



# Botswana Stock Exchange NEWS

ISSUE NO. 2 • APRIL – JUNE 2018

**PROVIDING A PLATFORM FOR  
ECONOMIC GROWTH AND  
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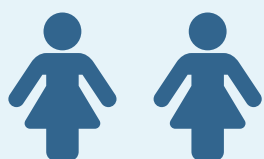
# THE BSE IS IN SUPPORT OF ♀ GENDER EQUALITY



**56%**  
of women  
at BSE



**57%**  
of women in executive  
management



**FACT**  
2 longest serving  
members of  
staff are women  
and have risen  
through the ranks



**FACT**  
BSE gives equal  
opportunities to  
women for any  
consideration and  
nomination



Moreover, it is a privilege and an honor to announce that the BSE will, for the first time, host the Africa & Middle East Depository Association (AMEDA) annual meeting in Kasane on April 11th- 12th, 2018.

It is my sincere pleasure to welcome you to the second edition of the BSE Publication, *BSE News*. With so much excitement and buzz over the last edition, we feel compelled, and a sense of obligation to maintain a certain level of expectation for our readers.

Indeed, the first quarter of the year has flown by and we have hit the ground running as we have experienced tremendous activity at the BSE. With the success of the recently held 3rd Annual Listings & Investment Conference and two (2) Open Days held in Jwaneng and Kanye, we have taken strides in refining our message to communicate the investment and capital-raising opportunities availed at the BSE.

Notwithstanding, the first quarter of the year has seen the BSE edge closer to full demutualization with the pending approval of the shareholding structure by the Minister of Finance & Economic Development, Honourable Kenneth Matambo. As a demutualized entity, we will have a more flexible governance structure fostering decisive action in response to changes in the business environment, an imperative aspect of our operations as we align our objectives towards building a world securities exchange.

Moreover, it is a privilege and an honor to announce that the BSE will, for the first time, host the Africa & Middle East Depository Association (AMEDA) annual meeting in Kasane on April 11th- 12th, 2018. The objective of this two (2) day meeting will be to facilitate the exchange of information and to promote mutual assistance among member securities depositories and clearing organizations, an initiative that will assist the Central Securities Depository Botswana (CSDB) to comply with international best practices.

We hope you enjoy this edition of *BSE News*. Your feedback is important to us and feel free to utilize any of our platforms to provide it.

**'Your Partner in Wealth Creation'**

**Thapelo Tsheole**  
Chief Executive Officer

# ***While brushing his teeth...***

*...he's also invested  
in capital markets.*

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*for Unit Trusts Investment*

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*Let someone else worry about  
making you more money.*

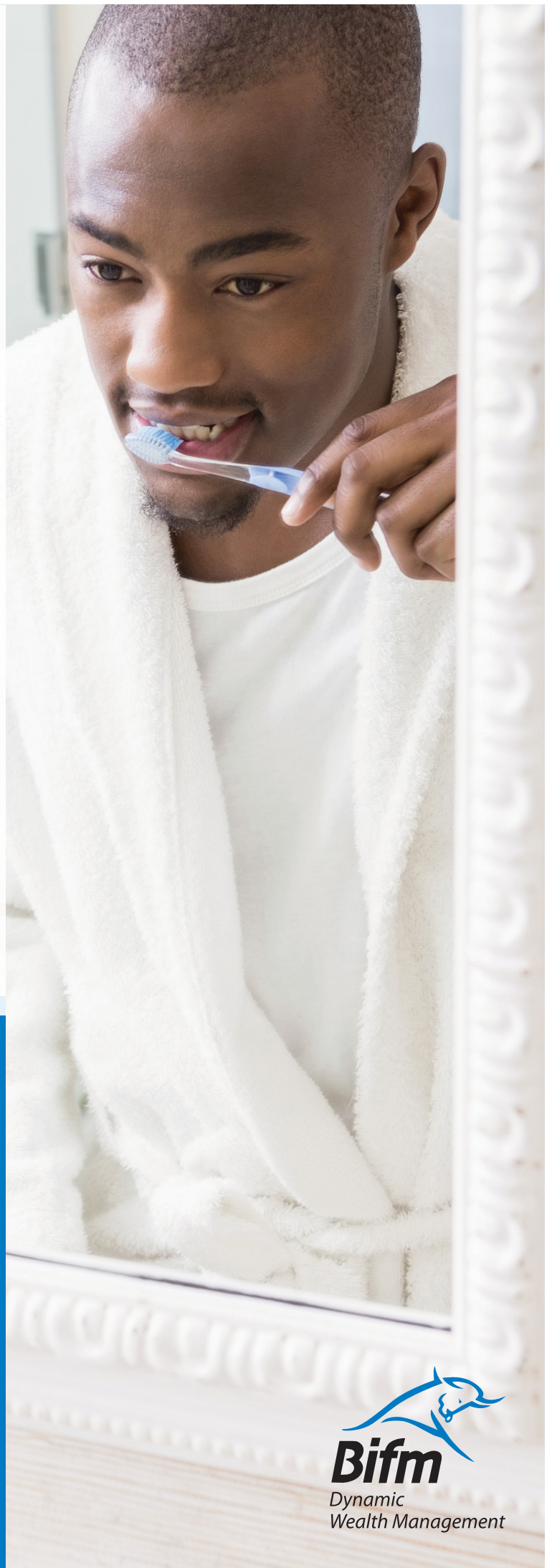
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# WANT TO GIVE US FEEDBACK? HERE IS THE BOTSWANA STOCK EXCHANGE (BSE) AND CENTRAL SECURITIES DEPOSITORY BOTSWANA (CSDB) CUSTOMER FEEDBACK PROCEDURE

At the Botswana Stock Exchange, and Central Securities Depository Botswana we welcome feedback from our valued customers who believe that proper service, rules and regulations were followed, or not followed. Feedback of a regulatory nature will be escalated to the relevant authority. Feedback can be submitted as below;

- STEP 1:** Share feedback with the Officer providing assistance
- STEP 2:** Escalate to the relevant Head of Department on +267 3674000 or email [feedback@bse.co.bw](mailto:feedback@bse.co.bw)
- STEP 3:** Escalate to the Chief Executive Officer on +267 3674402
- STEP 4:** Escalate to the Chairman of the Main Committee

# Know Your Stock Market Terms

**Market Maker:** A trader employed by a securities firm who is required to maintain reasonable liquidity in securities markets by making bids or offers at which they are ready to buy and sell securities.

**Portfolio:** Holdings of securities by an individual or institution. A portfolio may include various types of securities representing different companies and industry sectors.



**Member of the BSE:** Brokers entitled to trade through the facilities of BSE. They are also permitted to act as sponsors for listed issuers or issuers proposing to be listed on the BSE.

**Inside Information:** Non-public information pertaining to the business affairs of a corporation that could affect the company's share price should the information be made public.

**Insider Trading:** There are two types of insider trading. The first type occurs when insiders trade in the stock of their company. The other type of insider trading is when anyone trades securities based on material, non-public information.



**Closed Period:** This is time between the completion of a listed company's financial statements and their announcement of them to the public. During this time "insiders" (company employees, directors, and auditors) are not allowed to trade in the stock of the company as they may be privy to information that is not yet public.

**Share Split:** A corporate action that increases the number of securities issued and outstanding, without the issuer receiving any consideration for the issue.

**Structured Products:** Financial instruments which provide innovative and flexible investment products designed to respond to modern investor needs, such as yield enhancement, risk reduction, or asset diversification.

**Yield:** This is the measure of the return on an investment and is shown as a percentage. A stock yield is calculated by dividing the annual dividend by the stock's current



market price. For example, a stock selling at P50, with an annual dividend of P5 per share yields 10%.

**Trading Session:** The period during which the Exchange is open for trading.

**Risk:** The future chance or probability of loss.

**Private Placement:** The sale of securities to a small number of investors.

**Initial Public Offering (IPO):** A type of public offering that takes place the first time a private company is offered to the public.

**Capital:** To an economist, capital means machinery, factories and inventory required to produce other products. To investors, capital means their cash plus financial assets owned by the company they have invested.

**Close Price:** The price of the last trade executed at the close of trading.

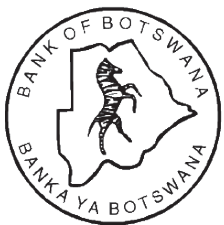
**Commission:** The fee charged by an investment advisor or broker for buying or selling securities as an agent on behalf of a client.

**Investment:** The purchase or ownership of a security in order to earn income, capital or both. Investments may include artwork, antiques and real estate.

# THE BSE LEGAL AND REGULATORY ENVIRONMENT



Non-Bank Financial Institutions Regulatory Authority



**The BSE was formally established as a statutory body by the BSE Act of 1994.**

**The BSE is regulated by the following organizations;**

- Non-Bank Financial Regulatory Authority (NBFIRA) on the capital market side
- Bank of Botswana on the on the clearing and settlements side

**The Exchange is a member of the following organizations;**

- Southern African Development Community (SADC) Committee of Stock Exchanges and has to abide by the provisions of this members organizations.
- African Securities Exchanges Association (ASEA)
- Affiliate of the World Federation of Exchanges (WFE)
- Partner exchange of the United Nations Sustainable Stock Exchanges initiative

**The BSE is signatory to the;**

- Marrakech Pledge on fostering green capital markets in Africa.

**The Central Securities Depository Botswana (CSDB), a 100% subsidiary of the BSE is a member of;**

- Africa Middle East Depository Association (AMEDA)
- World Forum of Central Securities Depositories (WFC)

# SAVE THE DATES



<b>BSE CALENDAR</b>	
11th – 12th APRIL 2018	<b>Africa and Middle East Depositories Association (AMEDA) Meeting</b> , Kasane
26th APRIL 2018	<b>Botswana Stock Exchange Open Day</b> Mahalapye
24th MAY 2018	<b>Botswana Stock Exchange Open Day</b> Tsabong
7th JUNE 2018	<b>Annual Compliance Refresher Workshops</b> , Gaborone
2nd AUGUST 2018	<b>Market Making Pitso</b> , Gaborone
18th AUGUST 2018	<b>Senior Secondary Schools Finance And Investment Competition</b> , Gaborone
25th - 27th NOVEMBER 2018	<b>African Securities Exchanges Association (ASEA)</b> , Lagos, Nigeria

**Should you wish to attend the above events contact the Market Development Department on [marketdev@bse.co.bw](mailto:marketdev@bse.co.bw) or call (+267) 3674400**

# WHAT IS MARKET DEVELOPMENT FROM THE POINT OF VIEW OF A STOCK EXCHANGE?

There are four key elements that are considered when developing the market; pool of securities, available infrastructure, economic environment and regulation as well as outreach activities.



At the BSE our market development strategy guiding principles are;

**Impact:** The BSE is an important pillar of economic growth, therefore initiatives that are implemented should positively impact companies and investors and play a role in their wealth creation in the spirit of the BSE being ‘**Your Partner in Wealth Creation**’. Initiatives should raise the financial literacy rate that currently prevails in Botswana.

**Value Generation:** The exchange should be a market place where companies raise capital for growth, and investors access a wide array of instruments to meet their investment needs. The Exchange should also be able to generate revenue and be self-sustaining.

**Turnaround:** BSE is on a turnaround path that will be greatly influenced by the impending demutualization, as such the organization will embrace transition from a statutory body to a company.

**Sustainability:** The BSE is a partner exchange of the United Nations Sustainable Stock Exchanges Initiative and is signatory to the Marrakech Pledge on Sustainability, as a result, in the execution of initiatives, the exchange will look at projects that have a positive impact on the social, educational, governance and environmental causes.

**Diversity of Issuer and Investor Base:** In order to operate an efficient and effective market, a good mixture of issuers and investors is important. A diverse issuer base in terms of different sectors of the economy and varying issuers of different classes of instruments is ideal, further, diversity in the investor base in terms of different levels of sophistication, and geographic location.

