

MALAWI

Political and economic news

Survey estimates food surplus

First round of crop production estimates has shown that the country may have a maize surplus of 689,628MT; a 25.6pc increase as compared to final crop estimates for the 2017/18 season. Last year the country had a final crop production of 2,697,959MT while the first round crop production survey for the current season estimated a total of 3,387,587MT. Minister of agriculture, irrigation and water development, Joseph Mwanamvekha attributed the development to good rainfall pattern, implementation of agriculture initiatives and good management of the fall army worms outbreak. The minister disclosed that the second and third round estimates will be conducted during the period to May and expressed optimism that the country will continue to experience good rains until then. He indicated that rice and cotton production are expected to increase by 19.5pc and 35.3pc; respectively due to availability of seed and favourable weather conditions. The survey results have also shown an expected increase in livestock, millet and sorghum, legumes and horticulture. The country's food requirement is pegged at 3m MT of maize a year. Currently the National Food Reserve Agency has 106,137MT of maize in its reserves. Maize is the main staple with a significant impact on national inflation due to food weighting in the inflation basket. *(Source: Daily Times & Cedar Capital Research)*

EDF seeks to raise K37bn in exports

The export development fund (EDF), a local development financing institution, says it will facilitate the export of 50,000MT of assorted agricultural products which will fetch K37bn (\$50m) in export earnings. EDF's managing director William Matambo said the products will be exported under its commodity market making window. He has said EDF has identified markets mainly in East Africa and SADC trade bloc. Besides the regional markets, Matambo said EDF has made some inroads into the Middle East and Asian markets, but the main challenge has been the lack of capacity to meet the demand. Some of the commodities to be exported include oil seeds such as groundnuts, soy beans and various types of beans, pigeon peas, rice, bird's eye chilli and paprika. *(Source: Nation)*

US engages Malawi on a new MCC compact

A delegation from the Millenium Challenge Corporation (MCC), a US government agency for international development visited the country to engage government on a new compact. This follows expiry of the first five-year \$350m (K257bn) energy sector compact on 20 September 2018. In December last year, MCC approved that Malawi negotiates for a second compact after successful completion of the first one. Malawi remains eligible for the second compact because it has the lowest per capita income as per assessment by the World Bank. Leader of delegation; MCC's vice president Jeanne Hauch said that the new compact would take at least three years to develop before the US government channels its first chunk of the grant funds to the country. She said the new compact will seek to reduce poverty, spur economic growth and invest in the potential of Malawi's people, businesses and economy. She explained that the government of Malawi together with the MCC economists will conduct an economic analysis which will determine the most significant factors constraining growth in the country. At the conclusion of the compact development process, Malawi will estimate the cost of the project interventions and the team will propose an overall compact. Hauch said that MCC was impressed with the Malawi government's continued commitment to strengthening democratic institutions, maintaining sound economic policies and investing in people. *(Source: Daily Times)*

New power firm to add 8.2MW to the grid soon

Mulanje Hydro Limited (MHL) plans to start producing 8.2MW of electricity in March at its Ruo-Ndiza power project in Mulanje district. The company has invested \$16m in setting up a hydro-electric power project on Ruo and Ndiza rivers. MHL is one of the energy investors registered in 2017 by the Malawi investment and trade centre with an estimated

investment of \$25m into the power project. MHL managing director, Ian McKersie, confirmed that the first phase of the project will be commissioned in March 2019 while the second will be commissioned in August 2019. MHL will supply into the national grid based on a power purchase agreement they have signed with Escom. (Source: Daily Times)

Company news

Illovo in a contentious AGM

Illovo Sugar (Malawi) Plc (Illovo) held its AGM on 27 February 2019 at which minority shareholders expressed their frustration at the company on a number of issues. The shareholders were not happy about the company's non-payment of dividend since 2015. Shareholders were further dismayed with the news from the directors that the company may not pay another dividend for the next three to five years. The directors indicated that the company is using resources to reinvest in the business in order to improve earnings going forward and reduce the debt burden. Another contentious issue involved the out-of-court settlement between the parent company and one of the minority shareholders of the company whose details are shrouded in secrecy. The minority shareholder sued the company on the grounds that there was lack of transparency on its disclosure of related party transactions, among other issues. The directors advised that an out-of-court settlement was negotiated between Illovo's parent company and the shareholder but did not provide details as demanded by the other minority shareholders. In our 23 November 2018 weekly, we rated Illovo as a HOLD – we revise downwards our opinion to LONG TERM HOLD. – as dividend-targeting investors should be prepared for a long wait.

Trading statements update

Increase in earnings

- NBS bank expects its FY18 earnings to be at least 13pc better than its loss of K1.1bn reported in FY17. This puts its expected earnings at a minimum of K1.4bn and forward PE of 20.5x.
- MPICO earnings expected to be at least 30pc higher than FY17. This puts its estimated FY18 earnings around K6.6bn
- TNM earnings to be at least 25pc higher than FY17 – earnings to be around K16.3bn with a forward PE of 15.4x at current levels.

Decrease in earnings

- NITL expects its FY18 to be 25pc lower than FY17 – thus earnings are expected at K1.6bn mainly due to a reduction in share value gains.
- BHL expects its FY18 earnings to 30 September 2018 to be 30pc lower than FY2017. This puts its earnings around K358m and forward PE of 30.4x

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
NBM	2018	2 nd interim	MWK 3.21	8-Mar-19

(Source: Company filings)

Market activity and colour

The market remained bearish with the index slipping 0.1pc w/w and 4.5pc year-to-date. Sunbird retreated 4.8pc to K138 leading a pack of four fallers. Token increases in TNM and MPICO did not amount to much to have any meaningful effect on the index.

