Company Research Report
15 August 2018
Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

CEDAR CAPITAL

Equity research | Company Research Report

SUNBIRD Hotels and Resorts

The best place to stay in Malawi … the best share to buy?

Hotel & Hospitality

Bloomberg Ticker	SUNB.MV
Reuters Ticker	SUNB.MV
Target Price	MK170
Potential Upside	17%
Market Data	**15-Aug-18**
Closing Price	MK145.00
52 Week High	MK150.00
52 Week Low	MK64.00
Market Cap (bn)	MK37.93
Market Cap (mn)	USD52.32
P/E	15.58x
P/B	2.02x
DPS Yield	0.63%

Price performance

	SUNB	MSE Index
YTD	51.04%	44.84%
2017	64.10%	62,14%
2016	154.35%	(8,53%)
2013 -Date	2310.77%	420.03%

MALAWI

A brand plucked from the fire …

FY2013 was a watershed year for Malawi and Sunbird. It was the year of the "cashgate scandal" and the suspension of donor support. In early 2014, the country held presidential elections accompanied by all the uncertainties and anxieties. By October 2014, the Malawi Kwacha was sliding, inflation ran amok and interest rates soared in response. Hotels suffered. This called for a strategic re-think and Sunbird obliged, progressively reducing net debt/equity levels from 33% in FY13 to 5.93% in FY17. The company defended occupancy levels while tactically increasing ADRs. The result has been the remarkable growth in the profit levels and a healthier balance sheet. Hats off to management for pulling this feat off! This places Sunbird in good stead to capitalise on growth opportunities going forward.

A "measured" growth strategy …

The company has initiated a three-pronged growth strategy which involves (a) management contracts as evidenced by the signing of the contract for the Thawale Lodge and Mwembezi Restaurant; (b) upgrading of current portfolio products through refurbishments and (c) establishment of greenfield hotels in strategic spots. The balance sheet which can be geared up a bit coupled with strong earnings are supportive of these initiatives.

If the economy grows, Sunbird soars …

The hotel industry is positively correlated to the overall economic performance by a factor of at least 3x, on the top line. Malawi's GDP is expected to grow by at least 3.5% in 2018 and 5.5% in 2019, which augurs well for Sunbird.

Strong performance metrics …

Sunbird has some of the strongest performance ratings in Sub Saharan Africa, with gross margins as high as 79%, way higher than peers, a ROE of 13%, second only to City Lodge of South Africa. The strong margins are evidence that there is some fat which can be sacrificed for growth.

All the good things priced in…

Sunbird had bumper years between FY15 and FY17, with strong PAT growth rates, driven by favourable RevPARs, occupancies, cost controls and declining financing costs. However, we are doubtful that the remarkable PAT growth rates will persist into the future, given the high base that has been set. Sunbird is currently trading at a P/E of 15.58x and P/B of 2.02x, which in our view prices in most the short-term positives. We still estimate potential upside to be around 17%, though. **LONG-TERM BUY.**

Company Research Report
15 August 2018
Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

Investment Thesis

We initiate the coverage of Sunbird Tourism Limited (Sunbird) with a **LONG-TERM BUY** recommendation. Based on the peer set industry P/E of 18.82x, we get a target price for the company of MK170, which we think is undemanding.

Source – Thompson Reuters Eikon

We like Sunbird as a business and rate management highly, but we are of the view that growth rates are starting to plateau, and returns may not be as giddy as in the past. We ascribe a **Long-Term BUY** rating on the basis that we forecast Sunbird's valuation metrics to unwind to single digit in the long term. At the current price of MK145, the company is trading at FY3+ of 6.32x.

Sunbird is the largest local hotel chain with 8 properties under management, 7 of which are owned by the company while one is a management contract. In addition, Sunbird has 100% control of Catering Solutions which provides institutional catering services to outside clients and runs the duty-free shop and business lounge at Chileka International Airport. The asset heavy business model means that the valuation of Sunbird is backed by a solid set of real estate.

Furthermore, the company has been aggressively reinvesting in the properties, with an average 10% of annual revenues ploughed back into refurbishments and expansion of conference facilities. The company will be breaking ground on a new hotel in Salima as it embarks on a new growth trajectory. Expansion of conference facilities should be positive for occupancies in the long run.

