



Uganda
Securities Exchange

QUARTERLY BULLETIN

Jan - March 2024

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The total trading volume for Quarter One 2024 was 118,899,466 shares with a turnover of UGX 23,999,496,815. This quarter's turnover performance showed a **39.45%** increase from UGX 17,210,453,922 recorded in Quarter One 2023. UMEME Limited had most of the activity as investors looked to take up a position on the counter given its implied value. The main movers on the index have been NSE cross listed stocks with the catalyst being the 21.89% gain against the Uganda Shilling by the Kenya shilling.

Turnover performance per counter

UMEME Limited (UMEM) counter dominated quarterly activity, accounting for 88.09% of the total turnover followed by MTN Uganda Limited with 6.75%. In third position was Bank of Baroda (BOBU) with a 2.70% contribution to the month's turnover and Stanbic Uganda Holdings Limited in fourth position with 1.67%. Airtel Uganda Limited (AIRTEL UGANDA), National Insurance Corporation (NIC), Quality Chemicals Limited (QCIL), DFCU Limited (DFCU), New Vision Printing and Publishing Uganda Limited, and Uganda Clays Limited (UCL) traded a total turnover of 0.8%.

The Local Company Index (LCI) dropped slightly during the period. The local index commenced the quarter at 271.85 and closed at 267.25 representing a **1.68%** decrease. The All-Share Index (ALSI) increased by **22.86%**, to 1,071.92 from 872.50 at the start of the month representing the changing environment on the cross listed stocks.

	Q122	Q123	Q124	%change	3yr-CAGR
ALSI	1316.41	1148.25	1071.92	↓ 6.65%	↓ 6.62%
LCI	280.14	266.89	267.25	↑ 0.13%	↓ 1.56%
Turnover (Ugx)	7,339,721,589	17,210,453,922	23,999,496,815	↑ 39.45%	↑ 48.42%
Volume	127,733,809	224,685,778	118,899,466	↓ 47.08%	↓ 2.36%
Deals	1,472	1,514	1,764	↑ 16.51%	↑ 6.22%



Equities Report

This quarter's turnover performance showed a **39.45%** increase from **UGX 17,210,453,922** recorded in Quarter One 2023.



Quarterly Turnover performance per counter

UMEME Ltd (UMEM) counter dominated quarterly activity, accounting for **88.09%**



Volume traded per counter

The local index commenced the quarter at **271.85** and closed at **267.25** representing a **1.68%** decrease.

Counter Price Movements Quarter One 2024

Top Gainers

Counter	Open (01.03)	Close (28.03)	Change %	Q1 Change %
KCB	551.08	882.68	↑60.17%	↑68.75%
EBL	1,079.14	1,457.30	↑35.04%	↑77.93%
EABL	2,917.87	3,835.79	↑31.46%	↑38.06%
JHL	4,874.4	5,924.00	↑21.53%	↑34.72%
NMG	551.08	622.02	↑12.87%	↑26.83%

Top Losers

Counter	Open (01.03)	Close (28.03)	Change %	Q1 Change %
AIRTEL UGANDA	91.07	87.00	↓2.30%	↓9.34%
NIC	6.50	6.20	↓1.61%	↓6.15%

Trading Volumes and Activity on a Monthly Basis year on year

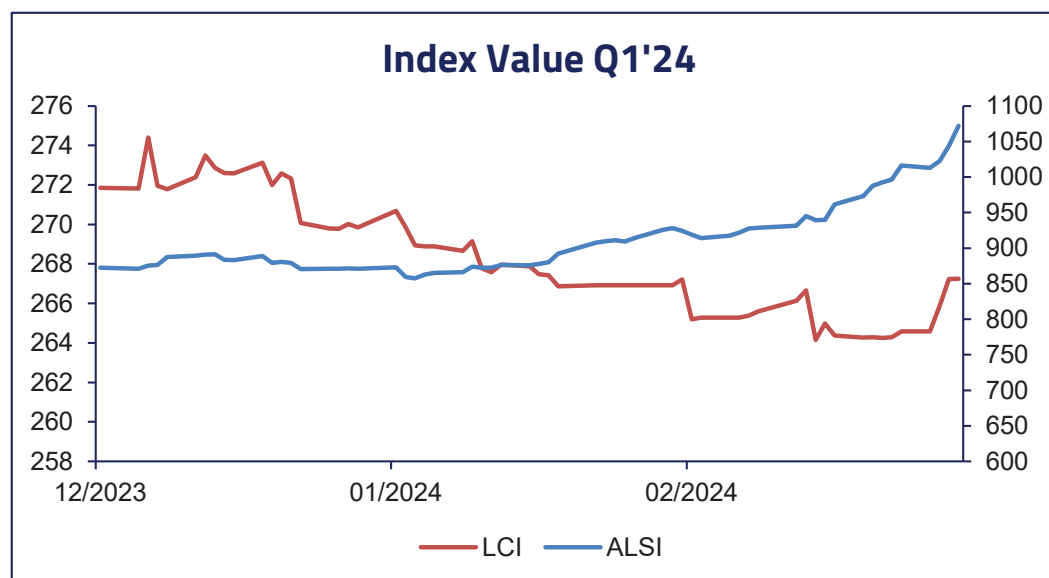
Metrics	Q1-24	Q1-23
Volume Traded	118,899,466	129,376,102
Turnover (UGX)	23,999,496,815	9,196,313,636
Number of Deals	1,764	533
Market Capitalization (UGX. Bn)	23,372.68	19,750.42
USE All Share Index (ALSI)	1,071.92	1,148.25
Local Share Index (LSI)	267.25	266.89

