

MALAWI

Political and economic news

*Malawi-Mozambique seal
K94bn power deal*

Malawi will have the opportunity to buy 200MW of power from the Southern Africa Power Pool once the \$127m (K94bn) power interconnection project with Mozambique materialises by 2022. Minister of natural resources, energy and mining Aggrey Masi said this in Lilongwe after signing five project agreements between Electricity Supply Corporation of Malawi and Electricidade De Mocambique – with his counterpart from Mozambique; Ernesto Tonela. The project agreements that include implementation, system operating, maintenance, wheeling and power purchase, are subject to renewal every five years as Malawi is still developing its internal power generation capacity. Masi stressed the fact that the signing of the agreement will not immediately give Malawi access to power from Mozambique as there is need to construct transmission lines that will take up to 2022. He said upon completion of the project, Malawi will purchase 50MW from Mozambique and another 150MW from South Africa – with whom discussions are under way. Mozambican minister of mineral resources and energy Ernesto Tonela said apart from the project ensuring Mozambique exports power to Malawi, in future Malawi will also be able to export its surplus power to the region. The transmission lines for the project will cover 210 km from Matambo in Tete province to Phombeya in Balaka. *(Source: Nation)*

*K75bn water, sanitation project
rolls out in Lilongwe*

Lilongwe City Council (LCC) and Lilongwe Water Board (LWB) have rolled out a \$102m (K75.2bn) Lilongwe water supply and sanitation project. The project follows the completion of a sanitation master plan and water supply designs, according to the implementing partners LCC and LWB. The project monitoring and evaluation specialist Zex Kalipali said the project will solve the bottlenecks the city has been facing in terms of water supply and improve sanitation adding that the project will expand water supply by about 210 km covering other areas lacking access to clean water. On sewage network, Kalipali said the project will upgrade the Kauma Sewage treatment area and expand its network by 107km, construct modern latrines in schools, market and other business places. The project, expected to benefit 500,000 people, is funded by the World Bank and Malawi government which contributed \$2m. *(Source: Nation)*

Company news

*NITL FY18 earnings decrease
39 pc*

National Investment Trust Plc; a closed investment scheme comprised mainly of a listed equity portfolio, has reported a 38.9% decrease in FY18 earnings to K1.4bn (\$1.9m) on the previous year thanks to a drop in some of its listed equity holdings as the Malawi Stock Exchange Index slowed down from the 3Q18. Growth in its equity portfolio at 14.8 pc lagged behind the MSE All share index which rose 34.1 pc during the same period – indicating its asset mix had more laggards.

Dividend income reduced 6.7 pc to K269.5m – a reasonable outturn, regardless of the drop in the index, indicating that the fund managers preferred dividend-earning stock. Interest income dropped 44.5 pc to K21m – on account of falling interest rates and a drop in cash flows from operating activities.

For the first time in a number of years, the fund managers made some bold realignment of the portfolio to the tune of K2.4bn of equities sold and replaced. The main culprit would have been Illovo which was one of the significant proportions of the portfolio. Illovo has not

inspired much confidence in recent years as its historical dividend pay-out dried up since FY15 as cash flows were diverted to service its debt. The replacements are likely to be in the shape of cash cow; TNM and probably, FMBCH among others. In the grand scheme of things, the realignment may result in better cash flows going forward.

NITL is trading at PBV of 1.02 which is not too demanding, however the bear run witnessed in 1Q19 on the stock market means the metrics have worsened. NITL is attractive to investors due to its diversity in the portfolio it holds –thus it does hedge against huge falls in a bear market but also tends to lag behind the index. We are NUETRAL on the stock.

The National Investment Trust Plc

FY 18 NITL MWK (“000”)	2018	2017	% CHG
Dividend Income	269,468	288,878	-6.7%
Interest Income	20,992	37,848	-44.5%
Total Income	290,460	326,726	-11.1%
Total expenses	-162,533	-119,033	-36.5%
Profit before fair value gains	127,927	207,693	-38.4%
Fair value gains on equities	1,204,856	2,282,568	-47.2%
Net profit after tax	1,422,113	2,326,350	-38.9%

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
BHL	2018	Final	K0.08	TBA
MPICO	2018	Final	K0.135	TBA
STANDARD	2018	Final	K17.05	TBA
SUNBIRD	2018	Final	K0.50	TBA
NITL	2018	Final	K0.50	TBA
NBM	2018	Final	K7.50	TBA

(Source: Company filings)

Market activity and colour

The market traded 28.4m shares worth K2.2bn (\$3m) in 108 trades compared to 6.3m shares worth K1.1bn (\$1.4m) in 62 trades during the previous week. NBS traded 20m shares ramping up the weekly volume while PCL (K1.5bn) and Illovo (K390m) combined to shore up the market turnover.

