



Weekly Financial Markets Highlights

Research
Garry Juma
Salome Makgatlhe

Sales
Tshepo Setlhare
Keyshia Tebogo

motswedisecurities



March 26, 2021

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...

Another week, another loss for the BSE indices. The Domestic Company Index (DCI) was down 0.54% owing to a multitude of losses on the local equity market. With no stock going ex-dividend in the week, the total returns index mirrored the move of the DCI, also declining 0.54%.

Absa's share price declined to a six year low in the week, closing 12 thebe lower at P4.40/share. There has been some significant selling pressure for the stock, which is evident in the stock's year to date performance of negative 18.2% - comfortably the second largest loser on the equity market. The company also has an ongoing cautionary announcement that highlighted an expected decline of between 40% and 50% in its profit before tax for the financial year ended 31 December 2020. This loss has been attributed to a significant increase in the company's credit impairment line in the financials, which affected the company's bottom lining accordingly.

Sechaba was another to dent the indices as the stock's price dropped 35 thebe to P17.40/share. The share price remains haunted by the restriction in the sale of alcohol that was recently lifted. In these first few months of the year, Sechaba's share price has lost 15.7% of its market value. With cases of the coronavirus remaining high in the Botswana, there is much speculation that the Government will at any time impose another restriction on the sale of alcohol. There is also some concern around the sugar tax that is to be imposed on sweetened beverages. This is expected to impact the non-alcoholic beverages side of the business, i.e. Coca Cola Beverages Botswana.

In an unexpected spur of demand, BTCL crossed just under 582,000 shares in the week, in the biggest show of liquidity the stock has displayed since early February 2021. In its trading, the stock closed the week valued at P0.70 with a year to date of negative 15.9%. BTCL was the only stock to gain in the week.

Market Summary – Week ending 26 March, 2021

No. of Shares Trading	2,579,521
Turnover (BWP)	3,985,220
Turnover (USD)*	359,865
No. of stocks trading#	13
No. of stocks advancing#	1
No. of stocks declining#	4
No. of stocks unchanged#	18

Source: Motswedi Securities, BSE *US\$/BWP = 0.0903
= Domestic Main Board

COUNTER	26 Mar (t)	19 Mar (t)	Change (%)	YTD (%)
BTCL ↑	70	69	+1.4	-14.6
ABSA ↓	440	452	-2.7	-18.2
SECHABA ↓	1740	1775	-2.0	-15.7
FNBB ↓	213	215	-0.9	-3.2
ENGEN ↓	1013	1014	-0.1	-1.5

Source: Motswedi Securities, BSE

BSE Indices – Week ending 26 March, 2021

DCI Close	6,525.11
Weekly Change (%)	-0.54
YTD Change (%)	-5.15
FCI Close	1,550.93
Weekly Change (%)	0.00
YTD Change (%)	+0.24
DCTRI Close	1,590.61
Weekly Change (%)	-0.54
YTD Change (%)	-4.45

Source: Motswedi Securities, BSE

2.0 Company Announcements and Financial Results

Sechaba published financial results that were much in line with expectations on Friday. Of note was the sharp decline in combined volumes for both associates, KBL and CCBB, at 19% with a larger portion of the drop attributed to KBL. This was an expected outcome as the sale of alcoholic beverages was banned for at least three months of the year in 2020. As a result of the declined volumes, profits for the year for the associates were down. KBL's profit for the year was down 21% while CCBB's profit was down a marginal 3%. Thus, Sechaba's profits for the year were down 15% at P155.1mn (2019: P182.1mn), with the same decline mirrored in the earning per share which stood at 140.2 thebe (2019: 164.6 thebe). On a positive note for Sechaba's shareholders, the company declared a final dividend of 25 thebe, about a quarter of the previous year's declaration. This is likely a result of only CCBB declaring a dividend. Given KBL's performance in the year, and in consideration of the operating environment, the company chose to not to declare, opting for cash preservation.

RDCP advised Unitholders that the Board is considering various cross-border acquisitions, including Zambia, which after the conclusion of negotiations and the successful fulfilment of all conditions precedent, may have an effect on the price of its securities. The afore-mentioned acquisitions are intended to enhance the existing portfolio and are a continuation of the Company's strategy of portfolio and geographic diversification.

