

FINANCING THROUGH DAR ES SALAAM STOCK EXCHANGE



The Agenda

- * The Dar es Salaam Stock Exchange (DSE)
- * Opportunities available at the DSE
- * Benefits of capital raising and investing through the DSE
- * Municipal Bonds
- * Conclusion



The Dar es Salaam Stock Exchange

- * DSE started operations in 1998
- * Has 17 listed equities (6 cross listed); 5 outstanding corporate bonds and over 100 Government bonds
- * Domestic market capitalization Tshs. 3.8 trillion (US\$ 2.5 billion); Total market capitalization Tshs. 14 trillion (US\$ 8.4 billion); Government Bonds worth Tshs. 2.8 trillion (US\$ 1.8 billion)
- * Turnover ratio (measures liquidity) is ~1%; market cap/GDP (measures depth of market) is ~7%
- * There are about 180,000 investors



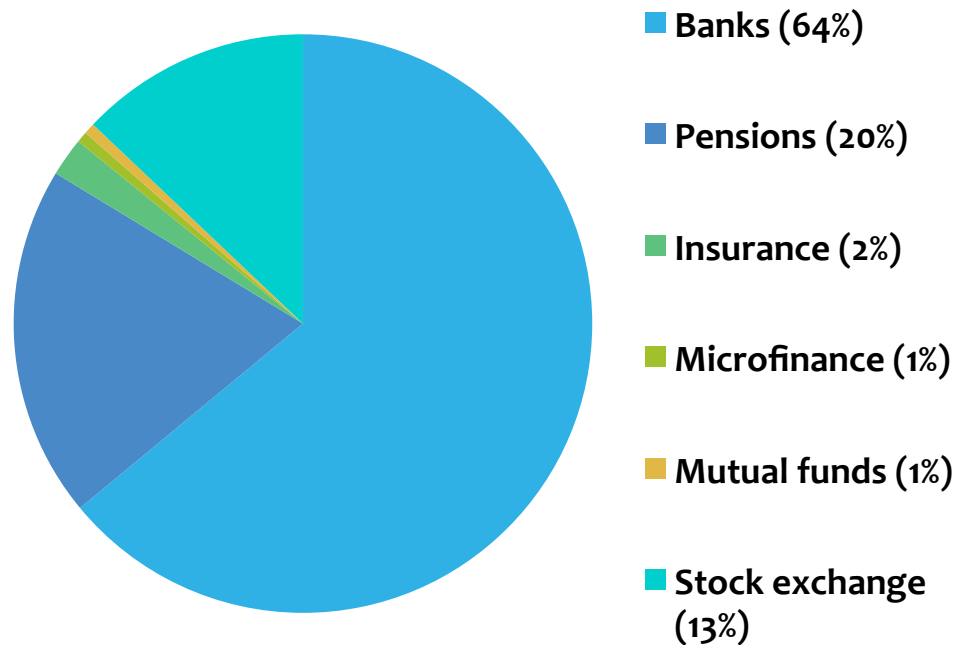
Role of the DSE

- Raising capital for business enterprises
- Government finances raising for development projects
- Rational allocation of funds, through mobilizing savings for investments
- Improved management standards & efficiencies to satisfy varied demands of shareholders, through better corporate governance practices
- Creating investment opportunities for small investors
- Barometer of the economy



DSE Position in the Tanzania Financial Systems

- Banking (US\$. 11.2 bn)
- Pension (US\$ 3.5 bn)
- Insurance (US\$ 0.4 bn)
- Microfinance (US\$0.1 bn)
- Mutual funds (US\$ 0.1 bn)
- Stock exchange (2.5 bn)



DSE Experience in Capital Raising

- All equity issued in the DSE (except TOL, TBL & PAL) were oversubscribed (sometimes ~2x)
- All corporate bonds issued were oversubscribed
- Government paper Issues are mostly being oversubscribed
- This is an indication that there is enough liquidity / funds in the domestic market – however, there is a limited supply of products (or companies) requiring financing



Opportunities Aailed (Supply side)

- Available financers: Pensions reform (will allow more institutional investors with long term investing motives)
- Fiscal Incentives for investors in listed companies in both the EGM and MIM
- Increasingly availability of foreign private equities (& venture capital funds) as well as portfolio investors focusing on listed securities in emerging markets
- Relatively good returns as measured by dividends yields and capital gains (TSI YTD is 30%)



Benefits of capital raising and listing (Issuers)

- Fiscal incentives (reduced corporation tax from 30% to 25%, tax deductibility of all IPO costs, withholding tax on investment income for CIS)
- Relatively low capital raising costs (for both equities and bonds)
- Better corporate governance practices and transparency
- Relatively lower borrowing costs compared to non-listed



Benefits to Investors

- Fiscal incentives (zero capital gain, zero stamp duty, 5% of WHT on dividends, Zero WHT on interest from listed bonds, income from CIS investor is tax exempt)
- Available valuations, can liquidate investments relatively easily and less costly
- Can use Deposit Receipts as collateral against loans
- Relatively good returns (capital gains and dividends)



Benefits to Investors

| Company | IPO Prices | Current Prices | Capital gain | T o t a l dividends paid | Total benefit per share |
|-----------|------------|----------------|--------------|--------------------------|-------------------------|
| TBL | 550 | 3,220 | 2,670 | 2,180 | 4,850 |
| TCC | 410 | 6,500 | 6,090 | 3,680 | 9,770 |
| Simba | 300 | 2,400 | 2,100 | 1,273 | 3,373 |
| Swissport | 225 | 2,040 | 1,815 | 995 | 2,810 |
| Twiga | 435 | 2,660 | 2,225 | 825 | 3,050 |
| NMB | 600 | 1,640 | 1,040 | 212 | 1,252 |



Municipal Bonds

- * A municipal bond is a bond issued by a municipal or its agencies
- * Municipal bonds may be general obligations of the issuer or secured by specified revenues (SPV)
- * Funds raised from a Municipal bond issuance can be used for social and physical infrastructure development i.e. schools, roads, bridges, health facilities, airports, etc
- * Municipal bonds are free to trade at the DSE once they are purchased by the investor



Conclusion

- Positive outlook following ongoing reforms in the pensions sector, will increase local professional institutional investor base
- Efforts are underway to partially open up our capital account with EAC (will increase investor base)
- SMEs, Corporate entities and municipals are encouraged to utilize the stock exchange



Thank you all

