

We are resuming research coverage on Trustco Holdings Ltd ("Trustco") which dual-listed on the JSE Africa Board on 18 Feb' 09 with a HOLD recommendation. While Trustco's operations are vastly diversified in sectors across the local economy (defensive qualities), we expect growth from the domestic business units, which account for majority of the group's earnings, to be slower going forward. Though innovative growth projects are on the radar screen, particularly beyond Namibia's borders, raising capital to fund these projects will likely turn out to be difficult and expensive as the global economy faces an acute liquidity crisis. As such, we don't anticipate much growth in the short to medium-term. In FY09, we expect HEPS to grow by 29% largely boosted by tax credits. In FY10 and FY11, we forecast HEPS growth to drop to 14.5% and 9.0% respectively. This mainly reflects slow revenue growth over that period.

Company:	Trustco Holdings
NSX Ticker:	TUC
Sector:	Finance
Current Price:	74 cents
Target Price:	65 cents
Recommendation:	HOLD
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DY (%):	2.3%
Expected return (%):	-9.9%

NAMIBIAN EQUITY RESEARCH

KEY HIGHLIGHTS

■ **Listing on the JSE's Africa Board**

On the 19th Feb' 09, Trustco Ltd became the first company to list on the JSE's Africa Board. The listing is by way of introduction and will see the company maintain a dual primary listing on both the JSE and NSX. We believe the listing will address some of our major concerns regarding the liquidity and will facilitate the means to raise the capital needed to execute its expansion initiatives.

■ **Investment Stance**

In this note, we establish an investment stance for an exposure to the counter. We like Trustco for innovation, dominant market share (some industries), defensive qualities and earnings diversity. Given the present risk aversion, we see investors paying a premium for such defensive qualities. On the other end of the spectrum, we see risks associated with the stagnant growth of domestic business units, poor dividend payout, demanding valuations and other operational issues. This might hamper share price performance going forward.

■ **Financial analysis & forecast**

We forecast gross profit margins to fall from an average of around 58% over the past five years and to stabilise around c.51% over the forecast period. This is to reflect the high sales cost base of Dex Financial Services. We see limited potential to reduce costs. As such we expect the wage bill (accounting for about c.38%) to exert pressure on operating costs. Nonetheless, we forecast HEPS to grow by 29% in FY09 and, as the tax assets are utilised, expect a steady fall from thereon. We expect dividend to continue on the upside as the group lowers its dividend cover towards our target 3x.

■ **Valuation & recommendation**

We value Trustco by discounting FCF and dividends. For determining fair-value, we assign equal weights to the two valuation models which yield a fair-value of 65 cents. Our fair-value translates to a potential downgrade of approximately 12.6% which implies an anticipated total return of -9.9%. We resume our coverage with a HOLD recommendation. We feel the listing on the JSE's Africa Board will provide an easier means of raising capital which, if applied correctly, could facilitate and support future growth.

Table 1: Financial Summary

N\$'000	FY07A	%Ch	FY08A	FY09F
Revenue	182,295	56%	283,911	448,955
GP	127,970	29%	164,983	228,071
GP Margin (%)	70%	-17%	58%	51%
PBT	30,799	80%	55,471	63,255
PAT	31,491	138%	74,835	62,623
Net margin	17%	53%	26%	14%
HEPS (cents)	4.7	67%	7.8	10.1
DPS (cents)	0.5	100%	1.0	1.7
Div. Cover (x)	9.4	-17%	7.8	6.0
NAV (cps)	23.9	83%	43.8	50.7

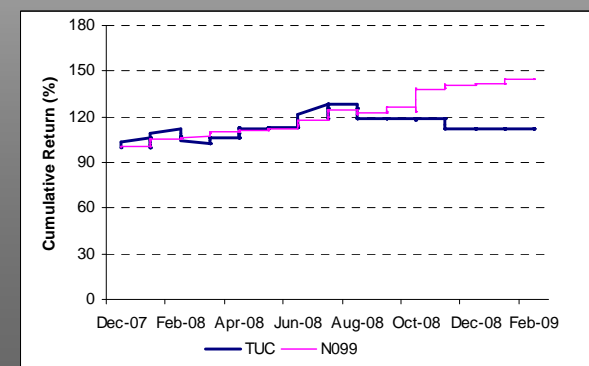
Source: Company publications **NEB Forecasts

(Figures as at 24 Feb'09)

Free-float factor	30.0%
FF Mkt Cap. (N\$m)	153
P/E (x)	8.3
DY (%)	1.4%
P/NAV (x)	1.6

Source: Company, NEB Forecasts

Fig 1: Cumulative returns: TUC Vs Local Index (rebased 100 points)



