



Weekly Financial Markets Highlights

Research
Garry Juma
Salome Makgatlhe

Sales
Tshenolo Motlhagodi
Tshepo Setlhare
Refilwe Lesolle

motswedisecurities



August 28, 2020

Plot 113, Unit 30,
Kgale Mews,
Gaborone

P/Bag 00223,
Gaborone
Botswana.

Tel: 267-3188627
Cell: (+267) 72108088
Fax: 267-3188629

Email: motswedi@motswedi.co.bw
Website: www.motswedi.co.bw

1.0 Local Equity Performance for the Week...

Liquidity on the Botswana Stock Exchange overall improved in the week ended 28 August 2020 – as 8.38mn shares went through the market, valued at P8.24mn. A considerable rise from the prior week's 0.24mn shares that traded valued at P1.42mn. The highlight of the week's liquidity was Letshego, crossing 7.44mn shares for the week – with a resultant effect that saw the stock's price lose a thebe, to end valued at P0.63/share. This value loss worked to extend the stock's yearly loss, to a negative 11.3%.

BTCL appeared on the price movers list for the seventh consecutive week, with all seven appearances noting a value loss. The stock ended the week 2 thebe lighter, priced at P0.81/share. This price is a hair's breadth away from the stock historic low price of P0.80, of which was touched for the first time in early May 2020. The stock currently stands with a year to date of negative 14.7%, which is fourth in terms of rank for the domestic board losing stocks.

The third price loss in the week came from Primetime, which dropped 0.7%, to end valued at P2.90/linked-unit. Likely driving this value loss was a move by investors profit taking after successfully qualifying for the Company's declaration 2 weeks ago. The declaration per linked-unit was purely a gross interest payment of 6.53 thebe, and will be paid nett of the relevant taxes, beginning on the 28 August 2020.

Sefalana regained the thebe lost in the prior week, to end the week valued at P9.30/share. The stock has had a steady stream of supply in the last two weeks, after the ex-dividend date passed on the 12th of August 2020. This increased activity in the name, likely being the efforts of profit taking by investors

after receiving their dividend payout. The stock is currently the best performer in the equity market, with a yearly rise of +3.7%. Sefalana was the only gainer noted for the week.

The DCI dropped 0.12% in the week, dragging its year to date further, to end at negative 5.88%. The DCTRI on the other hand gained 0.1%, supported primarily by NAP going ex-dividend during the week. The index's year to date currently stands at a negative 2.42%. The FCI was unchanged for the week, and thus maintained its year to date of negative 0.79%

BSE Indices – Week ending 28 August, 2020

DCI Close	7,054.03
Weekly Change (%)	-0.12
YTD Change (%)	-5.88
FCI Close	1,550.08
Weekly Change (%)	0.00
YTD Change (%)	-0.79
DCTRI Close	1,685.86
Weekly Change (%)	+0.10
YTD Change (%)	-2.42

Source: Motswedi Securities, BSE

COUNTER	28 Aug (t)	21 Aug (t)	Change (%)	YTD (%)
SEFALANA ↑	930	929	+0.1	+3.7
BTCL ↓	81	83	-2.4	-14.7
LETSHEGO ↓	63	64	-1.6	-11.3
PRIMETIME ↓	290	292	-0.7	-1.0

Source: Motswedi Securities, BSE

Market Summary – Week ending 28 August 2020

No. of Shares Trading	8,375,726
Turnover (BWP)	8,242,595
Turnover (USD)*	713,809
No. of stocks trading#	10
No. of stocks advancing#	1
No. of stocks declining#	3
No. of stocks unchanged#	19

Source: Motswedi Securities, BSE *US\$/BWP = 0.0866
= Domestic Main Board

2.0 Company Announcements and Financial Results

Letshego is in the process of finalising its interim financial statements for the six month period ended 30 June 2020.