Company Research Report
15 August 2018
Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

				FORECASTS		
millions	FY15	FY16	FY17	FY18	FY19	FY20
Rooms	*5 851,00*	*7 254,00*	*8 557,00*	*10 268,40*	*12 722,55*	*14 297,72*
F&B	*5 833,00*	*7 973,00*	*9 875,00*	*12 550,27*	*15 549,78*	*17 474,99*
Other	*394,00*	*464,00*	*499,00*	*523,95*	*550,15*	*577,65*
Revenues	**12 078**	**15 691**	**18 931**	**23 343**	**28 822**	**32 350**
Growth rates	*17%*	*30%*	*21%*	*23%*	*23%*	*12%*
Gross Profit	**9 307**	**11 934**	**14 792**	**18 207**	**21 617**	**24 263**
Growth rates	*17%*	*28%*	*24%*	*23%*	*19%*	*12%*
EBIDTA	**2 358**	**3 057**	**4 787**	**6 899**	**8 939**	**10 289**
Growth rates	*3%*	*30%*	*57%*	*44%*	*30%*	*15%*
Operating Profit	**2 073**	**2 559**	**4 146**	**6 181**	**8 135**	**9 388**
Growth rates	*5%*	*23%*	*62%*	*49%*	*32%*	*15%*
Finance Costs	(717)	(669)	(592)	(651)	(729)	(817)
PAT	**1 024**	**1 336**	**2 433**	**3 871**	**5 184**	**6 000**
Growth rates	*47%*	*30%*	*82%*	*59%*	*34%*	*16%*
Rooms	588	588	588	588	588	588
Capex	742	1 744	1 771			
Capex/Rev	**6,14%**	**11,11%**	**9,36%**			
Occupancy	**56%**	**60,2%**	**60%**	**60%**	**63%**	**60%**
RevPAR	27 634	34 269	40 424	48 509	60 103	67 544
ADR	49 170	56 925	67 374	80 848	95 401	112 573
ADR Increase	**20%**	**16%**	**18%**	**20%**	**18%**	**18%**
Valuation	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
EPS	3,91	5,11	9,30	14,80	19,82	22,94
DPS	0,13	0,21	0,92	1,92	2,92	3,92
NAV/share	45,69	50,46	71,71	0,00	0,00	0,00
Price (K)	23,00	96,00	145,00	145,00	145,00	145,00
P/E (x)	5,88	18,80	15,59	9,80	7,32	6,32
Price/NAV (x)	0,50	1,90	2,02			
EV/EBIDTA (x)	2,55	8,21	7,92	5,50	4,24	3,69
Margins	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Gross Profit (%)	77,06	76,06	78,14	78,00	75,00	75,00
EBIDTA (%)	19,52	19,48	25,29	29,56	31,01	31,80
Operating Profit (%)	17,16	16,31	21,90	26,48	28,22	29,02
Int Cover (x)	2,89	3,83	7,00	9,49	11,15	11,49
PBT(%)	11,23	12,05	18,77	23,69	25,69	26,49

Source- Company Annual Reports & Cedar Capital

Company Description

Sunbird Tourism Plc (Sunbird) was incorporated in 1988, then known as Tourism Development and Investment Company as a vehicle meant to consolidate under one umbrella a group of hotels previous owned by the Government of Malawi.

Sunbird runs eight hotel properties including some iconic Malawian brands such as Sunbird Capital (Lilongwe), Sunbird Mount Soche (Blantyre),

Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

Sunbird Lilongwe, and Sunbird Mzuzu; and two beach resorts along Lake Malawi: Sunbird Nkopola and Sunbird Livingstonia; two nature resorts: Sunbird Ku Chawe a mountain resort and Sunbird Thawale (under a management contract), a bush resort in a wild life reserve.

The company also has a 100% interest in Catering Solutions Ltd which is involved in the provision of airline and institutional catering services.

Sunbird listed on the Malawi Stock Exchange (MSE) in August 2002 and the major shareholders are; Government of Malawi (71%) and Press Corporation Limited (10%).