Letlole La Rona entered into a Memorandum of Agreement of Lease with Botswana Development Corporation (BDC) and Western Industrial Estates

(Proprietary) Limited (WIE) for the leasing and development of Lots 22048 and 22047 Gaborone respectively. The Transaction envisaged is categorised as a related party transaction as BDC is a material shareholder of LLR, holding 40% of LLR shareholding, and WIE is a wholly owned subsidiary of BDC. The terms of the Agreement are that LLR will lease to WIE a portion of Lot 22047 for the purposes of undertaking a development. WIE shall, in turn, undertake the development of 7004 square meters on the said Lot 22047, the property that was previously acquired by LLR from WIE in July 2020. LLR will have the option to acquire the development immediately upon completion at a net yield of 8%, or to acquire the property at the prevailing market value in future. The Transaction shall result in additional rental revenue for the Company and, in the event that LLR elects to acquire the development after completion, it will enhance LLR's property portfolio. LLR has received a valuation report that the Market Value of the leasehold interest in the vacant stand currently to Lot 22047 is BWP8,362,776. Lot 22047 shall be leased by LLR to WIE for a period of 25 years at a monthly rental of P42 000 (Forty-Two Thousand Pula) per month, with an annual escalation of 5% after the initial 12-month period of the lease period. The annual rental of P 504,000 will therefore not have a material effect on the headline earnings of LLR.

Engen advised shareholders that the profit before tax for the year ended 31 December 2020 of P147.2 million will be 18.3% or P33 million lower than the P180.2 million reported for the year ended 31 December 2019. This is mainly attributable to the effects of the Covid-19 lockdowns which reduced business activity nationally and the significant decline in global crude oil prices during the year. As a result the gross profit has declined by 21.2% from

P295.9 million to P233.1 million from 2019 to 2020 respectively. The Group performed above expectations on a replacement cost basis which represents the net profit after tax excluding the effects of inventory revaluations caused by movements in global crude oil prices. The replacement cost net profit increased from P47.5 million to P94.6 million from 2019 to 2020 representing a 99.2% increase. Shareholders are advised to exercise caution when trading in the Group's securities until such time as a detailed announcement is made. Summary results for the year ended 31 December 2020 are expected by 31 March 2021.

Letshego confirmed the appointment of Richard Ochieng as Group Chief Risk Officer for Letshego Holdings Ltd, effective March 2021. As the Group's Chief Risk Officer, Richard joins Letshego's Group Executive Committee, providing senior leadership for the Group's Risk Function. Richard is responsible for enhancing and expanding the Group's integrated risk management framework across markets and functions.

CA Sales shareholders are advised that the final dividend of 10.26 (Prior year: 10.26) cents (or 7.56883 thebe) per share in respect of the year ended 31 December 2020 was declared on Friday, 19 March 2021, for payment to the ordinary shareholders of the Company at the close of business on Monday, 12 April 2021. In line with the Company's dividend policy, the dividend was maintained at 20% of the headline earnings. The ex-dividend date for shareholders on the BSE shall be Wednesday, 7 April 2021. The ex-dividend date for shareholders on the 4AX shall be Friday, 9 April 2021. The record date to appear in the register to participate in the dividend will be Friday, 9 April

2021. The dividend will be paid on Monday, 12 April 2021. The South African register will be closed for the purposes of dematerialisation, re-materialisation from Wednesday, 7 April 2021 to Friday, 9 April 2021, both dates inclusive, and for transfers between the South African register and the Botswana register between Wednesday, 7 April 2021 to Friday, 9 April 2021, both dates inclusive. The number of issued shares at the declaration date is 452 206 869. The dividend has been declared from income reserves. The South African tax registration number of the Company is 9390266170. The dividend shall be paid in Pula to shareholders on the BSE register, calculated at the Pula to Rand exchange rate of BWP1 / ZAR 1.35556 as at 24 March 2021 and accordingly the gross dividend payable, is 7.56883 thebe per share, less withholding taxes. As per the double tax agreement between Botswana and South Africa, withholding tax of 15% is deducted from dividends distributed to shareholders registered on the BSE. Net dividend paid to shareholders registered on the BSE is 6.43350 thebe (8.72100 cents). This dividend is treated as a foreign dividend. In respect of shareholders registered on the 4AX, the dividend payable is subject to withholding tax of 20% as required under the South African Income Tax Act, resulting in a net dividend of 8.20800 cents per share. Dematerialised and certificated shareholders' dividend will be paid into the nominated bank account of each shareholder. Shareholders are requested to ensure that the Company has their latest valid banking details to ensure that the dividend payment can be processed.

