

## MALAWI

### Political and economic news

*Mkango secures GBP7m for Songwe mine study*

Canadian dual listed mining firm, Mkango Resources has secured GBP7m ( K7bn) from Talaxis for completion of a feasibility study for its Songwe Hill Rare Earths project in Phalombe. The investment has been made through Lancaster Exploration Limited which is the holder of the licence for Songwe. The investment is in a form of an equity subscription which will increase Talaxis' shareholding in Lancaster to 49 pc from, previously 20 pc. The remaining 51 pc is held by Mkango Resources. The feasibility study is expected to be completed in 2020. *(Source: Daily Times)*

### Company news

*NBS Bank posts 255 pc rise in FY18 earnings- on a low base*

NBS Bank Plc released its FY18 results showing a 255.5 pc rise in earnings to K1.7bn (\$2.3m) compared to a loss of K1.1bn recorded in FY17. The main driver of earnings growth was non-interest income comprising of transaction fees and forex trading income; which increased 51.8 pc to K10.4bn. The directors tout this performance as the beginning of a turnaround strategy which started with capital raising of K11.8bn in a rights issue in 2017, engagement of Rabobank as technical partners and recruitment of key members of management.

Interest income went up 21.8 pc to K12.9bn mostly generated from placements with other financial institutions which rose 55.6 pc to K22.6bn. Loans and advances to customers shed 5.2% to K17.2bn – an indication of a cautious approach to lending given the legacy issues with NPLs. Impairment provisions worsened 12.6 pc to K1.2bn; worrisome for an institution that presumably had carried out a clean-up exercise and has been conservative with new lending. Net interest margins on average interest earnings assets improved to 9.1 pc from 8.4 pc in the previous year despite falling interest rates in the macro-economic environment. This might suggest the bank locked in some fixed-interest medium term investments which has helped the margins.

Customer deposits went up 29.2 pc to K99.5bn while interest expense dropped 6.3 pc to K3.1bn a reflection of falling interest rates and probably the bank's switch away from expensive deposits.

We expect margins to get squeezed further with recent monetary policy decisions to drop interest rates and follow through by the Reserve Bank to require banks to pass on the benefits to their customers. While the bank has set on a path to recovery, we realise the journey is still on as cost to income ratios are high at 93.4 pc but receding, NPLs seem to persist despite a reduction in the lending appetite and the bank had hit rock bottom... Trading at a PE of 17x, NBS remains the most expensive bank of the listed banking stock and is trading above the market average PE of 8.02x. The stock price has not reflected the turbulent times the bank has passed through, probably due to illiquidity. LONG-TERM HOLD.

#### NBS Bank

FY 18 NBS BANK MWK ("MILLION") P&L	2018	2017	% CHG
Interest income	12,865	10,559	21.8%
Interest expense	(3,123)	(3,333)	-6.3%
Net interest income	9,742	7,226	34.8%
Other income	10,405	6,852	51.8%



FY 18 NBS BANK MWK ("MILLION") P&L	2018	2017	% CHG
Net income	20,147	14,078	43.1%
Operating expenses	(17,290)	(15,199)	-13.7%
Impairment losses	(1,209)	(1,074)	-12.5%
Earnings before tax	2,533	(1,415)	279.0%
Net profit after tax	1,699	(1,092)	255.6%

Source: Company filings

*Sunbird earnings creep up as occupancy takes a hit*

Sunbird Tourism Plc earnings for FY18 were 5.2 pc up on FY17 to K2.5bn (\$3.5m) as the tourism industry is said to have been affected by reduced corporate travel and low conference business in both domestic and foreign source markets. The Group registered a drop in occupancy level from 60 pc in the previous year to 57 pc as a result. Sunbird's main revenue drivers are corporate business segment with 61pc of total room nights and commercial segment at 19 pc.

Sunbird Hotel chain comprises city hotels which tend to cater for the business travellers and the resort hotels for holiday goers and conferences. Cost containment measures saw operating costs rise 3.7 pc and loan repayments during the year coupled with decreasing interest rates resulted in a 32.8 pc saving in finance costs on the prior year to K398m.

The directors advise ongoing projects as refurbishment of Sunbird Nkopola resort rooms, construction of 42 rooms at Sunbird Livingstonia beach and completion of a 500-seater conference facility at Sunbird Mount Soche. The Group has added Sunbird Kara O'Mula on Mulanje mountain under a management contract.

