



**KGORI CAPITAL**  
INVEST WITH PRIDE

30 October 2023

## COMPANY ANNOUNCEMENTS

### Issue Of New Shares, Changes in Board Composition and Quarterly Market Update

- Issue of New Share and Changes in Board Composition
    - Shumba announced that 5,819,792 new ordinary shares are to be issued in settlement of an obligation amounting to USD\$375k incurred by the company for the development of company assets. The holders are not existing shareholders.
    - The Botswana Stock Exchange has approved the listing of these new shares effective 24 Oct 23. Subsequent to this listing, the company's total ordinary shares will amount to 300,798,611.
  - Changes in Board Composition
    - Shumba further announced that the Board decided to restructure in accordance with the King Code, aiming to primarily have Non-Executive Directors (NED). As a result, T Mokhathi's position shifted from an Executive Director to a NED, effective 1 Oct 23.
    - This adjustment has led to a Board makeup of 4 NEDs and 2 Executive Directors
  - Quarterly Market Update
    - Shumba released its Sep23 quarterly report where it provided updates on its ongoing projects. Salient points are as follows:
      - Tati Solar Project:
        - Shumba executed the Request for Proposal (RFP) to the shortlisted EPC contractors in Aug 23 for the 100MW Tati Solar Project.
      - Morupule South Resources Project:
        - Shumba is still working with an interested party to complete the necessary development of the license in preparation for a bulk sample extraction of 500kt of saleable Thermal Coal.
        - Shumba made a formal request to obtain bulk sample permission from the Department of Mines and are still awaiting outcome.
      - Two Mabesekwa Projects
        - During the quarter Shumba completed an agreement with Kibo Energy (Cyprus) and has acquired the remaining 35% shareholding. The acquisition cost settled for USD\$375k paid for by issue of shares in Shumba.
      - Other Projects
        - Shumba's other prospecting licenses, i.e., the Sechaba Project, have not made much progress during the quarter.
      - Cash Position:
        - At the end of the quarter Shumba had \$32.7k cash on hand (unaudited)
- P0.90 (YTD: 0.00%)    PE: N/A    PB: 2.8    D/Y: 0.00%    Mkt Cap: 265.5mn



### Board Changes

- Absa announced the resignation of D Moroka as an Independent Non-Executive Director and Board Chairman effective 31 Oct 23.
- Absa further announced the appointment of C Moapare as Interim Board Chairman, effective 1 Nov 23.
- P6.28 (YTD: +21.71%)    PE: 7.4    PB: 1.8    D/Y: 8.67%    Mkt Cap: P5,351.6mn





### Cautionary Announcement

- LLR advised shareholders to exercise caution as it is still in phase 1 of the sale of the Red Square residential flats.
- P2.60 (YTD: -25.29%) PE: 7.2 PB: 0.8 D/Y: 7.59% Mkt Cap: P728.0mn



### Quarterly Activities Report

- Tlou released its Sep23 quarterly report where it provided updates on its ongoing projects. Salient points are as follows:
  - Lesedi Project
    - Transmission line work is currently 100kms from the Botswana Power Corporation (BPC) in Serowe and is scheduled to be completed in Dec 23.
    - The substations at either end of the transmission line expected to be completed in early 2024.
    - Lesedi 4 and Lesedi 6 production pods had equipment installed to commence dewatering ahead of gas production during the quarter.
  - Other Projects
    - Tlou's other prospecting licenses, i.e., the Mamba, and the Boomslang projects, have not made much progress during the quarter.
    - Tlou submitted renewal applications for all their five Prospecting licences in the Mamba project in Jun23 and the company is awaiting confirmation of renewal.
  - Cash Position
    - Tlou highlighted that its cash and cash equivalents at the end of the quarter amounted to A\$1.9mn.
- P0.50 (YTD: 0.00%) PE: N/A PB: 1.1 D/Y: 0.00% Mkt Cap: 522.0mn



