

Local

COMPANY ANNOUNCEMENTS



Acquisition of Seed Co Limited (SCL) by Seed Co International Limited (SCIL)

- SCIL informed shareholders that subsequent to the secondary offer which opened on 27 Jan 21, 78.08% of SCL shareholders have now accepted the offer and surrendered their shares as at 2 Feb 21.
- SCIL advised that it intends to fully consolidate SCL and it will invoke provisions of the Companies and Other Business Entities Act to acquire the remaining shares after the closing date of the secondary offer i.e., after 3 Mar 21.
- P2.00 (YTD: 8.11%) PE: 6.1 PB: 1.0 D/Y: 0.00% Mkt Cap: P762.9mn



Appointment to the Board of Directors

- Turnstar announced the appointment of Ms Victoria Tlamelo Tebele to the board of directors effective 1 Feb 21.
- Ms Tebele currently serves as a non-executive director and the chairperson of the audit committee of the Bank of Botswana.
- P2.45 (YTD: -2.00%) PE: 9.8 PB: 0.8 D/Y: 4.08% Mkt Cap: P1,401.8mn



Trading Statement – 2020/2021 Interim Financial Results

- FNBB informed shareholders that its Profit Before Tax (PBT) for the interim period ended 31 Dec 20 would be P109mn-P136mn (20%-25%) lower than the PBT reported for the interim period ended 31 Dec 19. Full details will be given when it releases results on 2 Mar 21.
- P2.20 (YTD: 0.00%) PE: 8.0 PB: 1.6 D/Y: 6.82% Mkt Cap: P5,596.1mn



Closed Period Announcement

- StanChart announced the commencement of their closed period for the preparation of financial results for the period ended 31 Dec 20 from 1 Jan 21 to 31 Mar 21.
- P1.47 (YTD: +1.38%) PE: 3.7 PB: 0.4 D/Y: 12.50% Mkt Cap: P438.6mn



Summary Headline Labour Force Indicators

- 4Q20 Unemployment Rate 24.5% v 23.2% (1Q20)
- 4Q20 Labour Force 972,609 v 978,396 (1Q20)
- 4Q20 Average Cash Earnings P4,997 v P4,848 (1Q20)

2021 Budget Speech



- The Minister of Finance and Economic Development, Dr Thapelo Matsheka, delivered the 2021 Budget Speech on 1 Feb 21. Highlights of the speech are as follows:
 - 2019/2020 Budget Overturn
 - The fiscal budget for 2019/2020 Financial Year had a deficit of P11.11bn (5.6% of GDP).
 - The deficit was due to under-performance in Revenues and Grants, which came 10.6% below the revised budget figure of P65.4bn, while Expenditures and Net Lending came at P65.4bn.
 - 2021/2022 Revised Budget Estimates

- Total Revenue and Grants are projected to be P48.3bn, P14.1bn below the original budget of P62.4bn due to Mineral Revenues being P13.5bn lower than originally budgeted.
- Total expenditure is projected to be P69.4bn, P1.8bn higher than the original budget of P67.6bn; made up of P57.2bn in Recurring Expenditure and P12.2bn in Development Expenditure.
- A deficit of P21.0bn (11.6% of GDP), is expected for the financial year 2020/2021.
- 2021/2022 Budget Proposals
 - Revenues and Grants are budgeted at P62.54bn, made up of P23.2bn Mineral Revenue, P13.8bn Non-Mineral Income Tax, P13.5bn Customs and Excise and P10.7bn VAT.
 - Expenditures and Net Lending are budgeted at P70.6bn.
 - A deficit of P6.0bn (2.9% of GDP) is expected for the financial year 2021/2022.
 - The smaller deficit is on account of normalisation in Mineral Revenues from diamond sales.
- Government Financing Strategy
 - Previously deficits were funded by draws from the Government Investment Account (GIA), but the account has almost been depleted. As at Nov20, GIA stood at P5.6bn from P18.5bn in Mar20.
 - Entire 2021/22 budget deficit will be financed by borrowing domestically and externally through partners.
- Restoring Fiscal Balance
 - Government will abolish 50% of government vacant positions in value from 1 Apr 21.
 - Director of Public Service Management to review the size of the public service during 2020/21 financial year and recommend measures to right-size the public service.
 - VAT will be increased from 12% to 14%, effective 1 Apr 21.
 - Fuel levy will be increased by P1 per litre on 1 Apr 21.
 - Withholding tax on dividends will be increased from 7.5% to 10%.
 - Eligibility for taxation will be raised to P48,000 per annum for the 2021 tax year, from P36,000 per annum.
 - The government will offer a tax amnesty for the coming tax year. Taxpayers with an outstanding tax balance can clear principal amounts owed in exchange for write-offs of interest and penalties incurred during the previous tax periods without fear of prosecution.
 - Levy to be introduced on sweetened beverages at 2t/gram of sugar above 4g/100ml.
 - A necessary institutional instrument will be introduced to ensure plastic bag levy becomes operational.
 - Ministries will revise fees and user charges, effective 1st Apr 21.

