

Local

COMPANY ANNOUNCEMENTS

Results of Offer to Receive Scrip in Lieu of Distribution



- RDC announced results of its offer for unitholders to receive units in lieu of the net 2019 second interim distribution.
- 54.46% (191,147,919) of linked units eligible to receive capitalisation units elected to receive fully paid units resulting in 2,465,872 new linked units being issued. Linked units in issue now amount to 353,448,157.
- P13,714,247.80 net cash will be paid to remaining unitholders on 29 Apr 20.
- P2.25 (YTD: 0.00%) PE: 7.8 PB: 0.7 D/Y: 3.51% Mkt Cap: P795.3mn

Further Announcement in Respect of the Disposal of the Interests of the Company in its South African Subsidiaries



- Choppies finalised sale terms for its South African (SA) subsidiaries. Choppies and Kind Investments (Purchaser) agreed:
 - The obligation to underwrite the negative value in SA subsidiaries was left unchanged at R150mn (seller's obligation).
 - Choppies will pay R14,931,111 to Kind Investments in addition to the seller's obligation.
 - Choppies' previously provided warranties and indemnities to Kind Investments regarding risks identified by Kind Investments, to a maximum of R125mn. Due to the P14.9mn payment Choppies agreed to pay, the amount will be reduced to R110,068,889.
 - Choppies will take control over and indemnify Kind Investments from a dispute with a creditor due to Kind Investments unwillingness to take over the dispute.
- Choppies and Kind investments agreed that Choppies will settle the seller's obligation via:
 - Two payments of R32.5mn on 22 Apr 20 and 22 May 20.
 - R10mn per month until the balance payable is settled.
- The board and lenders of Choppies approved the payments and the impact thereof on cash flows of Choppies.
- P0.69 (YTD: 0.00%) PE: N/A PB: N/A D/Y: 0.00% Mkt Cap: P899.5mn

Release of Audited 31 Dec 19 Financial Statements



- Letshego released its audited financial statements having previously released unaudited results on 02 Mar 20.
- The audited financial statements were not materially different from the unaudited results. Profit after tax and the size of the balance sheet remained the same.
- Final dividend of 7.7t/share was unchanged, but the payment date was moved further to 15 May 20 from 11 May 20 previously.
- P0.82 (YTD: +15.49%) PE: 2.8 PB: 0.4 D/Y: 14.63% Mkt Cap: P1,758.1mn

COVID-19 Business Update



- 1Q20 Results
 - Premium income grew 7% y/y due to an 11% y/y increase in recurring premiums and a 1% y/y increase in single premiums.
 - Admin fee revenue from the Asset Management business grew 8% y/y due to an increase in AUM witnessed in 2H19. However, AUM is expected to decline in the short-to-medium term due to the significant decline in offshore stock market indices.
 - Share of profits of associates increased 9% y/y due to resilient growth in different associates.
 - New Business premiums grew 11% y/y which translated to a 22% growth in Value of New



- Business due to better new business margins.
- COVID-19 Operational Impact
 - The operating environment has deteriorated substantially since mid-March 2020 as Government instituted measures to control the spread of COVID-19.
 - BIHL remains well capitalised, the group employs a prudent reserving approach and capital management philosophy. Conditions remain highly uncertain thus BIHL's financial position is likely to change over time.
- Solvency
 - Botswana Life accounts for 99% of BIHL's capital requirements. BIHL's capital adequacy ratio (CAR) was 7.1 as at 31 Dec 19 and provides the group with a sufficient capital buffer should volatility in markets and other COVID-19 related impacts on operations result in the reduction of assets backing CAR, or an increase in required capital.
- Claims and persistency experience
 - To date there has been no impact on claims and persistency within the group. BIHL has decided to accept COVID-19 related claims when they do eventually occur.
- Outlook
 - Economic growth in Botswana will be lower than anticipated and this poses a risk to growth in New Business volumes as well as persistency experience.
 - Increased pressure on corporate earnings will heighten credit risk. This poses a risk to New business volumes as well as persistency experience.
 - New business volumes are furthermore restricted by lockdowns in markets where investee companies operate.
 - Equity, bond and currency markets across the globe are expected to remain volatile for the foreseeable future. The impact of the downgrade by Moody's of both South African (SA) and Botswana sovereign ratings is yet to be seen but might add to volatility of asset prices, especially in the SA market. The average investment market levels, the exchange rates and the level of long-term interest rates are key factors that may have an impact on operational earnings and the group equity value to be reported for the six months to 30 Jun 20.
- P17.50 (YTD: 0.00%) PE: 11.3 PB: 1.8 D/Y: 6.51% Mkt Cap: P4,941.5mn

