



KGORI CAPITAL
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KGORI CAPITAL MARKET WATCH

14 September 2020

Local

COMPANY ANNOUNCEMENTS

Cautionary Announcement



- Olympia advised shareholders that profit before tax (PBT) for the six months ended 30 Jun 20 will be P599,547 (-48.4%) lower than the P1,162,017 PBT reported for the six months ended 30 Jun 19.
- The reason for the decline in earnings is the closure of some business units as a result of lockdowns imposed in Botswana to stem the spread of COVID-19.
- P0.16 (YTD: 0.00%) PE: 1.9 PB: 0.2 D/Y: 0.00% Mkt Cap: P4.6mn

Announcement to Shareholders – Renewable Energy Developments and Issue of New Shares



- Shumba announced that it has fast tracked projects in the renewable energy sector in order to address chronic regional energy shortages in Southern African Countries.
- Tati Solar Project
 - This is a 300ha, 100MW solar plant, located 60km east of Francistown, being developed to service the Southern African market. The project will be developed in phases and target countries with the most severe power deficits. Technical feasibility studies have been completed and environmental studies are reaching a conclusion. Shumba is now working on securing funding for the project.
- New Wind and Solar Project
 - Shumba has entered into a binding agreement with Ziyanda Energy to jointly develop a combination of solar and wind farms currently controlled by Ziyanda which combined will produce 500MW of renewable energy. Following the execution of the term sheet, Shumba and Ziyanda are working on the conclusion of a definitive joint development agreement.
- Share Issuance
 - In line with a special resolution passed by shareholders at its 2019 annual general meeting, Shumba issued 372,374 new ordinary shares in settlement of short-term obligations of P372,861 to institutional shareholders. The new shares will be listed on Tuesday 8 Sep 20.
- P0.95 (YTD: -13.64%) PE: N/A PB: 5.5 D/Y: 0.00% Mkt Cap: P277.6mn



Appointment of Executive Director

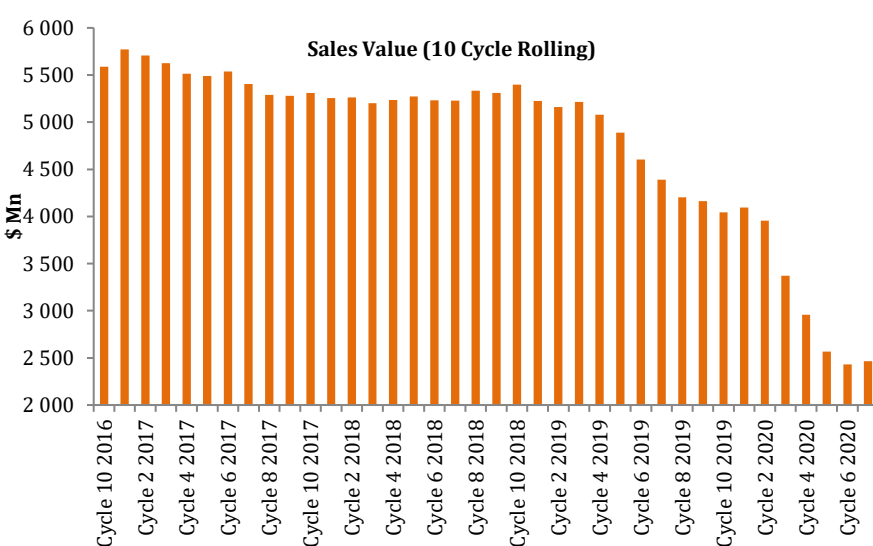
- Chobe has appointed Mr Lempheditse Odumetse to the board effective 31 Aug 20.
- Mr Odumetse is the Operations Director at Ker and Downey Botswana (a Chobe subsidiary).
- P9.50 (YTD: -14.41%) PE: 8.8 PB: 2.3 D/Y: 0.00% Mkt Cap: P849.7mn

FNBB FY20 RESULTS – COVID-19 RELATED IMPAIRMENTS HURT EARNINGS

Income Statement P'Mn	FY 20	FY 19	% Δ
Interest income	1,649	1,617	2%
Interest expense	-311	-360	-14%
Net-interest income	1,338	1,258	6%
Non-interest income	1,267	1,142	11%
Operating Profit	2,606	2,400	9%
Staff expenses	-613	-576	6%
Operating expenses	-644	-597	8%
Impairment loss	-421	-265	59%
Profit before taxation	927	962	-4%
Tax	-231	-230	1%
Profit for the period	696	733	-5%
Balance Sheet extract P'Mn	FY 20	FY 19	% Δ
Cash and cash equivalents	4,698	4,412	6%
Advances to customers	14,687	15,939	-8%
PPE	601	481	25%
Customer deposits	23,172	19,591	18%
Equity	3,598	3,335	8%

