

Botswana Listed Stocks



Capital
Securities

Strong Growth Potential

Sechaba Brewery Holding

Corporate Data

Co Domicile Botswana
Sector Brewery

Listing

Primary Listing BSE
Secondary Listing N/A

Shares & Options

Issued Shares 133 014 875
Options and Warrants N/A

Market Cap (BWPmn) 2 148.19
Market Cap (USDmn) 353.59

Cash Position

Latest Cash (BWP) 2 381 000
Latest Cash (USD) 391 912.6
As at 31 Mar 2007

Overview

Sechaba Brewery Holdings is the parent company of Botswana's largest commercial breweries; Kgalagadi Breweries Limited (KBL) and Botswana Breweries Limited (BBL). The two breweries control a significant market share in their respective product markets.

BBL produces alcoholic and non-alcoholic traditional brew. The alcoholic brew is packaged under the Chibuku brand while the non-alcoholic brew is packaged under the brand "Mageu". Both the alcoholic and non-alcoholic brews are targeted at the middle to low income market.

Kgalagadi Breweries Limited operates a carbonated soft drinks (CSD) plant and a clear beer plant. The CSD plant produces various brands such as Coca Cola, Fanta and Minute Maid. The clear beer plant produces various clear beer brands including its own St. Louis beer.

Financial Review

In the financial year ended 31 March 2007, Sechaba posted a combined turnover in excess of P1 billion. This was the first time that the group had recorded turnover greater than P1 billion. Operating profit was down to P159 million from P162 million in 2006. The decline in operating profit was largely due to a 17% year on year increase in cost of sales. This was much higher than the 9.7% increase in turnover over the same period.

Sechaba recorded a marginal growth in after tax earnings of only 1.6% to P126 million. This translated to a basic earnings per share of 94t. Total gross dividend for 2007 amounted to 85t per share (93t in 2006).

Valuation

We believe that going forward Sechaba is likely to show improved growth in its revenue and after tax earnings.

- Costs of sales are likely to increase at a lower rate compared to the financial year ended March 2007. Sales are likely to continue to be pushed up by ongoing marketing activities by the group.
- There is a possibility that Government may award a salary increase to Civil Servants. The timing and magnitude of this increase may have an impact on the group's revenue for the financial year to March 2008.

In our valuation of Sechaba we use a Discount Dividend Model and derive a value of BWP21.55 per share. Sechaba shares are currently trading at a 25% discount to our valuation. We therefore recommend that investors BUY Sechaba

Analyst

Leutlwetse Tumelo
Capital Securities (Pty) Limited
(267) 3188886
Leutlwetse@capital.bw

Contact details:

Capital Securities

Private Bag 173
Gaborone
Botswana

+ (267) 3188886 tel
+ (267) 3188887 fax
enquiries@capital.bw

This report is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any securities. This report has been prepared by Capital Securities (Pty) Limited ("Capital") for distribution to its clients and other clients of the Capital Group from sources it believes to be reliable. Capital and other members of the Capital Group make no warranty, guarantee, or representation and accepts no liability or responsibility as to its accuracy or completeness. All opinions are those of the research department of Capital only (unless otherwise indicated) and are subject to change without notice. Each recipient of this report shall be solely responsible for making its own independent investigation of the companies referred to in this report. This report may not have been distributed to all recipients at the same time.

Group companies and/or their officers, affiliates, directors and employees, including people involved in the preparation or issuance of this report may from time to time (1) have positions in any securities mentioned in this document or in any related investment and may from time to time buy or sell any such securities or investment (2) have an investment banking or broking relationship with a company in this report (3) act as market maker or have assumed an underwriting commitment in the securities of companies in this report or in a related investment (4) have acted on the information contained within this report including effecting transactions for their own account.

This report is issued only for the information of and may only be distributed to professional investors. In the UK it is intended for distribution only to persons of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisement)(Exemptions) Order 1996 (as amended). It may be distributed in the United States solely to "major US institutional investors" as defined in Rule 15a-6 of the US Securities Exchange Act of 1934. Capital Securities (Pty) Limited is a member of the Botswana Stock Exchange.