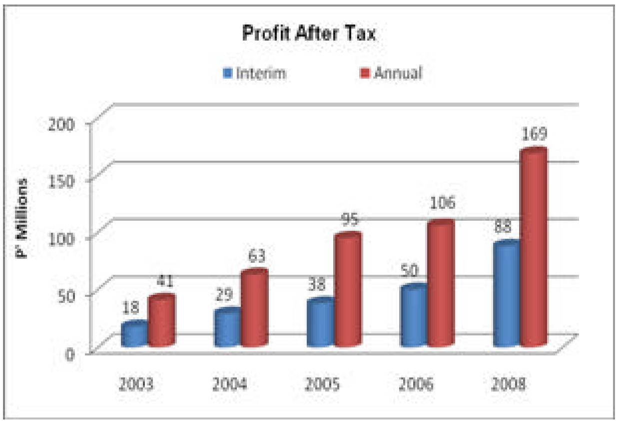
motswedisecurities (pty) ltd
A member of the Botswana Stock Exchange
Tel: +267 318 8627 *Dealing +267 318 8622*
Fax +267 318 8629 *E-mail- motswedi@motswedi.co.bw*

LETSHEGO RESULTS FOR THE PERIOD ENDED 31 JANUARY 2008

06 May 2008

Introduction

Letshego changed its financial year end to 31 January and therefore the results are for the fifteen month period ended 31 January 2008. The results for Letshego have shown yet another exceptional performance for the group, thanks to a solid book growth. The group profit before tax stood at P217.4 million for the fifteen month period. Africa subsidiaries contributed P16.5 million (2006:P2.2 million) to the group profitability. The group loan book increased by 83% to P787.9 million on the back of a 31% growth in interest income from loans and advances to customers.



The cost to income ratio increased from 23% to 26% and is slightly above the groups target range of between 20% to 25%. The increase in costs has been attributed to increases in staff complement and further investment in branch network infrastructure. On the balance sheet, total assets grew by 82% to P811.9 million on the back of increases in advances to customers. The table shows Letshego key financials

Letshego Key Financials

	12 months ended 31 Oct 05	12 months ended 31 Oct 06	15 months ended 31 Jan 08
Net interest income (m)	128	158	244
EPS (thebe)	63	71.1	111.8
P/E Ratio (x)	15.0	13.4	13.1
Dividend Per Share (thebe)	16	18.1	28.0
Dividend Yield (%)	1.4	1.6	1.4
Cost/ Income Ratio (%)	18	23.1	25.8

Operations-Botswana

Botswana operations continue to be the major contributor to revenue and profitability with the loan book exceeding P600 million as a result of the good brand name Letshego has managed to create. Letshego Guard continues to grow and contribute towards the overall group profitability and currently has 43 000 active policy holders from 35 000 as at 31 October 2006. Letshego Guard has established permanent legal representations in Francistown and Maun to further improve service delivery and turnaround time. This is a positive move as it enables the group to tap into new markets.

African Operations

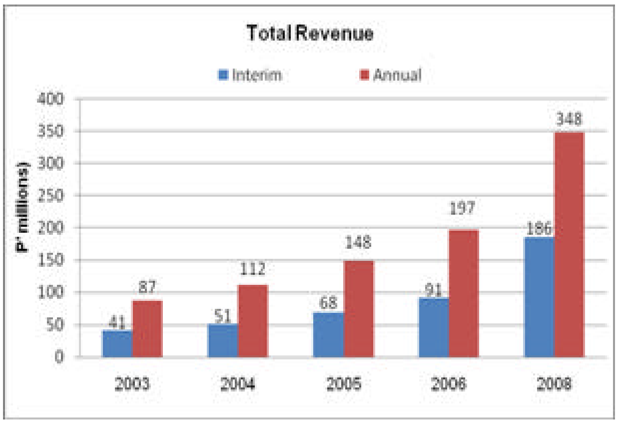
The group continued to make significant progress in its African Expansion program, with subsidiaries in Swaziland, Tanzania and Uganda now fully operational. Zambia subsidiary commenced operations during October 2007 and the group has recently opened another branch in Mozambique. These subsidiaries have a staff complement of 127 as compared to 59 in 2006 and branch infrastructure has increased from 8 to 15 branches.

Geographical Segments

Botswana operations continue to contribute significantly towards the group profits, contributing P201 million, followed by Swaziland, P17.8 million and Tanzania P1.5 million. Uganda and Zambia operations however, made some losses of P230 000 and P2.6 million respectively and are expected to start contributing positively towards the groups earnings.

Income statement

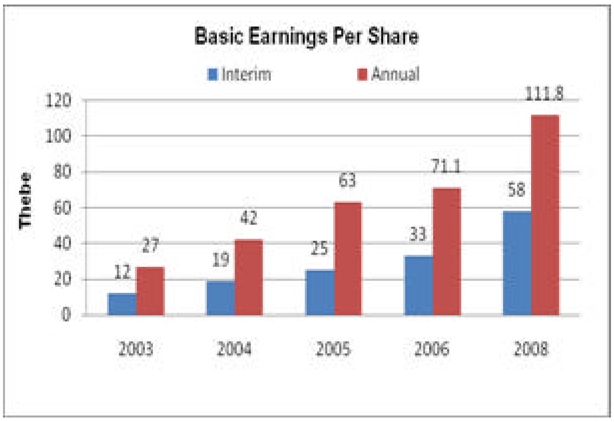
Total income for the 15 months period ended 2008 rose to P278.3 million from P170.3 million during the 12 months period ended 31 October 2006. Interest expense stood at P34.4 million, while net interest income came in at P243.8 million. Fee and commission income stood at P64.7 million, while other operating income came in at P5.6 million resulting in total operating income of P314.3 million. Total operating expenses rose to P81.2 million from an annualised P42.6 million in 2006 on the back of increases in staff costs and other operating costs.



