Weekly Financial Markets Highlights

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September 09, 2019

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1.0 Choppies' much awaited EGM takes place…

The much anticipated Choppies Extraordinary General Meeting took place on Wednesday (04/09/2019), despite an attempt by the Board of Directors to postpone the meeting. The "Adjournment Resolution" however failed to pass as 53% of the shareholders voted against it. The idea behind the postponement by the board being to provide full and complete information prior to voting on the various candidates to be voted on to the Board; to give time for the preparation of the 2018 AFS which were not near finalization and will not be until early November 2019; the Board making the Forensic Report public and therefore allow for shareholders to review it; the Board also had the intent of having a disciplinary hearing for the *suspended* CEO – Mr. Ottapathu - before the EGM, however, the hearing will now only take place between the 30th of September and the 4th of October 2019.

Following various presentations from the Board, the forensic auditors (responsible for the Forensic Report) and the legal report (as reported by the law group which prepared the document), comments made by the *suspended* CEO, shareholders were finally given the opportunity to vote on the proposed resolutions pertaining to the Board Member of the Group. Choppies' new Board of Directors is now currently made up of the below, after shareholders passed resolutions to:

- re-appoint Mr Farouk Ismail;
- re-appoint Mr Ramachandran Ottapathu;
- appoint Mr Tom Pritchard; and
- appoint Ms Carol Jean Haward.

All the other proposed members failed to surpass the 50+1% threshold.

Also, as part of the meeting, the Chairman of the Board, His Excellency Festus Mogae, tendered his resignation as Chairman of the Board with immediate effect. Late Friday afternoon, the Group Chief Financial Officer also resigned with immediate effect after the shareholders voted against making him a director in the EGM *[attached is the full announcement for review].*

Letshego Interim Results

Letshego's half year financial results were relatively unchanged, in line with the trading statement published by the Group. EPS declined to 15.4 thebe from 15.6 thebe, with RoA and RoE standing at 7% and 17% respectively. Cost to income ratio remained higher than the group's target of 40%, at 41% - however, this being a step down from the full year's 42%. Cost of credit also came down to 3.5% with the coverage ratio at 109% for all the non-performing loans. PBT increased marginally by 2% to P600mn from P590mn in the prior period. Gross advances to customers were up 15% at around P10bn as compared to previous period and yields on loans to customers and the cost of borrowings relatively flat. The 10% increase in civil servants salaries by the government of Botswana to grow the loan book also contributing between 5% to 10%, according to the GFCO.

Going Forward…

The Group, has announced that they will maintain the interim CEO, together with the outgoing CFO, up until the end of the financial year's reporting season, i.e. up until the end of Q1 2020, however, a new CEO should be expected before the end of Q4 2019.

The focus for the group in this first half of the financial year was mainly to maintain its asset quality as opposed to increasing its loan-book. Given this, there are some geographical, product and channel levels to which the group is reviewing with the expectation of divesting from some channels that are not performing well. Also meaning that expanding further for the moment is not a priority. We believe this to be a good strategy as some of the markets have not been performing well.

The dividend policy has been reviewed and revised for the period from 50% of profit after tax, to 25% of profit after tax. The outgoing-GCFO advised this is likely to be reviewed once more during the full year financial results preparations. This will likely put pressure on the dividend yield going forward. The group is taking steps that will affect the effective tax rate into the next 2 to 3 years that will push it higher – in a range of 37% to 39%. For the current period the effective tax rate was on the higher end of the band at 39%. The short to medium target range being 25% to 30%.

BIHL reported a slight increase in operation profits attributable primarily from their net insurance premium income which rose by 11% from the prior comparative period. The biggest contributor to the Group, remains the life business at 51% with remaining subsidiaries as well as its associates/joint ventures making up the balance. The PBT was knocked by the decline in the share of profits from the associates (the culprit being named as Letshego - of which BIHL has a shareholding of ~26%). The PBT was P221mn from P314mn in the previous comparative period.

FNBB posted yet another set of good financial results, with an increase of 13% for both profit before tax and after tax. PBT was at P945mn, EPS growing 13% as well to 28.80 thebe from 25.48thebe in the prior year. The bank has managed to contain costs, as can be noted in the slight reduction of the cost to income ratio to 49.6% from 50.4%. Return on equity increased to 22.7%, and return on assets increased to 2.93%. Net interest income has come up 11% to P992.6mn – a commendable achievement despite the tough operating environment given the low bank rate. Non-interest income supported the operational income, by way of an increased customer base with a 7% growth and increased bank card use, to mention a few. The non- interest income increased 7% to P1.14bn. Deposits from customers grew by 4% to P19.59bn, advances to customers grew by 5% to P15.94bn, while non-performing loans improved as well with a slight decline of 12% to P1.14bn as compared to the interim period's P1.3bn.

BancABC published a trading statement notifying their shareholders that their financial results will be at least 20%, lower than the previous comparative period which was at P97.58mn. The decline has been chalked up to a higher cost of funding - of which the company has stated has since come down.

Letlole La Rona, announcing a decline in PBT of between 10% and 20% for their full year 2019, from the prior year's P92.4mn. This came as a book disposal loss on the sale of hospitality assets combined with the absence of a once-off valuation gain which was accounted for in the previous reporting period.