Hotel Portfolio and Business Model Overview

The table below gives a description of the hotel portfolio;

Hotel	Location	Rooms
Sunbird Capital Hotel	Lilongwe	170
Sunbird Mount Soche	Blantyre	130
Sunbird Lilongwe	Lilongwe	94
Sunbird Mzuzu	Mzuzu	60
Sunbird Nkopola Lodge	Mangochi	55
Sunbird Livingstonia Beach Hotel	Mangochi	35
Sunbird Ku Chawe	Zomba	37
Sunbird Thawale	Majete	7
TOTAL		**588**

Source – Annual reports & company websites

The first four hotels are “city hotels” with most customers being corporate business travelers, diplomats and civil service as well as institutional conference activities.

The second group are more of resort type properties, reliant of holiday travelers and corporate conferencing activities.

Overall, the majority of Sunbird’s occupancy depends on the business traveller, non-governmental organisations, diplomats, government and convention markets.

These customers/guests can be classied into three strata; transient, group and contract. Transient hotel guests are individual travellers who are traveling for business or leisure while group guests are traveling for group events and normally reserve a minimum of 10 rooms for meetings or social functions sponsored by associations, corporate, social, military, educational, religious, or other organizations. Group business usually

Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

includes a block of room accommodations as well as other ancillary services, such as catering and banquet services.

Contract guests normally travel under a contract negotiated for a block of rooms for more than 30 days in duration at agreed-upon rates. Airline crews are typical generators of contract demand for hotels.

To these customers, Sunbird rents hotel rooms and retails to them food and beverages (F&B).

Unlike the international hotel group; Marriot International Inc, which is a hotel management company, leasing and managing properties owned by third parties; Sunbird's strategy has been to both own the physical properties and run the hotel operations. Thus, Sunbird has never followed the "asset light" strategy. The company's philosophy has and is to control all components of the business value chain which include land, buildings, operations, management and brands. As such, Sunbird does not use any international franchised brands nor is it a franchisor of its own brands.

Ownership of hotels allows Sunbird to capture the full benefit of increases in operating profits during periods of increasing demand/occupancies and room rates. The cost structure of a typical hotel is more fixed than variable, so as demand and room rates increase over time, the pace of increase in operating profits typically is higher than the pace of increase of revenues.

Hotel ownership is, however, more capital intensive than managing hotels for third-party owners, as Sunbird is responsible for the costs and all capital expenditures for all its owned hotels.

The ownership model means Sunbird's profits are more significantly affected by economic downturns and declines in revenues than would be the case if it only managed the properties. This is because Sunbird absorbs the full impact of declining profits whereas management fees do not have the same level of downside exposure to declining hotel profitability.

Industry Overview

The hospitality and accomodation industry in Malawi is very fragmented and competitive. We do not have the latest data in terms of rooms, but in 2012, Malawi is said to have had 20 871 rooms.

Sunbird is said to be the pre-eminent player with a 30% market share in the corporatised and more formal market.

Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

The fragmentation in the industry means that there are lot of players ranging from independent operators to corporate operators such as Sunbird. Presence of global operators is limited with major brands such as Marriot/Protea and Peermont Hotels, Casinos and Resorts running 2 and 1 hotels respectively. There are also a number of small and upcoming local and international chains such as Latitute (1 property in Lilongwe); Riverside Hotels (2 properties), Central African Wilderness Safaris has 5 properties and Serendib Hotels (5 properties).

The sector has a hotel clasification system in which hotel properties are grouped into categories, classes, and grades according to common physical and service standards. This system provides an assessment of the quality standards, facilities and services of tourist accomodation typically within categories indicated by the star ratings. Using this classification, President Walmont Hotel at Umodzi Park run by the Peermont Group is the only 5 star establishement in Malawi. Sunbird's portfolio comprises of 4 and 3 star hotels.

According to the World Tourism Organisation, tourist arrivals in Malawi in 2016 were 849 000, up 5.5% on 2015. Most of the arrivals were from African countries comprising 76%, which was similar to 2015, followed by European visitors. In terms of class, most of the visitors – 613 – were business proffessionals who spent an average 10 days in the country.

Government authorities estimate that the tourism industry contributes 7.7% to GDP with a target to grow to 9% in 2021. In terms of employment, the sector employs more than 230 000 people. As highlighted earlier, most of the arrivals in Malawi are business orientated and thus normally seek city accomodation, although the average length of stay would suggest that most also visit resort areas.