Source USE Trading and Research Department

East Africa Main Index Comparisons

Index	29.12.2023	28.03.2024	%Change
USE ALSI	872.50	1071.92	↑22.86%
USE LCI	271.82	267.25	↓1.68%
NSE ALSI	92.11	113.09	↑22.78%
DSE ALSI	1750.63	1790.24	↑2.26%
RSE ALSI	143.70	144.47	↑0.54%

Q1 2024 Indices Graph



Source: USE Trading and Research Department

ECONOMIC & FINANCIAL DEVELOPMENTS: End Quarter One 2024

In its state of the economy March 2024 issue, Bank of Uganda highlighted that the global economy faces headwinds from geopolitical tensions, tight financial conditions as central banks combat inflation, and moderate projected growth of 2.9% in 2024. However, growth is expected to pick up to 3.1% in 2025 as inflation eases. Risks are tilted to the downside from factors like escalating conflicts impacting supply chains and commodity prices. Uganda's overall balance of payments remained resilient, with a projected surplus of \$300 million by June 2024, supported by strong export growth and FDI inflows. However, the outlook is fragile due to rising debt service costs and potential delays in budget support loans.

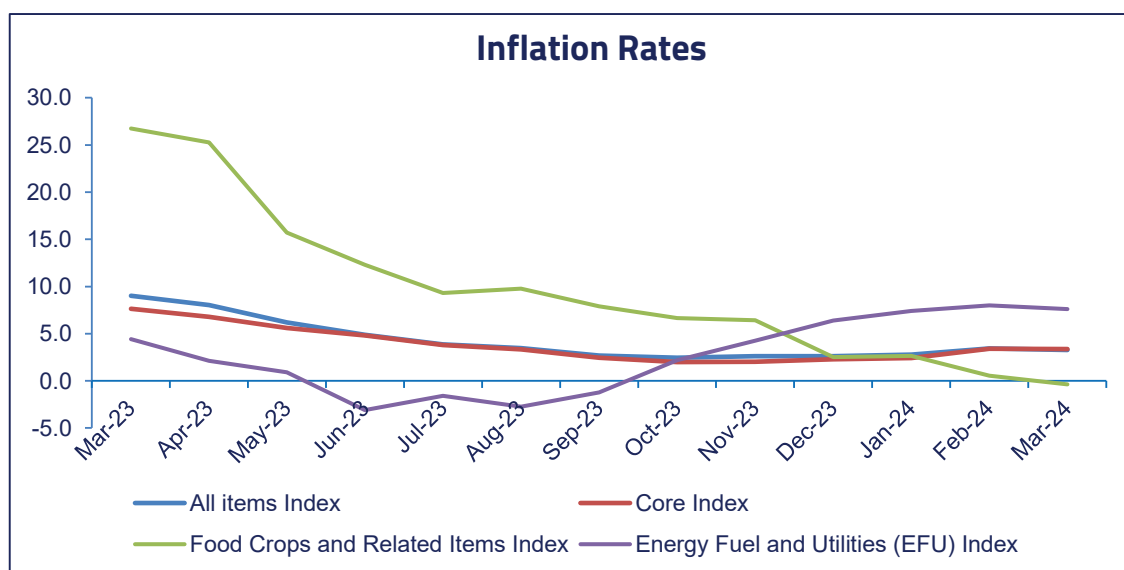
Economic growth for FY2023/24 is forecast at 6%, underpinned by export performance and investments, though outer year projections have been revised down to the 5.5-6.5% range, factoring in tighter monetary policy impacts. Private sector credit growth remains moderate at 7.7% amidst lower demand and supply.

While revenue collections grew 12.4%, the fiscal deficit hit 4,820 billion shillings in the first seven months due to expenditure overruns and lower-than-budgeted grants. Rising debt service costs are straining revenues. The Ugandan shilling depreciated 5.1% annually against the USD in February 2024, impacted by investor outflows, seasonal demand, and hedging pressures, though the pace slowed in March.

Upside risks to the inflation outlook include further currency depreciation, supply chain disruptions, higher services/ goods inflation, and rising inflation expectations. Economic growth faces headwinds from tight financial conditions crowding out private investment, potential fiscal constraints, and a global slowdown impacting exports. The economy displays resilience but faces elevated inflation risks requiring policy tightening, which could moderate growth in the near term. Managing fiscal pressures and external vulnerabilities and promoting private investment will be crucial for sustainable, non-inflationary growth.

INFLATION – OUTLOOK AND RISKS

Annual inflation as measured by the consumer price index of Uganda for the 12 months to March 2024 printed at 3.3% compared to 3.4% registered in the 12 months to February 2024. Energy, Fuel and Utilities have been a key contributor to this rise since August 2023 with a slight drop in February 2024. Year on year Annual Food Crops and Related Items Inflation slightly decreased to -0.4% in the 12 months to March 2024, down from 0.5% registered in the year ended February 2024. Year on year Annual Energy Fuel and Utilities (EFU) Inflation registered at 7.6% for the 12 months to March 2024, compared to 8.0% registered in the year ended February 2024.



