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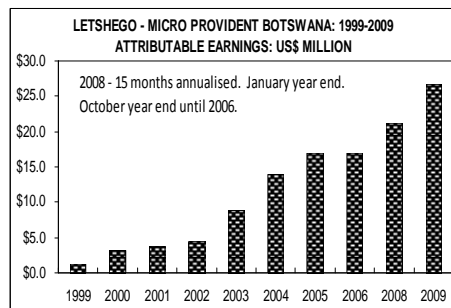
Country: Botswana

Company: Letshego

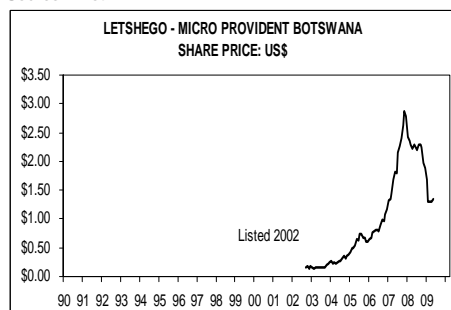
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Sources: All information, graphs, tables and data used in this report have been sourced from company annual/interim reports, share prices from the Botswana Stock Exchange and FX rates from the Financial Times, London.

KEY COMPANY INFORMATION	
Listed	Botswana
Market capitalisation	\$252m
Free float	39.5%
Year end	January
Sector	Micro lending
FX rate	BWP 7.14/US\$1.00
SHARE INFORMATION	
P/E (historic)	8.3
Dividend yield	3.0%
Dividend cover	3.96
Price/Book	1.75
Share price (May 5, 2009)	BWP 9.90 US\$1.39



Source: Exotix



Source: Exotix

LETSHEGO

Letshego's full year results to January 2009 are in line with its first half year interim results.

Earnings increased by 61% driven by an increase in loans and advances to customers of 70%, a stable net interest margin of 23% while impairment expenses remained under control at 2%.

Dividend increased by 35% and current dividend yield is 3.0% covered 3.96 times.

Letshego released last week its annual results for the year to January 2009 and this report is an update of our analysis of Letshego's interim results published in March 5, 2009. Readers are recommended to refer to the previous note for more detailed information.

Letshego is the leading consumer finance provider in Botswana and has successfully expanded to other SSA countries such as Swaziland, Tanzania, Uganda, Zambia and Namibia. The company offers unsecured loans through a direct salary deduction scheme and 95% of its clients are civil servants.

Key points of Letshego's summary earnings release were:

- Attributable income rose 61% to BWP 216m (US\$26.7m) reflecting a growing loan book both in Botswana and in other countries.
- Botswana accounts for 83% of profit in FY2009 (93% in FY2008) followed by Swaziland and Tanzania with 8% each. Tanzania grew rapidly in FY2009 (PTP increased by 1000% from FY2008 to FY2009). Letshego's expansion outside of Botswana has been successful as all subsidiaries are now profitable. Uganda and Zambia were loss-making in FY2008.

Pula million	Botswana		Swaziland		Tanzania		Other	
	2008	2009	2008	2009	2008	2009	2008	2009
Pre-tax Profit	201	239	18	23	2	22	4	5

Source: company annual reports

- Return on Equity improved to 32.4% in 2009 vs. 29.1% in 2008.
- Cost/income ratio decreased to 24.0% vs 25.8% in 2008. Letshego has been able to contain its costs despite substantial investment in IT infrastructure. The management's target is to maintain Letshego's cost/income ratio under 25%.
- Letshego was highly leveraged with a debt/equity ratio of 96.0% in FY2009 vs. 67.0% in FY2008. As a non-deposit taking institution, Letshego uses short, medium and long term debt as a source of funding. In addition Letshego raised BWP 250m (US\$34.5m) in March 2009 through a new share issue. Following this Letshego's debt/equity ratio declined to 62%. Capital raised will be invested in Mozambique (new market) as well as in existing subsidiaries.
- Letshego acquired Eduloan in Namibia in 2008 and the Namibian subsidiary had positive earnings in FY2009. Letshego's management expects Eduloan's contribution to the group's bottom line to increase in FY2010.
- Earnings growth remained strong both on a year on year basis and semi annual basis (see table below).

Attributable earnings (BWP mn)	2008	2009	change
First half	58	96	65.5%
Second half	76	120	57.8%
	134	216	61.2%

Source: Company annual report

- We do not expect falling demand for diamonds (Botswana's main export) to have a major impact on Letshego's earnings in Botswana, as the company offers loans primarily to civil servants and their employment is more resilient than their private sector peers'. We expect Letshego to benefit from lower interest rates in 2009 in Botswana as the company has variable rate borrowings.
- Letshego's share price is now back to its 2007 level and valuations are low compared to its Botswana peers based on P/E and price/book ratios.
- **Growth prospects are good for Letshego as the unsecured micro-lending segment is underserved in Africa** and Letshego's direct salary deduction scheme contains default risks and further the cost/income ratio is low.

