

Capitec Bank Holdings Limited

Financials

Company Update Report

Sell

Continued growth in a saturated market

Analyst recommendation

Counter	Share price	Intrinsic value	Upside/(downside)
CPI-ZA	R3 404	R3 110	(9%)

As at 8 May 2025

Executive summary

- In this report, we will look at the full year 2025 results:
 - Headline earnings leaped 30% to reach a record high of R13.7 billion.
 - Net interest income increased by 23% to R20.2 billion, up from R16.5 billion.
 - Net interest income after credit impairments increased by 54% to R11.9 billion and contributed R2.7 billion to headline earnings growth for the year.
 - Gross loans and advances grew by 12% to R116 billion with business banking growing by 22% and the private banking sector by a lower 7%.
 - Net non-interest income increased by 22% to R23.9 billion. Net transaction and commission income, including VAS and Capitec Connect, increased by 25% to R18.5 billion, accounting for 78% of net non-income (FY2024: 76%). Digital transactions and card payments accounted for 90% of transaction volumes and grew by 17% and 20%, respectively.
 - Credit impairments decreased by 5% to R8.3 billion, despite the inclusion amount of R830 million of credit impairments from AvaFin.
 - Operating expenses increased by 30% to R18 billion, of which 7% is attributable to the inclusion of AvaFin, 9% to increased employee incentives from higher earnings growth, 8% due to higher employee headcount, and 6% from employee increases.
- Capitec's results showcase the continued growth in market share, with a 24 million active client base and growth in sectors across the board, reaffirming the investment case. The company outlook remains positive, with possibilities in new revenue from the current client base and additional services to gain further market share.
- The intrinsic value has increased by 8% from R2 890 to R3 110 with earnings anticipated to grow by 14% for FY26. The P:E ratio in the base case remains unchanged with a positive outlook for consumers on a lower interest rate environment and no VAT hike taking effect, but global economic uncertainty around tariffs and the effect on the local economy remain a concern.

Analyst thesis

- A risk to the investment case is the expectation that the historical high growth rate will be maintained with a diminishing untapped market share that can still be captured. To maintain the status of a high-quality bank, Capitec needs to seek future growth from alternative products and services that can be provided to the current client base as an add-on service.
- Capitec stands out as a peer-leading bank, with a ROE of 29% reported in FY25 (10-year avg: 25%) and a 5-year EPS CAGR of 17%. Its strong, stable profitability, expanding client base, and growth in banking, insurance, and potential new verticals support a compelling outlook for sustained, above-peer growth.
- We view the active client base of 24 million as an asset for add-on services to the current offered banking suite to stimulate future growth and to improve profitability with economies of scale.



Table 1: Results summary

Metric (million)	FY24	FY25	Y/y %
Net interest income	16 464	20 185	22,6
Net transaction and commission income	12 038	14 117	17,3
Net insurance result	3 178	3 777	18,8
Credit impairments	8 725	8 258	-5,4
Operating expenses	13 941	18 099	29,8
Headline earnings	10 578	13 739	29,9
Cost-to-income ratio %	39	41	2,0
Credit loss ratio %	8,7	7,5	-1,2
Return on equity %	26	29	3,0
Deposits and wholesale funding	156 015	175 541	12,5
Net loans and advances	80 552	89 145	10,7
Full year dividend per share (cents)	4 875	6 510	33,5

