



Weekly Financial Markets Highlights

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1.0 The Underlying Dynamics of BTCL's Share Price...

BTCL share price has been under pressure a couple of times since the company listed on the Botswana Stock Exchange Limited back in April 2016. The stock did not have the best of endings in 2018, having plummeted -48.4% during the aforementioned year, nor did the stock have the best beginning to the New Year as well, already recording a value loss of 5.3% so far.

There are various reasons that can be pegged to the declining of BTCL share price:

Reduced Demand

BTCL had very little demand in January 2019, which allowed for the shares that were in the overhang from that month to spill over into the new month, thus flooding the supply gates in February 2019. This further supported the “buyers’ market” position for the stock. A buyers’ market is a situation where the supply of a particular stock is plentiful or oversupplied, which results in the buyers gaining the ability to negotiate the price of the stock lower for their benefit. This can be seen in the stock’s loss of 5 thebe in the month, which we believe could have steepened had the Market Maker not participated when it did.

Ex-Dividend

Most investors who are selling were simply locking in profits from their dividend gains. BTCL was trading ex-dividend for the better part of the month, which provided justification for investors to sell out as they had already qualified for the dividend. The cashing out motion for those investors, who believe in physically receiving the dividend payout before selling, also added to the excess supply in the

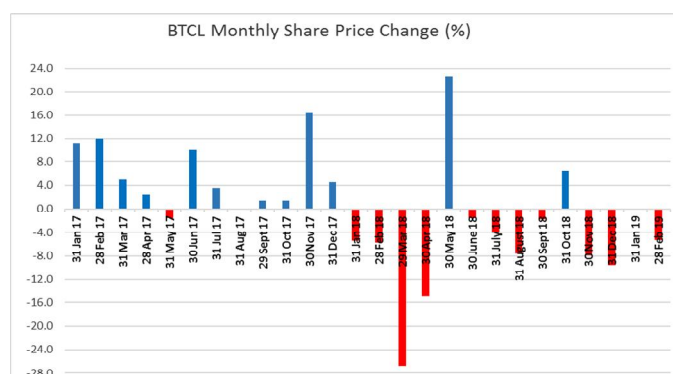
market, once the payment date for the dividend came to pass.

Trade Restrictions

BTCL is unable to unlock its growth as its shareholding is restricted to the citizens of the country only. This causes a lot of volatility in the stock’s price as retail investors do not normally look into the fundamentals of the company or the on goings of the industry to determine when they sell. When the price falls due to a seasonal effect such as the “January Effect” or when investors are booking profits, they normally come out in hoards to the market selling, in fear of losing out. This behavior, however has the consequence of putting pressure on the price which may drive it further down.

Overview of BTCL share price in February 2019

BTCL’s first m/m movement for the year saw the stock’s price depreciate some 5.3% in February – falling from its year opening price of 95 thebe to its 12 month rolling low of 90 thebe. The stock was saved from further decline by the participation of the market maker in the last few days of the month.

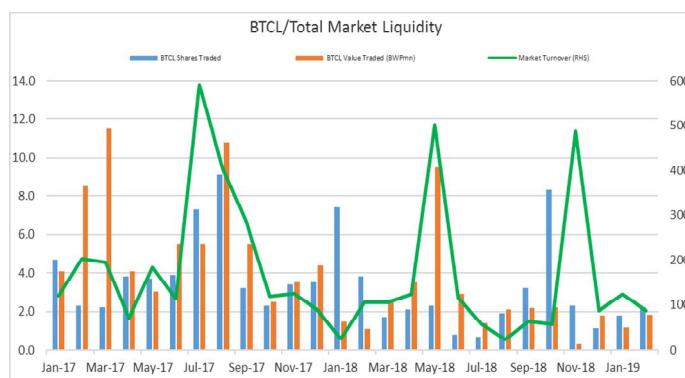


Source: Motswedi Securities, BSE

It is a little disheartening to note that BTCL remains the worst performer on an annualised basis at - 5.3%. For the year 2018, BTCL was at the top of the losers at -48.4% after the company’s six month

interim financial results came back on the lower end of flat. It is worth noting, that the BSE Main Board is littered with mostly losses as opposed to gainers. Losses stand at 11, while gainers are only 2, with the rest being non-movers.

February was somewhat a recovery month for the stock in terms of its contribution to the total market liquidity. BTCL contributed 2.1% to the month's total liquidity relative to the market, a climb up from January's 1% contribution. This came as a result of two occurrences in the market; the first of which was the increase in the number of shares trading to 2mn from 1.2mn in January, thus an increase in the total value trading to P1.84mn. The second occurrence was the reduction in the total market activity, coming down almost 30%, from P123.29mn in January to P88.15mn in February.



