

## PORTFOLIO RESEARCH

6 SEPTEMBER 2016

# VB HOLDINGS LIMITED

**Recommendation**  
**Recent Price**

**Buy to \$4.60**  
**\$3.70**

**Steven Pritchard**  
**steven\_pritchard@fijistockbrokers.com.fj**

**Esromy Immanu'el**  
**esromy\_immanu'el@fijistockbrokers.com.fj**

VB Holdings Limited (VBH) is a public company incorporated and domiciled in the Republic of the Fiji Islands. It is engaged in property investment, financing of vehicles sold by related entities, fleet management services, and other investment.

### FINANCIAL DATA

	2013 <sup>A</sup>	2014 <sup>A*</sup>	2015 <sup>A</sup>	2016 <sup>F</sup>
<b>Revenue</b>	3.612M	5.346M	7.208M	7.918M
<b>Net profit</b>	609,476	1,389,149	1,414,838	1,551,999
<b>ROE (%)</b>	11.62	13.20	12.31	13.0
<b>EPS (cents)</b>	34.22	64.99	66.19	72.61
<b>DPS (cents)</b>	14.00	14.00	14.00	14.00
<b>NA per share</b>	2.95	4.92	5.38	5.90
<b>Dividend %</b>	4.55	4.43	3.89	3.84
<b>P/E Ratio (x)</b>	9.00	4.86	5.44	5.03

The data in the above table denoted with <sup>A</sup> are actual results whilst <sup>F</sup> are forecasted results

\*The 2014 results have been adjusted to exclude the fair value gain of \$3,362,563 on the revaluation of the company's investment properties.

### MARKET DATA

<b>SPSE Code</b>	VBH
<b>52 Week Range</b>	\$3.20-\$3.70
<b>Issued Capital</b>	2,137,403 shares
<b>Market Capitalisation</b>	\$ 7,908,391
<b>Marketability</b>	6,585/ shares per month

### DIRECTORS

Mr Narayan Singh Niranjana	Director
Mr Devanesh Sharma	Independent Director
Mr Ratnesh Singh*	Director
Mr Nitish Singh Niranjana	Director/ CEO
Mr Sundar Masih Sukhu	Chairman/ Independent Director

\*Mr Ratnesh Singh replaced Mr Kuar Singh, who retired after eight years of service. Mr Ratnesh Singh has over twenty years of automotive and fleet related experience

### KEY POINTS

- ◆ VBH reported a 1.85% increase in underlying net profit of \$1,414,838 for the year ending 31 December 2015, compared to \$1,389,149 for the previous corresponding year.
- ◆ The company's return on equity fell slightly by 6.74% to a still impressive 12.31% from 13.20% in the previous corresponding period.

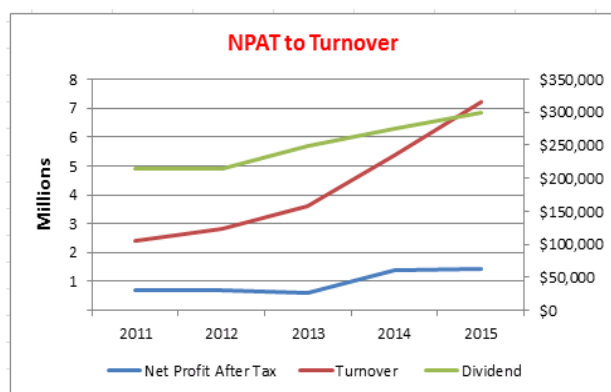
Members of the South Pacific Stock Exchange Limited

Level 2, Plaza One Provident Plaza 33 Ellery Street (PO Box 16355) SUVA Fiji Islands

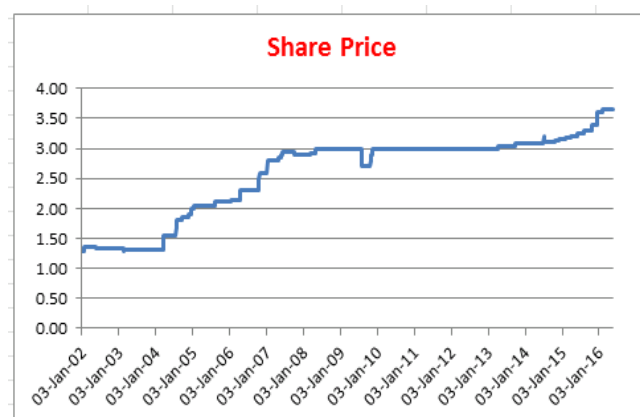
**P:** +679 330 4675 +679 330 7128 **F:** +679 330 4679

**E:** mail@fijistockbrokers.com.fj **W:** www.fijistockbrokers.com.fj

- ◆ The Fijian economy is performing strongly due to the implementation of government development initiatives. This is leading to improvement across all areas of the company, with total revenue from the fleet management division of \$6,288,774, compared with \$4,069,079 in the year prior. VBH's management expects this segment to grow in 2016 with advances in roads and construction activities.
- ◆ The company has adopted a conservative policy of valuing its motor vehicles. Our view is confirmed in the financial statements, where vehicles that were disposed of realised approximately 2.8 times their book value in 2014 and 2.4 times their book value in 2015.
- ◆ The value of the company's investment properties increased by \$790,000 over the year. However, this increase in value was neither reflected in the Statement of Comprehensive Income nor the Statement of Financial Position.
- ◆ Rental income grew by 11.78% to \$327,982 compared to \$293,421 in 2014; this was due to a higher tenancy occupation. However, over the same period, the market value of the properties increased by 17.77%. We believe this indicates that there is scope for an increase in rental payments. Furthermore, management has stated they expect more growth with tenancy rate increases.



- ◆ The dividends per share have been steady for the last 3 years at 14 cents per share, whilst during this period the underlying earnings per share have increased from 34 cents to 66 cents per share. This has resulted in the dividend payout ratio falling from 41% to 21%.
- ◆ Whilst it is understandable that the company needs to retain its cash in order to fund its growth, we believe that an increase in the dividend payout ratio together with other capital management initiatives would result in a positive re-rating of the share price of VBH.
- ◆ After adjusting the balance sheet for the most recent increase in the value of VBH's real estate the company has net assets of \$5.75 per share compared to the \$5.38 disclosed in the balance sheet. However, we believe this may significantly underestimate the true net assets of the company due to the conservative method which the company is adopting in valuing its motor vehicles.
- ◆ With only 123 shareholders, and the directors and their associates holding 63% of the issued capital of the company, investors wishing to acquire a reasonable size holding should be patient.
- ◆ **In summary, we believe VBH is a well managed company with a strong balance sheet and that the economic profits are greater than the disclosed profits. With increased investment in infrastructure we expect that the company will continue to grow subject to any capital constraints in funding this level of growth.**



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