



Uganda Securities Exchange

Monthly Bulletin

August 2020

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for August 2020 was 15,953,311 shares with a turnover of UGX 448,563,390. This month's turnover performance was an 84.1% decrease from 78,169,228 shares worth UGX 2,818,258,996 that was recorded in August 2019. Activity in the eighth month of the year increased by 65.1 percent to a turnover of UGX 448.6 million from UGX 271.7 million recorded in July 2020. This represents a daily average turnover of approximately UGX 21.4 million. Volume traded rose to 15.9 million shares compared to 5.8 million shares traded in July 2020. The number of deals presented a decrease of 232 deals down from 369 deals executed in July 2020, with 92.26 per cent of the deals attributed to the Stanbic counter.

The recovery in activity compared to the past two months follows the ease of Covid-19 lockdown measures in Uganda and across the globe.

Turnover performance per counter

Stanbic counter dominated activity for the month accounting for 78.75 percent of the total turnover, followed by UMEME with 12.60 percent. In third position was CIPLA, with 5.90 per cent contribution to the month's turnover. Bank of Baroda Uganda, Uganda Clays Limited, National Insurance Corporation, DFCU and New Vision limited combined recorded 2.74 percent of the total turnover. Cross-listed securities did not post any turnover positions during the past month.

Volume traded per counter

Stanbic registered the highest volume of shares, with 92.26 percent, followed by Uganda Clays Limited with 2.64 percent. CIPLA came third with 1.75 percent of the volume, while National Insurance Corporation Uganda was in the fourth position with 1.53 percent of the total volume. UMEME and Bank of Baroda Uganda accounted for 1.46 percent and 0.36 percent, respectively. DFCU and New Vision Limited had the least number of shares traded amounting to 501 shares, representing approximately 0.01 percent of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

	August 2020	August 2019
Volume Traded	15,953,311	78,169,228
Turnover (UGX)	448,563,390	2,818,258,996
No. of Deals	232	434
Trading Days	21	22
Daily Avg. Turnover (UGX)	21,360,161	128,102,682
Daily Avg. no. of trades	11	20
Market Capitalization (UGX.bn)	18,577.94	22,116.74
USE All Share Index (ASI)	1,332.11	1,583.32
Local Share Index (LSI)	338.73	369.87

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) declined slightly during the period with many local counters experiencing minimal price movements. The local index commenced the month at 339.42 and closed at 338.73 representative of a 0.20 percent decrease. The All Share Index (ALSI) increased by 2.34 percent to 1,332.11 from 1,301.56 at the start of the month. Refer to ALSI/LCI graph below.

August 2020 Indices Graph:



Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS:

INFLATION – OUTLOOK AND RISKS

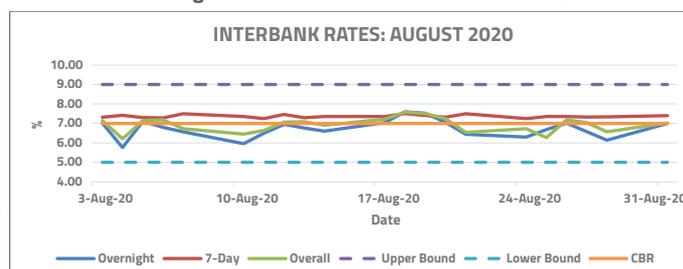
Annual Headline inflation fell to 4.6 percent in the 12 months to August 2020 compared to 4.7 percent in the year to July 2020. According to the Uganda Bureau of Statistics (UBOS), this decline was a result of a reduction in annual Electricity, Fuel and Utilities inflation. Annual Electricity, Fuel and Utilities inflation dropped to 4.3 percent in August 2020 from 6.6 percent in July 2020. Year on year core inflation rose to 5.9 percent in the 12 months to August 2020 from 5.8 percent registered in July 2020 driven by higher services inflation due to higher transport costs. Annual food crops and related items inflation increased to a deflation of 5.4 percent in the 12 months to August 2020 compared to a deflation of 5.5 percent in the year to July 2020 due to higher prices of fruits. Monthly headline inflation increased by 0.3 percent in August 2020 from a 0.1 percent increment registered in July 2020 due to higher food prices. Inflation is expected to edge higher due to increased food prices as the harvest season concludes. Furthermore, higher input prices driven by increased transport costs present a risk of higher inflation.