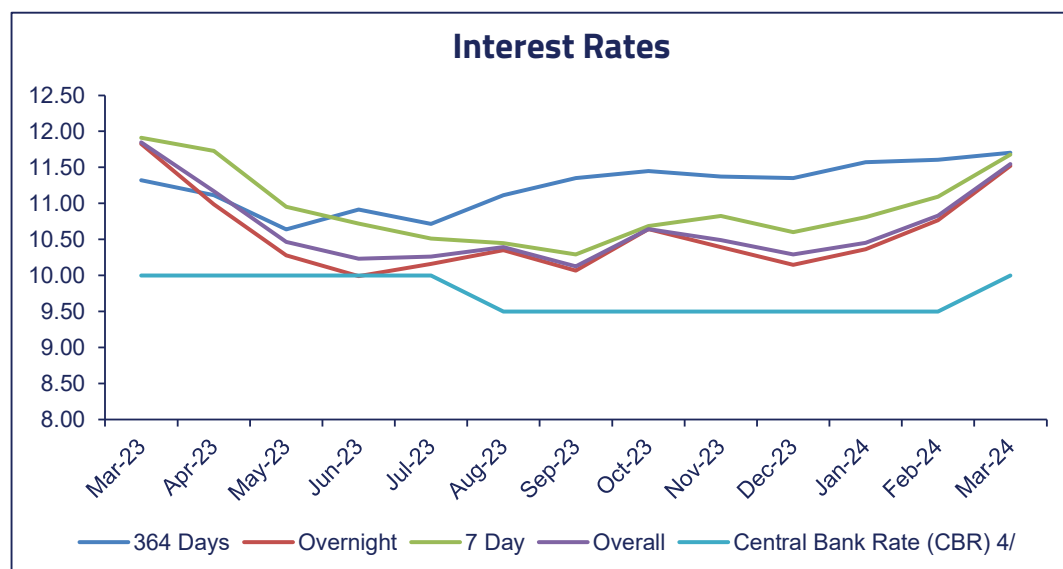
Source: UBOS UGANDA CONSUMER PRICE INDEX: 2016/17=100 Apr 2023

Annual headline inflation rose to 3.4% in February from 2.8% in January, while core inflation increased to 3.4% from 2.4%, driven by services, energy prices, and exchange rate depreciation. The February forecast indicates inflation rising above the 5% target by Q1 FY2024/25 and remaining elevated through 2025.

INTEREST AND LENDING RATES

Interbank Money Market Rates

Interbank Money Market rates edged slightly higher averaging 11.55% in March 2024 compared to 10.29% in December 2023. Overnight rates edged slightly higher at 11.52% in March 2024 compared to 10.15% in December 2023. Additionally, 7-Day rates edged slightly higher averaging at 11.68% in March 2024 compared to 10.60% in December 2023. The CBR rate was raised to 10.25% by the Monetary Policy Committee of the Bank of Uganda in its April 2024 meeting. The central bank increased the CBR rate during the quarter from 9.50% to 10.00%.



Source: Bank of Uganda

Yields on Government securities.

Rates on the short end of the yield curve at the end of March 2024 increased slightly compared to the end of February 2024. Closing average yields in the bond market at the end of March 2024 increased significantly after slight drops in December from November. Over the quarter, interest rates have been increasing across board with lending rates and government treasury yields increasing. This stemmed largely from both currency depreciation against the dollar and an increase in fuel prices.

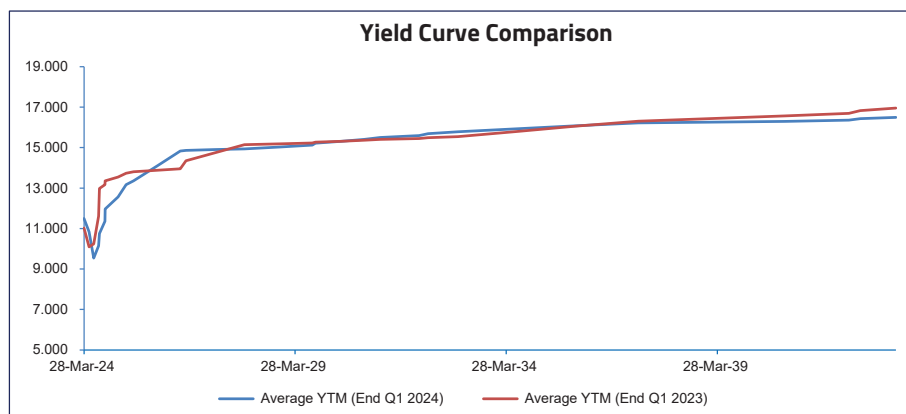
Tenors	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
91 Days	9.80%	9.80%	9.70%	9.94%	9.31%	9.93%	9.31%	9.22%	9.54%
182 Days	11.70%	11.00%	10.49%	11.85%	11.89%	11.88%	11.78%	11.93%	11.96%
364 Days	12.30%	12.00%	11.11%	12.50%	12.76%	12.72%	12.77%	13.14%	13.17%

