

MALAWI

Political and economic news

Inflation rises to 9.3% in August

Malawi's headline inflation increased 300bps in August to rest at 9.3% as escalating food prices continued to bite, according to the National Statistical Office (NSO). This was the second month inflation has surged after reversing its downward trend in July 2018. NSO said food inflation went up 600 bps from 9.5% in July to 10.1% y/y. Non-food inflation was recorded at 8.7% y/y. Food inflation has been triggered by a seasonal rise in the staple commodity; maize which goes up after the excess supply of the harvest period starts waning. Recent rises in energy are also expected to increase inflationary pressure for the period to the end of the year although the Reserve Bank remains hopeful of inflation level remaining within single digits by the end of the year. *(Source: The Daily Times)*

MPC maintains bank rate at 16%

Monetary Policy Committee (MPC) resolved to maintain the country's policy rate at 16%, citing potential risks to inflation outlook on account of further increases in administered prices, higher food and global oil prices and increased public sector financing requirements. RBM governor Dalitso Kabambe who chairs the MPC, said inflation to the end of the year 2018, is projected to remain above the medium term objective of five percent on account of the perceived risks. He further advised that the policy stance will be complemented by mop up operations to maintain the liquidity conditions at required levels. The committee resolved to keep the liquidity reserve ratio (LRR) at 7.5%. *(Source: The Daily Times)*

Company news

NITL 1H18 profit increases 41% on market gains

National Investment Trust Plc – the listed equity play, released its half year results to 30 June 2018 showing a 41.7% increase in earnings to K1.4bn (\$1.9m) on a similar period in 2017; buoyed by price gains in some its listed equity holdings. The company's equity portfolio is said to have increased 16.2% in the six-month period to K9.8bn – this also translates to a 37.1% rise on 30 June 2017 which was recorded at K7.1bn. All in all, NITL has underperformed the MSE index which grew 42.3% in the six month period to June 2018 and 94.9% y/y from 15,772.51 in June 2017 to close at 30,736.95.

For a long period of time, NITL's equity portfolio remained constant with little changes to its portfolio make up, however, the managers made some portfolio realignment during the period with some of the "sticky price" Ilovo making way for TNM and FMBCH. We therefore expect the company's performance at FY18 to be in close correlation with the index. That said, the market has generally bombed forward, in most cases with little justification and we might expect to see some correction in the near future.

Distributable income decreased 42.8% to K116m with both dividend and interest income taking a knock. Dividend income should have suffered from non-payment of the same by Ilovo, among others, while interest income reflects the low interest rates and lower cash holdings prevailing during the period. NITL is currently trading at P/BV of 1.17x, we recommend the stock as a HOLD pending FY18.

NATIONAL INVESTMENT TRUST PLC

1H18 NITL (K "000"	HY 2018	HY 2017	% CHANGE
Dividend income	106,918	184,187	-41.9%
Interest income	9,103	18,861	-51.7%
Total income	116,021	203,048	-42.9%

1H18 NITL (K '000)	HY 2018	HY 2017	% CHANGE
Operating expenses	-97,342	-59,085	-64.7%
Gain on equity investments	1,419,472	880,549	61.1%
Net earnings	1,428,857	1,008,848	41.7%

(Source: Company filings and Cedar Capital Research)

BHL cautions about lower FY18 earnings

Blantyre Hotels Plc has released a trading statement in which it advises that its FY18 earnings are expected to be at least 30% lower than FY17. BHL's financial year ends on 30 September. BHL's 1H18 performance was equally disappointing as earnings were 27% down on the previous period. Directors blamed low occupancy levels and increases in energy and power expenses. BHL completed a corporate action in which a bonus issue combined with a share split resulted in the increase in shares in issue by a factor of 6.5. This was ostensibly to increase liquidity but there has not been much increase in that front since. The share price has jumped from an introductory level of K4.38 after the stated corporate action to K11.31. We consider the stock overvalued at current levels and relative to Sunbird. SELL. (Source: Company filings and Cedar Capital Research)

