



PRIMETIME RESEARCH NOTE: FY 2019

Primetime FY2019

Primetime published their full year in the week, with numbers that confirmed the trading statement they published earlier Friday. The group reported a 16% increase in contractual lease revenue, to P144.99mn, coming about as a result of property additions to the Group's portfolio. Vacancy levels that are reported to have been very low, also supported the topline. In an effort to maintain these vacancy levels, the company had to concede some wiggle room in their negotiations with various tenants, by reducing some rental prices in a number of their properties, while in turn, getting back longer leases.

Operating profit was down 39% year on year, given the negative fair value adjustment on a number of investment properties held by the Group. The Board have noted that this decline is due to a drop in their fair value adjustments of which were lower in this period and are non-distributable line item. EBIT margins, excluding fair value, were relatively unchanged with an upside of 3.5%, to 83.5% in the year. With the inclusion of the fair value adjustment the EBIT margin was 70%. The exclusion of the fair value adjustment is purely based on the fact that this adjustment has no cash movement. EPS was down to 18.65 thebe from 51.01 thebe in the prior year. The debt coverage ratio for the Group was relatively strong at 2.61x as at the Group's year end, reflecting a strong base that indicates the Group's ability to service its debt.

The Group's investment property valuation increased marginally year on year, to P1.39bn. This is as a result of the additions of some freehold property in Ghanzi, together with a ground lease extension of 25 years in Serowe. Also chipping in to the small increase, was the extension of Pilane Crossing, the completion of the Design Quarter in Setlhoa Park, and Chirundi and Munali malls in Zambia.

Considering the challenging environment, the Group operates in, more especially in Botswana where the regulatory environment continues to be tightened, these financial results are stable. A number of issues

Primetime FY2019	
Price	P2.93
P/Bv	0.9x
P/E	5.3x
Div Yield	2.6%
ROE	0.047x
ROA	0.022x
Recommendation: HOLD	

Investment Property Portfolio Increased

Financial results are stable



have risen in this past year and were disclosed in the financial results. The first was the misstatement of the fair value adjustment on the property and foreign exchange gains and losses. The second issue noted was that three of the Group's Zambian properties whose reporting currency is the US dollar, were incorrectly translating transactions completed in the Zambian Kwacha at the year-end rate, as opposed to the closing exchange rate that was applicable at the time the transaction was completed. This resulted in the Group having to restate a number of their line items, including retained earnings, foreign currency translation reserve and fair value gains, either being overstated and understated by various amounts.

Ratio Analysis

	FY2019	FY2018	FY2017	FY2016	FY2015
GP Margin	63.01%	67.42%	65.26%	68.06%	68.76%
EBIT Margin	70.04%	66.65%	67.55%	74.89%	68.72%
Net Profit Margin	20.81%	77.17%	21.05%	78.93%	58.26%
ROE	0.0472	0.1517	0.0410	0.1662	0.1412
ROA	0.0222	0.0790	0.0215	0.0809	0.0773
Asset Turnover	0.2132	0.0972	0.0968	0.089	0.1165

Outlook & Recommendation

An addition to the Groups portfolio was the acquisition of Riverside Junction in Sandton, Johannesburg – of which was purchased R85mn (approximately P60.8mn) cash. Although this exposes the Group to some rand volatility, this addition works to diversify the groups portfolio. This acquisition happened after the year end and we are likely to see its contribution in the next financial statements report. In the pipeline for the Group in the upcoming year are the beginning of construction at Pinnacle Park in Setlhoa and development of the second plot in CBD, opposite Prime Plaza (a property owned by Time Projects). Primetime trades at a relatively low trailing PE ratio of 5.3x vis-à-vis the market average of 11x. The price to book value is also generally in line with the Primetime's market price at 0.9x. With an upside of 7.85%, we assign a **HOLD** recommendation for the stock.

Outlook for the Company is Positive

Recommendation: HOLD



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