



Weekly Financial Markets Highlights

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1.0 Letshego the only gainer w-o-w...

It seems Letshego is well on its way to recovery, following the downward pressure it endured for the better part last year. The stock currently stands with a year to date gain of 26.8% so far, which is recovery of almost half of the losses it suffered by the end of 2019, viz. its year to date loss of -56.2%. In the year so far, the stock has gained 19 thebe. For the week, the stock added a small 2 thebe, settling at P0.90/share, despite having reached a 6 month high of P0.92/share midweek. The stock was also the most traded in the week, having crossed 1.33mn shares by the end of the Friday session.

The market for BTCL appears to have made a turnaround, with the buyers now seemingly meeting the sellers at par -- the selling pressure petered out. The stock was the second most traded in the week, as 1.15mn shares in the name changed ownership at P0.86/share. In the absence of any new info, we expect the buying going forth to dry up with time. The stock continues to trade as the largest loser in the domestic market thus far, with a year to date loss of -9.5%.

Some Primetime also floated through the market in the week at the stock's year opening price of P2.93/share. Investors are buying into the stock in a bid to qualify for the distribution declared by the property group almost 2 weeks ago. The stock will be turning ex-dividend in less than 2 weeks, on the 9th of March and the distribution will become payable on the 23rd of March.

There was a little movement in the well sought out Absa Bank Botswana Limited stock in the week -- climbing a thebe to P5.51/share, in its first movement for the year, climbed to a 12 month high.

The gain was unfortunately reversed in the very next trading session, which subsequently pushed the earlier 0.2% gain made back to 0%.

The domestic indices also benefited from the gain in Letshego, with the DCI increasing 0.11% in the week to end the week at 7,598.72 points. This also spilled over to the total return index, that is the DCTRI, which gained by slightly more than the DCI, at 0.16% (propped up by Letlole La Rona going ex-dividend on Wednesday) to end at 1,755.30 points. Both indices have positive year to dates, with the DCI and the DCTRI standing at 1.39% and 1.60% respectively. The FCI was unchanged at 1,551.35 points -- with the foreign domiciled companies on the Exchange not noting any price movements.

Market Summary – Week ending 28 February, 2020

No. of Shares Trading	3,122,060
Turnover (BWP)	4,411,990
Turnover (USD)*	393,991
No. of stocks trading#	15
No. of stocks advancing#	1
No. of stocks declining#	0
No. of stocks unchanged#	22

Source: Motswedi Securities, BSE *US\$/BWP = 0.0893
= Domestic Main Board

COUNTER	28 Feb (t)	21 Feb (t)	Change (%)	YTD (%)
LETSHEGO ↑	90	88	+2.3	+26.8

Source: Motswedi Securities, BSE

BSE Indices – Week ending 28 February, 2020

DCI Close	7,598.72
Weekly Change (%)	+0.11
YTD Change (%)	+1.39
FCI Close	1,551.35
Weekly Change (%)	0.00
YTD Change (%)	-0.71
DCTRI Close	1,755.30
Weekly Change (%)	+0.16
YTD Change (%)	+1.60

Source: Motswedi Securities, BSE

2.0 Company Announcements and Financial Results

FNBB posted their half year 2020 financial results in the week. As per the usual, the company has posted pleasing financial results. The company's profit before direct tax was up 13% to P544mn – with the increase in top line driven primarily by non-interest income which was bumped up 10% in the half year period, with a smaller contribution from the interest income by 5%. Interest expense reduced quite notably, which is a commendable achievement to the bank, by 17%, while impairments went up 10%. According to the bank, the increase in impairments came as a result of increased pressure in the retail sector – of which was increased by the salary hike to Government employees effected last year April. This number is likely to increase further, given that another salary hike for the Government employees is expected at the start of the fiscal year (April 01).

Testament to the bank's improvement performance, ROE was marginally higher at 25.4%, from 24.6%, while ROA stood at 3.3% from 3.1% from the prior comparative period. At the current market price, we see the bank's P/E ratio at 10.8x and P/BV ratio at

2.1x. The company also declared an interim dividend of 7 thebe for the period, which is a thebe more than the previous comparative period (2018: 6 thebe). The dividend will be payable to all those shareholders in the bank's register by the 11th March, and will be paid beginning on the 25th March.

From the same camp, still FNBB, the bank published an announcement that they would dissolve the position of Deputy Chairperson. The bank recently appointed a new Board Chairperson, by the name of Mr. Balisi Mohumi Bonyongo and thus the decision to not fill the post. The company also noted that they have appointed a company secretary, effective 6th February 2020 – her name is Ms. Gaone Setlhake and will be tasked with, among other responsibilities, advising FNBB and its Board of Directors on governance matters and provision of secretarial services.

Sefalana published a cautionary update on a potential transaction that is currently undergoing negotiations. The Group advises that progress regarding the potential transaction is being made, with no indication of when the transaction will be wrapped up.

Letshego has appointed Mr Ronald Hoekman as Independent Non-Executive Group Director to its Board. This is the third and final appointment to the Group Board of an Independent Non-Executive Director, as has been noted by the Group Chairman, Enos Banda.

Minergy has listed 38,888,889 new ordinary shares at a price of P0.99 each relating to applications for new ordinary shares in terms of the General Issue of Shares. The price per new ordinary share applied for

is within the maximum discount of 10% of the weighted average ruling price of the shares measured over the 30 business days prior to the date that the price of such shares was agreed with the Company. The BSE has confirmed that the 38,888,889 ordinary shares, the subject of the General Issue of new shares by the Company shall be listed and commence trading on the Botswana Stock Exchange on 25 February 2020. Following the issuance of these new shares the total shares in issue will be 469,975,134.

