Company Research Report
11 July 2018
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No longer soaring !!
but can fly again

Diversified Holdings

Bloomberg Ticker	PCL.MV
Reuters Ticker	PCL.MV
Target Price	MK1 605
Market Data	**11-Jul-18**
Closing Price	MK772.00
52 Week High	MK570.00
52 Week Low	MK772.00
Market Cap (bn)	MK92.84
Market Cap (mn)	USD128
P/E	3.88x
P/B	0.74x
DPS Yield	3.24%

Price performance

	PCL	MSE Index
YTD	28.67%	42.31%
2017	11.11%	62,14%
2016	0.00%	(8,53%)
2013 -Date	310.64%	410.96%

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MALAWI

Can George make it fly again …

Following the retirement of long time CEO, Mathews Chikaonda, the new team has been showing a sense of urgency and purpose in the restructuring and re-energising of the group. The new hands on deck have outlined a road map back to blue chip status. Its early days yet, but the talk is right and the body language is encouraging.

No longer a proxy for or a Malawi exchange traded fund…

In the past Press Corporation Limited (PCL) was taken as a proxy for the Malawi economy primarily because it was a significant player in the BBRT space, that is banks, breweries, retail and telecommunications. Although this still is the case, PCL is no longer a cheaper route to obtain this exposure as its other divisions are diluting the flow through of earnings from banking, telecommunications and brewing investments.

Low Beta, but need to give investors a choice

According to Thompson Reuters Eikon, PCL has one of the lowest correlation with the market with a beta of 0.39. Whilst this is generally a good defensive attribute as in a bear market, PCL share price performs better than the market as evidenced in 2016. On the other hand, it severely underperforms the market in a bull run as shown in 2017 and YTD. This is attributed to the fact that the counter is tightly held, with an effective a free float of just over 15%. This means that investors have limited ability to 'freely" buy and sell the shares. Hence, there is little "information" trading in the counter.

Blue Chip Plus Blue Chip not Blue Chip…

The two biggest subsidiaries NBM and TNM are blue chip stocks on the Malawi Stock Exchange (MSE). It should have followed therefore that PCL would have been the bluest of the blue chips, but this is not the case, to the detriment of investors. All is not lost though, as the measures initiated by the new management are beginning to show green shoots.

A lot of potential but value trap…

Since 2013, and even earlier, PCL has been trading at a significant discount to net asset value and single digit P/E, but this hardly suggests that the company is a value stock. We would describe PCL as a value trap as we do not expect it to re-rate in the short to medium term, in the absence of deliberate corporate actions to improve liquidity and unlock shareholder value. We are, thus, **Neutral** on Press Corporation Limited.

Market Information	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
EPS	77,93	93,54	34,90	40,82	198,91
NAV/share	474,74	625,71	762,53	842,46	1 044,08
Price (MK)	188,00	285,00	535,00	540,00	772,00
P/E (x)	2,41	3,05	15,33	13,23	3,88
Price/NAV (x)	0,40	0,46	0,70	0,64	0,74
Profitability Ratios					
Gross Profit Margin (%)	54,43	55,99	54,52	58,96	59,10
Operating Profit Margin (%)	23,71	22,59	18,44	17,93	28,20
Return on Assets (%)	3,44	3,25	0,98	1,02	4,19
Return on Equity (%)	16,42	17,00	5,03	5,09	21,09

Company Overview

Background

Press Corporation Limited (PCL) was established in 1961 by the then President of Malawi, Dr. Hastings Kamuzu Banda, as a publishing house. In 1969, a decision was taken to diversify into other business sectors, primarily as a shareholder representative of the Malawian people. Thus, in a way, PCL was Malawi’s own model of Black Economic Empowerment (BEE) and or mode of local economic participation. The first addition to what would become a business behemoth was Press Farming. Since, then, PCL has established and acquired a number of businesses in different sectors of the Malawian economy.

Since its early days, the strategy for PCL has been to form joint ventures in the investee companies with local and foreign partners such as **Universal Leaf Corporation**, the American tobacco corporation; and **Trafigura,** the Singapore energy group to name just a few.

Company Structure

Like many conglomerates which have interests in many industries, PCL has 15 companies in its stable. Some are direct subsidiaries, others are joint ventures while some are associates. According to management, each subsidiary or JV has its own complete governance structure, comprising management and board. PCL is obviously represented and in some cases, controls the boards. However, rather than wait of quarterly board meetings to monitor performance, PCL holds regular meetings with management teams of all subsidiaries; JVs and associates, to discuss operational and financial progress.

Given this structure, PCL does not run a central treasury, a key feature in most conglomerates. As well, the strategic thrust is not entirely driven at holding company level but at subsidiary level. As such, PCL operates more in terms of individual companies or silos with no cross subsidization normally associated with conglomerates.