### Election Of Directors

- Chobe announced that K Ledimo, J Nganunu-Macharia, J Gibson and S Fernando had been duly re-elected as Directors whereas A Dambe has retired as a Director at their Aug 23 AGM.
- P14.76 (YTD: +86.60%) PE: 12.6 PB: 3.6 D/Y: 4.07% Mkt Cap: P1,320.1mn



### Notice Of Annual General Meeting (AGM)

- Minergy announced that it will hold its AGM at 10am on 29 Nov 23 at its Minergy Office, Plot 75782, Unit 2, Building 3, Pinnacle Park, Setlhoa, Gaborone. Shareholders will vote on:
  - Approving 30 Jun 23 financial statements and the directors' and auditor's reports thereon.
  - Approving the re-election of L Tumelo as a Director.
  - Approving the appointment of M Malema as a Director.
  - Approving the remuneration of Non-Executive for the year ended 30 Jun 23.
  - Approving the remuneration of Non-Executive for the year ended 30 Jun 24.
  - Approving the reappointment of Grant Thornton as auditors of the company.
  - Approving the remuneration of Auditors for the year.
- P0.49 (YTD: 0.00%) PE: N/A PB: N/A D/Y: 0.00% Mkt Cap: P188.0mn



### Monetary Policy Committee (MPC) Decision, Appointment of New Governor and Moody's Maintains Botswana's A3 Ratings with Stable Outlook

- Monetary Policy Committee (MPC) Decision
  - The Bank of Botswana (BoB) MPC decided to maintain the Monetary Policy Rate (MoPR) at 2.65%, at its 26 Oct 23 meeting.
  - The MPC maintained the MoPR with inflation projected to fall remain within the BoB's 3-6% objective range in the medium term.
  - The BoB notes that inflation could be higher due the significant upside risks to their outlook. These include international commodity prices rising beyond forecasted, supply side constraints due to geo-economic fragmentation, possible upward adjustments to fuel prices and administered prices (electricity and water tariffs). The BoB forecasts have inflation remaining below the 3% lower bound until 1Q24.
  - The decision to keep rates on hold is based on expectations that inflation will remain within the Bank's objective range into the medium term, albeit closer to the upper bound. BoB also highlight the lack of demand-driven inflationary pressures due to the economy operating below full capacity in the medium term.

- Appointment of New Governor
  - The BoB announced that the President of the Republic of Botswana, His Excellency Dr Masisi, appointed C Dekop to the position of the Governor of the Bank of Botswana, effective 21 Oct 23.
  - Mr Dekop takes over from M Pelaelo, whose retirement coincided with his end of contract.
- Moody's Maintains Botswana's A3 Ratings with Stable Outlook
  - Moody's affirmed Botswana's A3 sovereign credit rating on 27 Oct 23, maintaining a stable outlook.
  - The ratings were supported by the country's minimal debt, robust institutional frameworks, and governance strength, despite its economic reliance on mining.
  - Moody's noted a stable outlook despite concerns about reduced fiscal buffers due to fiscal shocks. The agency suggested potential upgrades hinged on improved resilience to economic shocks, reduced dependence on mining, and successful government development plans without excessive debt increase.
  - Conversely, a downgrade could result from fiscal difficulties or weaker growth prospects.

