

## MALAWI

### Political and economic news

*RBM to focus on price, financial stability*

The Reserve Bank of Malawi (RBM) says it will focus on price and financial stability to maintain single digit inflation this year and achieve medium-term inflation objective of five percent. In its report and financial statements for the year ended 31 December 2017, RBM governor Dalitso Kabambe said the bank intends to achieve an adequately capitalised and stable financial system by maintaining appropriate monetary and financial policies. He also said the RBM will ensure operations with government are conducted within the confines of the parameters which contribute to the country's macroeconomic stability. The RBM aims to maintain official foreign exchange reserves of not less than three months of import cover. Through the Export Development Fund RBM seeks to complement government-wide measures to unlock the supply side of the economy to generate more foreign exchange. (Source: The Nation)

### Company news

*Castell Malawi appoints new MD*

Castell Malawi, formerly Carlsberg Malawi Breweries, an associate of Press Corporation (PCL) plc has appointed Gilles Leclerc as its new managing director. He takes over from Olivier Renson, a year after the company acquired an additional 20% holding in the company from PCL – taking its majority stake close to 80%. A statement from the company rates Leclerc as a manager with vast experience. Among others Leclerc is said to have worked as director of finance for Cuca Brewery and as a managing director for Nocal Brewery both based in Angola. Leclerc promises to provide the company's customers with high quality products and services. (Source: The Daily Times)

*Escom posts MWK 6bn loss in 1H18*

The Electricity Supply Corporation of Malawi (Escom) has posted a loss of MWK 6bn (USD 8.1m) in the first six months ended 31 December 2017 according to the ministry of finance. In its 2018 economic report, Treasury has attributed the corporation's poor financial performance to the deferred 6.72% tariff adjustment which was supposed to be effected in November 2016 and the increase in tariff by Energy Generation Company (Egenco) from MWK 19/KWh to MWK 25/KWh. Treasury has also pinned the loss on the cost of hiring diesel generators from Aggreko Projects International which were purchased at an average price of MWK 191.9m. Escom is said to face a liquidity squeeze as its current ratio worsened to 1.88:1 in FY17 compared to 2.5:1 reported previously in FY16; this is projected to worsen further to 1.46:1 by the end of FY18. Consequently Escom's working capital is on similar declining trend from MWK34.8bn in FY16; MWK 21.4bn in FY17 and is projected at MWK 16.4bn by the end of FY18. The corporations gearing levels are said to have worsened over the previous two year period from a debt/equity ratio of 107% in June 2016 to 298% by December 2017. Escom requested a government bailout of MWK 50bn which was turned down by Treasury as government has limited resources. Newly appointed chairman of Escom; Thom Mpinganjira blamed the worsening financial condition at the organisation on inefficiency and poor procurement decisions. (Source: Times Business)

### Corporate action

#### Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
Standard Bank	2017	Final	MWK 4.26	TBA

BHL	2017	Final	MWK 0.15	TBA
SUNBIRD	2017	Final	MWK 0.63	TBA
TNM	2017	Final	MWK 0.25	TBA
NBM	2017	Final	MWK 8.33	TBA
PCL	2017	Final	MWK 20.00	TBA
NICO	2017	Final	MWK 1.00	TBA

Source: Company filings

## Market activity and colour

The market traded 61.4m shares in 12 of the 13 counters recording a market turnover of MWK 1.5bn (USD 2m) in 52 trades. This is to be compared to 133.5m shares worth MWK 4.7bn (USD 6.4m) in 48 trades registered in the previous week.

TNM remained a top trading counter for a second week streak with 58.5m shares worth MWK 1.2bn. FMBCH and Standard were distant second and third with six and five percent of the total value traded respectively.

Risers during the week were; FMBCH (6.7% to MK160); Standard Bank (6.1% to MK 670); NITL (5% to MK73); TNM (5% to MK21). Other risers were OML up by MK30 to MK2,980 and FMBCH PCL (13% TO K770.00); NITL (9.4% to K69.51); FMBCH (7% to K150.00). OML went up by K30 to close at K2,950.00. NICO declined marginally to MK47.73 shedding 27t during the week.

The market has demand for BHL, TNM, PCL, STANDARD, OML and NBM. Sellers are available in MPICO, NICO, FMBCH, NBS, and ILLOVO. (Source: *MSE and Cedar Capital*)

## May roundup

The month of May was probably the most active in the recent history of the MSE as total traded valued reached MWK 10.6bn (USD 14.4m) from a total of 265.7m shares in 160 trades. The previous month of April, by comparison, recorded a total of 80.9m shares valued at MWK 3.6bn (USD 4.9m). Major trades were recorded in TNM in which 173m shares changed hands to the tune of MWK 3.5bn. NICO weighed in with 54.6m shares traded at a total value of MWK 2.4bn; Sunbird and FMBCH contributed 16.8% and 13.8% to the month's traded value with MWK 1.8bn and MWK 1.5bn respectively. Illovo had 4.8m shares changing hands with the majority trading at a negotiated price of MWK 200 per share – a 16.7% discount on the market price of MWK 240.00.

The MASI moved from 27092 at the beginning of the month to close at 30043 representing an increase of 10.9% over the month (39.1% rise year to date). The contributors to the index growth during the month were:

Company	O/Price	C/Price	%	Comment
NITL	56.98	73.00	28.1%	Illiquidity & weight of money
BHL	28.00	35.00	25.0%	Illiquidity & value
FMBCH	130.00	159.27	22.5%	Sentiment & weight of money
TNM	18.00	21.00	16.7%	Value
PCL	680.00	770.00	13.2%	Value
STANDARD	631.43	670.00	6.1%	Illiquidity & weight of money
SUNBIRD	137.13	145.00	5.7%	Value & weight of money
NBM	285.00	300.00	5.2%	Value
OML	2,935.00	2,980.00	1.5%	Unbundling value

BHL increased its shares by a bonus issue and a share split resulting in the price reducing to MWK 5.38 by 28 May 2018. NBS, MPICO and NICO remained flat.

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