



**KGORI CAPITAL**  
INVEST WITH PRIDE

# KGORI CAPITAL MARKET WATCH

2 May 2023

## LOCAL

### COMPANY ANNOUNCEMENTS

#### Operational Report for The Quarter Ended 31 Mar 23



- Tlou released its Mar23 quarterly report where it provided updates on its ongoing projects. Salient points are as follows:
  - Lesedi Project:
    - Tlou's proposal for the supply and delivery of natural gas to the Orapa power plant was not successful.
    - The construction of the 66kV transmission line is at 64% completion.
    - Pre-construction and design works of substations have been completed and physical construction of the substations is scheduled to begin very soon with the project anticipated to be completed in early 2024.
    - Post quarter end, Tlou began drilling the Lesedi 6 production pod.
  - Cash Position:
    - At the end of the quarter Tlou had ~A\$3.54m cash on hand (unaudited).
    - Dr Ian Campbell (Tlou's largest shareholder) has offered a \$2m loan to Tlou if required. The exact terms of the loan are being finalised.
- P0.50 (YTD: 0.00%) PE: N/A PB: 0.9 D/Y: 0.00% Mkt Cap: P418.2mn

#### Quarterly Market Update – Mar23



- Shumba released its Mar23 quarterly report where it provided updates on its ongoing projects. Salient points are as follows:
  - Tati Solar Project:
    - During the quarter Shumba, through its renewable energy subsidiary, entered into a binding mandate agreement with a commercial bank, which will act as the lead arranger, financier, and underwriter for the 100MW Tati Solar Project.
    - Shumba also formed a strategic partnership with a Private Equity fund specializing in Africa's renewable power sector. This collaboration will supply the equity component of the funding for the project.
  - Sechaba Project:
    - Shumba is in discussions and negotiations with two parties for further development of Coal Fired HELE power plants for adding base-load power into the grid.
  - Cash Position:
    - At the end of the quarter Shumba had \$47k cash on hand (unaudited).
- P0.90 (YTD: 0.00%) PE: N/A PB: 2.0 D/Y: 0.00% Mkt Cap: P264.5mn

#### Notice of Annual General Meeting (AGM)



- CA&s will hold its 2022 AGM at the offices of CA Sales and Distribution, 2nd Floor, Boardroom, Portion 867, Commerce Park, Gaborone, Botswana and through electronic communication at 12pm on 26 May 23. Shareholders will vote on:
  - Confirming the appointment of B Mathews as a Director.
  - Approving the re-election of J Holtzhausen, L Cronje, and E Masilela as Directors.
  - Approving the re-appointment of L Cronje and B Patel as members of the audit and risk committee (ARC).
  - Approving the appointment of F Britz and B Mathews as members of the ARC.
  - Approving the appointment of Deloitte & Touche as auditors.
  - Approving the Non-binding advisory vote on CA&S' remuneration policy.
  - Approving the Non-binding advisory vote on CA&S' implementation report on the remuneration policy.

- Special resolution number 1: Approving the general authority to issue ordinary shares for cash.
  - Special resolution number 2: Approving the remuneration of non-executive directors.
  - Special resolution number 3: Approving Inter-company financial assistance.
  - Special resolution number 4: Approving financial assistance for the subscription and/or purchase of shares in a related or inter-related company.
  - Special resolution number 5: Approving share repurchases by CA&s and its subsidiaries.
- P5.20 (YTD: +23.22%) PE: 10.3 PB: 1.4 D/Y: 2.13% Mkt Cap: P2,461.4mn



### Trading Statement

- NAP announced that its earnings per linked unit (EPLU) for the 31 Jan 23 interim period is expected to be 11.63t – 12.36t (15%-20%) lower than the EPLU reported for the 31 Jan 23 interim period.
  - Results will be published late in the month of Apr23.
- P3.58 (YTD: +2.87%) PE: 9.6 PB: 1.5 D/Y: 8.34% Mkt Cap: P2,163.7mn



