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)

Pie chart showing:
- Banks (64%)
- Pensions (20%)
- Insurance (2%)
- Microfinance (1%)
- Mutual funds (1%)
- Stock exchange (13%)
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 Availed (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

<table>
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<th>Company</th>
<th>IPO Prices</th>
<th>Current Prices</th>
<th>Capital gain</th>
<th>Total dividends paid</th>
<th>Total benefit per share</th>
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</table>
**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