



# Uganda Securities Exchange

## Monthly Bulletin

### February 2020

#### ACTIVITY REPORT

#### MARKET PERFORMANCE

##### Equities Report

The trading volume for February 2020 was 95,301,897 shares with a turnover of UGX 5,490,245,715. This month's turnover performance registered a 850% rise from UGX 577,899,441 that was recorded in February 2019.

Improvement in activity can be explained by a number of factors key among which was the continued foreign institutional interest in the market on the DFCU counter.

However, despite a tremendous performance year on year, activity in the second month of the year remained relatively low showing a decline in performance of 60% with comparison to the previous month registering a turnover of UGX 5.5 bn from UGX 13.9bn recorded in January 2020. This represented a daily average turnover of approximately UGX 274.5m. Similarly Volume traded dropped to 97.3 million shares compared to 167.6million shares traded in January 2020. The number of deals presented a slight decrease of 360 deals down from 455 deals in January 2020, with 90 per cent of the deals being done on the Stanbic Uganda Holdings Limited counter.

##### Turnover performance per counter

The DFCU counter experienced the most activity for the month. This accounted for 43.77 percent of the total turnover, followed by Stanbic Uganda Holdings Limited with 37.9percent. In third position was UMEME Limited closing at 17.64 per cent. Bank of Baroda Uganda, Uganda Clays Limited, CIPLA, National Insurance Corporation and New vision limited recorded 0.7 per cent all together of the total turnover. The rest of the cross-listed securities had no turnover positions.

##### Volume traded per counter

Stanbic Uganda Holdings Limited registered the highest volume of shares executed, with a representation of 90.96 percent, followed by UMEME Limited with 4.24 percent. DFCU came third with 3.91 percent of the volume, while Uganda Clays had approximately 392,055 shares being traded and hence representing 0.41 per cent of the total volume. Bank of Baroda and National Insurance Corporation accounted for 0.26 per cent and 0.19 per cent respectively. CIPLA had the least number of shares traded amounting to 20,100 shares, representing approximately 0.02 per cent of total number of shares traded.

##### Trading Volumes and Activity on a Monthly Basis year on year

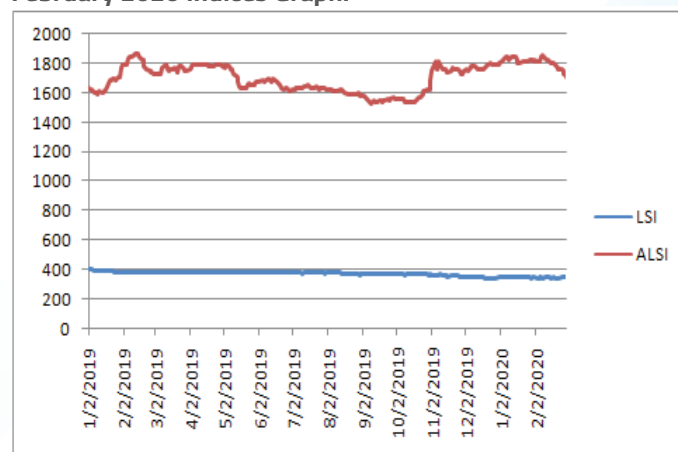
	February 2020	February 2019
Volume Traded	95,301,897	6,729,244
Turnover (UGX)	5,490,245,715	577,899,441
No. of Deals	360	419
Trading Days	20	19
Daily Avg. Turnover (UGX)	274,512,286	30,415,760
Daily Avg. no. of trades	18	22
Market Capitalization (UGX. bn)	23,782.45	24,398.24
USE All Share Index (ASI)	1712.67	1734.24
Local Share Index (LSI)	342.00	377.28

Source USE Product Markets Department

##### USE Index Results

The Local Company Index (LCI) declined slightly during the period with many local counters experiencing minimal prices movements. The local index commenced the month at 343.81, and closed at 342.00 shedding 0.5%. The ALSI opened at 1821.86 and closed at 1712 representing a 5.4% decrease from the start. Refer to ALSI/LCI graph below .

