



**KGORI CAPITAL**  
INVEST WITH PRIDE

20 November 2023

## COMPANY ANNOUNCEMENTS

### Extension of Working Capital Facility



- Lucara announced a further extension of the maturity of its \$50mn senior secured working capital facility and a deferral of the requirement to place \$52.9mn in a cost overrun reserve account until discussions with lenders conclude or on 15 Dec 23.
- Lucara also announced that it has fully drawn the \$15mn liquidity support guarantee provided by its largest shareholder Nemesia S.a.r.l (Nemesia) and issued additional 450,000 common shares as consideration for this funding.
- Lucara's debt package includes a \$170mn project finance facility and the working capital facility, with \$90mn drawn from the project loan and \$35mn from the working capital facility. The extension does not allow additional draws from either facility.
- In Aug23, Lucara issued a debenture to Nemesia and provided 450,000 common shares as an execution fee. On 14Nov 23, \$15mn was drawn from the debenture, and an additional 450,000 common shares were issued to Nemesia for liquidity support.
- P4.00 (YTD: -38.46%) PE: 3.5 PB: 0.5 D/Y: 0.00% Mkt Cap: P1,818.3mn

### Dealings In Securities by Management



- Letshego announced the sale of 482,905 shares by of F Mmesi at P1.26/share.
- P1.26 (YTD: +0.80%) PE: 6.2 PB: 0.5 D/Y: 11.75% Mkt Cap: P2,740.5mn

### Related Party Transaction



- LLR announced that it has entered a Memorandum of Agreement of Lease with Botswana Public Officers Pension Fund (BPOPF), for the leasing of the Plot 54 366, Unit 2B, 1<sup>st</sup> floor, Peelo Place, CBD Gaborone, effective 1 Sep 23.
- The total consideration for the agreement throughout the 5-year lease duration is P4,458,341.39. This encompasses both the total monthly rent and the annual compounded escalation rate of 7%.
- The transaction is categorised as a small, related party transaction as BPOPF is a material shareholder of the company, holding 36.6% of the company.
- P2.61 (YTD: -25.00%) PE: 7.2 PB: 0.8 D/Y: 7.56% Mkt Cap: P730.8mn

### Update Following Botswana Competition & Consumer Authority (CCA) Merger Decision



- Engen advised that following the announcement made on 16 Feb 23, relating to the proposed sale by the PETRONAS Group of its interest in Engen Ltd to Vivo Energy, it can confirm that Botswana Competition & Consumer Authority (CCA) has resolved to approve the transaction in Botswana with conditions.
- The CCA will be publishing further details of its approval in the Government Gazette in the near future.
- P13.10 (YTD: +14.91%) PE: 78.6 PB: 2.7 D/Y: 18.98% Mkt Cap: P2,092.4mn



## Bond Announcement

- RDC announced its intention to issue a further tranche of notes under its BWP 500mn Medium Term Note Programme established Oct18.
- RDCP intends to issue further tranches of Notes in aggregate nominal value not exceeding BWP140mn.
- The issuance is of senior unsecured unrated notes where the note particulars to be agreed with investors in private placement or bookbuild.
- The capital raised in the new issue will be used inter alia to redeem the Notes, RDCP003 and RDC-CRB-1223-05 and retire other promissory notes issued to Botswana Insurance Fund Management.
- P2.25 (YTD: +1.35%) PE: 12.6 PB: 0.6 D/Y: 1.89% Mkt Cap: P1,706.0mn



## Business Expectations Survey (BES)

- The Bank of Botswana (BoB) released the 3Q23 BES. Highlights from the survey are as follows: The Bank of Botswana published the Aug 23 Monetary Policy Report. Salient points are as follows:
  - Firms were more optimistic over trading/business conditions in 3Q23 when compared to 2Q23.
  - Firms anticipate that as central banks continue to hike and or maintain elevated interest rates it will result in tight access to credit.
  - Firms expect greater cost pressures in 3Q23 due to relatively high fuel prices.
  - Firms project inflation to revert to within the BoB's 3-6% objective range in 2023 and remain there all throughout 2024.
  - All sectors barring Construction and Real Estate are optimistic about economic growth from 4Q23 to year end September 2024, possibly supported by government's expansionary fiscal policy stance.
  - Firms project GDP growth of 4.3% in 2023.

