



14 September 2010

Trustco Group Holdings

2010 Results Presentation

Target Price (c) 85

Current Price (c) 70

Year End 30 June	2009A	2010A	**F2011	**F2012	Recommendation	BUY
Revenues (N\$m)	484.5	550.4	561.9	627.8	NSX Code	TUC
Profit/ (Loss) (N\$m)	93.38	137.54	31.36	49.65	Market Cap (N\$m)	495
HEPS	10.81	12.60	4.63	7.33	Shares in Issue (m)	707.1
P/E (x)	5.1	3.4	15.1	9.5	Free float (%)	30
DPS (c)	1.0	2.0	1.0	1.5	P/E (x)*	15.12
ROE (%) adjusted	14%	12%	6%	9%	P/B (x)*	0.9
ROA (%) adjusted	5.93%	5.58%	3.07%	4.36%	DY (%)*	1.4

*1yr forward

**Based on adjusted earnings

Source: BVN, IJG

Strategic Focus

Trustco Group Holdings (Trustco) held its 2010 results presentation today which mainly focused on its strategy going forward. It reiterated its 5/5 Strategic Initiative which involves growing market capitalization to N\$5bn and a target P/E of 10x by 2014. We are excited about the possibility of growth outside Southern Africa going forward but we remain cautious about the time frame and the probability of Trustco achieving its goals. Trustco highlighted its growth strategy for each segment which we have highlighted below:

Trustco Mobile

It intends to roll out the Trustco Mobile model into seven African countries which will include Lesotho, Botswana, Zimbabwe, Zambia, Burundi, Kenya and Ghana. It forecasts its client base to grow to 20m people and this segment is expected to contribute 35% to the 5/5 Strategic Initiative. Trustco is currently finalizing an agreement and will announce the first country that Trustco Mobile will be rolled out into next week. It also said that they will earn US\$1 per subscriber per month. Management said that it costs approximately N\$5m per country to setup Trustco Mobile.

Micro Finance and Education

It intends expanding student loans to other educational institutions and forecasts its loan book growing to N\$500m (N\$180m currently) by 2014 and the number of students to 50,000 (22,000 currently). This segment is expected to contribute 25% to the 5/5 Strategic Initiative. Management highlighted that Trustco Mobile's success in Africa could pave the way for this segment to enter the African market.

Trustco Financial Services

Trustco would like to expand the number of brokers which currently stands at 750; it however did not state a target figure. This segment is expected to contribute 10% to the 5/5 Strategic Initiative.

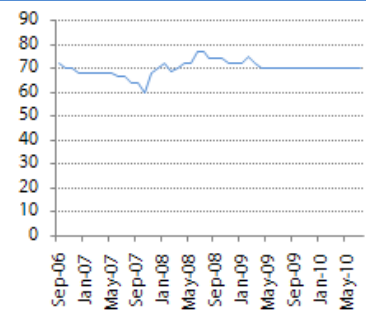
Private Equity

Trustco refers to its property, development and media business as private equity. This segment is expected to contribute 30% to the 5/5 Strategic Initiative. This we think is a bite too aggressive considering that it only contributes N\$25m to revenue whereas Trustco Financial Services contributes N\$291m to revenue and it is expected to contribute only 10% to the 5/5 Strategic Initiative. The Informante is going to be a paid for newspaper and Trustco will provide mortgage financing for it Lafrenz development.

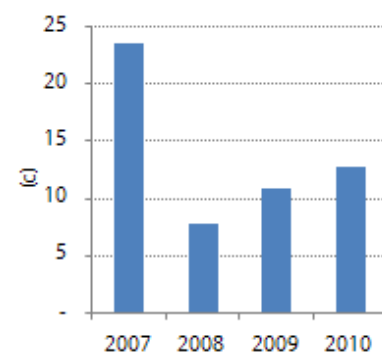
Valuation

We value TUC using a Free Cash Flow to Firms (FCFF) methodology, using a WACC of 14.2%. This yields a target price of 85c, which is 21.7% higher than the current share price of 70c on the NSX. We therefore maintain our **Buy** recommendation.

Share Price (c)



HEPS (c)



Analyst

Stuart Main
+264 61 383 513
stuart@ijg.net



Stockbroking | Research | Equity & Fixed Income Dealing | Money Market | Advisory

Managing Director

Mark Spath
Tel: +264 (61) 383 510
mark@ijg.net

Sales and Research

Heike Smith
Tel: +264 (61) 383 512
heike@ijg.net

Stuart Main
Tel: +264 (61) 383 513
stuart@ijg.net

Money Market

Erentia Tromp
Tel: +264 (61) 383 516
erentia@ijg.net

Ingashipwa Njambali
Tel: +264 (61) 383 511
inga@ijg.net

Financial Manager

Jeremy George
Tel: +264 (61) 383 517
jeremy@ijg.net

Equity & Fixed Income Dealing

Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Leon Maloney
Tel: +264 (61) 383 515
leon@ijg.net

Settlements & Administration

Edith Knoetze
Edith@ijg.net



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100 Robert Mugabe Avenue, Heritage Square, P O Box 186, Windhoek, Namibia
Tel: +264 (61) 383 500 Fax: +264 (61) 304 671 www.ijg.net
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