Source: Bank of Uganda

Maturity	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
2 years	12.44%	13.60%	13.43%	13.28%	13.03%	13.00%	13.11%	13.17%	13.34%
3 years	13.29%	13.69%	13.66%	13.60%	13.32%	13.72%	13.78%	14.19%	14.83%
5 years	14.13%	14.56%	14.91%	14.63%	14.63%	14.81%	14.75%	14.73%	14.94%
10 years	14.57%	15.48%	15.59%	15.25%	15.09%	15.48%	15.54%	15.72%	15.78%
15 years	14.74%	15.68%	15.84%	15.33%	15.16%	15.75%	15.82%	16.22%	16.22%
20 years	14.91%	16.35%	16.15%	15.31%	15.18%	15.74%	15.83%	16.31%	16.49%

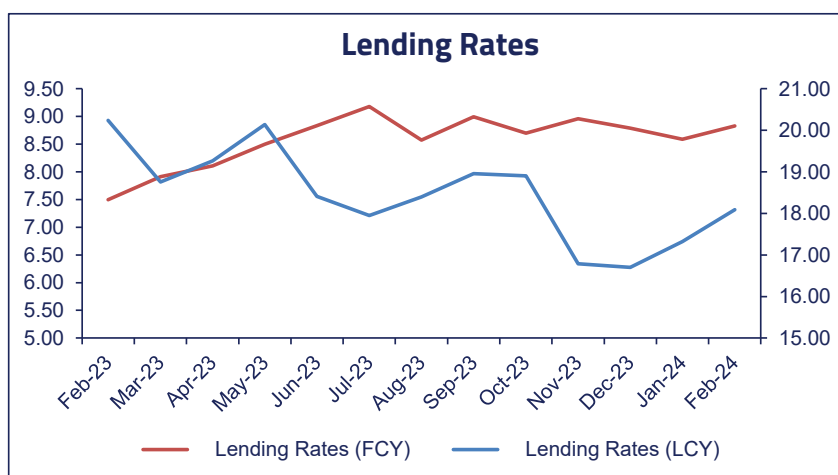
Source: Bank of Uganda

Closing Yield Curve Comparison 2024



Lending rates

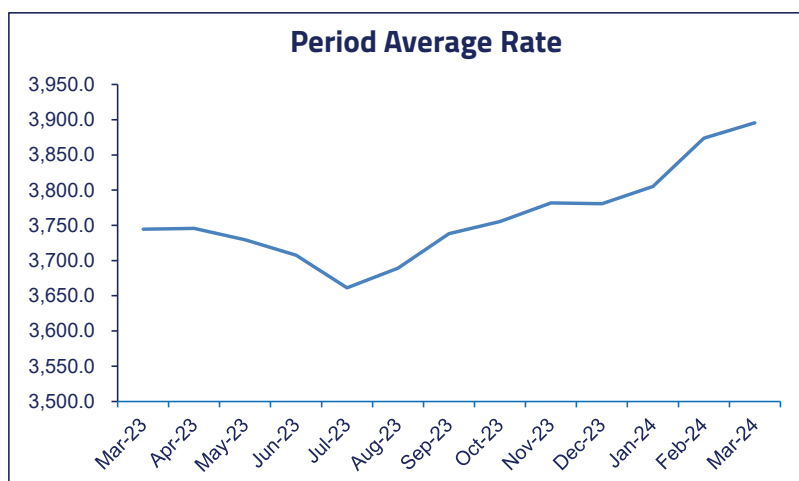
Shilling denominated lending rates increased to further to 18.09% in February 2024 from the 17.32% recorded in January 2024. Month on month, foreign currency denominated lending rates slightly increased to 8.83% in February 2024 compared to 8.59% in January 2024. (Source: Bank of Uganda data)



Source: Bank of Uganda

Foreign Exchange Rate Development

The local currency has been gradually depreciating against the US dollar from July 2023 averaging 3,895.8 for March 2024 in comparison to 3,873.6 for February 2024. The currency depreciated by 2.96% during the quarter. Averaging Ugx. 3,780.7 in December 2023 and Ugx. 3,895.8 in March 2024.



Source: Bank of Uganda

BOND LISTINGS

During the quarter, there were reopens for the 2-year and 10-year bonds with Yield to Maturity at 13.200% and 15.50 % respectively in January 2024. There were reopens for the 5-year and 15-year bonds with Yield to Maturity at 14.600% and 16.300 % respectively in February. Additionally, there was a private placement bond auction with cut off YTM of 3 yr. (14.250%), 5 yr. (14.900%), 10 yr. (15.800%), 15 yr. (16.300%) and 20 yr. (16.750%). In March 2024, there were reopens for the 3-year and 20-year bonds with Yield to Maturity at 14.999% and 16.750 % respectively. The current total value of the Government Bonds listed on the bourse stands at UGX 35.585 trillion as at the end of 29 February 2024.

