

Local

COMPANY ANNOUNCEMENTS

Trading Statement



- BIHL announced that it expects profit before tax (PBT) for the year ended 31 Dec 20 to be P102mn- P156mn (19%-29%) higher than the PBT reported for the year ended 31 Dec 19. The increase in PBT is due to good fee income and good performance from some of its associates as well the fact that 31 Dec 19 results included unrealised losses which did not recur in the current year.
- BIHL results are expected to be released on or before 9 Mar 21.
- P17.50 (YTD: 0.00%) PE: 9.4 PB: 1.7 D/Y: 7.26% Mkt Cap: P4,941.5mn

Further Update on SeedCo International Limited (SCIL) Offer to Acquire SeedCo Limited (SCL)



- SCIL announced that irrevocable and unconditional acceptances of the offer by SCIL to SCL shareholders closed at 84% on Tuesday 23 Feb 21. SCIL advised that it has extended the deadline for acceptances to 2 Mar 21 from 23 Feb 21.
- SCIL will proceed to cause the voluntary delisting of SCL from the Zimbabwe Stock Exchange on 2 Mar 21 after which SCL shareholders will not be able to freely trade their shares in the absence of a public market platform and easily determinable reference price.
- SCIL reiterated its intent to achieve full consolidation of SCL on successful completion of the acquisition transaction and will, to the extent possible, invoke provisions in the Companies and Other Business Entities Act to acquire the remaining shares after the closing date for the secondary offer.
- P2.20 (YTD: +18.92%) PE: 6.7 PB: 1.1 D/Y: 0.00% Mkt Cap: P839.2mn

Further Cautionary Announcement



- Cresta announced that the Competition and Consumer Authority approved the proposed transaction related to Phakalane Golf Estate Hotel and Convention Centre. Certain other conditions precedent to the lease agreement have not yet been concluded hence the effective date of the transaction is expected to be 1 Apr 20.
- P1.25 (YTD: -3.85%) PE: N/A PB: 1.2 D/Y: 0.00% Mkt Cap: P230.8mn



Results of Annual General Meeting (AGM)

- PrimeTime announced the results of its 2020 AGM where all resolutions were passed by 93.85% votes in favour.
- P2.70 (YTD: -1.82%) PE: N/A PB: 0.9 D/Y: 6.66% Mkt Cap: P660.6mn

President's Address on the Status of the COVID-19 Pandemic in Botswana



- The President of Botswana, Dr. Mokgweetsi Masisi, gave an update of the status of the vaccine rollout in Botswana and revised pandemic related restrictions. Salient points from the speech were as follows:
 - Vaccine
 - Government plans for the first batch of COVID-19 vaccines to arrive in Mar21.
 - Multiple vaccines will be acquired as a precaution in case one of the vaccines underperforms.
 - Healthcare professionals, front-line workers, people with serious health conditions and the elderly will be the first to be vaccinated.
 - Botswana Medical Regulatory Authority has granted emergency approval for the Pfizer, AstraZeneca and COVISHIELD vaccine. The SinoVac vaccine from China is still under consideration.

- Restrictions
 - Curfew was extended from 1 – 31 Mar 21 and hours of curfew reduced to 10pm-4am daily.
 - The suspension on the sale of alcohol has been lifted. Alcohol will be sold to consumers on weekdays for offsite consumption only.

Restriction of Movement, Gatherings and Suspension of Alcohol Sales Ban

- An Extraordinary Gazette was released on 26 Feb 21 detailing updated pandemic related restrictions:
 - Restriction of Movement
 - Restriction of movement extended from 28 Feb 21 to 31 Mar 21 between the hours of 2200 and 0400 daily.
 - Gatherings
 - From 28 Feb 21 – 31 Mar 21, all gatherings are suspended with the exception of high-level Government and COVID-19 task force meetings.
 - Funerals are limited to 50 people for a maximum duration of 2 hours.
 - Religious services may be held on any two days of the week, limited to 50 people per service for a maximum duration of 2 hours per service.
 - Wedding celebrations are suspended.
 - Cultural and traditional celebrations are limited to 16 people for a maximum of 2 hours.
 - Restaurants shall operate at half capacity with a limit of 50 people (excluding staff).
 - Sports and recreational activities are suspended.
 - Sale of and Consumption of Alcohol
 - Liquor can be sold for offsite consumption only.
 - Distributor and wholesale liquor traders may only sell to liquor licensees.
 - Consumption of liquor in public places is prohibited and liquor may only be consumed at a person's place of residence.