Source: J-Net

Trustco is a Namibian micro-lender and insurance service provider. Other interests lie in property, tourism, hospitality, gaming, and mobile telecommunication

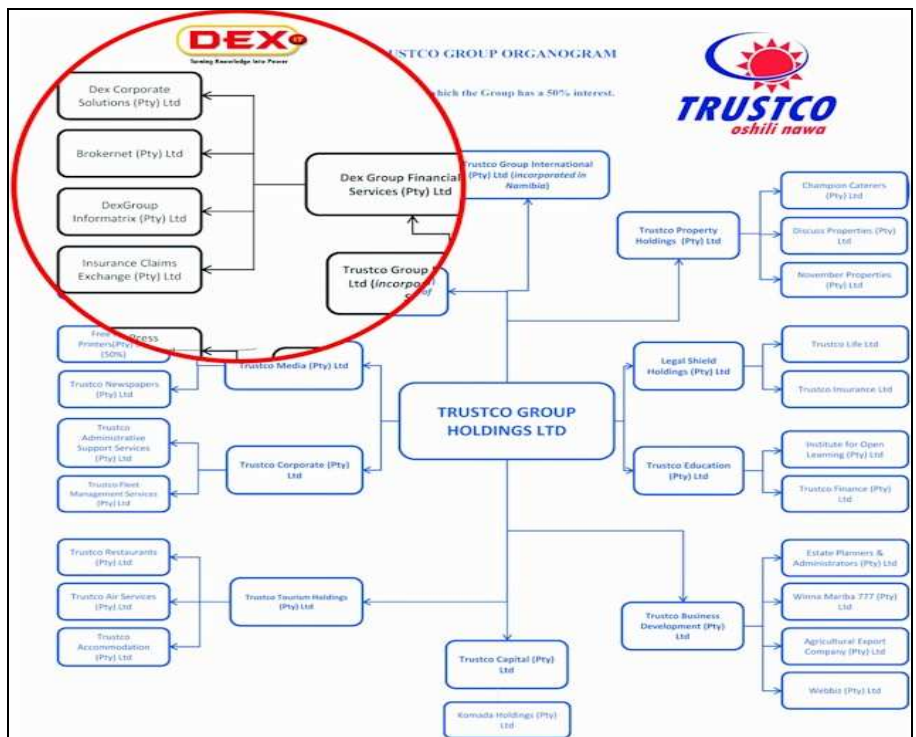
BACKGROUND

Trustco Group Holdings ("Trustco") is a general financial service group that went public on the Namibian bourse in Sep'06. Incorporated as a Property Development Company in 1992, the group has its roots in the property sector. Post its establishment, however, Trustco quickly expanded its operations, largely outside the property sector, transforming to become a broad financial services provider. Based on contribution to the bottom-line, we regard insurance, education and finance as the core activities of the group. Other non-core interests lie in property, media, gaming, tourism, hospitality and agency business (Trustco Mobile) among others. While these operations contribute significantly to revenue, they are mainly low net margin businesses. In an unconventional manner, the reasoning behind their existence is to support and improve the efficiencies of core activities allowing the group to offer superior service delivery at low cost. In certain instances, however, management believes some of these activities provide growth opportunities a few years out – this is the case for the property sector.

Organisational Structure

In preparation of the listing back in 2006, the group restructured the organisation where former divisions within the company became independent companies in their own right. Shares in these companies were in turn sold to Trustco Holding to establish a holding company. Below, we highlight the groups' corporate structure.

Figures 1: Trustco Organogram



Source: Company publications

Board of Directors

- Dr. David Namwandi – Chairman
- Quinton van Rooyen – Executive Director
- Floors Abrahams – Executive Director
- Gordon Walters – Executive Directors
- Andimba Toivo ya Toivo – Non-executive Director
- Veronica De Klerk – Non-executive Director
- Monica Nashandi – Non-executive Director

At listing in 2006, divisions of the company become independent companies. Shares in these were in turn sold to the holding company

INVESTMENT CASE

In this section, we establish an investment case for Trustco Holding Ltd. We start our investment thesis by studying the pros for an overweight position in the share. We then proceed to study the cons that potentially weaken that stance.

THOUGH WE LIKE TRUSTCO FOR.....