Government Bond Schedule: End of March 2024

IS IN	ISSUER NAME	TYPE	ISSUED SHARES	ISSUE DATE	MATURITY
UG12K0304317	GOVERNMENT OF UGANDA	B	1,630,000,000,000.00	2016/04/20	2031/04/03
UG12J1812252	GOVERNMENT OF UGANDA	B	120,000,000,000.00	2015/12/30	2025/12/18
UG0000001376	GOVERNMENT OF UGANDA	B	220,000,000,000.00	2013/12/04	2028/11/16
UG0000001467	GOVERNMENT OF UGANDA	B	1,070,000,000,000.00	2014/08/13	2024/08/01
UG0000001517	GOVERNMENT OF UGANDA	B	850,000,000,000.00	2015/01/28	2025/01/16
UG0000001533	GOVERNMENT OF UGANDA	B	1,865,000,000,000.00	2015/02/25	2029/08/23
UG12J2708269	GOVERNMENT OF UGANDA	B	1,220,772,600,000.00	2016/09/08	2026/08/27
UG12K0403325	GOVERNMENT OF UGANDA	B	1,620,000,000,000.00	2017/03/23	2032/03/04
UG12J0605277	GOVERNMENT OF UGANDA	B	1,580,000,000,000.00	2017/05/18	2027/05/06
UG12J1301280	GOVERNMENT OF UGANDA	B	2,261,603,800,000.00	2018/01/25	2028/01/13
UG12K0302337	GOVERNMENT OF UGANDA	B	1,820,000,000,000.00	2018/02/22	2033/02/03
UG12K0205308	GOVERNMENT OF UGANDA	B	120,000,000,000.00	2015/05/21	2030/05/02
UG12H1005240	GOVERNMENT OF UGANDA	B	153,700,000,000.00	2019/05/17	2024/05/10
UG12K2206346	GOVERNMENT OF UGANDA	B	2,259,740,000,000.00	2019/07/11	2034/06/22
UG12L0111405	GOVERNMENT OF UGANDA	B	2,969,351,300,000.00	2020/11/27	2040/11/01
UG12K0811352	GOVERNMENT OF UGANDA	B	1,826,700,000,000.00	2020/11/27	2035/11/08
UG12J1411303	GOVERNMENT OF UGANDA	B	187,489,000,000.00	2020/11/27	2030/11/14
UG12H2509240	GOVERNMENT OF UGANDA	B	250,000,000,000.00	2019/10/02	2024/09/25
UG12K1405378	GOVERNMENT OF UGANDA	B	3,548,896,200,000.00	2022/06/02	2037/05/14
UG12L0805428	GOVERNMENT OF UGANDA	B	892,100,000,000.00	2022/06/02	2042/05/08
UG12J2005328	GOVERNMENT OF UGANDA	B	1,530,311,400,000.00	2022/06/02	2032/05/20
UG12G2905259	GOVERNMENT OF UGANDA	B	2,221,442,200,000.00	2022/06/02	2025/05/29
UG12F3005242	GOVERNMENT OF UGANDA	B	291,000,000,000.00	2022/06/02	2024/05/30
UG12F0808242	GOVERNMENT OF UGANDA	B	730,000,000,000.00	2022/08/11	2024/08/08
UG12L1408420	GOVERNMENT OF UGANDA	B	2,016,767,400,000.00	2022/09/08	2042/08/14
UG12G0907265	GOVERNMENT OF UGANDA	B	673,000,000,000.00	2023/07/13	2026/07/09
UG12L1806433	GOVERNMENT OF UGANDA	B	1,658,000,000,000.00	2023/07/13	2043/06/18

Alternative trading of Government securities Activity: Quarter One 2024

The following was the done through the alternative trading of government securities platform.

March 2024 (UGX)	T-bills	T-bonds
Auction	2,618,100,000	1,203,400,000
Secondary	0	0

CORPORATE ANNOUNCEMENTS: Quarter One 2024

Equity Bank Limited: Equity Bank Limited announced the merger of COGEBANQUE Ltd with Equity Bank Rwanda plc. Find announcement here: <https://www.use.or.ug/content/equity-group-holdings-plc-public-announcement>

DFCU Limited: DFCU Limited informed its shareholders and the public of the UK Supreme Court's decision in its appeal against an earlier decision of the English Court of Appeal and the court referred the matter back to the English High Court for trial. Find announcement here: <https://www.use.or.ug/content/dfcu-limited-announcement>

UMEME Limited: UMEME Limited issued a profit warning as its net profit is expected to drop by more than 25% for the year 2023. Find announcement here: <https://www.use.or.ug/content/umeme-profit-warning-announcement>

EABL Half Year Financials: EABL issued its half year financials for the period ended 31 December 2023.

NIC Profit Warning: National Insurance Corporation issued a profit warning as its net profit is expected to drop by more than 25% for the year 2023. Find announcement here: <https://www.use.or.ug/content/nics-public-notice-profit-warning-2024>

NVL Profit Warning: NVL issued a profit warning as it expects to report a loss for the half year financials for December 2023. Find announcement here: <https://www.use.or.ug/content/new-vision-printing-and-publishing-company-limited-profit-warning-announcement>

UCL Profit Warning: UCL issued a profit warning with the company expected to report a loss for the year ended December 2023.

