

AT FIRST GLANCE - LETSHEGO HOLDINGS NAMIBIA FY17 RESULTS

LHN reported their first annual financial statements since listing on the Namibian Stock Exchange. Performance is ahead of PSG expectations as interest income surprised to the upside, and operational costs were contained better than forecasted. Non-performing loans were well managed whilst the Group managed to grow advances at 14.0% in a challenging economic environment.

Q: How did the results compare vs expectations?

LHN's FY17 results generally beat our expectations. ROE came in higher than expected at 23.0% compared to a 19.4% forecast. HEPS of 71.1cps was higher than our forecast of 67.7cps. Profit before tax grew by 20.5% compared to PSG forecast of 11.4% growth.

Q: What were the most noteworthy areas in the results?

LHN managed to grow advances by 14%, in line with PSG's forecast, in a year when PSCE growth was a mere 5.2% at December 2017. Net interest income grew by 30.6% compared to PSG forecast of 15.0%, and 24% in FY16. The cost-to-income ratio increased only slightly to 24% (PSG forecast of 28%) from 23% the previous year. The first annual dividend was paid of 19.2cps compared to our forecast of 23.0cps.

The Group saw an impairment release of NAD9.5m (charge of NAD8.2m forecasted), owing to the high collection and recovery rates. This is down from NAD22.1m impairment charge recorded in FY16. The non-performing loan ratio decreased from 4.4% in FY16 to 3.9% in FY17 versus our forecast of 4.2%.

Q: Has the company's outlook/guidance changed?

Management acknowledge the depressed economic climate over the past year, but feel that current indications point toward modest economic growth for 2018 on the back of mining and agriculture recovery. There are no further changes to the outlook.

Q: How would we expect investors to react?

Investors may be pleased by LHN's results outpacing forecasts and satisfied with the first dividend declared of 19.2cps. Our target price and recommendation will be updated in our full results review report which will be issued in due course.

Equities

Namibia	
Banks	

Price (N\$ cps) 398

NSX: LHN

Current data and key metrics

52 - wk price range	380 - 405
Market Cap (N\$m)	1 990
Shares outstanding (m)	500
Free Float	22%
P/BVx	1.1
Historical PEx (12 m rolling)	5.2
Common share equity (N\$m)	1 577
BVPS (N\$ cps)	358
Tier 1 ratio	68.6%

Table 1: Full Year results and forecasts FY2017 - FY2019

Highlights (N\$000)	FY15	FY16	FY17 Actuals	FY17E	FY18E	FY19E
Net Interest Income	285 896 085	353 547 543	461 713 000	406 631 051	470 903 170	562 232 819
Growth	40.1%	23.7%	30.6%	15.0%	15.8%	19.4%
Non-interest Income	195 578 407	232 212 748	208 835 000	267 094 487	323 184 329	387 821 195
Growth	43.6%	18.73%	-10.1%	15.0%	21.0%	20.0%
Profit before tax	368 032 263	429 554 048	517 416 000	478 376 099	546 246 326	632 810 612
Growth	43.0%	16.7%	20.5%	11.4%	14.2%	15.9%
Att. Earnings	272 072 361	329 952 482	385 257 000	338 649 032	386 384 652	449 295 535
Growth	23.8%	21.3%	16.8%	2.6%	14.1%	16.3%
HEPS (N\$ cnt)	54.4	66.0	71.7	67.7	77.3	89.9
Growth	23.8%	21.3%	8.7%	2.6%	14.1%	16.3%
DPS (N\$ cnt)	-	-	19.2	23.0	20.0	22.5
Growth	0.0%	0.0%	-	-	-13.0%	12.3%
P/BVx	-	1.5	1.1	1.3	1.2	1.0

Source: PSG, Company data, IEA = Interest Earning Assets

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Member of the Namibian Stock Exchange

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