According to the latest annual report, these are the companies within the PCL stable;

- **National Bank Malawi** (NBM) – National Bank of Malawi (NBM) is a commercial bank with a commanding market share of deposits and loans, circa 28% and 31% respectively. The bank distributes its products and services through different channels which include 31 full service centres and various electronic and mobile platforms.
- **TNM Limited** - was the pioneer mobile network in Malawi, initially established as JV between Telecom Malaysia and MTL, but is now a trully home grown Malawian company. TNM has approximately 3.5 million subscribers and is listed on the MSE.
- **Brewing and Bottling Group (Carlsberg Malawi)** - Carlsberg Malawi Limited comprises 3 beverages companies; Carlsberg Malawi Brewery Limited (CMBL), Southern Bottlers Limited (SBL) and Malawi Distilleries Limited (MDL). Carlsberg Malawi operates from 4 sites across the country with 6 production lines and distributes products through 13 owned and 7 contracted depots. The Castel Group which is the number 1 producer of wine in Europe and is the number 2 producer of beer and soft drinks in Africa acquired majority and management control of the entity from the previous owners; Carlsberg Group of Denmark.
- **Puma Energy Malawi (Formerly BP Malawi)** – is a JV with Singapore based Trafigura (Puma Energy) and operates 60 retail service stations (garages), a terminal and aviation fuel stations.
- **Peoples Trading Centre (PTC)** – The oldest supermarket chain in Malawi formed over 40 years ago. Prior to 1994, it was the only chain in the country. It is found in all the 26 districts of the country and has 65 outlets, two of which are Spar franchises and one is a Food Lovers outlet.
- **Telecom Holdings Limited (Malawi Telecommications Ltd)** - This is the fixed line telecommunications operator in Malawi with over 120 000 subscribers.
- **Open Connect Ltd –** offers fibre network to telecom operators and other third parties.
- **Limbe Leaf Tobacco Company Ltd** - Limbe Leaf Tobacco Company Limited (LLTC) was incorporated in 1962 as a subsidiary of Universal Leaf Tobacco Company of USA. It is the leading tobacco processor in Malawi's tobacco value chain.
- **Foods Company Limited (Maldeco Fisheries)** - Maldeco Fisheries was established in the 1950s at Mangochi on the

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Southern lakeshore and is the largest commercial fishing and processing company in Malawi. Maldeco operates a fish processing plant which has freezing and cold storage facilities and three ice plants. There is also a smoking kiln for *chambo* and *kampango* fillets.

- **Maldeco Aquaculture** - The company was established in 2003 as greenfield project for the farming and selling *chambo* using both pond and cage culture.
- **Ethanol Company** - Commissioned in 1982, it has capacity to produce 60,000 litres of alcohol per day using molasses sourced from sugar refineries. Molasses are purchased from Dwangwa Sugar Corporation.
- **Presscane** - is an ethanol distillery which began operations in mid-2004. The plant is located 55km south of Blantyre. It produces anhydrous fuel ethanol, using mollasses from Illovo Malawi Sugar Estates. The ethanol is blended with petrol.
- **Press Properties** - Established in 1969, the division has a property portfolio comprising residential properties in an exclusive low density area of Blantyre, commercial and industrial properties for letting. Other activities include property development, management, valuation, sales and maintenance services.
- **Macsteel Malawi** - is the largest and leading manufacturer and distributor of steel, wire, and roofing products in Malawi. Its main customer base is the construction sector.

Management change & strategic initiatives

At the end of December 2016, long standing and venerable CEO; Dr Mathews Chikaonda retired and Dr George Patridge formerly CEO of NBM, took over the corner office at PCL.

On taking over the baton, George stated that his team's focus was to turn around the loss making and under perfroming companies while stregthening those entities currently doing well. The strategies to be implemented included the recapitalisation of undercapitalised units, localisation of foreign debt, establishing technical partnerships in some units and where necessary change in management. Progress so far includes;

- **Peoples Trading Centre** – in FY16, the chain was recapitalized and signed a franchise agreement with Fruit and Veg City Africa International of South Africa, which facilitated the opening of a Food Lovers Market in Lilongwe. In addition, Spar Franchise stores were opened in Lilongwe and Blantyre.

- **Fibre Optic Business** – The fibre optic network business was hived off from the fixed telephony business resulting in the formation of a company called; Open Connect Limited, which is now the "carrier-of-carriers" for other telecommunication companies. The forex debt in the division was localized.

- **Reduction of the Carlsberg Malawi stake** – following the complete disinvestment from Carlsberg Malawi by the Danish brewer; Carlsberg Group, which sold its interest to the Castel Group of France, PCL reduced its interest in the entity to 20% by selling 20% to the Castel Group. The new shareholders have instituted an extensive capital expenditure program which is expected to improve Carlsberg Malawi's efficiencies and output. The initial target is to increase output from 350 000 hectoliters to 1 million hectoliters per annum. In FY17, Castel had budgeted to spend USD15 million on various programs.

  Many may question the wisdom of reducing the stake in Carlsberg Malawi. In our view, this can be explained by the fact that PCL would not have been able to match dollar for dollar the investment into capex required without raising capital from shareholders, though possibly a rights issue. This would not have been optimal given that PCL is trading below NAV. But what the sale did was to unlock some cash onto the balance sheet, which one now hopes will be astutely deployed. In any case, sometimes it makes sense to own 20% of an elephant than 50% of a rat.

- **Purchase of 10% of Sunbird Tourism** – On 17 May 2018 it was reported that PCL had acquired 10% of Sunbird, becoming the second biggest shareholder and heralds PCL's entry into the hospitality sector.

- **Acquisition of Top Mandala Office Building** – In the same report, the CEO confirmed the acquisition of Top Mandala Office Building from NBM.

- **An increase in investments** – according to Note 8 of the FY17 annual report, PCL invested MK22.6bn into the business, of which MK14.7bn was in plant, furniture and equipment, MK1.5bn on motor vehicles and MK5.6bn was classified as work in progress.

Conglomerates 101

What is a conglomerate?

