



**KGORI CAPITAL**  
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# KGORI CAPITAL MARKET WATCH

8 May 2023

## LOCAL

### COMPANY ANNOUNCEMENTS

#### Article Rebuttal and Changes to the Board

- Article Rebuttal
  - Choppies issued a rebuttal to an article published in the Financial Mail on 27 Apr 23 stating that the article refers to Choppies South Africa (a business that was sold more than 3 years ago), but it erroneously implies that it is the listed entity being discussed. Choppies stresses that it has not been in discussions with any retailers about a takeover in the last three years and is instead focused on trading in other jurisdictions.
- Changes to the Board
  - Choppies announced the appointment of R De Silva as its Independent Non-Executive Director (INED) of Choppies and Chairman of the Audit and Risk Committee (ARC), effective 1 May 23.
  - Choppies announced the resignation of T Pritchard from his role as an INED, and as a member of the ARC, Remuneration Committee, Investment Committee and the Social, Ethics and Human Resources Committee, effective 1 May 23.
- P0.65 (YTD: 0.00%) PE: 7.8 PB: N/A D/Y: 0.00% Mkt Cap: P847.4mn

**CHOPPIES**  
*Great value for your money!*

#### A\$2m Loan Agreement Signed

- Tlou announced that it has received a 3-year, A\$2m unsecured loan from ILC Investments at an interest rate of 10% per annum payable each quarter from 1 May 23.
- The Loan is proposed to cover short term requirements and can be repaid in advance at any time without penalty should funds be available to do so.
- P0.50 (YTD: 0.00%) PE: N/A PB: 0.9 D/Y: 0.00% Mkt Cap: P418.2mn



#### Transfer Duty (Amendment) Act,2023 and Value Added Tax (VAT) Act Amendment

- Transfer Duty (Amendment) Act,2023
  - BURS announced the following amendments to the Transfer Duty Act, effective 3 May 23:
    - New tribal or state land allocations are exempt from transfer duty.
    - Transfer duty on the acquisition of immovable property or rights in immovable property by non-citizens has been reduced from 30% to:
      - 10% on the value of property of up to P2mn.
      - 15% on the value in excess of P2mn.
    - Local council or competent independent valuations will be accepted for the purposes of ascertaining the fair value of immovable property situated on tribal land.
    - The transfer duty exemption threshold for citizens has been increased from P1mn to P1.5mn.
    - Certain persons including heirs of deceased persons. Surviving spouses, divorcees wishing to transfer property in the name of former spouses etc. are exempted from the requirement to provide valuation reports and lodging declarations with the Commissioner General. Some persons are required to obtain the Commissioner General's approval in order to enjoy the exemption from transfer duty.
- VAT Act Amendment
  - BURS further announced the following amendments to the VAT, effective 3 May 23:
    - The zero rating of vegetables, cooking oil, liquid petroleum gas, salt, infant formula, baby diapers, sanitary pads or tampons, condoms, agricultural implements.



- The exemption of private medical services.
  - Private medical services providers will automatically be deregistered for VAT by virtue of this exemption. No output tax will arise on capital goods and goods acquired prior to 3 May 2023 irrespective of whether or not input tax was claimed by the medical services providers. Thus, the automatic VAT de-registration of medical services providers will not give rise to any additional VAT obligations or cost.

## BDC FY22 RESULTS – LOWER REVENUES & HIGH IMPAIRMENTS LEAD TO LOSSES

Income Statement P'Mn	FY 22	FY 21	% Δ	
Income from trade	57	108	(48%)	
Interest Income	200	149	34%	
Finance and other Income	115	63	82%	
Expected credit losses	(26)	(23)	14%	• Expected Credit Losses +14% and unrealised impairments of equity investments +4.4x driven by adverse market forces.
Unrealised impairment of equity investments	(97)	(18)	436%	• Unrealised FX losses +39% driven by the strengthening of the USD against the Pula.
Unrealised FX losses	(33)	(24)	39%	
Other expenses	(92)	(106)	(13%)	
<b>Operating profit</b>	<b>123</b>	<b>150</b>	<b>(18%)</b>	• PAT -1.4x driven by impairments, higher finance costs and a decline in income from trade.
Finance costs	(152)	(117)	30%	
Change in Fair Value of Equity Investments	26	1	2,211%	
<b>Profit/Loss before taxation</b>	<b>(3)</b>	<b>34</b>	<b>(109%)</b>	
Tax	(10)	3	(428%)	
<b>Loss for the period (PAT)</b>	<b>(13)</b>	<b>37</b>	<b>(135%)</b>	
Balance Sheet P'Mn	FY 22	FY 21	% Δ	
Cash and cash equivalents	581	19	2,974%	
Investment Assets	3,717	3,767	(1%)	
Non-Current Liabilities	2,634	2,063	28%	
Equity	2,094	2,146	(2%)	

## REGIONAL

### SOUTH AFRICA

- Apr23 Manufacturing PMI 49.8 v 48.0 v 48.1 (Mar23)
- During the week Eskom declared Stage 6 load shedding due to breakdowns in multiple generation units.