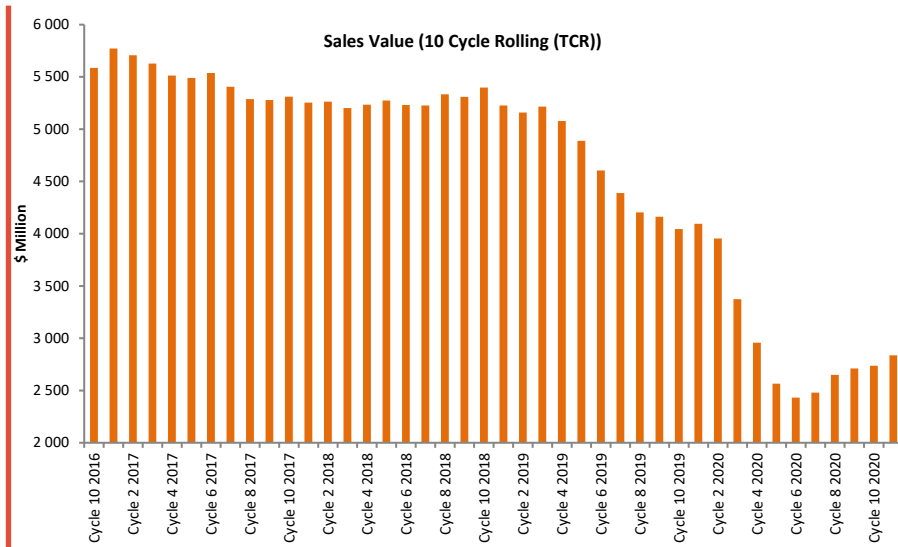
COVID-19 National Deployment and Vaccination Plan

- The Minister of Health and Wellness, Dr. Edwin Dikoloti, shared progress regarding measures being taken by Government to combat COVID-19, specifically on the procurement and distribution of the COVID-19 vaccine in Botswana:
 - Government has identified different platforms for the procurement of vaccines and has made payments amounting to \$10mn to secure various vaccines:
 - Government has secured enough doses for frontline workers through the COVAX Facility.
 - The African Vaccine Acquisition Task Team, established by the African Union, has provisionally secured 270mn doses for Africa, from which Botswana will receive its share.
 - Government is engaging with the wider private sector and other partners to facilitate the availability of the vaccines to everyone.
 - The administration of vaccines will be done in phases with the initial phase focused on frontline workers.
 - Government plans to administer the vaccine free of charge.



Republic of Botswana

DE BEERS' (DB) CYCLE 1 SALES 2021 – RESTOCKING SHORES UP DEMAND



- DB Cycle 1 2021 Sales \$650mn v \$452mn (Cycle 10 2020) v \$551mn (Cycle 1 2020)
- DB Cycle 1 2021 Sales TCR \$2,836mn v \$4,095mn (Cycle 1 2020)
- DB continued to implement a flexible approach to rough diamond sales with Cycle 1 being extended beyond its normal week-long duration.
- DB stated that holiday sales, and restocking for the new year had supported demand, and expected the Chinese New Year and Valentines to support sales further.