A *conglomerate,* by definition, is a large corporation with diversified product lines, and operating in different economic sectors, owned by same shareholders and/or run by a single management team. These large corporations go by different names in different countries - *qiye jituan* in

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China, *business houses* in India, *grupos económicos* in Latin America, and *chaebol* in South Korea.

Well known examples include Samsung and Hyundai of Korea; Tata of India; Dalian Wanda of China; Sony Corporation of Japan; Kingdom Holdings of Saudi Arabia; Al-Futtaim Group of UAE; Siemens AG of German; Dangote Group of Nigeria; Unilever of Netherlands; and General Electric of America.

It has been noted that conglomerates are defended, usually by those who manage them, for their perceived synergies, and for the benefits of diversity as a hedge against failure in one sector. However, this argument does not hold much water as shareholders can diversify and thus, hedge the risk for themselves.

According to literature, the trick with conglomerates is to manage the diverse businesses in ways that create meaningful and relevant scale. This almost always means leveraging on the most distinctive and significant capabilities that the company possesses. That is, those the things that the company does particularly well. Paul Leinwand and Cesare Mainardi, writing in the Harvard Business Review (HBR) in June 2012 called this attribute; “coherence” and deemed it to be one of the primary drivers of success for organizations, regardless of how diverse they may be, and it may, in fact, make all the difference.

According to the two, every successful conglomerate has prospered by doing two things; (a) applying a few critical capabilities to all the disparate parts of the group and (b) taking advantage of diversity in other ways, and not forcing scale where scale would merely add cost and complexity. As such, the conglomerate might not seem to stand together as a single business, but stands as a relatively coherent entity; the power and universal applicability of the things it does well.

The legendary Jack Welch understood this and two years after becoming CEO of General Electric (GE), reduced the number of businesses owned by GE from 150 to 15. Jack’s mantra was that GE would focus on the businesses where it had the potential for greatness. That was the point of his famous requirement that *every business had to be No. 1 or No. 2 in its market.* He also insisted that every business provide value no competitor could match, and that they all should be able to gain leverage from GE’s distinctive strengths.

What about the conglomerates discount?

We have already noted that the diversification - avoidance of industry specific risks - mantra which is usually put forward by its proponents is oversold, given that shareholders can diversify on their own.

Many times, no matter how seasoned the management team is, resources and energy are poorly divided up between numerous subsidiaries. Time,

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energy, capital, and other resources are often ploughed into the poorest-performing or legacy businesses in the hope they will spur quick turnarounds.

CEOs are far from experts in every one of a diversified company's interests, and conglomerates tend to have muddled accounting practices, arising for instances from consolidating manufacturing entities together with banks and insurance companies. This lack of clarity, suspicion and confusion regarding direction and philosophy causes investors to discount conglomerates relative to more focused companies. This, phenomenon, known widely as the conglomerate discount, has been approximated to be anywhere from 5% - 20% of the total asset value.

Alternative ways of viewing of conglomerates…

The business of a conglomerate or investment holding company differs substantially from that of an operating company. For an operating company, products and/or services are sold at a certain gross profit margin, thereby creating revenue and cash inflows for the entity concerned. Strong cash flows and shareholder value are accordingly created by increasing revenue, as well as by limiting direct and indirect costs and optimising operational efficiencies, thus increasing the net profit from which dividends can be paid to shareholders.

In a conglomerate, at head office no products and/or services are sold, except probably management and technical services to subsidiaries. This together with the accounting treatment of investments and subsidiaries in terms of IFRS, has the effect that the profit after tax of a conglomerate is not always a fair reflection of its underlying cash flows and financial soundness.

The most important role of the head office of a conglomerate is capital allocation. The capital of a company is both human and financial. The former is to ensure that the best people are deployed at head office and investee companies while financial capital - which is expensive - needs to efficiently deployed.

The reported earnings of PCL are made up as follows;

- Consolidated results of operating subsdiaries; NBM; TNM; Malawi Telecommunication Limited (MTL); PTC, Open Connect, Maldeco, Presscane and Ethanol Company.
- Equity accounted earnings of associates; Puma Energy; Limbe Leaf Tobacco and MacSteel.
- Carlsberg Malawi is now accounted for an investment.

Dividends received from operating subsidiaries, associates and joint ventures are not included in PCL's reported net profit.

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In our view, contrary to IFRS accounting standards, the best approximation of PCL's profits at holding company level should comprise;

- Dividends received from investee companies.
- Management or technical fees charged subisdiaries
- Interest received;
- Profit/loss on the realisation of investments;
- Net corporate costs, including remuneration and other benefits paid to head office employees and executives.
- Net interest paid and taxation.

The net result of the above approximates cash generated at the head office in order to make new investments and/or pay dividends to shareholders.

On that score, the table below shows the dividends that head office – essentially its income – received from its investments since 2013.

MK millions	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Dividends	**4 283,00**	**5 794,00**	**6 665,00**	**6 881,00**	**8 232,00**
Subsidiaries	3 359,00	4 372,00	4 949,00	4 926,00	6 707,00
Joint Ventures		249,00	1 023,00	500,00	611,00
Associates	924,00	1 173,00	693,00	1 455,00	914,00

Another measure of performance should be the increase in the intrinsic net asset value. This measures the growth in the underlying value of the companies.

