

FEBRUARY, 2023

**ANALYST'S NOTES ON
DSE's Q4 2022 FINANCIAL RESULTS**

PERFORMANCE OVERVIEW

The Dar es Salaam Stock Exchange (DSE) - a self-listed entity - reported a significant increase in its total revenue of TZS 10 Billion in 2022, marking a 17% YoY rise from the TZS 8.67 Billion in 2021, despite the adverse impacts of the pandemic and the recent global economic slowdown.

The primary source of revenue for DSE was from listing fees, amounting to TZS 3.9 Billion, a 7.8% increase from TZS 3.6 Billion in 2021. This revenue stream made up 38.5% of DSE's overall revenue and was generated from the listing of government bonds, corporate bonds, and equities, with the government bonds being the largest contributor, accounting for 89% of the total listing fees.

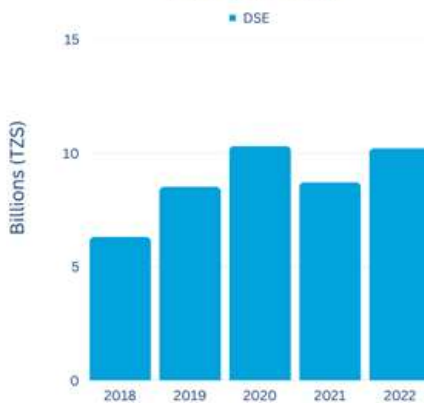
The second highest source of revenue for DSE was from investment income, totalling TZS 3 Billion and accounting for 30.8% of the company's overall revenue. This segment has gained prominence for DSE since its diversification into Treasury Bonds in 2020, as it offers a consistent source of revenue that is not affected by market conditions. The combination of listing fees and investment income made up 70% of DSE's total revenue, highlighting the company's efforts to diversify its revenue sources and enhance its financial stability.

**ORBIT SECURITIES
COMPANY LIMITED**

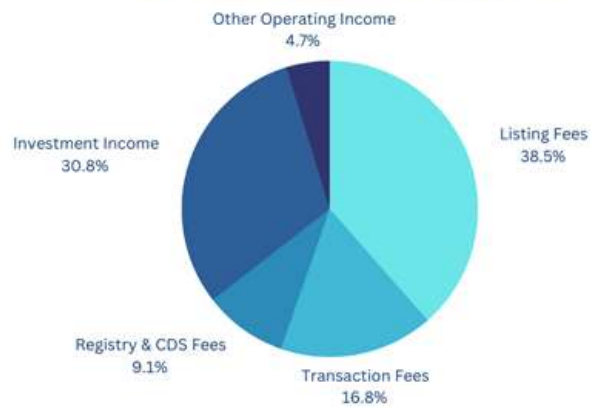


Current Price(TZS)	1,760
Date Established	1996
Year Listed	2016
IPO Price	500
Historical Price Range	500-1,920
Market Cap (TZS)	22.87Bln
Market Cap (US\$)	9.94Mln
Issued Shares	23,824,020
Market Symbol	DSE
Daily Volume (TZS)	7,820,502
DPS (2022)	100.67
DPS (2023)** Estimated	117.73**
PE (x)	9.1x
PB (x)	1.48x