Staff costs alone rose by 68% to P44 million and this contributed to the rise in the cost to income ratio to 25.8%. Impairment of loans and advances to customers came in at P15.6 million and this translates to 1.5% of gross advances. The rise in impairment expenses has been attributed to the move to longer term and higher value loans. The impairment costs are however, still within target levels and rank favourably in comparison to industry benchmarks. Profit after tax stood at P168.9 million.

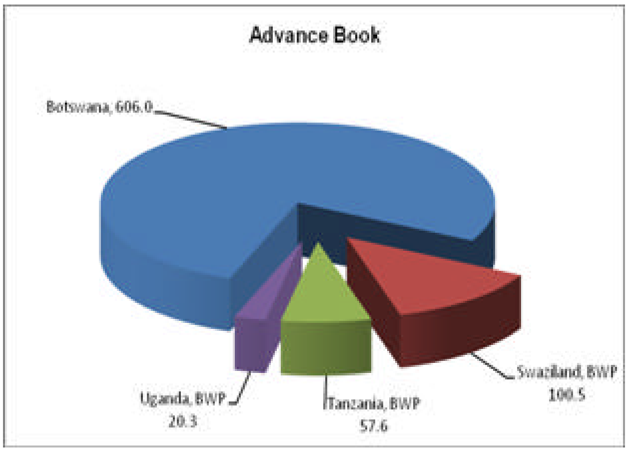
Subsidiaries Profit / (loss)

Subsidiary	Profit / (Loss) before Tax (P'000)
Botswana	200.978
Swaziland	17.811
Tanzania	1.526
Uganda	(230)
Zambia	(2.643)



Balance sheet

Total assets grew by 82% to P811.9 million (2006:P444.9 million) on the back of increases in advances to customers and growth in cash and cash equivalents. Borrowings increased by 213% to P306.7 million (2006:P97.9 million) mainly from the growth in the advances book, resulting in the debt to equity ratio increasing from 30% as at 31 October 2006 to 67% at 31 January 2008.



The group Basic Earnings per Share (EPS) rose to 111.8 thebe during the 15 months period from 71.1 thebe during the 12 months ended October 2006.

The group managed to secure two long term loan facilities with International Finance Corporation (IFC) for US$20 million and the Netherlands Finance Development Company (FMO) for US$7.5 million. Both of these organisations are shareholders in the group. The long term funding allows the group to more appropriately match the maturity profile of assets and liabilities. Both of these facilities are drawn down and fixed in local currency, thus the group does not have any exposure to US foreign exchange risk.

Meanwhile, a final gross dividend of 14 thebe was declared and will be payable on or about the 16th of May 2008 to those shareholders registered at the close of business on the 9th of May 2008.

Outlook

Letshego continues to perform to expectations and is consolidating its position as the market leader in consumer lending. Letshego has established relationships with government officials, trade unions and participating employers and this will further consolidate the groups earnings base. We expect the increase in civil service salaries and related allowances to generate further demand for Letshego products. The group has taken steps to reach and provide quality customer service through the establishment of new sales channels via experienced direct sales agents and tele sales facilities. The group is also taking steps to enter into agreements with players in the mining sector to offer their products. The group also intends to expand their product offering from selected employee groups from the traditional payroll sourced loan repayments model to all formally employed individuals.

The group is actively pursuing further expansion opportunities in other African territories such as Namibia, Angola, Malawi and Ghana. We believe the group expansion programs will go a long way in increasing Letshego market share and revenue. There is need however, for the group to revamp Zambia and Uganda subsidiaries so that they make a positive contribution towards the groups earnings.

The group however, faces some intense competition from other lending institutions but we believe the group is well positioned to perform better than its competitors. The continued rise in inflation will likely reduce the demand for Letshego loan products as borrowing costs will likely rise to keep pace with rising inflation. The group also needs to check on the cost to income ratio so that it remains within the group's target range of between 20% to 25%. There is need for the group to keep a check on impairment cost by strengthening credit assessment procedures to ensure stricter management of the groups credit exposure.

On a year on year basis, Letshego is up by 1% and the stock currently trades on a rolling PER of 13.1x and offers a rolling net dividend yield of 21.3%. Our intrinsic valuations derive values of P15.90 using the **Discounted Cash Flow** (DCF) valuation. As a result, the counter is currently trading at a discount of around 8%. Our intrinsic valuations give a sufficient range to underpin our target fair value of P15.90 and at the current trading price, we believe the counter is undervalued and accordingly our recommendation is **ACCUMULATE.**

RESEARCH SECTION

Garry Juma

Motswedi Securities (PTY) LTD

Plot 113, Unit 30, Kgale Mews Gaborone

P/Bag 00223,Gaborone, Botswana
Tel: +267 318 8627
Fax: +267 318 8629
Dealing: +267 318 8622
Email: garry@motswedi.co.bw