Financial Review

The background to PCL's review of the financial and operational performance includes;

- a reduction in the group's interest in Carlsberg Malawi from nearly 40% to 20% which resulted in a huge positive cash inflow of MK17.2bn and a hefty profit on sale of MK14.2bn which had a significant impact of profitability levels. These would normally be treated as non-recurring items and would ideally be stripped out in the calculation of headline earnings.
- In FY16, the economy was afflicted by a drought which resulted in slower economic growth and reduced tobacco revenue inflows.
- The restructuring of Malawi Telecommunications Limited in FY16, which culminated in the hiving off, of the broadband unit resulted in

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the company recording a loss of MK6.5bn, which can be regarded as a once-off.

- The supermarket chain, PTC has been a serial underperformer, together with the ethanol companies which have been hampered by low factory throughput. The ethanol companies have experienced double digit declines in output and capacity utilisation at 50% does not allow for full absorption of fixed overheads.
- The fish business is operating at less than optimal levels and incurred losses, with the power outages not helping.

In FY17 revenues for the group grew by 6% to MK200.5bn on the back of a 15% rise in TNM & MTL's revenues to MK85.3bn and a 9% growth in revenues to MK68.2bn achieved by NBM. The ethanol units and PTC regressed by 13% and 3% to MK11.7bn and MK33.0bn respectively. However, the 5-year trend is not encouraging showing a reducing trend year-on-year. In FY15 and FY16, the growth rates were 18% and 17%, which meant that the 6% for FY17, is the least that the group has experienced in the last 3 years.

Millions	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
NBM	*34 973,00*	*38 533,00*	*45 656,00*	*62 603,00*	*68 163,00*
TNM & MTL	*36 668,00*	*48 610,00*	*59 148,00*	*74 548,00*	*85 395,00*
Energy (Ethanol & Presscane)	*9 358,00*	*11 396,00*	*14 729,00*	*15 196,00*	*11 682,00*
People Trading Centres	*29 888,00*	*35 941,00*	*39 164,00*	*34 017,00*	*33 003,00*
Fisheries & Real Estate	*2 830,00*	*2 307,00*	*2 439,00*	*2 493,00*	*2 237,00*
Total Revenues	**113 717**	**136 787**	**161 136**	**188 857**	**200 480**
Growth Rates	*55.25%*	*20%*	*18%*	*17%*	*6%*

The less than inflation growth rate in revenues achieved in FY17 is a negative on George's score card. NBM's growth has been steady over the years, while the telecommunications division has been strong. The two other divisions have had ups and downs which have not helped the group.

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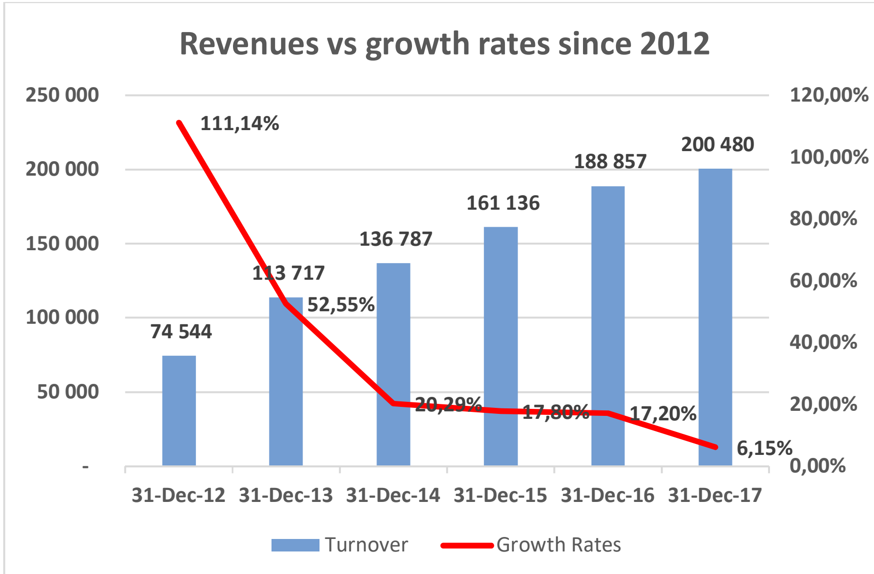
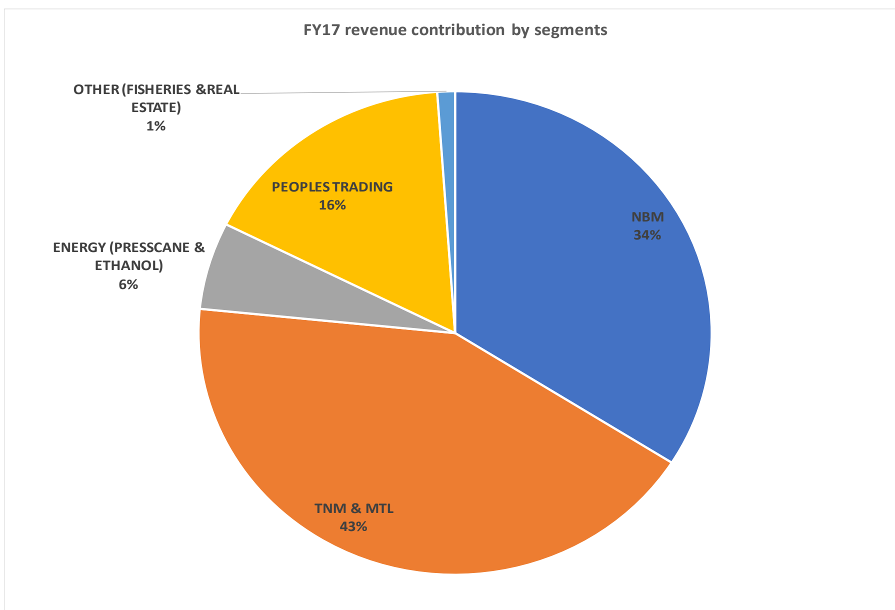


Source: Company financials & Cedar Capital Research

The segmental review shows that the bank and communications cluster contributed 77% combined while PTC weighed in with 16% contribution to the top line.