Lucara Diamond Corp. is pleased to announce the execution of a mandate for a senior secured project financing package of up to US\$220 million (the "Mandate") to fund the underground expansion at

Lucara's 100% owned Karowe Mine ("Karowe") in Botswana. A syndicate of five international financial institutions, including ING Bank N.V. ("ING"), Natixis ("Natixis"), Société Générale, London Branch ("Société Générale"), Africa Finance Corporation ("AFC") and Afreximbank ("Afrexim") will act as the Mandated Lead Arrangers ("MLAs"). The formal Mandate includes a non-binding indicative term sheet for debt facilities of up to US\$220 million (the "Facilities"). Closing of the Facilities is targeted to be mid-2021, with financing in place for the second half of 2021.

Botswana Diamonds, the AIM and BSE listed diamond explorer, is pleased to announce that eleven diamonds and abundant kimberlitic indicators were recovered from drill samples at the recently discovered River Kimberlite pipe at Thorny River in the Limpopo Province of South Africa.

3.0 Foreign Exchange...

The US dollar climbed past a 4 month high against a basket of other currencies in the week ended - buoyed by the resumption to the rise of the US Treasury yields. The yields remained near their 1 year high, after jumping the prior week after the Federal Reserve noted that they anticipated the US economy to have strong growth in the short to medium term. Also playing to support the US dollar was investors flocking to the unit for its safe haven properties after Turkey replaced its hawkish central bank governor with a more dovish one. The resultant effect was the emerging market currencies declining as risk sentiment dissipated. Caution was also atop investor thinking, more so as Europe contends with its third wave of the coronavirus pandemic and movement restrictions.

Domestic Exchange rates

Currency	26 Mar	19 Mar	Change (%)	YTD (%)
US\$/BWP ↓ 	0.0903	0.0911	-0.88	-4.04
ZAR/BWP ↑ 	1.3496	1.3447	0.36	1.51
EUR/BWP ↑ 	0.0766	0.0764	0.26	-8.81
GBP/BWP ↑ 	0.0656	0.0655	0.15	-8.64
JPY/BW ↓ 	9.86	9.9200	-0.60	-3.62
CNH/BWP ↓ 	0.5905	0.5935	-0.51	-10.08

Source: Bank of Botswana

The local unit traded mixed in the week, weakening as would be expected against the US dollar, while subsequently gaining against the South African rand, among others.

4.0 Commodities...

Reeling from a steep decline mid-week, oil prices were on track to post their third consecutive weekly loss in afternoon trading on Friday. Investors have increased concerns that the newly imposed movement restrictions and lockdowns in Europe to curb the pandemic spread, will slow down the demand recovery for oil and likely slow down the vaccine roll outs. Capping losses however, are fears that the giant container blocking the Suez Canal will take weeks to dislodge which would tighten the existing supplies of crude stockpiles. The Suez Canal is one of the world's busiest channels for transporting oil and refined fuels, grain and other trade products between Asia and Europe. Also supporting prices are expectations that the Organisation of Petroleum Exporting Countries and its allies (collectively known as OPEC+) will maintain their output levels in their next scheduled meeting on the 1st April, more especially as the outlook for demand has weakened given the happenings in Europe.

Gold prices were weighed down by increased demand for the US Dollar, as the commodity headed for its first weekly decline in three. As it stands, the strong dollar, has resulted in the price of gold (together with the other precious metals) becoming more expensive for non-US Dollar investors. Gold was down 0.76% at the time of writing, while silver and platinum were down 4.76% and 3.23% respectively.

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.