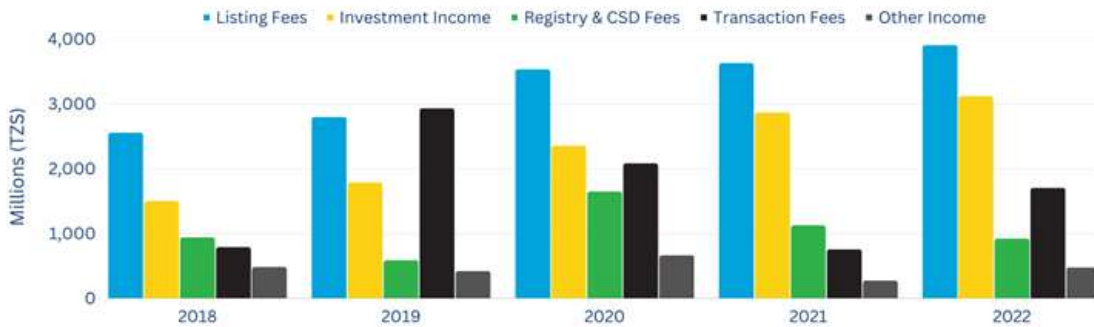
Total Revenues



Composition of Revenue Streams in 2022



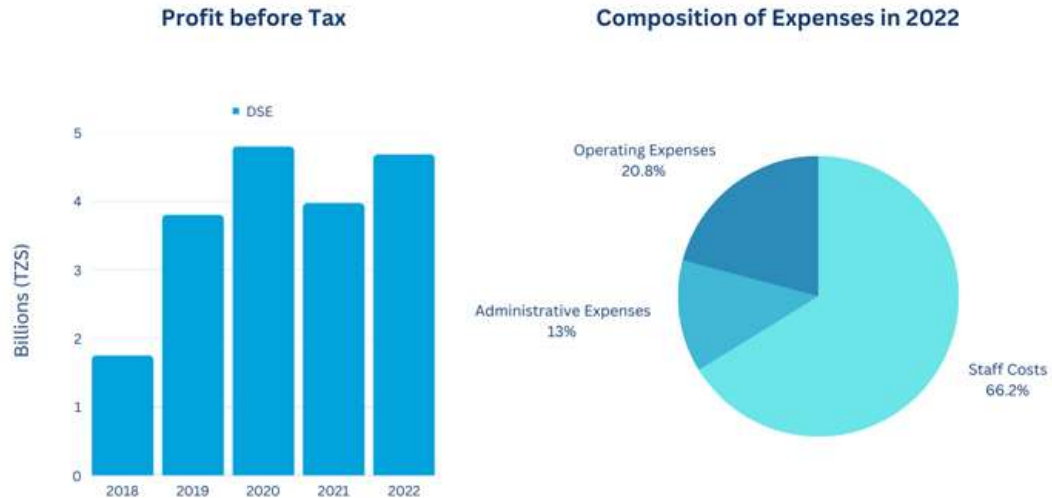
DSE Revenue Streams



Transaction fees - a key source of revenue for the DSE - stood at TZS 1.7 Billion, marking a significant 125% increase from TZS 759 Million in 2021. While this growth is noteworthy, it should be noted that it is merely a rebound from the adverse effects of the Covid-19 pandemic, which led to a decrease in market activity. Despite this strong performance, transaction fee revenue is still 18% lower compared to pre-pandemic levels falling short of the TZS 2.9 Billion reported in 2019 and TZS 2.1 Billion reported in 2020.

The Dar es Salaam Stock Exchange saw a marked decrease in market activity as a result of various global economic factors, including the Russia-Ukraine conflict, inflation, and increasing interest rates. These challenges caused foreign investors, who are key players in the exchange, to reassess their portfolios and manage risk, contributing to the decrease in market activity.

During the 12-month period ending 2022, the Dar es Salaam Stock Exchange reported registry and Central Securities Depository (CSD) fee revenue of TZS 926 Million, a decline of 18% compared to the TZS 1 Billion reported in the corresponding period in 2021. This segment is partially impacted by market volume, as it receives commissions from trades, therefore when market activity is low, revenue from this segment will also be affected.



Total expenses for the period increased to TZS 5.5 Billion, a rise of 18% from the TZS 4.7 Billion recorded in 2021. Operating expenses saw a faster increase, reflecting a YoY increase. Upon analysis of these expenses, it was found that staff costs made up the largest portion of the expenses, accounting for 66% of the total, followed by operating expenses which accounted for 21%, and administrative expenses which accounted for 13%.

The company achieved a pre-tax profit of TZS 4.68 Bln, which represents a growth of 18.1% compared to the previous year's figure of TZS 3.97 Bln. Additionally, the earnings per share improved by 17% from TZS 165 per share to TZS 193 per share.

EARNINGS PER SHARE



SHARE PRICE



MARKET PERFORMANCE

The company's stock began the year at a price of TZS 1,300 per share and as of 2nd February 2023, it was trading at TZS 1,760 per share, reflecting an increase of 35%. The trading volume of 2.9 million shares generated a total turnover of TZS 4.6 Bln.

During this period, the company was able to pay a dividend of TZS 100.67 per share on June 2022.

	TURNOVER (TZS)	VOLUME	EXPECTED DIVIDEND (TZS)	%PRICE CHANGE YTD
DSE	4.6 Billion	2.9 Mln	117.73	+35%

OUTLOOK

The Dar es Salaam Stock Exchange has seen a decline in activity due to various factors such as global financial shocks, heightened geopolitical tensions between Ukraine and Russia, inflation, and interest rate hikes from major central banks. This has resulted in reduced investment from foreign investors, who represent a significant portion (70%) of market activity, leading to a significant decrease in equity market turnover.

The government bonds market, however, continues to experience growth, with outstanding bonds now valued at TZS 16.9 Tril and making it the largest market in the bourse. This market is highly attractive due to its lucrative yields and tax benefits. The demand for these bonds is expected to increase as the retail investor base grows and financial literacy improves. The market is also being fueled by the additional benefits of bonds, including their use as collateral for bank loans.

The corporate bond market has also made significant improvements in 2022, with a record number of 3 corporate bonds being listed. The market has also pioneered new product launches in the bourse, including the first-ever listing of a gender bond (NMB) in East Africa and the first Sukuk (KCB) in Tanzania. We expect to see more corporate bond listings in 2023 as various corporations consider raising debt capital through the Dar es Salaam Stock Exchange or other major stock exchanges via cross-listings.