## CHOBE HY23 RESULTS – HIGHER REVENUES PROPELS PROFITS

Income Statement P Mn	HY 23	HY 22	% Δ
Revenue	330	235	40%
Other operating income	13	11	20%
Amortisation of intangible assets	(2)	(2)	(26%)
Depreciation	(16)	(18)	(8%)
Other operating expenses	(166)	(119)	39%
<b>Operating Profit</b>	<b>159</b>	<b>106</b>	<b>49%</b>
Finance income	0	0	(4%)
Finance costs	(1)	(2)	(38%)
Associate earnings	0	(0)	(100%)
<b>Profit before taxation</b>	<b>157</b>	<b>103</b>	<b>52%</b>
Tax Credit/(Expense)	(42)	(23)	80%
<b>Profit for the period</b>	<b>115</b>	<b>80</b>	<b>44%</b>
Balance Sheet extract P Mn	HY 23	HY 22	% Δ
Cash and cash equivalents	140	129	8%
PPE	268	207	29%
Advance travel receipts	82	60	36%
Equity	430	343	25%

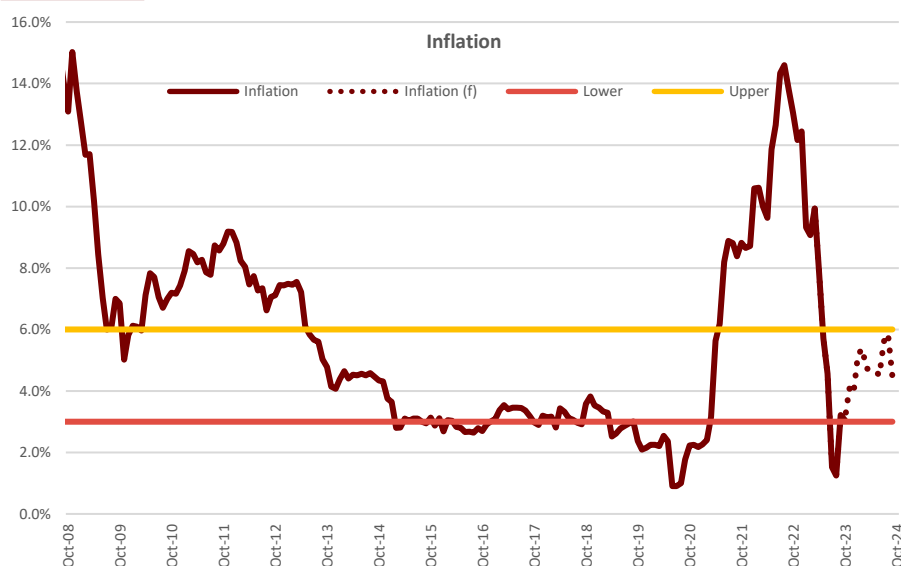
- Revenue +40% due to the increase in occupancy rates, an increase in occupancy rates and strengthening of the US dollar against the Pula.
- Other Operating expenses +39% in line with increased operations during the year.
- Profits +44% for the period on account of higher revenues.
- Advance travel receipts +36% as bookings remain strong due to competitive pricing and marketing efforts.
- No Interim dividend declared.
- P14.82 (YTD: +87.36%)  
PE: 9.5  
PB: 3.1  
D/Y: 4.05%  
Mkt Cap: P1,325.5mn