### Trading Statement

- Turnstar withdrew its previously published trading statement following the decision to impair the remaining goodwill of ~P 29.9mn, relating to the purchase of its Tanzanian subsidiary, which was brought forward from previous years.
  - Subsequent to the impairment charge, Turnstar's profit before taxation (PBT), for the year ended 31 Jan 23, is expected to remain in line with the P100mn PBT for the corresponding year ended 31 Jan 22.
  - Results will be published before 30 Apr 23.
- P1.81 (YTD: +2.26%) PE: 9.6 PB: 0.6 D/Y: 9.94% Mkt Cap: P1,035.6mn



### Director's Dealing in Shares

- BIHL announced that K Mukushi sold 40k BIHL shares at P18.85/share.
- P18.90 (YTD: +6.72%) PE: 8.7 PB: 1.5 D/Y: 13.49% Mkt Cap: P5,336.8mn



### Notice of Annual General Meeting (AGM)

- RDC will virtually hold its 2022 AGM at 9.00am on 24 May 23. Shareholders will vote on:
    - Approving 31 Dec 22 financial statements and the directors' and auditor's report thereon.
    - Approving the distribution as recommended by the directors.
    - Approving the appointment of J Mabin and S Manthe as Directors.
    - Approving the re-election of J Pari and AJG Bradley as Directors.
    - Approving directors' remuneration for the 31 Dec 22-year end.
    - Approving auditor's remuneration for the 31 Dec 22-year end, and to confirm the appointment of auditors for the ensuing year.
- P2.25 (YTD: +1.35%) PE: 9.3 PB: 0.6 D/Y: 4.51% Mkt Cap: P1,706.0mn



### 1Q23 Results

- Lucara announced that it will publish its 1Q23 results on 11 May 23 after market close in North America, and that it will hold a conference call and webcast to discuss the results on 12 May 23
- P5.65 (YTD: -13.08%) PE: 4.9 PB: 0.7 D/Y: 0.00% Mkt Cap: P2,568.4mn



### Monetary Policy Committee (MPC) Decision

- The Bank of Botswana MPC decided to maintain the Monetary Policy Rate (MoPR) at 2.65%, at its 28 Apr 23 meeting.
  - The MPC maintained the MoPR despite inflation trending above its 3-6% objective, with risks remaining tilted to the upside. It expects inflation to drop within its objective range in 2Q24.
  - The decision to keep rates on hold is based on expectations that even though inflation is expected to fluctuate, it will trend downwards in the medium term due to the dissipating impact of earlier increases in administered prices (base effects), recent decreases in domestic fuel prices subdued domestic demand, current monetary policy posture, expected decrease in global inflation, and international commodity prices along with a smaller rate of crawl of the Pula exchange rate.
  - On the other hand, upside risks to inflation include potential increases in international commodity prices beyond current forecasts, persistence of supply and logistical constraints to production. Domestically, the upside risks to inflation are possible adjustment of administered prices, entrenched high inflation

expectations, upward pressure on wages, overshooting of prices due to the reversion of VAT back to 14%.

## NAP HY23 RESULTS – NEGATIVE FAIR VALUE ADJUSTMENTS DENTS PROFITS

Income Statement P'Mn	HY 23	HY 22	% Δ	
Rental revenue	119	110	8%	• Rental revenue +8% driven by the decline in vacancies.
Other income	3	2	31%	
Property costs	(24)	(20)	20%	
<b>Net Rental Income</b>	<b>98</b>	<b>92</b>	<b>6%</b>	• IPFV +97% driven by two tenants, one being a long-term issue where NAP is currently following legal processes and another being a general provision required in terms of IFRS for a backdated charge following the conclusion of a lease.
Other Expenses	(7)	(6)	9%	
Net Finance income (loss)	1	1	10%	
Investment Property Fair Value Adjustment (IPFV)	(17)	(9)	97%	
Financial Asset Fair Value Adjustment	0	1	(92%)	
Intangible asset amortisation	(0)	(0)	0%	
Share of associate's profit	(2)	1	(279%)	• PAT -17% driven by -ve fair value adjustment.
<b>Profit before tax</b>	<b>72</b>	<b>80</b>	<b>(10%)</b>	
Tax	0	8	(97%)	
<b>Profit for the period (PAT)</b>	<b>72</b>	<b>88</b>	<b>(18%)</b>	• Interim distribution of 15.11t/linkd unit declared, payable 31 May 23.
Balance Sheet P'Mn	HY 23	HY 22	% Δ	
Cash and cash equivalents	11	10	14%	
Deposits in Money Market Funds	59	1	5,351%	• P3.58 (YTD: +2.87%) PE: 10.3 PB: 1.4 D/Y: 8.34% Mkt Cap: P2,163.7mn
Investment properties	1,496	1,489	0%	
Borrowings	6	10	(37%)	
Deferred taxation	108	128	(16%)	
Equity	1,554	1,521	2%	