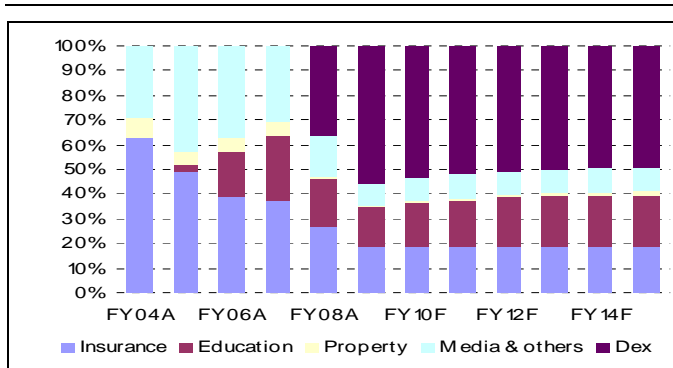
- (a) Operational & earnings diversity
- (b) Defensive qualities of the education business
- (c) Great innovation
- (d) Tailwinds from local asset requirements (Regulation 28)

Trustco's business model is cleverly diversified across different sectors of the economy. This provides defensive qualities which should receive a premium compared to a typically undiversified company

(a) Operational & earnings diversity

In the present environment where risk aversion has risen, investors are increasingly likely to pay attention to both operational and earnings diversity. These attributes represent strong defensive qualities. In Fig 2 below, we illustrate the diversity of group's revenue stream which should attract a premium to a typically undiversified company. We note that Trustco has come a long way from the early 2000's where the legal shield brand was the flagship contributor to both revenue and earnings. This changed following the acquisition of Institute of Open Learning (IOL) in 2005 and Dex Financial Services in FY08. The quality of diversity is further enhanced by non-core interests which are widely spread throughout the different sectors of the economy. Additionally, management guidance and the project pipeline suggest further operational and geographical diversification.

Figure 2: Earnings & operational diversity



Source: Company, NEB Forecast

(b) The education business model is highly defensive

Though some risks surrounding the renewal of the direct debit facility with government cannot be ignored (we discuss this later in this note), we are of the opinion that the education division is defensive. All IOL educational micro-loans are granted under the direct debit model. As such, the default risk remains very low throughout the economic cycle. The default risk, in most cases, arises if the borrower resigns from government employment or in the case of death. What is the progress so far? Management guidance is that the growth of the loan book has been fairly resilient during the economic downturn as well as the monetary tightening which began mid 2006. Management's explanation, which we agree with, is that prospective students prefer to upgrade their qualification than to let another academic term go to waste. This factor keeps fuelling the growth of the group's loan book amid increasing pressure on disposable income.

The growth of the advances book remains resilient amid slowing economic activity

Trustco is known for innovation which we view as an important tool for maintaining and capturing market share.

Changes to regulations 28 could provide some tailwinds to a strong share price performance

Don't see a clear vent for managing staff costs which account for c.38% of total costs as the group doesn't utilize contract labour

Trustco has the highest dividend cover on the NSX

(c) Great Innovation

We like Trustco for its innovative capabilities and see no reason for the creative culture to disappear going forward – innovation is highly emphasised at Trustco. Given the limited economies of scale within the local market, we believe product innovation, particularly for cross-selling to existing clientele, is the optimal way of maximising value extraction from existing business. Historically, we believe Trustco has been successful at cross-selling new products, which is a distinctive feature valuation should pay attention to. Apart from maximising value addition, we believe product innovation is crucial for maintaining and gaining market share. It is against this background, we expect brands such as Legal Shield to stay ahead of the curve paving the way for sustained profitability. For the education division, the creative approach is likely to gain market share particularly in under explored niches.

(d) Regulation 28 tailwinds

As we maintained for other major local stocks, we expect the changes to regulation 28 to provide a tailwind for buoyant share price performance particularly over the short to medium term. Effective Jun' 08, Namibian legislation requires funds to reduce their holdings of dual-listed stocks to 10% or less. This will free up billions in pension fund and insurance asset presently invested in the dual-listed stocks and result in an increase in the magnitude of funds targeting NSX primary listed companies. This supports a resilient share price buoyancy for local stocks particularly FNB Namibian, Nambrew, Oryx and, to a lesser extent, Trustco.

...WE GIVE INVESTORS REASONS WHY THE POTENTIAL UPSIDE MIGHT BE LIMITED

- (a) Limited options for cost management
 - (b) Poor dividend payout
 - (c) Local businesses no longer rapid growth stories
 - (d) Valuation
 - (e) Uncertainty on direct debit facility with government
 - (f) Other risks
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(a) Limited options to cut costs

We prefer companies that have a well established vent to manage costs, an imperative complimentary tool to pricing power, to sustain profit margins particularly in difficult times. The existence of such vents also signals management's ambition regarding cost leadership. Apart from small saving potential through re-negotiations with suppliers and marketing related expenses, we see limited potential to manage cost effectively. We disappointingly learnt that the group does not utilize contract labour which we view as the optimal method for managing the wage bill which accounts for c.38% of operational costs. According to management, a key alternative used to manage this component is through policies regarding the filling of existing vacancies.

