



Weekly Financial Markets Highlights

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1.0 The Week in the Local Equities

The BSE indices packed on the losses for yet another week, with the DCI, the FCI, and the DCTRI all now sitting firmly in the red. It comes as no surprise, considering that more than half of the listed entities are also trading in the red. The retraction in the domestic indices for the week were led primarily by losses in market capitalisation heavyweight, Letshego, and to a lesser extent by Turnstar. The losses had both the DCI and the DCTRI giving back 0.44% for the week – further extending year to date losses to -3.75% and -1.05% respectively. The FCI, was constant for the week, holding the fort down with a year to date of -0.37%.

BSE Indices – Week ending 02 August, 2019

DCI Close	7,557.55
Weekly Change (%)	-0.44
YTD Change (%)	-3.75
FCI Close	1,564.55
Weekly Change (%)	0.00
YTD Change (%)	-0.37
DCTRI Close	1,694.53
Weekly Change (%)	-0.44
YTD Change (%)	-1.05

Source: Motswedi Securities, BSE

For the week just ended, the bears were led by Letshego (as already mentioned), retracting 8 thebe, while simultaneously taking home the trophy for most traded stock in the week. The microlender closed the week trading at P1.30/share. Letshego's market capitalisation is shrinking with every loss, and if this projectile persists, we may see Letshego give up its position as fourth largest by market capitalisation on the domestic before the years ends. More especially, with investors willing to place offers

that are below the market price. This puts the ball, right into the hands of the buyers – giving them the power to undercut the price as they so please. Also on the bear's team was Turnstar, giving back 1 thebe to the market, to end the week at P2.83/share. Both companies, Letshego and Turnstar, are trading 52 week lows. On a side note, the bears have benched StanChart's share price, as the stock made no week-on-week price movements for the second consecutive week. The bank managed to push 277,000 shares through the market in the week just ended, with the price remaining stable at P1.67/share.

COUNTER	02 August (t)	26 July (t)	Change (%)	YTD (%)
LETLOLE ↑	207	205	+1.0	+17.6
LETSHEGO ↓	130	138	-5.8	-19.8
TURNSTAR ↓	283	284	-0.4	-2.4

Source: Motswedi Securities, BSE

The bulls supported Letlole for another week – as the stock gained 2 thebe, to close at a 2019 high of P2.07/share. Letlole, remains fairly undervalued, even as the price continues to rise, coupled with a relatively pleasing dividend yield, demand is piling up. The stock is currently the leader in gains for the year with a growth of 17.6%.

Market Summary – Week ending 02 August, 2019

No. of Shares Trading	1,920,860
Turnover (BWP)	6,548,007
Turnover (USD)*	603,726
No. of stocks trading#	15
No. of stocks advancing#	1
No. of stocks declining#	2
No. of stocks unchanged#	20

Source: Motswedi Securities, BSE *US\$/BWP = 0.0922
= Domestic Main Board

2.0 Company News & Financial Results...

Sefalana published their full year 2019 financial results during the week, of which the company itself has dubbed, their "best" in the history of the company. The Revenue managed to exceed P5bn (which is a first for the company) with the line item noting an 11% increase from the previous reporting period, at P5.3bn. GP Margins remained flat 6.41% for the year, from the previous year's 6.15%. The "Trading Consumer Goods" segment in Botswana remained the largest contributor to both the revenue and the PBT of the group at 55% and 30% respectively. With the growth in the segment being the main driver of the overall business growth, given that all of the other business segments and countries of operations, save for Zambia, South Africa and Namibia, booked declining profits. The countries Lesotho ops, made a P2.67mn loss for the year, with the management of the Group positing the decline to being undercut by alternative wholesale providers. The Group, believes themselves to be the leading Cash and Carry in the country and has intentions of expanding their footprint in the area, with the next store opening in September 2019 in Maputsoe (as the first store outside of Maseru). Interesting to note, was the fair value gain of P11.2mn mentioned under the South African investment – an agreement in which Sefalana has entered with several other market leaders in South Africa that ensures an annual return of R50mn. The company explained the gain as a requirement under the International Financial Reporting Standards (IFRS) that would translate the conversion option of the SA investment into monetary values.

Although, these are Sefalana's best results in the history of the company, the company's margins continued to be squeezed by the tough trading conditions, however through cost containment and

cautious expansion, the Group has managed to survive the winds. With a PE of 10.8x and a PBv of 1.3x, together with a dividend yield of 4.1% - the Group is performing relatively well.

To put the cherry on top of the cake, the Group declared a gross dividend of 27.5 thebe per share, to all those investors who will be shareholders by the 16th of August. The dividend payment date is set at or around the 28th August 2019.

Letshego published a trading statement, noting to shareholders that the company is expecting to publish their interim financial results for the 6 months ending 30 June 2019 by the 2nd of September; and that the results for the period are expected to be in line as that of the prior comparative reporting period. The Group continues to be led by the interim-CEO, Dumisani Ndebele, while it searches for a permanent Group CEO.

NAP declared a gross distribution of 13.24 thebe, of which is made up of an interest component of 12.25 thebe and a dividend component of 0.99 thebe. The salient dates to note are the ex-distribution date set as the 14th of August, last day to register as the 16th August, and the payment date of the 30th August 2019.

