Overall Analysis of Listed Companies in Uganda

Executive Summary

The Uganda Securities Exchange (USE) hosts a diverse array of 11 domestically listed companies across industries such as telecommunications, utilities, banking, insurance, and manufacturing. Performance analysis reveals a stark contrast between high-performing sectors like telecommunications and utilities and struggling areas such as construction materials.

1. Industry-Wise Performance

Top-Performing Sectors

1. Telecommunications:
    - MTN Uganda and Airtel Uganda are market leaders, benefiting from increased data consumption and digital financial services.
    - MTN reports the highest revenue (UGX 1,000 billion) and profit (UGX 80 billion), underscoring operational efficiency.
    - Airtel follows closely with substantial revenue (UGX 800 billion) and profit (UGX 60 billion).
2. Utilities:
    - UMEME Limited delivers consistent profits (UGX 50 billion), supported by steady electricity demand.
    - Offers attractive dividends (UGX 12 per share), making it a favorite among income-focused investors.

Moderate Performers

- Banking (Stanbic, DFCU, Bank of Baroda):
    - Reliable revenue and profitability highlight the sector's stability.
    - Stanbic Uganda leads the sector with revenue of UGX 300 billion and a profit of UGX 40 billion.
- Insurance (National Insurance Corporation):
    - Moderate profitability (UGX 3 billion) and revenue (UGX 25 billion) reflect stability, albeit with limited growth potential.

Underperforming Sectors

- Construction Materials (Uganda Clays):

- Persistent losses (UGX -0.5 billion) despite generating UGX 10 billion in revenue highlight operational inefficiencies.
- High costs and weak demand hinder growth.

- Media (New Vision Printing):
  - Challenges adapting to digital trends result in modest profits (UGX 5 billion) and revenue (UGX 30 billion).

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2. Key Findings

Revenue and Profitability

- Revenue Leaders: MTN and Airtel dominate with UGX 1,000 billion and UGX 800 billion, respectively.
- Profitability Standouts: MTN leads in profit margins, followed by UMEME and Airtel.
- Challenged Performers: Uganda Clays demonstrates a stark revenue-to-loss mismatch, indicating urgent need for cost optimization.

Dividends

- High Dividend Payouts: MTN (UGX 20) and Airtel (UGX 15) stand out, reflecting financial robustness and shareholder focus.
- Dividend Gaps: Companies like Uganda Clays and National Insurance Corporation have negligible or no dividends due to financial constraints.

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3. Challenges

- Sectoral Imbalance: Telecommunications and utilities overshadow construction and media sectors.
- Operational Inefficiencies: High costs in sectors like construction (Uganda Clays) erode profitability.
- Adaptation Challenges: Media struggles with the digital shift, requiring modernization.

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4. Investment Opportunities

High-Growth Opportunities

- Telecommunications: MTN and Airtel present the best prospects for growth and dividends.
- Utilities: UMEME provides a reliable income stream with consistent dividends.

Turnaround Potential

- Uganda Clays Limited: Risk-tolerant investors could explore this speculative opportunity if strategic restructuring occurs.

5. Recommendations

1. Diversification:
    - Encourage diversification in struggling sectors like media and construction.
2. Efficiency Improvements:
    - Cost-cutting and operational efficiency are critical for Uganda Clays.
3. Regulatory Support:
    - Government policies should incentivize growth in weaker sectors through tax breaks or grants.