Monetary Policy Committee (MPC) Decision

- The Bank of Botswana (BoB) MPC met on 25 Feb 21 and maintained the Bank Rate at 3.75%. This is despite expecting inflation to move closer to the upper bound of the BoB's 3%-6% objective as the MPC believes that the increase in inflation will be driven by transitory factors (such as VAT, sugar tax and fuel levy) and that the economy will operate below full capacity in the short-to-medium term, therefore not creating any inflationary pressures going forward.



2021 Monetary Policy Statement (MPS)

- The Bank of Botswana (BoB) released its 2021 MPS where it stated that it expects:
 - Below potential economic performance in the local economy in the medium term.
 - The level of inflation to continue to be low and predictable into the medium term, in an environment of a sound and stable financial system.
 - That the prevailing accommodative monetary policy stance is consistent with inflation being within its 3%-6% objective range in the medium term.
 - To maintain the 2.87% downward rate of crawl in 2021. Barring any significant inflationary pressures and in the context of weak economic activity, BoB believes that the economy could benefit from a measured depreciation in the Pula against trading partners in order to ease real monetary conditions and support domestic industry competitiveness.
 - Current levels of credit growth to businesses and households to be sustainable.
 - The recent and prospective developments (positive inflation outlook and stable financial environment) augur well for it to maintain an accommodative monetary policy stance that supports productive lending to businesses and households.



Results of 26 Feb 21 Government Bond Auction

- Bank of Botswana released the results of the 26 Feb 21 Government bond auction where P3.29bn of Government securities were on offer:
 - P1.36bn (39.4%) of the auction was allotted, with all securities on offer being under-allotted. P300mn of BW011 (10-Year bond) and P400mn of BW012 (21-Year bond) which were on offer were not allotted (0.0% allotment), presumably because bids received were considered too rich.
 - Average weighted yield on securities allotted also increased, with 70bps increases recorded for the BW013 (2-Year bond) and BW007 (4-Year bond).



LUCARA FY20 RESULTS – LOSS REGISTERED DUE TO DIFFICULT TRADING CONDITIONS

Income Statement \$'Mn	FY 20	FY 19	% Δ
Revenues	125.3	192.5	(35%)
Operating expenses	(72.6)	(77.7)	(7%)
Royalty expenses	(13.5)	(19.2)	(30%)
Depletion, amortisation and accretion	(46.8)	(51.3)	(9%)
Income from mining operations	(7.7)	44.4	(117%)
Administration	(16.3)	(15.7)	4%
Sales and marketing	(2.5)	(2.2)	10%
Exploration expenditures	(2.0)	(4.6)	(57%)
Net finance expense	(2.5)	(3.1)	(20%)
FX gain/(loss)	2.2	(2.6)	(183%)
Loss on disposal of PPE	(2.6)	-	(100%)
Net (loss) / profit before tax	(31.4)	16.2	(294%)
Current income tax	(0.6)	(14.5)	(96%)
Deferred income tax	5.7	11.0	(48%)
Net (loss) / income for the period	(26.3)	12.7	(307%)
Balance Sheet extract \$'Mn	FY 20	FY 19	% Δ
Cash and cash equivalents	4.9	11.2	(56%)
Inventories	68.4	65.1	5%
PPE	107.2	130.1	(18%)
Mineral Properties	104.0	105.2	(1%)
Borrowings	30.5	-	100%
Equity	208.2	236.9	(12%)