Source: Company financials & Cedar Capital Research

The waterfall chart below shows how each division contributed either positively or negatively to revenue growth in FY17.

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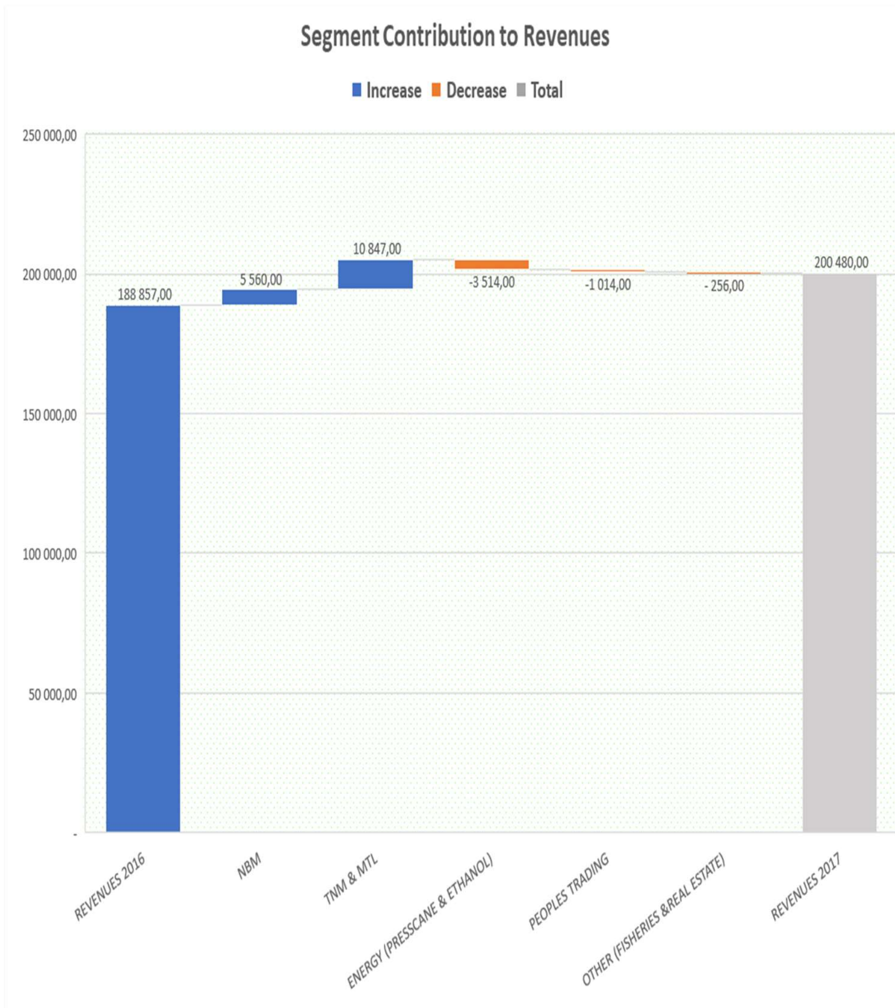

Source: Company financials & Cedar Capital Research

In summary, there was a MK5.5bn growth at NBM, while the telecommunications division contributed a heavier MK10.8bn. The smaller divisions dragged down the group through negative revenue growth.

Gross profit margins remained static at 59%, spurring a 6% growth in gross profits to MK118.5bn. It is worth noting that the single digit revenue and gross profit growth is the slowest in the recent past.

Operating profit grew ‘strongly” by 67% to MK56.5bn attributed to a hefty contribution from the MK14.3bn “profit on sale” of 20% of the investment in Carlsberg Malawi.