FURNMART FY20 RESULTS – FINANCIAL COSTS WEIGH ON EARNINGS

Income Statement P'Mn	FY 20	FY 19	% Δ
Revenue	1,248.0	1,318.0	-5.3%
Cost merchandise sold	-557.5	-579.8	-3.9%
Selling and distribution costs	-447.2	-468.0	-4.4%
Impairment costs - loans and advances	-96.5	-103.2	-6.5%
Administrative expenses	-47.7	-30.8	54.9%
Other Income	53.1	37.7	40.6%
Operating profit	152.1	173.8	-12.5%
Finance Income	5.4	3.2	66.1%
Financing Costs	-61.1	-15.8	287.9%
Share of profit/(loss) from associate	0.0	-0.1	-78.0%
Profit before taxation	96.4	161.3	-40.2%
Tax	-25.9	-40.8	-36.5%
Profit for the year	70.5	120.5	-41.5%
Balance Sheet extract P'Mn	FY 20	FY 19	% Δ
Cash and cash equivalents	199.6	91.0	119.3%
Loans and advances	434.3	511.8	-15.1%
Inventories	186.7	86.2	-52.7%
PPE	77.9	164.7	8.3%
Borrowings	178.4	164.7	8.3%
Equity	699.3	702.1	-0.4%

- Revenue -5.3% with revenue declining across all revenue streams. Merchandise sales -4.4%, Finance Services -6.3%, Ancillary Services -13.3%.
- Overall expenses were well managed declining by 2.4%.
- Finance costs increased by almost 3x due to implementation of IFRS 16 – Leases, resulting in an additional P45.7mn in interest costs.
- Profit for the period -41.5% due to lower revenues and increased finance costs.
- Cash increased by 1.2x due to Furnmart's loan book running down by 15.1% To P434.3mn.

Regional

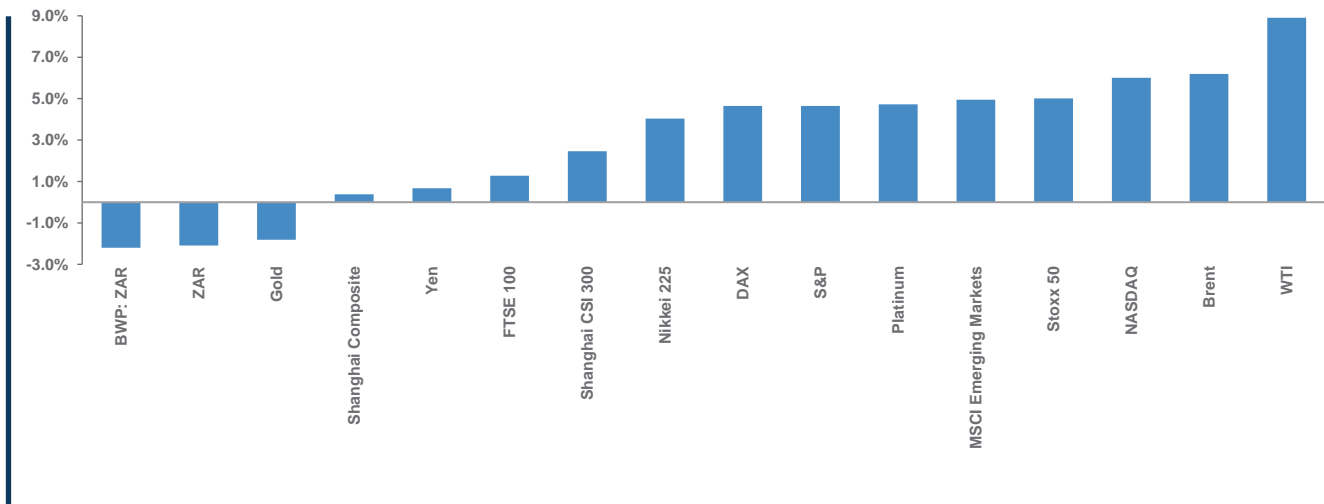
SOUTH AFRICA

- Jan21 ABSA Manufacturing PMI 50.9 v 50.0 (e) v 50.3 (Dec20)