Prospects for the bourse are positive due to the widespread adoption of mobile app trading, increased financial literacy, and new products in the market. The growth of the local retail and institutional investor bases is crucial for the growth of the market, and steps are being taken to attract new investors.

As global financial conditions continue to ease, we also expect a return of foreign investors, which may also boost activity in the equity market.

According to our projections, if the annual report, due to be released in the 2nd quarter of 2023, meets expectations, a dividend payment of approximately TZS 117.73 per share is expected.

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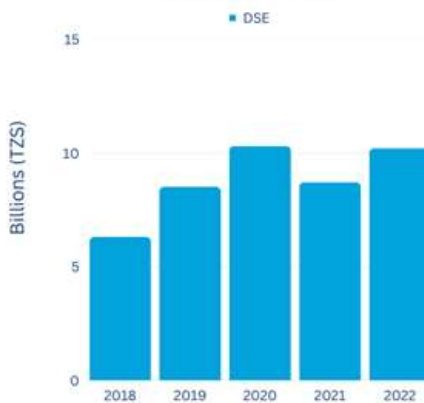
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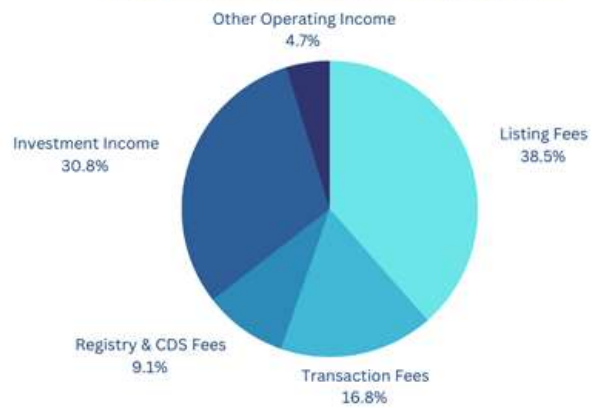


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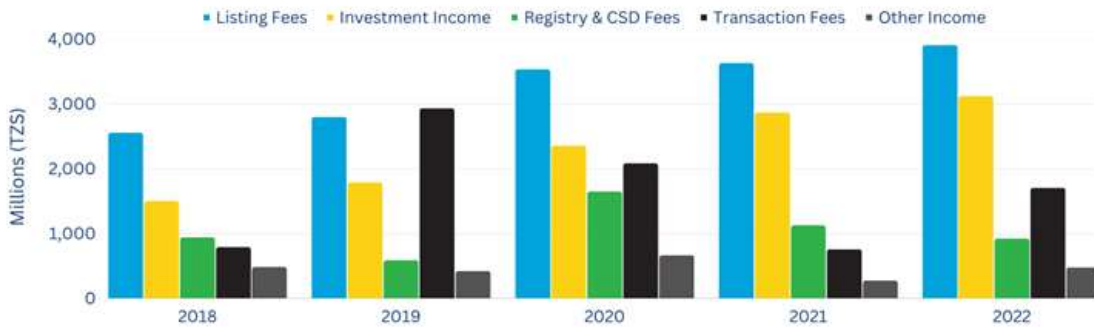
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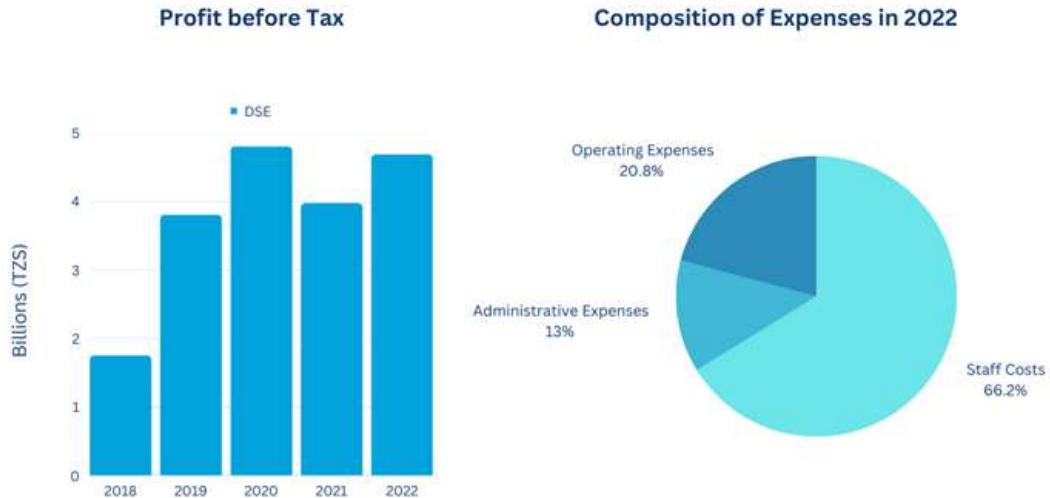
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