KEY FINANCIALS (SOURCE: EXOTIX)							
YEAR END DECEMBER	EPS	P/E	DIVIDEND PER SHARE	DIVIDEND YIELD	DIVIDEND COVER	PRICE/BOOK	ROE (%)
2008A	0.88	14.4	0.22	1.7%	3.97	4.20	29.1%
2009A	1.43	6.9	0.30	3.0%	3.96	2.25	32.4%

Letshego financials 2002-09

BOTSWANA STOCK MARKET	Letshego Botswana							
Year end	October					January		May 5
Reuters:	2002	2003	2004	2005	2006	2008	2009	2009
	15 months* annualised							
Year end share price - Pula	0.90	1.15	1.80	3.55	8.00	12.75	9.90	9.90
Increase	-10.0%	27.8%	56.5%	97.2%	125.4%	59.4%	-22.4%	0.0%
Year end share price (US\$)	\$0.17	\$0.26	\$0.42	\$0.65	\$1.33	\$2.11	\$1.34	\$1.39
Increase	15.9%	57.2%	62.4%	53.1%	105.9%	59.1%	-36.7%	3.6%
Issued shares (million) - year end	150.0	150.0	150.0	150.0	150.0	151.5	151.5	181.5
	IPO new issue						New share issue	
Issued shares (million) - adjusted	150.0	150.0	150.0	150.0	150.0	151.5	151.5	181.5
Market capitalisation - Pula million	135	173	270	533	1,200	1,932	1,500	1,797
US\$ exchange rate - period end	5.45	4.43	4.27	5.50	6.02	6.03	7.40	7.14
Market capitalisation - US\$ million	\$24.8	\$38.9	\$63.2	\$96.8	\$199.3	\$320.3	\$202.7	\$251.7
Inflation rate	11.2%	6.4%	7.6%	11.4%	8.5%	8.1%	13.7%	
Income statement								
Interest income	59	86	107	135	170	223	398	
Interest expense	10	10	6	7	12	28	72	
	49	76	101	128	158	195	326	
Bad debt charge/(credit)	3	7	3	-5	3	12	29	
	46	69	98	133	155	183	297	
Other operating income	1	2	5	13	27	56	92	
Operating expenses	12	14	20	26	43	65	100	
Income before tax	35	56	83	120	139	174	289	
Taxation	8	15	20	25	32	39	70	
Effective tax rate	22.0%	27.1%	23.6%	20.7%	23.0%	22.3%	24.1%	
Minorities	0	0	0	0	0	1	3	
Attributable to shareholders	27	41	63	95	107	134	216	216
Dividend	8	11	16	24	27	34	55	
Balance sheet								
Bad debt charge to loans & advan	2.1%	3.9%	1.4%	-1.6%	0.7%	1.6%	2.2%	
Cost/income ratio	23.2%	18.0%	18.6%	18.3%	23.4%	25.8%	24.0%	
Other income/net interest income	1.4%	2.0%	4.4%	10.1%	17.0%	28.8%	28.3%	
Operating expenses/total assets	7.9%	8.0%	9.2%	7.9%	9.7%	8.0%	7.2%	
Net interest margin/total assets	33.4%	43.5%	47.4%	38.9%	35.6%	24.0%	23.3%	
Real growth of loans & advances	34.4%	13.7%	13.9%	41.7%	26.9%	74.9%	56.7%	
Real growth of total assets	38.3%	11.5%	15.0%	41.9%	27.1%	74.4%	58.9%	
Shareholders equity	37	114	164	242	323	460	667	1,027
Fixed assets	0	0	1	2	5	4	7	
Goodwill	0	0	0	0	0	0	26	
Loans & advances	142	171	208	318	431	788	1,343	
Provisions for bad debts	12	15	18	8	7	14	n.a	
Bad debt provisions/advances	7.8%	8.0%	8.0%	2.5%	1.6%	1.7%	n.a	
Loans and borrowings	27	37	36	69	98	307	644	
Loans & advances/deposits	519.3%	465.7%	575.3%	460.7%	439.7%	256.9%	208.5%	
Loans & advances/total assets	96.1%	97.9%	97.1%	96.9%	96.8%	97.0%	95.8%	
Total assets	148	175	214	328	445	812	1,401	
Period end P/E	4.9	4.2	4.3	5.6	11.2	14.4	6.9	8.3
Earnings per share - published	0.18	0.27	0.42	0.63	0.71	0.88	1.43	
- adjusted	0.18	0.27	0.42	0.63	0.71	0.88	1.43	1.19
EPS growth	-4.1%	49.3%	54.6%	50.0%	12.3%	24.2%	61.3%	-16.5%
EPS growth net of inflation	-15.3%	42.9%	47.0%	38.6%	3.8%	16.1%	47.6%	
Dividend per share - declared	0.05	0.07	0.11	0.16	0.18	0.22	0.30	
- adjusted	0.05	0.07	0.11	0.16	0.18	0.22	0.30	0.30
Dividend growth	-23.0%	36.4%	50.0%	52.4%	12.5%	23.8%	34.8%	
Dividend growth net of inflation	-34.2%	30.0%	42.4%	41.0%	4.0%	15.7%	21.1%	
Dividend yield	5.7%	6.1%	5.8%	4.5%	2.3%	1.7%	3.0%	3.0%
Dividend cover	3.57	3.91	4.03	3.96	3.96	3.97	3.96	
Debt/equity ratio - banks etc	2.98	0.53	0.30	0.36	0.38	0.67	0.96	
Book value per share	0.25	0.76	1.10	1.61	2.15	3.03	4.40	5.66
Share price to book value	3.63	1.52	1.64	2.20	3.72	4.20	2.25	1.75
Return on net worth	73.8%	36.0%	38.6%	39.4%	33.1%	29.1%	32.4%	
Return on total assets	18.6%	23.5%	29.6%	29.0%	24.0%	16.5%	15.4%	
US\$ income								
Attributable earnings (US\$ million)	\$4.5	\$8.9	\$14.0	\$17.0	\$17.0	\$21.2	\$26.7	
	20.7%	98.4%	57.3%	21.4%	0.3%	24.8%	26.0%	

Source: Company annual reports and Exotix data

Note: (*) Letshego fiscal year end has changed from October to January in 2008. 2008 data is annualised to make it comparable with other periods.

n.a: not available.

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