ZAR PERFORMANCE

- The ZAR traded stronger for the week as emerging market assets rallied on anticipated further stimulus in the US.
- ZAR 14.84 (WTD -2.09%) v 15.16 (29 Jan 21)

INTERNATIONAL SNAPSHOT – 5 FEB 21 WEEKLY PERFORMANCE



- Jan21 Final Manufacturing PMI 49.8 v 50.0 (Dec20)
- Jan21 Final Services PMI 46.1 v 47.7 (Dec20)
- Japanese equities rallied for the week on the back of increased optimism that the Biden administration and the Democratic controlled Congress will be able to pass the \$1.9tn stimulus package unilaterally.
- Nikkei 225: 28,779 (WTD +4.03%), Yen: 103.39 (WTD +0.68%)



- Eurozone 4Q20 Advance GDP y/y -5.1% v -5.3% (e) v -4.3% (3Q20)
- France Jan21 Final Manufacturing PMI 51.6 v 51.5 (e) v 51.1 (Dec20)
- Germany Final Manufacturing PMI 57.1 v 57.0 (e) v 58.3 (Dec20)
- European equities posted higher returns for the week on hopes of a faster global economic recovery and optimism that the US will pass an additional round of fiscal stimulus.
- DAX: 14,057 (WTD +4.64%), Stoxx50: 3,656 (WTD +5.01%), FTSE100: 6,489 (WTD +1.28%)



- Jan21 Official Manufacturing PMI 51.3 v 51.6 (e) v 51.9 (Dec20)
- Jan21 Caixin Manufacturing PMI 51.5 v 52.6 (e) v 53.0 (Dec20)
- Chinese equities rose as investors increased their outlook following the reduction in local daily COVID-19 cases to their lowest in a month.
- SHSZ300: 5,483 (WTD +2.46%), SHCOMP: 3,496 (WTD +0.38%)



- 30 Jan 21 Initial Jobless claims 779k v 830k (e) v 812k (23 Jan 21)
- Jan21 ΔNon-Farm Payrolls 49k v 105k (e) v -227k (Dec20)
 - Jan21 Unemployment rate 6.3% v 6.7% (e) v 6.7%
 - Jan21 Labour Force Participation Rate 61.4% v 61.5% (e) v 61.5% (Dec20)
- Jan21 ISM Manufacturing 58.7 v 60.0 (e) v 60.5 (Dec20)
- US equities rallied for the week on increased expectations that the Biden administration will be able to implement its \$1.9tn fiscal stimulus.
- NASDAQ: 13,856 (WTD +6.01%), S&P 3,887 (WTD +4.65%)

COMMODITIES



- Δ US crude inventories -994k bbl. (29 Jan 21) v -972k bbl. (e) v -9,910k bbl. (22 Jan 21)
- Δ US Oil Rigs +8; 392 (5 Feb 21) v 384 (29 Jan 21)
- Δ North American Oil Rigs +5; 563 (5 Feb 21) v 558 (29 Jan 21)
- Oil prices rallied as US crude inventories continued to decline and on reports that OPEC+ extended its reduced output policy.
 - WTI: \$56.85 (WTD +8.91%)
 - Brent Crude: \$59.34 (WTD +6.19%)



- Gold prices dropped as investors flocked to equity markets as optimism of US economic stimulus swept the markets. Platinum markets followed commodity markets on increased liquidity and positive vaccine news.
 - Gold: \$1,814 (WTD -1.82%)
 - Platinum: \$1,129 (WTD +4.72%)



KGORI CAPITAL

INVEST WITH PRIDE

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