## DID YOU KNOW?

# WHAT ARE THE FEATURES OF STOCK EXCHANGES **IN EVERY PHASE OF MARKET DEVELOPMENT?**

	EARLY	MID - STAGE	MATURITY
Promoting the Development of a diverse Investor Base	<ul style="list-style-type: none"> <li>Investor Education</li> <li>Investor Protection Schemes</li> <li>Incentivize local institutional Investors</li> <li>Relaxation of legal and regulatory barriers</li> <li>Tax incentives</li> <li>Abolition of stamp duty</li> </ul>	<ul style="list-style-type: none"> <li>Grow retail investor base</li> <li>Incentivize local institutional Investors</li> <li>Relaxation of legal and regulatory barriers</li> <li>Tax incentives</li> <li>Abolition of stamp duty</li> </ul>	<ul style="list-style-type: none"> <li>Professional and regulated intermediaries</li> <li>Simplified market access</li> <li>Attracting international Investors</li> <li>Market liberalization</li> <li>Tax incentives</li> <li>Build links to developed markets</li> </ul>
Attracting Issuers	<ul style="list-style-type: none"> <li>Issuer Education</li> <li>Incentivize local companies to issue instruments</li> <li>Relaxation of legal and regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>Grow internal issuer base</li> <li>Relaxation of legal and regulatory barriers</li> </ul>	<ul style="list-style-type: none"> <li>Attracting international issuers</li> <li>Links to developed markets</li> </ul>
Increasing pool of Securities	<ul style="list-style-type: none"> <li>Refine merit based admission criteria</li> </ul>	<ul style="list-style-type: none"> <li>Optimize market admission requirements</li> <li>Move to a disclosure based approach</li> <li>Launching ETFs</li> </ul>	<ul style="list-style-type: none"> <li>Align with international standards</li> <li>Launching derivatives</li> <li>Creating a regional market place</li> </ul>
Investing in the creation of an enabling Environment	<ul style="list-style-type: none"> <li>Market electrification</li> <li>Dematerialization</li> </ul>	<ul style="list-style-type: none"> <li>Improving trading technology</li> <li>Execution algorithms</li> <li>Direct market access</li> <li>Enhancing market and reference data</li> <li>Analytics and tools</li> </ul>	<ul style="list-style-type: none"> <li>Co- location services</li> <li>Support for algorithmic trading firms</li> <li>Launching indices</li> </ul>

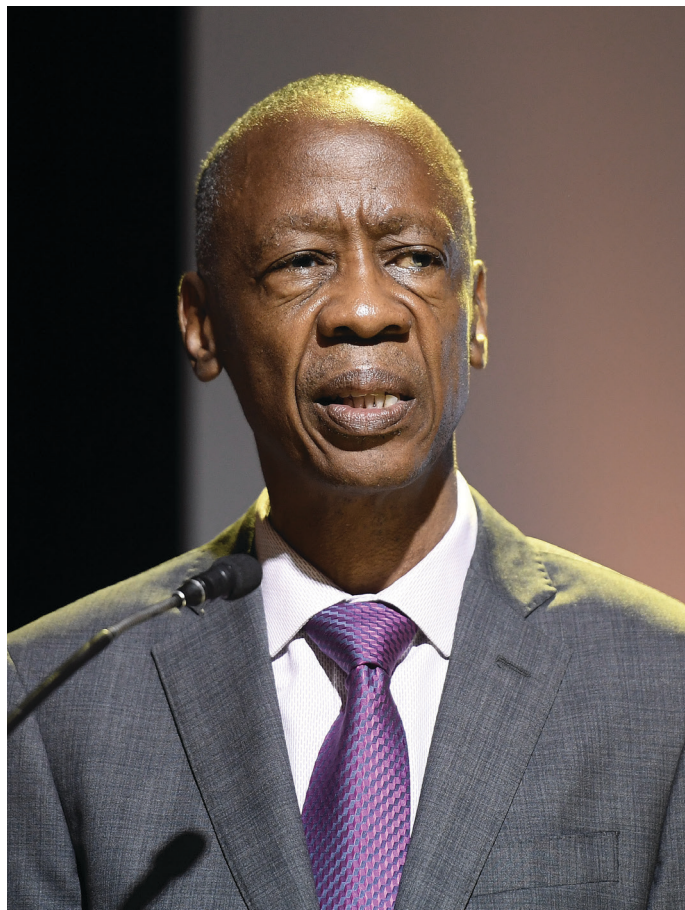
# HIGHLIGHTS



3rd Annual Listings & Investment Conference\_Group Picture



Official Address\_His Honour, The Vice President of the Republic of Botswana, Mr. Mokgweetsi E.K. Masi delivering the official opening address



BSE Main Committee Chairman, Lt. General Tebogo C. Masire, delivering the Welcome Remarks

## HIGHLIGHTS



Launch of the Sustainability Report, BSE CEO Mr. Thapelo Tsheole



Launch of the Sustainability Report, UNDP Resident Representative Mrs. Jacinta Barrins



Barclays Bank of Botswana Limited Managing Director, Reinette van der Merwe



BIHL Group CEO, Ms. Catherine Lesetedi & Bank of Botswana Governor, Mr. Moses Dinekere Pelaelo.



Botswana Telecommunications Corporation Limited Managing Director, Anthony Masunga



Local Enterprise Authority CEO, Dr. Racious Moatshe

# 3rd Annual BSE Listings & Investment Conference 2018



2018 Ring the Bell for Gender Equality a United Nations Sustainable Stock Exchange (SSE) Initiative by BSE CEO, Mr. Thapelo Tsheole & BIHL Group CEO, Ms. Catherine Lesetedi and BSE Executive Management



Dignitaries



Panel Discussion 1 - THE ROLE OF A STOCK EXCHANGE IN FACILITATING ECONOMIC GROWTH & DIVERSIFICATION



Panel Discussion 2- STOCK EXCHANGE & SME DEVELOPMENT



Delegates Inputs & Discussions



Delegates Inputs & Discussions



Panel Discussion 3-CHALLENGES & OPPORTUNITIES AROUND FAMILY OWNED BUSINESSES



Panel Discussion 4 - THE ROLE OF LEGISLATION IN FACILITATING LISTINGS

# 3rd Annual BSE Listings & Investment Conference 2018

## HIGHLIGHTS



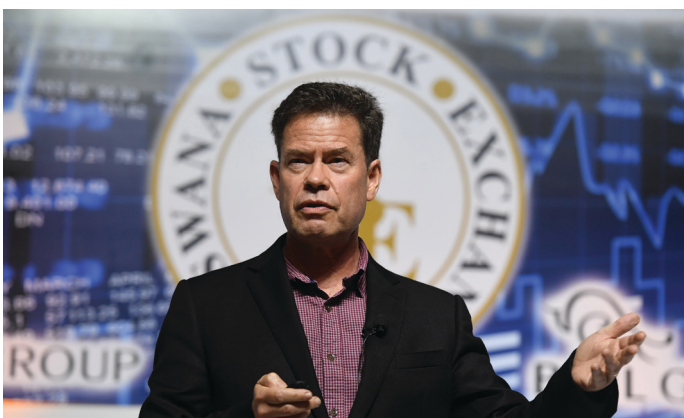
Full House



World Federation of Exchanges, Head of Research & Public Policy, Siobhna Cleary



Conference Chairs\_ BSE Head of Finance & Administration, Mrs. Mpho Mogasha & BIHL Group Program Manager, Teko Mومakwa



Keynote Speaker, Brian Armstrong - Presenting on The Future of the World



Lightning Talk\_Portfolio Executive at African Rainbow Capital, Brian Mushonga.

# 3rd Annual BSE Listings & Investment Conference 2018



Delegates Inputs & Discussions



BSE CEO, Mr. Thapelo Tsheole engaging with delegates during tea break



BSE CEO, Mr. Thapelo Tsheole engaging with delegates during tea break



Delegates Inputs & Discussions



Panel Discussion 5\_FINANCING ENTREPRENEURSHIP & INNOVATION THROUGH THE CAPITAL MARKET



The Bank of Botswana Governor, Mr. Moses Dinekere Pelaelo, delivering the closing remarks

# A CLOSER LOOK AT THE ORGANISATIONS THAT SPONSORED THE 2018 LISTINGS AND INVESTMENT CONFERENCE

**B**otswana Insurance Holdings Limited Group (BIHL) is a leading financial services group, providing financial solutions to individual and institutional clients.



BIHL Group CEO, Ms. Catherine Lesetedi

## Diamond Sponsor



Their solutions include individual, group, and short & long term insurance, savings and linked products, asset management, and employee benefits. These solutions are offered through their subsidiaries Botswana Life, BIFM

and Legal Guard. BIHL Group has been a long standing listed company on the Botswana Stock Exchange (BSE) as they have been officially listed since 1991. During the initial subscription, BIHL shares were floated at 22 thebe and the public issue was over-subscribed by 273%. This year marks their 27th year on the local bourse. A commitment that has contributed significantly to their growth story over the years.

As their slogan suggests, "Strength in Numbers", BIHL's partnership with the BSE on the Annual Listings & Investment Conference from 2017 to 2020, is testimony to their belief in nurturing the local capital markets for the benefit of citizens, the private and public sector and the economy of Botswana as a whole.

## Associate Sponsors



## Media Partners



# CAPITAL MARKETS: A VITAL PLATFORM FOR FAMILY-OWNED COMPANIES



Siobhna Cleary, Head of Research & Public Policy, World Federation of Exchanges



Vijak Naik, Managing Director of Flotek Pipes

**F**amily-owned businesses play an important role in any economy. However, their contribution to the country's socio-economic agenda can be propelled further by listing in the stock market, although the decision to go public has constantly been a knotty issue within members of family-owned firms.

However, fears associated with listing can always be dealt with, provided family members are willing to let go part of their stake in the respective companies they own. This is the general view which came out clearly from four panelists who debated the topic, 'Challenges and Opportunities around family-owned businesses' at the recent Botswana Stock Exchange (BSE) Listings and Investment Conference in Gaborone. As a matter of fact, the BSE, which

provides a platform for listings and trading of shares, bonds and Exchange Traded Funds (ETFs) has over the years witnessed more listings from companies who have diverse and expanded shareholding structure as opposed to family-owned businesses. This clearly shows that, family-owned companies are to some extent unenthusiastic to shed a portion of their companies, albeit the reality that listing has proved to be advantageous as far as growth, improvement of accountability and governance are concerned.

According to Taolo Modisi, the Managing Director of Alpha Reign and Siobhna Cleary, Head of

Research and Public Policy at World Federation of Exchanges (WFE), listing on the bourse provides family run and owned companies with a perfect stage to raise capital and

However, fears associated with listing can always be dealt with, provided family members are willing to let go part of their stake in the respective companies they own.

improve corporate governance which is critical for any business to grow. "Listing enhances the company's profile (before the eyes of investors and the general public)," noted Modisi who has a graduate degree in science from Waynesburg University, United States of America (USA). It is clear that, family-owned firms should use the stock exchange as it

CONTINUED ON PAGE 18

### FROM PAGE 17

provides them with an opportunity to tap into resourceful financiers, customers and suppliers both locally and internationally. “Listing is like a complementary marketing tool for companies,” Modisi told the 3rd Annual Listings and Investment Conference which was attended by 400 delegates from Botswana and outside.

Family-owned businesses, which according to available data, employ 50 percent of the world’s population and contribute 70 percent to the global Gross Domestic Product (GDP) should not be scared to go public since they (companies) will have the opportunity to contribute to the broader economy. To make her point clear, Modisi stated that, listed companies in many ways allow the larger population to own shares which act as savings for future use.

Additionally, more and more companies listed in the BSE are using their listing status to offer employees share options, which according to Modisi acts a motivational factor (for employees). Wilderness Holdings Limited, Anglo American group, Chobe Holdings Limited are just some of the BSE quoted companies which are using the bourse to empower staff members through share schemes.

Cleary, who joined WFE in 2015 told delegates who included members from the debt capital firms, asset managers, banks, corporate lawyers, stockbrokers that, it is beneficial for family businesses to go public as this will avail them an opportunity to expand into external markets.

Botswana has a population of about 2.5 million, which means it cannot wholly support the produce of local companies. “Local firms need to move out of their comfort zones,” noted Cleary who has an LLB and MBA from the University of Cape Town (UCT).

Choppies Enterprise Limited, a budget retail store, is perhaps the best example of how a stock exchange can help a company to move out of its ‘comfort zones’ into uncharted, yet profitable territories. Formed by a close-knit family in Lobatse in the 1980s, Choppies is now one of the retail groups to reckon with. The growth of Choppies can be credited to company’s floating of shares at BSE and subsequently at Johannesburg Stock Exchange (JSE). It has used the bourse to raise funds that were late injected in the company’s expansion push. Most of the company’s continental expansion happened after the company was listed. The group’s Chief Finance Officer, Sanooj Pullarote, also took part in the panel which discussed how family businesses can take advantage of the capital markets in order to push growth despite the perceived challenges associated with going public.

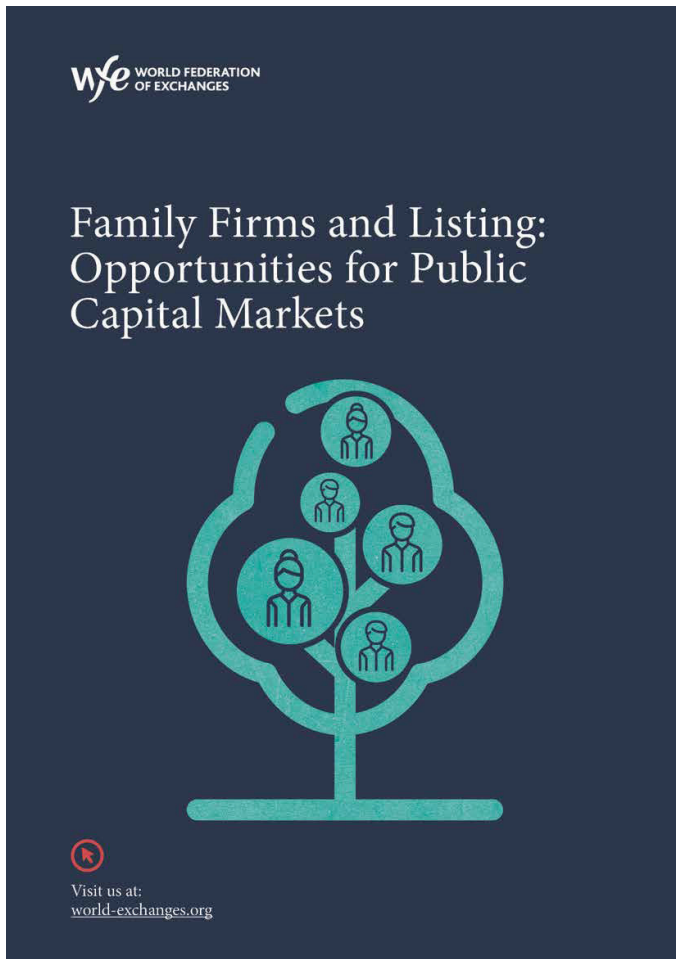
According to Choppies Chief Finance Officer, company books need to be in-order before any listing can be mulled over. “Accountability is also important,” he stressed. Choppies which now operates in several African countries such as South Africa, Mozambique, Zimbabwe and Tanzania started preparing for listing as early as 2008, although

the company was eventually listed in 2012. Flotek Pipes, Managing Director, Vijay Naik agrees with Pullarote when he spoke about accountability in family-owned companies. “Accountability should start at the top (managers),” opined Naik who runs the biggest pipes manufacturing firm in Botswana. His company, which was founded in 1998, is among a growing number of companies which are considered ripe for listing.

