



Weekly Financial Markets Highlights

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1.0 Sefalana reports a 25% increase in PBT...

The Sefalana Group boasted a 13% revenue increase in the first half of their 2018/19 financial year as was published on Thursday by the local exchange. The company chalked the growth up to the extensive efforts they have made to secure a larger piece of the market share in various regions despite several regional environments where competition has been extremely tight. The gross profit margin was slightly lower at 5.96%, from 6.14% in the previous period. Profit before tax shot up 25% to P103mn - the company has noted that these are the highest half year financial results have recorded since the company's inception back in 1974.

The largest contributor to the bottom line by region for the period under review was Botswana, which encompasses all the Group's divisions such as the usual trading of consumer goods that we are accustomed with - manufacturing, and property to name a few. However, if focus was put on the Group's primary function of an FMCG provider, the Namibian operations have leaped to the top to being the largest contributor to the profit before tax at 24%, with Botswana coming in second with 23%. Operations in Lesotho have continued to rake up the losses, with PBT down by 160%. The group entered the South African market through a consortium that had invested in a number of businesses at the end of 2017. The investment came with a guaranteed income of R50mn annually, and true to this the company received in its first trading half of the year R25mn, which translated it to P18.5mn due to exchange rate exposure as part of its "Investment Income". Earnings per share also climbed higher to 30.47 thebe, bringing the 52 week trailing P/E to 11.5x.

What is worth noting is that despite the growth in the company's performance, the stock price has been on a steady decline. An interim gross dividend has been declared by the company of 10 thebe per ordinary share, for those investors who are shareholders of the stock by the 15th February 2018. The company, on average, pay out a dividend of 47% of their net profit out to their investors as dividends.

COUNTER	25 January (t)	18 January (t)	Change (%)	YTD (%)
SEFALANA ↓	870	870	-0.9	-0.9
BTCL ↓	95	96	-1.0	0.0
NAP ↓	324	325	-0.3	-0.3
BBS ↓	110	112	-1.8	-1.8

Source: Motswedi Securities, BSE

The exchange was glittering red this week with all price movements invoking negative year to date growths, except for BTCL, whose 1 thebe decline resulted in the counter reversing the small gains it had garnered in the previous week. At the forefront of the losers was Sefalana, whose demand was failing to gain traction for the stock despite continued positive performance of the company itself. The stock was trading 8 thebe down at P8.70, which marked a new 12 month low.

Market Summary – Week ending 25 January, 2019

No. of Shares Trading	10,184,928
Turnover (BWP)	35,297,793
Turnover (USD)*	3,370,939
No. of stocks trading#	17
No. of stocks advancing#	0
No. of stocks declining#	3
No. of stocks unchanged#	23

Source: Motswedi Securities, BSE *US\$/BWP = 0.0955
= Domestic Main Board

BancABC was the most liquid this week, crossing a little over 5mn shares at yearly high price of P2.05 each. The volumes were moved purely by demand for the stock, despite no new information coming to light on the stock. The bank joined the Botswana Stock Exchange local bourse in December 2018 with the price set at P2.00 per share. The IPO of the bank was undersubscribed as it had put up 24.9% of the 725mn issued shares that it has on offer and only 20.5% was taken up by investors. To comply with the BSE listing requirements, the bank, along with most of the other listed entities will have to increase their free floats, that is, the percentage of their shares on offer, to a minimum of 30% from the 20% it was last year, before the end of December 2019.

BSE Indices – Week ending 25 January, 2019

DCI Close	7,874.91
Weekly Change (%)	-0.09
YTD Change (%)	0.29
FCI Close	1,570.30
Weekly Change (%)	0.00
YTD Change (%)	0.00
DCTRI Close	1,717.60
Weekly Change (%)	-0.09
YTD Change (%)	0.29

Source: Motswedi Securities, BSE

2.0 Company Announcements

Letlole La Rona have released a circular giving more colour and information on its proposed transaction with Cresta Marakanelo, which involves the selling of a number of properties - the four where Cresta have a lease signed with Letlole of which situate Cresta Lodge, President Hotel,

Thapama Hotel and a portion of Bosele Hotel. The leases are set to expire at the end of June 2020 and LLR have concluded that the best option for them, and for their shareholders would be to dispose of the properties before then as the two parties were failing to come to an amicable agreement in regards to terms of a lease renewal.