##### February 2020 Indices Graph:

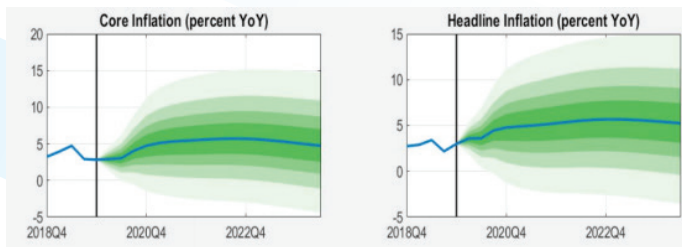


Source: USE Product Markets Department

# ECONOMIC & FINANCIAL DEVELOPMENTS: February – 2020

## INFLATION – OUTLOOK AND RISKS

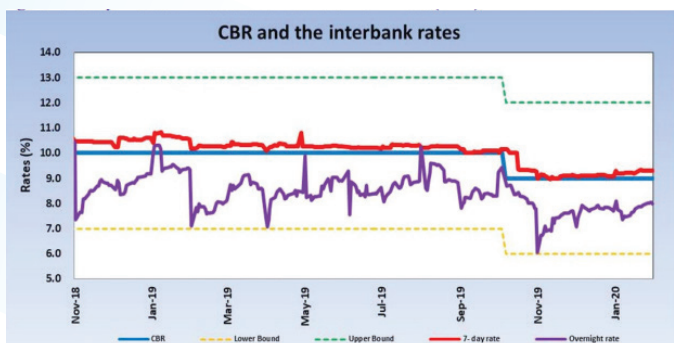
The inflation outlook remained relatively unchanged from the December 2019 forecast round. Inflation is projected to converge to the target of 5 percent in the medium-term as depicted in the Figure below. Nonetheless, the forecasts are susceptible to a number of risks. On the downside, low world oil prices coupled with slower global demand and restrained foreign inflation would deflate domestic inflationary pressures. However, on the upside, unpredictable and adverse weather conditions coupled with the threat from the invasion by desert locusts could stoke food crop inflation. In addition, lower FDI related to delays in the oil sector and uncertainty during the election period might rekindle exchange rate pressures, which could translate into higher inflation. Lastly, a rise in the fiscal deficit due to large spending pressures against domestic revenue shortfalls could exert inflationary pressures going forward.



Source: Bank of Uganda (February 2020 Monetary policy report)

## INTEREST AND LENDING RATES

Treasury bill yields in the primary market edged up, despite the fact that BoU maintained its monetary policy stance. The 91-day, 182-day and 364-day Treasury bill rates rose to 9.2 percent, 11.1 percent and 12.6 percent, respectively in the three months to January 2020 from 8.7 percent, 10.7 percent and 11.4 percent in the quarter to November 2019. Similarly, yields on Treasury bonds also increased with the 2-year, 3-year, 5-year, 10-year and 15-year papers rising to 13.7 percent, 15.2 percent, 16.1 percent, 15.1 percent and 15.5 percent, respectively in the quarter to January 2020 from respective rates of 13.0 percent, 13.7 percent, 15.1 percent, 14.5 percent and 14.7 percent in the quarter to October 2019. There were undersubscriptions at the shorter dated tenors. Nonetheless, the undersubscriptions were compensated for by awarding higher amounts than initially issued on the longer dated tenors. Secondary Market for Treasury Securities Yields in the over the counter market edged up in line with developments in the primary market. The increase in yields could signal higher inflation expectations going forward.

