

MALAWI

Political and economic news

Cedar Capital website goes live

Today marks the soft launch of Cedar Capital website www.cedarcapital.mw which is set to be the main source of accurate and timely information on Malawi capital markets. Cedar Capital is the leading provider of corporate research reports for companies listed on the Malawi Stock Exchange and releases a weekly report every Friday. The company has a diverse base of both local and international investors and the launch of the website confirms our commitment to help the market and serve our clients with up-to-date information for better investment decisions.

July inflation increases by 40 bps as govt cuts grain price

After months of deceleration, Malawi's headline inflation for July increased by 40 bps to 9% on account of rises in both food and non-food inflation according to the National Statistical Office (NSO). Food inflation went up from 9.1% in June to 9.5% while non-food inflation rose 50 bps to 8.7%. Food inflation reflects an increase in the price of maize; the staple commodity which has increased from K5,000 per 50kg bag to K7,000 over the past two months. Recent increases in energy prices both in form of fuel and electricity have contributed to the non-food inflation rise. In a separate development, the government has reduced the price of maize sold by Admarc from K270 per kg to K150 per kg. Admarc is the parastatal with the mandate to trade in produce on behalf of government. According to the ministry of agriculture, irrigation and water development, the slashing of the prices is to ensure that the commodity is affordable to the masses especially those in rural areas. Political commentators view the move with scepticism as they think it is a populist decision made with the forthcoming general elections in mind. *(Source: The Daily Times and the Nation)*

Company news

FMBCH releases better-than-forecast 1H18 results

FMBCH released its 1H18 results with net attributable earnings of USD 10.8m representing a 15.3% favourable variance on its forecast earnings as per its 2017 prelisting statement regarding its restructuring. FMBCH, registered in Mauritius, was formed as part of a restructuring process which saw the company acquire 100% of FMB plc, 100% of OIBM and 42.6% of Barclays Zimbabwe through its 81% acquisition of Afcarme – Barclays Zimbabwe's controlling shareholder with 52.7% prior to the FMBCH acquisition. These corporate actions occurred in Q4 2017 – making 1H17 unsuitable for comparison to the current half year results.

The main contributor to the earnings growth seems to be Barclays Zimbabwe – which is now fully consolidated - whose earnings are reported to have shot up 43% to USD 13.6m on improved net interest income. FMB plc's attributable earnings went up 30.7% to USD 8.9m driven by non-interest income and steady interest margins.

Interest income was reported at \$50.5m which when annualised represents a whopping 58.5% rise on FY17. Interest expense at \$12.2m translates to a 20% increase on FY17 when annualised. The resultant outcome is obviously an improvement in net interest margins thanks to Barclays Zimbabwe which is said to have \$150m placed in treasury bills. In terms of the loan book, FMB plc grew by 25.4% to \$255.1m while Barclays Zimbabwe went up 27% to \$148m – resulting a total book of \$402m. FMBCH has certainly benefited from its geographical spread as generally loan book growth has been subdued among the Malawian banks which we think would average below 10%. Customer deposits for the group were reported at \$918m while total assets were \$1.2bn. Share of minorities

has increased as a result of full consolidation of Barclays Zimbabwe which has a combined 57% in non-controlling interest.

Non-interest income was reported at \$36.4 which was remarkably close to FY17 at \$35.9m. Management attributes its performance to income from foreign exchange transactions which is said to have outperformed forecasts. The group maintains strong cash flows with cash and its equivalents closing at \$374m and healthy capital adequacy ratios. Despite the overall increase in the loan book, directors continue to take a prudent view on balance sheet management. It is an enviable position to be in as cash remains king to take advantage of opportunities as they arise. FMBCH's growth strategy through acquisition seems to be paying off, especially in the case of Barclays Zimbabwe. While the group remains open to a wider variety of risks due to its presence across several countries, we think there are more synergies to be had from its implementation of uniform core banking technology and establishment of group shared services. We think the group's performance is set to improve further in FY18 although we believe that at current levels, the good things have largely been priced in. **HOLD.** *Please exercise caution with the comparative figures as they are for 12 months.*

FMBCAPITAL HOLDINGS PLC

1H18 FMBCH "USD '000"	HY 2018	FY 2017	ANNUALISED % CHANGE
Interest income	50,521	63,707	58.6%
Interest expense	-12,182	-20,282	-20.1%
Net interest income	38,339	43,425	76.6%
Non-interest income	36,385	35,924	102.5%
Total income	74,724	98,005	52.5%
Total expenses	-50,420	-55,453	-81.8%
Net earnings	20,116	34,858	15.4%
Attributable earnings	10,839	31,295	-30.7%

(Source: Company filings and Cedar Capital Research)

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
PCL	2017	Final	K20.00	TBA
NBM	2018	Interim	K5.35	7-Sep-18
STANDARD	2018	Interim	K6.39	7-Sep-18
MPICO	2018	Interim	K0.09	14-Sep-18

(Source: Company filings)

Market activity and colour

The market traded 11.2m shares with a market turnover of K494m (\$672k) in 33 trades. Top volume and value trader was NICO 10m shares at negotiated price of K42 per share. Comparatively in the previous week, the market traded 13.1m shares with a market turnover of K860.8m (USD 1.2m) in 57 trades. TNM and NBM inched up with 1t increases for both. Bids are sustained in BHL; NBM; TNM and PCL.

Weekly Market Report



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Week's Trading Summary

Symbol	MSE		MAINBOARD			
	Open	Close	Volume	Value	Trades Count	Market Capitalization
BHL	8.00	8.00	0	0.00	0	4,517,858,793
FMBCH	159.99	159.99	330,000	52,773,557.44	6	373,823,362,500
ILLOVO	240.00	240.00	0	0.00	0	171,226,653,840
MPICO	19.45	19.45	679,471	13,215,711.05	9	45,271,534,962
NBM	310.01	310.02	10,971	3,401,151.00	4	140,079,521,400
NBS	8.66	8.66	53,964	467,328.24	2	25,321,988,197
NICO	54.00	54.00	10,000,000	420,000,000.00	3	49,784,351,512
NITL	75.00	75.00	30,000	2,250,000.00	2	9,855,000,000
OMU	1,580.22	1,580.22	0	0.00	0	9,209,526,901
PCL	772.00	772.00	0	0.00	0	92,837,493,040
STANDARD	670.00	670.00	0	0.00	0	157,227,668,540
SUNBIRD	145.00	145.00	0	0.00	0	37,929,474,100
TNM	25.01	25.02	77,682	1,943,027.00	7	217,877,765,000
			11,182,088	494,050,774.73	33.00	1,334,962,198,785

(Source: MSE)

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