The market traded 154.8m shares worth K2.5bn (\$3.3m) in 71 trades compared to 1.8m shares worth K338m (\$456.8K) in 68 trades during the previous week. NBS was the top traded value as the market saw 5.2pc of the company change hands at a special bargain price of K9.50 – a sale by one of the minority shareholders of the bank.

February Roundup

The index fell 3.9pc m/m and 4.5pc from 1 January 2019 –making February a month of the bears. Heavyweights; FMBCH and TNM led the fallers going down 15pc and 3.8pc; respectively. In total nine counters retreated during the month with Sunbird and PCL as other notable decliners.

The month of February saw 165.9m shares valued at K6.9bn (\$9.4m) change hands in 257 trades. This compares to 46.7m shares worth K2.3bn (\$3.2m) in 221 trades reported in the previous month –representing a 255pc and 200pc m/m rise in volume and value respectively. The February volume has been bolstered by 152m or 5.2pc of issued shares of NBS –which went through the market from one of the minority shareholders to a local fund. On the other hand, the value was driven by 4m PCL worth K4.4bn combined with the TNM worth K1.4bn.

Compared to February 2018, the index rose 19.4pc y/y from 23,182.59 to 27,687.33. In terms market activity, 245.8m shares in 118 transactions were traded in February 2018 compared to 165.9m in February 2019 representing a drop of 32.pc y/y. Whereas K7.7bn (\$10.6m) worth of shares were reported in February 2018 compared to a value of K6.9bn (\$9.4m) in the month under review – a drop of 11.3pc in US dollar terms. All counters were active during the month.

Weekly Market Report



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Trading Summary for the week

Trading Summary for
25 February to 1 March 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitaliza
BHL	12.98	12.98		0	0.00	0	10,899,964,151
FMBCH	85.01	85.00	0.0% ↓	15,888	1,350,480.00	7	208,951,250,000
ICON	11.95	11.94	-0.1% ↓	90,900	1,085,346.00	3	79,759,200,000
ILLOVO	200.00	200.00		0	0.00	0	142,688,878,200
MPICO	13.03	13.04	0.1% ↑	875,639	11,420,176.00	15	29,966,538,878
NBM	315.01	315.01		6,000	1,890,060.00	4	147,088,166,787
NBS	10.00	9.99	-0.1% ↓	152,759,928	1,451,221,403.55	3	29,076,627,826
NICO	41.99	41.99		0	0.00	0	43,797,295,621
NITL	75.00	75.00		1,300	97,500.00	1	10,125,000,000
OMU	2,513.23	2,513.23		224,430	564,044,000.00	6	14,647,111,980
PCL	1,100.00	1,100.00		420,634	462,697,400.00	4	132,281,402,000
STANDARD	670.00	670.00		0	0.00	0	157,227,668,540
SUNBIRD	145.00	138.00	-4.8% ↓	1,000	138,000.00	1	36,098,396,040
TNM	25.00	25.01	0.0% ↑	476,515	11,915,711.00	27	251,111,654,500
Totals				154,872,234	2,505,860,076.55	71	1,293,719,154,524

INDEX (week)	27,726.75	27,687.33	-0.1% ↓
INDEX (month)	27,687.33	27,687.33	0.0% ↓
INDEX (year)	28,983.64	27,687.33	-4.5% ↓

(Source: MSE)

Trading Summary for the month

Trading summary for month
of February 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitaliza
BHL	13.00	12.98	-0.2% ↓	152,078	1,975,914.00	8	10,899,964,151
FMBCH	100.00	85.00	-15.0% ↓	289,131	25,065,132.00	23	208,951,250,000
ICON	12.00	11.94	-0.5% ↓	437,300	4,976,600.00	11	79,759,200,000
ILLOVO	200.00	200.00		514	102,800.00	1	142,688,878,200
MPICO	13.00	13.04		1,769,833	23,072,032.08	35	29,966,538,878
NBM	315.00	315.01		78,987	24,881,419.44	29	147,088,166,787
NBS	10.00	9.99	-0.1% ↓	153,075,345	1,454,374,194.32	14	29,076,627,826
NICO	42.00	41.99	0.0% ↓	8,262	329,424.88	4	43,797,295,621
NITL	75.00	75.00		38,371	2,877,825.00	7	10,125,000,000
OMU	2,513.25	2,513.23	0.0% ↓	344,372	865,487,595.35	16	14,647,111,980
PCL	1,140.00	1,100.00	-3.5% ↓	4,016,713	4,418,992,635.00	22	132,281,402,000
STANDARD	670.00	670.00		827	554,090.00	5	157,227,668,540
SUNBIRD	145.00	138.00	-4.8% ↓	1,066	147,570.00	2	36,098,396,040
TNM	26.00	25.01	-3.8% ↓	5,765,758	161,743,609.20	80	251,111,654,500
Totals				165,978,557	6,984,580,841.27	257	1,293,719,154,524

INDEX (week)	27,726.75	27,687.33	-0.1% ↓
INDEX (month)	28,808.89	27,687.33	-3.9% ↓
INDEX (year)	28,983.64	27,687.33	-4.5% ↓

(Source: MSE)

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