- Revenue -35% due to challenging market conditions and a longer ramp up for production and polished sales in 2H20.
- Operating expenses -7% due to a combination of a weak Pula and the decision to defer 2mn tonnes of waste mining to FY22/FY23.
- Royalty expense -30% in line with revenue reduction.
- Depletion expense -9% due to 5% reduction in carats recovered.
- Net loss recorded for the year due to significant revenue decline whilst expenses declined to a lesser extent.
- \$30.5mn drawn down from \$50.0mn working capital facility to fund spending on underground mine expansion (\$18.7mn) and sustaining capex (\$15.2mn).
- P7.00 (YTD: +36.99%)
PE: N/A
PB: 1.2
D/Y: 0.00%
Mkt Cap: P2,778.3mn

FIRSTCRED HY20 RESULTS – LOWER IMPAIRMENTS LIFT EARNINGS

Income Statement P'Mn	HY 20	HY 19	% Δ
Revenue	92.0	91.9	0%
Loan impairments	0.9	(10.2)	(108%)
Other income	9.8	8.9	9%
Operating expenses	(71.6)	(74.0)	(3%)
Operating Profit	31.0	16.5	88%
Investment revenue	21.2	14.8	43%
Finance costs	(34.9)	(25.1)	39%
Profit before taxation	17.3	6.3	177%
Tax	(3.7)	(5.7)	(36%)
Profit for the period	13.7	0.5	2513%
Balance Sheet extract P'Mn	HY 20	HY 19	% Δ
Cash and cash equivalents	24.6	4.5	452%
Loanbook	143.6	112.4	28%
Loans to related parties	142.1	90.5	57%
Borrowings	213.7	167.2	28%
Equity	91.8	44.1	108%
Cash and cash equivalents	24.6	4.5	452%

- GetBucks changed its name and rebranded as FirstCred in order to align with its redefined mission and values.
- Positive impairment expense due to impairment to loanbook ratio reducing by 1% to 10%.
- Investment revenue +43% due to increased loans to related parties.
- Finance costs +39% due to 28% increase in borrowings.
- Profit for the period 2.5x due to positive impairment expense and increased investment revenue.
- FirstCred acquired a 52% stake in Finclusion Group in Dec20 increasing First Cred's operational footprint to Eswatini, Kenya, Namibia and South Africa.

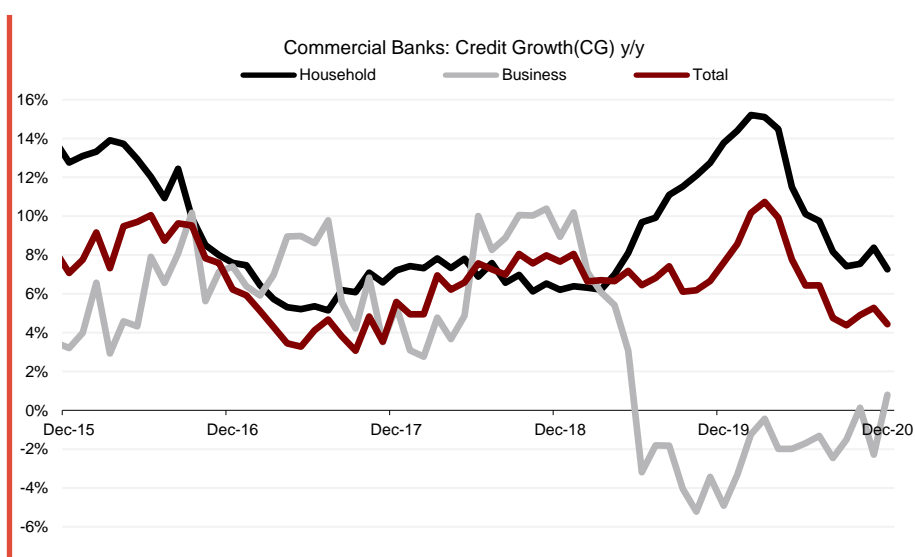
TLOU HY20 RESULTS – COST RATIONALISATION REDUCES LOSSES

Income Statement A\$'000	FY 20	FY 19	% Δ
Interest income	0.4	0.3	17%
Other income	50.0	-	100%
Employee benefits expense	(264.9)	(624.2)	(58%)
Depreciation expense	(287.0)	(311.8)	(8%)
FX gain / loss	(35.3)	42.9	(182%)
Performance rights expense	-	(49.9)	(100%)
Professional fees	(98.3)	(67.7)	45%
Occupancy costs	(15.4)	(30.7)	(50%)
Other expenses	(417.7)	(528.5)	(21%)
Loss for the period	(1,068.2)	(1,569.7)	(32%)