Board Changes



- Mr. Adams Chilisa has retired as an Independent Non-Executive Director. Mr. Chilisa was appointed to the Board on 1 Sep 12 and served on the Loans Review Committee as well as the Remuneration and Nomination Committee.
- P2.00 (YTD: -0.99%) PE: 11.9 PB: 1.3 D/Y: 1.40% Mkt Cap: P1,450.0mn

Acquisition of Equity Stake in Australian Business



- In Apr20, Sefalana entered into an agreement to purchase 40% of share capital in Seasons Group (SG), an Australian Business that operates in the Fast Moving Consumer Goods (FMCG) sector. SG consists of seven supermarkets in the Brisbane, Queensland area. SG is controlled by a consortium of shareholders, many of whom are also members in the South African business in which Sefalana has a preference share interest.
- Purchase consideration for the equity stake amounts to AUD9.9mn (P74mn). The effective date of the investment is expected to be 8 May 20. All relevant regulatory approvals have been obtained.
- The SG investment will be treated as an investment in an associate, in which Sefalana exerts significant influence, and therefore will be equity accounted.
- P9.02 (YTD: +0.56%) PE: 10.8 PB: 1.3 D/Y: 4.16% Mkt Cap: P2,261.6mn

Bank of Botswana (BoB) Reduces its Bank Rate by 50bps



- At its 30 Apr 20 Monetary Policy Committee (MPC) meeting, the BoB reduced its Bank Rate by 50bps to 4.25%.
- The Bank also cut the primary reserve requirement by 250bps to 2.5% effective 13 May 20. This is expected to inject P1.6bn of liquidity into the banking system, which should allow commercial banks to be unconstrained in performing the necessary financial intermediation to support economic activity.
- Furthermore, as decided by the President on advice from the Minister of Finance and Economic Development following consultation with the Bank, the rate of downward crawl has been increased by 136bps to 2.87%.

Government Extends Lockdown



- The President of Botswana, Dr. E.K. Masisi, announced that the lockdown will be extended by three weeks broken down into three phases:
- In Phase 1, the current lockdown will be extended by one week from 1 May 20 to 7 May 20. During this phase, regulations regarding the lifting of lockdown rules in low risk sectors will be finalised.
- In Phase 2, from 8 May 20 to 14 May 20 some lockdown rules will be lifted and additional plans for lifting the remaining lockdown rules will be introduced.
- In Phase 3, from 15 May 20 to 22 May 20 the remaining rules from the original 30 Mar 20 lockdown rules will be lifted.

NAP HY20 RESULTS – LOWER DISTRIBUTION AS COVID-19 IMPACTS TENANTS

Income Statement P'Mn	HY 20	HY 19	% Δ
Rental revenue	104	100	3%
Other income	1	1	2%
Property costs	-17	-17	2%
Other expenses	-6	-6	3%
Operating profit	81	79	4%
Finance income	3	3	-7%
Finance costs	-1	-1	-1%
FV Adjustment	23	30	-24%
Amortisation adjustments	-0	-0	12%
Share of associate's profit	2	3	-33%
Profit before tax	108	114	-5%
Tax	-6	-8	-29%
Profit for the period	102	106	-3%
Balance Sheet extract P'Mn	HY 20	HY 19	% Δ
Cash and cash equivalents	39	41	-4%
Investment properties	1,492	1,463	2%
Borrowings	17	20	-16%
Deferred taxation	167	163	3%
Equity	1,544	1,506	2%