Competitive points and risks

There is intense competition in all areas of the hotel industry, but the main front is about hotel and conference guests. Sunbird's principal competitors are operators of full and select hotels – Protea Ryalls and President Walmont - as well as small chains and independent and local owners and operators. The competition is based primarily on room rates, customer satisfaction, quality of service, amenities, location, reputation and brand name recognition.

Seasonality - Sunbird's hotels are affected by seasonality with periods of higher revenues varying from property to property, depending principally on location, target customer and timing of certain national and religious holidays.

Cyclicality - The hotel industry is cyclical and generally follows, on a lagged basis, the overall economy. There is a body of evidence of increases and decreases in demand for hotel rooms, in occupancy levels, and in rates realized by hotels depending on economic cycles. The variability is heightened by changes in the supply of rooms.

The combination of changes in economic conditions and in the supply of hotel rooms can result in significant volatility in hotel earnings as the costs of running a hotel tend to be more fixed than variable. Because of this, in an environment of declining revenues, the rate of decline in earnings will be higher than the rate of decline in revenues. Conversely, in an environment of increasing demand and room rates, the rate of increase in earnings is typically higher than the rate of increase in revenues.

Importance of brands and reputation - The Sunbird brand and its reputation is the most important asset for the group. The ability to attract and get repeat business from guests depends, in part, on external perceptions, quality of hotels and services.

Financial Review

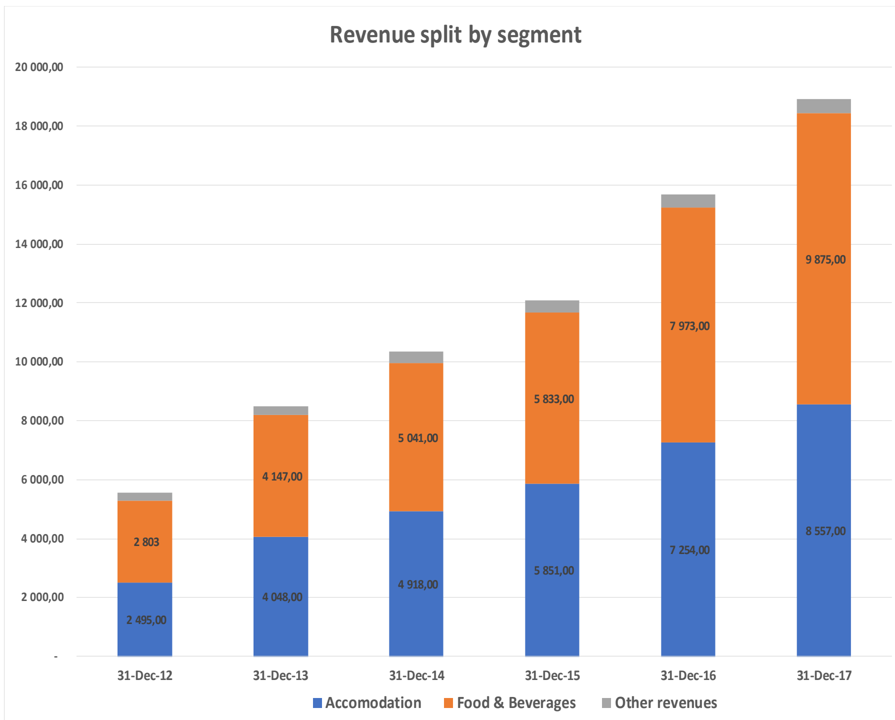
The hotel industry is a very technical and specialiased industry with its own metrics. We will start by defining the most important ones, which include;

- **Revenue per Available Room (RevPAR) –** which is the product of the daily room rate and the average daily occupancy rate. It represents the success the hotel is having at filling its rooms. Increasing RevPAR means either rates or occupancy rates are rising or both. RevPAR is the most common measure in the hotel industry although it does not include non-room revenues.. RevPAR changes driven predominantly by changes in occupancy have stronger implications on overall revenue levels and has incremental profitability than changes driven predominantly by changes in average room rates.
- **Average Daily Rate (ADR) -** ADR represents hotel room revenues, divided by the total number of rooms sold in a given period. ADR measures average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel. Changes in ADRs have a different effect on overall revenues and incremental profitability than changes in occupancy.
- **Occupancy -** Occupancy represents the total number of rooms sold divided by the total number of rooms available at a hotel.

Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

Occupancy measures the utilization of a hotels' available capacity and usually the higher the occupancy the better.

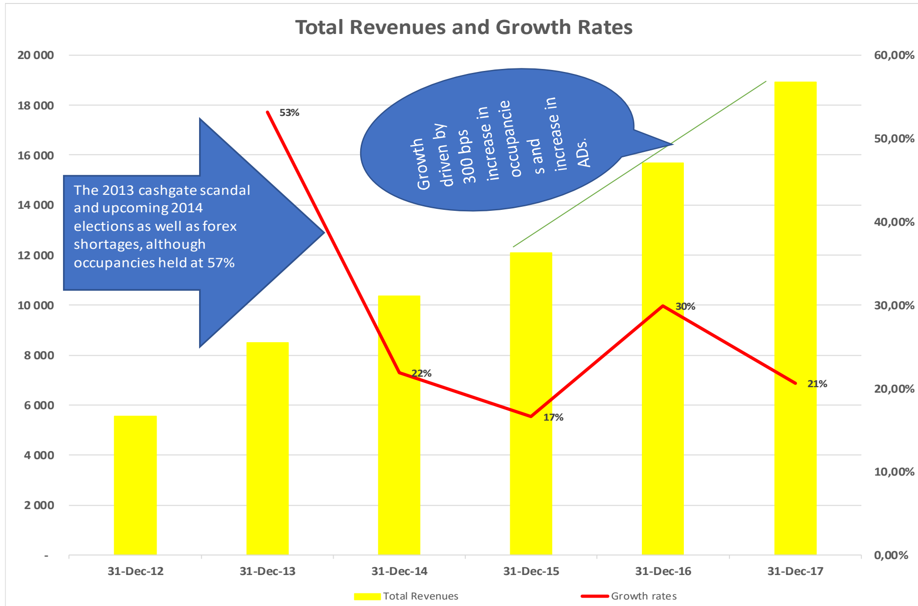
As highlighted earlier, Sunbird revenues are in the form of room rentals and F&B with the former accounting for 45%, while F&B accounts for 52% with the balance being ancillary services. In FY17, room revenues were up 18% to MK8.5 billion, while F&B sales were up 24% to MK9.9 billion. Of this figure, MK1.9 billion were sales of subsidiary; Catering Solutions, which reflect a 27% increase on prior year, attributed to new contract acquisitions, increased activity in old contracts and the opening of the business lounge and duty-free shop at Chileka International Airport.



Source: Company Annual Reports & Cedar Capital Research

Growth is room revenues was driven by an 18% increase in the average daily rate (ADR) to MK67 374 while occupancies were constant at 60%. Total revenues for Sunbird were up 21% to MK18.9 billion. At the end of FY17, RevPAR closed at MK40 424 (USD55).

Company Research Report
15 August 2018
Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307



Source: Company Annual Reports & Cedar Capital Research

Taking a five-year view, the average annual growth rate has been 30%, driven mainly by F&B and increase in room rates. Occupancies have been more or less constant, being rangebound between 57% and 60%.

In terms of source of business, corporates account for 43%. Government and related entities provided 10% of the sales in FY17.

	CONSOLIDATED	
	2017	2016
	%	%
Corporate organisations	43	39
Commercial, groups and conferences	17	22
Government departments	10	12
Leisure packages and airlines	16	9
Business transient non-negotiated	14	18
Total	100	100

Geographical Source of Business

The geographical source of business is predominantly domestic.

	2017	2016
Malawi	79	76
Africa	11	14
Europe	4	4
Americas	4	4
Other	2	2
Total	100	100

Source: Sunbird Tourism 2017 Annual Report

Given that the source of business is mainly corporate organisations and hence business travel, it is no surprise that the two major hotels; Sunbird Capital Hotel and Mount Soche contribute between 55% and 65% to total revenues.