Balance Sheet extract A\$'000	FY 20	FY 19	% Δ
Cash and cash equivalents	3,032.0	1,576.5	92%
Exploration assets	47,737.9	48,164.0	(1%)
PPE	1,027.2	1,274.0	(19%)
Equity	52,223.3	51,506.3	1%
Cash and cash equivalents	3,032.0	1,576.5	92%
Exploration assets	47,737.9	48,164.0	(1%)

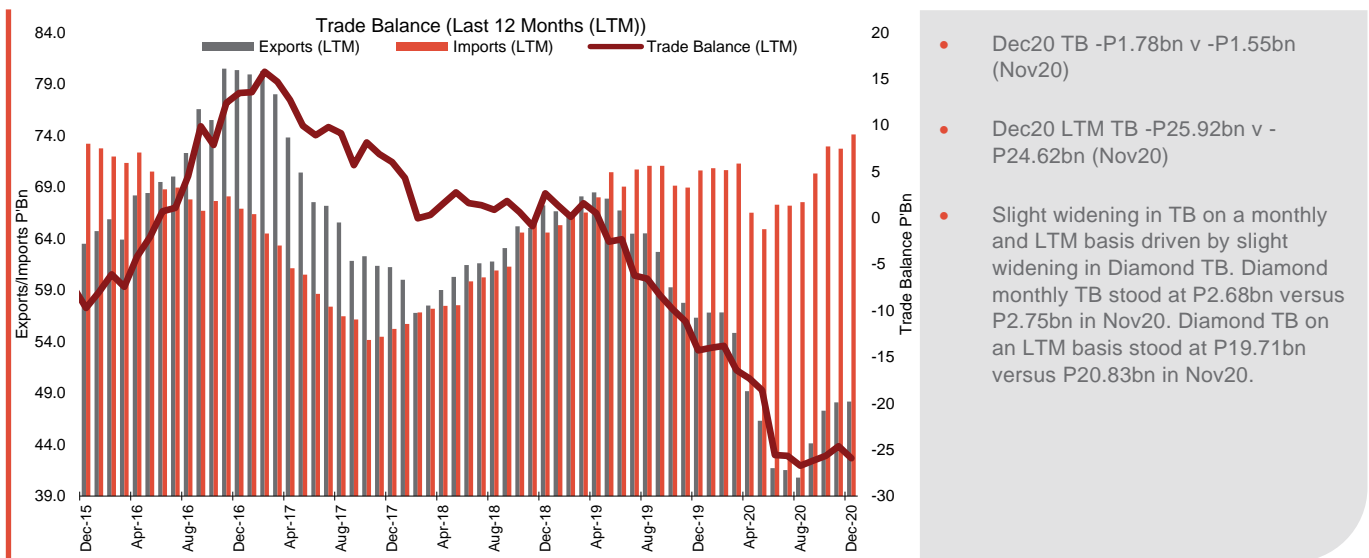
- Employee expense -58% due to salary cuts implemented to conserve cash at the onset of the pandemic.
- Other expenses -21% due to reduction in activity in response to the pandemic.
- Loss of the period -32% due to lower expenses in general as Tlou sought to conserve cash in light of the pandemic.
- P0.50 (YTD: +51.52%)
PE: N/A
PB: 0.6
D/Y: 0.00%
Mkt Cap: P256.6mn