## TURNSTAR FY23 RESULTS – NEGATIVE GOODWILL ADJUSTMENTS REDUCES PROFITS

Income Statement P'Mn	FY 23	FY 22	% Δ
Rental revenue	291	267	9%
Other income	3	2	31%
Operating expenses	(141)	(120)	18%
<b>Operating Profit</b>	<b>153</b>	<b>149</b>	<b>3%</b>
Finance income	0	0	(93%)
Finance costs	(31)	(21)	45%
<b>Profit before FX adjustment</b>	<b>122</b>	<b>128</b>	<b>(4%)</b>
Net FX Adjustment	(12)	(5)	137%
<b>Profit Before FV adjustment and impairment</b>	<b>111</b>	<b>123</b>	<b>(10%)</b>
Fair value adjustments	31	(9)	(450%)
Goodwill impairment	(30)	0	100%
<b>Profit before tax</b>	<b>112</b>	<b>114</b>	<b>(2%)</b>
Tax	(4)	(13)	(69%)
<b>Profit for the period (PAT)</b>	<b>108</b>	<b>101</b>	<b>7%</b>
Balance Sheet P'Mn	FY 23	FY 22	% Δ
Cash and cash equivalents	10	14	(33%)
Investment properties	2,600	2,460	6%
Borrowings	581	568	2%
Deferred taxation	215	200	7%
Equity	1,814	1,735	5%

• Finance Costs +45% due to the rise in interest rates and the appreciation of the USD.

• +ve FV adjustments due to the appreciation of the Botswana, Tanzania, and Dubai properties.

• PAT +7% due to the rise revenue.

• Final distribution of 9t/linked unit declared, payable on 14 Jun 23.

• P1.81 (YTD: +2.26%)

PE: 9.6

PB: 0.6

D/Y: 9.94%

Mkt Cap: P1,035.6mn.

## FURNMART HY23 RESULTS – HIGHER OPERATING COSTS SINK PROFITS

Income Statement P'Mn	HY 23	HY 22	% Δ
Revenue	788	700	13%
Operating income	124	140	(11%)
Depreciation	(60)	(59)	3%
Net interest expense	(24)	(23)	3%
Exchange gain/(loss)	(11)	(2)	384%
<b>Profit before taxation</b>	<b>30</b>	<b>56</b>	<b>(47%)</b>
Tax	(6)	(11)	(46%)
<b>Profit for the period (PAT)</b>	<b>24</b>	<b>45</b>	<b>(47%)</b>
Balance Sheet P'Mn	HY 23	HY 22	% Δ
Cash and cash equivalents	9	38	(77%)
Trade receivables	616	549	12%
Right of use assets	396	472	567%
Lease liability	431	65	29%
Borrowings	83	65	29%
Equity	668	642	4%

• Revenue +13% due to growth in credit sales

• Operating income -11% driven by higher operating expenses and higher trade receivable impairment costs.

• Exchange loss +3.8x due to the strengthening of the Pula against the South African Rand and Namibian Dollar.