Internal audit and a properly constituted board of directors should also form an integral part of family-owned businesses even before they could go public. Modisi added that, family-owned businesses should also make it a point that they attract highly-talented managers who can come up with strong business plans which are key to investor attraction. “Investors want ambitions, yet practicable business plans,” said Modisi.

### CHALLENGES WITH FAMILY-OWNED BUSINESS

The stock market is a perfect platform for family-owned businesses despite inherent challenges that inhibit family businesses to go public. To elaborate further on short-comings, Cleary cited a report by the WFE on family-owned business and listing. Most of family-owned businesses view listing as an unnecessary and costly exercise, which exposes them to possible external control. While listing offers an opportunity for firms to raise more funding in the open market, family-owned businesses prefer internal financial resources. They hold a view that external



funding exposes them to possible control by prospective shareholders.

“Overall, family firms tend to prefer financing choices that do not open them to external control. This translates into a preference for use of internally generated funds (such as retained earnings), and to prefer debt over equity finance to fund their operations and investments,” said the WFE report under the title, ‘Family firms and listing: Opportunities for Capital Markets’.

The other challenge within family-owned businesses centres on corporate governance. Most of family-owned businesses were formed to specifically achieve family objectives or privileges. “This may create corporate governance challenges, for example when family owners/managers use the business to guarantee employment for family members who do not possess the required skills, or to ignore shirking or under-performance by family members,” noted the WFE report which was co-authored by Cleary and Senior Economist, Stefano Alderighi.

Family companies tend to hire family members at the expense of non-family members who are qualified. This often becomes problematic for the business going forward. Family-controlled businesses are often formed to satisfy family interests and maintain control of the firm. This explains why ‘family may manage the company in a way that deviates from traditional expectations of profit maximization’

### HOW STOCK EXCHANGES CAN ASSIST FAMILY-OWNED FIRMS

Stock exchanges like the BSE can play a major role which can ultimately ensure family-owned firms reap the benefits that comes with listing. Cleary stated that, family-owned businesses can still retain a large chunk of the business post the listing period. She gave an example of the BSE which allows a minimum of 20 percent of issued capital. In recent years, the BSE has gone on an overdrive to attract listings in the stock market. Annually, the BSE hosts open days in various towns and villages around the country to sensitize different segments of the society on the importance of listing. There is also the bond market and listing and investment conferences which target local and international companies. However, the WFE report suggests that more work can still be done to woo family-owned businesses to the bourse. There is need for stock markets to define the market size. “As a starting point, the exchange should quantify the size of the market opportunity. This means identifying the number of family firms in the jurisdiction that are of sufficient size to meet the listings requirements (either the main market or the SME market, if present),” said the report. Stock exchanges should also organize intimate sessions with family-owned business to discuss the importance of capital markets. Unlisted family firms fear ‘losing’ control of their companies post listing. In this aspect, stock exchanges should work hard to address this concern or perception. According to WFE some stock markets use the free float requirements to ensure family-owned businesses still retains a large share of the company even after listing. “Some markets permit the issuing of dual-class shares, which would allow the family to retain greater control than its ownership stake may suggest,” said the WFE report.

# CAPITAL MARKETS BUOYANT AMID SUBDUED ECONOMY

The country's financial markets has grown exponentially in recent years despite the domestic economy having blown hot and cold owing to depressed diamonds markets which hold key to the country's economic prosperity.

The Botswana Stock Exchange (BSE), which is the country's only stock exchange, has witnessed more listings ranging from equity, bonds to rights issues even though the economy has been missing growth forecasts for several years now. The buoyant expansion of the capital markets can also be noticed from the amount of trading on a daily, monthly and yearly basis at the BSE.

Four local economists and markets commentators polled by *BSE News* magazine, all concur that the BSE has managed to defy the economic odds in Botswana, and there are a number of underlying factors for this bullishness.

Take for example in 2015, the domestic economy contracted by 1.7 percent. However, during this period, the BSE, which is managed by Thapelo Tsheole registered a record turnover of P3 billion, an improvement when compared to P2.2 billion in 2014. Writing in the 2015 annual report, the then Chairperson of the BSE Main Committee, Regina Sikalesele Vaka said the



BSE CEO Mr. Thapelo Tsheole

turnover translated into P12.2 million shares traded daily. In the same year, the Domestic Company Index (DCI) more than doubled its growth and ended the year with an appreciation of 11.6 percent compared. Responding to BSE News questions on why the capital markets

weaker than developed markets, and that a weaker economy does not necessarily results in weaker capital markets"

"Also because most investors buy and hold securities and do not actively trade them in the secondary market," added Sebabole who is reading for

Sustained marketing activities by the BSE have also played a pivotal role in ensuring the market continues to attract more securities and grow eventually.

in Botswana continue to growth in leaps and bounds, First National Bank Botswana's Market Strategist, Moatlhodi Sebabole said, "unlike in other developed markets, the local stock market is considered to be weak-form efficiency. This basically means that, the causality between economy and the stock market is

his PhD in finance at University of Stellenbosch, South Africa. There are other reasons that have lifted the stock markets lately.

Sustained marketing activities by the BSE have also played a pivotal role in ensuring the market continues to attract more securities and

grow eventually. This is according to Mphoeng Mphoeng, a finance lecturer at the University of Botswana (UB).

“Due to sustained marketing drive from the BSE, we have therefore seen more and more companies come to them (capital markets) to raise capital as a matter of necessity,” he told BSE News. To elaborate his point, Mphoeng said that, the reason some companies will prefer to go to the capital markets is that, banks tend to pull back from lending when the economy is down in a bid to cut on possible debts. This was perhaps the case at BSE when the economy contracted by 1.7 percent in 2015.

“The BSE will continue to observe the extent to which the change in brokerage commission will affect trading activity going forward, but is thus far of the view that this is not a prominent factor,” said the BSE Chief.

during the period under review. Under the revised structure, a floor commission structure of 0.60 percent was introduced as commission charged by brokers.

“The BSE will continue to observe the extent to which the change in brokerage commission will affect trading activity going forward, but is thus far of the view that this is not a prominent factor,” said the BSE

individuals and local companies bought stake in the company by way of shares. The listing of BTCL, coupled with improved marketing of the stock led to improved visibility and interest in investing in the capital market. This is the view of Barclays Bank of Botswana economist, Naledi Madala. Under Tsheole’s leadership, the BSE has started bond and listings conference which are aimed at internationalizing the bourse and



In 2016, the BSE continued to grow in turnover, but could not beat the 2015 figures. Writing in the 2016 annual report, Tsheole stated that, the fall in turnover to P2.5 billion is in part attributable to the brokerage commission structure implemented

Chief. The 2016 period was a major success for the market, as Botswana Telecommunication Corporation Limited (BTCL), was privatized and subsequently listed on the BSE, floating 49 percent. For the first time in Botswana, more than 50,000

attracting local and international companies to consider the bourse as a home for capital raising and trading.

“There could be other reasons why the local capital markets have remained strong regardless an

CONTINUED ON PAGE 22

All experts interviewed by BSE News magazine have the same opinion that, a strong economy normally has a positive impact on the financial markets. Nonetheless, Botswana's capital market has remained strong amid a lackluster economy. In developed countries such as South Africa, the relationship is much clear.

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otherwise subdued economy," according to Kgori Capital Investment Analyst, Antwi Kwabena. Local companies have been inwardly looking because there was an ample of opportunities to be exploited. In the recent past, openings became limited and there was need to look beyond the borders for growth. The need to expand came with capital requirements which led to some companies listing in the bourse to raise capital. Old companies in the bourse opted for rights issues or medium term notes programs.

Choppies Enterprise Limited, Turnstar Holdings Limited, Sefalana Holdings, Wilderness Holdings are some of the locally-quoted companies who have expanded to other markets away from Botswana in recent years. Some have used existing resources while others have opted to issues rights issues and other debt raising instruments for their capital. In 2017, BSE witnessed listings from companies such as Tlou Energy, CA Sales, Minergy Limited who are all actively involved in economic activities in Botswana.

All experts interviewed by BSE News magazine have the same opinion that, a strong economy normally has a positive impact on the financial markets. Nonetheless, Botswana's capital market has remained strong amid a lackluster economy. In developed countries such as South Africa, the relationship is much clear.

"As an example, South Africa has a large capital market not only because it has a big economy but because the economy has many large and medium companies which in turn have the financial credibility to mobilize capital by issuing equity and bonds to investors on capital markets," said Madala.

Mphoeng, who has previously worked for Botswana Investment Fund Management (BIFM) holds the view that, 'Botswana has a fairly unsophisticated capital market'. This basically means the correlation between the growth in the economy and capital markets are not jointed unlike in developed markets.

"The combination of companies needing increased financing, banks not lending, "improving" capital markets sophistication and "abundant" liquidity have led to a strong capital markets performance over the past few years," said Mphoeng.

In conclusion, it can be noted that, there is a strong correlation between the economy's performance and that of the capital markets which is well documented. However, with the case of Botswana, such correlation has now not been founded due to other factors. This has been made clearer by the recent buoyancy of the capital markets while the economy has not matched such growth levels.

## SUBSCRIBE TO THIS NEWS SERVICE



In July 2014, the Botswana Stock Exchange (BSE) announced the introduction of the Exchange News Service called X-News. This information portal would allow for the dissemination of Listed Company information to the market in real-time, facilitating punctual, equal and wide exchange of relevant news and information. Information made available on X-News include, but not limited to, all Press Announcements, Prospectuses, Pre-listing Statements

and Circulars as per the BSE Listings Requirements.

Subscribers to the X-News E-mail Service are afforded the luxury of receiving the latest market news updates 15 minutes prior to uploading on the BSE Website and ATS Message Board. All news updates on the service is dispatched to the subscriber's designated e-mail address. Assisting investors to make informed, financial decisions.

The cost of the X-News Service is BWP3, 360.00 per annum, including VAT. Renewals for the service are conducted every year on or before December 31.

**For more information on the X-News Service, kindly contact the Listings & Trading Department on +267 3674400.**

# MARKET PERFORMANCE 2017

## SECTOR STATISTICS FOR 2017 BY THE VOLUME OF SHARES TRADED, VALUE OF SHARES TRADED AND MARKET CAPITALIZATION

DOMESTIC BOARD	Volume	Value (Pula)	Market Cap (Millions of Pula)
<b>Financial Services and Insurance</b>			
Letshego	157,144,237	319,179,599	4,030.80
Imara	36,229,851	76,082,687.10	Delisted 31 <sup>st</sup> March
Afinitas	174,800	177,806.55	224.64
BIHL	7,871,406	145,676,506.56	5,235.15
	<b>201,420,294</b>	<b>541,116,599.22</b>	<b>9,490.59</b>
<b>Retail &amp; Wholesaling</b>			
Choppies	70,849,200	176,384,434.65	3,154.78
Furnmart	922,941	558,710.44	333.55
Sechaba	17,346,948	353,148,746.04	2,589.80
Sefalana	9,074,871	100,296,720.20	2,444.59
Olympia	-	-	5.72
	<b>98,193,960</b>	<b>630,388,611.33</b>	<b>8,528.44</b>
<b>Property &amp; Property Trust</b>			
Turnstar	32,849,057	106,891,005.04	1,882.39
RDCP	7,464,393	20,146,221.46	816.74
Primetime	41,924,133	43,551,880.22	770.65
Letlole	24,784,309	55,422,821.87	602.00
NAP	157,521,484	505,110,393.32	1,940.11
FPC	6,827,213	17,129,510.96	998.46
	<b>271,370,589</b>	<b>748,251,718.90</b>	<b>7,010.35</b>
<b>Banking</b>			
Barclays	7,685,123	44,086,984.70	5,198.18
FNBB	117,133,253	296,395,726.57	5,973.42
StanChart	2,813,144	17,224,894.82	1,533.52
	<b>127,631,520</b>	<b>357,707,606.09</b>	<b>12,705.12</b>
<b>Security Services</b>			
G4S	1,087,448	4,350,888.91	319.20
	<b>1,087,448</b>	<b>4,350,888.91</b>	<b>319.20</b>
<b>Tourism</b>			
Cresta	1,633,963	2,080,282.63	208.64
Chobe	3,577,889	31,364,661.06	820.16
Wilderness	2,266,297	12,394,545.46	1,305.67
	<b>7,478,149</b>	<b>45,839,489.15</b>	<b>2,334.47</b>

## MARKET PERFORMANCE 2017

<b>DOMESTIC BOARD</b>	<b>Volume</b>	<b>Value (Pula)</b>	<b>Market Cap (Millions of Pula)</b>
<b>Energy</b>			
Engen	3,834,929	39,942,980.66	1,693.06
	3,834,929	39,942,981	1,693.06
<b>Mining &amp; Material</b>			
Minergy	182,458	194,421.30	394.83
	182,458	194,421	394.83
<b>ICT</b>			
BTCL	49,951,448	67,242,399.41	1,932.00
	49,951,448	67,242,399.41	1,932.00
<b>TOTAL</b>	<b>761,150,795</b>	<b>2,435,034,715</b>	<b>44,408.06</b>

<b>FOREIGN BOARD</b>			
<b>Financial Services and Insurance</b>			
Blue	-	-	2,605.38
Investec	-	-	16,676.49
	-	-	19,281.87
<b>Retail &amp; Wholesaling</b>			
CA Sales	8,916,547	30,778,562.28	1,473.83
	8,916,547	30,778,562	1,473.83
<b>Mining &amp; Material</b>			
Anglo	-	-	344,268.73
African Energy	123,152	35,103.76	175.47
GG	-	-	-
A Cap	93	32.55	305.16
BOD	324,525	67,578.62	100.99
Lucara	300,971	6,675,589.72	7,269.77
Magnum	752,506	37,625.30	42.52
Shumba	3,440,556	4,022,771.75	306.94
Tlou Energy	-	-	510.43
	4,941,803	10,838,702	352,980.01
<b>TOTAL</b>	<b>13,858,350</b>	<b>41,617,264</b>	<b>373,735.71</b>
<b>TOTAL - DOMESTIC &amp; FOREIGN</b>	<b>775,009,145</b>	<b>2,476,651,979</b>	<b>418,143.77</b>

# MARKET-MAKING CAPACITY BUILDING SEMINAR



The Botswana Stock Exchange (BSE) will host a Capacity Building Seminar on Market-Making on Equity and Fixed Income Securities on August 2, 2018. The full day Seminar which is informed by Exchange's strategy to increase liquidity on the market, is aimed at providing potential market-makers and other capital market operators with enhanced and broaden knowledge of Market-Making with a glimpse of how is it conducted in other jurisdictions and how it will be carried out at the BSE.