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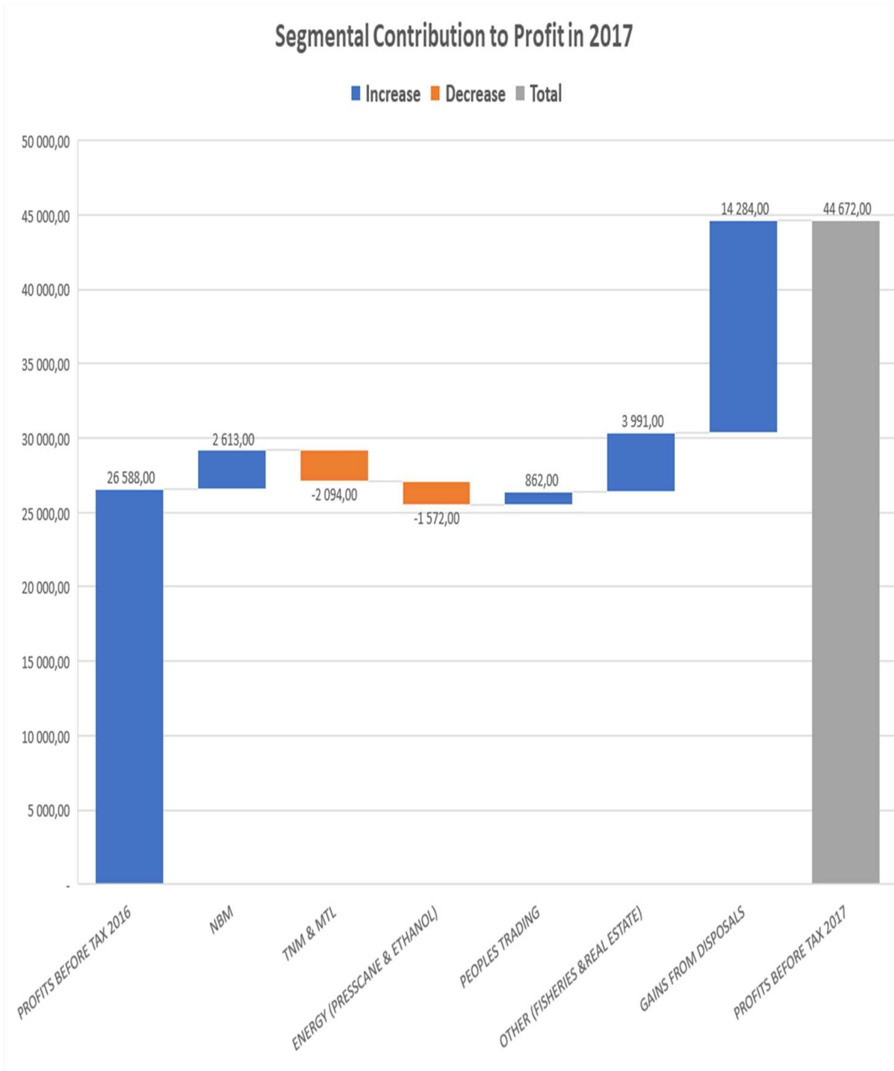
The profit before tax (PBT) grew at a similar pace to operating profits of 68% to MK44.6bn. In a similar manner, we show in a waterfall chart how each division contributed to PBT growth.



Source: Company financials & Cedar Capital Research

The main contributors to the PBT was the profit on disposal, NBM, and the other divisions. The communications cluster contributed a negative MK2.1bn, mainly on account of MTL.

PCL's Achilles heel, which the management team has to work on is the low drop down from the top line to the bottom line. Over the 5 years, revenue growth has been linearly positive with a good gradient, while net profits have been much flatter, with PAT margins in the lower teens.

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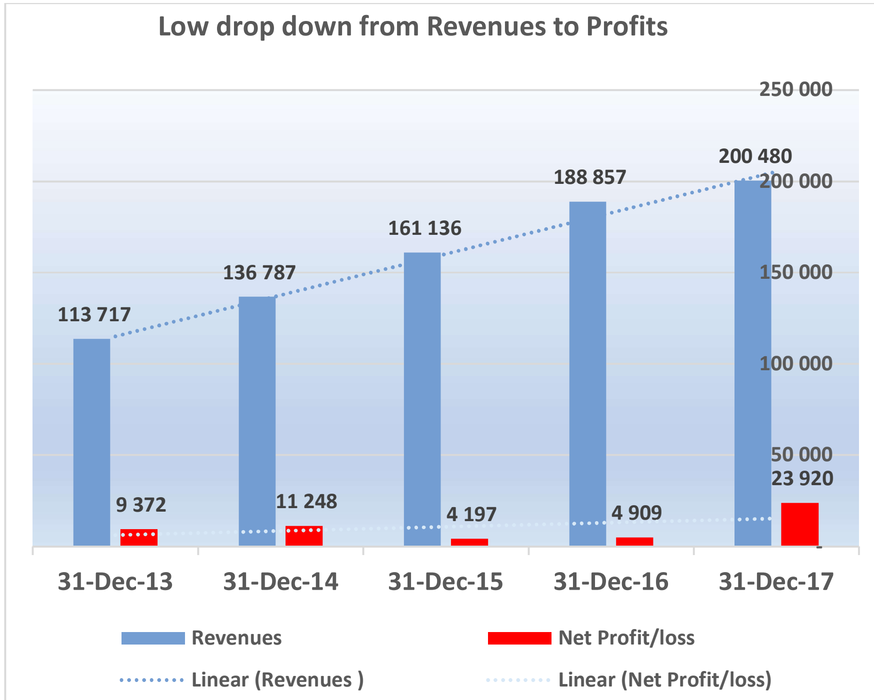

Source: Company financials & Cedar Capital Research

Valuation and Recommendation

The decision whether or not to buy PCL is not straight forward. As such, answers to some questions may assist in coming up with a decision.

What does management and company auditors think PCL is worth?

The company's own internal intrinsic valuation as enunciated in the annual reports is tabulated below. It reveals that based on the current share price, PCL is trading at a significant discount to **the intrinsic value of MK1 764.** This implies a 56% discount to management's valuation estimate.

MK millions	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Subsidiaries	102 912,00	112 900,00	138 618,00	171 429,00
Puma Energy	8 304,00	1 304,00	3 898,00	5 144,00
MacSteel	759,00	460,00	999,00	1 054,00
Limbe Leaf Tobacco	13 094,00	25 599,00	28 874,00	31 069,00
Carlsberg Malawi	5 502,00	5 472,00	5 856,00	3 420,00
Total	**130 571,00**	**145 735,00**	**178 245,00**	**212 116,00**
Number of Shares	120 255 713	120 255 713	120 255 713	120 255 713
Value per share	1 086	1 212	1 482	1 764
Price	285	535	540	772
Price/Intrinsic Value (x)	**0,26**	**0,44**	**0,36**	**0,44**

Source: Company Annual Reports

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What is one buying in PCL?

