

Introduction

Trustco Group Holdings was acquired for NAD100 in 1992 by Dr Quinton Van Rooyen, and since then has achieved a 48% CAGR in equity to 2019. As a majority family-owned business a culture of creating long-term sustainable growth/value for all stakeholders has been established. Trustco started in the property business but has since expanded into other sectors, including insurance, banking, finance, diamonds and media. The group has its footprint in Namibia, Sierra Leone, Mauritius and South Africa. Trustco Group Holdings has been listed on the Namibian and the Johannesburg Stock Exchanges for 13 and 10 years, respectively.

Notable investments include:

- The most profitable insurer in Namibia
- The largest distance learning institution in Namibia
- The largest private urban landowner in the Namibia
- The most influential media source for Namibia by social media followers (*1 million followers across all platforms*)
- Second highest dollar per carat diamond mining operations in the world (*2017*)
- One of two Namibian owned commercial banks

Insurance and its Investments: This segment itself has two main businesses lines: insurance and property investments. Under insurance, the company provides short-term (legal coverage) and long-term (life, health and credit life) insurance products, with more than 280,000 insured members. The segment has invested in five large property developments, which include residential estates and industrial parks spanning more than 10,000 acres of the highest quality Namibian real estate and which is valued at NAD2.4 billion. The business model is to acquire the land, develop it and then sell to individual buyers and specialist top structure developers.

Resources: This segment is relatively new (established in 2015) and focuses on the diamonds business with an integrated mine-to-market strategy. The company has stakes in two diamond mines. One is 100%-owned NNDC, an alluvial deposit located in Namibia, with initial resources of 350k carats of diamonds. The second is 65%-owned Meya Mining, in Sierra Leone, which has initial resources of 6.4mn carats. Trustco received mining licences for both mines recently, opening the door to full production over the next few years (potentially, 36k carats pa at NNDC and 450k carats pa at Meya). In addition to the diamond mines, the segment also has a diamond cutting polishing and marketing company, Morse Investment.

Banking and Finance: This segment was established in 2005 and acquired Fides Bank Namibia (now Trustco Bank Namibia) in 2014. The segment's primary activity is the disbursement of student loans (36% of the total loan portfolio) and property sector loans (62% of the total), with the remaining 2% of the portfolio allocated to SME loans. Funding is primarily from equity and inter-segment loans; customer deposits are very limited at this stage, but are expected to grow. Student loans are made in support of the Trustco Education business, which is the largest distance learning institution in Namibia, with over 59,000 students enrolled since inception.

Investment opportunity

Well-diversified exposure to key growth industries. Trustco is present in several important segments of the Namibian economy. It also has a sizeable asset in Sierra Leone, which further diversifies the company's risk profile.

Strong prospects in the diamond mining business. The two diamond mines, for which Trustco has recently received mining licences, on paper have strong prospects. Total resources of the two diamond mines are estimated at 6.8mn carats, which could reap annual revenue close to NAD3bn at steady-state production rates.

Property investments could unlock significant value. Trustco has various investments in the property segment. These should generate sizeable fair-value gains in addition to higher property sale and rental revenues. The fair value recorded in the accounts is currently NAD2.4bn. Trustco has recently received approval to build a township on its largest land holding, Farm Herboth, which should materially increase the fair value of its property portfolio.

Financial history

Trustco revenues have grown at a CAGR of 13% in the past three years, net profits at 34%, assets at 29% and equity at 35%. However, operating cash flows have been negative due to investments in new business lines as well as activities to optimise the Group's capital structure. The financials do not yet reflect the potential of the Resources segment – mining licences have only recently been granted and full production will be achieved gradually over three years. This could lead to strong improvements in Trustco's financial metrics.