Sources: FactSet and company financials

Valuation

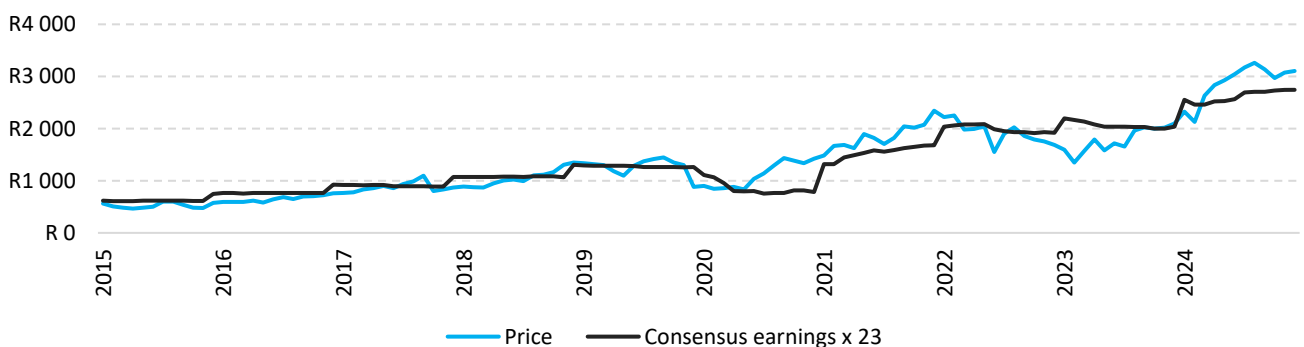
The valuation of Capitec Bank was derived by forecasting future earnings per share to form a base case valuation. We flex the earnings to determine a bear and bull case. We then apply a P:E ratio on the earnings per share for each scenario, enabling us to calculate an intrinsic value for each scenario. A probability is applied to each scenario to determine the final probability-weighted intrinsic value. Lower probabilities are applied to the bear and bull cases as these scenarios represent less probable and more extreme scenarios. We used a combination of historical P:E combined with the justified calculation as the justified P:E starts to become less accurate at higher growth rates. Our base case P:E is 21x compared to FactSet consensus of 26x. We view consensus P:E multiple as too high in our view and as demonstrated in the historic ratios in our graphs (graphs 1, 2, 3, and 9). Our profit forecasts is lower than consensus as shown in table 3.

Table 2: P:E valuation per share

Scenario	Earnings per share	P:E ratio	Intrinsic value	Probability weighting	Upside/down side
Bear	R103	15	R1 552	15%	-54%
Base	R136	21	R2 853	65%	-16%
Bull	R171	30	R5 137	20%	51%
Weighed			R3 110	100%	-9%

Source: PSG Wealth research team

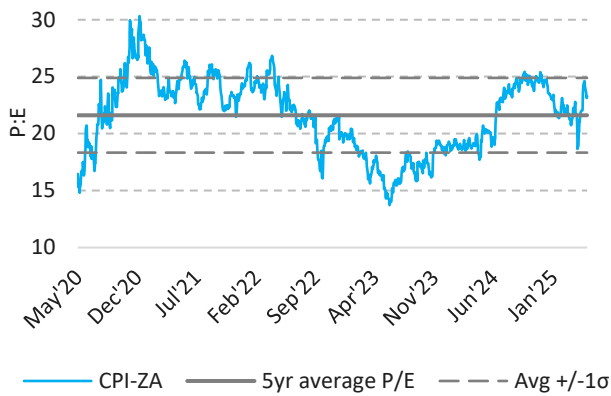
Graph 1: Capitec share price versus consensus earnings x 23



Source: FactSet

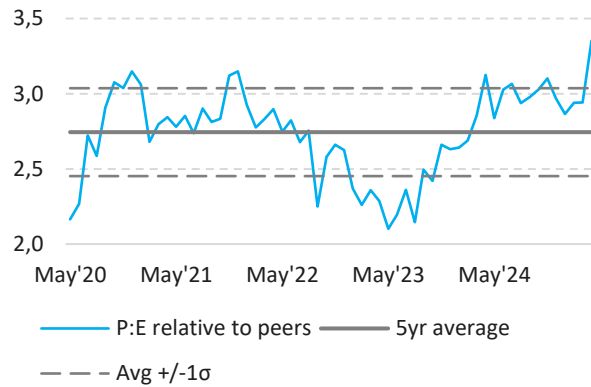


Graph 2: Long-term historic P:E



Source: FactSet

Graph 3: P:E relative to peers



Source: FactSet

Capitec P:E relative to the average P:E of ABSA, Standard Bank, Nedbank and FirstRand

Table 3: Valuation forecast

R million	FY26				
	PSG base case	% y/y growth	R difference to consensus	% difference to consensus	Consensus
Net interest income	21 491	6%	92	0%	21 399
Non-interest revenue	27 404	15%	443	2%	26 961
Impairments	-8 048	-3%	429	-5%	-8 477
Operating expenses	-20 814	15%	-1 258	6%	-19 556
Profit for the year	15 704	14%	-690	-4%	16 394