BAT Uganda Limited Audited Results Announcements: The Directors of British American Tobacco Uganda Limited announced the audited results for the financial year ended 31st December 2023. Find announcement here: <https://www.use.or.ug/sites/default/files/UG%20FY%202024%20Results%20%281%29.pdf>

QCIL Interim Dividend Announcement: QCIL announced the approval of an interim dividend of UGX 1.6 per share to be paid on 15th March 2024. Find announcement here: <https://www.use.or.ug/sites/default/files/Qcil%20Interim%20Dividend%20Announcement.pdf>

QCIL Change of Name Announcement: Quality Chemical Industries Limited notified its shareholders and the public of its change of name from Cipla Quality Chemical Industries Limited to Quality Chemical Industries Limited. Find announcement here: <https://www.use.or.ug/sites/default/files/Qcil%20Change%20of%20name%20Announcement.pdf>

BOBU Director Appointment: The Board of Directors of Bank of Baroda (Uganda) Limited ("the Company") informed its shareholders and the public of the appointment of Mr. Tyagi Lalit as Non-Executive Director on the Bank's Board with effect from 05th February 2024. Find announcement here: <https://www.use.or.ug/sites/default/files/ANNOUNCEMENT%20OF%20CHANGES%20IN%20BOARD.pdf>

BOBU Director Resignation: The Board of Directors of Bank of Baroda (Uganda) Limited ("the Company") informed its shareholders and the public that on account of elevation to the position of Global Managing Director of Bank of Baroda India Mr. Debadatta Chand resigned as a Non-Executive Director of the Company with effect from 12th February 2024. Find announcement here: <https://www.use.or.ug/sites/default/files/Bank%20of%20Baroda%20%2013%202%202024%20%284%29.pdf>

NVPPL Half Year Financials: New Vision Printing and Publishing Limited released its financial statements for the half year ended 31st December 2023. Find announcement here: https://www.use.or.ug/sites/default/files/Detailed%20NVPPL%20Half%20year%20financials%20December%202023_0.pdf

Airtel Uganda Limited Financial Statements: Airtel Uganda Limited released its financials for the year ended 31 December 2023. Declaring a Ugshs. 2.15 final dividend.
Find announcement here: <https://www.use.or.ug/sites/default/files/Airtel%20Uganda%20Financial%20Results%20-%20Advert.pdf>

MTN Uganda Limited Financial Statements: MTN Uganda Limited released its financials for the year ended 31 December 2023. Declaring a Ugshs. 6.4 per share.
Find announcement here: <https://www.use.or.ug/sites/default/files/MTN%20Uganda%20Limited%20FY23%20Earnings%20Release.pdf>

UMEME Limited Financial Statements: UMEME Limited released its financials for the year ended 31 December 2023. Declaring a Ugshs. 54.2 final dividend after paying a Ugshs. 24.0 interim dividend.
Find announcement here: <https://www.use.or.ug/sites/default/files/23%20-%20UMEME%20-%20Financlal%20statements.pdf>

Kenya Airways Limited Financials: Kenya Airways released its financials for the year ended 31 December 2023 recording a KES. 10.531 billion operating profit with a KES 22.696 billion net loss.
Find announcement here: https://www.use.or.ug/sites/default/files/Kenya%20Airways%20Full%20Year%20audited%20Financial%20Report%20for%20the%20period%20ended%2031st%20December%202023_0.pdf

Equity Group Holdings Limited Full Year Financials: Equity Group Holdings Limited released its financials for the year ended 31 December 2023 recording a KES. 41.976 billion profit and a KES. 4.0 per share dividend recommended by the board.
Find announcement here: <https://www.use.or.ug/sites/default/files/FY2023%20EGHL%20Plc%20CBK%20Financials.pdf>

Stanbic Uganda Holdings Limited Full Year Financials: Stanbic Uganda Holdings Limited released its financials for the year ended 31 December 2023 recording a Ugshs. 411.531 billion profit and a Ugshs. 155 billion final dividend declared by the directors after paying a Ugshs. 125 billion interim dividend.
Find announcement here: <https://www.use.or.ug/sites/default/files/SUHL%20Financial%20Statements.pdf>

DFCU Limited Full Year Financials: DFCU Limited released its financials for the year ended 31 December 2023 recording a Ugshs. 28.720 billion profit and a Ugshs. 9.1 per share dividend.
Find announcement here: https://www.use.or.ug/sites/default/files/dfcu%202023%20Full%20Year%20Results_0.pdf

Stanbic Uganda Holdings Limited Press Release: Stanbic Uganda Holdings Limited announced a new role for Anne Juuko as Global Market Head for East Africa.
Find announcement here: <https://www.use.or.ug/sites/default/files/ANN%20JUUKO%20NEW%20ROLE-PRESS%20RELEASE.pdf>

COUNTER RESULTS AND PERFORMANCE:

DFCU Limited

DFCU Limited presented its financial statements for the year ended 31 December 2023. They recorded a 4.09% increase in total revenue for the year to Ugx. 449.154 billion, however, their profit after tax reduced by 2.56% from Ugx. 29.476 billion recorded in 2022 to Ugx. 28.720 billion for 2023 with a 95% cost to income ratio and a 38.39 Earnings Per Share thus a 5.86 P/E ratio. Subsequently, their total assets also reduced by 2.62% and currently stand at Ugx. 3.158 trillion. They declared a first and final dividend of Ugx. 9.1 per share (4.04% dividend yield) a 11.11% increase from the Ugx. 8.19 declared for 2022. The counter is now trading at Ugx. 225 per share.