(b) Poor dividend payout

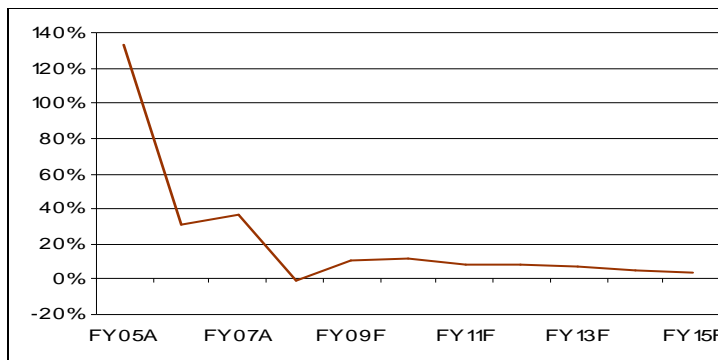
Trustco's dividend cover multiple is the highest on the NSX at 7.8x in FY08 –stricter than the 4–5x range (during fast growth phase) given at the listing stage. Guidance is that dividend payout will remain low in the interim as the group sees the need to retain a large proportion of its earning to fund growth initiatives, particularly in property development and Trustco mobile. Like most investors, we prefer well established dividend streams particularly in illiquid markets.

We expect revenue growth from the domestics to remain low post FY09. This is the main reason the group is pursuing growth opportunities outside Africa

(c) Local businesses are no longer a rapid growth story

Our analysis shows that the growth of domestic business units has broadly slowed implying their respective peaks are probably not far off. In Figure 3 below, we depict the growth of the topline for domestic businesses (without Dex), which clearly shows a collapse in the growth rate over the period FY04 – FY08. In FY08 virtually no growth was recorded mainly as a result of the disposal of the agricultural business. While we forecast a sizeable recovery in FY09, we expect the growth to diminish going forward largely to reflect limited domestic growth opportunities. The question most investors will ask is where will the future growth emanate from? We expect innovation to restore the plummeting growth though not to levels observed in prior years. Secondly, the group's projects in property development may hold growth potential but we think the current macro-economic environment is unsupportive. Lastly, the roll-out of tutorial classes/ courses for repeating grade 12 students holds potential but we are cautious till we see a successful take-off and the consequent impact on the loan book.

Figure 3: Domestic revenue growth: Historic and forecasts



Sources: Company, NEB estimates

(d) Valuation not particularly compelling

Our valuation of Trustco is based on discounting the free cash flow (FCF) and dividend streams. In determining the target price, we opt for a blended fair-value of the two methods (see Table 1 below). Our forecasts and target price determination method implies that the market is assuming a sustainable growth rate of c.10.7% which is significantly higher than what we perceive to be the case. We find the current market valuation unattractive and therefore expect underperformance.

Our DCF based fair value implies the current spot price is not attractive

Table 1: Valuation summary

Method	Terminal growth	Discount	PV (cps)	Spot (cps)	Upside
FCF	9.0%	14.7%	76	74	2.3%
Multi-year DDM	9.0%	15.3%	50	74	-32.6%
Target Price	9.0%	-	65	74	-12.2%

Source: NEB Estimates

(e) Uncertainty over the direct debit model

After a protracted period of uncertainty, the Ministry of Finance (responsible for the civil servant payroll) late 2007 extended the direct payroll deduct facility to 31 Aug' 09, providing short term clarity. While there is optimism that the deduct code could be extended further, the risk that the outcome could turnout contrary to management's expectations are present. Should this scenario play out, one expects an increase in default ratios which could weigh heavily against our earnings and dividend growth forecasts. We would prefer more clarity on this issue as we believe it represents one of the biggest risks to an exposure in Trustco.

Uncertainty regarding the direct debit model with government beyond Aug'09 remains

(f) Other risks

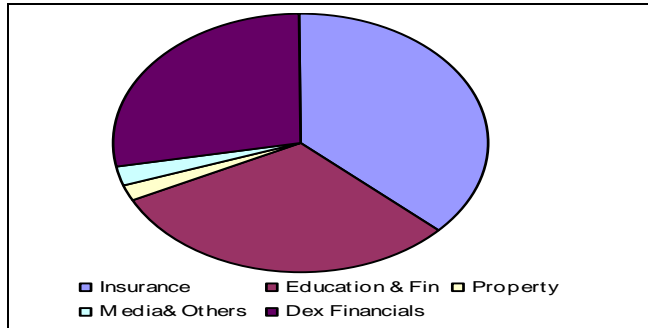
Other risks that could hamper share price performance includes a dominant shareholding by a sole individual, illiquidity of the local market (we wait to see developments on the JSE Africa Board listing) and a relatively short operational history. The latter is of particular importance as we prefer business models that have been proven.