DEC20 CREDIT GROWTH – REDUCTION IN GROWTH DRIVEN BY HOUSEHOLD (HH) DECELERATION



- Dec20 CG y/y 4.4% v 5.3% (Nov20)
- Dec20 HH CG y/y 7.3% v 8.4% (Nov20)
- HH CG deceleration broad based, with Property being the only category registering an acceleration in growth in Dec20, increasing by 0.2% to 2.1% y/y.
- Dec20 Business CG y/y 0.8% v -2.3% (Nov20)
- Positive contributors to Business CG were Finance (45.9% y/y), Trade (7.1% y/y) and Business Services (1.2%). Large negative contributors were Manufacturing (-19.5% y/y), Parastatals (-10.6% y/y) and Agriculture (-11.5% y/y).

DEC20 TRADE BALANCE (TB) – TRADE DEFICIT WIDENS AGAIN



Regional

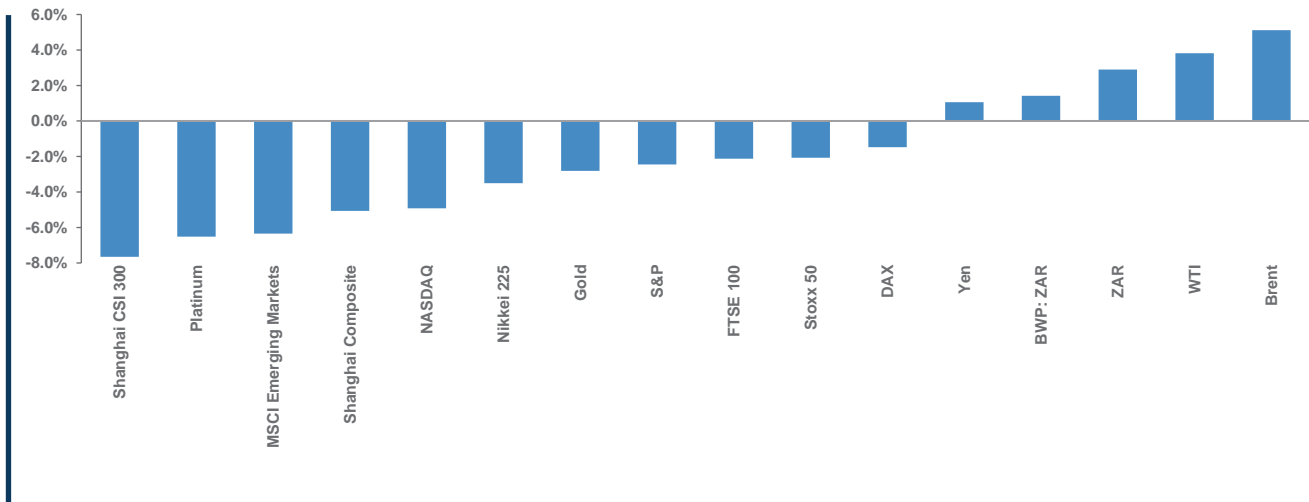
SOUTH AFRICA

- Jan21 Trade Balance R11.8bn v R21.0bn (e) v R33.1bn (Dec20)
- Jan21 PPI y/y 3.5% v 3.2% (e) v 3.0% (Dec20)
- 4Q20 Unemployment 32.5% v 31.5% (e) v 30.8% (3Q20)
- Finance Minister Tito Mboweni delivered South Africa's 2021 Budget Speech on 24 Feb 21, highlights of the speech include:
 - National Treasury (NT) expects a R100bn overshoot in FY20/FY21 revenue versus estimates included in the Medium Term Budget Policy Statement (MTBPS).
 - Corporate income tax rate lowered to 27% for companies with years of assessment on or after 1 Apr 22.
 - Personal income tax brackets will be increased by 5% in order to reduce the tax burden on lower and middle-income households.
 - Fuel levies will be increased by 27c/litre.
 - Excise duties on alcohol and tobacco products will be increased by 8%.
 - Expected budget deficit of 12.3%, 9.0%, 7.4% and 6.5% in FY20/21, FY21/22, FY22/23 and FY23/24.
 - Debt-to-GDP to stabilise at 88.9% in FY25/26.
 - NT expects the South African economy to have contracted by 7.2% in 2020 and expects growth of 3.3%, 2.2% and 1.6% in 2021, 2022 and 2023.

