

MALAWI

Political and economic news

IMF approves USD 112m programme for Malawi

IMF released a statement on 30 April 2018 announcing that its executive board approved a new three-year arrangement for Malawi under the extended credit facility (ECF) in the amount of SDR 78.075 (USD 112.3m) equivalent to 56.25% of Malawi's quota in the IMF, to support the country's economic and financial reforms. According to the press release, the new programme aims to entrench macro-economic stability and foster higher, more inclusive and resilient growth. This is expected to be achieved through fiscal consolidation to ensure long term debt and external sustainability, inflation containment and focussing on poverty reduction and growth policies. The programme will prioritise spending in critical infrastructure and social sectors, improved public financial management and procurement and strengthening access to finance, among other areas. The IMF observed that Malawi had achieved macroeconomic stabilisation following two years of drought with a reduction in inflation to single digit and a rebound in growth. However the IMF noted that fiscal position had deteriorated with the rising of public debt to GDP ratio impacting negatively on needed infrastructure and social spending. The IMF noted the efforts by Malawi in fiscal consolidation combined with strengthening of monetary policy framework and thus concluded that the medium term outlook for the country is favourable. Economic growth forecast is expected to gradually increase towards six percent in the medium term. The board's decision enables an immediate disbursement of USD 16m with the balance being phased over the duration of the programme subject to semi-annual reviews. [Source: *IMF website*]

Company news

NITL shareholders raise key issues at AGM

NITL held its AGM today at which shareholders raised a number of pertinent issues. The main bones of contention were two of its holdings in unlisted entities; Auction Holdings Limited (ACL) and Dairibord Malawi Limited (DML). AHL; the country's sole tobacco trading floor, somehow contrived to report a MWK 44bn (USD 60m) loss in its FY17 of which MWK 20bn is a bad debt impairment! The previous year the company recorded MWK 7.8bn loss and shareholders were justifiably livid at this investment and queried the wisdom of retaining it. DML, a subsidiary of Dairibord Holdings listed on the Zimbabwe stock exchange, is a producer of milk and dairy products. DML is struggling as it expects to report a loss of MWK 227m in 2017 compared to a loss of MWK 128m in the previous year. NITL board informed the AGM of the futile efforts they have been making to exit the two positions as there were no takers. NITL holds 5% of AHL alongside government controlled ADMARC who are the majority shareholders in the company; and 22.8% of DML - both holdings have been fully impaired in NITL as a result of their continued poor performance.

NITL has brought in new board members who are market savvy and shareholders were optimistic about the future performance of the company. It is also interesting to note that shareholders; especially from the minority shareholders group are keen to have the investment vehicle raise more capital in order to take advantage of investment opportunities as they arise and spur its growth. NITL is a closed investment scheme with about 88% of its investment portfolio in listed equities and the remainder in the two entities discussed and an unlisted high rise office building based in Lilongwe.

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
Standard Bank	2017	Final	MWK 4.26	TBA
BHL	2017	Final	MWK 0.15	TBA
SUNBIRD	2017	Final	MWK 0.63	TBA
TNM	2017	Final	MWK 0.25	TBA
NITL	2017	Final	MWK 0.78	11-May-18
NBM	2017	Final	MWK 8.33	TBA
PCL	2017	Final	MWK 20.00	TBA
NICO	2017	Final	MWK 1.00	TBA

Source: Company filings

Company announcements and our commentary – *(this section is repeated)*

- MPICO – expects its FY17 results to be at least 100% higher than FY16. Towards the end FY16, MPICO raised MWK 9bn in a renounceable rights issue which effectively converted its loans to equity. The effect of this transaction was a reduction in finance charges on loans which was reported at MWK4.1bn in FY16. We believe this is the main driver of earnings for FY17. On the other hand, we think the reduction in debt burden should help unlock value in rental income, especially from the Gate Way Mall whose occupancy rates were reported to be on the rise. We therefore forecast a minimum of 25% growth in 2018 barring any setbacks, especially on the long outstanding government debt. *Source: Company filings and Cedar Capital*

Market activity and colour

The market traded 43.6m shares in 6 of the 13 counters in 18 trades recording a market turnover of MWK 1.7bn (USD 2.4m) during the week. This is to be compared to 1.8m shares worth MWK 259.1m (USD 401K) in 30 trades registered in the previous week.

NICO traded the most value worth MWK 1.6bn or 93% of the market with a total of 37.1m shares.

Standard bank recorded a drop in price of K 8.57 to K631.43. There were no risers.

The market has demand for BHL, FMBCH, PCL, STANDARD, OML and NBM. Sellers are available in MPICO, NICO, NBS and ILLOVO. In TNM there are sellers at MWK 20.00 while buyers are at MWK 18.00. *(Source: MSE and Cedar Capital)*

April roundup

The market traded a total of 80.9m shares valued at MWK 3.6bn (USD 4.9m) during the month. Major trades were recorded in Sunbird (in which 5% of the company changed hands representing 13m shares) to the value of MWK 1.27bn. FMBCH traded a total of 9.8m shares worth MWK 1bn. Other notable trades were recorded in MPICO (MWK 521m); TNM (MWK 281m) and NICO (MWK 263m). All counters were active during the month with the exception of BHL – which has not traded since the beginning of the year.

The MASI moved from 25287 at the beginning of the month to close at 27092 representing an increase of 7.1% over the month (25.4% rise year to date). The contributors to the index growth during the month were:

- ✓ FMBCH - up 30% to MWK 130.00 (*speculative*)
- ✓ Sunbird - up 24.6% to MWK 137.13 (*results*)
- ✓ OML - up 24.4% to MWK 2,935.00 (*unbundling value*)
- ✓ PCL - up 12.9% to MWK 680.00 (*results*)
- ✓ MPICO - up 7.6% to MWK 19.70 (*speculative*)
- ✓ NITL (3.6%); NBM (1.7%) and Standard (0.5%) (*demand & illiquidity*)
- ✓ TNM - down 10% to MWK 18.00 (*market correction*)

The four month period also saw the release of results for most listed companies with a few disappointing than most. Generally stocks rallied from 2016 on trading statements with the result that some of them were fully priced by the time of results. We fear there are some that have been overpriced and we expect market correction going forward.

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