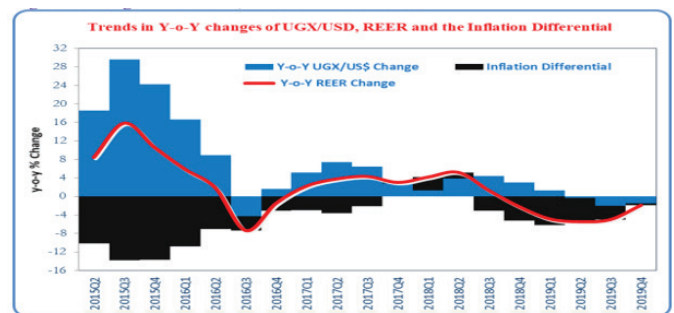


Source: Bank of Uganda (February 2020 Monetary policy report)

As at end of February 2020 the Central Bank Rate was at 9.0, Lending Rate at 18.83, 91-day T-Bill 9.6 yield, 182-day T-Bill 11.0 and 364-day T-Bill 12.6 yield

## FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda shilling remained relatively stable with a bias towards an appreciation against the US Dollar, in part, due to increased inflows during the festive season. In the quarter ending January, the shilling appreciated by 0.1 percent to an average mid-rate of Shs. 3,680.8/ USD compared to the previous quarter. Similarly, on a year-on-year basis, the shilling appreciated by 0.6 percent in January 2020. The appreciation is attributed to strong inflows from offshore investors, NGOs and export receipts amidst relatively subdued demand. On a trade-weighted basis, in January 2020 the nominal effective exchange rate (NEER) depreciated by 0.4 percent month-on-month, 0.5 percent quarter-on-quarter and appreciated by and 1.2 per cent year-on-year. In real terms, in December 2019, the Real Effective Exchange rate (REER) was relatively stable with a bias towards appreciation, albeit on a lower scale. The REER appreciated by 0.3 percent month-on-month, 0.05 percent quarter-on-quarter and 1.3 percent year-on-year. The Real exchange rate appreciation of the shilling is to a large extent driven by a nominal appreciation of the shilling which bonds well with the low domestic inflation environment as depicted below.



Source: Bank of Uganda (February 2020 Monetary report)

February 2020; End of period 3714.3, Period Average 3676.8 Economic growth is forecast within the range of 5.5 - 6 percent in FY2019/20, picking up to 6.3 percent in the medium term (2 – 3 years ahead). However, this is below the 6.5 percent Bank of Uganda (BoU) estimate of potential output growth. There are downside risks to the growth prospects emanating from both the global and domestic environment. On the global scene, risks relating to the recent outbreak of the COVID-19 (coronavirus) have lowered the near-term growth outlook. There is considerable uncertainty regarding the duration and severity of the coronavirus outbreak. If it persists for an extended period, the effect on global economic activity is likely to be larger than currently projected. In addition, despite the recent positive developments in US–China negotiations, an escalation in the dispute remains a key downside risk to the global growth outlook. The recent escalation of geopolitical tensions in the Middle East has introduced additional uncertainty into global financial markets. On the domestic scene, constraints to agricultural production including uncertain weather patterns and the current invasion by desert locusts, could weigh on economic activity. Although the economic impact on the domestic scene due to supply chain disruption from coronavirus may be of a short duration, some sectors could be significantly affected given that China is one of Uganda’s major trading partners. There is also a risk that the impact could be larger than anticipated and more persistent.

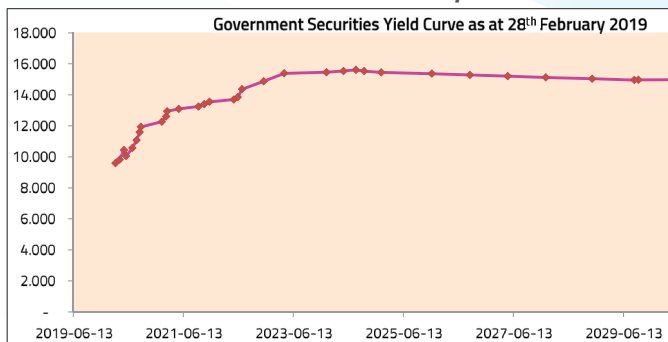
## BOND LISTINGS:

There were 2 treasury bonds re-opens with a value of UGX 285bn 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 stand at UGX 15.6 Trillion.