- Net interest income is expected to be lower than the same period last year, but only by a single digit percentage, while Operating Income overall is likely to decline between 10% to 15% on the back of a reduction in Non Funded Income (NFI).
- The Loan Loss ratio (LLR) is, however, expected to be lower than the comparative period last year, driven largely by significant performance improvements in the Group’s mobile loan portfolio.
- Profit before Taxation is expected to range between 15% and 25% (between P90mn and P152mn) lower than the P600mn reported for the six months ended 30 June 2019. Profit after Taxation is expected to range between 20% and 30% (between P73mn and P110mn) lower than the P364mn reported for the six months ended 30 June 2019.

The projected decline in profits is mainly attributable to the impact of COVID-19 on sub Saharan economic activity and the resultant drop in business volumes, particularly in the second quarter of 2020. As indicated in our COVID-19 Update, transaction

volumes were lower in both our Deduction at Source (DAS) and Micro and Small Entrepreneur (MSE) segments during this period. NFI levels have been adversely impacted by the same slowed transaction volumes as a result of the pandemic, as well as regulatory policies adjusted towards the end of 2019 in one of our larger markets. Despite this, our business has remained resilient, with DAS showing a stronger recovery than initially anticipated as the Group progresses into the second half of 2020.

The MSE segment, that comprises 9% of the Group’s total loan book, was impacted in the Education, Travel & Tourism, Manufacturing and Trade sectors, with approximately 60% of customers opting for the repayment holiday offered. The Group’s Interim Results, for the period ended 30 June 2020, will be published on or around 1 September 2020.

Letlole’s stakeholders are advised that in terms of the agreement with BDC, the acting CEO secondment ended on 26 August 2020 and that Ms Kamogelo Mowaneng, the Chief Financial Officer of LLR, has been appointed as interim CEO with immediate effect. Stakeholders are further referred to the X-News announcement of 14 August 2020 and are advised that the disciplinary process of the suspended CEO, Mr Chikuni Shenjere-Mutiswa, recommenced following lockdown of the Greater Gaborone COVID zone. The hearing is expected to conclude imminently, and stakeholders will be updated accordingly before the end of September 2020. The criminal investigation into the matter continues.

Tlou has engaged Mott MacDonald engineering consultants to work on the detailed engineering and design of the proposed 66kV transmission line and steady progress has been made thus far. To date a

significant amount of work on the transmission line has been completed including:

- Successful definition of transmission line route in consultation with BPC and the relevant land boards;
- Conclusive results from route survey completion, confirmation of line route corridor width and surveying and recording of ground elevation along the route;
- Securing a wayleave (right of way) from the Serowe Substation to the proposed Power Plant; and
- The Environmental and Social Impact Assessment Plan for the project has been completed and the necessary statutory approvals obtained allowing the project to be implemented.

Mott MacDonald are now working on the implementation stage of the proposed 66kV transmission line which includes:

- Detailed design of the 66kV Line, Serowe Extension substation and Power Plant intake substation; and
- Tender document specification including preparation of Pre-qualification (PQ) documents with the objective of Tlou selecting a short-list of pre-qualified bidders who will be invited to bid for construction.

The implementation stage is currently expected to be completed later this year, conditional on not experiencing undue delays outside Tlou's direct control e.g. delays in responses from third parties or further lockdowns imposed by the Botswana's government.

The Company is in discussion with potential providers of project finance including the Botswana
z

Development Corporation (BDC) as announced previously. This has been and remains a slow process as the Company awaits a revised term sheet from BDC. Tlou will continue to pursue efforts with BDC to a logical conclusion because of the significant potential mutual benefits in partnering with the Government of Botswana's main agency for commercial and industrial development.

Simultaneously, several parties both within and external to Botswana are also engaged in discussions for development finance with a view to agreeing a suitable memorandum of understanding (MoU).

Turnstar notifies its shareholders and the public regarding the below changes The Board of Directors of Turnstar Holdings Limited (Turnstar) announces the appointment of Grant Thornton Business Services Proprietary Limited as the company secretary effective 20th August 2020. The change in company secretary is as a result of a recommendation made by the Board of Directors of Turnstar to appoint Ernst & Young as the auditor of Turnstar for the year ending 31 January 2021 as Grant Thornton was the previous auditor of Turnstar.

