



KGORI CAPITAL
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KGORI CAPITAL MARKET WATCH

27 February 2023

LOCAL

COMPANY ANNOUNCEMENTS

Trading Statement



- CA&S announced that its headline earnings per share (HEPS) for the 31 Dec 22 year end will be 76.89c – 79.87c (29%-34%) higher than the 59.61c HEPS reported for 30 Dec 21 year end.
- C&S' earnings per share (EPS) for the 31 Dec 22 year end will be 77.21c - 80.11c (33%-38%) higher than the 58.05c EPS reported for 30 Dec 21 year end.
- The HEPS increase was driven by growth from operations as well as onboarding of new clients while the EPS increase driven by a goodwill impairment.
- Results will be published on or about 22 Mar 23.
- P5.00 (YTD: +18.48%) PE: 9.5 PB: 1.7 D/Y: 1.85% Mkt Cap: P2,366.7mn

Trading Statement and Renewal of Cautionary



- Trading Statement
 - Choppies announced that its profit after tax (PAT) for the 31 Dec 22 interim period will be P32mn-P42mn (29%-39%) lower than the P108mn PAT reported for 30 Dec 21 interim period.
 - The decrease was caused by a drop in sales volumes, which was exacerbated by competitor discounting and cost pressures that were only partially offset by higher prices.
 - Results will be announced on or about 27 Mar 23.
- Renewal of Cautionary
 - Choppies advised shareholders to exercise caution as it is still in discussions regarding a possible acquisition of 100% of the issued shares in a Botswana based company, operating a fast-moving consumer goods business.
- P0.67 (YTD: +3.08%) PE: 6.0 PB: N/A D/Y: 8.00% Mkt Cap: P873.4mn



Withdrawal of Cautionary Announcement

- LLR withdrew its cautionary announcement, as it is in the process of the P53mn sale of Lot 50380, Moedi House in Gaborone, with Shining Sun Investments.
- P3.51 (YTD: +0.86%) PE: 9.8 PB: 1.1 D/Y: 5.45% Mkt Cap: P982.8mn



Interest Distribution to Linked Unitholders and Annual General Meeting (AGM) Results

- Interest Distribution to Linked Unitholders
 - PrimeTime declared a final interest distribution of 4t/linking unit for the year ended 31 Aug 22 as well as an interim interest distribution of 4.27t/linking unit for the year ended 31 Aug 23 payable on 31 Mar 23.
- AGM Results
 - PrimeTime announced the results of its 2022 AGM, where all resolutions were passed by 100% votes in favour.
- P1.62 (YTD: +1.25%) PE: 6.1 PB: 0.5 D/Y: 8.16% Mkt Cap: P401.0mn



Resignation of Managing Director (MD)

- Access Bank Botswana announced the resignation of K Bannalothle as its Managing Director effective 10 Apr 23.
- P2.05 (YTD: +1.49%) PE: N/A PB: 1.2 D/Y: 11.17% Mkt Cap: P1,486.3mn

2023 Monetary Policy Statement (MPS)



- The Bank of Botswana (BoB) released its 2023 MPS where it stated that it expects:
 - A 4% expansion in real GDP in the local economy in 2023, driven by growth in both mining and non-mining sectors.
 - The level of inflation to remain above the upper bound of the BoB 3-6% objective range in the short term and revert to within the objective range in 2Q24.
 - The prevailing accommodative monetary policy stance to be consistent with inflation being within its 3-6% objective range in the medium term.
 - A 1.51% downward rate of crawl in 2023. In the context of the economy operating below potential in the short-to-medium term, the view is that the economy might benefit from a measured depreciation of the Pula against trade partners in order to boost domestic sector 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.
- In Jul22, Parliament passed the Bank of Botswana Amendment Act, which introduces new provisions to enhance the Bank's powers to achieve the price and financial stability mandates. The BoB will implement the following amendments in 2023:
 - Adopt the ranked dual mandate for the Bank i.e., a financial stability mandate for the Bank in addition to the primary mandate of maintenance of domestic price stability.
 - Explicit designation of the inflation objective by Government i.e, going forward and once the new act is operational, the medium-term inflation objective will be determined by the Minister.
 - Change the composition of the Monetary Policy Committee. The amended Act adds diversity to the composition of the MPC, which shall comprise nine members, four of which shall be independent external members.
 - Establish a Statutory Financial Stability Council to be known as a Financial Stability Council (FSC)
 - Establish a Deposit Insurance Scheme to provide insurance against the loss, or part of, all insured customer deposits in a bank.