## LUCARA 3Q23 RESULTS – HIGHER REVENUES DRIVE UP PROFITS

Income Statement \$ Mn	3Q 23	3Q 22	% Δ
Revenues	57	50	14%
Operating expenses	(21)	(26)	(17%)
Royalty expenses	(6)	(6)	14%
Depletion, amortisation and accretion	(6)	(8)	(16%)
<b>Income from mining operations</b>	<b>23</b>	<b>11</b>	<b>109%</b>
Administration	(7)	(4)	60%
Sales and marketing	(1)	(1)	7%
Net finance expense	(1)	(1)	60%
FX gain/(loss)	(1)	(2)	(30%)
Gain on derivative financial instrument	1	4	(70%)
<b>Net Income before tax</b>	<b>14</b>	<b>7</b>	<b>98%</b>
Current income tax	(1)	-	(100%)
Deferred income tax	(3)	(5)	(47%)
<b>Net income/(loss) for the period (PAT)</b>	<b>11</b>	<b>2</b>	<b>476%</b>
Balance Sheet extract \$ Mn	3Q 23	3Q 22	% Δ
Cash and cash equivalents	17	26	(36%)
Inventories	35	38	(9%)
PPE	118	88	34%
Mineral Properties	260	244	6%
Credit facility	86	62	39%
Equity	273	270	1%

- Revenue +14% driven by a 12% increase in carats sold, several high value stones produced in Jun23 which were moved through the manufacturing process with HB in the third quarter, and a softening of prices for smaller goods.
- Royalty expenses +14% in line with revenue increase.
- PAT up 4.8x driven by increased revenues.
- No dividends declared.
- P4.00 (YTD: -36.46%)  
PE: 3.5  
PB: 0.5  
D/Y: 0.00%  
Mkt Cap: P1,818.3mn

## OCT23 INFLATION – INFLATION LOWER BUT REMAINS WITHIN BoB OBJECTIVE RANGE



- Oct23 Inflation was 3.1% v 3.6% (Kgori) v 3.2% (Sep23)
- Group indices were generally stable between September and October 2023.
- On a m/m basis, CPI rose by 0.1%.
  - This was mainly attributable to increases in Clothing and Alcohol & tobacco inflation which rose by 0.6% m/m and 0.4% m/m respectively.
- We do not expect any changes to the MoPR in 2023 as inflation currently remains manageable.

## REGIONAL

### SOUTH AFRICA

- Sep23 Retail Sales m/m 0.1% v 0.1% (e) v 0.3% (Aug23)
- 3Q23 SA Unemployment q/q 31.9% v 32.5%(e) v 32.6%(2Q23)
- During the week, Eskom pushed daytime load shedding to Stage 2 citing delays in some units in returning to service and the need to sustain sufficient emergency reserves.

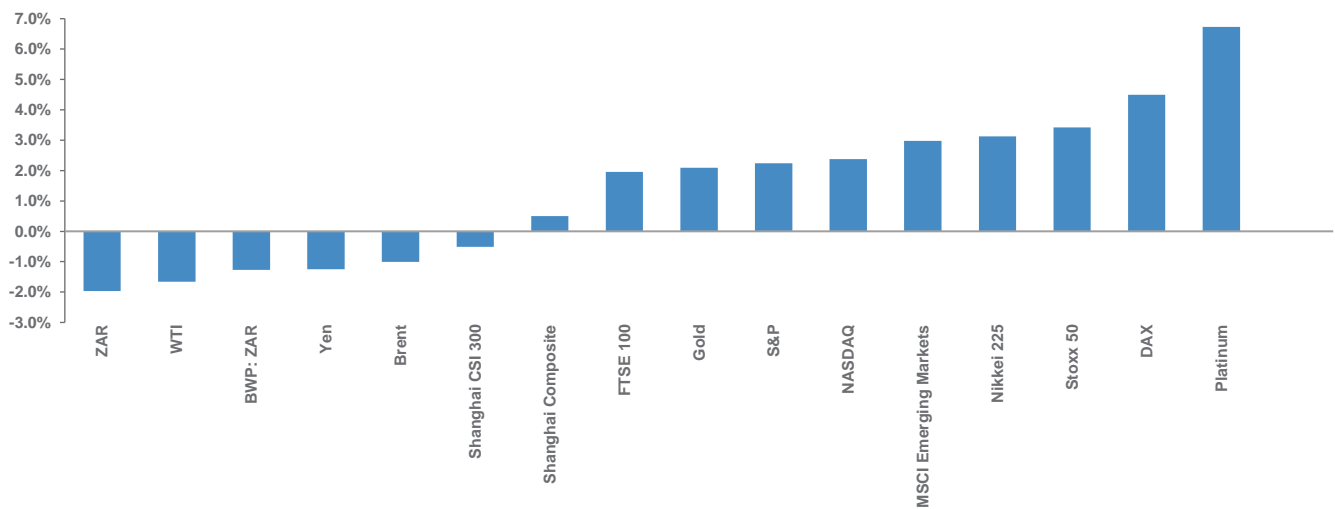
### ZAR PERFORMANCE

- The ZAR strengthens against the USD on the back of strong performance of precious metals for the week and the decline of US government yields.
- ZAR 18.36 (WTD: -1.97%) v 18.73 (10 Nov 23)

