



Weekly Financial Markets Highlights

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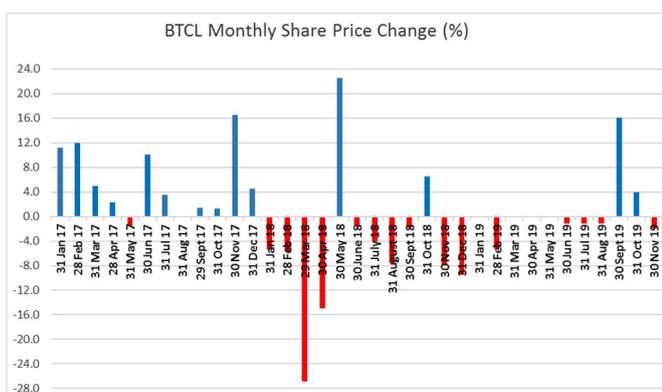
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1.0 BTCL loses 2 thebe in November...

The end of November, brought about the end of BTCL's share price run, and ignited what we can hope is NOT the beginning of a reversal trend. The stock's share price retreated 2 thebe in the month, from what was its 12 month high of P1.05/share, to P1.03/share. Demand for the stock petered down in November, of which implies a reduced appetite for shares in the name. This then resulted in increased market selling pressure, which is evident in the 1.9% month on month reduction in share value.



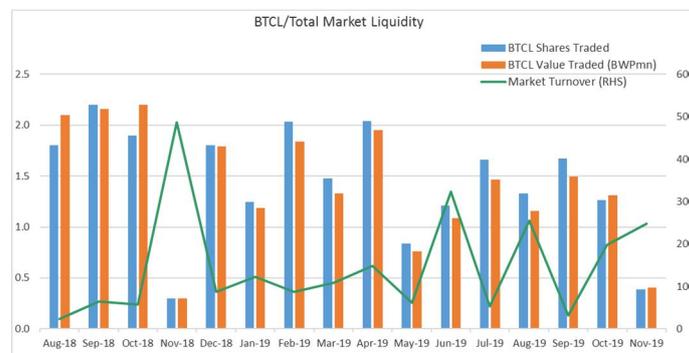
Source: Motswedi Securities, BSE

The share price also continues to retain its year to date gain, which as at the end of November stood at 8.42%, which was gained in the prior two months (being September and October).

BTCL's Liquidity for November...

In the month of November, BTCL contributed a small 0.2% to the total market liquidity. The down step in liquidity was because of two (2) main reasons. The first being the reduction in the number of BTCL shares trading – activity fell to 0.39mn shares crossing the board valued at P0.41mn, from the prior months 1.27mn shares trading with a value of P1.31mn. The second of the two reasons was the occurrence of a huge block trade in Letlole, which more than doubled the total market turnover for the 2

month to P247.19mn in October. Of worthy to note, is that the liquidity contribution for November is now the lowest for the year.



Source: Motswedi Securities, BSE

The determinant of whether this price drop is the start of a trend is dependent on the turnout of the company's half year financial results later in December. If the financials show an improvement, we may see the stock's share price slightly improve or at the very least the share price holding. Otherwise, selling pressure is likely to outweigh the buying resistance, which will likely see the price fall.

Given that the festive season is also upon us, investors will be looking to free up some funds for other obligations, which inadvertently puts more selling pressure on the stock.

2.0 Tight liquidity conditions persist in the local market...

Tight liquidity conditions prevailed in the market with thin trades across the board during the greater part of the week. The week's volume totalled 2.58mn shares trading with a total value of just under P8.8mn across 15 stocks. The most traded stock was FNBB trading at the stocks 12 month high price of P2.85/share, with a turnover of P3.28mn.