NADmn	FY16	FY17	FY18	FY19
Revenue	1,150	1,247	801	1,479
%chg	13%	8%	-36%	85%
Gross profit	877	1,038	527	979
Profit before tax	450	581	242	606
Underlying PBT*	450	581	242	-633
Net profit	420	530	274	725
%chg	38%	26%	-48%	165%
Advances	1,184	1,819	1,754	1,387
Investment property	816	1,011	1,477	2,400
Total assets	4,014	5,268	6,372	6,732
%chg	27%	31%	21%	6%
Borrowings	1,105	1,657	1,333	1,251
Related-party loans	30	3	-	1,021
Total liabilities	1,825	2,776	2,206	2,957
Equity	2,189	2,492	4,166	3,775
%chg	41%	14%	67%	-9%
Operating cash flows	5	-73	-318	-149
Investing cash flows	-141	-52	-440	-284
Financing cash flows	115	75	793	537
Gross margin	76%	83%	66%	66%
Net margin	36%	43%	34%	49%
ROA	10%	11%	5%	11%
ROE	19%	23%	8%	18%

*Underlying PBT is after excluding one-off items

Sponsor profile

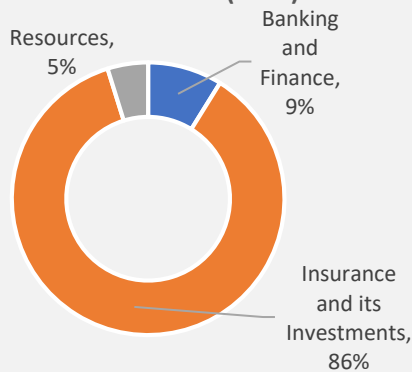
Company founder Dr Quinton Van Rooyen owns 62% of Trustco shares. He is also the group managing director and CEO. Dr Van Rooyen has an LLB degree from Unisa. He started his career with a law firm, but left after a short time to acquire and grow Trustco.

Key investment risks

- 1) Diamond resources are based on preliminary studies, so there is a possibility that actual resources could vary materially.
- 2) The company is yet to issue 388.4mn shares (32% of current issued shares) on account of the acquisition of diamond assets – this is contingent on the Resources segment's profit targets.
- 3) Property valuations are based on certain assumptions – the actual realised value could be different from fair value.

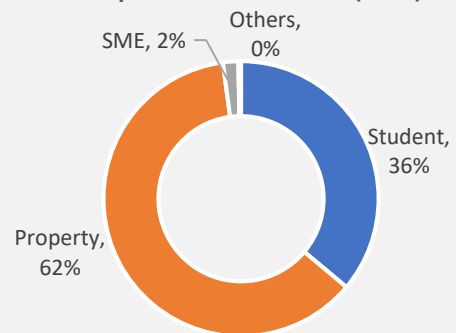
Operational Highlights

Revenue contribution (FY19)



Source: Company accounts

Loan portfolio breakdown (FY19)



Source: Company accounts

Property characteristics

Property	Type	Development period	Total land bank (ha)	Sellable land (ha)*	Fair value (NADmn)
Elisenheim Lifestyle Estate	Residential	2-7 years	402	264	994
Elisenheim Natural Estate	Residential	2-7 years	558	279	322
Lafrenz North	Industrial	5-7.5 years	285	143	834
Ondangwa	Residential/Industrial	2 years	41	31	18
Farm Herboths	Residential	7 years	2,766	1,660	215**
Total			4,052	2,377	2,384

Source: Company reports. *After accounting for land provisions for infrastructure such as roads, etc.

**The fair value of Farm Herboths is expected to increase materially after the recent approval received for township development.

Management targets for diamond mines

	Initial diamond resources (000 carats)	Initial capex (NADmn)	Annual diamond production (carats)	Targeted price (USD per carat)	Annual revenue estimate (NADmn)	Annual production/total resources	Capex per carat of resources (NAD)
Meya Mining	6,400	1,300	450,000	400	2700	7%	203
NNDC	348	100	36,000	120	65	10%	287

Source: Trustco