INTEREST AND LENDING RATES

Interbank Money Market Rates

Overnight rates edged lower in August 2020, averaging 6.7 percent from 6.9 percent registered in July 2020. 7-day interbank rates were stable at 7.4 percent during the month pointing to stable liquidity in the money markets. Bank of Uganda maintained the Central Bank Rate at 7 percent in August 2020 citing upside risk of inflation with core inflation expected to peak at 6.1 percent in the first quarter of 2021. Money market rates fluctuated within the bank set in the Monetary Policy Statement as shown in the graph below:

Interbank Rates: August 2020

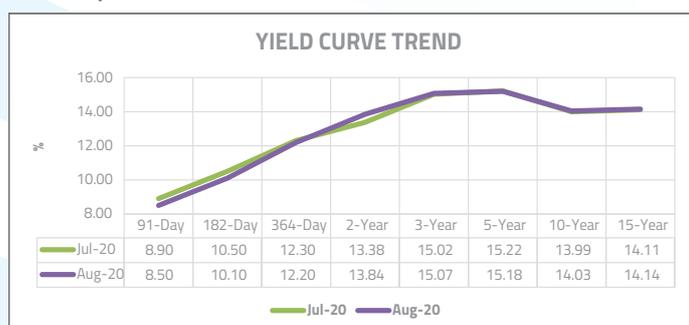


Source: Bank of Uganda

Yields on Government securities

Treasury bill rates edged lower in August 2020 with the 91-Day, 182-Day and 364-Day rates averaging 8.5 percent, 10.1 percent, and 12.2 percent, respectively. Investors mainly focused on the 91-Day and 182-Day Treasury bills in the last auction held in August. These two tenors had bid to cover ratios of 3.67 and 2.17, respectively. The 2-Year Government paper yield increased to 13.8 percent in August 2020 compared to 13.4 percent in July as investor demand for this paper shifted to the short end of the yield curve. The 3-year and 5-year bond yields were stable at 15.1 percent and 15.2 percent, respectively. Rates on the longer tenors rose to 14.0 percent and 14.1 percent for the 10-year and 15-year, respectively. Bond market turnover fell from Ugx 944.3 Billion in July 2020 to Ugx 681.4 Billion in August 2020. Expectations of higher inflation and a weaker Uganda Shilling has resulted in a shift in investor demand to short term and medium-term papers. We expect for the short term rates to remain range bound while rates on the medium and longer end of the curve are forecast to edge higher.

Secondary Market Yields on T-bills and T-bonds

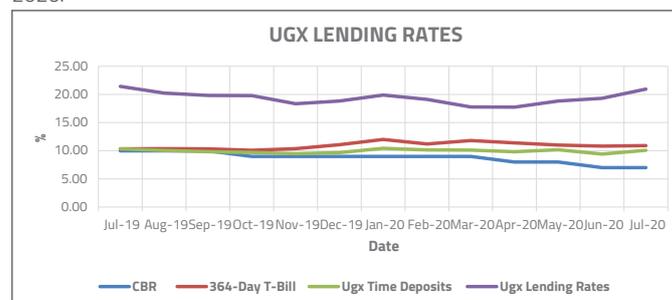


Source: Bank of Uganda

Lending rates

Shilling denominated lending rates rose to 20.9 percent in July 2020 compared to 19.3 percent registered in June 2020. This speaks to the increased perceived risk in the economy as various businesses deal with the impact of the Covid-19 pandemic. Year on year, shilling denominated lending rates as of July 2020 are slightly lower compared to 21.4 percent registered in July 2019. Foreign currency denominated lending rates fell marginally to 5.3 percent in July 2020 compared to 5.5 percent registered in June 2020. Total commercial

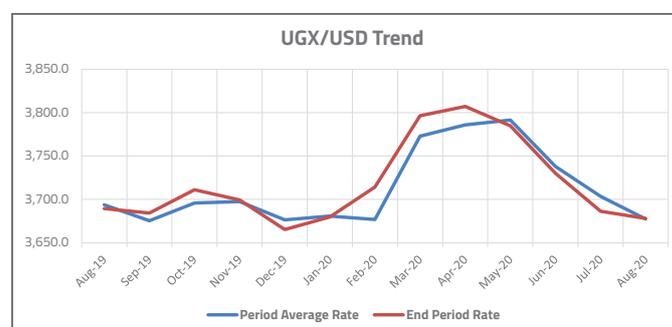
banks' lending rates to the private sector was stable at Ugx 16 Trillion in July 2020.



Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The local currency appreciated by 0.7 percent to an average of 3,677.5 in August 2020 compared to an average of 3,703.5. The Uganda Shilling was supported by low demand from importers amidst subdued economic activity as businesses deal with the impact of Covid-19 pandemic. The Shilling has been stable so far this year largely due to muted economic activity witnessed this year as a result of the economic slowdown due to the pandemic. The Uganda Shilling is expected to remain stable over the short term due to slow economic activity. However, the currency is forecast to come under pressure as economic activity recovers over the medium term.



Source: Bank of Uganda Statistic

BOND LISTINGS:

There were 2 treasury bonds re-opened in August 2020 with a value of UGX 370bn which listed. Secondary market trading is over the counter (OTC) through the primary dealers. The current total value of the Government Bonds listed on the bourse stands at UGX 13.4 Trillion.