Sunbird is trading at a PE of 14.1x which is a bit pricey but given its diversity offering, it is well positioned to sustain reasonable performance in tough times and take advantage of any positive outturns in the industry when they occur. HOLD.

Sunbird Tourism Plc

FY 18 SUNBIRD MWK ("MILLION") P&L	2018	2017	% CHG
Revenue	18,935	18,932	0.01%
Cost of sales	-3,971	-4,139	4.1%
Gross profit	14,964	14,793	1.1%
Administration and other expenses	-11,107	-10,708	-3.7%
Results from operating activities	4,111	4,147	-0.1%
Finance costs	-398	-592	32.8%
Profit before tax	3,714	3,555	4.5%
Net profit after tax	2,562	2,434	5.2%

*BHL FY18 earnings drop 31 pc*

Blantyre Hotels Plc reported its FY18 earnings to 30 September 2018 were down on the previous year by 30.5 pc to K351.7m (\$475.3K) attributed to low occupancy levels which seems to be an industry-wide problem.

Despite a mild decrease in revenue to K4bn, cost of sales went up 5.7% to K1.8bn but the main cause of the tumble in net profit was selling and administration costs which, according to the directors, included once-off costs paid to professional advisors in the capital restructuring exercise during the year.

The directors acknowledge the mushrooming of new hotels in the city and promise to deploy strategies to protect their niche. BHL owns Ryalls Hotel - an upmarket four-star

facility in the city of Blantyre and unlike Sunbird, does not have the benefit of a diversified property portfolio. As a result of lack of economies of scale, gross profit margins are lower at 55 pc compared to Sunbird's 79 pc.

At a PE of 30.9x, we find the valuations demanding despite plans by directors to build a one-of-a-kind hotel in Lilongwe on the golf course– one should be in for the long haul.  
REDUCE

#### Blantyre Hotels Plc

FY 18 BHL PLC MWK ("MILLION")	2018	2017	% CHG
Revenue	4,046	4,118	-1.7%
Cost of sales	-1,814	-1,716	-5.7%
Gross Profit	2,232	2,402	-7.1%
Selling and admin expenses	-1,844	-1,651	-11.7%
Profit from operating activities	446	766	-41.8%
Net finance cost	-15	-23	34.8%
Profit after tax	352	506	-30.5%

Source: Company filings

#### TNM appoints new CEO

The board of TNM Plc has appointed Michiel Buitelaar, a Netherlands national, effective 1 April 2019 as CEO. Buitelaar takes over from Eric Valentine who has been in an acting capacity for the past two years. Michiel brings experience in telecoms, ICT and media industries. He has also worked across diverse cultures in such countries as Belgium , Czech Republic, France, Indonesia and Nigeria. He studied business administration and attended the London Business School. His work experience includes senior positions in KPN, Ben (now T-Mobile, an affiliate of Deutsche Telekom), Orange, Smile and AT&T. He has also experience as an executive board member at Endemol and Sanoma – global media companies and has current board memberships in Novec (telecoms) and Infinitas (education). Until recently, he was CEO of European AI software provider, CX Company.

Source: Company filings

### 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

(Source: Company filings)

### Market activity and colour

The market traded 16.9m shares worth K661.8m (\$894.3K) in 59 trades compared to 10.6m shares worth K325.7m (\$440.2K) in 51 trades during the previous week. NICO traded 14.7m shares at a special bargain price of K36.00. The index slipped 0.5 pc week on week and was down 5.8 pc from the beginning of the year.

## March Roundup

The index fell 1.4pc m/m and 5.8pc from 1 January 2019 –as the bearish run continued over a two month period. Standard Bank led the fallers, shedding 15.1 pc to close at K569. In total, five counters retreated during the month with the other notable one being Icon which went down 7.9 pc to K11.00. A rise in PCL by 9.1 pc to K1,200 was not enough to stem the tide.

The month of March saw 207.9m shares valued at K4.8bn (\$6.5m) change hands in 243 trades. This compares to 165.9m shares worth K6.9bn (\$9.4m) in 257 trades reported in the previous month –representing a 25 pc rise in volume and a 30.4 pc fall in value m/m.