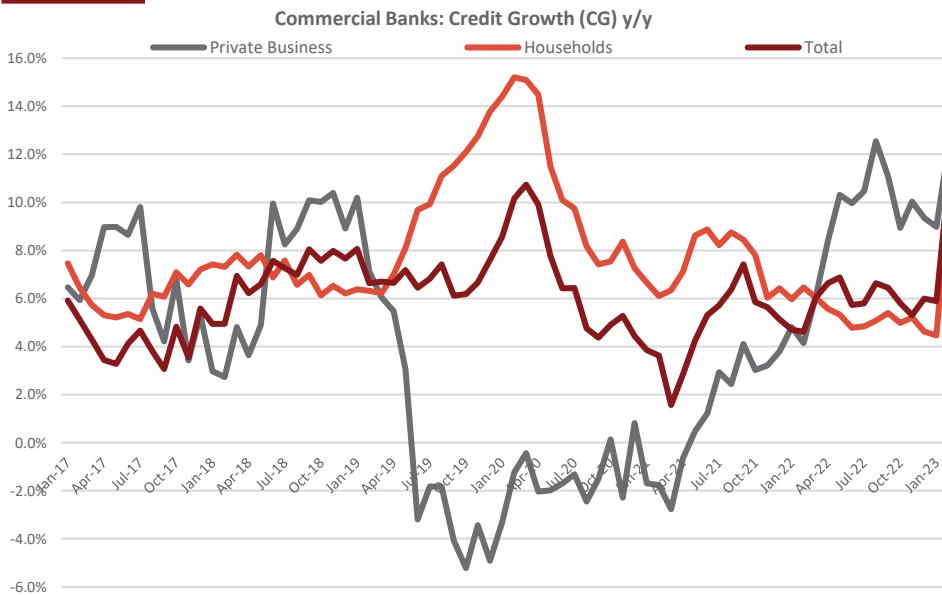
• PAT -47% due to increased cost of operations.

## GOVERNMENT APR23 BOND AUCTION RESULTS – UNDERALLOCATION 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	400	420	105%	5.582%	5.646%	-6bps
BOTSTB0823	6M T-Bill	800	780	98%	6.585%	6.451%	13bps
BOTSGB0931	8 -Yr Bond	200	19	10%	8.550%	7.980%	57bps
BOTSGB0640	17-Yr Bond	200	62	31%	8.750%	8.700%	5bps
<b>Total</b>		<b>1,600</b>	<b>1,281</b>	<b>80%</b>			

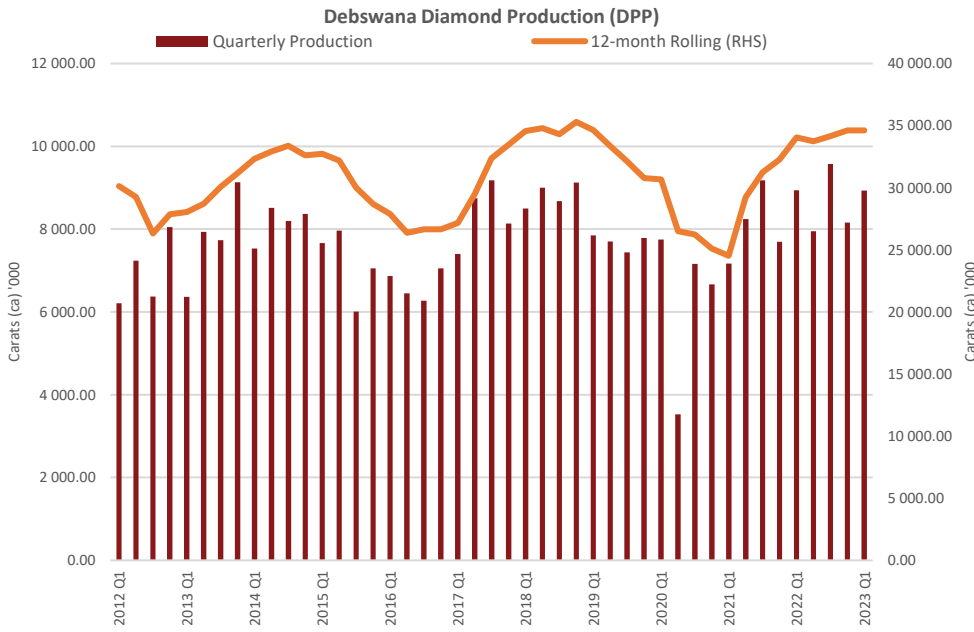
- 80% of the total P1.6bn bond auction was allotted.
- The 8-Yr and 17-Yr bonds were under allocated.
- Bond stop-out yields generally increased, except for the 3M T-bill which decreased by 6bps.