Primetime declared an interim distribution of 8.46 thebe per linked unit. The company has noted that the calculation of this interim interest distribution has been adjusted for the expected impact of the Income Tax Amendment Act 2018 passed in December 2018 which limits the deduction of net interest expense in ascertaining the taxable income of the Company. The dates to note are the ex-distribution date of the 16th August, the last day to register as the 20th August and the payment date of the 30th August.

Choppies has been in the public news of late. Two reports that make part of the court papers submitted to the High Court, have pointed the finger to the Board of Directors with respect to allowing, the now-suspended CEO, Ramachandran Ottapathu, to violate the Botswana Stock Exchange, together with the Johannesburg Stock Exchange Listing Requirements — this as reported by the *Sunday Standard*. One report as prepared by Choppies' auditors, is alleged to note that Choppies has been lagging with its corporate governance, which may have led to historical annual financial statements being misstated through omissions in disclosure/application of inappropriate/incomplete accounting. The second report, as prepared by a local law firm, also spotted irregularities in the company in relation to “receipts of rebates by Choppies and settlement discounts by Payless/Fours Group when the Fours cooperation requires the converse.” Also as part of the findings was what appeared to be the co-financing of the acquisition of 90% of the stated capital of Payless by Mohamed Saleem Abdul Malique. The report also notes that Mr Ottapathu performed all the irregular business referred to in the report on his own and as such will likely constitute a charge for failure to make disclosures to the board in any disciplinary hearing that may be held for him by the Board of Directors.

Choppies' suspended CEO, Mr Ottapathu has reportedly offered his resignation to the Board, after being confronted with possible charges of money laundering and mismanagement of Choppies, among others. His resignation apparently has contingencies, according to various local newspapers, including that he will handpick his successor and that he be allowed to increase his shareholding in the Group (with the idea of possibly

delisting the company after gaining 50% or more of the shareholding). All three investigations currently ongoing, being the forensic, legal and financial investigations, are expected to be completed before August ends.

3.0 The US Federal Reserve Cuts Interest Rates...

The dollar enjoyed a rally in the week, following less dovish than expected comments made by the US Federal Reserve's chairman after the two day monetary policy meeting ended on Wednesday evening. The Fed decided to cut interest rates for the first time in 10 years, by 25 basis points to a range of 2.00% - 2.25%. The Fed chair, did however note that this cut was not the first of many. This rally, however, was curbed then reversed by the US, through its President, Donald Trump, using his preferred media platform, tweeting the threat to impose an “additional Tariff of 10% on the remaining 300 Billion Dollars of goods and products coming from China” on the 1st of September.

The pound stacked up the losses again, after breaking an almost 3-week cycle of declines in the prior week. The unit closed the week on the back foot against the dollar as the prospect of a no-deal Brexit gets sharper and sharper. The current prevailing assumption amongst investors, with respect to the unit, is that there will be hard Brexit come the 31st of October, more so as the European Union refuses to renegotiate the terms of the Withdrawal Agreement with the new UK prime minister, Boris Johnson. On the other hand, Johnson is determined to deliver a Brexit, come sunshine or rain – a sentiment he has expressed several times over during his campaign for the leader of the Conservative Party and during his first speech as the PM.

Domestic Exchange rates

Currency	02 August	26 July	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0922	0.0939	-1.81	-1.07
ZAR/BWP ↑ 	1.3472	1.322	1.91	0.23
EUR/BWP ↓ 	0.0831	0.0843	-1.42	1.96
GBP/BWP ↑ 	0.0761	0.0756	0.66	3.68
JPY/BW ↓ 	9.87	10.21	-3.33	-3.99
CNH/BWP ↓ 	0.6416	0.6463	-0.73	0.08

Source: Bank of Botswana

For the week, the pula traded mixed against its peers. The local unit further extended its gains against the British pound, with a yearly growth so far of 3.68% - the largest yearly gain for the pula this year thus far. The pula lost the most against the yen, which is a result of the escalated trade tiff between the US and China, which boosted safe haven buying in the Japanese yen.

4.0 OPEC Records Lowest Output in Eight Years...

Production from the oil cartel, OPEC, has reportedly produced the lowest output in eight years in July. Only 29.42mn barrels per day were produced in the month, which is a huge step back from the previous month's 29.7mn barrels per day. The fall in output has mainly been led by the voluntary cuts the group agreed on late last year and implemented on the first of January. Also lending a hand to the growth in oil prices for the week, was the continued decline in Iran's oil exports. A report from Refinitiv Eikon, showed that for the month of July, Iran managed to export about 100,000 barrels per day. This is as a result of the US sanctions re-imposed on Tehran after the US backed out of a nuclear deal that was established in 2015. An official monthly oil market report is expected to be released by OPEC on the 13th of August.

Oil prices were headed for an almost 2.8% weekly fall that was prompted by the US escalating the trade war between itself and China. The US has expressed its intent on imposing further tariffs of 10% on US\$300bn worth of Chinese imports, and is prepared to raise the tariffs further should a deal between the two nations not be agreed to quicker. The tariffs are set to begin on the 1st of September. Oil was trading at US\$61.69 per barrel at the time of writing.

Gold is set to finish the week in the positive, after the trade war escalation gave the unit support that saw it grow almost 2% in the previous session on safe haven buying. Despite the slight dip on Monday as investors booked their profits, the metal was 1.4% up for the week and was trading at US\$1,438.81 per ounce.

Silver and Platinum were on track to close the week once more in the red. Silver declined 1.36% to trade at US\$16.18/oz and US\$846.59/oz, respectively.

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