Stanbic Uganda Holdings Limited

Stanbic Uganda Holdings Limited presented its financial statements for the year ended 31 December 2023. They recorded a 15.1% increase in total revenue for the year: to Ugx. 1.19 trillion. Their profit after tax increased by 15.1% from Ugx. 357.380 billion recorded in 2022 to Ugx. 411.531 billion for 2023 with a 53% cost to income ratio and an 8.04 Earnings Per Share thus a 4.22 P/E ratio. Subsequently, their total assets also increased by 2.7% and currently stand at Ugx. 9.3 trillion. They declared a final dividend of Ugx. 3.03 per share [5.47 total dividend] (17.09% dividend yield) a 51.52% increase from the Ugx. 3.61 declared for 2022. The company's share price increased by 52.4% in 2023 and is now trading at 34, a 6.25% increase.

Airtel Uganda Limited

Airtel Uganda Limited presented its financial statements for the year ended 31 December 2023. They recorded a 11.1% increase in total revenue for the year: to Ugx. 1.783 trillion. Their profit after tax decreased by 8.8% from Ugx. 325.7 billion recorded in 2022 to Ugx. 296.9 billion for 2023 on account of increased costs with a 7.4 Earnings Per Share thus a 11.35 P/E ratio. They recorded a 33.17% EBITDA margin. Their data revenue grew by 11.81% and voice calls also increased by 6.7% compared to the previous year. They declared a final dividend of Ugx. 2.15 per share. The company's share price is currently Ugx. 84. The company's share price has dropped by 16% since listing with skepticism from retail investors.

MTN Uganda Limited

MTN Uganda Limited presented its financial statements for the year ended 31 December 2023. They recorded a 15.1% increase in total revenue for the year: to Ugx. 2.669 trillion. Their profit after tax increased by 21.4% from Ugx. 406 billion recorded in 2022 to Ugx. 493 billion for 2023 with a 22.02 Earnings Per Share thus a 7.72 P/E ratio. They recorded a 51.4% EBITDA margin, a 0.2% decline thus an improving operating environment. They also grew by double digits across various revenue lines and subscriber growth. They declared a final dividend of Ugx. 6.4 per share [18.0 total dividend] (10.59% dividend yield) a 13.2% increase from the Ugx. 15.9 declared for 2022. The company's share price is currently Ugx. 170.

British American Tobacco Limited

British American Tobacco Limited presented its financial statements for the year ended 31 December 2023. They recorded an 8.28% decrease in total revenue for the year: to Ugx. 44.870 billion. Their profit after tax decreased by 9.84% from Ugx. 9.882 billion recorded in 2022 to Ugx. 8.910 billion for 2023 with a 181 Earnings Per Share thus an 82.87 P/E ratio. They declared a first and final dividend of Ugx. 181 per share (1.21% dividend yield) a 13.4% decrease from the Ugx. 209 declared for 2022. The company's share price is currently Ugx. 15,000.

UMEME Limited

UMEME Limited presented its financial statements for the year ended 31 December 2023. They recorded a 16.37% increase in total revenue for the year to Ugx. 2.196 trillion however, their profit after tax reduced by 92% from Ugx. 148,215 billion recorded in 2022 to Ugx. 11,470 billion for 2023 with a 7.1 Earnings Per Share thus a 56.33 P/E ratio. The reduction in profit is on account of accelerated depreciation on their concession asset due to the concession agreement with the Government of Uganda coming to an end. There has been increased activity on the counter with its price increasing to 438 from 400 in a two-week period. This comes on the account that despite the company's concession is coming to an end, its cash position is expected to improve from the operations of 2024 and the government payout estimated at \$339 million. Currently, they have fully paid off their long-term debt and thus residual cash shall be paid to shareholders. They declared a final dividend of Ugx. 54.2 per share [78.2 total dividend (63.9 for 2022)] (19.55% dividend yield) a 22.38% increase from the Ugx. 63.9 declared for 2022.

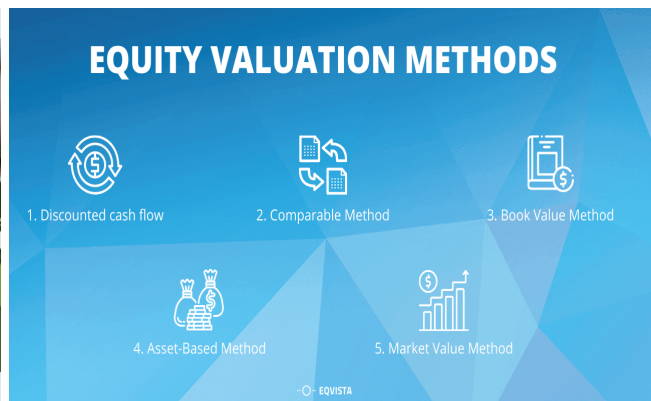
EDUCATION COLUMN

EQUITY VALUATION

Equity valuation is a blanket term and is used to refer to all tools and techniques used by investors to find out the true value of a company's equity. It is often seen as the most crucial element of a successful investment decision. Investment Banks typically have an equity research department, where research analysts produce equity research reports of select securities in various industries. Every participant in the stock market either implicitly or explicitly makes use of equity valuation while making investment decisions. Everyone from small individual investors to large institutional investors uses equity valuations to make investment decisions in equity markets. The total size of the global equity market is estimated to be around \$70 trillion and every participant in the stock market, from professional fund managers to academic researchers, is trying to find mispriced stocks.