2.0 Local Equities…

Leading liquidity in the market for the third consecutive week was Letshego, moving well over half of the traded weekly volume at 2.53mn shares valued at P2.15mn. At this historic price low of 85 thebe for the stock, we see investors offloading the shares seemingly not minding the loss being incurred by doing so, as well as the forfeiture of the dividend.

Market Summary – Week ending 06 September, 2019

No. of Shares Trading	3,501,099
Turnover (BWP)	4,096,508
Turnover (USD)*	374,421
No. of stocks trading#	15
No. of stocks advancing#	3
No. of stocks declining#	1
No. of stocks unchanged#	19

*Source: Motswedi Securities, BSE   *US$/BWP = 0.0901*
 # = Domestic Main Board

It was a week worth celebrating though, as the gainers outweighed the losers by far. In the week, Barclays climbed 17 thebe, as investors let go of the stock on a profit taking basis. The stock is one of the well sought out in the market, with demand driving the price up. The stock is recovery bound following the decline that started in the prior year, following the announcement of the departure of the then Group Managing Director. With the financials results expected before the end of the month, it will be interesting to see if the stock holds on to its gains - of course, this depends on if the numbers are positive. The stock closed the trading Friday off priced at P5.40/share pushing its year to date to 3.4%.

Also gaining, was RDCP and Chobe, gaining 5 thebe and 1 thebe respectively. RDCP, was turning a new leaf, closing the week with some positive year to date gains at P2.25/share. While, demand continued to drive Chobe higher – pushing the stock's year to date up to 1.3% and trading at P10.64/share.

On the downside, was FPC losing a single thebe to end the week at P2.46/share. This, despite, the announcement that the company will be realising an increase in profit before tax of more than 150% from the prior year, for the year ended 30 June 2019. The stock generally has had muted demand this year, however the willing sellers in the market are likely holding out for stock to turn ex-dividend today (being the 6th of September) – which would suggest more selling in the coming week.

The DCI and the DCTRI both gained for the week, with the DCTRI gaining slightly more with the index benefiting from FPC going ex-dividend. The DCI gained 0.42% to 7,428.64pts and the DCTRI gained 0.60% to 1,678.58 points. This is the first weekly gain in three for both indices.

COUNTER	06 September (t)	30 August (t)	Change (%)	YTD (%)
BARCLAYS ↑	540	523	+3.3	+3.4
RDCP ↑	225	220	+2.3	+1.4
CHOBE ↑	1064	1063	+0.1	+1.3
FPC ↓	246	247	-0.4	-1.6

Source: Motswedi Securities, BSE

BSE Indices – Week ending 06 September, 2019

DCI Close	7,428.64
Weekly Change (%)	+0.42
YTD Change (%)	-5.39
FCI Close	**1,564.55**
Weekly Change (%)	0.00
YTD Change (%)	-0.37
DCTRI Close	**1,678.58**
Weekly Change (%)	+0.60
YTD Change (%)	-1.98

Source: Motswedi Securities, BSE

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3.0 Foreign Currencies…

The pound was pressured for yet another week, as the threat of what could have been a disastrous no-deal Brexit came to the forefront with the UK Prime Minister, Boris Johnson, threatened his party members in parliament not to vote against his notion – that is, the members should not decide to side with opposition members in an attempt to delay Brexit. Unfortunately, he did not win as the Members of Parliament in the UK, voted against a no deal Brexit on the 31st of October as well as preventing the Prime Minister from calling an election two weeks before the Brexit date. These upbeat news, gave the pound some breathing room, after several weeks of pressure. The pound was hovering near its one week high against the dollar at around US$1.2242/£. There is no clear direction on how Brexit will end up, however, investor sentiment for the unit has improved slightly.

Domestic Exchange rates

Currency	06 September	30 August	Change (%)	YTD (%)
US$/BWP ↑	0.0914	0.0901	1.44	-1.93
ZAR/BWP ↓	1.3579	1.381	-1.67	1.03
EUR/BWP ↑	0.0828	0.0816	1.47	1.60
GBP/BWP ↑	0.0741	0.074	0.14	0.95
JPY/BW ↑	9.78	9.58	2.09	-4.86
CNH/BWP ↑	0.6528	0.6448	1.24	1.82

Source: Bank of Botswana

The pula, for the most part gained against the major trading partners. Given the weighting of the basket, the pula lost only to the rand for the week, while gaining against all the others.

4.0 Commodities…

Oil prices ended the week on a dampened note at US$59.99/bbl, on account of increased OPEC+ output. OPEC non member, and supporter, Russia's output increased to 11.29mn barrels per day, in August, its highest since March 2019. This increase in output by Russia, together with the increases in US crude (~12.2mn barrels per day), means that oil is well and truly supplied in the market and the pressure on the price may continue to mount given the concern for demand amidst the ongoing trade war between the United States and China.

Gold and the other precious all took a step back in the week just ended, on the account of profit booking, as the trade dispute between the US and China calmed down slightly. Both parties do not seem opposed to coming back to the discussion table in terms of the trade talks. We cannot forget, however, that several escalations in the trade dispute may have deepened damage caused. Gold fell sharply midweek, to close around US$1,504.48/oz.

Silver and platinum closed 1.05% and 0.38% respectively weaker on a week on week basis against. Silver was trading around at US%18.18/oz while platinum was around US$930.17/oz.

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