Sources: PSG Wealth research team and FactSet



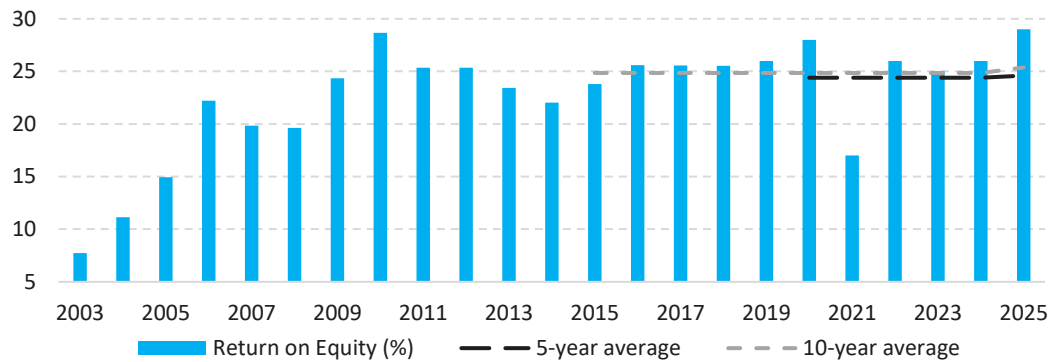
Table 4: Qualitative summary

Factor review	Rating	Description
Growth		FactSet consensus expected 3-year revenue and earnings to have a CAGR of 14%.
Valuation		The downside to intrinsic value is -9%. Capitec has higher valuation multiples than its peers and is trading at the high end of its historic valuation multiples.
Dividend yield		The forward dividend yield for Capitec is 2.3%.
Issuance		Capitec has no material share issuance and buybacks, with the weighted average shares in issue remaining stable.
Catalyst		<ul style="list-style-type: none"> • Addition of new services and products that benefit from its large client base. • The macro economy on the global front is turning to a more uncertain environment, which might cause consumers to hold back on consumption. • Commercial banking growth to expand with increased market share from the already large private banking client base. • Innovative business model changes, including use of tech leading to increased market share, growth, and profitability. • Global expansions (Avafin).
Quality of earnings		Bank earnings are closely linked to the macro environment. Impairment provisions can be volatile and cause large differences in earnings. Capitec, compared with peers, has the highest return on equity, which has been stable in the past decade.
Moat		The banking industry has regulatory hurdles, and brands need to be established to earn consumers' trust. Consumers are reluctant to move to a new bank, although recently, there have been more entries to the market, with more consumers proving to be open to changing banks.
Management and governance		Capitec is known for having a strong management team, which has proven to be able to keep the company profitable and achieve significant growth. CEO Gerhardus Fourie will retire in July 2025 after serving on the executive management team for 25 years. Graham Lee, who joined Capitec in 2003 and is set to take over as CEO.
Balance sheet		The group has a capital adequacy ratio of 38%, a liquidity coverage ratio of 3 085% and a net stable funding ratio of 225%. The current total expected credit loss coverage is 27%, with up-to-date stage one loans representing 63% of gross loans and advances.
Risks		<ul style="list-style-type: none"> • Sudden adverse changes in the management team. • Material slowdown in growth, including future growth initiatives being unsuccessful. • Increased pressure on consumers, leading to material credit losses. • Adverse regulatory changes. • Political and social risks. • Grey listing impact over time. • Risks relating to SA treasury bills and government bonds due to increased exposure.
Regulation		The banking industry is highly regulated, with multiple regulators and must comply with various law acts, including regulatory capital requirements.
ESG		Capitec has an average ESG rank.
Momentum price		Price momentum is positive
Momentum earnings		In the last three months, earnings for the next financial year have been revised upwards by 19.3%.