### Fuel Price Adjustment



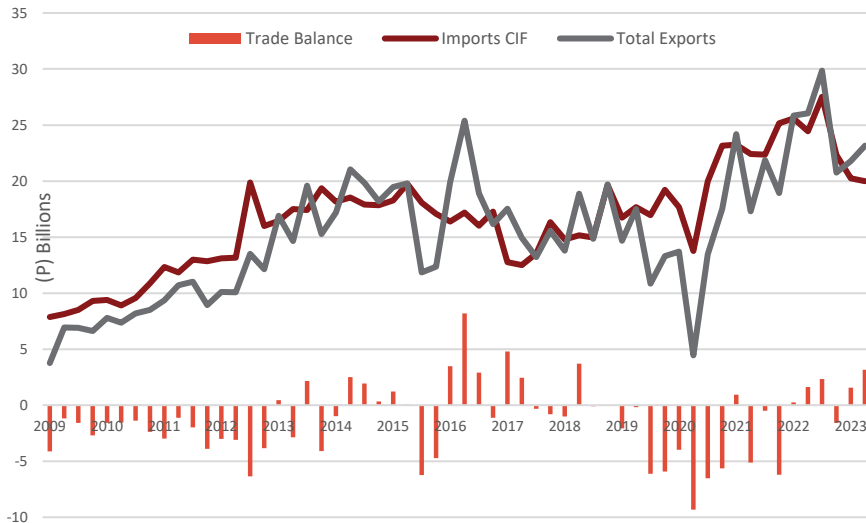
- BERA announced increases in pump prices for petrol, diesel and illuminating paraffin effective 25 Oct 23, as follows:
  - Unleaded Petrol 93 will increase by 61t/litre.
  - Unleaded Petrol 95 will increase by 61t/litre.
  - Diesel 50 ppm will increase by 106/litre.
  - Illuminating paraffin will decrease by 97t/litre.

## NAP FY23 RESULTS – FAIR VALUE INCREASE IN PROPERTIES INCREASES PROFITS

Income Statement P Mn	FY 23	FY 22	% Δ
Rental revenue	240	224	7%
Other income	4	4	(4%)
Operating costs	(55)	(54)	2%
<b>Operating profit</b>	<b>189</b>	<b>175</b>	<b>8%</b>
Net Finance income (loss)	3	2	37%
Investment Property Fair Value Adjustment	38	17	128%
Financial Asset Fair Value Adjustment	(0)	1	(116%)
Intangible asset amortisation	(1)	(1)	0%
Share of associate's profit	7	7	(4%)
<b>Profit before tax</b>	<b>235</b>	<b>201</b>	<b>17%</b>
Tax	(9)	24	(139%)
<b>Profit for the period (PAT)</b>	<b>226</b>	<b>225</b>	<b>0%</b>
Balance Sheet extract P Mn	FY 23	FY 22	% Δ
Cash and cash equivalents	11	12	(10%)
Deposits in Money Market Funds	59	25	137%
Investment properties	1 496	1 515	(1%)
Borrowings	0	4	(92%)
Deferred taxation	108	110	(2%)

- +7% revenue growth attributable to the 3 acquisitions from the prior year.
- Operating costs +2% due to an increase in letting commissions.
- PAT flat for the year as increases in rental revenue, +ve fair value adjustment were offset by and slightly -ve tax expense.
- P3.80 (YTD: +9.20%)  
PE: 10.2  
PB: 1.5  
D/Y: 8.16%  
Mkt Cap: P2,296.7mn

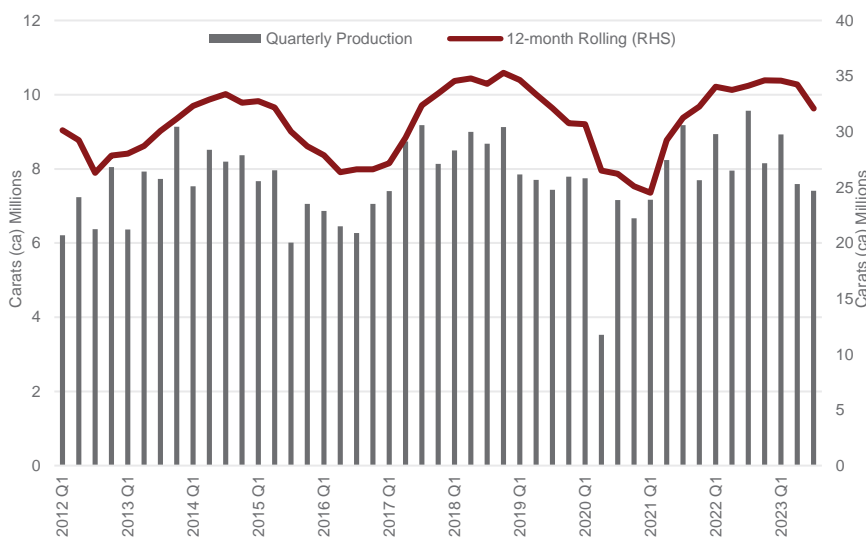
## AUG23 TRADE BALANCE (TB) – TRADE BALANCE TURNS NEGATIVE



Aug23 TB -P0.360bn v P3.759bn (Aug22)