ZAR PERFORMANCE

- The ZAR weakened for the week as risk-off sentiment gripped markets as yields on US treasuries continued to increase and investors become more cautious on developing world currencies as enthusiasm for a sharp, stimulus-fueled recovery from the pandemic waned.
- ZAR 15.12 (WTD: +2.90%) v 14.69 (19 Feb 21)

INTERNATIONAL SNAPSHOT – 26 FEB 21 WEEKLY PERFORMANCE



- Jan21 Preliminary Industrial Production m/m 4.2% v 3.8% (e) v -1.0% (Dec20)
- Feb21 Tokyo CPI y/y -0.3% v -0.4% (e) v -0.5% (Jan21)
- Japanese equities fell for the week as higher US treasury yields caused investors to reevaluate current equity valuations.
- Nikkei 225: 28,966 (WTD: -3.50%), Yen: 106.57 (WTD: +1.06%)



- Eurozone Jan21 Final CPI y/y 0.9% v 0.9% (e) v -0.3% (Dec20)
- France 4Q20 Final GDP q/q -4.9% v -5.0% (e) v -3.7% (3Q20)
- Germany 4Q20 Final GDP q/q 0.3% v 0.1% (e) v 8.5% (3Q20)
- European equities closed the week in the red as global risk-off sentiment sparked by the rise in US treasury yields gripped global markets.
- DAX: 13,786 (WTD: -1.48%), Stoxx50: 3,636 (WTD: -2.07%), FTSE100: 6,483 (WTD: -2.12%)



- Jan 21 New Home Prices m/m 0.28% v 0.12% (Dec20)
- Chinese equities sank for the week due to global risk-off investor sentiment and expectations that the Chinese central bank plans to normalise (tighten) monetary conditions.
- SHSZ300: 5,337 (WTD: -7.65%), SHCOMP: 3,509 (WTD: -5.06%)



- 20 Feb 21 Initial Jobless claims 730k v 825k (e) v 841k (13 Feb 21)
- 4Q20 2nd Estimate GDP Annualised q/q 4.1% v 4.2% (e) v 33.4% (3Q20)
- US President Joe Biden cleared the first hurdle in implementing additional fiscal stimulus as the House of Representatives passed the \$1.9 trillion stimulus package. The stimulus now advances to the Senate for debate and approval.
- In his testimony before the Senate Committee on Banking, Housing, and Urban Affairs, Fed Chair Jerome Powell reiterated the Fed's intention to keep interest rates lower for longer.
- US equities fell for the week on account of rising interest rates on US treasuries due to investors increasing their expectations of swift economic recovery in the US resulting in a near-term higher inflation environment.
- NASDAQ: 13,192 (WTD: -4.92%), S&P 3,811 (WTD: -2.45%)

COMMODITIES



- Δ US Crude Inventories 1,285k bbl. (19 Feb 21) v -6,742k bbl. (e) v -7,257k bbl. (12 Feb 21)
- Δ US Oil Rigs +5; 402 (26 Feb 21) v 397 (19 Feb 21)
- Δ North American Oil Rigs -4; 565 (26 Feb 21) v 569 (19 Feb 21)
- Oil prices rose, despite a surprise buildup in US crude inventories, on reports by the Energy Information Administration that US crude production dropped by more than 1mn bbl./day in the previous week and that refining runs fell to levels not seen since 2008.
 - WTI: \$61.50 (WTD: +3.81%)
 - Brent Crude: \$66.13 (WTD +5.12%)



- Precious metals fell for the week as investors preferred higher yielding US treasuries to non-yielding precious metals.
 - Gold: \$1,734 (WTD: -2.81%)
 - Platinum: \$1,193 (WTD: -6.62%)



KGORI CAPITAL

INVEST WITH PRIDE

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