

Letshego Holdings (LETSHEGO BG) Trading update (Maintain BUY, FV BWP 2.30) (25-Feb-11)

Dear Reader,

**Letshego Holdings (Letshego)** this past Thursday issued a trading update indicating that FY11 (31-Jan-11) profit before tax is expected to be over 35% higher than in the corresponding year. The update further states that the FY11 results will be published in mid-April. In another announcement, management has indicated that it will seek shareholder approval for a non-elective scrip dividend of BWP 250m, which translates to a dividend per share of BWP 0.136. Shareholders registered in the books of the company as at 17 March 2011 will be entitled to participate in the scrip dividend.

The trading update is in line with our FY11 profit before tax forecast of BWP 633m, which represents growth of 37%. However this translates to a diluted EPS growth of only 17% y/y to BWP 0.24 in our forecasts (assuming full conversion of convertible notes).

We believe the growth would have been driven by strong growth and higher contribution from the company's regional subsidiaries, particularly Namibia which had a good run in 1H11 reporting loan growth of 143% y/y (+59.9% h/h). Botswana too would have reported strong growth, albeit on reduced margins owing to pressure from competition and a lower interest rate environment. Further, the resumption of lending operations in Swaziland and positive contribution from Uganda, which has now started to operate profitably, will also have made some positive contribution to group performance, albeit only marginally.

Letshego currently trades on a 27% and 51% discount to our historic sector weighted PE and PB of 12.1x and 5.0x respectively. We maintain our **BUY** recommendation on the counter with a fair value of BWP 2.30, 24.6% higher than the current price of BWP 1.85.

Please do not hesitate to contact us should you have any queries or comments.

Kind regards,

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