Tlou Energy's half year financial results were published this week as well, with them a general business update. The company is still on track to becoming a developer soon, with the intention of making their first electricity sales. The Lesedi CBM Project area is making significant progress with the 3P and 4P wells flowing gas at sustained rates for extended periods of time. Both wells are currently being dewatered and the process seems to be taking much longer than the company had anticipated. To remedy this, the Company is considering to either drill further wells (depending on whether they can get further funding) or continue at the current pace and wait it out.

Also moving at a slower than anticipated pace is the Power Purchase Agreement. The Company continues to await feedback on the "Development of a Maximum of 100 MW of Coal Bed Methane (CBM) Fueled Pilot Power Plants in Botswana," of which negotiations are apparently at an advanced stage. In the meanwhile, the Government, through the Ministry of Mineral Resources, Green Technology and Energy Security (MMGE), has agreed to discuss a temporary PPA that would enable Tlou to provide power on a pilot/proof of concept approach whilst negotiations for the full PPA are ongoing.

The Company has intentions to raise more capital in the market, with a preference of investors in Botswana taking part. The financing will be primarily be used to connect the Lesedi Project to the existing power grid at Serowe, as part of objective of making said electricity sales. Other uses of the funding are additional gas fired power generation, solar power generation (if appropriate) and additional gas production wells (subject to requirements). Further exploration, working capital and advancing Environmental, Social and Governance (ESG) objectives is also desirable.

RDCP published an announcement, noting to unitholders that they have acquired the entire issued share capital of Norman Kwati Matsetse (Pty) Ltd ("NKM") from Italtswana Construction Company (Pty) Ltd ("ICC") for P4.3 million, the effective date being 22 February 2020. The Property is tribal lot 14154 in Sefoke Ward, Tlokweng. This is a The Property is tribal lot 14154 in Sefoke Ward, Tlokweng. This is a 2,239 sqm lot which is earmarked for re-development by the Company. The plot which is earmarked for re-development by the Company. ICC is a related company since three of the directors of RDCP, namely Messrs. GR Giachetti, G Giachetti and J. Pari, are also directors of ICC.

Letlole posted an announcement regarding a related party transaction with Industrial Estate (Proprietary) Limited (a wholly owned subsidiary of the Botswana Development Corporation Limited) that involves the acquisition of a number of their properties, all of which are industrial by nature as the name of the company suggests. These acquisitions are subject to the necessary regulatory and unitholder approvals. LLR will acquire these properties, which have been fairly valued by Knight

Frank Botswana at BWP164,362,500 on the 5th of September 2019, for a cash consideration of BWP174,400,000.

Chobe announced the beginning of their closed period on Friday. The Company has noted that preparations of results for the year ended 29 February 2020 has started and is expected to continue until 29 May 2020 or thereabouts when the results are expected to be published.

3.0 Bank of Botswana Maintain the Bank Rate...

The Central Bank of Botswana decided to keep its bank rate unchanged at 4.75%, following the Monetary Policy Committee meeting held on the 26th of February. In the aforementioned meeting, the MPC noted that they expect domestic demand pressure to remain subdued, more especially, given that inflation in the country remained at 2.2% for January 2020, of which is below the Bank's objective range of 3 – 6%.

The consensus and general feel in the market is that the steps taken by the Bank of Botswana have not quite had the desired effect of stimulating the economy. Although the Bank of Botswana have, in their last meeting unchanged, expectations of another rate cut in the short to medium term are on the high side.

Economy wise, the nation's real Gross Domestic Product (GDP) grew by 3.7% in the twelve months to September 2019, compared to the prior comparative period ending September 2018 – of which grew by 5%. Overall, the economy is projected to operate close to, but below full capacity in the short to medium term, thus not adding to inflationary pressures. The next MPC meeting for 2020 is scheduled for the 30th April 2020.

Domestic Exchange rates

Currency	28 Feb	21 Feb	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0893	0.0902	-1.00	-5.10
ZAR/BWP ↓ 	1.3962	1.3656	2.24	5.02
EUR/BWP ↑ 	0.0812	0.0836	-2.87	-3.33
GBP/BWP ↓ 	0.0693	0.07	-1.00	-3.48
JPY/BW ↓ 	9.73	10.1	-3.66	-4.89
CNH/BWP ↑ 	0.6265	0.6359	-1.48	-4.60

Source: Bank of Botswana

The local unit was trading relatively mixed against its trading partners for the week. The unit lost the most against Yen and the Euro, retracting 3.66% and 2.87% respectively, while gaining 2.24% against the rand. The pula only retains a positive year to date against the rand of 5.02%.

4.0 Fears of the Covid-19 virus hits most markets...

Oil was looking at an almost 14% loss week on week, hit by concerns that the demand for the commodity will be impacted negatively by the spreading of the virus. This would be the biggest weekly fall for the commodity in 48 months. New infections of the virus, are now reportedly more than those reported in Mainland China. Oil prices reached their lowest since 2017, trading at around US\$50.67/barrel.

The Precious Metals' market was all red for the metals and commodities tracked, leading the losses by far and large being platinum with a loss of around 9.74% at the time of writing. Gold and silver were a ways behind with platinum, having noted a decline of -1.07% and -6.88% respectively. The base metals also took a step back in the week, with copper retracting -9.74%, while nickel dropped -3.19%. Of all the metals, only the gold bullion retains a positive year to date of around 7%.

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