The JSE Africa Board listing might address some our concerns

OPERATIONAL REVIEW

In the following section, we briefly highlight salient features per division. We specifically focus on issues surrounding growth opportunities, divisional forecast and other key issues that affect future profitability.

Figure 4: FY08 PAT contribution



Source: Company data

INSURANCE: DOMESTIC

Established in CY00, the domestic insurance business quickly became the flagship of the group's operations before the acquisition of IOL and Dex Financial Services. Including brands such as Legal Shield, Funeral Shield, Salary Shield, One Shield and Trustco Mobile among others, this division remains a key contributor to the group's earnings (see Fig 4).

The domestic legal insurance market might be approaching the ceiling and perhaps not underinsured as largely perceived.

Growth Analysis: Our analysis shows that the growth of insurance business has plummeted amid aggressive marketing campaigns and product creation. We believe this implies the domestic legal insurance market might be approaching the ceiling and is perhaps not as underinsured as largely perceived. We are of the view that further growth could be achieved through cross-selling activities within the group. More specifically, a positive growth on the loan book will support insurance.

Key Issues: Management focus is likely to remain on the curtailment of the claims ratio. In FY08, the claims ratio increased to c.28% but steps, which received opposition from the Law Society of Namibia, have been taken to lower the ratio towards the group's 25% target.

EDUCATION & FINANCE

This business is solely based on a direct debit model with government and a few private employers who support the model. The division's key brands include Institute for Opening Learning (IOL) and Trustco Finance. At this stage, financing is for educational courses and course material taken through IOL.

Under education, pricing, course & admin fees could provide growth opportunities

Growth Analysis: Shortly after the acquisition in 2005, the IOL loan book experienced rapid growth primarily driven by high demand for educational qualifications. The demand was on the back of a government directive that compelled all under qualified teachers to upgrade their qualifications. However, growth plummeted as the remaining number of unqualified teachers dwindled and also post the cancellation of the UNISA contract. IOL is now focusing on computer courses, which provides a platform for the division to distribute computers, and other short courses. As part of a fairly new initiative, the group is aiming to extend its presence in the market of repeating Grade 12 learners. Further more, IOL recently completed an agreement with the International University of Management (IUM) which will see it offer loans for students studying at the institution. We believe this sort of initiative could sustain the growth of the group's loan book well into the future. We also see pricing (loan & course fees) and administration fees aiding growth going forward.

Dex Financial Services is expected to be one of the major drivers of both revenue and earnings going forward

DEX FINANCIAL SERVICES

Recently acquired through a scheme of arrangement, Dex Financial Services represents the group's interest outside Namibia. As per management's expectation, Dex Financial Services is expected to be one of the major drivers of both revenue and earnings going forward. Dex currently collects more than N\$1bn dollars for other insurances and TUC views it has a vehicle for carrying its products to into the SA market.

MEDIA & OTHERS

Other group interests, which we regarded as non-core operations, are rooted in media, hospitality, property and gaming. These businesses are largely low margin businesses and are basically structured to support the group's pillar operations. For example, in order to curb advertising expenses while at the same time maximising utility, the group established a weekly tabloid paper whose readership has risen quite sharply since launch. This readership attracted advertising revenue effectively subsidizing the group's advertising budget.

Growth Analysis: In most cases, these operations are not viewed as a growth vehicle of the group. It is against this backdrop we don't expect substantial growth in the contribution from these divisions. While the group is optimistic about the prospects of the Lafrenz property development project (just north of Windhoek) we don't share the same optimism. We are of the view that the property sector will remain in the doldrums for sometime to come amid interest rates beginning a descending trend. Additionally, we expect the availability of residential plots to increase as the municipality is expected to auction more residential land over the next few years. This could add the pressure on the viability of the Lafrenz project.

Key issues: Effective 06 Feb'09, Free-press Printers (50% owned by Trustco), lost a printing contract with the Namibian newspaper, one the most widely read local dailies. Guidance is that the Free-press Printers (FPP) lost the contract, which generated estimated monthly revenue of c.N\$2m, over a dispute on pricing – the newspaper sourced a cheaper quote from a competitor. If this contract is not renewed or replaced, it could pressure FY10 numbers. To us, it appears that the printing business is characterised by few buyers which gives them immense bargain power. If the printing fee is the only bone of contention then the contract is likely to be renewed on terms that favour the newspaper.