Government Bond Schedule: August –2020

INSTRUMENT CODE	ISIN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
FXD/09/2015/5YR	UG12H0309205	100BN	2015/09/10	20.00	2020/09/03
FXD/2/2011/10YR	UG0000000865	710BN	2011/02/02	11.00	2021/01/21
FXD/02/2016/5YR	UG12H1802216	345BN	2016/02/24	18.38	2021/02/18
FXD/05/2016/5YR	UG12H1305210	100BN	2016/05/18	16.50	2021/05/13
FXD/09/2016/5YR	UG12H2109215	100BN	2016/09/27	16.50	2021/09/21
FXD/11/2016/5YR	UG12H2810218	200BN	2016/11/03	16.75	2021/10/28
FXD/12/2016/5YR	UG12H0312217	100BN	2016/12/09	17.00	2021/12/03
FXD/05/2017/5YR	UG12H1305228	156.3BN	2017/05/19	15.38	2022/05/13
FXD/7/2012/10YR	UG0000001079	1.615TN	2013/08/14	11.00	2022/06/09
FXD/07/2017/5YR	UG12H0707226	300BN	2017/07/13	14.13	2022/07/07
FXD/12/2017/5YR	UG12H2811224	156.3BN	2017/12/04	12.50	2022/11/28
FXD/6/2013/10YR	UG0000001244	1.035TN	2013/04/24	11.00	2023/04/13
FXD/1/2014/10YR	UG12J1801248	710BN	2014/01/30	14.00	2024/01/18
FXD/05/2019/5YR	UG12H1005240	153.7BN	2019/05/17	14.88	2024/05/10
FXD/8/2014/10YR	UG0000001467	1.070TN	2014/08/13	14.00	2024/08/01
FXD/1/2015/10YR	UG0000001517	100BN	2015/01/28	11.00	2025/01/16
FXD/12/2015/10YR	UG12J1812252	120BN	2015/12/30	19.50	2025/12/18
FXD/08/2016/10YR	UG12J2708269	540BN	2016/09/08	16.63	2026/08/27
FXD/5/2017/10YR	UG12J0605277	360BN	2017/05/18	16.00	2027/05/06
FXD/1/2018/10YR	UG12J1301280	220BN	2018/01/25	14.13	2028/01/13
FXD/12/2013/15YR	UG0000001376	220BN	2013/12/04	15.25	2028/11/16
FXD/2/2015/15YR	UG0000001533	1.865TN	2015/02/25	14.25	2029/08/23
FXD/5/2015/15YR	UG12K0205308	120BN	2015/05/21	17.50	2030/05/02
FXD/4/2016/15YR	UG12K0304317	300BN	2016/04/20	17.00	2031/04/03
FXD/3/2017/15YR	UG12K0403325	320BN	2017/03/23	16.38	2032/03/04
FXD/2/2018/15YR	UG12K0302337	750BN	2018/02/22	14.38	2033/02/03
FXD/7/2019/15YR	UG12K2206346	1.345TN	2019/07/11	14.25	2034/06/22

Corporate Bond Activity: August 2020

The corporate Bonds segment remained inactive throughout the period. Investors in this segment have continued to hold onto their investments and receive interest that is paid out semi-annually. Below are the corporate bonds currently listed on the USE;

1. African Development Bank Bond maturing on 01.02.2022
2. Kakira Sugar Limited Bond maturing on 07.12.2023

CORPORATE ANNOUNCEMENTS: AUGUST 2020

BRITISH AMERICAN TOBACCO UGANDA

The Board of Directors of British American Tobacco Uganda Limited (BATU) announced the resignation of Mr. Mathu Kiunjuri from his position as Managing Director and Executive Director of the Company effective 31st July 2020 following redeployment to a new senior role within the Group. The Board subsequently announced the appointment of Mr. Kirunda Magoola as Managing Director and an Executive Board Director of the Company effective 1 August 2020. Mr. Magoola most recently held the position of Corporate and Regulatory Affairs Manager at BAT Uganda. **Full Announcement is available on our website: <https://www.use.or.ug/sites/default/files/BATU%20-Board%20changes%20Announcement.pdf>**

CIPLA QUALITY CHEMICALS INDUSTRIES LTD ANNOUNCEMENTS:

CIPLA QUALITY CHEMICAL INDUSTRIES LTD ACQUISITION OF HUMAN CARE BUSINESS OF QUALITY CHEMICALS LTD

Cipla Quality Chemical Industries Ltd informed its shareholders and the public that the company had signed an agreement to acquire the assets of Quality Chemicals Limited specifically relating to the Human Health Care business for USD 1.27 Million. According to the announcement, the acquisition took the form of transfer of human business assets including sales staff overseeing the human health care portfolio. The acquisition is expected to boost the company's sales growth by expanding its product breadth while tapping into new business opportunities in the private market. **Source: CIPLAQCIL ANNOUNCEMENT OF ACQUISITION OF THE HUMAN CARE BUSINESS dated 21st August 2020. Full Announcement is available on our website: <https://www.use.or.ug/sites/default/files/CiplaQCIL%20Acquisition%20Announcement.pdf>**