Generally, Market-Markers improve liquidity on any Exchange and the BSE should not be an exception to benefit from market-making activities. The Seminar will be of benefit to potential market-makers, listed companies, investors in general and other relevant capital markets operators involved in market-making operations.

### Key Benefits of Attending:

This highly interactive full day Seminar has been specifically created to give you valuable information on market-making analytics, in one afternoon of networking

with market-making experts, where you will:

1. Walk away with a clear idea of what market-making is all about
2. Gain a complete picture of how market-making on equities and fixed income securities will be carried out on the BSE
3. Hear exclusively from market-making experts from other jurisdictions on how market making activities are conducted at their respective jurisdiction
4. Network with and walk away with the most valuable contacts as we bring you experts from other jurisdiction
5. Gain access to all the crucial information relating to market making operations such as market making tools, risk management, fees, best practices, technology involved etc.

Do not miss this unique opportunity to gain the know-how and make the connections you need to make the best choice to enhance your market-making analytic capabilities.

The venue of the Seminar will be communicated in due course.

**For more information, contact the listings department at [listings@bse.co.bw](mailto:listings@bse.co.bw)**

## ANNUAL REFRESHER WORKSHOP

On the 7th June 2018 the BSE will host the annual refresher workshops which aim to educate market participants on the BSE Listings Requirements. The workshop is open to the compliance officers and management of listed companies, chief financial officers, legal fraternity, accountants and auditors, corporate advisers and any other market participants. The venue of the workshop will be communicated closer to the event date.

The topics to cover include but are not limited to:

- The role of the BSE
- The regulatory environment
- Conditions for bringing a company to listing
- Disclosure and continuing obligations
- Corporate transactions

- Mineral companies
- Property companies
- Sanctions
- Corporate Governance
- BSE Fees
- Tshipidi SME Board
- Specific Acquisition Companies
- X-News service

For more information, contact the Listings & Trading Department at [listings@bse.co.bw](mailto:listings@bse.co.bw)



# 2017 REVIEW & 2018 OUTLOOK BY IMARA SECURITIES

**Gregory Matsake**  
CEO, Imara Capital Securities

**R**eal GDP grew by 0.8% y-o-y and 0.2% q-o-q, in the first quarter of 2017, compared to a 2.3% y-o-y and 3.5% q-o-q increase, recorded in Q1 16. The growth was attributed to real value added of Trade, Hotels and Restaurants; and Finance and Business Services which increased by 18.7% and 5.4%, respectively, while Water and Electricity, Mining, and Manufacturing, decreased by 32.2%, 28.9% and 0.3%, respectively. The mining sector's decline in value add during Q1 17 was mainly on the back of the closure of copper/nickel mines during Q4 16. In Q1 17, copper/nickel production was zero due to the provisional liquidation of the BCL mine in October 2016. Diamond value add decreased by 2.8% during the quarter emanating from subdued diamond prices which saw a reduction in diamond production.

Q2 saw GDP register a modest upturn of 1% y-o-y and 1.9% q-o-q, with all industries having recorded positive growth except the Mining and Manufacturing sectors which decreased by 13.8% and 0.2%, respectively, during the quarter. Trade, Hotels and Restaurants remained the major contributor to GDP at 20.2% during the quarter followed by General Government at 14.9% while Mining came third with 14.7%. Trade, Hotels and Restaurants' contribution increased because of the inclusion of diamond aggregation processes under the wholesale sub sector during Q2 17.

Real GDP was down 0.9% q-o-q in Q3 17, but was up 1.2% y-o-y compared to 6.9% in Q3 16. The increase was attributed to real value added of Water & Electricity (+15.7%), Finance & Business Services (+4.8%), Transport & Communications (+4.5%) and Mining (+4.4%) industries. Although Electricity recorded a negative value added of BWP 103.2m (Q3 16: BWP 117.8m), an increase in local electricity production by 10.7% and a decrease of 62.1% in electricity imports led to the improvement.

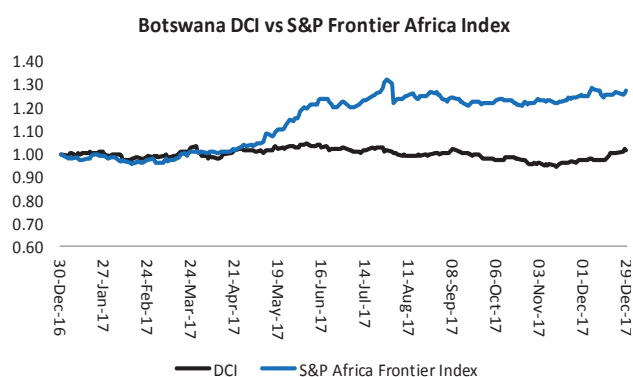
As at November 2017, foreign exchange reserves remained flat y-o-y at USD 7.8bn. Total deposits from the public

Top 5 gainers and losers- 2017	Opening Price (BWP)	Closing Price (BWP)	% change (BWP)	% change (USD)
BSE-DCI	9,400.71	8,860.13	-5.75%	1.68%
BTCL	0.98	1.84	87.76%	102.55%
Barclays	5.04	6.1	21.03%	30.57%
Chobe	7.7	9.17	19.09%	28.48%
Afinitas	0.94	1.05	11.70%	20.51%
NAP	2.94	3.21	9.18%	17.79%
Sefalana	13.00	9.75	-25.00%	-19.09%
Sechaba	27.00	19.47	-27.89%	-22.21%
StanChart	7.75	5.14	-33.68%	-28.45%
BOD	0.40	0.22	-45.00%	-40.67%
African Energy	0.53	0.28	-47.17%	-43.01%

Source: IAS/BSE

Top Ten Shares by Market Cap.			
Company	(BWP m)	(USD m)	% of Total
FNBB	5,973.42	611.08	13.58%
BIHL	5,198.18	531.77	11.82%
Barclays	4,030.80	412.35	9.16%
Letshego	3,154.78	322.73	7.17%
Choppies	2,589.80	264.94	5.89%
Sechaba	2,319.22	237.26	5.27%
Sefalana	1,940.11	198.47	4.41%
NAP	1,921.50	196.57	4.37%
BTCL	1,882.39	192.57	4.28%
Turnstar	1,693.06	173.20	3.85%

Source: IAS/BSE



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# BROKER OUTLOOK & REVIEW

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increased by 6.62% to BWP 66.6bn (November 2016: BWP 62.4bn); while loans and advances grew by 5.42% to BWP 54.1bn (November 2016: BWP 51.3bn), with the household sector accounting for 19.9% and 60.7% of the respective measures.

Average inflation rose to 3.3% for 2017 compared to the previous year's 2.8%, with all group indices in positive territory. The transport index group, which has the highest weighting in the CPI, registered the second highest annual growth rate of 4.1% y-o-y, after Housing, Water, Electricity, Gas and Other Fuels (5.8%). This was underpinned by the increases in retail pump prices for petrol and diesel of BWP 0.20 per litre each, effected on 1 November 2017 and another increase of BWP 0.30 for petrol and BWP 0.30 per litre for diesel, effected on 10 December 2017. The inflation rate was above the lower limit of the Bank of Botswana's medium term objective range of 3% - 6% for majority of 2017, only falling below the range in November 2017 to 2.9% and peaking at 3.5% in March, May, and June.

## Market Review for 2017

The DCI contracted by 5.75% in pula terms in 2017 to 8,860.13 pts vs. 9,400.71 pts at the end of 2016. However, due to the appreciation of the BWP against the USD, in USD terms the DCI edged up 1.68% y-o-y. The DCI registered q-o-q losses in Q1 (-1.87%), Q3 (-3.40%), Q4 (-0.79%), but registered a gain of 0.21% in Q2. The DCI's annual loss was largely attributable to the weakening of some of the large cap stocks such as FNBB (-21.28%), Letshego (-18.26%), Sechaba (-27.89%) and Sefalana (-25.00%).

12 counters on the domestic bourse closed the year in the green, 2 were flat and 11 ended in the red. BTCL was the top performer for the year. Other top gainers included Barclays (+21.03%), Chobe (+19.09%), Afinitas (+11.70%) and NAP (+9.18%).

StanChart closed 2017 as the biggest loser amongst the domestic companies, shedding 33.68% to BWP 5.14. The bank was particularly hard hit and reported a loss of BWP 57.4m at H1 18 vs. a profit of BWP 62.9m at H1 17. The group's profitability was adversely impacted by a once off impairment for a specific client in its corporate business which resulted in a significant impairment loss. Other

notable losers for the year included Sechaba (-27.89%), Sefalana (-25.00%), FurnMart (-21.43%) and FNBB (-21.28%).

Not much bullish activity was recorded on the foreign bourse, reflective of low investor confidence mainly in the mining stocks. The FCI closed the year 0.68% down y-o-y in pula terms at 1,574.92 pts and 8.62% up in USD terms. CA Sales (+1.74%) was the only counter that registered a price gain for the year, while African Energy (-47.17%) was the biggest loser followed by BOD (-45.00%), Lucara (-24.06%) and Shumba (-0.85%). Raven, Anglo, Tlou Energy, Investec and Anglo traded flat y-o-y.

Market activity on the domestic bourse decreased by 1.21% y-o-y to 761.1m shares transacted vs. 770.3m shares at FY 16. On the other hand, there was an upturn registered on the foreign board – with volumes and market turnover up 89.04% and 228.10% y-o-y (13.8m shares worth BWP 39.7m traded in FY 17 vs. 7.3m shares worth BWP 12.1m in FY 16). This was mainly attributable to CA Sales' IPO which accounted for 64.40% of total volumes traded and 72.72% of total market turnover in the subsector. Market turnover was flat y-o-y at BWP 2.5bn on 775.0m shares traded compared to the previous year's 777.9m shares.

NAP was the most traded counter with contributions of 20.33% of volume and 20.41% of value traded, largely attributable to the 142.2m linked units worth BWP 456.5m (23.53% of issued securities) that traded on 19 July 2017, having been released by Cash Bazaar Holding - NAP's holding company - which now has a shareholding of 30.4%. In terms of liquidity, Letshego followed with contributions of 20.25% to volume traded; and regarding turnover, Sechaba was second accounting for 14.27% of value traded.

Trading activity peaked in the third quarter, partly attributable to the aforementioned NAP transaction, with a total of 364.2m shares worth BWP 1.2bn changing hands during the period under review. Even on a like-for-like basis, Q3 recorded the most deals with a total of 222.0m shares worth BWP 784.1m, mainly attributable to trades in Letshego and FNBB which accounted for 26.34% of volumes and 20.73% of value, respectively. There was a slight decline y-o-y in average daily market turnover to

10 Most active stocks by volume		
	Vol	% of total
NAP	157,522,799	21.10%
Letshego	156,947,783	21.03%
FNBB	116,471,099	15.60%
Choppies	70,851,200	9.49%
BTCL	49,951,448	6.69%
Imara	36,229,851	4.85%
Turnstar	32,779,084	4.39%
PrimeTime Rights	28,532,659	3.82%
Letlole	24,980,763	3.35%
Sechaba	17,346,948	2.32%

Source: IAS/BSE

10 Most active stocks by value			
	Val (BWP)	Val (USD)	% of total
NAP	505,114,614	51,168,110	20.41%
Sechaba	353,148,746	35,773,968	14.27%
Letshego	319,179,599	32,332,893	12.90%
FNBB	296,409,239	30,026,256	11.98%
Choppies	176,384,435	17,867,743	7.13%
BIHL	145,439,573	14,733,029	5.88%
Turnstar	105,743,637	10,711,830	4.27%
Sefalana	100,296,720	10,160,058	4.05%
Imara Holdings	76,082,687	7,707,176	3.07%
BTCL	67,242,399	6,811,655	2.72%

Source: IAS/BSE

BWP 10.0m (USD 1.0m) on 3.1m shares vs. an average of BWP 10.2m (USD 958,291) on 3.1m shares in the prior year.