The biggest components of PCL are blue chip companies; NBM and TNM as well as exposure to PTC, which has potential to be blue chip retailer. In addition, there are 11 other investments which include subsidiaries; JVs and associates. The market value of the listed interests such as NBM, TNM and 10% of Sunbird Holdings is MK175.46bn.

The strike price from the PCL/Castel Group deal for the 19% of Carlsberg Malawi sold to Castel of MK17.5bn, gives an implied valuation for the entire Carlsberg Malawi of MK87.6bn. From this, we get the value of the 20% still held by PCL as MK17.52bn.

Adding this to the value of the MSE listed investments, we get MK192.99bn. This means that the balance of the unlisted investments are valued at -MK100bn.

PCL's market capitalisation implies a discount to these four investments of 60%, which means when the other units are added, the discount is as high as 80%. This is much higher than the generally accepted level of a conglomerate discount of a maximum of 20%.

While there are technical and structural reasons for a discount to persist, it has reached extreme levels which are unprecedented in the investment field.

So why doesn't PCL unlock value?

Off late, and more probably as a result of the Old Mutual Plc "managed separation", the new management team of PCL has come under increasing pressure from investors regarding the widening gap between the value of underlying businesses and that of the group.

The criticism is that management, although working on turning around some businesses, is not proactively demonstrating any moves to come up with potentially value unlocking strategies that could help reduce the undervaluation. The other criticism is the continued investment in the smaller businesses which do not seem to have scale to move the needle for PCL.

The undervaluation is compounded by the fact that investors can buy NBM and TNM direct on the MSE, at a time when PCL does not have enough liquidity to excite investors.

As Cedar Capital, we believe management is seized with problem and we wouldn't be surprised if the company is receiving and considering many proposals around value unlocking initiatives from corporate advisors.

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What do we think PCL?

The negative value of the 'rump', (MK100bn) seems to suggest that investors believe that George & Co are likely to destroy shareholder value to the tune of at least MK100bn. We believe this to be overly bearish.

We have simplified our valuation by restricting our Sum of the Parts methodology to the listed investments and the implied strike valuation from the disposal of the stake in Carlsberg Malawi shown earlier. From this we derive the minimum value that PCL should be trading at, which **is at least MK192.99bn or MK1 604 per share.**

Company	Shares in issue	Price	PCL	Valuation of Press Corp
NBM	466 931 738	300,00	51,49%	72 126 945 568,86
TNM	10 040 450 000	24,00	41,31%	99 545 037 480,00
Sunbird	261 582 580	145,00	10,00%	3 792 947 410,00
TOTAL				**175 464 930 458,86**
Carlsberg Malawi	(residual holding)		20,00%	
Percentage stake sold			19,65%	
Cash Received for the sale of the stake				17 216 000 000,00
Implied Valuation				87 613 231 552,16
Value of the remaining stake				**17 522 646 310,43**
Listed Entities plus Carlsberg Malawi				**192 987 576 769,29**
Press Corporation	*120 255 820*	*772,00*		*92 837 493 040,00*
Premium/Discount				**48%**
Implied Value Destruction (Value of the Rump)				(100 150 083 729,29)

What is our recommendation?

It is very apparent that in the absence of value unlocking initiatives on the part of management, PCL will continue to be a value trap; trading at low valuations but never re-rating. Furthermore, we note that investors can access the current major earnings drivers; NBM and TNM directly through the MSE with much better potential for higher returns. Consequently, we would not recommend PCL to those investors with a short-term horizon. We are thus, **Neutral** on PCL.