Sechaba joined the ranks of those publishing cautionary announcement, regarding their interim 2020 financial results. The Board of Directors of Sechaba ("the Board") advises shareholders that the profit before tax for the 6-month period ended 30 June 2020 will be approximately 60% (P56.6m) lower than the P95.5m reported for the period ended 30 June 2019. The Financial Results for the period ended 30 June 2020 are expected to be released on or before 30 September 2020, wherein full details will be provided. Shareholders are advised to continue exercising caution when dealing with the

company's securities, until a full announcement is made.

BancABC published their unaudited interim financial results for the period ended 30 June 2020 in the week. Net interest income increased 19% for the interim period ended 30 June 2020, from the prior comparative period, to P229mn, supported by a 3% rise in interest income, while interest expense shrank 15%. Net interest margin stood at 2.7%. Primary to the improved interest income is improved traffic through the Bank's technological advances, including the use of the Banks online platform. Impairment provisions for the period increased to P2mn, from the previous comparative period's impairment release of P4.8mn. The impairment rise being on the back of deterioration of the Bank's SME lending book. Net trading income improved 278% to P8.8mn. This is encouraging, as it signifies an element of recovery for the segment, from the previously reported figures in the last comparative figure (2019: H1 P2.3mn). The net fee and commission income on the other hand dropped by 33% to P33.1mn, from P49.5mn, as a result of an overall reduction in transaction volumes and discount measures, according to the management of the Bank. Operating expenses were overall contained, increasing by 7% in the period, from P183mn to P196mn. This led to an improved PBT of P72.9mn (2019: P66.3mn), and ultimately a PAT of P55.7mn (2019: P51.3mn).

Loans and advances for the interim period increased 3.6% y/y to P6.2mn, likely as a result of the current accommodative monetary policy which saw the bank rate decline 50bps to 4.25% in April 2020. Customer deposits declined to P6.0mn y/y, thus tightening the banks liquidity position slightly. This puts the loan book to deposit ratio at 103.2% y/y. Cost to income

was at 72.9% (2019: 73.4%), while the capital adequacy ratio remained well above the regulatory required amount of 12.5%, at almost 21%. EPS stood marginally improved at 7.6 thebe (2019: 7.1 thebe). No dividend was declared for the interim period.

CA Sales announced that the Company's profit before tax for the six months ended 30 June 2020 is expected to be between R 75.8m and R 81.7m lower compared to the reported profit before tax for the previous corresponding period of R 117.6m. This represents a decrease of between 31% and 36% on the profit before tax for the previous corresponding period. The Company's headline earnings per share ("HEPS") for the six months ended 30 June 2020 has been negatively affected by the global economic fallout of the Covid-19 pandemic. Accordingly, HEPS is expected to decrease to between 3.72 cents and 4.54 cents per share, a decrease of between 23% and 28% in comparison to the HEPS of 16.33 cents reported in the previous corresponding period.

Majority of the Group's products and services are classified as essential products and services, ensuring continued trading during this COVID-19 pandemic, albeit challenged under the circumstances. Trade restrictions in certain sectors and challenges in cross-border distribution hampered the expected growth. The businesses that were significantly impacted by the trade restrictions in quarter two were the distributors of alcohol and tobacco products as well as the promotions operations. Trading bans have since been lifted in South Africa but the ban on the sale of alcohol products is still in force in Botswana and Swaziland. The Group's diversified portfolio should enable it to deliver sustainable results for the remainder of the year. Preparation of results for the six months ended

30 June 2020 has started and is expected to continue until on or about 30 September 2020 when the unreviewed condensed interim financial results are expected to be released.