Sources: PSG Wealth research team, FactSet and company financials

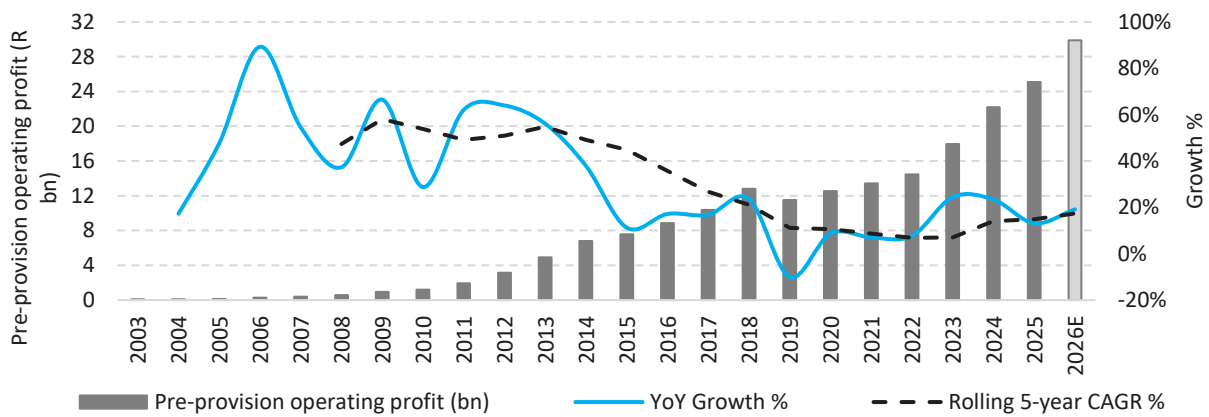


Graph 4: Return on equity



Source: FactSet

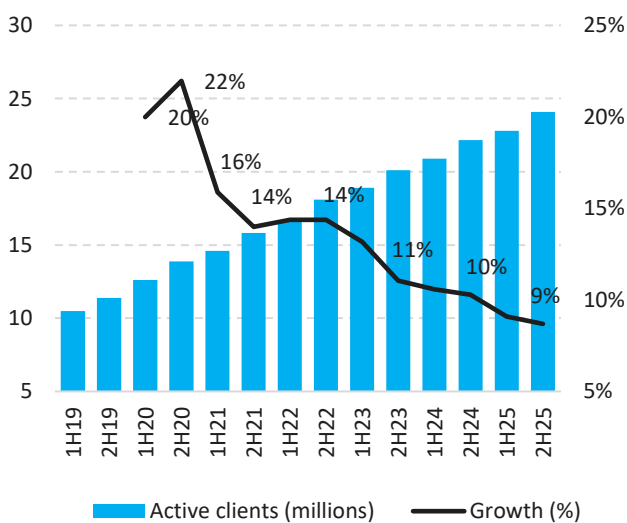
Graph 5: Profit growth



Source: FactSet

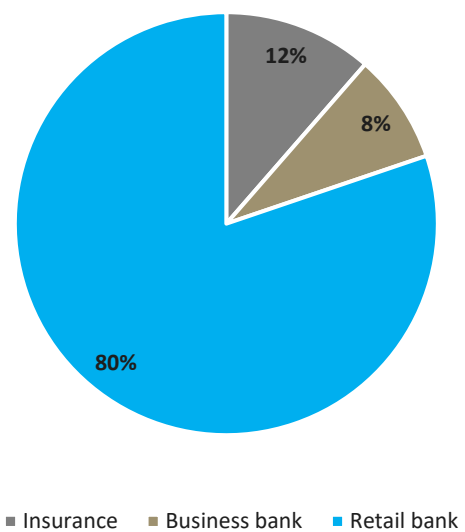
2026E = FactSet consensus 2026 estimate

Graph 6: Active clients



Source: Company financials

Graph 7: Net income



Source: FY25 Company financials

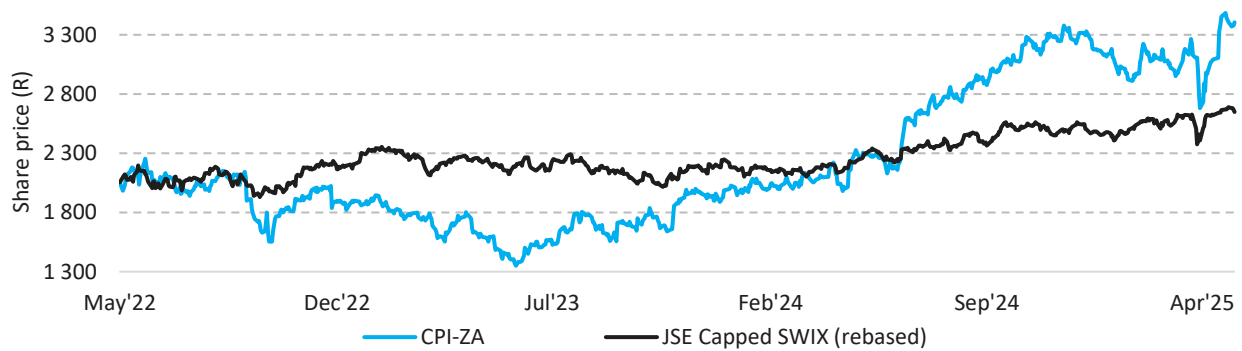


Table 5: Company data

52-week high	R3 523
52-week low	R2 128
Market value (bn)	R395
Price momentum	Positive
3m earnings revision	19,3%
Fiscal year end	2026/02/28

