

TRUSTCO – (TTO) - MANAGEMENT MEETING AND RESULTS TO MARCH 09 - 71c – HOLD

- Lindsay Roots

Trustco is a multi-faceted Namibian owned company which is dual-listed in Namibia and on the JSE. It was the first company to list on the JSE's Africa Board which focuses on non-South African companies. The group has wide interests which include property development, media, micro insurance, micro finance and financial services. The group reported results for the year to March 09 with revenue of N\$484m (+70%) and HEPS of 10.8c (+39%). Strong earnings growth was reported in all four of the groups divisions.

- **Micro Insurance** provides life insurance to mobile phone users, Revenue increased to N\$93m and PAT N\$36m. Management have proven the business model in Namibia and will roll out operations in select African countries.

- **Micro Finance** provides educational loans to approximately 20 000 students with a loan book of N\$200m, Collection is mainly by way of salary deduction. Revenue and PAT were up by 30% to N\$71m and N\$30m respectively.

- **Financial Services** manages 200 short term brokers in SA. The company was acquired in 2007 and provides claims administration, administration systems and underwriting management systems. Revenue of N\$267m and PAT of N\$20m was included for the full 12 month period.

- **Property Development and Media** is in its fourth year of operation with 350ha available for development in the Windhoek area. During the year the group acquired the 50% of Printas which it did not own. The company prints and distributes a free sheet which is mainly used to advertise the group's products. Revenue of N\$ 51m and PAT of N\$3m were reported for the year.

The Insurance and Micro Finance division contribute 40% and 34% respectively to the net profit of the group and are the main drivers of the business. Acquisitions positively impacted on Financial Services during the period and a one-off settlement advance payment together with tax credits impacted positively on earnings. These

credits are expected to be fully utilized in the current financial year. The property division will have a limited impact on earnings as a result of the slow roll out of services by the local municipality.

Going forward Micro Insurance and Finance will continue to be the main driver of earnings. Financial Services earnings will be dependent on the economic environment and the acquisition of further underwriting management agreements. Management will need to focus on expanding these operations outside Namibia as they have a proven business model with which to work. Management should continue selling off non-core Namibian assets in-order to focus on expansion opportunities in Africa.

We forecast HEPS N\$12.5c (+15%) and a dividend of 3c to March 2010 placing the company on a FWD PE of 5.7x and a DY of 4%. It is management's intention to raise capital to fund future expansion and if successful earnings vary could significantly.