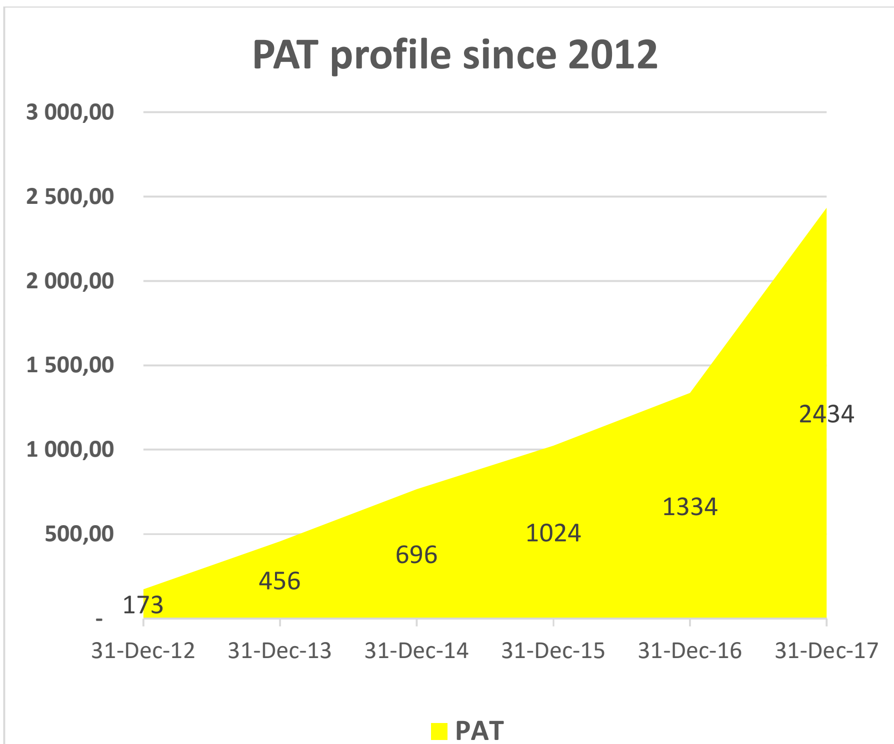
Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

In terms of revenue split, Sunbird derives 20% of its revenues in USD and the balance in local currency. These USD inflows are more than enough to meet the company's day to day foreign currency needs.

Direct costs were up 10% and in with the inflation rate to MK4.1 billion, which meant that gross profits grew at an enhanced rate of 24% to MK14.8 billion. Consequently, gross margins expanded 208 basis points (bps) to 78%.

Growth at EBITDA level was an impressive 57% to MK4.8 billion, benefiting from a 13% increase in expenses, which was much slower than the growth in gross profits. EBITDA margins improved to 25% from 19%. As highlighted earlier, hotel costs are more fixed than variable and in periods of higher demand and revenues, the greater absorption of fixed costs means EBITDA grows at a faster pace.

In the last financial year, a bottom line of MK2.4 billion was achieved, up 82% on the prior year. The growth rates in the PAT have been strong, with Sunbird notching a 33% in FY15, and 30% in FY16, attributed to progressively reducing financing costs, because of the twin effects of massive debt repayments and reducing interest rates in the economy.



Source – Company Annual Reports & Cedar Capital Research

The balance sheet expanded by 30% to MK30.2 billion, driven by capital base expansion as a result of the surge in profitability. Sunbird has been reducing its indebtedness, which closed the year at MK1.9 billion, giving a net gearing ratio in FY17 of 5.9%, which has positively impacted on the

Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

income statement. The remaining debt is in the form of a corporate bond, which attracts a cost based on the 182-day TB yield plus a 3.5% variable margin.

As can be expected inventories and receivables dominate the current assets section. Sunbird's customer base is mainly corporates to which it offers credit terms. On the whole, 70% of Sunbird's turnover is on credit and it takes nearly 70 days for these to convert into cash. Compared to previous years, this is an improvement from the 3 months in FY13.

Fixed assets, which are predominantly the hotel properties amounted to MK26.7 billion, up from MK14.7 billion. The increase in the value of PPE was driven by MK4.3 billion of revaluations, MK1 billion in work-in-progress being refurbishments of the 86 rooms at Sunbird Lilongwe, construction of a new conference centre at Mount Soche and the procurement of water sports equipment for the lakeshore properties while MK735 million was spent on new motor vehicles.