POST ANNUAL GENERAL MEETING NOTICE:

Cipla Quality Chemical Industries Limited informed its shareholders that at the 2nd Annual General Meeting (AGM) of the Company held virtually on Thursday, 20th August 2020, the following resolutions were passed;

1. Adoption of the audited financial statements for the year ended 31st March 2020 including the reports of the Directors and the External Auditors.
2. Re-election of the following Directors who retired by rotation and being eligible offered themselves for re-election; (a) Mr. Mark Daly (b) Dr. Peter Mugenyi (c) Mr. Paul Miller
3. Appointment of Mrs. Geena Malhotra as a Non-Executive Director of the Company.
4. Re-appointment of Grant Thornton as the External Auditor of the Company for the next financial year ending 31 March 2021 and authorisation of the Directors to negotiate and set their remuneration.
5. Approval of fees payable to Independent Non-Executive Directors for the period until the next Annual General Meeting.

Source: CIPLAQCI POST ANNUAL GENERAL MEETING NOTICE dated 21st August 2020. Full Announcement is available on our website: <https://www.use.or.ug/sites/default/files/CiplaQCIL%20Post%20AGM%20Notice%20%281%29.pdf>

DFCU LIMITED

DFCU Limited 2020 Interim Financial Results:

DFCU Limited published financial results for the first 6 months of 2020. According to the published results, the company experienced unprecedented circumstances locally and globally because of the ongoing COVID-19 pandemic and the lockdown instituted to contain the spread of the coronavirus. Net Loans and Advances to Customers grew by 26.8% from 1.369 Trillion in June 2019 to 1.736 Trillion shillings in June 2020 while Customer Deposits also grew by 24.9% from 1.992 Trillion in June 2019 to 2.487 Trillion in June 2020; as a result, total assets grew by 16.5% from 2.953 Trillion shillings in June 2019 to 3.442 Trillion shillings in June 2020. The half year period had a significant increase in the credit impairment charge as a result of the adverse impact of COVID-19 on loans and advances as well as the financial asset related to the 2017 acquisition. This resulted in a negative effect on profitability recording a charge of 8.7 Billion and 10 Billion shillings,

respectively. Operating expenses reduced by 13.2% worth 13 Billion shillings which substantially offset the impact on profitability and as a result, net profit after tax reduced by UGX 6.6 Billion from Ugx 35.7 Billion in June 2019 to 29.1 Billion in June 2020. Management committed to continue to invest in digital capabilities and alternative channel presence to continue driving down the cost to serve the customer while delivering a seamless customer experience in addition building partnerships and strategic alliances for mutual benefit. The Board of Directors did not recommend payment of an interim dividend. **Full Announcement is available on our website: <https://www.use.or.ug/sites/default/files/dfcu%20Limited%202020%20Interim%20Financial%20Results%20-%20Final%20.pdf>**

East African Breweries Limited.

East African Breweries Ltd Audited Financial Results for the Year to 30th June 2020: According to the company statement, the first part of the year was characterized by stable working environment which resulted in EABL reporting volume growth of 5%, sales growth of 10% and operating profit growth of 9% versus the prior period. This trend was sustained through to February 2020. In March 2020 as the Covid pandemic spread globally, the first cases were reported in East Africa leading the respective governments to put in place measures to contain the spread of the virus. As a result, there was a significant decline in sales following the closure of outlets and restrictions on movement primarily in Kenya and Uganda. We responded by remodeling our business to provide our consumers with a variety of options including convenience stores, supermarkets, and home deliveries. However, this commercial effort could not make up for lost sales, the largest share of which comes from the traditional retail outlets.

Financial highlights

The Group's volume and net revenue declined 11% and 9% respectively with net revenue reported of Kshs 74.9 billion. The first half sales growth of 10% was off set by 29% decline in the second half due to Covid 19 impact. At country level Kenya and Uganda revenues declined 14% and 5% respectively while Tanzania grew 14%. Cost of sales declined 6% while selling and distribution costs and administrative expenses declined 9% respectively as a result of cost management initiatives aimed at protecting profitability and conserving cash. Profit after tax declined 39% resulting from the slow down in business in the last quarter following the closure of retail outlets. While the Group curtailed capital expenditure in the last quarter to conserve cash, the Group invested Kshs 8.1 billion in capital projects during the year compared to Kshs 11.7 billion in the prior year. Investments during the year largely related to capacity expansion programmes across the markets and investments in environmental projects aimed at delivering biomass power and water recovery processes.

Dividend.