Market Summary – Week ending 20 December, 2019

No. of Shares Trading	2,578,250
Turnover (BWP)	8,799,467
Turnover (USD)*	822,750
No. of stocks trading#	15
No. of stocks advancing#	4
No. of stocks declining#	3
No. of stocks unchanged#	16

Source: Motswedi Securities, BSE *US\$/BWP = 0.0935
= Domestic Main Board

For the week, the market noted a number of price movements as well – four (4) in the gainers pool and a three (3) in the loser’s corner. On the gaining front was Chobe - continuing in the final lap of the year to push its yearly gains. The tourism company gained 8 thebe for the week, to close trading at P11.10/share -- a historic high for the company. Also gaining in the week was Sechaba pocketing 3 thebe to close at P22.05/share with a ytd growth of 10.3%. Olympia also closed the week on a positive note, gaining 4 thebe to close at P0.16/share, which is a 12 month high for the stock. The fourth stock to gain in the week was Cresta, climbing to P1.34/share, extending its yearly gain to 11.7%.

On the losers end was BTCL -- taking a step down in the week to close at its IPO price of P1.00/share. This brings the stocks year to date down 2% to 5.3%. This was ahead of the publication of the financial results, which came out on Friday afternoon – the brief analysis of which is in the next section. Also losing in the week was BancABC and Turnstar, which both lost a thebe each to close at P2.02/share and P2.81/share respectively.

COUNTER	20 Dec (t)	13 Dec (t)	Change (%)	YTD (%)
CHOBE ↑	1110	1102	+0.7	+5.7
OLYMPIA ↑	16	12	+33.3	+33.3
SECHABA ↑	2205	2202	+0.1	+10.3
CRESTA ↑	134	133	+0.8	+11.7
BTCL ↓	100	102	-2.0	+5.3
BANCABC ↓	202	203	-0.5	+1.0
TURNSTAR ↓	281	282	-0.4	-3.1

Source: Motswedi Securities, BSE

The Domestic Companies Index (DCI) also did not have the best of weeks, after losing 0.06% to extend its ytd losses to 4.48%. The losses from BTCL, BancABC and Turnstar seemingly outweighing the gainers for the week. The FCI made a gain in the week with the gain in BOD pushing the index up infinitesimally. The Domestic Company Index Total Returns (DCI-TR) also reflected the losses in the above mentioned stocks.

BSE Indices – Week ending 20 December, 2019

DCI Close	7,500.39
Weekly Change (%)	-0.06
YTD Change (%)	-4.48
FCI Close	1,562.43
Weekly Change (%)	0.00
YTD Change (%)	-0.50
DCTRI Close	1,728.94
Weekly Change (%)	-0.05
YTD Change (%)	+0.96

Source: Motswedi Securities, BSE

3.0 Company Announcements & Company Financial Results

BTCL published their interim financial results on the 20th December 2019. Revenue for the company was up slightly at P719mn, with the GP knocked down to P418.6m, by increased cost of sales which went up by 12.7%. This step up in cost of sales was the overall main cause of the company's PBT down to P101.1mn from P107mn in the prior comparative period. As such, the company's GP margin dropped marginally to 58%, while the EBITDA margin stepped up slightly to 28%. The EPS also fell slightly to 7.94 thebe from 8.15 thebe. Non-current assets went up 20% due to an increase of 242% in intangible assets – which came about as an implication of the company's implementation of IFRS16. IFRS 16 relates to accounting for leases of intangible assets and is effective for reporting periods beginning on or after the 1st January 2019. The IFRS 16 effects can also be seen in the noncurrent liabilities, which went up almost 98%.

In overall, the company remains resilient in their performance as it continues to roll out its transformation programme, in which there are some hopes of improved efficiencies which will possibly translate to improved profitability. For the period, the company declared an interim dividend of 3.57 thebe per share to be paid to investors on or before the 14th of February 2020.

Choppies finally published their FY2018 financial results. The financials for 2018 showed an improvement in revenue numbers from P8.7bn to P10.8bn. Expenditures went up 27%, driven up by impairment losses which doubled from the 2017 financial results, administration costs increased by 21%, and selling and distribution expenses

increased upwards by 3.5x. This ultimately saw the performance of the company decline deeper into losses, with a loss before tax of P(391.4)mn for the financial year ended June 2018.

With the published results the company also published an Independent Auditor's Report, to which noted that the auditor (PwC, who have since resigned from the post) expressed no opinion on the financial statements published by the Group, reason being that they were unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion because of a number of matters, including the validity of sales transactions made in bulk by the Group's South African businesses during March and April 2018, as well as, the validity of agreements for and payments made with respect to business acquisitions made by the Group's South African businesses during October 2016, May 2017, July 2017 and October 2017.