6. Data visual

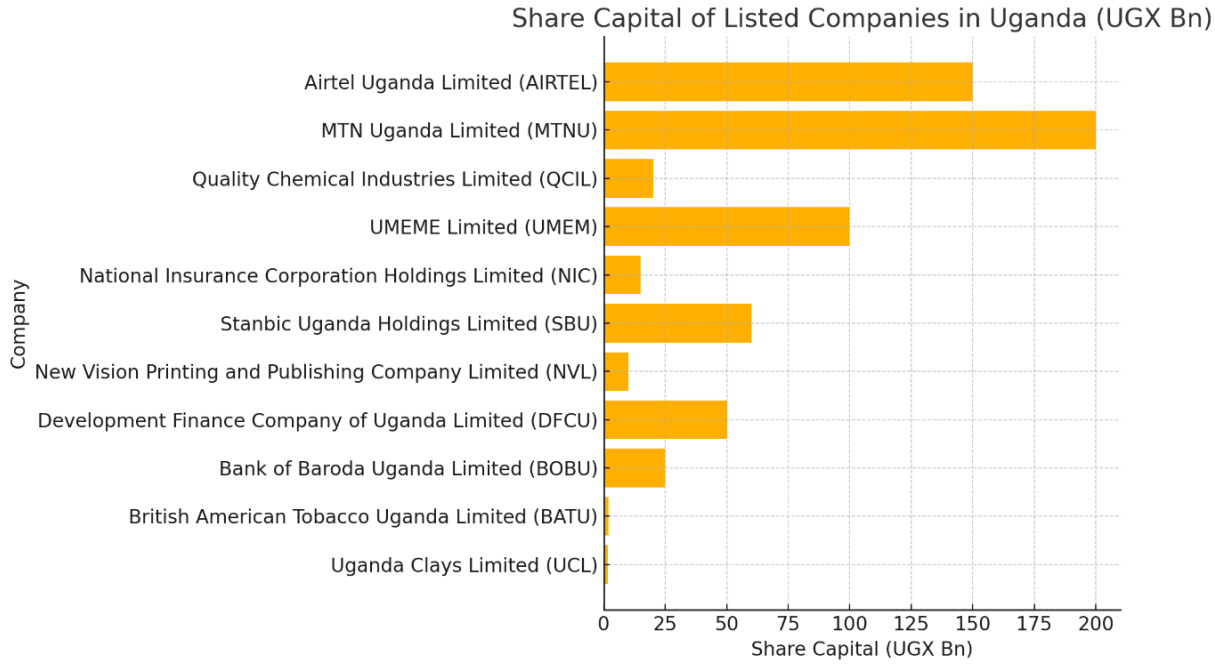
Company	Revenue (UGX Bn)	Net Profit (UGX Bn)	Share Capital (UGX Bn)	Dividend per Share (UGX)
MTN Uganda Limited (MTNU)	1,000	80	200	20
Airtel Uganda Limited (AIRTEL)	800	60	150	15
UMEME Limited (UMEM)	400	50	100	12
British American Tobacco Uganda Limited	150	20	2	10
Stanbic Uganda Holdings Limited (SBU)	300	40	60	10
Development Finance Company of Uganda	250	30	50	8
Bank of Baroda Uganda Limited (BOBU)	120	15	25	5
Quality Chemical Industries Limited (QCIL)	50	10	20	3
New Vision Printing and Publishing	30	5	10	2
National Insurance Corporation (NIC)	25	3	15	1
Uganda Clays Limited (UCL)	10	-0.5	1.8	0

Table: Uganda Capital Market Performance Report
This table provides a comprehensive snapshot of key financial metrics for the 11 domestic companies listed on the Uganda Securities Exchange (USE):

1. Company Name: Identifies the listed companies and their respective industries, providing a context for their operations.
2. Share Capital (UGX Bn): Represents the total amount of funds raised by the company through the sale of shares. Higher share capital typically reflects stronger financial backing and greater market presence.
3. Revenue (UGX Bn): Indicates the total income generated by each company during the reporting period, highlighting their scale of operations.
4. Net Profit (UGX Bn): Measures the company's profitability after accounting for all expenses, offering insights into their financial health.
5. Dividend per Share (UGX): Shows the amount of profit distributed to shareholders per share, indicating shareholder returns and the company's financial policy.

