

Dear Investor,

ASPEN (JSE: APN) will report its interim results for December 2016 by early March 2017. We are expecting a positive trading update soon prior to the results publication and a rerating in the share price on the update.

- ❖ The consensus view is that earnings for FY2017 will be at least 25% higher than in 2016.
- ❖ The main reason for the recovery will be the corrective measures taken by the company w.r.t. its operations in Venezuela, where hyperinflation has impacted the economy.
- ❖ From a valuation perspective, the stock is trading at a relative PE ratio of 1.04x to that of the JSE ALSI – the longer-term ratio is 20% higher at 1.2x. We therefore expect the price to rerate upwards as earnings recover.



Figure 1 – ASPEN price lagging earnings revisions

CONSENSUS FORECASTS

Year	EPS	DPS	NAV	P/E	EYld	DYld	P/NAV
2016 (A)	1263	248	9319	24.6	4.1%	0.8%	3.33
	25%	24%	14%				
2017 (F)	1575	308	10586	19.7	5.1%	1.0%	2.93
	21%	15%	15%				
2018 (F)	1901	356	12131	16.3	6.1%	1.1%	2.56
	14%	8%	15%				
2019 (F)	2158	385	13904	14.4	7.0%	1.2%	2.23

Figure 2 – Forecasts for ASPEN

At R310 per share we view this as an attractive entry level.

Please contact your Afrifocus Portfolio Manager.

Regards

Afrifocus Personal Wealth