In recognition of the uncertainty in the external environment, in the face of covid 19 pandemic and the need to conserve cash to support the business. The directors do not recommend a final dividend. As such the interim dividend of Kshs 3.00 per share paid in April 2020 will be the full and final dividend for the year. **Full Announcement is available on our website: <https://www.use.or.ug/sites/default/files/EABL%20AUDITED%20RESULTS%202020.pdf>**

NIC HOLDINGS LIMITED

POST AGM NOTICE:

Following the NIC Holdings Limited 19th Annual General Meeting (AGM) which was held virtually on 30th July 2020, the company informed its shareholders and the public that the following resolutions were approved:

1. The Company's financial statements for the year ended 31st December 2019 which was laid before shareholders together with the reports of the Directors thereon.
2. The resolution re-electing Mr. Rotimi Fashola and Mr Charles Tukacungurwa as directors of the Company.
3. The resolution re-appointing Ernst & Young Uganda, Certified Public Accountants as External Auditors of the Company for the year ending 31st December, 2020 and authorizing directors to determine their remuneration;
4. The resolution approving the remuneration of directors as disclosed in the 2019 Annual Report and Accounts which was presented as a special business at the AGM; and The meeting also approved the special resolution amending Article 33, Articles of Association of the Company.

Full Announcement is available on our website: <https://www.use.or.ug/sites/default/files/NIC%20Post%20AGM%20Notice%20-%2019th%20AGM.pdf>

UMEME LIMITED

POST ANNUAL GENERAL MEETING NOTICE

Following the Annual General Meeting held virtually on 6th August 2020, UMEME Limited informed its shareholders that the following resolutions were passed:

1. Receipt and adoption of the annual audited financial statements for the year ended 31st December 2019, including the reports of the Directors and External Auditors.
2. Declaration of a final dividend of Ugx 41.34 per share.
3. Appointment of Ernst & Young as External Auditors of the Company for the year 2020.
4. Re-election of Mr Andrew Buglass as a Non-Executive Director.
5. Re-election of Mr Stephen Emasu as a Non-Executive Director.
6. Re-election of Mr Riccardo Ridolfi as a Non-Executive Director.
7. Re-election of Mr Johan de Bruijn as a non-Executive Director.
8. Amendment of the Company articles of association to include the conduct of general meetings in a virtual/ electronic manner.

Dividend Payment

The dividend was paid on or about 17th August 2020 to shareholders whose names appeared on the Company's register at close of business on 28th July 2020. **Full Announcement is available on our website:**

<https://www.use.or.ug/sites/default/files/Post%20Annual%20General%20Meeting.pdf>

UMEME Limited Interim Financial Statements for the Period ended 30th June 2020: According to the published announcement, following a good start in the first quarter of 2020 indicative of growth prospects from 2019, the Company's operational and financial performance was negatively impacted by the effects of the COVID-19 pandemic, during the second quarter. In response to the pandemic and corresponding Directives issued by the Ministry of Health, the Company continues to implement its business continuity measures to minimize the impact of the pandemic on the business operations and liquidity, while striving to maintain the supply of electricity to the Country.

Revenue

Revenue which includes revenues for electricity sales and revenues from completed ECP connections increased by 4% to UGX 849 billion for the period compared to UGX 816 billion in the same period in 2019. Electricity sales decreased by 5% to UGX 778 billion in line with the prevailing price and the reduction in the underlying electricity unit sales. ECP revenues relating to completed connections of UGX 52 billion was recognized during the period compared to UGX 29 billion for the same period in 2019. Gross profit for the period reduced by 22% to UGX 232 billion from UGX 296 billion in the same period in 2019 driven by distribution revenue shortfalls arising out of reduced electricity demand, increased energy losses and outstanding regulatory income recoveries. Similarly, the revenue collections for the six months to June 2020 decreased to 93.3% compared to 98.7% achieved in the first half of 2019. We continue to note a general improvement in collections as the Covid-19 restrictions are eased. Profit after Tax reduced by 64% to UGX 22 billion from UGX. 61 billion in the same period in 2019. Balance Sheet Analysis Total assets as of 30 June 2020 increased to UGX 2,643 billion from UGX 2,542 billion in 2019. Shareholder Equity increased by 5%, from UGX 834 billion at 31 December 2019 to UGX 873 billion at 30 June 2020. Outstanding interest-bearing debt decreased to UGX 502 billion at 30 June 2020 from UGX 557 billion at the end of 2019. The Company paid down debt totalling UGX 65 billion in settlement of the term facility with Standard Chartered Bank, Stanbic Bank Uganda Limited, International Finance Corporation (IFC) and a short-term revolving facility with DFCU Bank Limited. **Full Announcement is available on our website:** https://www.use.or.ug/sites/default/files/Umememe%20Limited_H1%202020%20Results.pdf

STANBIC UGANDA HOLDINGS LIMITED:

STANBIC UGANDA HOLDINGS LIMITED UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD TO 30 JUNE 2020:

According to the published announcement, despite the difficult operating environment, Stanbic's performance in the first half showed the banks resilience and commitment to implementing a robust strategy in the current economic conditions. Customer deposits grew by UGX 1.1 Trillion a 26.6% year on year growth. This growth was enabled by a strong client ecosystem engagement and simplifying client onboarding. Loans and advances increased by UGX 661 billion, 24% year on year growth registered across the varied client segments on working capital and term financing. Loans and advances grew by 24.0% to UGX 3.4 trillion from UGX 2.7 trillion in June 2019. The CAGR over the last 5 years is 16.4%. Customer deposits increased by 26.6% from UGX 4.1 trillion in June 2019 to UGX 5.2 trillion in June 2020. Total assets grew by 26.5% from UGX 6.1 trillion to UGX 7.7 trillion. Shareholders equity grew by UGX 247 billion {24.8%} compared to the same period last year. Total income increased by UGX 23 billion, representing a 5.6% increase over the same period in 2019. Net Interest Income (NII) registered growth off the back of larger interest earning investments, while Non-Interest Revenue (NIR) dropped due to business disruptions occasioned by the Covid-19 pandemic. Profit after tax reduced by UGX 6.6 billion from UGX 134.0 billion as at June 2019 to UGX 127.4 bn as at June 2020. This is primarily attributed to significant

increase in the credit impairment charge, impact of Covid-19 Pandemic on client business, and drop in transaction volumes which impacted NIR. **Full Announcement is available on our website:** <https://www.use.or.ug/sites/default/files/SUHL%20HALF%20YEAR%20RESULTS.pdf>

EQUITY GROUP HOLDINGS PLC

COMPLETION OF THE ACQUISITION OF BANQUE COMMERCIALE DU CONGO BY EQUITY GROUP HOLDINGS PLC (EGH):

On 18 November 2019, EGH published a notice of the entry into a share purchase agreement (the Agreement) with George Arthur Forrest (the Seller) for the acquisition of 66.53% of the shares in the capital of Banque Commerciale du Congo (BCDC) (the Acquisition) from the Seller at a price of United States Dollars one hundred and five million (USD 105,000,000) (the Consideration) with a view to eventually amalgamating the business of BCDC with that of EGH's existing banking subsidiary in the Democratic Republic of Congo, Equity Bank Congo S.A. The announcement specified that the Acquisition was subject to conditions that are customary to transactions of this nature including all regulatory approvals from amongst others, the Central Bank of Kenya, Banque Centrale du Congo and the COMESA Competition Commission and the board approvals of BCDC and EGH. The parties to the Agreement have since the entry into the Agreement, been working on the fulfilment of the conditions provided in the Agreement to enable the completion of the Acquisition. EGH is pleased to inform its shareholders and the public that the conditions precedent to the Acquisition including the receipt of corporate and regulatory approvals have been fulfilled and/or waived and the Acquisition was completed on 7 August 2020. EGH and the Seller also agreed to a reduction in the Consideration from United States Dollars one hundred and five million (USD 105,000,000) to United States Dollars ninety five million (USD 95,000,000), both parties having taken into account the events that have taken place since the entry into the Agreement and particularly that the COVID-19 pandemic is having adverse effects on the economies of the World and the economy of the Democratic Republic of Congo. As a result of the completion of the Acquisition, EGH now owns 66.53% of the issued share capital of BCDC, making BCDC its subsidiary. **Source:** EQUITY HOLDINGS ANNOUNCEMENT DATED Tuesday 11th August 2020. **Full Announcement is available on our website:** <https://www.use.or.ug/sites/default/files/Public%20Notice%20%281%29.pdf>

UGANDA CLAYS LIMITED

CAUTIONARY STATEMENT

Uganda Clays Limited (the Company) informed its shareholders and the general public that the Company's unaudited financial statements for the six-month period January – June 2020, which was due to be published soon, was likely to return a loss position. Accordingly, the shareholders were advised to exercise caution when dealing in the Company's securities. **Full Announcement is available on our website:** <https://www.use.or.ug/sites/default/files/UCL%20Cautionary%20notice%20on%20H1%20results.pdf>

EDUCATION COLUMN

UNDERSTANDING DIVIDENDS

What Is A Dividend?

A dividend is the distribution of some of a company's earnings to a class of its shareholders, as determined by the company's board of directors. Common shareholders of dividend-paying companies are typically eligible if they own the stock before the ex-dividend date. Dividends may be paid out as cash or in the form of additional stock. Dividends must be approved by the shareholders through their voting rights. A dividend is also described as a token reward paid to the shareholders for their investment in a company's equity, and it usually originates from the company's net profits. While the major portion of the profits is kept within the company as retained earnings—which represent the money to be used for the company's ongoing and future business activities—the remainder can be allocated to the shareholders as a dividend. At times, companies may still make dividend payments even when they do not make suitable profits. They may do so to maintain their established track record of making regular dividend payments. The board of directors can choose to issue dividends over various time frames and with different payout rates. Dividends can be paid at a scheduled frequency, such as monthly, quarterly or annually. Companies can also issue non-recurring special dividends either individually or in addition to a scheduled dividend.