- Rental income before straight line adjustment +6.4%.
- Vacancy at 3.3% with Selebi-Phikwe accounting for 44% of vacancies.
- NAP monitoring COVID-19 situation. Lockdown measures in Namibia and Botswana have forced some tenants to close.
- NAP is unable to quantify the impact but has decided to distribute 90% of distributable earnings in order to pay for VAT on tenant arrears.
- NAP has withdrawn its previous guidance for 2020.
- Distribution of 12.04/linked unit declared payable on 3 Jun 20.
- P3.25 (YTD: +0.31%)
PE: 10.1
PB: 1.3
D/Y: 7.78%
Mkt Cap: P1,964.3mn

Regional

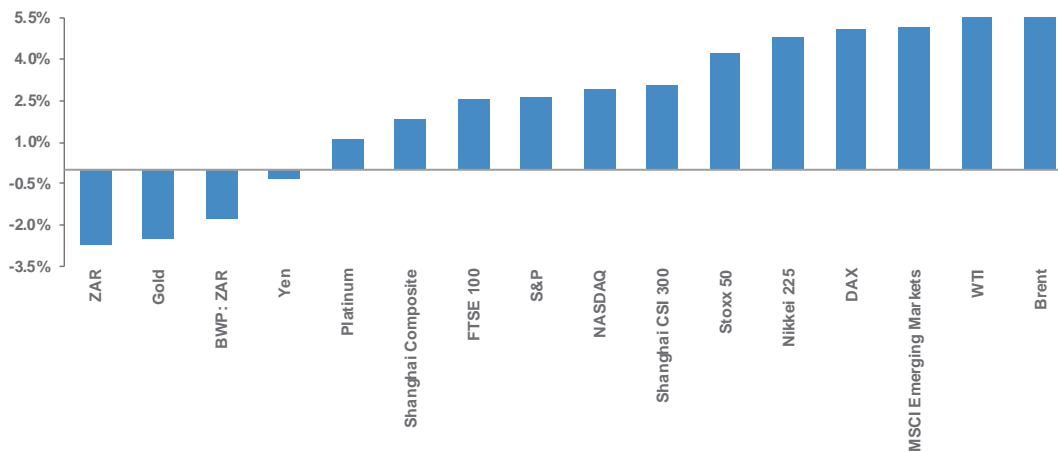
SOUTH AFRICA

- Mar20 Trade Balance R24.2bn v R9.6bn (e) v 13.7bn (Feb20)
- S&P downgraded its sovereign rating on South Africa (SA). The rating agency reduced SA to BB- from BB. S&P assigned a stable outlook to the rating.

ZAR PERFORMANCE

- ZAR movement was driven by macro events. Global investors returned to risk assets following reopening of certain US States and optimism after the US FDA approved Gilead Science's Remdesivir drug for treatment of severe cases of COVID-19.
- ZAR 18.53 (WTD: -2.72%) v 19.04 (24 Apr 20)

INTERNATIONAL SNAPSHOT – 30 APRIL 20 WEEKLY PERFORMANCE



- Mar20 Preliminary Industrial Production y/y -5.2% v -7.4% (e) v -5.7% (Feb20)
- Apr20 Tokyo CPI y/y 0.2% v 0.2% (e) v 0.4% (Mar20)
- Apr20 Final Manufacturing PMI 41.9 v 44.8 (Mar20)
- The Bank of Japan (BoJ) Monetary Policy Committee (MPC) left its policy rates and Japanese Government bond target yield unchanged but increased its Quantitative (QE) program by:
 - Increasing the purchases of commercial paper and corporate bonds by ¥20trn .
 - Strengthening the special funds supplying operations to facilitate financing in response to COVID-19 by expanding the collateral to include private debt in general, increasing the number of eligible counterparties and applying an interest of 0.1% to funds earmarked for COVID-19 relief that are held with the Bank.
- Japanese equities closed higher driven by easy monetary conditions and an increase in global investor risk sentiment.
- Nikkei 225: 20,194 (WTD: +4.84%), Yen: 107.18 (WTD: -0.31%)