Free-press Printers lost a printing contract with a local daily

FINANCIAL ANALYSIS & FORECASTS

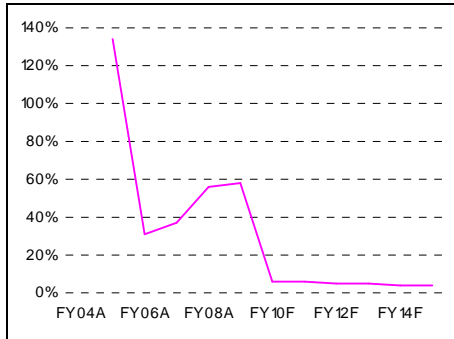
FINANCIAL PERFORMANCE: We calculate the group's top-line CAGR (over the past four years) at c.60% largely driven by the acquisitions of IOL in 2005 and Dex Financial Services in FY07. Between FY09 and FY13, however, we forecast a CAGR of c.5.6% which highlights our expectation that growth, particularly from domestic sources, will not be outstanding. While the group's gross profit margin averaged 58.2% between FY04 and FY08, we expect GP margins to fall to around 51% – dilutive effects resulting from the integration of Dex – and stabilise around those levels throughout the forecast period. We anticipate administrative expenses to grow by 19% in FY09 as the group incorporates Dex's cost base and also to reflect the rising inflation of the wage bill. While volatile, we have assumed that the group will be able cap the claims ratio at c.25% through control policies and efficient use of in-house legal experts to prevent many cases from advancing to court.

We think the group will be able cap the claims ratio at c.25%

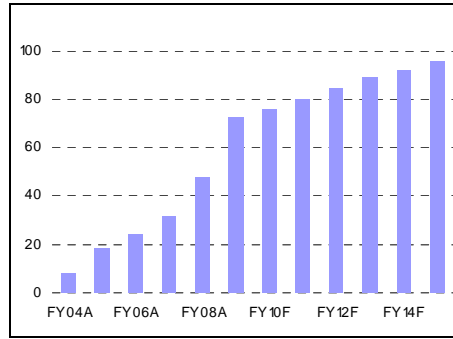
EARNINGS & DIVIDEND FORECAST: In FY09, we forecast HEPS to grow by c.29%, amid an increase in the number of shares in issue, primarily driven by tax credits. Beyond that point however, we anticipate the effective tax rate to rise as the tax assets are depleted. As such, we are expecting earnings growth to slow substantially a few years out. As regards to dividend, we expect the growth to be more robust (relative to earnings growth) given guidance that the group would lower its dividend cover going forward. In our model, we have assumed for the dividend cover to fall each of the next years till our 3x cover (by 2013) is achieved.

FIGURE 5: TRUSTCO GROUP HOLDINGS LTD - FINANCIAL ANALYSIS AND FORECASTS IN GRAPHS

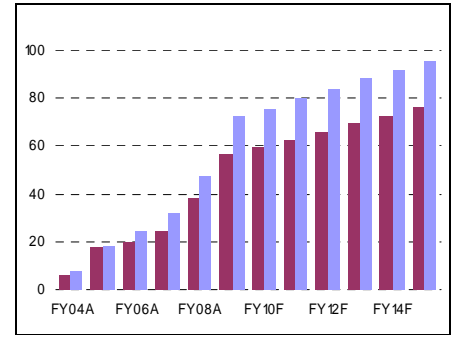
Revenue growth: History & Forecast



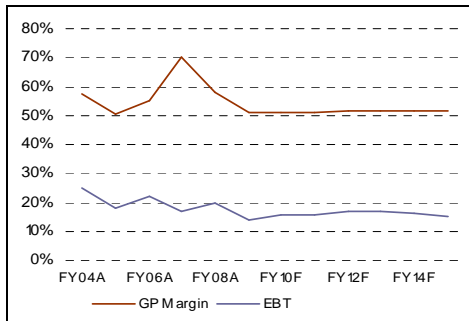
Sales per share (cents)



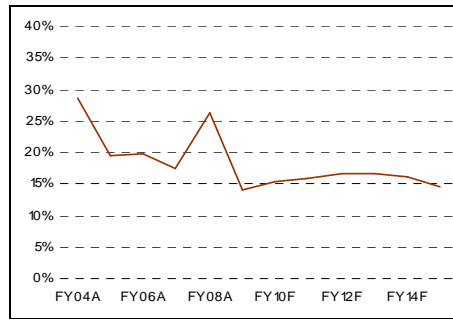
Revenue Vs Total Cost (cents per share)



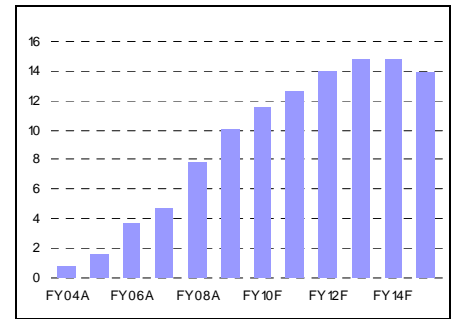
Margin Analysis (%)