Source: FactSet

Graph 8: Share price history versus benchmark



Source: FactSet

Table 6: Performance versus benchmark

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
Capitec Bank Holdings Limited	8,6%	-1,1%	5,5%	3,3%	49,3%	113,4%	65,8%	287,5%	530,4%
JSE Capped SWIX	7,7%	-0,9%	3,3%	6,3%	17,4%	17,5%	28,4%	76,1%	36,5%

Source: FactSet

Graph 9: Forward P:E



Source: FactSet



Table 7: Forward valuation multiples

Multiple	Latest:	Last note:
	Apr-2025	Apr-2024
P:E	23,3x	19,0x
P:S	7,8x	6,1x
P:B	6,5x	4,9x
Dividend yield	2,3%	2,8%

Source: FactSet

Table 8: Key competitors

Company	Code (ZA)	Price (local)	Market cap (R'bn)	Non-interest revenue (R'bn)	Net interest income (R'bn)	Net income (R'bn)	P:BV	P:E	Price % (3m)	Price % (1yr)
Capitec Bank Holdings Limited	CPI	3 403,9	395	24	20	14	7,8x	23,3x	5,5%	49,3%
Nedbank Group Limited	NED	245,9	120	30	42	17	1,0x	6,3x	-11,1%	5,0%
FirstRand Limited	FSR	71,7	402	53	87	38	1,9x	8,8x	-5,9%	8,2%
Standard Bank Group Limited	SBK	224,1	369	58	107	44	1,5x	7,5x	1,2%	23,1%
Absa Group Limited	ABG	166,0	148	39	71	22	0,9x	5,5x	-12,1%	11,3%

Source: FactSet



Table 9: Key financials and ratios

Income statement (ZAR bn)	2020	2021	2022	2023	2024	2025		5Yr CAGR	2026E	2027E
Net revenue	21.1	23.0	27.0	29.8	36.0	44,1		16%	49,2	56,0
Y/Y growth (%)	11.1	8.9	17.2	10.3	21.1	22,3			11,6	13,9
Non-interest revenue	9.8	11.4	14.3	15.5	19.6	23,9		20%	27,3	30,8
Y/Y growth (%)	21.7	17.1	25.3	8.4	25.9	22,0			14,2	12,9
Net interest income	11.4	11.6	12.6	14.2	16.5	20,2		12%	22,0	24,6
Y/Y growth (%)	3.4	1.8	9.1	12.6	15.9	22,6			8,9	12,1
Provision for credit losses	4.5	7.8	3.5	6.3	8.7	8,3		13%	8,5	8,9
Y/Y growth (%)	0.5	74.9	-55.2	80.4	37.9	-5,4			2,7	4,9
Profit for the year	6.3	4.5	8.5	9.2	10.6	13,7		17%	16,4	19,1
Y/Y growth (%)	18.0	-28.7	91.3	7.3	15.5	30,1			19,1	16,7
EPS	54.0	38.5	73.7	79.1	91.4	118,8		17%	141,5	165,5
Y/Y growth (%)	18.1	-28.7	91.5	7.3	15.5	30,0			19,2	16,9

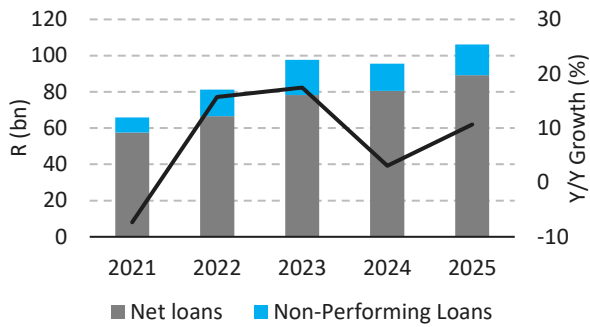
Balance sheet and cash flow (ZAR bn)	2020	2021	2022	2023	2024	2025		5Yr CAGR	2026E	2027E
Cash from operations	16.4	29.7	14.0	4.3	14.3	24,9		9%	-	-
Cash from investment activities	1.8	-20.5	-25.3	-1.5	-11.6	-7,0		-231%	-	-
Cash from financing activities	-5.1	-2.2	-3.8	-6.0	-4.8	-8,2		10%	-	-
Net loans	62.0	57.5	66.5	78.2	80.6	89,1		8%	104,7	120,4
Deposits	101.5	120.9	132.4	144.1	153.0	172,6		11%	189,5	209,4
Total assets	134.6	157.0	177.5	190.6	207.6	238,5		12%	242,0	263,6
Total liabilities	109.0	126.6	142.4	152.7	164.0	187,6		11%	-	-