### Government Bond Schedule: February –2020

INSTRUMENTCODE	ISIN	ISSUEDSHARES	ISSUEDATE	RATE	MATURITY
FXD 3/2015/5	UG0000001541	240bn	2015/03/25	13.75	2020/03/19
FXD/04/2018/2YR	UG12F1604202	180bn	2018/04/19	11.25	2020/04/16
FXD/05/2015/5YR	UG12H1405200	100bn	2015/05/21	17.00	2020/05/14
FXD 6/2010/10	UG0000000782	80bn	2010/07/21	11.00	2020/07/09
FXD/08/2017/3	UG12G0608202	220bn	2017/08/10	13.25	2020/08/06
FXD/09/2015/5YR	UG12H0309205	100bn	2015/09/10	20.00	2020/09/03
FXD 2/2011/10	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 7/2012/10	UG0000001079	1.315tn	2013/08/14	11.00	2022/06/09
FXD/7/2017/5YR	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 6/2013/10	UG0000001244	755bn	2013/04/24	11.00	2023/04/13
FXD/01/2014/10YR	UG12J1801248	580bn	2014/01/30	14.00	2024/01/18
FXD/05/2019/5	UG12H1005240	153.7bn	2019/05/17	14.88	2024/05/10
FXD 8/2014/10	UG0000001467	650bn	2014/08/13	14.00	2024/08/01
FXD01/2015/10	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	300bn	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 12/2013/15	UG0000001376	220bn	2013/12/04	15.25	2028/11/16
FXD 2/2015/15	UG0000001533	1.445tn	2015/02/25	14.25	2029/08/23
FXD/05/2015/15YR	UG12K0205308	120bn	2015/05/21	17.50	2030/05/02
FXD/04/2016/15YR	UG12K0304317	300bn	2016/04/20	17.00	2031/04/03
FXD/03/2017/15YR	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/07/2019/15	UG12K2206346	685bn	2019/07/11	14.25	2034/06/22

### Government Yield Curve Trend: February 2020



Source: Bank of Uganda

### Corporate Bond Activity: February 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 is a list of corporate bonds 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: February 2020

### KENYA AIRWAYS

In accordance with Obligation G.05 of the Fifth Schedule to the Capital Markets Regulations and Disclosure Requirements for Public Offers and Listing of Securities, 2002, and the Code of Corporate Governance Practices for Issuers of Securities, the Board of Kenya Airways Plc is pleased to announce that following a competitive recruitment process, Mr. Allan

Kilavuka has been appointed Group Managing Director/ Chief Executive Officer with effect from April 1, 2020. Allan is currently the acting Chief Executive Officer of Kenya Airways Plc. He is substantively the Chief Executive Officer and Managing Director at Jambojet Ltd, a fully owned subsidiary of Kenya Airways Plc. With over 23 years' experience in leadership.

Kenya Airways made a cautionary announcement that the Government of the Republic of Kenya ("Government") through the National Treasury made a loan on commercial terms to Kenya Airways of Kenya Shillings five billion (KES 5,000,000,000) for the purpose of enabling Kenya Airways to (i) complete the scheduled engine overhaul programme on its E190 Embraer fleet, and (ii) fund its general working capital requirements.

As a key shareholder of Kenya Airways, the Government is committed to ensuring that Kenya plays a vital role in the airline industry in Africa now and in the future. Therefore, KQ is also in discussions with the Government with respect to collaboration between KQ and other stakeholders in the Kenyan aviation industry, including a possible restructuring of the operations and corporate structure of KQ. The possible restructuring (completion of which would be subject to all applicable legal and regulatory approvals) may, once confirmed in greater detail, have a material effect on the price of KQ's securities. Accordingly, shareholders and investors are advised to exercise caution when dealing in KQ's securities until a further announcement is made.

#### NEW VISION PRINTING AND PUBLISHING COMPANY

The New Vision Printing and publishing company Limited released their half year ended December 2019 financial results. Revenue grew by 3.26 percent to UGX46.63bn, profit after tax grew by 45 percent to UGX 1.595bn and assets grew by 10 percent to UGX 99bn. Directors did not recommend payment of an interim dividend in accordance with the company's practice of only paying the dividend at the end of the financial year.