Key Observations:

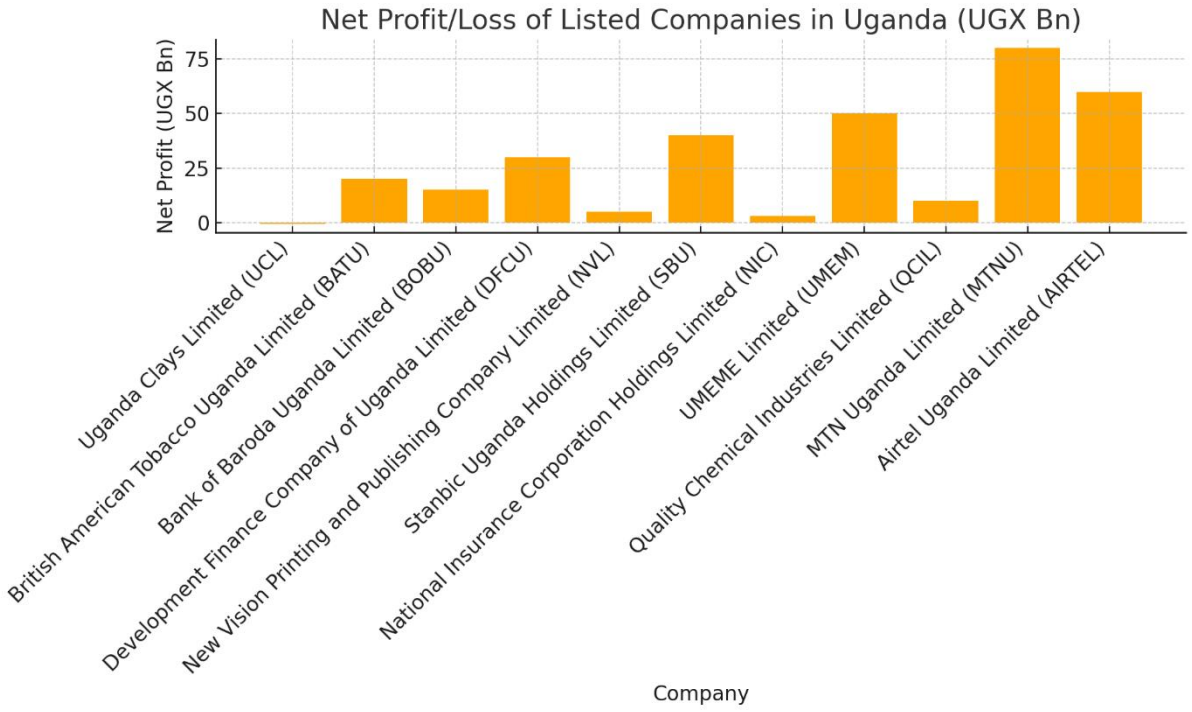
- MTN Uganda and Airtel Uganda dominate in revenue, reflecting the telecommunications sector's strength.
- UMEME Limited, a utility provider, has the highest net profit, showcasing consistent electricity demand.
- Uganda Clays Limited is the only company reporting a net loss, signaling operational challenges.
- Dividends vary widely, with MTN Uganda providing the highest per-share payout.



Graph 1: Share Capital of Listed Companies in Uganda
This bar chart visualizes the share capital of all companies, highlighting their financial foundations.
Key Insights:

- Stanbic Uganda Holdings and UMEME Limited have the largest share capital, indicating significant financial capacity and market stability.
- Smaller companies like Uganda Clays Limited and British American Tobacco Uganda have lower share capital, which may limit expansion opportunities.