Ratios (ZAR bn)	2020	2021	2022	2023	2024	2025		5Yr average	2026E	2027E
Cost-to-income ratio	41	41	47	40	39	41		41,6	40,2	39,6
CET1 (%)	29.5	35.8	35.4	33.6	35.5	38,5		35,8	42,3	44,1
Credit loss ratio (%)	6.3	10.3	4.4	7.0	8.7	7,5		7,6	-	-
Net loans/total assets (%)	46	37	37	41	39	37		38,3	43,3	45,7
Total liabilities/assets (%)	81	81	80	80	79	79		79,7	-	-
ROA (%)	5.4	3.1	5.1	5.0	5.3	6,2		4,9	-	-
ROE (%)	28	17	26	25	26	29		24,6	-	-



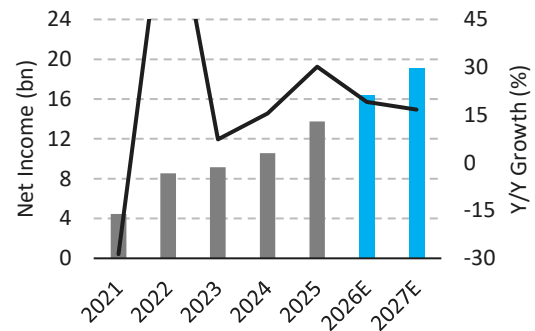
Source: FactSet

Graph 10: Annual net loans



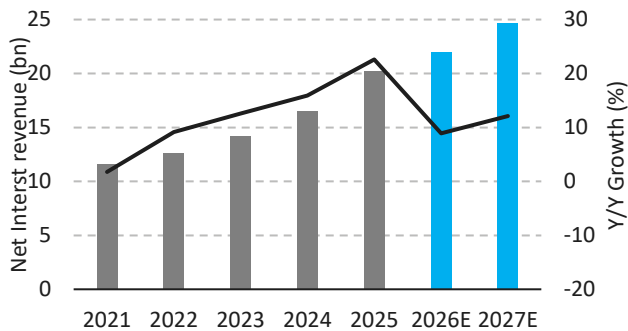
Source: FactSet

Graph 11: Profit for the year



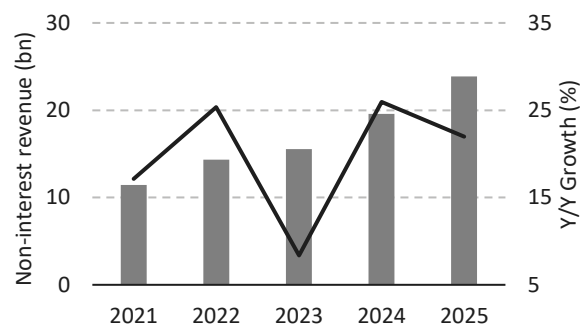
Source: FactSet

Graph 12: Annual net interest income



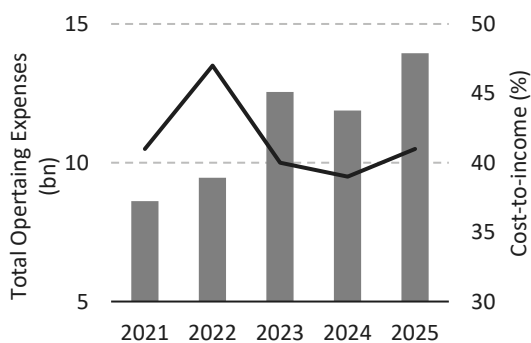
Source: FactSet

Graph 13: Annual non-interest revenue



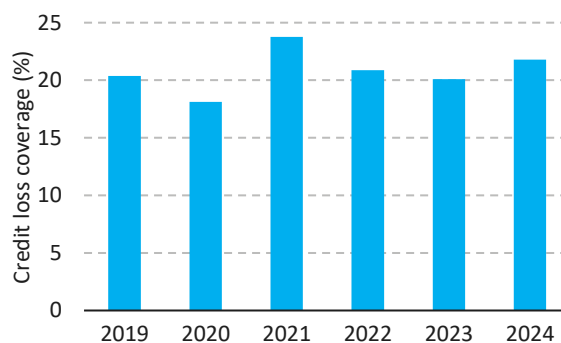
Source: FactSet

Graph 14: Operating expenses and cost-to-income ratio



Source: FactSet

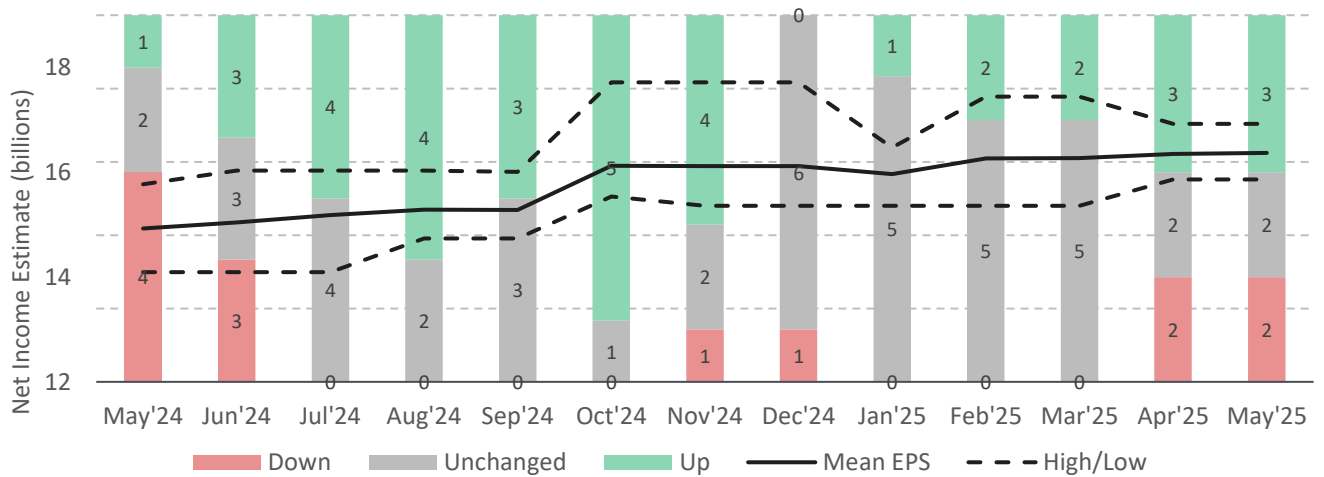
Graph 15: Credit-loss coverage



Source: FactSet



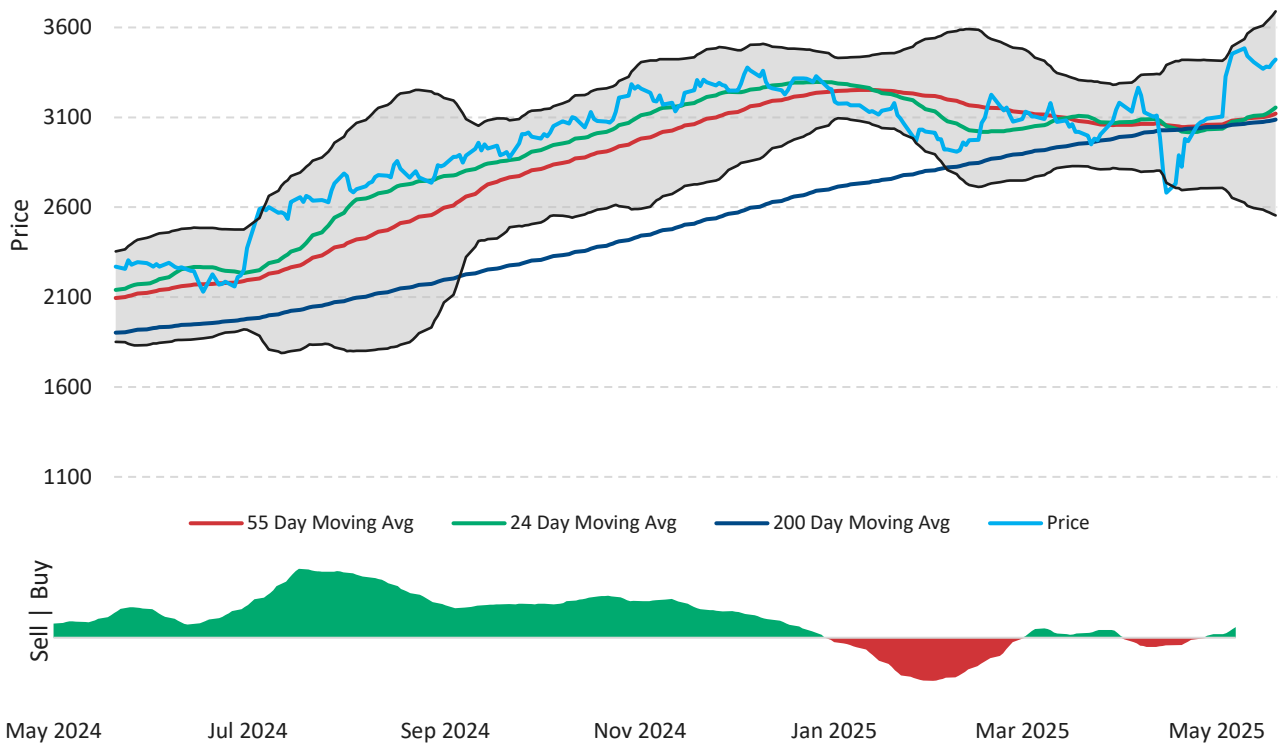
Graph 16: Earnings revision



Source: FactSet

Graph 17: Price momentum

Last: 34.21 | Bollinger Bands: (50,3) [Upper/Lower]: 36.90/25.54



Source: FactSet



Contact details

Marnus Piekaar, CFA

Equity Analyst

+27 (11) 996 5200

Marnus.Piekaar@psg.co.za

Pierre Muller, CA (SA), CFA

Equity Analyst

+27 (11) 996 5200

Pierre.Muller@psg.co.za

The purpose of this document is to provide information and is not available for external distribution.

About PSG Wealth recommendations