The proposed sale consideration of the properties is set at BWP235mn, subject to shareholder approval at the Extraordinary General Meeting to be held on the 12th of February at Cresta Lodge. The sale of the properties would be below the market value of BWP254.7mn as at 31 December 2018, therefore at a loss of ~BWP20mn. LLR has noted that they intend for the funds to be used within their ongoing financial year, which is before the end of June 2019 and have forecast that ceteris paribus, they expect a decline in profit of approximately 23% to BWP60.49mn, from BWP78.87mn, for the year ended 30 June 2019. It is worth noting that the four properties in the concerned transaction make up 28% of the company's property portfolio.

Cresta Marakanelo released a circular as well highlighting the details of its proposed transaction with Letlole La Rona. The directors of Cresta have noted that the transaction involve purchasing a number of properties where their hotels are located. These properties include the four in which Letlole La Rona has leased to Cresta, operating as Cresta Lodge, Cresta Thapama, Cresta President and Cresta Bosele; as well as the property where Cresta Riley's is operating. This step would benefit the company in that they will no longer be liable for annual rental escalations, which played a significant role in denting the company's profitability; the acquisition would also allow the

company to refurbish their hotels as the owner of the property as opposed to refurbishing as a clause in a lease for a property that is owned by another company; the increase in the number of hotels the company owns would balance out their portfolio between leased and owned properties to 50/50.

The cost of acquiring the properties was agreed between the interested parties to BWP25mn for Cresta Riley's and BWP235mn for the LLR properties, totaling BWP260mn. In a previous announcement, Cresta noted that the acquisition of the land would be purely through debt. The transaction is of course subject to regulatory approvals as well as shareholder approval. Cresta intends to have an Extraordinary General Meeting on the 14th February 2019 for shareholders to vote on the matter.

Choppies have released an update with respect to the scandal that erupted around the Zimbabwean shareholding back in September 2018. According to the announcement, the directors and shareholders of Nanavac Investments have apparently settled all their outstanding issues with specific reference to the Mphoko's. The Mphoko's have supposedly now disinvested from Nanavac and by extension from Choppies.

3.0 Foreign Currency...

The pound has had a stellar week, closing the week off at \$1.3088/£ supported by positive news surrounding Theresa May's Brexit deal. After the deal the Prime Minister negotiated with the European Union was shot down spectacularly last week Tuesday by her cabinet, she managed to win a vote of no confidence on Wednesday after appealing. There has now reportedly been talks that the party that runs the Conservative

government may be willing to support the Prime Minister's deal provided a number of their conditions are met. The Prime Minister is set to face her parliament again on Tuesday (29 Jan) to discuss a way forth and other alternative deals on the table.

Domestic Exchange rates

Currency	25 January	18 January	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0955	0.0955	0.00	-5.73
ZAR/BWP ↑ 	1.307	1.3099	-0.22	4.04
EUR/BWP ↓ 	0.0844	0.0838	0.72	-0.47
GBP/BWP ↑ 	0.0728	0.0735	-0.95	-2.32
JPY/BW ↓ 	10.49	10.44	0.48	-8.14
CNH/BWP ↓ 	0.6474	0.6477	-0.05	-1.98

Source: Bank of Botswana

The local unit felt the pounds rally significantly as it weakened almost 1% to the unit. Meanwhile, the pula made no movements on a week to week basis against the dollar despite weakening for the better part of the week, it regained its strength during the last two days of the week.

4.0 Commodities Markets

Oil prices have had a busy week after starting on the downside as rising US inventories created a glut in the market. In the past several months, US inventories have been surging, surpassing even that of Saudi Arabia, making the US the world's largest producer. This happened, despite efforts made by the US president imploring OPEC and its members and partners to reduce their production. The glut was however offset by ongoing disarray in Venezuela that has put the nation at risk of being sanctioned by the US. The OPEC member's oil production was already on the decline and was expected to continue in that same projectile for as long as the troubles in the country persist. If the

sanctions go into place, however, the country's projected output is expected to nosedive severely. At the writing of writing, the international benchmark for crude oil was trading at US\$61.08 per barrel.

Gold closed Friday on a high note, rising ~0.76% on the back of a weaker dollar. Also supporting the yellow metal were concerns of a slowing global growth, which would be triggered was triggered by the US-China trade war and heightened by data showing that the Chinese economy has already slowed down slightly. Gold, at the time of writing was trading at US\$1,291.86/oz.

Silver and platinum were trading at US\$15.55/oz and US\$803.75/oz respectively at the time of writing.

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