FNBB maintained its position as the largest cap stock on the domestic board, although its weighting declined to 13.58% (2016:16.29%), followed by BIHL with a weighting of 11.82% (2016: 10.54%). Following StanChart's poor price performance the bank fell out of the top 10 and was replaced by BTCL.

Total equity market capitalisation of domestic counters increased to BWP 4.4bn (USD 4.5bn) compared to the prior year's BWP 4.2bn (USD 3.8bn).

Corporate activity highlights for the year were as follows:

- FWA acquired an additional 61% of Imara Holdings shares following its offer of BWP 2.10 per shares, which closed on 27 January 2017; and subsequently delisted IHL shares from the Venture Capital Board of the BSE on 31 March 2017.
- Minergy, a coal play, listed 376.0m shares at BWP 1.00, on the Domestic Main Board of the BSE on 27 April 2017 following a successful placing to selected investors and members of the public.
- PrimeTime raised approximately BWP 200.0m net of expenses, by way of a Rights Issue (which closed on 12 May 2017) of 64.8m new linked units at BWP 3.10

each.

- On 19 July 2017, Cash Bazaar Holdings Ltd sold 142.2m shares worth BWP 456.5m (23.53% of NAP issued securities), making it the largest on market transaction for the year.
- On 14 August 2017, the BSE took the decision to unilaterally terminate the listing of Galane Gold.
- Letshego Namibia listed 500.0m shares on the NSX on 28 September 2017, with an initial market capitalisation of NAD 1.9bn, following an IPO where 100.0m shares worth NAD 4.70 were on offer. As a result of the IPO, LHL's shareholding in Letshego Namibia reduced from 85% to 79%, with LHL's share of the proceeds from the listing being NAD 114m, indicative of an under-subscription.
- Letshego bought back on market a total of 24.4m shares (1.0% of its issued share capital) on 9 October 2017. The aggregate consideration for the buy-back of shares was BWP 48.1m (BWP 1.97 per share).
- Shumba delisted its shares from the Development & Enterprise Market of the Stock Exchange of Mauritius on 28 August; and migrated its listing from the Foreign Venture Capital Market Board to the Foreign Main Board of the Botswana Stock Exchange on 30 October 2017.
- CA Sales, a distributor in the FMCG sector, listed 419.9m shares at BWP 3.45 shares on the Foreign Main Board on 9 November 2017 following a successful IPO (1.07x oversubscribed) of 136.1m shares.
- By way of introduction, Tlou Energy listed 327.2m shares at BWP 1.56 on the Foreign Main Board on 13 December 2017. Its business involves the appraisal and production of coal bed methane gas and the company is listed on the London Stock Exchange Alternate Investment Market (AIM) and the Australian Securities Exchange (ASX).
- The BSE lifted Olympia's suspension on 15 December 2017 which had been imposed on the company on 2 October 2013.
- On 18 December 2017, FNBB repurchased and cancelled 20.0m shares worth BWP 46.6m that were held in the FNBB Employee Share Participation Scheme Trust, which has been resolved to be terminated.

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# BROKER OUTLOOK & REVIEW

FROM PAGE 29

## Market Outlook for 2018

Following the estimated improved y-o-y GDP growth rate of 4.7% recorded in 2017 from the previous year's 4.3%, the domestic economic outlook remains positive. We expect growth to increase underpinned by an expected rise in demand for Botswana's mineral exports on account of an improved global economy based on improved growth prospects of advanced economies, despite heightened policy uncertainty in some of them. The Ministry of Finance and Economic Development's forecast for 2018 is for a growth rate of 5.3% for the domestic economy. The positive outlook is partly attributable to the expected improvement in Mining; Trade, Hotels & Restaurants; Transport & Communication, and Water & Electricity sectors which should continue to benefit from the implementation of the Economic Stimulus Programme adopted by Government to boost growth, and create employment opportunities. Job creation would increase disposable incomes which would have a positive effect on corporate earnings and improve overall investor participation. Growth prospects were previously constrained by water usage restrictions and power supply interruptions. Efforts undertaken to mitigate the risks of water and electricity shortages should continue to bear fruit, and thus will not pose a threat to value addition of other economic sectors in the short-medium term.

Despite the improvement in the local economy, which should augment counters' top-line growth, we are of the view that the market will continue to register bearish activity. We see the large cap stocks, mainly comprising of counters in the banking sector and financial services, continue to face trading challenges due to the prevailing all-time low interest rate environment following the central bank's dovish monetary policy stance which saw the bank rate further cut by 50 bps in October 2017.

Despite upward pressure from improved oil prices in 2018, we expect inflation to register subdued growth but still remaining close to the lower bounds of the 3% - 6% medium-term objective range in 2018, on account of subdued domestic demand pressure. In this regard, we believe that the central bank will maintain its prevailing monetary policy stance of softening rates in 2018 in order to stimulate economic activity through lower cost of borrowing.

The new listings of Minergy, Tlou Energy and CA Sales catalysed market growth 2017 and should continue to aid trading activity on the bourse in 2018. The former, dominated volumes traded on the foreign bourse with 8.9m shares worth BWP 28.8m traded at year end, although having been listed only in November.

## Top picks for 2018.

**Chobe:** The company has been on a stable upward trajectory, having registered a 3.05% y-t-d price gain, y-o-y growth of 19.09% in 2017 and a 5 year price appreciation of 263.46%. Despite recording these strong price gains, Chobe is trading at a discount in comparison to its peers. Although the counter registers an EV/bednight sold of BWP 2.38m/bednight vs. its peer average of BWP 1.54m/bednight, Chobe trades at a P/E of 11.75x vs. an industry average of 19.23x and an EV/EBITDA multiple of 7.55x vs. a sector average of 8.39x. Chobe registers an ROE of 25.85%, higher than the market average of 13.25% and industry average of 19.23%. Forecasts for the Southern Africa tourism sector point north and therefore we have a bullish view on the tourism and hospitality sector as a whole. Target price of BWP 11.22 - representing upside potential of 18.84%.

**Letshego:** Having fallen by 0.53% y-t-d, 18.26% y-o-y in 2017 and 8.78% over the past 5 years, Letshego's current share price of BWP 1.87 puts it on PER and PBV ratios of 6.22x and 0.94x, respectively, which are generally lower than its deposit taking peers in Botswana as has been the historical trend given its perceived higher risk business model. Letshego continues to expand its income streams by pursuing geographic, (having operations in 11 countries subsequent to entering Ghana) customer and product mix diversification (number of deposit taking businesses amount to six now). Letshego is trading at a significant discount and generally, we are positive on the company's growth and diversification story. Target price: BWP 3.28 - representing upside potential of 75.40%.

**Analyst: Kaone L. Kebonang**  
[kaone.kebonang@imara.com](mailto:kaone.kebonang@imara.com)



**Martin Makgathe**  
CEO, Motswedi Securities

# A BIRD'S EYE VIEW ON MARKET PERFORMANCE

**W**hat a year 2017 was. Some companies broke records in terms of share price appreciation that have never been reached in a long time on the Botswana Stock Exchange, while others closed the year in the red, much to the despair of some investors. It was no longer a competitive marathon on the local bourse after BTCL outpaced all other listed companies in terms of capital appreciation after the telecommunications giants closed the year 2017 88% higher. The second placed performer, Barclays was at a distant 21% ytd. Such is the beauty of the stock exchange, where one can be rewarded handsomely only if they pick the right stock and at the right time.

### What lies ahead in 2018?

The year 2018 is likely to be another challenging year. We do not expect BTCL to record the same gains recorded in 2017 as most investors are already cashing in on their previous gains and this has resulted in some selling pressure on the stock, weighing on the price. This is very normal in an exchange. The March

2018 financial results were key in determining the direction BTCL share price shall take. Investors will also be keeping a close eye on BTCL dividends as they navigate through this financial field. We can only hope for a better year and we remain hopeful. If the economy improves faster than most expectations, consumer stocks will smile all the way to the bank. Already we are seeing some green shoots with Choppies expecting an improvement in its financial results for the 6 months ended 31st December 2017. Already investors are feeling that good times are around the corner. Choppies is already on the 'most wanted list' for most investors. We hope these improvements in earnings are sustainable going into the future given the retail giant aggressive expansion drive.

Sefalana also seems to have hit the right cord. The company released an acceptable set of financial results for the six months ended 30 October 2017 with revenue growing by 13%, while gross profits rose by 8% and PBT came in 2% higher. A 10 thebe dividend was declared, much to the excitement of investors.

### Banking stocks showing performance

It's been a mixed bag on the banking stocks with Barclays soaring higher amidst expectations of an increase in profitability for the 2017 financial year. FNBB, Botswana's largest bank in terms of market capitalisation also performed better with most of the key matrix pointing in the right direction. Interest income came in 7% higher much to the surprise of many given the low interest rate environment, impairments came in 15% lower despite the increase in impairments in the whole banking sector. The decline in impairments reflects the quality loan book the bank has. As a result, profit after tax came in 9% higher and well within expectations. In contrast, Stanchart seems to be going through a tough period as it expects its FY financials for the year ended 31 December 2017 to be significantly lower than the previous period due to a significant impairment booked for one client in the current reporting period. We believe the banking giant will wake up one day from the current slumber and soar like an eagle once again.

CONTINUED ON PAGE 32

# BROKER OUTLOOK & REVIEW

FROM PAGE 31

## Defensive stocks

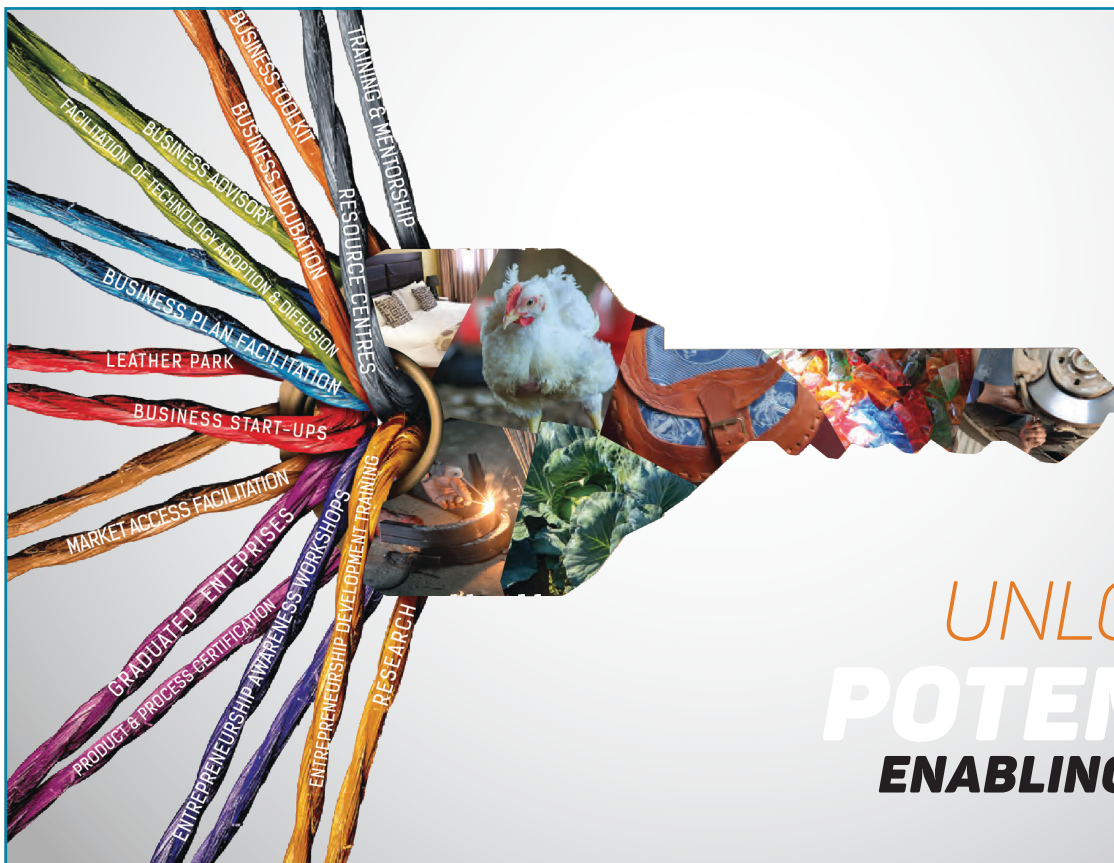
Most risk averse investors will likely cling onto their defensive stocks such as Engen, Chobe and NAP. These stocks are stable both in terms of risk and volatility of returns. They have a strong brand, have sustainable earnings and their earnings growth is sustainable in trying times.

## Looking ahead

Warren Buffet once said, "If you aren't thinking about

owning a stock for 10 years, don't even think about owning it for 10 minutes." We derive a big lesson from this quote. Stocks that are stable, are able to grow their earnings and have a strong business model will perform well in 2018. Stocks such as Sefalana, Barclays, Chobe, Engen, NAP, Letlole, Primetime among others are likely to finish off the year on a good position. BTCL is also a 'sitting duck' especially at these current levels and the dip in the share price should provide value investors with a good opportunity to acquire the stock at a cheaper price. The future is exciting.