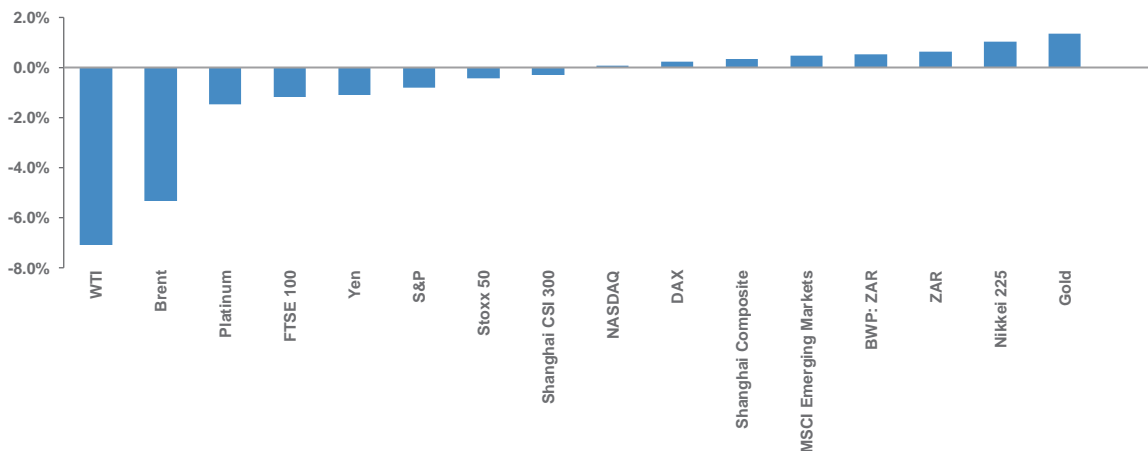
### ZAR PERFORMANCE

- The ZAR weakened against the USD on the back of an increase in interest rates by the Fed, as well as load shedding concerns.
- ZAR 18.41 (WTD: +0.64%) v 18.29 (21 Apr 23)

# Rand weakens against the US dollar.

## INTERNATIONAL

### INTERNATIONAL SNAPSHOT – 5 MAY 23 WEEKLY PERFORMANCE





- Apr23 Final Manufacturing PMI 49.5 v 49.2 (Mar23)
- Apr23 Consumer Confidence Index 35.4 v 34.5 v 33.9 (Mar23)
- Japanese equities closed higher for the week following the release of strong economic data.
- Nikkei 225: 29,157 (WTD: +1.04%), Yen: 134.80 (WTD: -1.10%)



- Eurozone Apr23 Final Manufacturing PMI 45.8 v 45.5 v 47.3 (Mar23)
- France Apr23 Final Manufacturing PMI 45.6 v 45.5 v 47.3 (Mar23)
- Germany Apr23 Final Manufacturing PMI 44.5 v 44.0 v 44.7 (Mar23)
- UK Apr23 Final Manufacturing PMI 47.8 v 46.6 v 47.9 (Mar23)
- The European Central Bank (ECB) Governing Council (GC) met during the week and decided on the following:
  - To increase the main refinancing operations rate, the marginal lending facility rate, and the Deposit facility rate by 25bps to 3.75%, 4.00 % and 3.25% respectively.
  - To discontinue the reinvestments under the Asset Purchase Programme as of Jul23.
  - To continue reinvesting principal repayments under its pandemic emergency purchase program to at least the end of 2024.
- European markets closed mixed following the release of better-than-expected corporate earnings on one hand and the ECB's decision to further tighten its monetary policy on the other.
- DAX: 15,961 (WTD: +0.24%) Stoxx50: 4,340 (WTD: -0.43%) FTSE100: 7,778 (WTD: -1.17%)



- Apr23 Official Manufacturing PMI 49.2 v 51.4 (e) v 51.9 (Mar23)
- Apr23 Caixin Manufacturing PMI 49.5 v 50.0 (e) v 50.0 (Mar23)
- Chinese stocks had a mixed performance as a result of the release of mixed corporate earnings.
- SHSZ300: 4,017 (WTD: -0.30%), SHCOMP: 3,335 (WTD: +0.34%)



- 29 Apr 23 Initial Jobless Claims 242k v 240k (e) v 229k (22 Apr 23)
- Apr23 ΔNon-Farm Payrolls 253k v 185k (e) v 165k (Mar23)
  - Unemployment rate 3.4% v 3.6% (e) v 3.5% (Mar23)
  - Labour Force Participation Rate 62.6% v 62.6% (e) v 62.6% (Mar23)
- Apr23 ISM Manufacturing 47.1 v 46.8 (e) v 46.3 (Mar22)
- Apr23 Final Manufacturing PMI 50.2 v 50.4 (e) 49.3 (Mar22)
- The US Federal Reserve Open Market Committee met during the week and decided to
  - Increase the Fed fund rate by 25bps to 5.00%-5.25%.
  - Maintain its plan to reduce its holdings of treasury, agency debt and agency mortgage-backed securities.
- US equities had a mixed performance as a result of opposing factors - the release of stronger than expected corporate earnings and a strong jobs report, which suggested that the economy remained robust despite banking uncertainty and rising interest rates on one hand, and the Fed's decision to raise rates on the other.
- NASDAQ: 12,235 (WTD: +0.07%), S&P 500: 4,136 (WTD: -0.80%)



- $\Delta$ US Crude Inventories -1,281k bbl. (28 Apr 23) v -481k bbl. (e) v -5,054k bbl. (21 Apr 23)
- $\Delta$ US Oil Rigs -7; 748 (5 May 23) v 755 (28 Apr 23)
- $\Delta$ North American Oil Rigs -7; 841 (5 May 23) v 848 (28 Apr 23)
- Oil prices continued to drop on the back of fears that the looming recession could dent global oil demand.
  - WTI: \$71.34 (WTD: -7.09%)
  - Brent Crude: \$75.30 (WTD: -5.33%)



- Gold closed in the green due to the US banking turmoil, while platinum closed lower on the back of a stronger USD.
  - Gold: \$2,017(WTD: +1.35%)
  - Platinum: \$1,063 (WTD: -1.46%)

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# Oil prices continue to plunge over recession fears.

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