GOVERNMENT FEB23 BOND AUCTION RESULTS – OVERALLOCATION AT THE LONG-END

Bond	Description	Total Amount Offered (PMn)	Total Amount Allocated (PMn)	Allocation Ratio	Stop out Yield	Previous Auction Stop Out Yield	Δ Stop Out Yield
BOTSTB0523	3M T-Bill	500	400	80%	4.681%	4.524%	16bps
BOTSTB0823	6M T-Bill	500	250	50%	5.575%	5.436%	14bps
BOTSGB0527	5-Yr Bond	200	50	25%	7.950%	8.000%	-5bps
BOTSGB0931	9-Yr Bond	200	340	170%	8.600%	8.600%	0bps
BOTSGB0943	20-Yr Bond	100	110	110%	8.700%	8.900%	-20bps
Total		1,500	1,150	77%			

- 77% of the total P1.5bn bond auction was allotted.
- The 9-Yr and 20-Yr bonds were over allocated.
- Bond stop-out yields generally increased, except for the 5-Yr bond and the 20-Yr Bond which decreased by 5bps and 20bps respectively.

CAPRICORN GROUP HY23 RESULTS – RISE IN INTEREST AND NON-INTEREST INCOME BOOSTS PROFITS

Income Statement NAD'Mn	HY 23	HY 22	% Δ
Interest income	2,612	2,009	30%
Interest expense	(1,299)	(867)	50%
Net interest income	1,313	1,142	15%
Impairment charges	(155)	(182)	(15%)
Net interest income after impairment	1,158	960	21%
Non-interest income	940	836	12%
Operating income	2,098	1,797	17%
Operating expenses	(1,192)	(1,027)	16%
Operating profit	905	770	18%
Share of associates after tax	49	36	35%
Profit before taxation	954	806	18%
Tax	(256)	(226)	13%
Profit for the period (PAT)	698	580	20%
Balance Sheet extract NAD'Mn	HY 23	HY 22	% Δ
Cash and cash equivalents	5,372	5,083	6%
Loans to customers	43,510	42,197	3%
Financial assets through other comprehensive income	5,876	5,118	15%
Deposits from customers	44,131	41,101	7%
Debt securities in issue	5,603	5,954	(6%)
Equity	8,282	7,500	10%

- Net interest income 15% due to increases in the repo rate in Namibia and Botswana of 300bps and 151bps respectively.
- Impairment charges -15% on the back of an improving operating environment.
- Non-interest income +12% due to improved transaction volumes.
- Operating expenses +16% due to the growth in staff costs and operational banking expenses.
- Profit for the period +20% due to increased net interest and noninterest revenue.

