

KEY RESULT HIGHLIGHTS

N\$ million	FY08A	FY09A	NEB FY09E**	Variation (%)	Per Share data				
					FY08A	FY09A	NEB FY09E**	Variation (%)	
Revenue	283,911	484,412	448,955	7.9	EPS (cents)	12.3	13.49	10.1	33.6
Gross profit	164,983	227,240	228,071	(0.4)	HEPS (cents)	7.4	10.4	10.1	3.0
GP margin (%)	58.1%	46.9%	50.8%	(7.7)	Dividend (cps)	1.0	-	1.7	-
Profit before tax	58,551	66,526	63,255	5.2	Dividend Cover (x)	7.8	-	6.0	-
Profit after tax	77,915	93,378	62,623	49.1	NAV (cps)	43.8	49.7	50.7	(2.0)
Net margin (%)	27.4%	19.3%	14.0%	37.9					

Source: Company report, **NEB FY09 Forecast

▶ **Event**

Trustco Holdings Ltd, which also has a primary listing on the JSE's Africa Board, has reported results for the 12 months ended 31 Mar '09. The results are broadly in line with the trading statement released late Mar '09 and, as highlighted in the table above, our FY09 forecasts.

▶ **Brief Result Analysis**

We believe the FY09 Trustco results were broadly in line with our expectations and forecasts despite a few surprises. Revenue growth outperformed our forecast by 7% growing by 71% to N\$484.4m mainly due to the first full inclusion of Dex Financial Services as well as stronger growth in domestic business units. We were surprised by solid growth figures recorded for the domestic units given the low growth that prevailed in recent years. Disappointingly the gross profit margin came below our expectations falling to 46.9% from 58.1% in FY08. Though we anticipated dilution we had primarily forecast GP margins to range around 51% over the forecast period. HEPS grew in line with our forecasts coming in at 10.4 cents. While the group's dividend policy is to maintain dividend cover between 4 – 5x, the group has thus far maintained a high dividend cover. Given this and guidance that further capital, for expansion, might be required we believe our 6x dividend cover is plausible. Should this turnout to be the case, we expect the group to declare a dividend of 1.8 cents.

▶ **Our views**

As we highlighted in our research note late Feb '09 (see NEB report titled *Resuming Coverage with a Hold*), we believe these results illustrate the resilience of the group's diversified business model. For example, the education loan book recorded significant growth amid expectations that the domestic economy would come under pressure. We also believe the group's strength in innovation and marketing was instrumental in reviving falling domestic growth. Amid the positive theme that emerged from the results we believe there are still risks. One key risk is the renewal of the direct debit code with government due Aug '09.

▶ **Valuation**

Our valuation of the counter is primarily based on fundamental DCF methods given, in our opinion, the absence of suitable benchmarks. We assign equal weights to our multistage DDM and FCF models to arrive at our one year target price. Pending management contact and model updates, we reiterate our 65 cents target price as well our HOLD recommendation. Since resuming coverage on Trustco we note that its share price has fallen towards our target price depreciating by 5% to 70 cents from 74 cents, in Feb '09 on the NSX.

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