- Eurozone 1Q20 Advance GDP q/q -3.8% v -3.8% (e) v 0.1% (4Q19)
- France 1Q20 Preliminary GDP q/q -5.8% v -4.0% (e) v -0.1% (4Q19)
- The European Central Bank (ECB) Governing Council decided to maintain its policy rates and increase liquidity in the Euro-area:
 - The interest rate on its targeted longer-term refinancing operations (TLTRO III) for the period Jun20-Jun21 was reduced to 50bps below the main refinancing operations rate.
 - New series of non-targeted pandemic emergency longer-term refinancing operations (PELTRO) to support liquidity conditions. PELTROs consist of seven additional refinancing operations commencing in May20 and maturing on a staggered basis between Jul21-Sep21 and will be issued at 25bps below the average main refinancing rate.
- European equities rallied on increased support from the ECB and global risk-on sentiment fuelled by the approval of Remdesivir as a treatment of severe cases of COVID-19 in the US.
- DAX: 10,862 (WTD: +5.08%), Stoxx50: 2,928 (WTD: +4.23%), FTSE100: 5,901 (WTD: +2.59%)



- Apr20 Caixin Manufacturing PMI 49.4 v 50.5 (e) v 50.1 (Mar20)
- Apr20 Official Manufacturing PMI 50.8 v 51.0 (e) v 52.0 (Mar20)
- Chinese equities rallied on the expectation of Government stimulus to support the economy .
- SHSZ300: 3,913 (WTD: +3.04%), SHCOMP: 2,860 (WTD: +1.84%)



- 25 Apr 20 Initial Jobless claims 3,839k v 3,500k (e) v 4,442k (18 Apr 20)
 - 30 million jobs have been lost in the past 6 weeks.
- 1Q20 GDP Annulised q/q -4.8% v -4.0% (e) v 2.1% (4Q19)
- Apr20 ISM Manufacturing PMI 41.5 v 36.0 (e) v 49.1 (Mar20)
- The Federal Reserve (Fed) maintained its benchmark rate at 0.00%-0.25%. The Fed stated that it will maintain this rate until the impact of COVID-19 restrictions have passed and the economy is on its way to full employment and price stability.
- US equities rose on reports that US states will be reopening and optimism after the US FDA approved Gilead Science's Remdesivir drug for treatment of severe cases of COVID-19.
- NASDAQ: 8,890 (WTD: +2.95%), S&P 2,912 (WTD: +2.67%)

COMMODITIES



- Δ US Crude Inventories +8,991k bbl. (24 Apr 20) v +11,678k bbl. (e) v +15,022k bbl. (17 Apr 20)
- Δ US Oil Rigs -57; 408 (1 May 20) v 465 (24 Apr 20)
- Δ North American Oil Rigs -56; 435 (1 May 20) v 491 (24 Apr 20)
- Crude rose for the week on lower than expected US crude inventory gains and the expected rise in demand as some US states reopen from lockdown measures implemented.
 - WTI: \$18.84 (WTD: +11.22%)
 - Brent Crude: \$25.27 (WTD: +17.86%)



- Gold fell due to increased global investor risk-on sentiment spurred on by easy monetary policy, the reopening of some US states and the approval of Remdesivir by the US FDA. Platinum increased as optimism surrounding the normalisation in automobile sales post COVID-19 was reignited.
 - Gold: \$1,687 (WTD: -2.49%)
 - Platinum: \$777 (WTD: +1.10%)



KGORI CAPITAL

INVEST WITH PRIDE

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