- Aug23 Imports: P7.0bn v P7.2bn (Jul23) v P7.2bn (Aug22). Representing a y/y contraction of 2.21%.
- Aug23 Exports: P6.6bn v P7.7bn (Jul23) v P10.9bn (Aug22). Resulting in a y/y contraction of 39.2%. This was mainly attributable to the y/y contraction of 46.1% in diamond exports during the month. On the other hand, copper along with machinery and Electrical equipment continued their strong export performance, rising by 41.4% y/y and 54.0% y/y respectively.

## 3Q23 DEBSWANA DIAMOND PRODUCTION (DDP) – LOWER OUTPUT IN ORAPA MINE DRIVES DPP DOWN



- Anglo American (AA) released 3Q23 diamond production data
- 3Q23 DDP 5,837k ca v 5,829k ca (2Q23) v 6,647k ca (3Q22)
  - 12.2% increase in DDP v 3Q22 driven by lower output at the Orapa mine due to planned maintenance.
- 3Q23 DDP LTM 24,355k ca v 23,588k ca (2Q22)
- AA 2023 De Beers production guidance remained unchanged at 30-33mn ca.

## OCT23 GOVERNMENT BOND AUCTION RESULTS – STOP-OUT YIELDS DECLINE

Bond	Description	Total Amount Offered (PMn)	Total Amount Allocated (PMn)	Allocation Ratio	Stop out Yield	Previous Auction Stop Out Yield	Δ Stop Out Yield
BOTSTB1024	3M T-Bill	500	300	60%	5.004%	5.303%	-30bps
BOTSTB0424	6M T-Bill	650	650	100%	5.062%	5.467%	-41bps
BOTSTB1024	12M T-BILL	300	300	100%	5.250%	6.011%	-76bps
BOTSGB0929	5-Yr Bond	100	100	100%	7.650%	4.950%	270bps
BOTSGB0635	12-Yr Bond	200	200	100%	8.515%	8.580%	-6bps
BOTSGB0943	20-Yr Bond	200	200	100%	8.695%	8.750%	-5bps
<b>Total</b>		<b>1,950</b>	<b>1,750</b>	<b>90%</b>			

- 90% of the total P1.950bn bond auction was allotted.
- The 3M T-bill was under allocated.
- Bond stop-out yields generally decreased across all tenors with the exception of the 4-Yr Bond.

## REGIONAL

### SOUTH AFRICA

- Sep23 PPI y/y 5.1% v 5.0% (e) v 4.3% (Aug23)
- During the week Eskom implemented daytime suspension of loadshedding until further notice citing continued improvement in generation fleet performance.

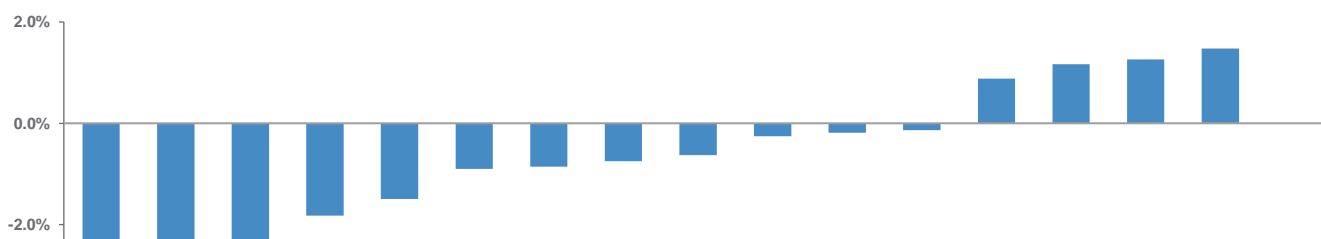
### ZAR PERFORMANCE

- The ZAR strengthened against the USD on improving investor sentiment following the suspension of loadshedding as well as strong performance of Precious metals during the week.
- ZAR 18.84 (WTD: -0.90%) v 19.01 (20 Oct 23)