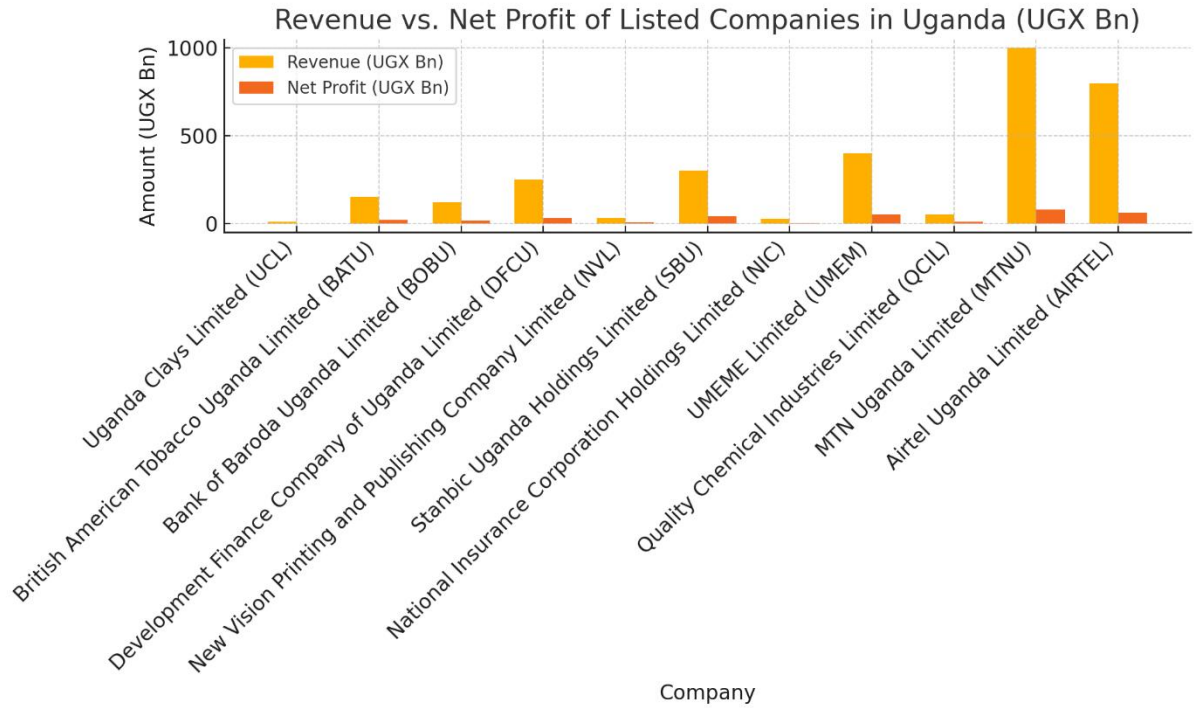
Takeaway: Share capital sizes suggest the capacity of companies to undertake large-scale projects or weather financial challenges. Investors seeking stability may favor companies with higher share capital.



Graph 2: Net Profit/Loss of Listed Companies in Uganda
This chart shows the net profit or loss of each company, providing a clear picture of their profitability.
Key Insights:

- MTN Uganda and UMEME Limited lead in profitability, reflecting strong operational performance.
- Uganda Clays Limited stands out as the only company with a net loss, highlighting significant operational inefficiencies or market challenges.
- Other companies like Stanbic Uganda and Airtel Uganda demonstrate steady profits, ensuring stable investor confidence.

Takeaway: Profitability is a key metric for evaluating a company's success. Companies with consistent profits are more likely to attract investment.