# Rand strengthens against the US Dollar.

## INTERNATIONAL

### INTERNATIONAL SNAPSHOT – 17 Nov 23 WEEKLY PERFORMANCE





- Sep23 Final Industrial Production m/m 0.5% v 0.2% (Aug23)
- 3Q23 Preliminary GDP q/q -0.5% v -0.1% (e) v 1.1% (2Q23)
- Sep23 Core Machine Orders m/m 1.4% v 0.9% (e) v -0.5% (Aug23)
- Sep23 Trade Balance -¥662.5bn v -¥731.3bn (e) v ¥72.1bn (Aug23)
- Japanese stocks ended the week in the green on the back of softening US inflation data spurring optimism that the Fed's rate hiking cycle has come to an end.
- Nikkei 225: 33,585 (WTD: +3.12%), Yen: 149.63 (WTD: -1.25%)



- Eurozone Oct23 Final CPI y/y 2.9% v 2.9% v 4.3% (Sep23)
- France Oct23 Final CPI y/y 4.0% v 4.0% (e) v 4.9% (Sep23)
- UK Oct23 Final CPI y/y 4.6% v 4.7% (e) v 6.7% (Sep23)
- European markets ended the week green following encouraging signs that inflation is finally cooling off fuelling investor bets that interest rate hikes are over.
- DAX: 15,919 (WTD: +4.49%), Stoxx50: 4,341 (WTD: +3.42%), FTSE100: 7,504 (WTD: +1.95%)



- Oct23 Industrial Production y/y 4.6% v 4.5% (e) v 4.5% (Sep23)
- Oct23 Retail Sales y/y 7.6% v 7.0% (e) v 5.5% (Sep23)
- Chinese markets closed the week mixed driven by the states funding plan to shore up the country's ailing housing sector on one hand, as well as investor concerns on US chip curbs between the two nations on the other hand.
- SHSZ300: 3,568 (WTD: -0.51%), SHCOMP: 3,054 (WTD: +0.51%)



- 11 Nov 23 Initial Jobless Claims 231k v 220k (e) v 218k (04 Nov 23)
- Oct23 CPI y/y 3.2% v 3.3% (e) v 3.7% (Sep23)
- Oct23 Retail Sales Advance m/m -0.1% v -0.3% (e) v 0.9% (Sep23)
- Oct23 Industrial Production m/m -0.6% v -0.4% (e) v 0.1% (Sep23)
- US equities ended the week in the green following inflation data coming in cooler than expected, boosting investor confidence that the Fed's rate hiking cycle has ended.
- NASDAQ: 14,125 (WTD: +2.37%), S&P 500: 4,514 (WTD: +2.24%)

## COMMODITIES



- ΔUS Crude Inventories 3,592 (10 Nov 23) v 13,869k (03 Nov 23)
- ΔUS Oil Rigs +2; 618 (17 Nov 23) v 616 (10 Nov 23)
- ΔNorth American Oil Rigs -1; 814 (17 Nov 23) v 815 (10 Nov 23)
  - Oil prices were down on the back of higher-than-expected supply from the US as well as worries of continued weak demand from China.
  - WTI: \$75.89 (WTD: -1.66%)
  - Brent Crude: \$80.61 (WTD: -1.01%)



- Precious metals closed the week in the green following the weakening of the US Dollar.
  - Gold: \$1,981 (WTD: +2.09%)
  - Platinum: \$903 (WTD: +6.73%)

**Oil prices decline driven by increased US supply, as well as weak Chinese demand.**



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