Old Mutual Limited to distribute Nedbank shares

Old Mutual Limited (OMU) will unbundle majority of its shareholding in Nedbank Group Limited (Nedbank) and distribute 158.7m Nedbank shares to shareholders on OMU register as at 9 October 2018. The actual date of distribution is 15 October 2018. This will be the final step in the managed separation process of the now defunct Old Mutual Plc which was unbundled in June 2018. Shareholders of OMU will receive 3.2 Nedbank shares for every 100 of OMU held with the fractional entitlement being paid out in cash. Nedbank is said to rank top five by assets in Africa and is listed on the JSE. (Source: Company filings and Cedar Capital Research)

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
PCL	2018	Interim	K6.00	19-Oct-18
SUNBIRD	2018	Interim	K0.28	TBA
OMU	2018	shares	<i>In specie</i>	09-Oct-18
NITL	2018	Interim	K0.50	19-Oct-18

(Source: Company filings)

Market activity and colour

The market traded 1m shares with a market turnover of K17.7m (\$24K) in 54 trades in one of the least active weeks on the market. Comparatively in the previous week, the market traded 15.5m shares with a market turnover of K1.8bn (\$2.5m) in 56 trades. There were three risers during the week; NITL, BHL and 1t rise in NBM. Slight decreases were recorded in FMBCH, MPICO and NBS.

Week's Trading Summary

24 to 28 September Trading

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalisation
BHL	10.65	11.31	↑ 6.2%	268,223	2,971,661.98	11	9,497,580,474
FMBCH	159.96	157.99	↓ 1.20%	8,098	1,279,403.02	3	369,104,137,500
ILLOVO	240.00	240.00		0	0.00	0	171,226,653,840
MPICO	19.51	19.50	↓ 0.1%	155,965	3,041,410.74	11	44,811,925,470
NBM	311.00	311.01	↑ 0.00%	926	287,995.26	1	145,220,439,835
NBS	8.98	8.95	↓ 0.3%	457,360	4,096,293.78	9	26,049,631,536
NICO	52.00	52.00		11,387	592,124.00	1	54,238,136,992
NITL	75.00	86.00	↑ 14.6%	5,000	430,000.00	2	11,610,000,000
OMU	2,513.25	2,513.25		0	0.00	0	14,647,228,540
PCL	850.00	850.00		0	0.00	0	102,217,447,000
STANDARD	670.00	670.00		0	0.00	0	157,227,668,540
SUNBIRD	145.00	145.00		13,078	1,896,310.00	3	37,929,474,100
TNM	29.00	29.00		107,803	3,125,987.00	13	291,173,050,000
				1,027,840	17,721,185.78	54	1,434,953,373,827

(Source: MSE)

Previous week's Trading Summary

17 Sep to 21 Sep 2018 Trading sum

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	8.70	10.65	↑ 22.4%	173,995	1,782,751.50	5	8,943,345,008
FMBCH	159.98	159.96	↓ 0.0%	27,091	4,315,972.64	3	373,706,550,000
ILLOVO	240.00	240.00		0	0.00	0	171,226,653,840
MPICO	19.51	19.51		36,510	712,310.10	4	44,834,905,945
NBM	311.00	311.00		0	0.00	0	145,215,770,518
NBS	9.00	8.98	↓ 0.0%	105,319	945,476.04	5	26,136,948,737
NICO	52.00	52.00		5,000	260,000.00	1	54,238,136,992
NITL	75.00	75.00		0	0.00	0	10,125,000,000
OMU	2,513.25	2,513.25		0	0.00	0	14,647,228,540
PCL	850.00	850.00		0	0.00	0	102,217,447,000
STANDARD	670.00	670.00		0	0.00	0	157,227,668,540
SUNBIRD	145.00	145.00		13,090,570	1,806,536,445.00	5	37,929,474,100
TNM	28.50	29.00	↑ 1.7%	2,112,183	61,153,134.00	33	291,173,050,000
				15,550,668	1,875,706,089	56	1,437,622,179,219

Cedar Capital Limited
4th Floor, Livingstone Towers
Sir Glyn Jones Road
P O Box 3340
Blantyre, Malawi
+265 1 831 995
Feedback: nzimar@cedarcapital.mw

www.cedarcapital.mw

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