Bidvest Namibia
FY15 Initial Impression

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</thead>
<tbody>
<tr>
<td>Revenue (N$mm)</td>
<td>2,702</td>
<td>3,355</td>
<td>3,703</td>
<td>3,535</td>
<td>3,833</td>
</tr>
<tr>
<td>EBITDA (N$mm)</td>
<td>647</td>
<td>601</td>
<td>501</td>
<td>415</td>
<td>463</td>
</tr>
<tr>
<td>Net profit (N$mm)</td>
<td>461</td>
<td>427</td>
<td>343</td>
<td>412</td>
<td>331</td>
</tr>
<tr>
<td>HEPS (c)</td>
<td>140.3</td>
<td>129.5</td>
<td>116.0</td>
<td>103.2</td>
<td>118.3</td>
</tr>
<tr>
<td>HEPS growth (%)</td>
<td>16.9</td>
<td>-7.7</td>
<td>-10.4</td>
<td>-11.0</td>
<td>8.9</td>
</tr>
<tr>
<td>DPS (c)</td>
<td>63.0</td>
<td>69.0</td>
<td>63.0</td>
<td>56.0</td>
<td>65.0</td>
</tr>
<tr>
<td>P/E (x)</td>
<td>7.35</td>
<td>8.09</td>
<td>9.05</td>
<td>7.68</td>
<td>8.87</td>
</tr>
<tr>
<td>DY (%)</td>
<td>6.0</td>
<td>6.6</td>
<td>6.0</td>
<td>5.3</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: BVN, IJG
*Based on current share price

FY15 Initial Impression

BVN released disappointing results for the 2015 financial year. As we expected, the firm’s results reflect the difficulties the fishing division finds itself in. EPS increased 17.8% to 136.5c, while HEPS fell 11.0% to 103.2c. At N$3,535 billion, revenue is down 4.6% from last year, however, trading profit shrunk 17.1% to N$415.6 million. A final cash dividend of 34cps was declared, taking the total dividend to 56cps for the year, thus the company cut dividends by 11.1% when compared to FY14.

The reason for the difference between the increase in EPS and the decline in HEPS is due to the capital profit realised on the sale of a fishing vessel. Net capital items totaled N$102.2 million, making up 24% of the bottom line. The decline in HEPS results primarily from the significantly lower horse mackerel quota allocation received by Namsov and its joint venture partners in the second half of the 2014 calendar year.

From a segmental perspective, revenues and trading profit decreased across the board, with the exception of Commercial and Industrial Products and Services, which showed some growth. BVN managed to contain cost of sales, which declined 1.7% while operating expenses increased by 3.4% to N$517.9 million, from the N$500.9 million reported for FY14. The main cost increase came from quota rentals, which BVN had to pay up for in order to counter the impact of their lower direct quota allocation.

Trading profit shrunk by 17.1% or N$85.7m to total N$415.6 million. As usual, the fishing division supplied the largest chunk of trading profit, coming in at N$345.5m or 83.1%. This figure is 15.1% lower than the N$407.1m seen in FY14, as the division’s individual revenue decreased by 9.4% y/y. The decline in revenue was primarily due to horse mackerel quota shortages following a smaller allocation of the 2014 quota reserve and the higher quota rental fees also resulted in the depressed margins. The fishing operations FY15 trading profit margin fell to 22.9% from 24.5% reported in FY14. Price regulations in the Democratic Republic of Congo and a general oversupply in the company’s traditional markets following importation restrictions implemented in Nigeria, led to an average lower realised selling price in US$ for horse mackerel. The weaker Namibian Dollar offset the lower volumes on revenue, but also had a significant impact on costs.

Food and Distribution had disappointing results on the back of poor performance from Taeuber&Corssen (T&C). Trading profit declined by 61.1% to N$ 9.6 million and contributed 0.8% of total trading profit, down from 2.0%. Management indicated that the T&C business declined as Namib Poultry Industries terminated the distribution agreement with T&C in September, which is currently being challenged legally.

Commercial and Industrial Products and Services performed well showing a 21.1% increase in trading profit. Steiner more than doubled its revenue and had a positive influence on the divisional result, while Freight and Logistics performed worse than expected showing a 18.5% decrease in trading profit, largely due to lower oil and gas project activity.

Valuation and recommendation
We are currently reviewing our BVN valuation model; and as such have left our forecasts and target price unchanged and retain our SELL recommendation. We will release a detailed report following management discussions.

<table>
<thead>
<tr>
<th>Segmental Trading Profit Margin FY14</th>
<th>FY15</th>
<th>Margin</th>
<th>Margin</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fishing</td>
<td>407,061</td>
<td>24.5%</td>
<td>345,472</td>
<td>22.9%</td>
</tr>
<tr>
<td>Freight and Logistics</td>
<td>43,985</td>
<td>11.2%</td>
<td>35,845</td>
<td>9.7%</td>
</tr>
<tr>
<td>Food and Distribution</td>
<td>24,580</td>
<td>2.0%</td>
<td>9,555</td>
<td>0.8%</td>
</tr>
<tr>
<td>Industrial and Commercial Products</td>
<td>23,441</td>
<td>5.7%</td>
<td>28,370</td>
<td>6.3%</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>2,247</td>
<td>14.0%</td>
<td>(3,631)</td>
<td>-26.6%</td>
</tr>
<tr>
<td></td>
<td>501,314</td>
<td>13.5%</td>
<td>415,611</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

Dividends
Notice is hereby given that a final dividend of 34 cents per ordinary share was declared for the period ended 30 June 2015.

- Last day to trade cum dividend: 4 September 2015
- First day to trade ex-dividend: 7 September 2015
- Record date: 11 September 2015
- Payment date: 25 September 2015

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