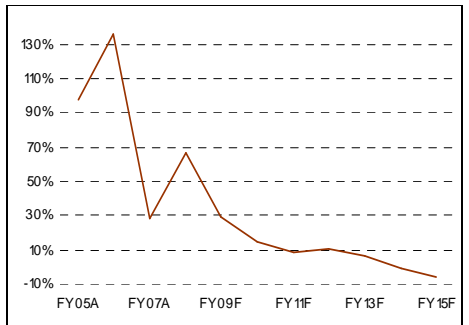
Net profit margin (%)



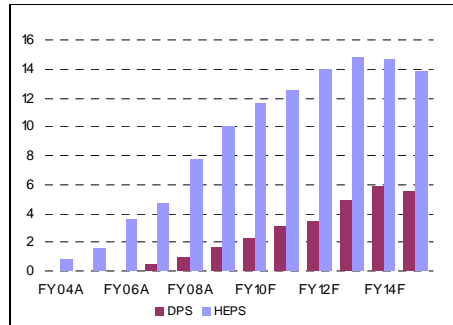
Headline Earnings (cps)



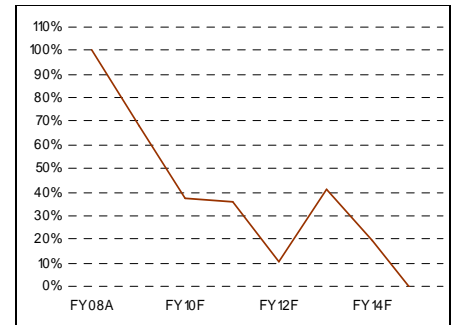
HEPS growth (%)



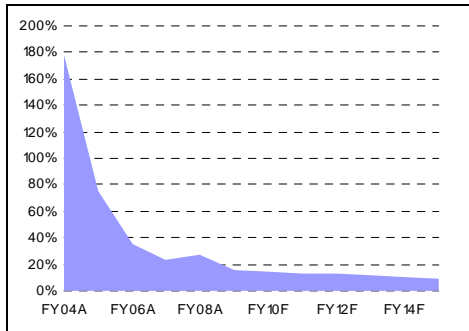
HEPS Vs Dividend (cents)



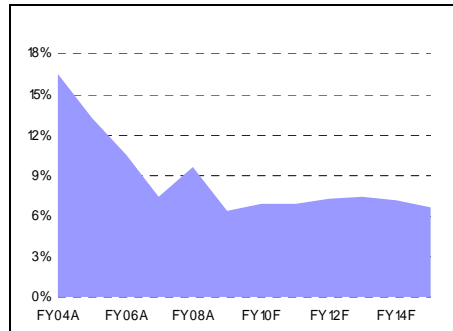
Dividend growth (%)



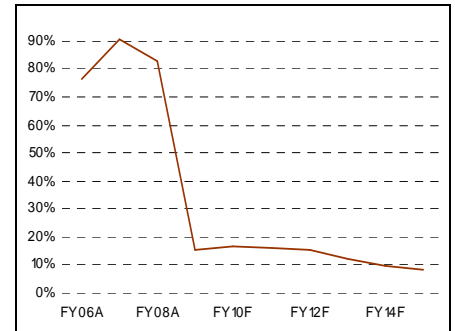
Return on Equity (%)



Return on Assets (%)



NAV growth (%)



Source: Company data, NEB Estimates

VALUATION

Our primary valuation method is discounted cash flow. We conduct independent valuation using the Dividend Discount Model and Free Cash Flow (to the firm). In determining our fair-value, which we adopt as our target price, we opt for an equally weighted approach of the two valuation methods. Below we briefly discuss some of our valuation assumptions.

ASSUMPTIONS

- **Forecast period:** Bearing in mind the acquisitive nature of the group, we have assumed the multi growth phase will last seven years after which we expect the terminal growth rate to set in.
- **Discount rate:** We estimate the risk-free rate by averaging the bond yields of GC18 and GC24 which results in a risk free proxy of approximately 9.25%. We assume a specific equity premium of 6% in the case of Trustco which is 50bps higher than what we normally assume for large companies and is mainly to reflect the nature of risks faced by young growing companies such as Trustco. These assumptions result in required rate of return of 15.25% and WACC of 14.7% (based on target debt-to-equity).
- **Sustainable growth:** Our model takes into consideration various growth scenarios derived using different growth models. We prefer a model that uses a combination of GDP growth and the company's theoretical growth rate. This results in a sustainable growth rate of 9% which we forecast to set in after 2016. We believe this is achievable given the group's leadership in innovation and dominant market share in certain industries.
- **Dividend cover:** While previous guidance on dividend didn't play out, we have adopted management's guidance that the group's dividend cover will be lowered into the future. We have hypothetically assumed that the dividend payout ratio will rise at each of the coming financial years till a final dividend cover of 3.0x (by FY13) is achieved.