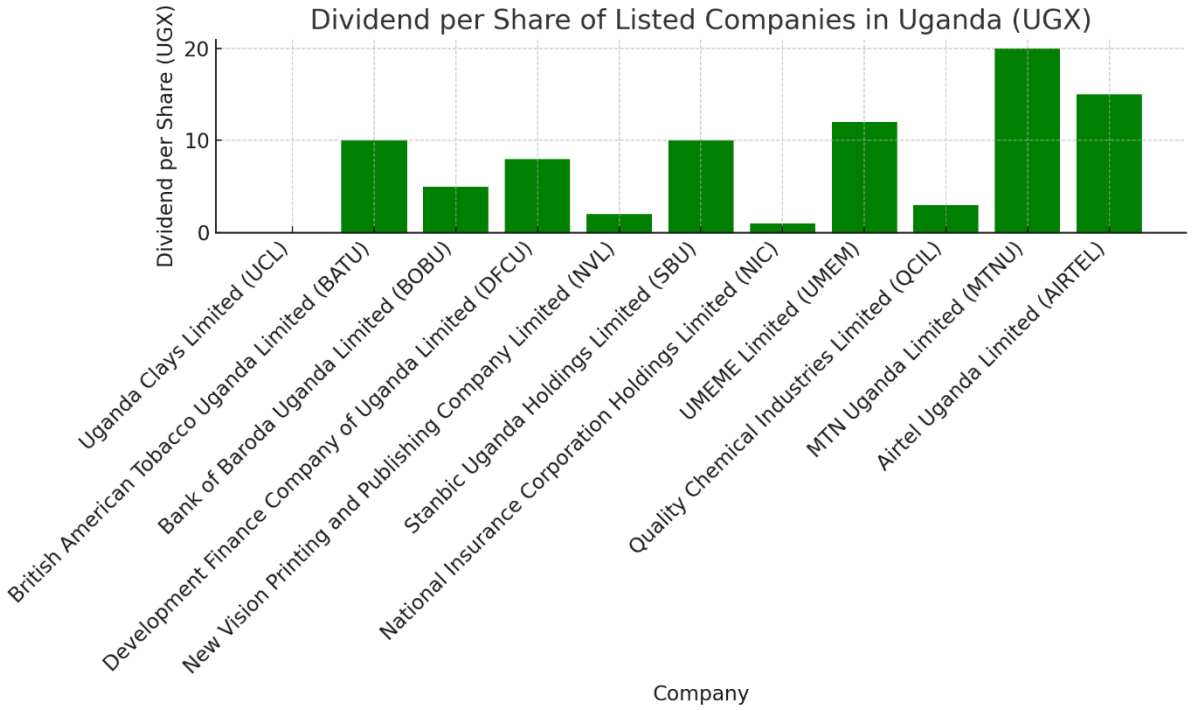
Graph 3: Revenue vs. Net Profit

This grouped bar chart compares revenue and net profit for each company.

Key Insights:

- MTN Uganda and Airtel Uganda generate the highest revenue, but MTN leads in converting revenue into profit, showing operational efficiency.
- UMEME Limited also performs well, maintaining a strong correlation between revenue and profit.
- Uganda Clays Limited demonstrates a disconnect between revenue and profit, as it incurs a net loss despite generating revenue.

Takeaway: Revenue alone does not indicate profitability. Companies with high revenue but low or negative profit may face high operational costs or inefficiencies.



Graph 4: Dividend per Share

This bar chart highlights the dividend payouts of each company, showcasing returns to shareholders.

Key Insights:

- MTN Uganda offers the highest dividend per share (UGX 20), reflecting its profitability and shareholder-friendly policies.
- UMEME Limited and Airtel Uganda also provide strong dividends, appealing to income-focused investors.
- Companies like Uganda Clays Limited and British American Tobacco do not declare dividends, possibly due to reinvestment priorities or insufficient profits.

Takeaway: High dividend payouts can indicate a company's financial stability and commitment to rewarding shareholders. Companies with no dividends may focus on growth or face financial constraints.

Overall Capital Market Analysis

Based on the table and graphs, the following conclusions are drawn:

1. Sector Performance:
    - Telecommunications: Dominates in revenue and profitability, with MTN and Airtel Uganda leading the market.
    - Utilities (UMEME): Shows high profitability and reliable dividends, supported by consistent electricity demand.

- Banking: Companies like Stanbic Uganda and DFCU maintain moderate profitability and steady dividends.
- Construction Materials (Uganda Clays): Struggles with losses, suggesting operational or market challenges.
- Media and Insurance: Moderate revenue and profit, with stable dividends indicating steady but unspectacular performance.

2. Investor Considerations:
   - Investors seeking growth may consider companies like MTN and UMEME for their strong revenue growth and profitability.
   - Dividend-focused investors would favor companies with high payouts, such as MTN and UMEME.
   - Risk-averse investors may avoid companies like Uganda Clays Limited due to its financial instability.
3. Recommendations:
   - Uganda Clays Limited needs to address inefficiencies to regain profitability.
   - Companies in less profitable sectors like media and insurance should explore diversification or cost reduction strategies to improve margins.
   - Telecommunications and utilities remain the most attractive sectors for potential investors.

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7. Conclusion

The Ugandan capital market reflects robust performance in telecommunications and utilities, offering stable growth and dividends. However, weaker sectors like construction and media require strategic interventions for improvement.