Inputs in the Equity Valuation Process

The true value of any financial asset is thought to be a good indicator of how that asset will do in the long run. In equity markets, a financial asset with a relatively high intrinsic value is expected to command a high price, and a financial asset with a relatively low intrinsic value is expected to command a low price.



Distortions can take place in the short run, i.e., financial assets with relatively low intrinsic value might command a high price and vice-a-versa, but such distortions are expected to disappear over time. In the long run, the true value of a stock (and thereby the market price of that stock) depends only on the fundamental factors affecting the stock. The factors can be broadly classified into four categories.

- Macroeconomic variables
- Management of the business
- Financial health of the business
- Profits of the business

What Is Discounted Cash Flow (DCF)?

Discounted cash flow (DCF) refers to a valuation method that estimates the value of an investment using its expected future cash flows.

DCF analysis attempts to determine the value of an investment today, based on projections of how much money that investment will generate in the future. It can help those considering whether to acquire a company or buy securities. Discounted cash flow analysis can also assist business owners and managers in making capital budgeting or operating expenditures decisions.

How Does Discounted Cash Flow (DCF) Work?

The purpose of DCF analysis is to estimate the money an investor would receive from an investment, adjusted for the time value of money. The time value of money assumes that a dollar that you have today is worth more than a dollar that you receive tomorrow because it can be invested. As such, a DCF analysis is useful in any situation where a person is paying money in the present with expectations of receiving more money in the future.

For example, assuming a 5% annual interest rate, \$1 in a savings account will be worth \$1.05 in a year. Similarly, if a \$1 payment is delayed for a year, its present value is 95 cents because you cannot transfer it to your savings account to earn interest. Discounted cash flow analysis finds the present value of expected future cash flows using a discount rate. Investors can use the concept of the present value of money to determine whether the future cash flows of an investment or project are greater than the value of the initial investment.

If the DCF value calculated is higher than the current cost of the investment, the opportunity should be considered. If the calculated value is lower than the cost, then it may not be a good opportunity, or more research and analysis may be needed before moving forward with it. To conduct a DCF analysis, an investor must make estimates about future cash flows and the ending value of the investment, equipment, or other assets.

The investor must also determine an appropriate discount rate for the DCF model, which will vary depending on the project or investment under consideration. Factors such as the company or investor's risk profile and the conditions of the capital markets can affect the discount rate chosen.

If the investor cannot estimate future cash flows or the project is very complex, DCF will not have much value and alternative models should be employed.

Advantages and Disadvantages of DCF

Advantages

- Discounted cash flow analysis can provide investors and companies with an idea of whether a proposed investment is worthwhile.
- It is an analysis that can be applied to a variety of investments and capital projects where future cash flows can be reasonably estimated.
- Its projections can be tweaked to provide different results for various what-if scenarios. This can help users account for different projections that might be possible.

Disadvantages

- The major limitation of discounted cash flow analysis is that it involves estimates, not actual figures. So, the result of DCF is also an estimate. That means that for DCF to be useful, individual investors and companies must estimate a discount rate and cash flows correctly.
- Furthermore, future cash flows rely on a variety of factors, such as market demand, the status of the economy, technology, competition, and unforeseen threats or opportunities. These can't be quantified exactly. Investors must understand this inherent drawback for their decision-making.
- DCF shouldn't necessarily be relied on exclusively even if solid estimates can be made. Companies and investors should consider other, known factors as well when sizing up an investment opportunity. In addition, comparable company analysis and precedent transactions are two other, common valuation methods that might be used.

How Do You Calculate DCF?

Calculating the DCF involves three basic steps. One, forecast the expected cash flows from the investment. Two, select a discount rate, typically based on the cost of financing the investment or the opportunity cost presented by alternative investments. Three, discount the forecasted cash flows back to the present day, using a financial calculator, a spreadsheet, or a manual calculation.

What Is an Example of a DCF Calculation?

You have a discount rate of 10% and an investment opportunity that would produce \$100 per year for the following three years. Your goal is to calculate the value today—the present value—of this stream of future cash flows.

Since money in the future is worth less than money today, you reduce the present value of each of these cash flows by your 10% discount rate. Specifically, the first year's cash flow is worth \$90.91 today, the second year's cash flow is worth \$82.64 today, and the third year's cash flow is worth \$75.13 today. Adding up these three cash flows, you conclude that the DCF of the investment is \$248.68.

Is Discounted Cash Flow the Same as Net Present Value (NPV)?

No, it's not, although the two concepts are closely related. NPV adds a fourth step to the DCF calculation process. After forecasting the expected cash flows, selecting a discount rate, discounting those cash flows, and totaling them, NPV then deducts the upfront cost of the investment from the DCF. For instance, if the cost of purchasing the investment in our above example were \$200, then the NPV of that investment would be \$248.68 minus \$200, or \$48.68.

The Bottom Line

Discounted cash flow is a valuation method that estimates the value of an investment based on its expected future cash flow. By using a DFC calculation, investors can estimate the profit they could make with an investment (adjusted for the time value of money). The value of expected future cash flows is first calculated by using a projected discount rate. If the discounted cash flow is higher than the current cost of the investment, the investment opportunity could be worthwhile.

APPENDIX I: USE MEMBER FIRMS

The following USE Member Firms are licensed to act as both broker/dealers and Market Advisors:

Market Advisor	Contact Person:
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