#### BRITISH AMERICAN TOBACCO UGANDA LIMITED

British American Tobacco Uganda Limited released their full year results for the year ended 31<sup>st</sup> December 2019 with a strong performance in a challenging environment. Revenues grew by 7 percent to UGX 164.3bn, Profit after tax grew by 14 percent to UGX 15.7bn, assets grew by 16 percent to UGX 67.98bn and dividend per share paid out grew by 14 percent to UGX320. The board of Directors proposed a final dividend in respect of the year ended 31<sup>st</sup> December 2019 of UGX 320 per Ordinary share to be recommended for approval by the shareholders at the Annual General Meeting to be held on 21<sup>st</sup> May 2020. The dividend, which is subject to withholding tax, will be paid on 19<sup>th</sup> June 2020 to shareholders on the register at the close of business on May 2020.

## EVENTS

After British American Tobacco Uganda limited released their full year results, the BATU executive was hosted at the exchange on 20.02.2020 to dissect the facts behind the figures. They took us through their performance for the year 2019 in the presence of the media. The event was culminated by ringing the bell by the BATU executive, a symbol used to commence the day's trading.



## EDUCATIONAL COLUMN

### UNDERSTANDING GROWTH ENTREPRISE MARKET SEGMENT (GEMS)

The Uganda Securities Exchange (USE) launched the Growth Enterprise Market Segment (GEMS). GEMS enables firms to raise substantial initial and ongoing capital, while benefiting from increased profile and liquidity within a regulatory environment designed specifically to meet their needs. The establishment of a GEMS market in Uganda paved way for the listing of Small and Medium Sized Enterprises (SMEs) on the Exchange, which is a major driver of our country's economy." The GEMS is supported by a wide community of experienced advisors, ranging from brokers to accountants, lawyers and the fundamental Market Advisors who assist companies to list on GEMS and comply with good corporate governance and global best practices. The establishment of this market is bound to be a fundamental contributor to the stability of the overall financial system of our country.

Requirements unique to the Growth Enterprise Market Segment (GEMS)

- The applicant does not meet at least one of the requirements for listing on MIMS.
- The applicant has entered into a Market Advisory Agreement with a Market Advisor effective for 2 years from application date.
- That the founding shareholders, for a company admitted to GEMS with a trading record of less than five years, agree not to dispose off their interest in the applicant except by way of delisting or reclassification to the MIMS
- Founding shareholders of a company admitted on GEMS with a trading record of less than five years, can only dispose off their interest, after a period of three years has elapsed from its admission on the GEMS or when the company has acquired a trading record of five years
- That the participation in the issue for a company that has been in existence for one year or less is restricted to professional investors
- Public company registered under the Companies Act;
- Free transferability of shares;
- Adequate working capital and solvency;
- Operation for at least one year;
- No profitability record required;
- 5 directors, 1/3 non-executive;
- Directors with no bankruptcy, fraud, criminal offence or financial misconduct proceedings;
- Competent board and senior management – at least 1 year experience in the business;
- All issued shares to be immobilized;
- The table below presents a comparison of the requirements

for eligibility and conditions for listing on the Official List of the USE and listing on the Growth Enterprise Market Segment of the USE

Main Investment Market Segment(MIMS)		Growth Enterprise Market Segment
Type of Company	Public limited liability company	Public limited liability company
Minimum share Capital	Minimum authorized issued and fully paid up share capital of UGX1billion before the public offering of shares	Not required
Minimum net assets	Net assets of UGX 2 billion before the public offering of shares	Not required
Financial history	Published audited financial statements for a period of at least 5yrs	Not required
	Prepared financial statements for the latest accounting period on a going concern basis	Statement of assets and liabilities for company that is one year and less
Profitability requirement	Declaration of positive profits after tax attributable to shareholders in at least 3 of the last 5 completed accounting periods prior to public offer	Not required
Minimum shareholding	Immediately following the public offer, 20% of shares shall be held by not less than 1000 shareholders	Not required

- Fees Requirements and costs of going public
- It is important to note that there are costs associated with an Initial Public Offer (IPO) and initial listing on the USE. At a minimum, the company would require the following:

No.	Item	Fees Requirements
1	CMA	0.1% of the value of the listing
2	USE	0.1% of the value of the funds raised at the IPO
3	Professionals (Accountants, Lawyers, Media etc)	Negotiated between company and service provider
4	Transaction Advisers	Negotiated between company and service provider
5	Sponsoring Brokers	Negotiated between company and service provider

The CMA (Prospectus) Regulations, 1996 require the issuer to disclose the planned application of the proceeds of the issue. Such a disclosure includes brokerage expenses, approval fees, printing costs, legal and advisory costs. The above costs, which are associated with the IPO, are paid out of the share price of the IPO. Such costs are therefore not paid by the company but rather are paid by the incoming/new shareholders. They therefore should not be a deterrent to listing on the exchange.

	MIMS (UGX)	GEMS (UGX)
Application for listing	4,000,000	2,000,000
Re-submission of application for listing	1,000,000	1,000,000
Initial listing	0.2% of the value of the securities to be listed subject to a minimum of 200 currency points	0.1% of the value of securities to be listed

Additional listing	0.2% of the market capitalization of the additional securities to be listed	0.1% of the market capitalization of the additional securities to be listed
Annual listing The annual listing fee will be calculated on the basis of a 12 month average market capitalization	0.05% of market capitalization of the issuer subject to a minimum of 200 currency points and a maximum of 5,000 currency points.	0.05% of market capitalization of the issuer subject to a maximum of 1000 currency points

## FREQUENTLY ASKED QUESTIONS ON GEMS

- 1. What type of company is the GEMS designed for?**  
The GEMS is ideally suited for small to medium sized companies which are fast growing and looking for additional sources of capital to fuel growth.
- 2. What are the benefits of listing on the GEMS?**  
The benefits of listing on the GEMS include the following:
  - Easier and cheaper capital raising
  - Enhanced brand and credibility
  - Positive impact on internal culture
  - Increased strategic flexibility
- 3. What are the specific benefits of listing on the GEMS?**
  - Profile: Companies listed on the GEMS will benefit from higher visibility
  - Cost-efficiency: GEMS has lower listing costs and lower ongoing compliance costs. GEMS has also lower disclosure requirements as compared to the Main Market
  - Flexibility: Ongoing flexibility to facilitate growth
- 4. Will I lose control of the company?**  
No. You retain as much ownership in the company as you want through your holding in equity securities. All you are doing by listing is giving up a portion of your ownership to shareholders in exchange for capital.
- 5. What is the difference between the Main Investment Market Segment and the Growth Enterprise Market Segment?**  
The key differences can be summarized as follows:
  - Lower costs
  - Lower level of compliance
  - Simpler and cheaper listing documentation
- 6. Our company is thinking about listing. What should we do to make it happen**  
You can then contact the Products & Markets department of the Uganda Securities Exchange.
- 7. What documentation is required for an application to list on the segment?**  
All applicants will have to submit a fully-fledged admission document as per clause 7(1) of the GEMS rules. However applications are reviewed and considered on case by case basis.
- 8. When should we announce to the market that we intend to list?**  
The decision to announce your intention to list should be considered carefully. Once you announce that you intend to become listed, you will start to receive an increased level of attention regarding your company and its listing strategy. Some companies announce their intentions early; others leave it until the last minute.

## 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  
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**Mr. Mohan Prashantam**

#### **DYER & BLAIR (UGANDA) LTD**

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P. O. Box: 36620 Kampala  
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Email: Uganda@dyerandblair.com

**Ms. Esther Kakiza**

#### **EQUITY STOCK BROKERS (U) LTD.**

Orient Plaza Plot 6/6A Kampala Road  
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Email: equity@orient-bank.com

**Ms. Nkundizana Christine**

#### **CRESTED STOCKS AND SECURITIES LIMITED**

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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**

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P. O. Box 20079, Kampala. Tel: +256 414 332 825  
Email: brokerageufs@uap-group.com

**Mr. Mwebaze Simon**

#### **SBG Securities Limited**

4<sup>th</sup> Floor Crested Towers (Short Towers)  
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**Mr. Kitungulu Kenneth**



**Uganda  
Securities Exchange**

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