The bears continued in the shape of STANDARD - which lost K69.00 or 12.1 pc to close at K499.99 – aided by 7.1 pc drop in NBS to K9.00. The index lost 90bps to close at 27,044.70 despite a 14.8 pc recovery in MPICO to K15.02 and a 1.6 pc rise in NBM to K320.00.

Trading Summary for the week

Trading summary for
8 to 12 April 2019

Symbol	Open	Close	Volume	Value	Trades Count	Market Capitalization
BHL	12.96	12.96	1,040,100	13,479,700.00	10	10,883,169,137
FMBCH	85.00	85.00	2,000	170,000.00	1	208,951,250,000
ICON	11.00	11.00	10,388	114,268.00	2	73,480,000,000
ILLOVO	200.00	200.00	1,953,656	390,731,200.00	6	142,688,878,200
MPICO	13.08	15.02	768,505	11,400,620.00	24	34,516,672,849
NBM	315.01	320.00	50,000	16,000,000.00	1	149,418,156,160
NBS	9.69	9.00	20,022,062	180,198,558.00	2	26,195,160,204
NICO	41.97	41.97	2,335,560	92,083,450.00	14	43,776,434,799
NITL	75.00	75.00	30,300	2,272,500.00	3	10,125,000,000
OMU	2,513.23	2,513.23	0	0.00	0	18,775,102,308
PCL	1,200.00	1,200.00	1,342,458	1,501,849,600.00	17	144,306,984,000
STANDARD	569.00	499.99	10,194	5,096,903.00	3	117,331,734,318
SUNBIRD	138.00	138.00	6,869	947,922.00	3	36,098,396,040
TNM	25.05	25.05	826,834	20,711,192.00	22	251,513,272,500
Totals			28,398,926	2,235,055,913.00	108	1,268,060,210,515

INDEX (week)	27,290.96	27,044.70	-0.9%	↓
INDEX (month)	27,445.85	27,044.70	-1.5%	↓
INDEX (year)	28,983.64	27,044.70	-6.7%	↓

(Source: MSE)

Trading Summary for the previous week

Trading Summary for
1 to 5 April 2019

Symbol	Open	Close	Volume	Value	Trades Count	Market Capitalization
BHL	12.96	12.96	0	0.00	0	10,883,169,137
FMBCH	85.00	85.00	7,008	595,680.00	4	208,951,250,000
ICON	11.00	11.00	7,878	86,658.00	3	73,480,000,000
ILLOVO	200.00	200.00	5,170,978	1,034,196,000.00	20	142,688,878,200
MPICO	13.07	13.08	12,500	163,500.00	1	30,058,460,777
NBM	315.01	315.01	1,792	564,497.92	4	147,088,166,787
NBS	9.90	9.69	514,780	4,992,920.00	10	28,203,455,820
NICO	41.97	41.97	151,226	6,346,380.22	4	43,776,434,799
NITL	75.00	75.00	200	15,000.00	1	10,125,000,000
OMU	2,513.23	2,513.23	0	0.00	0	14,647,111,980
PCL	1,200.00	1,200.00	1,151	1,381,200.00	3	144,306,984,000
STANDARD	569.00	569.00	0	0.00	0	133,526,184,178
SUNBIRD	138.00	138.00	0	0.00	0	36,098,396,040
TNM	25.05	25.05	425,979	10,669,772.25	12	251,513,272,500
Totals			6,293,492	1,059,011,608.39	62	1,275,346,764,217

INDEX (week)	27,445.85	27,290.96	-0.6%	↓
INDEX (month)	27,445.85	27,290.96	-0.6%	↓
INDEX (year)	28,983.64	27,290.96	-5.8%	↓

(Source: MSE)

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