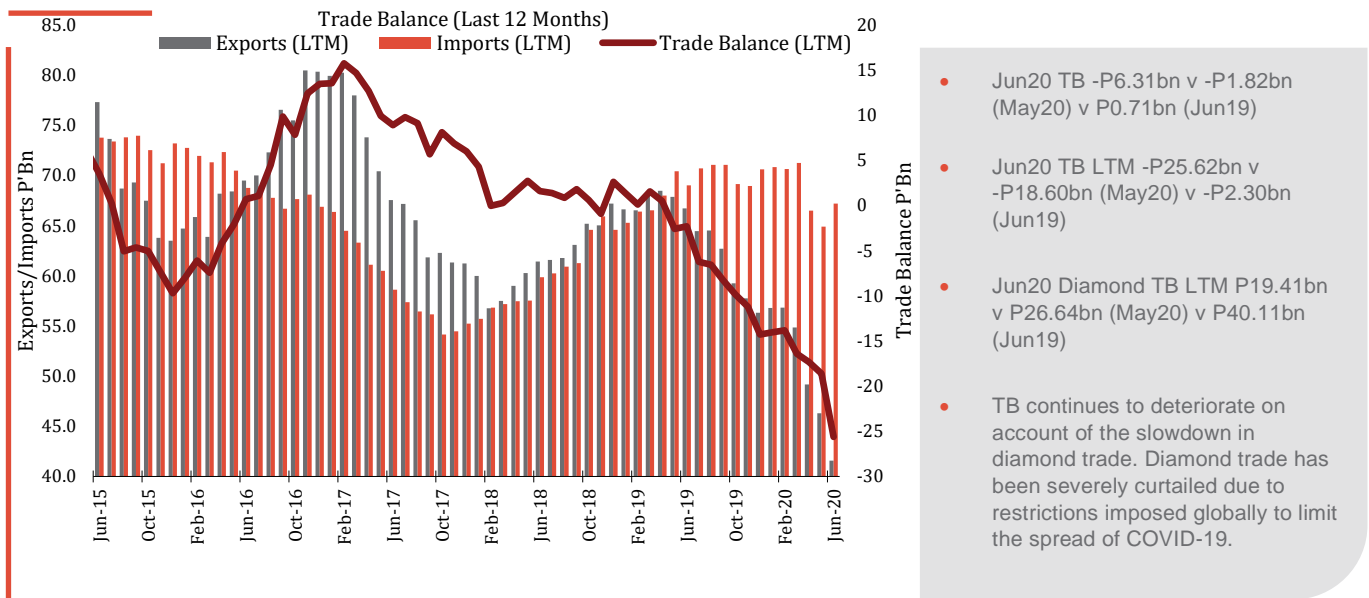
- Interest income +2% despite advances to customers -8% due to end of period settlements and the Bank Rate being reduced towards the end of the period.
- Interest income -14% due to structural adjustments in market liquidity.
- Impairment +59% due to the restructure of a significant portfolio of loans on account of the impact COVID-19 had on them.
- Profit for the period -5% due to the significant increase in impairments.
- Dividend of 8t/share declared, payable on 7 Oct 20.
- P2.35 (YTD: -17.54%)
PE: 8.6
PB: 1.7
D/Y: 5.96%
Mkt Cap: P5,977.7mn

DE BEERS SIXTH AND SEVENTH SALES CYCLE – SERVERLY IMPACTED BY COVID-19



- Cycle 7 2020 Sales \$320mn v \$116mn (Cycle 6 2020) v \$287mn (Cycle 7 2019)
- De Beers is offering sight holders more flexibility in sales with weeklong sights extended to near-continuous sales. Hence Cycle 7 2020 period covers 19 Aug 20 – 10 Sep 20.
- De Beers stated that the overall sentiment is more positive as consumer markets gained confidence with the important year-end holiday season approaching, supported by bridal diamond jewelry demand across markets.