FREE CASH FLOW MODEL

Key inputs to this valuation method include a seven year free-cash flow forecast, WACC of 15.2% and variable growth rates till the terminal growth rate sets in. This valuation derives a fair-value of 76 cents which represents a potential upside of 2.7%. This implies an anticipated total return of c.5.0%.

Table series 1: FCF Valuation summary

FCF Valuation Summary

FCF (N\$'000)	FV	Factor	PV
FY09F	25,807	1.147	22,508
FY10F	23,178	1.315	17,631
FY11F	46,965	1.507	31,159
FY12F	53,231	1.728	30,802
FY13F	59,104	1.981	29,828
FY14F	54,441	2.272	23,963
FY15F	45,576	2.605	17,497
Terminal Value	878,318	2.605	337,190
Add: Cash			98,927
Less: Debt			139,868
Total NPV			469,638
# Shares ('000)	620,218		
Fair-Value (cps)	76		

FCF Sensitivity to WACC and growth rate

↓ Growth	12%	13%	14%	15%	16%	17%	18%	19%	20%
1%	55	49	45	42	38	35	32	30	28
2%	58	52	47	44	39	36	33	31	28
3%	62	55	50	46	41	37	34	32	29
4%	67	59	53	49	43	39	36	33	30
5%	74	64	56	52	45	41	37	34	31
6%	83	70	61	56	48	43	39	35	32
7%	95	79	67	61	51	45	41	37	34
8%	114	90	75	67	55	49	43	39	35
9%	145	108	86	76	61	53	46	41	37
10%	207	138	103	88	68	58	50	44	39
11%	393	196	131	107	78	65	55	48	42

Source: NEB Forecasts

DIVIDEND DISCOUNT MODEL

Our dividend model inputs the assumption mentioned above. As reflected in Table series 2 below, our dividend model results in a fair-value of approximately 50 cents which represents a potential downgrade of around c.30.6%. Given a conservative dividend payout, we don't find these results surprising.

Table series 2: DDM Valuation summary

DDM Valuation

Dividends (cents)	FV	Factor	PV
FY09F	1.68	1.15	1.5
FY10F	2.31	1.33	1.7
FY11F	3.15	1.53	2.1
FY12F	3.49	1.76	2.0
FY13F	4.93	2.03	2.4
FY14F	5.89	2.34	2.5
FY15F	5.53	2.70	2.0
Terminal Value	96.33	2.70	35.6
Fair-value (cps)			49.9

DDM Sensitivity to WACC and growth

↓Growth	12%	13%	14%	15%	16%	17%	18%	19%	20%
1%	37	35	32	29	27	25	23	22	20
2%	39	37	34	30	28	26	24	22	21
3%	42	40	36	32	29	27	25	23	21
4%	46	43	38	33	31	28	26	24	22
5%	51	46	41	35	33	29	27	25	23
6%	58	51	44	38	35	31	28	26	24
7%	67	57	49	41	37	33	30	27	25
8%	81	66	55	45	40	35	32	29	26
9%	105	80	63	50	44	38	34	30	27
10%	151	102	76	58	50	42	37	32	29
11%	291	146	97	68	57	47	40	35	31

Source: NEB Forecasts

TARGET PRICE DETERMINATION

In determining fair-value, which we adopt as the 12month target price, we assign equal weightings (50% each) to our DCF valuation methods – details of this process are contained in the table below. This process derives a fair-value of 63 cents which we round-off to 65 cents. Our target price entails a share price downgrade of around 12.2% which is puts the anticipated total return of -9.9%.

Table 3: Valuation summary

Method	Terminal growth	Discount	PV (cps)	Spot (cps)	Upside
FCF	9.0%	14.7%	76	74	2.3%
Multi-year DDM	9.0%	15.3%	50	74	-32.6%
Target Price	9.0%	-	65	74	-12.2%

Source: NEB estimates

RECOMMENDATION

While our numbers point to a potential share price depreciation of around 14%, our model does not incorporate forecasts on pending projects as we await more visibility to emerge. This is the case for growth initiatives in education, Trustco mobile and property development. In particular, one should take note of the US\$50m debt facility the group is in the process of arranging with various banks. One cannot however rule out that some of the projects could be successful. **Our current recommendation is HOLD.**