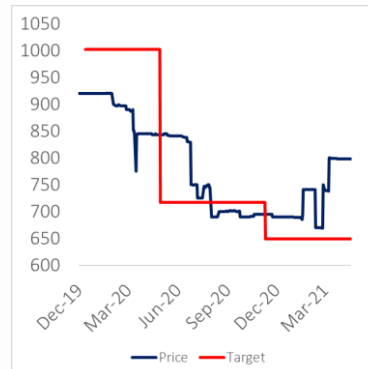
Source: SNO

The group's total assets declined by 6.1% y/y as loans and advances to customers declined by 3.2% y/y to N\$22.07 billion, while placements at other banks declined by 21.2% y/y to N\$2.23 billion. As has been the trend trading assets and financial investments continue to grow and increased by 5.9% y/y to N\$5.20 billion. Deposits declined by 5.2% y/y to N\$24.21 billion and, according to the results presentation, the group was able to grow retail funding while decreasing reliance on the more expensive NCD funding. This allowed the groups to decrease their interest expense by 30.9% y/y, although the large fall in interest income (due to sharp decline in administered interest rates) resulted in net interest income declining by 11.9% y/y.

Impairments increased by 6.2% from N\$239.2 million in 2019 to N\$253.9 million in 2020. According to the management presentation, this is an increase of 48.9% y/y or N\$83 million when normalised for the impairment of one large client in FY19. The bank's non-performing book currently stands at 7.8% (5.3% excluding the large client).

Non-interest revenue declined by 5.6% y/y largely due to lower business and consumer spending during and following the lockdown. According to the financial statements, the group's focus on digital platforms paid off in 2020 as PayPulse's transactional volumes increased by 123% year-on-year whilst transactional values increased by 222% year-on-year during 2020.

Share vs Target Price



Dividends

An ordinary dividend of 14 cents per share has been declared

Last day to trade: 16 April 2021

Ex-Date: 19 April 2021

Record date: 23 April 2021

Payment date: 7 May 2021





0,0005	4,85%
0,0003	13,04%
3,001	50,00%
0,0003	14,29%
0,0005	12,50%

Operating expenses were well contained, growing by only 1.0% y/y. According to the statements, staff costs decreased by 7.3% y/y on account of good resource planning and natural attrition. On the other hand, IT costs remained a major cost driver due to the continued investment in technological capabilities. Due to the drop in income, the cost to income ratio increased from 57.3% to 63.5%.

The share price has rebounded sharply from its low of 669 cps in February to the current 798 cps. Based on IJG's December target price of 649 cps, a total return of -14.8% is expected over the next 12 months. Seeing as the macroeconomic environment remains difficult and very uncertain, risk remains to the downside. Seeing as we see little value in the counter at the current share price, we maintain our **SELL** recommendation on SBN Holdings pending management consultations and the release of our full report in which our forecasts and target price will be revised.



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