## FEB23 CREDIT GROWTH (CG) – CREDIT GROWTH PICKS UP



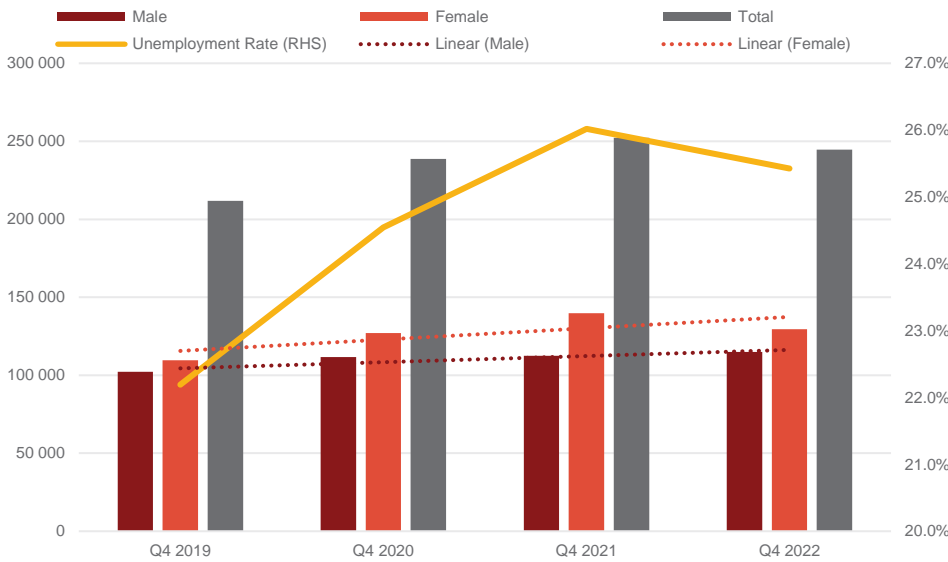
- Feb23 CG y/y 10.9% v 10.7% (Jan23) v 4.6% (Feb22)
  - Rise driven by an increase in credit uptake by Private Business, which was offset by a slowdown in credit uptake by Households.
- Feb23 Private Business CG y/y 12.3% v 10.1% (Jan23) v 4.2% (Feb22)
  - This was due to an uptick in credit uptake by the Real Estate and Finance sectors.
- Feb23 Household CG 10.2% v 11.2% (Jan23) v 6.5% (Feb22)
  - Driven by a slowdown in property and personal loans.

## 1Q23 DEBSWANA DIAMOND PRODUCTION (DDP) – HIGHER GRADE ORE TREATMENT DRIVES DPP UP



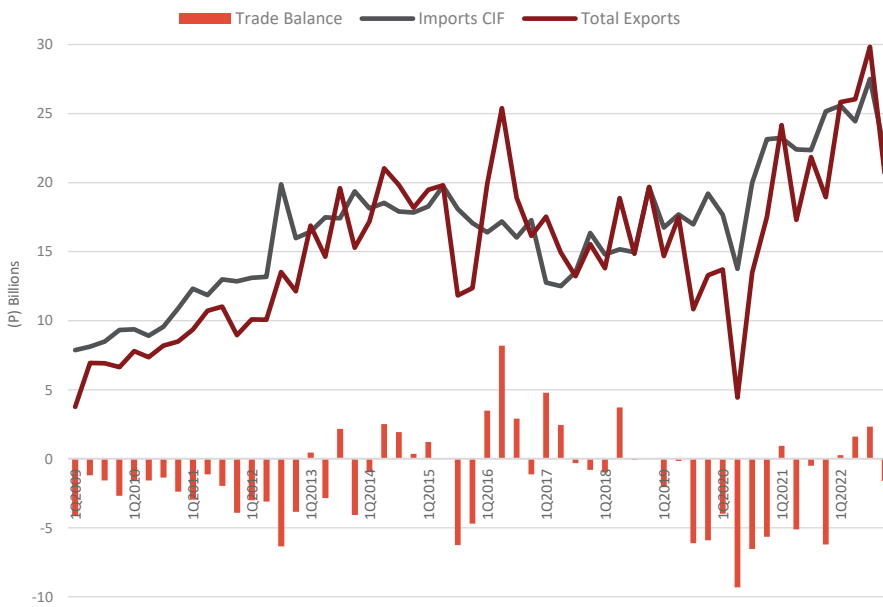
- Anglo American (AA) released 1Q23 diamond production data.
- 1Q23 DDP 6,899k ca v 5,790k ca (4Q22) v 6,184k ca (1Q22) 19.2% increase in DDP v 4Q22 driven by the planned treatment of higher grade ore and continued strong plant performance at Orapa.
- 1Q22 DDP LTM 24,857k ca v 23,588k ca (1Q22)
- AA 2023 De Beers production guidance remained unchanged at 30-33mn ca, subject to trading conditions.

