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A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights 01 June 2018

Research

Garry Juma
Salome Makgathe
Motswedi Securities (Pty) Ltd

Sales

Tshenolo Motlhagodi
Moemedi Mosele
Kefilwe Douglas

Plot 113, Unit 30, Kgale Mews, Gaborone
P/Bag 00223, Gaborone, Botswana
Tel: +267 318 8627
Fax: +267 318 8629
Website: www.motswedi.co.bw



1. Wilderness Holdings releases a strong set of financial results...

Wilderness Holdings released a strong set of financial results for the year ended 28 February 2018 with revenue up 9% to P1.2bn lifted by increases in bed nights sold across the group's operations. Wilderness Holdings owns ecotourism brands of Wilderness Safaris, Wilderness Collection Air, Wilderness Wildlife Trust and Children in the Wilderness. It has operations on safaris in very wild, pristine and remote parks. Over time, the business has evolved into a specialist luxury safari operation with 70 different safari camps and lodges in Botswana, Kenya, Namibia, Rwanda, South Africa, Zambia and Zimbabwe, hosting in excess of 25 000 guests per annum. It is widely recognised as one of the world's foremost responsible tourism businesses.

The Zambezi region which is comprised of Zimbabwe and Zambia exceeded expectations, with its contribution to profit growing by 239% followed by Rwanda's up 121% and Namibia 96%. Botswana's operations which are significant for the group came down 3% reflecting the impact of Mombo rebuild and the exchange rate. The Pula gained more than 5% against the dollar during the comparative period. South Africa declined by 13% due to the strengthened rand while Kenya came off 47% as a result of the inclusion of a greater portion of low season. Gross Profit margins improved slightly to 69% from 68%. EBITDA margin declined from 19% to 17% primarily due to higher foreign exchange losses as well as lower 'Other gains' which are comprised of insurance proceeds and net profit on disposal of assets.

Impairment losses came in at P9.6mn and relate to the impairment of decommissioned camp assets and camp assets damaged by flooding. Net finance cost jumped by 108% to P19.2mn and are mostly due to increased debt to finance capital investment and acquisition. Although the group sits on a healthy and positive cash position, the group may consider issuing new shares in future to finance its capital expenditure given that demand for Wilderness shares remains high. Against this background, PAT came out 39% higher at P87.3mn with EPS growing by 36% to 32.32thebe.

Outlook

The business model of Wilderness Holdings remains strong and is sustainable. The recent positive developments especially in Southern Africa is positive, especially the political dispensation in Zimbabwe. Already, the Zambezi region (Zimbabwe and Zambia) did exceptionally well during the period under review and optimism is high. The group should also put more focus on developing the Asian, South American and Indian markets which have potential for further growth. Wilderness Holdings remains one of the most sought after stock and we are excited about its growth and future potential. We assign a STRONG buy recommendation on the stock.

2. Chobe Holdings Limited PAT up 11%...

Revenue came in 11.8% at P301.1mn lifted by increases in bed nights sold and significant contribution from the aircraft maintenance organization. PAT came in 10.9% higher at P71.0mn while EPS stood at 79.49 thebe from 72.37 thebe. The company has also declared a dividend of 50 thebe per share to the rest of the shareholders that would be registered by June 15.

3. Domestic Equities...

The headline trade for the week was from New African Properties (NAP), with 87.4 million shares worth BWP 280.7mn (US\$28mn) crossing the board at 321 thebe per share – becoming the biggest deal to trade on the exchange thus far this year. For the past 3 years NAP has been trading large blocks similar to this one in size mainly due to selling from one of the founding shareholders, while much of the buying came from local asset managers. NAP listed on the Botswana Stock Exchange in September 2011 and has a diversified portfolio of 64 well-established, strategically located, primarily retail properties across Botswana as well as a small portfolio of Namibian retail properties, all underpinned by quality tenants.

A surprise price move was from Olympia, which got knocked 8 thebe, losing 40% of its value to close at a new 52 week low 12 thebe. Olympia's suspension was lifted on the BSE in December 2017, after being imposed for 4 years (since 2013), for failing to furnish their financials to the exchange. In the history of the company's share price, the highest it has gone is 120 thebe, before taking a beating during the 2008/09 crisis. Unfortunately, the share price has never recovered, and doesn't look to be able to.

Still on the steady up climb was BTCL, gaining 5 thebe for the week as demand for the stock continued strong, however supply has thinned considerably in the last few weeks. The closing price on the counter was 126 thebe, with only 357,353 shares exchanging hands.