Source: Motswedi Securities, BSE

The company is making strands to win back the market share that has been slowly being taken by the other players in the market in its industry and with the extended efforts going into this, there is a likelihood of a betterment in the performance of the company. More so as the company nears its year end of March 31st, and the stock nears its closed period, the price of BTCL will be moved purely by market forces over the next coming weeks.

2.0 The Week within the Markets...

The stock market volumes were for the most part unchanged on a week to week basis, with 5,271,846 shares changing ownership across 14 counters this week, which is a minuscule increase from the 5,239,639 shares across 15 counters that the market moved in the prior week.

The most liquid stock for the week was Letshego, moving 1,805,231 shares, in the process losing a single thebe to P1.60. Letshego FY financials for the year ended December 2018 were muted but largely in line with expectations. EPS declined to 20.7 thebe from 29.8 thebe with RoE coming in at 12.2% from 16.7% and RoA sitting in at 5% from 8%. Cost to income ratio increased to 42% from 40%, with PBT up marginally by 2%. Credit quality deteriorated with the cost of risk increasing to 4.1% from 3.1%. The loan book firmed by 17% to P9.5bn while yields on loans to customers and the cost of borrowings were largely unchanged.

Although the FY2018 numbers were largely unimpressive by Letshego standards we are excited about the future. The new CEO, Smit Crouse seems to know the challenges that are hindering the growth of the business. During the results presentation, he delivered what we believe to be a sound and practical strategy on how he intends to take the business going forward. He kept on saying "it will no longer be business as usual approach at Letshego..." and he seems to be a man on a mission. He unveiled a new team which we believe have the experience and are capable of taking Letshego forward, although this has seen some the old "guards" opting out such as Colm Patterson- the Finance Director who has been at the help of the business for the past 10 years.

Smit is clear of his intentions: Cost to income must come down and is targeting this to go below 40%. He intends to grow shareholders value and ensure that all subsidiaries are being efficient and profitable. The next interims for June 2019 and the subsequent FY2019 financials will provide a proper litmus test for him.

Market Summary – Week ending 08 March, 2019

No. of Shares Trading	5,271,846
Turnover (BWP)	28,675,205
Turnover (USD)*	2,661,059
No. of stocks trading#	14
No. of stocks advancing#	1
No. of stocks declining#	2
No. of stocks unchanged#	21

Source: Motswedi Securities, BSE *US\$/BWP = 0.0928
= Domestic Main Board

COUNTER	08 March (t)	01 March (t)	Change (%)	YTD (%)
FNBB ↑	255	252	1.2	4.1
LETSHEGO ↓	160	161	-0.6	-1.2
STANCHART ↓	372	380	-2.1	-2.1

Source: Motswedi Securities, BSE

The market had a single gainer for the week, being FNBB – which continued to pack on the gains – adding 3 thebe during the week to close at the stock's 12 month high of P2.55. On the other side of the table, the market suffered losses from two counters, being Letshego, docked one thebe, and StanChart losing 8 thebe. The bank seems unable to catch a break, as it booked its yearly loss in its first price movement, to -2.1%.

With FNBB holding the top spot as the largest by market capitalisation, the domestic market indices, being the Domestic Company Index (DCI) and the

Domestic Company Total Returns Index (DCTRI) both climbed up, with the former gaining 0.07% and the latter gaining 0.12% for the week. The DCTRI's gains almost doubles, realising the benefit of dividends.

The Foreign Company Index made no movements for the week as no trades were booked on the foreign board.

BSE Indices – Week ending 08 March, 2019

DCI Close	7,881.23
Weekly Change (%)	0.07
YTD Change (%)	0.37
FCI Close	1,566.58
Weekly Change (%)	0.00
YTD Change (%)	-0.24
DCTRI Close	1,720.80
Weekly Change (%)	0.12
YTD Change (%)	0.48

Source: Motswedi Securities, BSE

3.0 Company Announcements

Letshego have published an announcement, notifying stakeholders of the departure of their Group CFO, Colm Patterson, after having been a part of the company for 11 years. In his place will be Josias de Kock, an Independent Non-Executive Director on the Board, Chairman of the Group Investment Committee and Member of the Group Audit, Group Risk and Group Governance Nominations Social and Ethics Committees, on a temporary basis as Acting Group CFO, effective 06 March 2019. Before commencing his new acting role, Josias will resign from his current Board responsibilities.