3.0 Dollar heads for worst week in a month...

The dollar was in line to end the week a notch lower, driven by a general increase in demand for the riskier currencies. On the back of this was a successful phone call between the United States and China, in relation to their trade spat earlier in the week. Also playing to weaken the dollar are reports that the US were in line to approve a COVID19 vaccine. Adding to the losses in the week, were published highlights that the US Federal Reserve will shift its position and seek to achieve an average inflation of 2%, which suggests that the key interest rates have a likelihood of staying low, even during times where inflation rises slightly. The idea behind the decision being to support economic recovery, however slow it may be, while also propping up job creation. This week will be the dollar's worst week in a month, with the dollar index reportedly falling a slight 0.7%, against a basket of its peers.

Domestic Exchange rates

Currency	28 Aug	21 Aug	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0866	0.086	0.70	-7.97
ZAR/BWP ↓ 	1.4666	1.4815	-1.01	10.31
EUR/BWP ↑ 	0.073	0.0724	0.83	-13.10
GBP/BWP ↑ 	0.0653	0.0649	0.62	-9.05
JPY/BW ↑ 	9.2	9.08	1.32	-10.07
CNH/BWP ↑ 	0.5945	0.5932	0.22	-9.47

Source: Bank of Botswana

Given the overall weakness in the dollar in the week, support was granted to the riskier units, the local unit included. The pula gained across the board against its competitors, save for the South African rand – this

primarily being caused by the rand's weighting in the basket of currencies that direct the pricing of the pula.

In added local news, the Monetary Policy Committee (MPC) of the Bank of Botswana maintained the Bank Rate at 4.25%, continuing with the accommodative monetary policy stance adopted earlier in the year. The MPC, have based this decision on the recognition that the current adverse developments in the domestic economy are short term and occur against a potentially supportive environment including efforts to improve the business environment, as well as the likely impact of the economic recovery and transformation plan, among others.

4.0 Oil headed for weekly gain...

Oil prices rose in the week, benefitting from two storms that raced inland from the US Gulf Coast earlier in the week. These resulted in a shutdown of over 80% of the region's oil output (approximately 1.56 million barrels per day). These gains tapered down as the week closed in, after early assessment of the affected areas showed minimal damage to the upstream and downstream facilities. Further containing the gains was the increase in US oilrigs for the first time since March 2020. At the time of writing, oil had gained about 1.49% in the week, and was trading at around US\$45.01 per barrel. Clear direction of the commodity will however be determined by the general demand recovery for oil and oil products, amid the uncertainties stemming from the COVID19 outbreak.

Gold was on track to register its first week of gains, in three, driven mostly by a weakened dollar and the dovish comments by the US Federal reserve of an expected lengthy low interest rate environment. Gold

prices were up 0.85% for the week, during mid-afternoon trading at around US\$1,956.90/oz. The commodity's yearly growth was at 29%.

Silver had gained 2.64% at the time of writing, inline for the second consecutive week of gains. So far in the year, silver has gained over 50%, and was valued at around US\$27.50/oz.

Platinum on the other hand was 1.55% stronger for the week, valued at around US\$936.59/oz at the time of writing.

Disclaimer:

The views expressed in this research note reflect the views of Motswedi Securities (Proprietary) Limited based on the information available at its disposal at the time of writing and may change without notice, and is provided for information purposes only. While Motswedi Securities (Proprietary) Limited has taken all reasonable steps in carefully preparing the document, it does not take any responsibility for any action that may be taken on the basis of the information contained herein. Each recipient of it is advised to undertake its own analysis and evaluation of the terms and contents hereof, and obtain independent advice as appropriate, before acting in any way upon the information contained herein. Accordingly, this document is not intended, and no part of this document should be read, as constituting, in any way, an offer or other solicitation for the purpose of the purchase or sale of any of the securities referred to herein. This document may not be reproduced, distributed or published, in part or in whole, by any recipient for any purposes without the authorization of Motswedi Securities (Proprietary) Limited.

The term closing and last price are often used interchangeably, except where specified in the report, with Motswedi preferring to use Last Traded Price as the best indicator of where the market will open, on the next trading session.