Market Summary – Week ending 01 June, 2018

No. of Shares Trading	90,974,823
Turnover (BWP)	294,723,334
Turnover (USD)*	29,472,333
No. of stocks trading#	14
No. of stocks advancing#	3
No. of stocks declining#	3
No. of stocks unchanged#	20

Source: Motswedi Securities, BSE *US\$/BWP = 0.1008
= Domestic Main Board

Major Movers– Week ending 01 June, 2018

COUNTER	01 June (t)	25 May (t)	Change (%)	YTD (%)
BTCL ↑	126	121	+4.1	-31.5
CHOPPIES ↑	249	248	+0.4	+2.9
NAP ↑	321	320	+0.3	+0.3
OLYMPIA ↓	12	20	-40.0	-40.0
TURNSTAR ↓	315	316	-0.3	0.0
BARCLAYS ↓	610	611	-0.2	-4.3

Source: Motswedi Securities, BSE

For the week, both the DCI and DCTRI ticked forward by 0.13%, led by BTCL. The FCI, on the other hand, was static as there were no price movements on the foreign board.

BSE Indices – Week ending 01 June, 2018

DCI Close	8,545.25
Weekly Change (%)	+0.13
YTD Change (%)	-3.55
FCI Close	1,571.12
Weekly Change (%)	0.00
YTD Change (%)	0.00
DCTRI Close	1,811.73
Weekly Change (%)	+0.13
YTD Change (%)	-0.68

4. Foreign Exchange

A new coalition government has been established in Italy, putting an end to political chaos that has been plaguing the country for last three months. This development has halted the euro's 6-week downhill trend, while also prompting the Italian bond yields to ascend rapidly.

The dollar index is also back on track, climbing higher against a basket of its peers, reaching levels around 94.02 points. The US jobs data for May is expected to show rosy results, which would keep the expected rates increase by the Fed on course. The dollar's rally is expected to keep on strong should the rates increase, but this may however, be countered if a trade war erupts as a result of the imports tariffs imposed on Canada, Mexico and the European Union by the United States.

Domestic Exchange rates

Currency	01 June	25 May	Change (%)	YTD (%)
US\$/BWP ↓ 	0.1	0.1008	-0.79	-1.28
ZAR/BWP ↑ 	1.2671	1.2569	0.81	0.86
EUR/BWP ↓ 	0.0856	0.0861	-0.58	0.94
GBP/BWP ↓ 	0.0753	0.0754	-0.13	1.03
JPY/BWP ↓ 	10.91	11.03	-1.09	-4.47
CNH/BWP ↓ 	0.641	0.6434	-0.37	-2.95

Source: Bank of Botswana

The local unit, was in the red against the major currencies, save for the rand, where the pula gained 0.81%, pushing yearly gains higher to 0.86%.

5. Commodity Market

Precious Metals were for the most part were stable for the week, with gold and silver registering miniscule losses of 0.34% and 0.54% respectively, despite newly refreshed trade war fears arising after the United States moved forward with placing tariffs on aluminum and steel imports from Canada, Mexico and the European Union. Coming as no surprise, base metal nickel hopped a whopping 4.65% for the week, in reaction to the tariff news, closing for the week at US\$15,200/t, extending yearly gains to 24%.

Crude oil production in the OPEC cartel fell by 70,000 bpd in May, to reach its lowest level in the last 13 months, of 32 million bpd. The largest drop came from Nigeria, which is still struggling with exporting their oil due to the unplanned shut down of one of their largest pipeline. Coming in second, was Venezuela, which has been riddled in its economic crisis for the last few years. Venezuela's supply disruptions, further deepened when OPEC instigated the oil supply cut in January 2017. On the 22nd of June, OPEC is set to meet to discuss the possibility of boosting output levels. The global benchmark spent the week trading in the range of US\$75.30/bbl and US\$77.62/bbl, registering a stable price increase of 1.33% in the last week.

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The term closing and last price are often used interchangeably, except were specified, in the report, with Motswedi preferring to use Last Traded Price as the best indicator of where the market will open, on the next trading session.

The part that follows has nothing to do with legal indemnity or avoiding any suits. The market is seeing more red than you would expect in a slaughter house, I have seen a cat fall into a bucket of red paint and it still wouldn't compare. Its value town out there, valuations are scraping the floor harder than the knee caps of your favorite adult performer on all fours. Buy the dip, they say, and this doesn't only apply when you are prepping to watch your favorite team with the boys, but the market as well.