PSG Wealth provides medium- to long-term recommendations based on the premium or discount that a company trades at, relative to our estimation of intrinsic value. We expect companies to re-rate towards their intrinsic value over a one- to three-year period.

House view guidance: House view guidance is indicative only. Each client's circumstances are different, and it remains critical that indicative guidance is discussed with your portfolio manager or financial adviser.

*Share price as at closing.

Disclaimer

PSG Investment Management issued this publication under the PSG Wealth product banner. It is confidential and released for the information of clients only. It shall not be reproduced in whole or in part without our permission. Any unauthorised use, duplication, redistribution or disclosure is prohibited by law. This publication is not to be construed as providing investment services in any jurisdiction where the provision of such services is not permitted. It is provided for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security, and we have no responsibility whatsoever arising here from or in consequence thereof. The user assumes the entire risk of any use made of this publication. Any decision to purchase securities mentioned in this publication must consider existing public information on such security or any registered prospectus. The information contained herein has been obtained from sources which and persons whom we believe to be reliable but is not guaranteed for accuracy, completeness or otherwise. Opinions and estimates constitute our judgement as of the date of this material and are subject to change without notice. This publication does not attempt to identify the nature of the specific market or other risks associated with an investment. Leveraged /Geared positions in securities can accentuate the profit/loss made on investments. Geared /Leveraged positions are not recommended based on the information contained in this publication. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors and investors must make their investment decisions using their own objective advisers as they believe necessary and based upon their specific financial situations and investment objectives. Certain investments/recommendations may have tax implications for private customers. Investors should seek advice from a tax adviser before acting on information contained in this publication. The securities described herein are subject to fluctuation in price and/or value and investors may get back less than originally invested. Past performance is not indicative of future performance and are for illustrative purposes only. The employees responsible for producing this report may from time-to-time own securities mentioned herein.

Analyst certification

The research analyst who prepared this report certifies that the view expressed herein accurately reflects the research analyst's personal views about the subject, security and issuer and that no part of their compensation was, is or will be directly or indirectly related to specific recommendations or opinions contained in this report.

FSP

PSG Investment Management (Pty) Ltd is an authorised financial services provider. FSP: 44306

PSG Securities Limited is an authorised member of the JSE and authorised financial services provider. FPS: 42996