Dividend-Paying Companies

Larger, more established companies with more predictable profits are often the best dividend payers. These companies tend to issue regular dividends because they seek to maximize shareholder wealth in ways aside from normal growth. Companies structured as master limited partnerships (MLP)

and real estate investment trusts (REIT) are also top dividend payers since their designations require specified distributions to shareholders. Start-ups and other high-growth companies, such as those in the technology or biotech sectors, may not offer regular dividends. Because these companies may be in the early stages of development and may incur high costs (as well as losses) attributed to research and development, business expansion and operational activities, they may not have sufficient funds to issue dividends. Even profit-making early- to mid-stage companies avoid making dividend payments if they are aiming for higher-than-average growth and expansion and want to invest their profits back into their business rather than paying dividends.

Important Dividend Dates

Dividend payments follow a chronological order of events and the associated dates are important to determine the shareholders who qualify for receiving the dividend payment.

- **Announcement Date:** Dividends are announced by company management on the announcement date, and must be approved by the shareholders before they can be paid.
- **Ex-Dividend Date:** The date on which the dividend eligibility expires is called the ex-dividend date or simply the ex-date. For instance, if a stock has an ex-date of Monday, August 10, then shareholders who buy the stock on or after that day will NOT qualify to get the dividend as they are buying it on or after the dividend expiry date. Shareholders who own the stock one business day prior to the ex-date - that is on Friday, August 7, or earlier - will receive the dividend.
- **Record Date:** The record date is the cut-off date, established by the company in order to determine which shareholders are eligible to receive a dividend or distribution.
- **Payment Date:** The company issues the payment of the dividend on the payment date, which is when the money gets credited to investors' accounts.

Impact of Dividends on Share Price

Since dividends are irreversible, their payments typically lead to money going out of the company's books and accounts of the business forever. Therefore, dividend payments impact share price - it may rise on the announcement approximately by the amount of the dividend declared and then decline by a similar amount at the opening session of the ex-dividend date.

Why Companies Pay Dividends

Companies pay dividends for a variety of reasons. These reasons can have different implications and interpretations for investors. Dividends can be expected by the shareholders as a reward for their trust in a company. The company management may aim to honor this sentiment by delivering a robust track record of dividend payments. Dividend payments reflect positively on a company and help maintain investors' trust. Dividends are also preferred by shareholders because they are treated as tax-free income for shareholders in many countries however, in Uganda they are charged a withholding tax of 10% for nationals and 15% for foreigners. Conversely, capital gains realized through the sale of a share whose price has increased is considered taxable income and the reverse is true in Uganda as capital gains are not taxed. Traders who look for short-term gains may also prefer getting dividend payments that offer instant tax-free gains. A high-value dividend declaration can indicate that the company is doing well and has generated good profits. But it can also indicate that the company does not have suitable projects to generate better returns in the future. Therefore, it is utilizing its cash to pay shareholders instead of reinvesting it into growth. If a company has a long history of dividend payments, a reduction of the dividend amount, or its elimination, may signal to investors that the company is in trouble.

A reduction in dividend amount or a decision against making any dividend payment may not necessarily translate into bad news about a company. It may be possible that the company's management has better plans for investing the money, given its financials and operations. For example, a company's management may choose to invest in a high-return project that has the potential to magnify returns for shareholders in the long run, as compared to the petty gains they will realize through dividend payments.

Dividend Yield/Payout Ratio

The dividend yield and dividend payout ratio (DPR) are two valuation ratios investors and analysts use to evaluate companies as investments for dividend income. The dividend yield shows the annual return per share owned that an investor realizes from cash dividend payments, or the dividend investment return per dollar invested. It is expressed as a percentage and calculated as: The dividend yield provides a good basic measure for an investor to use in comparing the dividend income from his or her current holdings to potential dividend income available through investing in other equities or mutual funds. Concerning overall investment returns, it is important to note that increases in share price reduce the dividend yield ratio even though the overall investment return from owning the stock may have improved substantially. Conversely, a drop in share price shows a higher dividend yield but may indicate the

company is experiencing problems and lead to a lower total investment return. The dividend payout ratio is considered more useful for evaluating a company's financial condition and the prospects for maintaining or improving its dividend payouts in the future. The dividend payout ratio reveals the percentage of net income a company is paying out in the form of dividends. If the dividend payout ratio is excessively high, it may indicate less likelihood a company will be able to sustain such dividend payouts in the future, because the company is using a smaller percentage of earnings to reinvest in company growth. Therefore, a stable dividend payout ratio is commonly preferred over an unusually big one. A good way to determine if a company's payout ratio is a reasonable one is to compare the ratio to that of similar companies in the same industry.