# Rand strengthens against the Dollar.

## INTERNATIONAL

### INTERNATIONAL SNAPSHOT – 20 OCT 23 WEEKLY PERFORMANCE





- Oct23 Preliminary Manufacturing PMI 48.5 v 48.5 (Sep23)
- Oct23 Tokyo CPI y/y 3.3% v 2.8% (e) v 2.8% (Sep23)
- Japanese stocks ended the week in the red on the back of disappointing US corporate earnings as well as worries of escalating tensions in the Middle East.
- Nikkei 225: 30,992 (WTD: -0.86%), Yen: 149.66 (WTD: -0.13%)



- Eurozone Oct23 Preliminary Manufacturing PMI 43.0 v 43.7 (e) v 43.4 (Sep23)
- France Oct23 Preliminary Manufacturing PMI 42.6 v 44.5 (e) v 44.2 (Sep23)
- Germany Oct23 Preliminary Manufacturing PMI 40.7 v 40.1 (e) v 39.6 (Sep23)
- UK Sep23 Preliminary Manufacturing PMI 45.2 v 44.7 (e) v 44.3 (Aug23)
- The European Central Bank (ECB) Governing Council (GC) met during the week and decided on the following:
  - To keep rates unchanged on the main refinancing operations rate, the marginal lending facility rate and the deposit facility rate at 4.50%, 4.75% and 4.00% respectively.
  - To no longer reinvest principal repayments received under its asset purchase program.
  - To continue reinvesting principal repayments under its pandemic emergency purchase program to at least the end of 2024.
- European markets ended the week in the red following the release of disappointing economic data as well as concerns about the ongoing Middle East tensions.
- DAX: 14,687 (WTD: -0.75%), Stoxx50: 4,014 (WTD: -0.26%), FTSE100: 7,291 (WTD: -1.50%)



- Sep23 Industrial Profits y/y 11.9% v 17.2% (Aug23)
- Chinese markets closed in the green for the week as investor sentiment was boosted by consecutive months of positive Industrial profits as well as policy measures implemented by the government.
- SHSZ300: 3,562 (WTD: +1.48%), SHCOMP: 3,018 (WTD: +1.16%)



- 21 Oct 23 Initial Jobless Claims 210k v 207k (e) v 200k (14 Oct 23)
- 3Q23 Advance GDP Annualized q/q 4.9% v 4.5% (e) v 2.1% (2Q23)
- Oct23 Final UoM Sentiment 63.8 v 63.0 (e) v 63.0 (Sep23)
- US equities ended the week in the red driven by disappointing US earnings results, a surge in treasury yields and continued fears of an intensifying Middle East war.
- NASDAQ: 12,643 (WTD: -2.62%), S&P 500: 4,117 (WTD: -2.53%)

## COMMODITIES

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- $\Delta$ US Crude Inventories 1,372k bbl. (20 Oct 23) v -477k bbl. (e) v -4,491k bbl. (13 Oct 23)
- $\Delta$ US Oil Rigs +1; 625 (27 Oct 23) v 624 (20 Oct 23)
- $\Delta$ North American Oil Rigs -1; 821 (27 Oct 23) v 822 (20 Oct 23)
  - Oil prices were down as demand in the US decreased and global supply concerns eased.
  - WTI: \$85.54 (WTD: -3.62%)
  - Brent Crude: \$90.48 (WTD: -1.82%)



- Precious metals closed the week in the green as growing investor pessimism over the Middle East conflict drove investors to safe-haven assets.
  - Gold: \$2,006 (WTD: +1.26%)
  - Platinum: \$908 (WTD: +0.88%)

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# Oil prices decline as demand wanes and global supply concerns ease.

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