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Press Corp					
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NBM	*34 973,00*	*38 533,00*	*45 656,00*	*62 603,00*	*68 163,00*
TNM & MTL	*36 668,00*	*48 610,00*	*59 148,00*	*74 548,00*	*85 395,00*
Presscane & Ethanol	*9 358,00*	*11 396,00*	*14 729,00*	*15 196,00*	*11 682,00*
PTC	*29 888,00*	*35 941,00*	*39 164,00*	*34 017,00*	*33 003,00*
Other	*2 830,00*	*2 307,00*	*2 439,00*	*2 493,00*	*2 237,00*
Total Revenues	**113 717**	**136 787**	**161 136**	**188 857**	**200 480**
Growth Rates		*20,29%*	*17,80%*	*17,20%*	*6,15%*
Cost of sales	(51 821,00)	(60 200,00)	(73 284,00)	(77 503,00)	(81 996,00)
Gross Profit	**61 896**	**76 587**	**87 852**	**111 354**	**118 484**
Growth Rates		*23,73%*	*14,71%*	*26,75%*	*6,40%*
Other Income	4 684	6 173	5 179	5 248	24 394
Distribution expenses	(1 530,00)	(2 585,00)	(2 365,00)	(2 402,00)	(2 847,00)
Operating Expenses	(38 089,00)	(49 269,00)	(60 955,00)	(80 341,00)	(83 505,00)
Operating Profit	**26 961**	**30 906**	**29 711**	**33 859**	**56 526**
Growth Rates		*14,63%*	*(3,87%)*	*13,96%*	*66,94%*
Finance Income	4 222	2 283	2 387	2 117	1 714
Finance Costs	(10 679,00)	(5 801,00)	(12 615,00)	(11 787,00)	(8 975,00)
Net Financing Costs	**(6 457,00)**	**(3 518,00)**	**(10 228,00)**	**(9 670,00)**	**(7 261,00)**
Associates	5 915	7 316	4 284	5 543	4 842
PBT	**26 419**	**34 704**	**23 767**	**29 732**	**54 107**
Taxation	(9 055,00)	(12 570,00)	(11 523,00)	(14 418,00)	(14 435,00)
Minorities	(7 992,00)	(10 886,00)	(8 047,00)	(10 405,00)	(15 752,00)
Net Profit/loss	**9 372**	**11 248**	**4 197**	**4 909**	**23 920**
PBT by Segment	**17 364**	**22 134**	**14 440**	**26 588**	**44 672**
Growth Rates		*27,47%*	*(34,76%)*	*84,13%*	*68,02%*
NBM	10 706,00	13 438,00	13 385,00	16 535,00	19 148,00
TNM & MTL	545,00	5 839,00	(954,00)	10 464,00	8 370,00
Presscane & Ethanol	3 408,00	2 964,00	3 071,00	3 219,00	1 647,00
PTC	447,00	(1 147,00)	(2 623,00)	(4 225,00)	(3 363,00)
Other	2 258,00	1 040,00	1 561,00	595,00	18 870,00
Market Information	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
EPS	77,93	93,54	34,90	40,82	198,91
DPS	1,07	2,07	13,00	12,50	25,00
NAV/share	474,74	625,71	762,53	842,46	1 044,08
Price (K)	188,00	285,00	535,00	540,00	772,00
P/E (x)	2,41	3,05	15,33	13,23	3,88
Price/NAV (x)	0,40	0,46	0,70	0,64	0,74
Dividend Yield	0,57	0,73	2,43	2,31	3,24
Profitability Ratios	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Gross Profit Margin (%)	54,43	55,99	54,52	58,96	59,10
Operating Profit Margin (%)	23,71	22,59	18,44	17,93	28,20
Interest Cover (x)	4,18	8,79	2,90	3,50	7,78
PBT Margin (%)	23,23	25,37	14,75	15,74	26,99
PAT Margin (%)	15,27	16,18	8,96	14,08	22,28
Return on Assets (%)	3,44	3,25	0,98	1,02	4,19
Return on Equity (%)	16,42	17,00	5,03	5,09	21,09
Liquidity Ratios	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Cash Ratio	0,34	0,30	0,21	0,19	0,22
Cash Conversion Efficiency	89,71	120,43	67,49	65,52	68,33

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Solvency Ratios	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Debt to Assets Ratio (%)	11,16	10,34	10,52	9,33	10,16
Net Debt to Equity Ratio (%)	(48,42)	(40,00)	(15,84)	(13,26)	(13,69)
Debt to Equity Ratio (%)	53,21	47,52	49,19	44,16	46,16
Equity to Total Assets (%)	20,98	21,76	21,39	21,12	22,01
Financial Leverage Ratio (x)	4,77	4,60	4,67	4,73	4,54
Interest Coverage (x)	4,18	8,79	2,90	3,50	7,78
	31-Dec-13	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Inventories	6 561	10 013	10 165	9 714	11 510
Trade & Other receivables	21 387	35 119	19 628	24 187	26 022
Bio Assets	48	51	140	154	998
Income tax recoverable	342	410	357	494	2 141
Short term assets	37 187	47 244	82 676	97 443	147 041
Loans & advances	50 404	66 293	103 598	122 043	120 674
Cash and equivalents	58 022	65 852	59 624	58 179	75 148
Goodwill and Intangibles	6 125	12 869	18 444	18 800	21 493
Investment Properties	3 096	3 270	4 783	5 360	6 564
Associates & JVs	13 922	20 142	32 835	39 627	40 687
Tax Assets	4 928	5 741	5 042	9 101	7 946
Other Assets	1 869	1 008	1 533	1 129	4 378
PPE	68 206	77 816	89 820	93 453	105 908
Total Assets	**272 097**	**345 828**	**428 645**	**479 686**	**570 510**
Borrowings	13 071	18 359	34 953	24 498	19 706
Creditors	32 311	52 661	33 343	44 174	42 496
Provisions	3 619	4 215	3 521	5 039	5 795
Deposits	118 541	140 378	211 852	229 433	275 073
income tax	3 304	3 739	2 685	5 780	4 538
Deferred Income					
Current Liabilities	**170 846**	**219 352**	**286 354**	**308 924**	**347 608**
Borrowings	17 306	17 395	10 150	20 246	38 248
Other payables					70
Tax Liabilities	3 461	1 698	1 733	2 991	2 740
Long term liabilities	**20 767**	**19 093**	**11 883**	**23 237**	**41 058**
Share Capital	1	1	1	1	1
Share Premium	2 097	2 097	2 097	2 097	2 097
Reserves	18 577	30 596	44 799	49 423	52 012
Retained Earnings	36 415	42 551	44 801	49 790	71 447
Shareholders' Equity	**57 090**	**75 245**	**91 698**	**101 311**	**125 557**
Minority Interest	23 394	32 138	38 710	46 214	56 287
Total Equity	**80 484**	**107 383**	**130 408**	**147 525**	**181 844**
Total Equity and Liabilities	**272 097**	**345 828**	**428 645**	**479 686**	**570 510**

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