Dividends Per Share

Dividends per share (DPS) measures the total amount of profits a company pays out to its shareholders, generally over a year, on a per-share basis. DPS can be calculated by subtracting the special dividends from the sum of all dividends over one year and dividing this figure by the outstanding shares. A company can decrease, increase, or eliminate all dividend payments at any time. A company may cut or eliminate dividends when the economy is experiencing a downturn. Suppose a dividend-paying company is not earning enough; it may look to decrease or eliminate dividends because of the fall in sales and revenues. Another example would be if a company is paying too much in dividends. A company can gauge whether it is paying too much of its earnings to shareholders by using the payout ratio. The company will look to cut or eliminate dividends because it should not be paying out more than it is earning. The current dividend payout can be found among a company's financial statements on the statement of cash flows. The rate of growth of dividend payments requires historical information about the company that can easily be found on any number of stock information websites. The required rate of return is determined by an individual investor or analyst based on a chosen investment strategy.

KEY TAKEAWAYS

- A dividend is the distribution of some of a company's earnings to a class of its shareholders, as determined by the company's board of directors.
- Dividends are payments made by companies as a reward to investors for putting their money into the venture.
- Announcements of dividend payouts are generally accompanied by a proportional increase or decrease in a company's stock price.
- Companies pay dividends to distribute profits to shareholders, and which also signals corporate health and earnings growth to investors.
- Because shares prices represent future cash flows, future dividend streams are incorporated into the share price, and discounted dividend models can help analyze a stock's value.
- After a stock goes ex-dividend, the share price typically drops by the amount of the dividend paid to reflect the fact that new shareholders are not entitled to that payment.
- Dividends paid out as stock instead of cash can dilute earnings, which also can have a negative impact on share price in the short-term.
- Because dividends are issued from a company's retained earnings, only companies that are substantially profitable issue dividends with any consistency.
- Dividends are often paid in cash, but they can also be issued in the form of additional shares. In either case, the amount each investor receives is dependent on their current ownership stakes.
- For many investors, dividends payments form an important part of their strategy and heavily influence how they choose which companies to buy.

IN CONCLUSION

Stocks that pay consistent dividends are popular among investors. Though dividends are not guaranteed on common stock, many companies pride themselves on generously rewarding shareholders with consistent—and sometimes increasing—dividends each year. Companies that do this are perceived as financially stable, and financially stable companies make for good investments, especially among buy-and-hold investors who are most likely to benefit from dividend payments. When companies display consistent dividend histories, they become more attractive to investors. As more investors buy in to take advantage of this benefit of stock ownership, the stock price naturally increases, thereby reinforcing the belief that the stock is strong. If a company announces a higher-than-normal dividend, public sentiment tends to soar. Conversely, when a company that traditionally pays dividends issues a lower-than-normal dividend or no dividend at all, it may be interpreted as a sign that the company has fallen on hard times. The truth could be that the company's profits are being used for other purposes such as funding expansion. Many companies work hard to pay consistent dividends to avoid spooking investors, who may see a skipped dividend as darkly foreboding. **Source:** <https://www.investopedia.com/>, <https://www.comsec.com.au/market-news/testingcards/understanding-dividends.html>

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:

BARODA CAPITAL MARKETS (U) LTD.

P. O. Box: 7197 Kampala
Tel: +256 414 232 783. Fax: +256 414 230 781
Email: bcm.ug@bankofbaroda.com
Website: www.barodacapital.webs.com

Mr. Mohan Prashantam

DYER & BLAIR (UGANDA) LTD

Rwenzori House Ground Floor
P. O. Box: 36620 Kampala
Tel: +256-414-233050. Fax: +256 -414 231813
Email: Uganda@dyerandblair.com

Ms. Esther Kakiza

EQUITY STOCK BROKERS (U) LTD.

Orient Plaza Plot 6/6A Kampala Road
P. O. Box: 3072 Kampala
Tel: +256-414 7719133/44
Email: equity@orient-bank.com

Ms. Nkundizana Christine

CRESTED STOCKS AND SECURITIES LIMITED

Head Office - Impala House 6th Floor
Plot 13-15, Kimathi Avenue
P. O. Box 31736, Kampala, Uganda
Tel: +256 312 230900/ +256 414 230 900
Email: info@crestedcapital.com
Website: www.crestedcapital.com

Mr. Robert H. Baldwin

UAP OLD MUTUAL FINANCIAL SERVICES LTD

2nd floor, Block A, Nakawa business park
P. O. Box 20079, Kampala
Tel: +256 414 332 825
Email: brokerageufs@uap-group.com

Mr. Mwebaze Simon

SBG SECURITIES LIMITED

4th Floor Crested Towers (Short Towers)
P. O. Box 7131, Kampala
Tel: +256 0312 224 600
Email: sbgs_uganda@stanbic.com

Mr. Kitungulu Kenneth



**Uganda
Securities Exchange**

UGANDA SECURITIES EXCHANGE

UAP Nakawa Business Park, Block A, 4th Floor
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