LUCARA FY23 RESULTS – DROP IN EXPENSES AND GAIN ON FINANCIAL INSTRUMENT BOOSTS PROFITS

Income Statement \$'Mn	FY 22	FY 21	% Δ
Revenues	212.9	230.1	(7%)
Operating expenses	(79.3)	(80.3)	(1%)
Royalty expenses	(24.1)	(24.9)	(3%)
Depletion, Amortisation and Accretion (DAA)	(25.0)	(49.7)	(50%)
Income from mining operations	84.6	75.1	13%
Administration Expenses	(19.1)	(19.5)	(2%)
Sales and marketing	(2.9)	(2.9)	(2%)
Net finance expense	(3.7)	(3.7)	(0%)
FX gain/(loss)	(3.9)	(2.8)	42%
Gain on derivative financial instrument	10.7	(0.9)	(1294%)
Exploration	(0.8)	-	100%
Net Income before tax	64.8	45.4	43%
Current income tax	(0.3)	(1.5)	(80%)
Deferred income tax	(24.1)	(20.0)	20%
Net income/(loss) for the period (PAT)	40.4	23.8	70%
Balance Sheet extract \$'Mn	HY 23	HY 22	% Δ
Cash and cash equivalents	26.4	27.0	(2%)
Inventories	38.4	36.5	5%
PPE	88.2	87.3	1%
Mineral Properties	244.1	157.6	55%
Credit facility	62.2	23.7	162%
Equity	270.1	249.0	8%

- Revenue -7% as a result of lower carats sold at the Karowe mine.
- Royalty expenses -3% in line with revenue decrease.
- DAA -50% due to an increase in rough diamond inventory.
- PAT +70% driven by decreased expenses and Gain on derivative financial instrument.
- No dividends declared.
- P5.65 (YTD: -13.08%)
PE: 63.4
PB: 0.7
D/Y: 0.00%
Mkt Cap: P2,562.7mn

REGIONAL

SOUTH AFRICA

- Jan23 PPI y/y 12.7% v 12.8% (e) v 13.5% (Dec22)
- Finance Minister Enoch Godongwana delivered South Africa's 2023 Budget Speech on 23 Feb 22. Highlights of the speech are as follows:
 - National Treasury (NT) expects the main budget deficit to decline from 4.2% of GDP in the current fiscal year to 3.2% in FY25/26.
 - The government will be taking over a portion of Eskom's debt (R254mn) as they feel that this will ease the pressure on the company's balance sheet.
 - Two new tax measures introduced to encourage businesses and individuals to invest in renewable energy and increase electricity generation, effective 1 Mar 23:
 - Businesses will be able to reduce their taxable income by 125% of the cost of an investment in renewables.
 - individuals who install rooftop solar panels will be able to claim a rebate of 25% of the cost, up to a maximum of R15k.
 - Fuel and Road Accident Fund levies were maintained.
 - The retirement and withdrawal lump sum tax table will be adjusted upwards by 10%.
 - Personal income tax brackets and medical tax credits will be adjusted for inflation.
 - Excise duties on alcohol and tobacco products will be increased by 4.9%.