In terms of re-investments, the company has been spending 10% of its revenues in capital expenditure, which in FY17 was mainly in motor vehicles and work-in-progress alluded to earlier. This level is very aggressive as the international benchmark is around 7% of annual revenues.

Going forward, management is working on diversifying revenue sources by re-positioning the resorts in order to attract more leisure travellers. Towards this initiative, water sports equipment has been deployed at the lakeshore resorts and marketing efforts are being intensified in major source markets of South Africa, Germany, United Kingdom and USA.

On the projects front, in 2018 a new 500-seater conference centre is being put up at Mount Soche, while all the 35 rooms at Livingstonia will be upgraded together with 51 rooms at Nkopola Lodge. There are plans to construct a 42-room four-star beach resort in Salima.

Peer Analysis

Unsurprisingly, Sunbird is one of the smaller of the listed hotel chains in Africa with just over 580 rooms. We have compared Sunbird to those entities which are essentially city hotels and with majority of operations in one country. At a glance, an occupancy level of 60% might seem like an under-utilisation, but on further reflection, it appears to be the standard in Africa as Sunbird's peers are in the same range. While hotels in Dubai, have breakeven occupancies around 55%, African operations are still profitable even below 50%.

There is no hotel which can run at 100% capacity, but optimum occupancy levels can vary geographically. High occupancy will also increase variable expenses.

It is at gross profit level that Sunbird does well, with a gross margin of nearly 80% and is much higher than operators in less troubled countries such as Botswana. Zimbabwe operators have better margins because of the arbitrage opportunities.

	P/E (x)	P/B (x)	Price/Sales (x)	EV/EBITDA (x)	Gross Margin (%)	EBITDA Margin (%)	ROE (%)	Room	Occupancy (%)
African Sun - Zim	12,86	5,39	1,20	6,68	70,20	18,53	46,00	1728	52
RTG- Zim	166,67	1,50	0,69	7,68	65,74	15,90	0,90	879	57
City Lodge - SA	18,60	7,03	4,32	10,96	45,68	41,00	29,83	7072	63
TPS Serena - Kenya	77,78	0,61	0,80	6,14		12,98	1,42	1985	45
Capital Hotel - Nigeria	5,13	0,78	0,85	4,32	26,74	14,42	15,83	575	
Ikeja Hotels - Nigeria	10,43	0,48	0,54	2,64	30,57	20,33	3,14	1065	
Cresta Marakanelo - Bots	8,64	1,30	0,69	4,18	35,70	9,80	15,04	1000	57
Sunbird Tourism Ltd	15,58	2,02	2,00	7,92	78,14	18,59	12,97	588	60

Valuation and Recommendation

Sunbird's share price has had an incredible run, up over 2 130% since the end of 2012. This is phenomenal but not an aberration as the company's financial performance has been astounding. On year to date basis, the price is up 51%, outpacing the MSE All Share Index.

Based on the industry multiples, we get a target price of MK170, giving a potential upside of 17%. Although we think that the current share price incorporates all Sunbird's short-term positives, we rate the company as a **LONG-TERM BUY**.

Company Research Report
15 August 2018
Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

CEDAR CAPITAL

millions	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Rooms	*4 048,00*	*4 918,00*	*5 851,00*	*7 254,00*	*8 557,00*
F&B	*4 147,00*	*5 041,00*	*5 833,00*	*7 973,00*	*9 875,00*
Other	*304,00*	*398,00*	*394,00*	*464,00*	*499,00*
Revenues	**8 499**	**10 357**	**12 078**	**15 691**	**18 931**
Growth rates	*53%*	*22%*	*17%*	*30%*	*21%*
Gross Profit	**6 286**	**7 986**	**9 307**	**11 934**	**14 792**
Growth rates	*56%*	*27%*	*17%*	*28%*	*24%*
EBIDTA	**1 863**	**2 300**	**2 358**	**3 057**	**4 787**
Growth rates	*133%*	*23%*	*3%*	*30%*	*57%*
Operating Profit	**1 591**	**1 974**	**2 073**	**2 559**	**4 146**
Growth rates	*99%*	*24%*	*5%*	*23%*	*62%*
Finance Costs	(1 025)	(904)	(717)	(669)	(592)
PBT	**566**	**1 070**	**1 356**	**1 890**	**3 554**
PAT	**456**	**696**	**1 024**	**1 336**	**2 433**
Growth rates	*164%*	*53%*	*47%*	*30%*	*82%*
Rooms	588	588	588	588	588
Capex	415	688	742	1 744	1 771
Capex/Rev	**4,88%**	**6,64%**	**6,14%**	**11,11%**	**9,36%**
Occupancy	**57%**	**57%**	**56%**	**60,2%**	**60%**
RevPAR	19 000	23 332	27 634	34 269	40 424
ADR	33 333	40 934	49 170	56 925	67 374
ADR Increase		**23%**	**20%**	**16%**	**18%**