Barclays Bank of Botswana has released an announced to the stakeholders notifying them of the appointment of Keabetswe Pheko-Moshagane as the successor to the current Barclays MD, Reinette van der Merwe.

Choppies released an announcement earlier this week providing clarity on the issues that are delaying the release of company's financial results. The Group has noted three areas that largely were referred to as the "Audit Completion Matters." The first relating to audit queries relevant to compliance with IFRS. The group does however expect their audit queries to be completed by the end of April 2019. The second relates to transactions that the Group were party to, with related entities, however the relationship between them not disclosed or considered. The Group's lawyers have provided a legal report, of which the Group's board is considering by way of addressing the disclosure problems. The Group expects the legal investigation to be completed by the end of April 2019. The Group expects to provide additional disclosures (including from previous periods) in the Groups FY2018 financial results. The third area was a forensic investigation into certain transactions in which the Group was involved. The Group is unable to provide a date of completion of the investigation.

As such, the Group is still unable to provide a tentative date of which they publish their FY2018 financials. Consequently, this will also have an impact on the publication of the Group's interim results for 2019.

The Group has provided an estimate unaudited highlights of what to expect once the "Audit

Completion Matters" have been sorted. Of which include:

- The cumulative impact of restating certain balance to reduce the Group's total equity as at June 2017 by P378mn
 - P338mn derecognition or impairment of goodwill and other tangible and intangible assets, revised depreciation and amortisation of tangible and intangible assets and derecognition of deferred tax assets previously recognised.
- A reduction in consolidated net income after tax for FY2018 of P389mn. Attributed to: (i) charges for impairment of goodwill and tangible assets estimated at P166mn;(ii) charges for impairment of trade and other receivables estimated at P93mn; (iii) inventory losses, exceeding the estimated value of such losses for the 2018 financial year based on the average loss experience over the preceding two financial years by an estimated P127mn,as confirmed through improved stock count procedures during the 2018 financial year; (iv) derecognition of deferred tax assets previously recognised to the estimated value of P14mn




4.0 Foreign Currency...

In a world where the signs of an economic slowdown are a rising concern, safe haven currencies seem to be where investors prefer to settle their funds. The dollar strengthened for the most part for week against its trading partners, gaining 1.80% on the pula. The greenback widened its gains after the European Central Bank (ECB) pushed back raising interest rates until 2020. The

dollar's direction, however, is set to be determined by the US nonfarm payroll report which are expected today (Friday) as well as the outcome of the trade talks between the US and China, of which have been reported to be going well by the President of the US who predicted either a "good deal" or none at all.

The yen, which is also perceived as a safe haven, also strengthened quite significantly, more so against the local unit, by 2.37%. This was fuelled by a decline in Asian stocks after the release of weak February export data.

Domestic Exchange rates

Currency	08 March	01 March	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0928	0.0945	-1.80	-0.43
ZAR/BWP ↑ 	1.3486	1.3294	1.44	0.33
EUR/BWP ↓ 	0.0829	0.0831	-0.24	1.72
GBP/BWP ↓ 	0.0709	0.0713	-0.56	-3.41
JPY/BW ↓ 	10.31	10.56	-2.37	0.29
CNH/BWP ↓ 	0.6247	0.6329	-1.30	-2.56

Source: Bank of Botswana

The local unit, against the other units, weakened, save for the rand, where it strengthened as an effect of its peg to the SDR.

5.0 Commodities...

Precious metal prices were mixed for the week, as gold closed the week, largely unchanged, with only a 0.02% positive movement. The yellow metal had declined at the start of the week as a result of the dollar firming on positive sentiment that the trade deal between the US and China will alleviate the ongoing trade dispute. Gold, did recover however by Friday, as the dollar eased slightly on concerns of the dovish comments of the ECB and weak Chinese data.

Gold closed Friday afternoon at US\$1,293.73 per barrel. **Silver and Platinum** closed the week at US\$15.13/oz and US\$816.88/oz, respectively.

Oil prices came in for the week largely unchanged at US\$65.06 per barrel. The commodity's price was on a wave this week when the price fell nearer to the beginning as reports of an increase in US oil inventories came in from the American Petroleum Institute. US shale, for the week ending 01 March increased inventories by 7.1mn barrels - almost 6 times more than what investors had expected - 452.93 million barrels per week. The move up in inventories was balanced by the ongoing OPEC production cuts which were agreed to by the group late in 2018. Oil prices still register a positive year to date of 21%.

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