## 4Q22 BOTSWANA UNEMPLOYMENT RATE – WIDENING GENDER DISPARITY GAP



- 4Q22 Unemployment rate 25.4% v 26.0% (4Q21) v 24.5% (4Q20)
- 4Q22: Total unemployed population stood at 245k, rising by 15.5% since 4Q19.
- 4Q22: No. of Unemployed Females rose by 18.2% since 4Q19, reaching a total of 130k.
- 4Q22: No. of Unemployed Males rose to 115k increasing by 12.6% since 4Q19.

## FEB23 TRADE BALANCE (TB) – DEPRESSED TRADE ACTIVITY



- Feb23 TB -P1.75bn v P1.22bn (Jan23)
- Feb23 Imports: P6.8bn v P6.0bn (Jan23) v P8.3bn (Feb22). Representing a y/y contraction of 17.3%.
- Feb23 Exports: P5.1bn v P7.2bn (Jan23) v P9.0bn (Feb22). Resulting in a y/y contraction of 42.4%. This was mainly attributable to the y/y contraction of 51.3% in diamond exports during the month.
- Trade activity was generally depressed during Feb23. This was mainly due to rising interest rates reducing global economic activity and recession fears causing diamond buyers to exercise caution in their purchasing schedules.

## REGIONAL

### SOUTH AFRICA

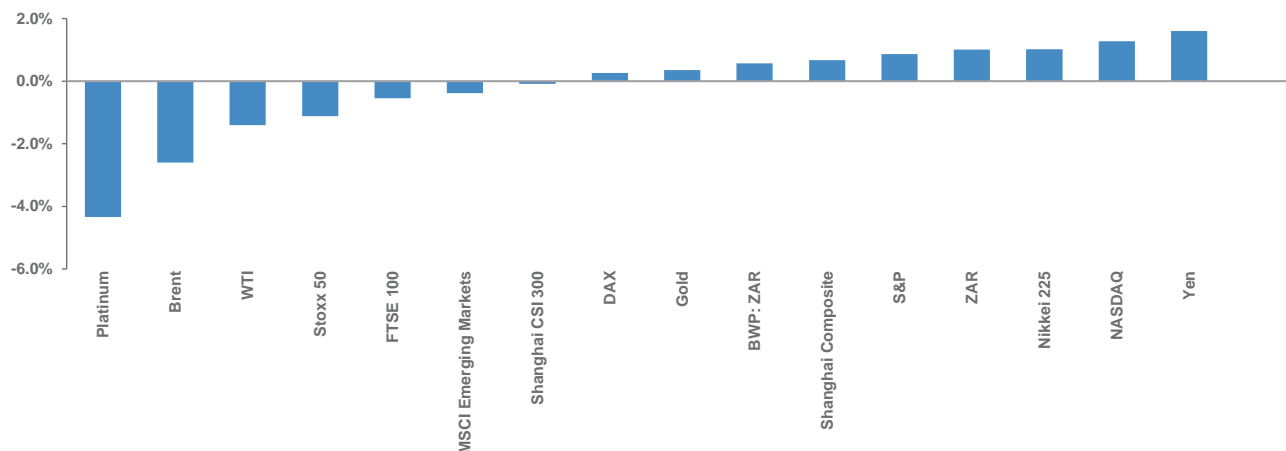
- Mar23 Trade Balance R6.9bn v R18.0bn (e) v R10.7bn (Feb23)
- Mar23 PPI y/y 10.6% v 11.3% (e) v 12.2% (Feb23)
- During the week Eskom declared Stage 6 load shedding due to breakdowns in multiple generation units.