Valuations	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-16**	**Dec-17**
EPS	1,74	2,66	3,91	5,11	9,30
DPS	0,13	0,10	0,13	0,21	0,92
NAV/share	29,55	32,01	45,69	50,46	71,71
Price (K)	7,00	8,10	23,00	96,00	145,00
P/E (x)	4,02	3,04	5,88	18,80	15,59
Price/NAV (x)	0,24	0,25	0,50	1,90	2,02
EV/EBIDTA (x)	0.98	0.92	2.55	8.21	7.92
Margins	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Gross Profit (%)	73,96	77,11	77,06	76,06	78,14
EBIDTA (%)	21,92	22,21	19,52	19,48	25,29
Operating profit (%)	18,72	19,06	17,16	16,31	21,90
PBT Margin (%)	6,66	10,33	11,23	12,05	18,77
Profitability	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Interest Cover (x)	1,55	2,18	2,89	3,83	7,00
Return on Assets (%)	2,90	4,19	4,85	5,74	8,05
Return on Equity (%)	5,90	8,31	8,57	10,12	12,97

Liquidity	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Current Ratio	0,74	0,97	1,08	1,18	1,54
Quick Ratio	0,45	0,61	0,60	0,68	0,81
Cash Ratio	0,04	0,11	0,07	0,14	0,24
Days Cash	79,88	78,10	74,73	69,99	69,64

Solvency	**31-Dec-13**	**31-Dec-14**	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**
Debt/Assets (%)	16,92	14,42	9,01	10,10	6,42
Net Gearing (%)	33,12	25,41	14,27	14,21	5,93
Debt/NAV (%)	34,42	28,63	15,91	17,81	10,34
Leverage (%)	49,15	50,35	56,64	56,68	62,04

	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Inventories	785	918	1 060	1 308	1 626
Receivables	1 075	1 298	1 413	1 701	1 986
Other assets			296	453	886
Tax recoverable	8		121	164	
Cash &equivalents	101	270	196	475	828
Current Assets	**1 969**	**2 486**	**3 086**	**4 101**	**5 326**
PPE	13 757	14 141	18 019	19 187	24 907
Fixed Assets	**13 757**	**14 141**	**18 019**	**19 187**	**24 907**
Total Assets	**15 726**	**16 627**	**21 105**	**23 288**	**30 233**

Armstrong Kamphoni
Kamphonia@cedarcapital.mw
+265 1 832 307

Borrowings	675	157	131	383	
Creditors	1 650	1 828	1 986	2 143	2 049
Lease liabilities	50	60	87	83	129
Provisions	236	279	637	839	1 070
Tax Payable	22	198			155
Deferred Income	16	28	28	14	62
Current Liabilities	**2 649**	**2 550**	**2 869**	**3 462**	**3 465**
Borrowings	1 986	2 240	1 771	1 968	1 940
Deferred Income	31	39	14	44	98
Finance Leases	113	158	151	237	239
Other payables	333	363	391	376	
Tax Liabilities	2 885	2 904	3 955	4 001	5 732
Long term liabilities	**5 348**	**5 704**	**6 282**	**6 626**	**8 009**
Share Capital	13	13	13	13	13
Share Premium	2	2	2	2	2
Reserves	5 970	5 929	8 252	8 143	11 219
Retained Earnings	1 745	2 428	3 686	5 042	7 524
Total Equity	**7 730**	**8 372**	**11 953**	**13 200**	**18 758**
Equity and Liabilities	**15 727**	**16 626**	**21 104**	**23 288**	**30 232**

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