In an attempt to consolidate the business, the Group is selling a number of its businesses, viz. the South African, Tanzania, and Mozambique operations, while also downscaling its Kenyan operations and selling the stores to the local operators. This will bring down the geographical operations to five (5) from eight (8). This move will also release some pressure from the Botswana operation, which for the most part have been funding the loss making entities.

The company remains suspended from trading on the BSE and the JSE accordingly as the financial results for the 2019 interim financial period and the 2019 full year financial results are both still outstanding. Until such a time as they are produced, the group will remain suspended from trading on both exchanges.

Sefalana posted an announcement in the week that the Group expects its profit before tax for the 6 month period ended 31 October 2019 to be between 16 - 18% (approximately P17 million to P19 million) higher than that reported for the comparative period ended 31 October 2018 which amounted to P103.6million. Sefalana is expecting to publish its consolidated financial results for the Group on or before the end of January 2020.

Letshego published a trading update late Friday afternoon noting an improvement in the Groups financial performance, following the release of the interim financial results three (3) months ago. The latest forecast as per the Group are noted below:

- Group Profit before tax is expected to be between 10% and 15% (P102 million to P157 million) higher than the 31 December 2018 financial year end (2018: P1,020 million)
- Group Profit after tax is expected to be between 25% and 30% (P127 million to P153 million) higher than the 31 December 2018 financial year end (2018: P510 million)

The Group's dividend policy is expected to be also be reviewed once the Group's financial year elapses, which is the end of December 2020. The current dividend policy stands at 25% of profit after tax. The Board had also appointed two (2) new Independent Non-Executive Directors, being Abiodun Odubola and Philip Odera have both been confirmed after receiving regulatory approval. In the same notice, the Board advised that BIHL increased shareholding in Letshego Holdings Limited from 26.17% to 27.95%.

4.0 US President Impeached by the House of Representatives...

The US President Donald Trump was impeached on Wednesday by the House of Representatives, BUT this does not mean that President Trump is not the President anymore. President Trump was impeached by the House of Representatives for the abuse of power for the role he played in delaying US assistance to Ukraine AND obstruction of congress when he refused to cooperate with the oversight investigation. A Senate impeachment trial awaits the President in January, where in which his fate will be determined by the Senate voters.

This impeachment makes President Trump, the third President in the history of the United States to be impeached by the House of Representatives. The first was Andrew Johnson in 1868, and Bill Clinton in 1998 – both of which were acquitted by the Senate trial after failing to attain the 2/3 needed to convict. Given that the President Trump is a republican, and the Senate is primarily controlled by the Republicans, speculators are expecting that the Senate trial will largely fail to remove the President from his seat, which means he will complete his term.

Domestic Exchange rates

Currency	20 Dec	13 Dec	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0935	0.0931	0.43	0.32
ZAR/BWP ↓ 	1.3335	1.3481	-1.08	-0.79
EUR/BWP ↑ 	0.0841	0.0834	0.84	3.19
GBP/BWP ↑ 	0.0719	0.0691	4.05	-2.04
JPY/BW ↑ 	10.22	10.2	0.20	-0.58
CNH/BWP ↑ 	0.6552	0.6492	0.92	2.20

Source: Bank of Botswana

The pula traded positively against the majority of its trading partners, with the exception of rand, where in which, the pula traded in the red for the week.

5.0 Oil prices gain momentum...

Oil prices were poised to post a weekly gain of about 1.82% on Friday afternoon. The gain in the week was largely supported by the data showing that US crude inventories had fallen in the last week. A weekly report published on Wednesday by the Energy Information Administration (EIA) showed a drop of 1.1mn barrels in US crude inventories. Also keeping oil prices on the upside, were the continued production cuts by the Organisation of Petroleum Exporting Countries (OPEC) that were recently deepened at the cartel's last meeting.

In a bid to try and support oil prices and expunge an oversupplied market, the Organisation of Petroleum Exporting Countries (OPEC) in the beginning of the month, at their meeting, decided to increase their output cuts from 1.2mn barrels per day to 1.7mn barrels per day. Oil prices were trading at around US\$66.41 per barrel.

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