[www.lea.co.bw](http://www.lea.co.bw)



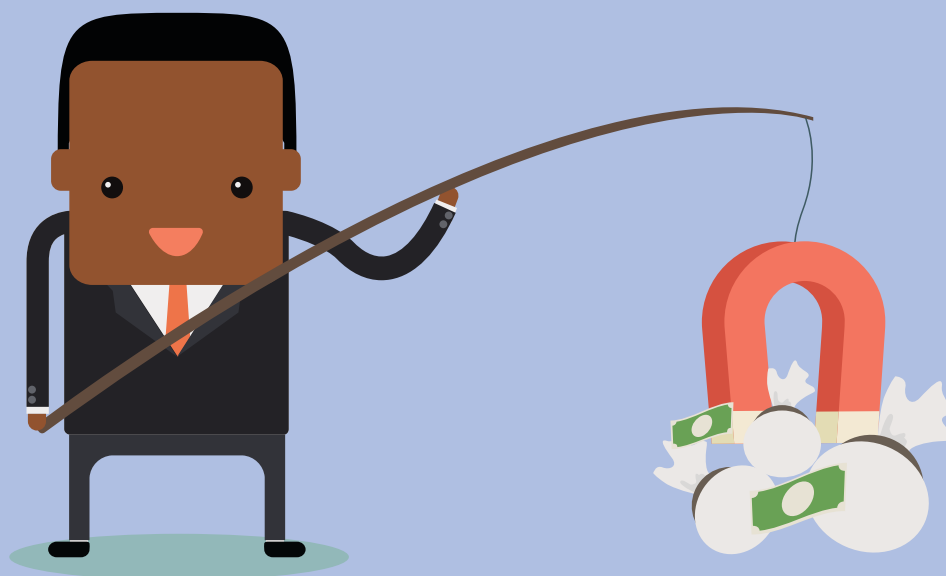
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# TRACKING THE PERFORMANCE OF THE MARKET, UNDERSTANDING BSE INDICES



## EQUITY INDICES

### PRICE INDICES

- **Domestic Company Index (DCI)**  
The DCI comprises all the domestic stocks listed on the domestic main board and on the domestic venture capital board
- **Foreign Company Index (FCI)**  
The FCI comprises all the foreign stocks listed on the foreign main board and on the foreign venture capital board

These are equity indices computed using market capitalization as the weighting methodology. The indices include stocks right from the date of listing and exclude stocks from the date of the delisting (the morning after).

### TOTAL RETURN INDICES

- **Domestic Company Total Returns Index (DCTRI)** The DCTRI comprises all the domestic stocks listed on the domestic

main board and on the domestic venture capital board

- **Domestic Financial Sector Index (DFSI)** The DFSI comprises all the domestic financial services stocks listed on the domestic main board and on the domestic venture capital board
- **Foreign Resource Sector Index (FRSI)** The FRSI comprises all the mining and energy stocks listed on the foreign main board and on the foreign venture capital board
- **Local Asset Status Index (LASI)** The LASI comprises all the stocks listed on the domestic board and those listed on the foreign boards that have been granted local asset status.

These are equity indices computed using market capitalization as the weighting methodology. The indices are computed on a total returns basis, capturing price appreciation as well the impact of dividends.

The indices include stocks right from the date of listing and exclude stocks from the date of the delisting (the morning after).

## BONDS INDICES

- **Composite Bond Index (BBI)**  
The overall, composite index represents all eligible instruments, including sovereign & non-sovereign, fixed & floating interest and all maturity spectrums
- **Government (Sovereign) Bond Index (GovI)** All bond instruments issued by the Central Bank of Botswana and backed by the Government of Botswana are eligible for inclusion in the Government Bond Index (GovI). Currently there are only fixed interest sovereign bonds in issue. Should floating rate sovereign bonds or inflation-linked sovereign bonds be issued in future, separate sub-indices for these may be introduced.
- **Corporate (Non-sovereign) Bond Index (CorpI)** All local currency bond instruments issued by non-sovereign entities in Botswana, including corporates, parastatals and non-government organizations are eligible for inclusion in the Corporate Bond Index (CorpI). Currently there are both fixed interest and floating rate non-sovereign bonds in issue. Separate sub-indices for these may be introduced in future.

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# INDICES

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Securities listed on the BSE are covered and included in various indices around the world. Below are some of the global indices that cover securities listed on the BSE.

## CLOUD ATLAS

- AMI Big 50 ex-SA Index
- AMI Real Estate ex-SA Index

## BLOOMBERG

- AfDB/AFMISM Bloomberg African Bond Index (ABABI)

## FTSE RUSELL

- FTSE ASEA Pan Africa Index
- FTSE ASEA Pan Africa Index ex South Africa Index
- FTSE/JSE All Africa Top 100 ex SA Index
- FTSE/JSE All Africa ex SA 30 Index
- FTSE/JSE All Africa 40 Index

## MSCI

- MSCI Emerging Frontier Markets Africa index
- MSCI Emerging Frontier Markets Africa ex SA Index

## STANDARD BANK

- Standard Bank Africa Total Return Index

## S&P DOW JONES INDICES

- S&P Pan Africa BMI
- S7P All Africa Index
- S&P All Africa Ex-South Africa Index
- S&P All Africa Capped Index
- S&P Africa Frontier



**Tumelo Sealetsa**  
CEO Boswa Energy



## BOSWA ENERGY, IMPROVING LIVES THROUGH FUEL SALES AND DISTRIBUTION

**B**oswa Energy is a business venture licensed to wholesale petroleum and oil refinery products. Services rendered include bulk fuel supply, fuel depot development as well as the provision of fuel and fleet management solutions. Founded by entrepreneur Tumelo Sealetsa, the company's main objective has been eliminating the energy deficit in Africa, creating opportunities and improving lives through the sale and distribution of world class products paired with innovative approaches to fuel handling.

As an emerging entity in the fuel industry, the company has experienced immense brand growth in the year since it began operations, as plans to move into the retail space have taken way. This is substantiated by their recently announced Vision 2022 strategy to establish 54 service

stations in the SADC region. In bringing this dream to fruition, the CEO has recently stated that the doors are open for investor participation as such networks are integral to the prosperity of any business.

Boswa has also made it a core factor in its directives to promote public involvement in Botswana's fuel enterprise security. This was expressed boldly in their recent stakeholder engagement conference, tentatively themed "Unveiling the Vision: Franchising Opportunities for Botswana". Through this gathering, an address was made to the public to apply for the Boswa Energy service station franchising opportunity. According to Sealetsa, it is imperative for Botswana to adopt the culture of creating legacies and franchising with Boswa is the avenue to that destination.

## THE BSE OPEN DAYS



Since 2016, the Botswana Stock Exchange (BSE), under the leadership of a new CEO, Thapelo Tsheole, introduced a new strategic market development initiative to bridge the financial education gap in Botswana. This new outreach programme was dubbed, Open Day. The overall aim of the BSE Open Day is to increase outreach to sensitize and educate the public about the stock market and the importance of investing. This initiative further serves as a platform to guide participants on the process of investing in BSE listed securities and assists in addressing some of the concerns many Batswana may have with regard to the stock market.

In addition, the Open Day is also used to educate and inform local business owners about the prospects of listing on an Exchange to facilitate growth, the listing process and the listings requirements. The half-day seminar also provides a platform for business owners to draw lessons and knowledge on how a listing can assist in expanding their business operations to other markets outside of Botswana.

Predominantly at this event is the cream of Botswana's corporate society representing private companies, government departments, parastatals, and several other strategic partners within capital markets.

During quarter one (1) of 2018, the BSE successfully held two (2) Open Days. These were held in Jwaneng at Cresta Jwaneng Hotel which started at 0800hrs and in Kanye at the Kanye Education Center which started at 1400hrs on February 8th, 2018 under the theme, "Your Partner in Wealth Creation".

The BSE Open Days are scheduled to occur every year over the five year strategy period spanning 2017 to 2021 with a view that all the districts in Botswana will be covered and that as many villages as possible within the districts will be attended to. On an annual basis the BSE, hosts 5 Open Days with attendance amounting to over 1,300 people per year.

# KANYE AND JWANENG OPEN DAYS PICTURES

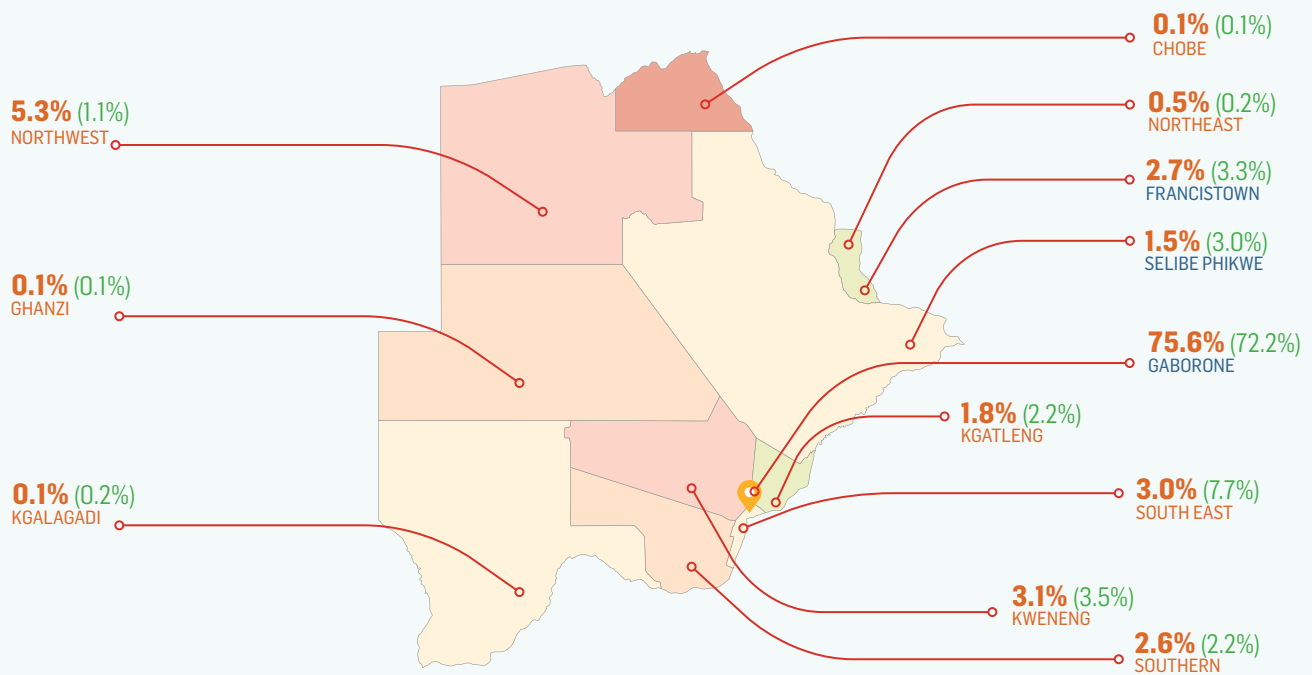


# KANYE AND JWANENG OPEN DAYS PICTURES



# GEOGRAPHICAL DISTRIBUTION OF RETAIL INVESTOR TURNOVER

## Local Retail Investor Contribution to Turnover by Districts in Botswana: 2016 and 2017



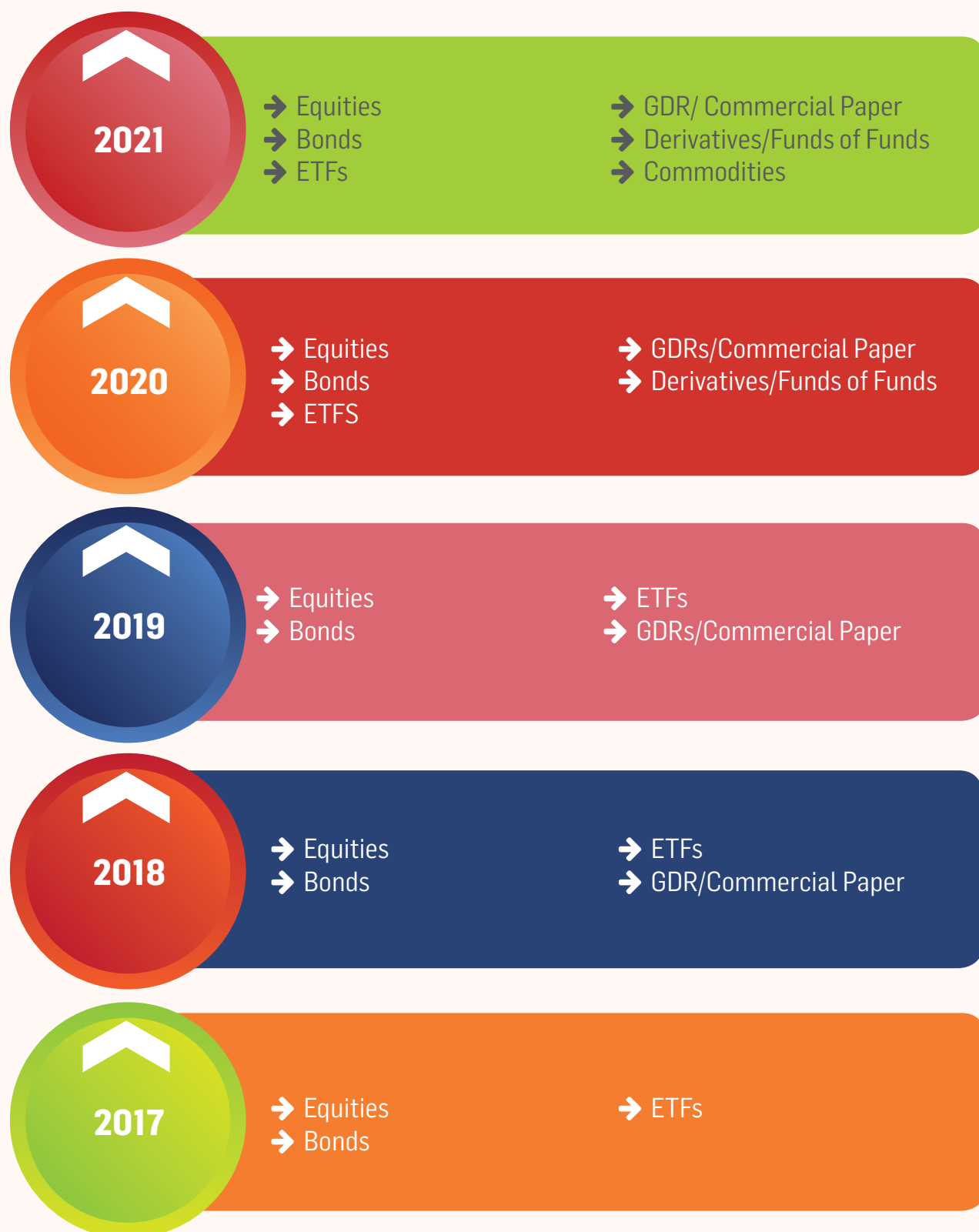
Figures in parenthesis are for 2016

Over the past 6 years, the BSE has been studying the geographic distribution of retail investor activity in the stock market to gauge the extent to which the market development initiatives and investor outreach programmes translate into investor participation in the stock market. On the same vein, this was to make a basis for revamping the outreach programmes, an approach which culminated in the introduction of countrywide Open Days in 2016. The BSE Open Days are scheduled to occur every year over the five year strategy period spanning 2017 to 2021 with a view that all the districts in Botswana will be covered and that as many villages as possible within the districts will be attended to.