### ZAR PERFORMANCE

- The ZAR weakened against USD on expectations that the SARB would need to hike rates more to tame expected high loadshedding-driven-inflation.
- ZAR 18.29 (WTD: +1.01%) v 18.09 (21 Apr 23)

# Rand weakened against the US dollar.

## INTERNATIONAL SNAPSHOT – 28 APR 23 WEEKLY PERFORMANCE



- Mar23 Preliminary Industrial Production m/m 0.8% v 0.4% (e) 4.6% (Feb23)
- Mar23 Jobless Rate 2.8% v 2.5% (e) v 2.6% (Feb23)
- Mar23 Retail Sales m/m 0.6% v 0.3% (e) v 2.1% (Feb23)
- The Bank of Japan (BoJ) Monetary Policy Committee met during the week and decided the following:
  - Maintained its short-term interest rate at -0.10%.
  - Maintained the 10-Year JGB target yield at 0.00%.
  - Maintained the purchase of exchange-traded funds and Japanese real estate investment trusts with upper limits of ¥12trn and ¥180bn, respectively.
  - Maintained the purchase of commercial paper and corporate bond at pre-pandemic levels i.e. ¥2trn and ¥3trn respectively.
- Japanese equities closed higher for the week following the release of strong corporate earnings and the BoJ's decision to maintain its monetary easing stance.
- Nikkei 225: 28,856 (WTD: +1.02%), Yen: 136.30 (WTD: +1.60%)



- Eurozone 1Q23 Advance GDP q/q 0.1% v 0.2% (e) v -0.1% (4Q22)
- France 1Q23 Preliminary GDP q/q 0.2% v 0.2% (e) v 0.0% (4Q22)
- Germany 1Q23 Preliminary GDP q/q 0.0% v 0.2% (e) v -0.5% (4Q22)
- UK Apr23 Business Optimism -2 v -5 (Mar23)
- European markets closed in the green following the release of better-than-expected economic data while UK stocks closed lower following the release of weaker Banking earnings results.
- DAX: 15,922 (WTD: +0.26%) Stoxx50: 4,359 (WTD: -1.12%) FTSE100: 7,871 (WTD: -0.55%)



- Mar22 Industrial Profits YTD y/y -21.4% v -22.9% (Feb23)
- Mar22 Industrial Profits y/y -19.2% v 0.8% (Jun22)
- Chinese stocks had a mixed performance as a result of two opposing factors - the release of disappointing economic data on one hand, and the announcement of robust corporate earnings on the other, which fuelled hopes for a worldwide economic resurgence.
- SHSZ300: 4,029 (WTD: -0.09%), SHCOMP: 3,323 (WTD: +0.67%)



- 22 Apr 23 Initial Jobless Claims 230k v 248k (e) v 246k (15 Apr 23)
- 1Q23 Advance Annualised GDP q/q 1.1% v 1.9% (e) v 2.6% (4Q22)
- Apr23 Final UoM Sentiment 65.2 v 63.5 (e) v 62.0 (Mar23)
- US equities ended the week in the green following the release stronger corporate earnings reports.
- NASDAQ: 12,227 (WTD: +1.28%), S&P 500: 4,169 (WTD: +0.87%)



## COMMODITIES

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- $\Delta$ US Crude Inventories -5,054k bbl. (21 Apr 23) v -1,058k bbl. (e) v -4,581k bbl. (14 Apr 23)
- $\Delta$ US Oil Rigs +2; 755 (28 Apr 23) v 753 (21 Apr 23)
- $\Delta$ North American Oil Rigs -10; 848 (28 Apr 23) v 858 (21 Apr 23)
- Oil prices continued to drop on the back of fears that the looming recession could dent global oil demand.
  - WTI: \$76.78 (WTD: -1.40%)
  - Brent Crude: \$79.54 (WTD: -2.60%)



- Gold closed in the green due to the US banking turmoil, while platinum closed lower on the back of a stronger USD.
  - Gold: \$1,990 (WTD: +0.35%)
  - Platinum: \$1,078 (WTD: -4.34%)

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# Oil prices continue to plunge over recession fears.

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