JUN20 TRADE BALANCE (TB) – SLUGGISH DIAMOND ACTIVITY CONTINUES TO WIDEN DEFICIT



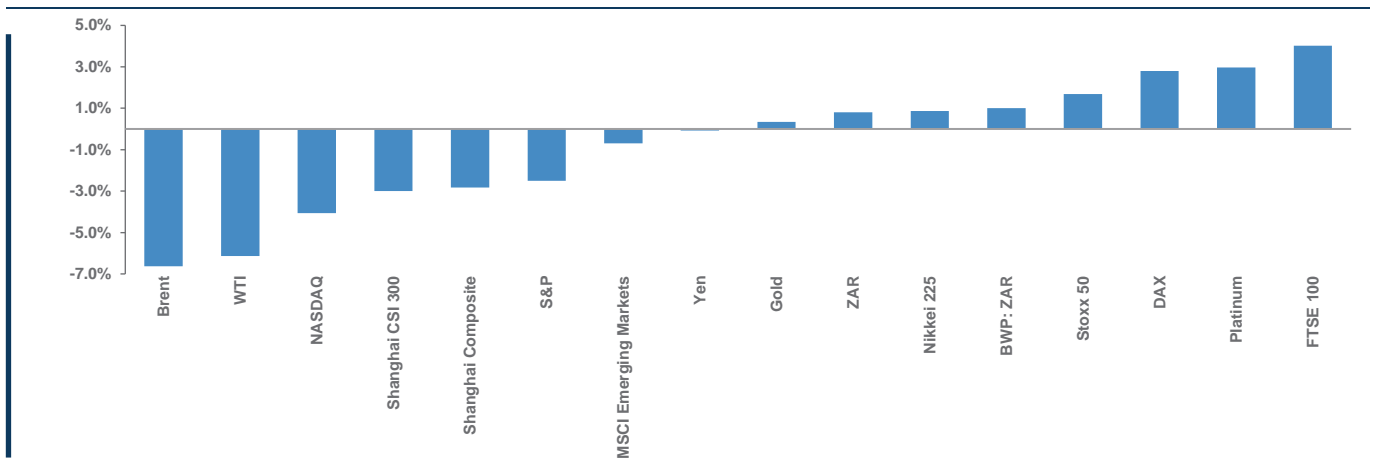
Regional SOUTH AFRICA

- 2Q20 GDP q/q -51.0% v -47.2% (e) v -1.8% (1Q20)
- Jul20 Manufacturing Production m/m 7.6% v 3.8% (e) v 17.9% (Jun20)
- Jul20 Mining Production m/m 20.2% v 1.1% (e) v -27.2% (Jun20)

ZAR PERFORMANCE

- The ZAR closed weaker following the release of worse than expected economic growth figures.
- ZAR 16.74 (WTD: +0.87%) v 16.60 (4 Sep 20)

INTERNATIONAL SNAPSHOT – 11 SEP 20 WEEKLY PERFORMANCE



- 2Q20 Final GDP q/q -7.9% v -8.0% (e) v -0.6% (1Q20)
- Aug20 PPI y/y -0.5% v -0.5% (e) v -0.9% (Jul20)
- Jul20 Labour Cash Earnings y/y -1.3% v -1.5% (e) v -2.0% (Jun20)
- Japanese equities closed higher as daily COVID-19 cases continued to drop.
- Nikkei 225: 23,406 (WTD: +0.87%), Yen: 106.16 (WTD: -0.08%)



- France Jul20 Industrial Production m/m 3.8% v 5.0% (e) v 13.0% (Jun20)
- Germany Jul20 Industrial Production m/m -0.1% v -0.1% (e) v -0.1% (Jun20)
- The European Central Bank (ECB) kept interest rates unchanged: 0.00% Main Refinancing Rate, 0.25% Marginal Lending Facility and -0.50% Deposit Facility Rate. The ECB also kept its pandemic bond buying program unchanged at €1.35trn.
- European equities gained for the week following reports that ECB policy makers are becoming more confident of their forecasts for a European economic recovery.
- DAX: 13,203 (WTD: +2.80%), Stoxx50: 3,316 (WTD: +1.69%), FTSE100: 6,032 (WTD: +4.02%)



- Aug20 Exports y/y 9.5% v 7.5% (e) v 7.2% (Jul20)
- Aug20 Imports y/y -2.1% v 0.2% (e) v -1.4% (Jul20)
- Aug20 CPI y/y 2.4% v 2.4% (e) v 2.4% (Jul20)
- Aug20 PPI y/y -2.0% v -1.9% (e) v -2.4% (Jul20)
- Despite better than expected export figures, Chinese equities declined fuelled by a sell-off in tech counters as investors begin to doubt their year-to-date rally.
- SHSZ300: 4,627 (WTD: -3.00%), SHCOMP: 3,260 (WTD: -2.83%)



- 5 Sep 20 Initial Jobless claims 884k v 850k (e) v 884k (29 Aug 20)
- Aug20 CPI y/y 1.3% v 1.2% (e) v 1.0% (Jul20)
- The US Senate failed to pass an additional \$300bn stimulus aimed at further supporting the economy following lockdowns imposed to stem the spread of COVID-19. The Republican stimulus bill fell short of the required 60 votes needed to pass, garnering 52 votes in favour as senators voted largely along party lines.
- US equities closed lower as market participants continued to sell tech shares which they believe are in over-bought territory.
- NASDAQ: 10,854 (WTD: -4.06%), S&P 3,341 (WTD: -2.51%)

COMMODITIES



- ΔUS Crude Inventories 2,033k bbl. (4 Sep 20) v -1,965k bbl. (e) v -9,362k bbl. (28 Aug 20)
- ΔUS Oil Rigs -2; 254 (11 Sep 20) v 256 (4 Sep 20)
- ΔNorth American Oil Rigs -2; 306 (11 Sep 20) v 308 (4 Sep 20)
- Global oil prices sank following an unexpected increase in US crude inventories and reduced demand expectations as COVID-19 cases continue to flare up across the globe.
 - WTI: \$37.33 (WTD: -6.14%)
 - Brent Crude: \$39.83 (WTD: -6.63%)



- Precious metals rose for the week on account of continued global dovish monetary policy.
 - Gold: \$1,934 (WTD: +0.34%)
 - Platinum: \$904 (WTD: +2.96%)



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1st Floor Exponential,
Plot 54351, CBD, Gaborone

PO Box 1253 ABG,
Sebele, Gaborone

T +267 3915 990
F +267 3915 980

www.kgoricapital.com

Directors KI Melamu, AM Ndzinge, S Noor, MS Sibanda
Reg No CO2012/8843

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