The Figure above presents the distribution of retail investor turnover by districts and major towns and cities across Botswana in 2017 and 2016. The figure depicts that the majority of the trading activity is on account of investors based in Gaborone. The North-West District has become a notable contributor over the past 6 years,

having reached contribution levels of 6.9% in 2015, and in 2017 registering a contribution of 5.3% (compared to 1.1% in 2016). In other parts of the country, retail investor participation still remains very low and the Exchange has responded by prioritising these areas for Open Days.

# INTRODUCTION OF PRODUCTS AT THE BSE WILL FOLLOW THE TIMELINES BELOW



# KNOW YOUR BSE BOARDS AND LISTING REQUIREMENTS

**T**here are two major boards on the BSE, the Main Board and the Venture Capital Market Board. Depending on the company's level of compliance with the minimum listings requirements, a company will be admitted and listed under one of these boards.

### The Main Board

The main board comprises of the domestic main board which is for companies incorporated in Botswana, and the foreign main board for foreign companies. Some of the conditions for listing on the main board, either domestic or foreign are:

- Subscribed capital of at least P1,000,000.00;
- Trading history of at least five (5) years. There must have been a satisfactory profit history in the last three (3) financial years including a profit of at least P1,000,000.00 before taxation reported in the most recent year;
- 20% of all the different classes of equity shall be held by the public;
- Initial price of each share cannot be less than 100 Thebe; and
- Minimum of 300 public shareholders.

### The Venture Capital Market Board

The venture capital market board is primarily dedicated to start up companies and those that are still in their phases of growth and may not have operated long enough to meet the listing requirements of the main board, as such the venture capital market board has less stringent listing requirements. The following are some of the conditions that companies must meet in order to list on the venture capital market board:

- Subscribed capital of at least P500,000.00;
- Business plans showing credible returns on capital forecasts. No profit history is necessary;
- At least 5% of each class of shares shall be held by the public;
- Initial price of each share shall not be less than 50 thebe;
- The number of public shareholders shall be at least 75 for equity shares and 25 for preference shares;
- Directors and Managers have successful records of achievement in their respective roles; and
- Listing prospectus must clearly bear a warning about the



Companies which register equity and equity related securities on the Serala OTC Board shall only be allowed to remain on the board for a maximum of five (5) years.



speculative nature of the investment in such a company.

For a listing on the aforementioned boards, applicant companies should have at least 1,000,000 shares in issue. Companies who do not wish to list their securities, but do require to create a secondary market and tradability for their securities can utilise the BSE trading and settlement infrastructure by registering on a BSE board designed for this purpose without additional regulation, this board is called Serala Over-The-Counter (OTC) Board.

### The Serala OTC Board

The Serala OTC Board is where companies that are not ready to list on either the Main Board or the Venture Capital Market Board register (not list) securities with the

BSE. The Serala OTC Board was primarily designed to house companies while they prepare for listing, and get acquainted to the regulatory environment. It also provides registered companies with a platform to trade securities thus discovering their true open market value.

Companies which register equity and equity related securities on the Serala OTC Board shall only be allowed to remain on the board for a maximum of five (5) years. Thereafter, the BSE will review the continued trading of the securities on this board and may require that the registered company should apply for listing at the end of the five (5) year period.

For a company to register on the Serala OTC Board it must fulfil the following requirements:

- Be a Public Interest Entity (PIE) as per the Financial Reporting Act (and BAOA Rules – Botswana Accountancy Oversight Authority). PIEs are entities that are listed on the BSE, regulated by the Bank of Botswana (BoB) such as banks and deposit taking institutions, any non-bank financial institution supervised by the Non-Bank Financial Institution Regulatory Authority (NBFIRA) or satisfy at least two (2) of the following thresholds:
  - Annual revenue of P300 million;
  - 200 Employees;
  - P200 Million in total assets; or
  - P100 Million in total liabilities.

To register on this board, the applicant must;

- Fully dematerialize its securities; and
- Sign a registration agreement with the BSE.

# Understanding Stock Markets EDUCATION IN THE AIR WAVES

To increase outreach and investor education, the BSE has been hosting a weekly educational radio show to sensitise and educate the public about the stock market and the role it plays in the Economy. This show, which has been running since February 2016, also acts as an interactive platform as the public is availed an opportunity to call in and engage in discussion with BSE experts. From investment opportunities, issues of listing, product diversification and new technological advances, the show has been able to deliberate on

a number of key issues that affect our local capital markets. Moreover, the BSE has also utilised this platform to invite listed companies to showcase their product and service offerings as well to share their experience of listing on the BSE, the challenges they faced and the benefits that ultimately derived from the listing.

**Understanding Stock Markets is aired live every Thursday on RB2 at 1830hrs.**

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# THAPELO TSHEOLE, CHIEF EXECUTIVE OFFICER OF BOTSWANA STOCK EXCHANGE ELECTED CHAIRMAN OF THE COMMITTEE OF SADC STOCK EXCHANGES



**Thapelo Tsheole**  
Chief Executive Officer, BSE



**T**hapelo Tsheole, Chief Executive Officer (CEO) of Botswana Stock Exchange (BSE) has been elected Chairman of the Committee of SADC Stock Exchanges (CoSSE). Mr John Kamanga, Chief Executive Officer of the Malawi Stock Exchange has been elected as Deputy Chairman of CoSSE. The election took place at the just ended 53rd CoSSE meeting held on the 22nd March, 2018 in Maseru, Lesotho. As Chairman, Mr. Tsheole, takes over from Ms. Zeona Jacobs of the Johannesburg Securities Exchanges (JSE).

## What is CoSSE?

CoSSE was formed in 1996 with the objective of improving the operational, regulatory and technical underpinnings and capabilities of SADC Exchanges in order to make their securities markets more attractive to both regional and international investors. The committee also aims to increase market liquidity and enhance trading in various securities and financial instruments, as well as encourage the development of a harmonized securities market environment within the SADC region. Currently, the membership of the committee comprises of fourteen (14) stock exchanges from thirteen (13) countries.

Some notable market development projects that CoSSE has worked on include increasing trading within members, harmonization of listings requirement to promote listings and increase the quality of the rules, collaboration with the SADC Banking Association on an initiative to develop a SADC Delivery versus Payment (DvP) settlement model which would be used for the settlement of cross-border securities. The committee also worked on the SADC Interconnectivity Hub Project, the first phase of which was the organisation of the SADC Brokers' Network Session in 2016. Following this session, CoSSE launched a regional portal that provides SADC exchanges and brokers with a centralized platform to encourage broker interaction with the hope of increasing cross border trades within the region. The portal facilitates the flow of information related to each SADC market.

# CITIZEN ENTREPRENEUR EYES GROWTH THROUGH BSE LISTING



**Molefi Nkwete**  
Founder & Managing Director,  
Urban Soul

Each year, a precious few are able to secure funding through quasi-government agencies and other government programmes, but the vast majority walk back to the drawing board empty-handed.

For many Small and Medium Enterprises (SME), ideas or creativity is not the challenge. Funding is. Entrepreneurs struggle to secure appropriate, tailor-made funding that supports the idea without unfairly mortgaging the entrepreneur to the financier, corrupting the idea or hijacking the business.

In an economy where emerging SME funding options such as angel investors and crowdfunding are yet to gain ground, many entrepreneurs still trek the traditional route to commercial banks and face rejection.

Each year, a precious few are able to secure funding through quasi-government agencies such as the Citizen Entrepreneurial Development Agency (CEDA) and other government programmes, but the vast majority walk back to the drawing board empty-handed.

While the funding challenge is more severe for start-ups, even established SMEs face difficulties accessing conventional funding, with many unable to produce or demonstrate the documentation, governance structures or profit history required by most institutions.

In recent years, the Botswana Stock Exchange (BSE) has embarked on nationwide, high-intensity education and awareness about how the

Exchange works, how to list various products and the benefits. The BSE has also conducted well-attended conferences to receive feedback from different strata of the public on the barriers to approaching the market for a listing.

The public engagements have stirred excitement among the SME sector, who now view the BSE as a previously unknown or overlooked avenue for funding, which generally assuages many of the fears entrepreneurs have in looking for capital.

The planned Tshipidi board in particular has stoked enthusiasm among and entrepreneurs, as it will offer listing opportunities bespoke for SMEs, including lower thresholds in the listing and reporting requirements.

One SME eagerly eyeing a listing on Tshipidi is Urban Soul, a notable home grown urban clothing retailer, whose founder, Molefi Nkwete, has become a celebrated example of hard-fought citizen entrepreneurial success.

At the turn of the millennium, Nkwete was pursuing his dream of retailing urban, hip clothing, but at this point, he was limited to selling his wares in the streets. Hard work, innovation and persistence saw the business move off the streets and into the mainstream.

“We opened our first store in 2005 at the Main Mall, then another in African Mall, before breaking into the super malls,” he recalls. “Everything that we have done, the growth, has been with our own resources that are limited, but as entrepreneurs the dream has always been to grow into a big business. “Urban Soul was funded from our

activities to some extent, his and Urban Soul’s grasp of these increased significantly beginning in 2015 when the Exchange invited the company to then pioneering public education activities.

Urban Soul and Nkwete were in the audience during the inaugural BSE Listings Conference held in March

that you buy shares on the BSE, but I did not know what it takes to list. I did not know how the stock exchange works in terms of how to list or how a company could move towards listing. “As an SME, if the type of funding you get is not structured well, you can hurt your business. “We had looked at all the options of raising capital and listing was also advised. Prior to



pockets; there was no funding from anyone.”

Nkwete knows first-hand the troubles of convincing capital to come on board an SME dream. “There has always been a potential to grow but what we have realised is that in the market, the focus is on specific industries such as construction and infrastructure. “You don’t see tailor-made finance for entrepreneurial investment or SMEs. For the past three years, we have been scouting around for options of how to fund our growth.”

Although Nkwete had personal knowledge of the BSE and its

2016, a historic event representing the largest and most diverse gathering to a broad discussion of listings requirements, barriers to listings and the way forward.

The Listings Conference, now in its third year, was also historic as it marked the first public grouping of listed CEOs and enabled them to freely share and impart their experience with delegates. Members of the audience also had a unique opportunity to field questions and receive advice and answers on the journey the blue-chip companies have taken from being small enterprises to pan-African groups. “Before then, I knew as an individual

the Listings Conference, I went on the BSE’s website and read about the listings requirements.

“At the Conference, we received more details about how to go about a listing,” Nkwete says.

In subsequent similar conferences, SMEs have raised the concern that while listing is an attractive option for raising capital, numerous barriers lie in the way of a listing.

These barriers include the costs of a listing, particularly the fees charged by professional advisors, the difficulties of restructuring an organisation for a listing such as the

## FOCUS ON SMEs

### FROM PAGE 45

introduction of corporate governance and reporting standards, as well as the paradigm shift required to cede control of one's brainchild to external equity partners.

For SMEs, the additional challenge is that even with all these boxes ticked, fund managers would generally be unwilling to allocate any portion of their portfolios to SMEs due to the higher risk involved, while brokers would similarly advise their clients against taking the chance.

Thus, SMEs view embarking on a listing process as costly, complex and ultimately destined to end in failure. "I would say listing is something that's doable," says Nkwete. "Batswana in general have a fear of listing and there's a myth around it, which is why the last Listings Conference was focussed on demystifying the process. "The country's history shows that most successful entrepreneurs have been family-run business and people don't think in terms of listings.

"Batswana in general have a fear of listing and there's a myth around it, which is why the last Listings Conference was focussed on demystifying the process.

"Many are afraid to lose control." For Urban Soul, some legwork has already been done in terms of preparation for a potential listing on Tshipidi. Already the company has

held meetings with the BSE, who have taken management through the processes to be followed for a listing.



The stock exchange has also shared a listing of professional advisors who will work with Urban Soul to meet the various requirements of a listing. In the meantime, Urban Soul is working on internal structures and the production of an "investable story". From the Listings Conferences, experts shared that even when an SME was able to get through all the processes of a listing, the ultimate challenge was to convince investors to part with their funds and take on the risk of an SME investment.