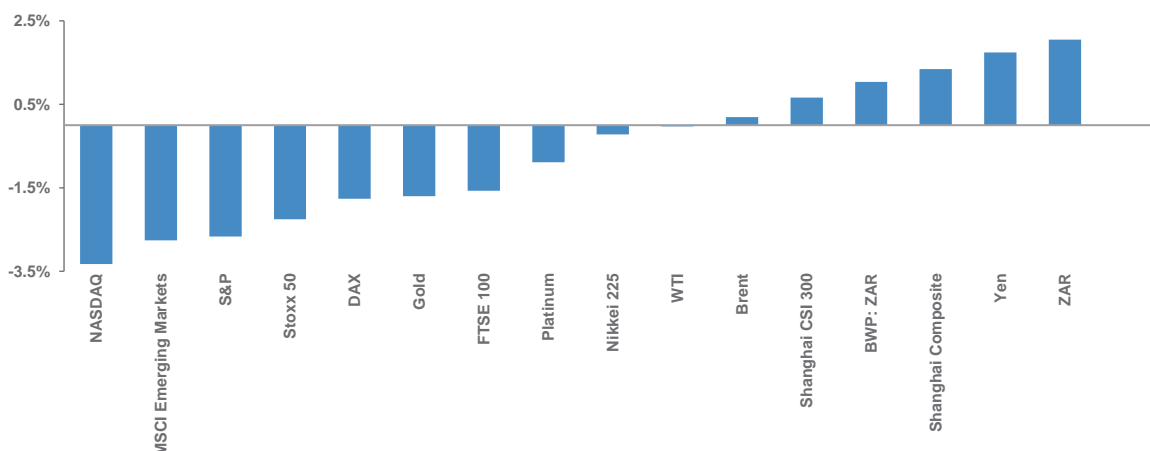
ZAR PERFORMANCE

- The South African rand fell against the USD following a greylisting decision by the Financial Action Task Force.
- ZAR 18.43 (WTD: +2.05%) v 18.06 (17 Feb 23)

The South African rand weakens against the USD.

INTERNATIONAL

INTERNATIONAL SNAPSHOT– 24 FEB 23 WEEKLY PERFORMANCE





- Feb23 Preliminary Manufacturing PMI 47.4 v 48.9 (Jan23)
- Jan23 National CPI y/y 4.3% v 4.3% (e) v 4.0% (Dec22)
- Japanese equities closed lower for the week following the release of the minutes from the last Federal Reserve meeting, which indicated a hawkish stance by Fed officials.
- Nikkei 225: 27,453 (WTD: -0.22%), Yen: 136.48 (WTD: +1.74%)



- Eurozone Feb23 Preliminary Manufacturing PMI 48.5 v 49.3 (e) v 48.8 (Jan23)
- France Feb23 Preliminary Manufacturing PMI 47.9 v 51.0 (e) v 50.5 (Jan23)
- Germany Feb23 Preliminary Manufacturing PMI 46.5 v 48.1 (e) v 47.3 (Jan23)
- UK Feb23 Preliminary Manufacturing PMI 49.2 v 47.5 (e) v 47.0 (Jan23)
- European markets ended the week in the red, following the release of weaker corporate earnings.
- DAX: 15,210 (WTD: -1.76%), Stoxx50: 4,179 (WTD: -2.25%), FTSE100: 7,879 (WTD: -1.57%)



- The People's Bank of China (PBOC) maintained the one-year and five-year loan prime rates at 3.65% and 4.30% respectively.
- Chinese markets closed higher on investor optimism about the resumption of economic recovery.
- SHSZ300: 4,061 (WTD: +0.66%), SHCOMP: 3,267 (WTD: +1.34%)



- 18 Feb 23 Initial Jobless Claims 192k v 200k (e) v 195k (11 Feb 23)
- 4Q22 Second Estimate Annualised GDP q/q 2.7% v 2.9% (e) v 2.9% (3Q22)
- Feb23 Final UoM Sentiment 67.0 v 66.4 (e) v 64.9 (Jan23)
- Feb23 Preliminary Manufacturing PMI 47.8 v 47.2 (e) v 46.9 (Jan23)
- US equities ended the week lower following the release of the minutes from the last Federal Reserve meeting, which indicated a hawkish stance by Fed officials.
- NASDAQ: 11,395 (WTD: -3.33%), S&P 500: 3,970 (WTD: -2.67%)

COMMODITIES



- ΔUS Crude Inventories 7,647k bbl. (17 Feb 23) v 2,327k bbl. (e) v 16,283k bbl. (10 Feb 23)
- ΔUS Oil Rigs -7; 753 (24 Feb 23) v 760 (17 Feb 23)
- ΔNorth American Oil Rigs -11; 997 (24 Feb 23) v 1,008 (17 Feb 23)
- Oil prices close largely higher, on expectations of steep cuts to Russian production next month.
 - WTI: \$76.32 (WTD: -0.03%)
 - Brent Crude: \$83.16 (WTD: +0.19%)



- Precious metals closed the week in the red due to a stronger US dollar.
 - Gold: \$1,811 (WTD: -1.70%)
 - Platinum: \$913 (WTD: -0.89%)

Precious metals down for the week



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