Compared to March 2018, the index rose 7.9pc y/y from 25,286.79 to 27,303.65. In terms market activity, 39.1m shares in 160 transactions were traded in March 2018 compared to 207.9m in March 2019 representing an increase of 431.7 pc y/y. Whereas K1.1bn (\$1.5m) market turnover was reported in March 2018 compared to a value of K4.8bn (\$6.5m) in the month under review – a rise of 333.3 pc y/y in US dollar terms. All counters were active during the month.

## Trading Summary for the week

Trading Summary for 25 to 29 March 2019							
Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.96	12.96		350,000	4,536,000.00	3	10,883,169,137
FM BCH	85.00	85.00		300,866	25,573,610.00	8	208,951,250,000
ICON	11.95	11.00	-7.9% ↓	2,660	29,260.00	1	73,480,000,000
ILLOVO	200.00	200.00		254,499	50,899,800.00	1	142,688,878,200
MPICO	13.07	13.07		11,329	148,070.03	1	30,035,480,302
NBM	315.01	315.01		10,373	3,267,599.00	2	147,088,166,787
NBS	9.90	9.90		91,300	903,870.00	3	28,814,676,224
NICO	41.98	41.97	0.0% ↓	15,292,661	553,978,657.42	12	43,776,434,799
NITL	75.00	75.00		115,000	8,625,000.00	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		0	0.00	0	144,306,984,000
STANDARD	570.00	569.00	-0.2% ↓	5,000	2,845,000.00	1	133,526,184,178
SUNBIRD	138.00	138.00		11,540	1,592,520.00	7	36,098,396,040
TNM	25.05	25.05		374,356	9,377,617.75	19	251,513,272,500
<b>Totals</b>				<b>16,819,584</b>	<b>661,777,004.20</b>	<b>59</b>	<b>1,275,935,004,148</b>

<b>INDEX (week)</b>	<b>27,445.85</b>	<b>27,303.65</b>	<b>-0.5% ↓</b>
<b>INDEX (month)</b>	<b>27,687.33</b>	<b>27,303.65</b>	<b>-1.4% ↓</b>
<b>INDEX (year)</b>	<b>28,983.64</b>	<b>27,303.65</b>	<b>-5.8% ↓</b>

(Source: MSE)



## Trading Summary for the month of March 2019

Trading Summary for the month  
of March 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.98	12.96	-0.2% ↓	373,686	4,843,071.56	8	10,883,169,137
FMBCH	85.00	85.00		958,042	81,433,575.00	28	208,951,250,000
ICON	11.94	11.00	-7.9% ↓	16,627	196,165.65	4	73,480,000,000
ILLOVO	200.00	200.00		256,496	51,299,200.00	2	142,688,878,200
MPICO	13.04	13.07	0.2% ↑	367,021	4,792,430.03	12	30,035,480,302
NBM	315.01	315.01		35,729	11,254,993.00	12	147,088,166,787
NBS	9.99	9.90	-0.9% ↓	153,351,385	1,533,492,911.98	26	28,814,676,224
NICO	41.99	41.97	0.0% ↓	31,132,883	1,129,251,631.11	29	43,776,434,799
NITL	75.00	75.00		895,500	67,161,700.00	11	10,125,000,000
OMU	2,513.23	2,513.23		161,257	405,275,900.00	2	14,647,111,980
PCL	1,100.00	1,200.00	9.1% ↑	841,349	967,555,400.00	8	144,306,984,000
STANDARD	670.00	569.00	-15.1% ↓	10,600	6,047,000.00	6	133,526,184,178
SUNBIRD	138.00	138.00		624,790	86,221,020.00	12	36,098,396,040
TNM	25.01	25.05	0.2% ↑	18,901,461	473,270,285.09	83	251,513,272,500
<b>Totals</b>				<b>207,926,826</b>	<b>4,822,095,283.42</b>	<b>243</b>	<b>1,275,935,004,148</b>
<b>INDEX (week)</b>	<b>27,445.85</b>	<b>27,303.65</b>	<b>-0.5% ↓</b>				
<b>INDEX (month)</b>	<b>27,687.33</b>	<b>27,303.65</b>	<b>-1.4% ↓</b>				
<b>INDEX (year)</b>	<b>28,983.64</b>	<b>27,303.65</b>	<b>-5.8% ↓</b>				

(Source: MSE)

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