This latter part of the listings process involves various intermediaries and advisors who work with the entrepreneur to prepare the company's story in such a way that an investor buys it. Part of this story is track record, experience of directors involved, business plan and outlook, as well as impact. Home-grown companies such as Shumba

Energy and Afinitas leveraged on the experience of directors and well-crafted investor stories, to

successfully raise capital and list, even without profit histories.

"The part about where we want to go, how we intend to grow and the structure we need, is already in place," says Nkwete. "We have to work on formalising the structure of the company in terms of things such as establishing a board, instituting better financial reporting and audited financials. "We have to have the right model to appeal to investors. When investors approach, you must be able to show them the company structure and how you intend to grow. "There are many areas any SME must cover before even thinking about a listing. For us, the listing is not right away. It can take time and we are preparing ourselves."

Urban Soul's progress will be eagerly watched by other home grown SMEs who are all looking for a torchbearer in the complex path of equity listing.

# BARCLAYS BOTSWANA AIMS FOR THE SKY



Barclays Bank of Botswana Limited Managing Director, Reinette van der Merwe

**B**arclays Bank Botswana has fought market forces which nearly left it for dead. But now the bank under Reinette van der Merwe is strong as ever. BSE News recently caught up with the bank's top official to hear successes, challenges and the future aspirations of the listed bank.

At the end of the conversation, Barclays Bank Botswana Chief Executive, Reinette van der Merwe when asked if she will be happy to get a contract extension, to which she unapologetically said.

"I think I will go when the job is done," said Merwe, adjusting her chair as we settle for half an hour interview.

Clad in a dark blue suit, it is evident that, while she spends sleepless

nights figuring out how to improve the fortunes of the listed bank, it is evident that Merwe also has a penchant for fashion.

"It has been a hectic day, but the discussions were very interesting," she said as a matter of fact. BSE News Magazine caught up with Merwe at Gaborone International Conference Centre, moments after the De Beers Diamond Conference.

She has every reason to be at the event which was attended by diamond players including senior government officials. Soon after she was appointed to the Barclays top seat, Merwe made it a point that, the diamond business also gets a fair share of funding within the company's loan book more especially in the cutting and polishing sub-sector.

It is only prudent to do so, since diamonds remain the most important mineral for the landlocked country and has thus contributed significantly to the country's economically agenda. Merwe was appointed Barclays towards the end of 2013. Her eyes glow up when she starts talking about major achievement since she took over. "One of our major achievements was when Barclays became the biggest as far as CIB (Corporate and Investment Banking) is concerned at the end of 2016," she said proudly.

Some of the sectors which the bank has funded include agriculture, franchising, tourism as well as Small medium enterprises. The bank, which is listed at Botswana Stock Exchange (BSE), has in the past the two years launched the first of its kind intelligent Automated Teller Machines' (ATMs), which Merwe is fondly proud of. Madi Majwana, a radio programme which educate listeners on financial literacy is one initiative which the Barclays boss is proud of. Two years ago, Barclays Africa, the parent company to the bank launched 'Share Growth' strategy which is aimed at combining strategies to better service their multitudes of customers across the continent.

"The strategy has worked very well. It has been tailor-made to suit the local market," pointed out Merwe. The Shared Growth strategy is centered around the customer. "If the

# INTERVIEW

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customer is not successful, there is no way we can be successful," she said. Merwe came to Barclays when all the lender's performance indicators were in the red, from the share price to Profit After Tax (PAT).

How has Barclays managed to exit trouble waters? "It is all about having the right strategy and the right people to implement it," she said. Soon after she took the baton from Aupa Monyatsi, a restructuring exercise ensued, which she said has bore the intended results of efficiency and profitability. The CIB, which has since been split from business banking, is now the star performer of the bank, which has a market capitalization of more than P5 billion. The CIB is one of the segments which the bank will focus on in the coming years. This does not mean segments such as retail will be neglected.

Barclays, like other commercial banks have been affected by Bank of Botswana's decision to cut lending rates to record lows. This has to a large extent affected banks' interest income. However, as things stand, the banks cannot influence the regulator monetary policies. If that is the case, how will Barclays grow interest income to improve bottom line? "We cannot depend on interest income. Our intention is to concentrate more on non-interest income which we have control over," she said.

For the half year to June 2017, interest income stood at P492 million, down from P499 million the same period before. Lower interest rates also have its own advantage

## Lately, the bank has been on an overdrive as far as its digital banking platforms is concerned.

since customers can now afford their scheduled payments and help reduce impairments.

The country's mining sector, which the bank is also exposed to is not performing at its best. Some of the mines such as BCL and BK11 have closed due to market forces, mostly external forces. Barclays, like other banks has over the years released funds to this multi-billion Pula sector. The extension of credit to this sector has not always been without risks, since the market for mineral produce is not in the country, but outside. Barclays was lucky to have received a government guarantee when it loaned BCL P1 billion. When BCL was put under a liquidation process, the bank was paid the amount by government. The challenges affecting the sector does not necessarily scare Barclays from investing in the sector. "We deal with reputable firms," she disclosed. "We also look at business plans, security, affordability before we can release any funds. I cannot say we are overly concerned with the challenges in the mining sector"

Lately, the bank has been on an overdrive as far as its digital banking platforms is concerned. This is the strategy the bank will continue to push well into the future. For now, the bank is currently refurbishing and relocating some of its branches such as Mochudi and Mahalapye. Barclays currently has 34 branches. Mochudi branches has moved the nee Pilane Crossing mall while Mahalapye branch has moved to a new shopping complex in the area which better

known for housing Botswana Railways headquarters.

There are no immediate plans to expand branches, as the digital banking platforms are beginning to take center stage.

"Digital platforms are cheap for customers," she added although the issue has always been subject of debates.

The bank's recent partnership with Orange Botswana has proved to be an important initiative to service both the unbanked and the underbanked. Under the deal, the first of its kind, Barclays customer can now send Orange customers funds through Orange Money.

Barclays PBT was down for the six months' period to June 2017. Will Barclays come back strongly to pull a surprise at the end of the year? "We cannot talk more about that since it is market sensitive. What I know is that we work hard to improve profitability and efficiency all the time," she said.

Barclays has a bright future ahead. The bank is currently number two in the market. The recent offloading of Barclays plc shares from Barclays Africa should not scare the market as the local subsidiary is here to stay. "The Bank remains committed to Botswana and Batswana, and is optimistic about the future and opportunities that lie ahead," she wrote in the 2016 annual report.



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# A SIT DOWN WITH **PRESIDENT OF THE UBFS, ANDREW KGORANE**



### Give us a brief overview and history of the UBFS.

**P**lanning today to seize tomorrow is the society's motto, those few words being the culmination of everything that the society stands for. Reflected in the society's mission, its vision, its values and its activities is that very statement. That statement is one not unfamiliar in its message as has probably been said before by others, simply the importance of preparation for the future. We are actively, tirelessly engaged in the pursuit of the know-how to be in control of our future, that is what the University of Botswana Finance Society is all about, we come together to share the knowledge on Finance an area which affects us all. Formed in August 2006, the University of Botswana Finance Society (UBFS) came into being as a results of the discrepancy between what the market expected from Finance students from UB and what the graduates could offer to the market. It turned out that there used to be a very thin line between Finance and Accounting graduates in the eyes of the market. UBFS was formed to market Finance as a program and to instill financial literacy

### What urged the club to submit a proposal for the "Expression of Interest: PARTNERSHIPS WITH TERTIARY INSTITUTIONS' STUDENTS CLUBS"? In other words, why did the club need to partner with the BSE?

Thank you very much, prior to the expression of interest, we always used the Botswana Stock Exchange (BSE) information Booklet as our guide when conducting financial seminars in school to teach our fellow students about the Stock Market. When the BSE released the expression of interest, we saw it as an opportunity not only to seek funding so that we extend our services beyond the University of Botswana but also as an opportunity to get training from the BSE staff. We took this as an opportunity to bridge the gap between what we



Andrew Kgorane, UBFS President

are taught in class and the practical part involved.

### Kindly elaborate on the Fortune 500 campaign with due considerations to the objectives, milestones and timelines.

Our general aim is to teach as many Batswana as we can about the Stock Market especially about shares. Narrowing down to our specific goal, our target is to help at least 500 students to open CSD accounts before the end of the year and start participating in the stock market. Our services are not limited to UB, we intend to continue visiting as many tertiary institutions as we can and some senior schools. Ever since inception, the biggest barrier is the many documentation that people have to submit before they open CSD accounts. They get discouraged to work on them and present them to us so that we pass them to broker s of their choice.



The brokers have also been taking long to open the CSDB accounts which is discouraging other students from approaching us.

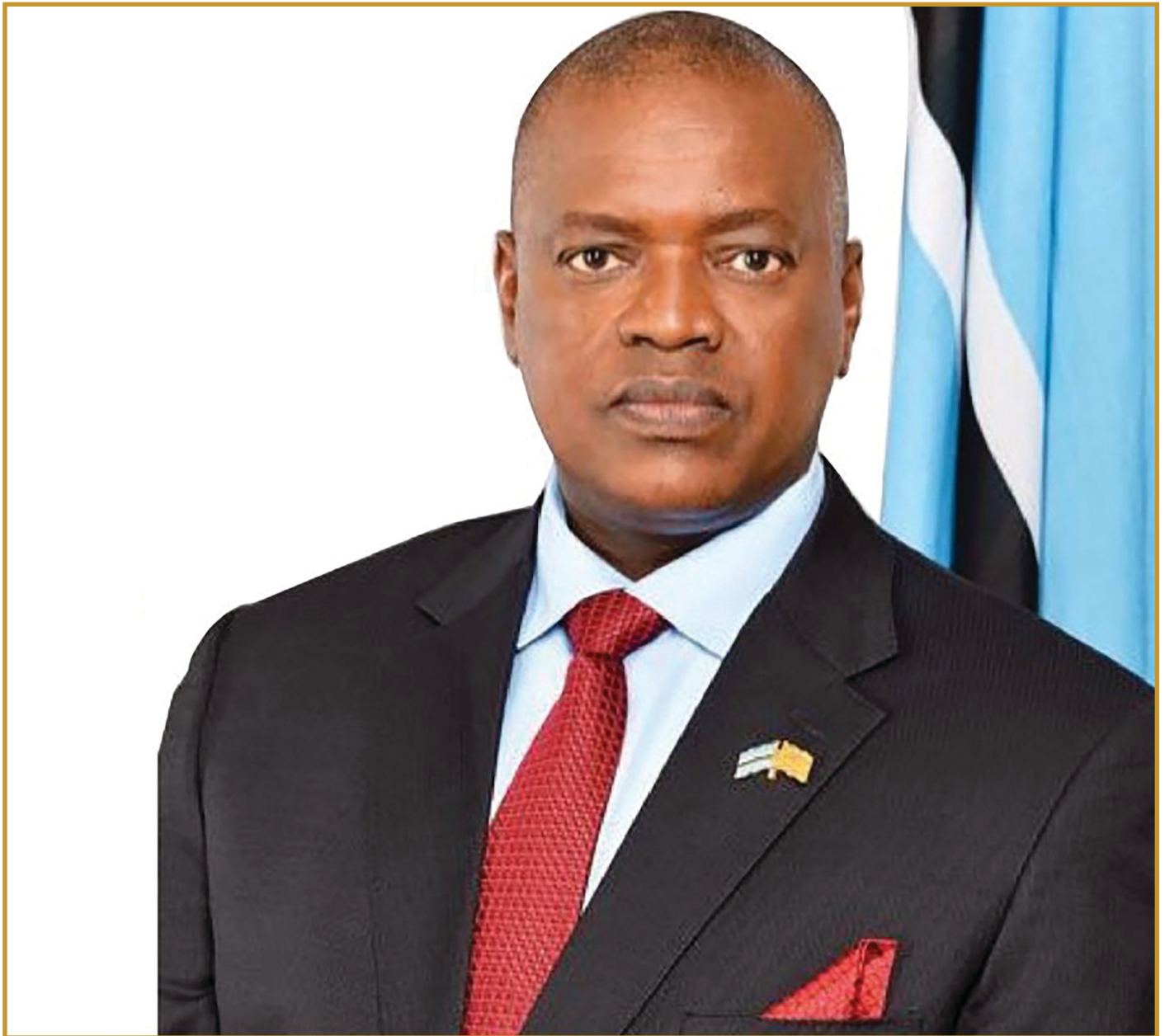
**What are your expectations from this campaign?**

As UBFS, our goal is not to centralize the idea of spreading financial literacy, but to decentralize it as much as we can. My expectation is that the people who get to learn what we teach them will pass on the information to others and help them open CSD accounts. We just wish that many Batswana realize the importance of the stock market and why it could become the number 1 key to revitalizing our economy. My other expectation is to see many young people listing their companies in the stock market so that they expand and reduce unemployment in our country.

**In your opinion and in closing, how can we boost or improve youth participation in the stock market?**

When I was in the United States of America in January, I had an opportunity to have a conversation with other youths about how they got to learn about the Stock Market especially non business majors and most of them said it was through their parents. One gentleman said, “Teach the mothers and they will in turn teach their kids”. His words still reverberate in my mind now and I agree with them. We need to make it a culture that kids grow into and learn to appreciate. As for the youth, the best thing to do right now is to do what we are doing. Which is to “create funny memes and short colourful videos and combine them with stock market basics” to make the information interesting to them.





**The Botswana Stock Exchange would like to congratulate His Excellency, President Mokgweetsi E.K. Masisi on becoming the 5<sup>th</sup> President of the Republic of Botswana**

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