

## MALAWI

### Political and economic news

*Tobacco revenue 14% down on last year, so far*

Auction Holdings Group says the country has realised 14 percent less revenue from tobacco sales thus far compared to the same period last year due to dwindling prices of the leaf. Floors manager Happy Chifunhwe said as of Friday last week the country earned USD 182.9m (MWK 134bn) from 107m kg of tobacco sold in all markets. This is said to be less than USD212.5m realised from 106.5m kg of tobacco sold over the same period last year. Revenue has gone down because a lower average selling price per leaf prevailing in the current period compared to the previous period. The average price has been recorded at USD1.70/kg compared to USD1.99/kg recorded last year. He said that the rejection levels however have been minimal at around four to five percent. *(Source: The Nation)*

### Company news

*Old Mutual Limited dual lists on Malawi Stock Exchange*

Old Mutual plc concluded the separation of its businesses into four standalone entities by delisting on the Malawi Stock Exchange (MSE) to pave way for the listing of Old Mutual Limited on 26 June 2018. The development happened simultaneously with a primary listing of the company in South Africa on the JSE and secondary listings on London Stock Exchange (LSE), Namibian and Zimbabwean stock exchanges. Previously the behemoth, 173-year old Old Mutual plc – which has been unbundled into the four entities – had a primary listing on LSE with secondary listings on JSE, MSE, Namibia and Zimbabwe. Old Mutual Limited has listed at a price of K1,580.22 per share resulting in a market capitalisation of K9.2 bn. Old Mutual plc announced a new strategy in March 2016 of managed separation of its underlying businesses into independently listed standalone entities. This has led to the breakup of the group into four main businesses, namely BrightSphere Investment Group, a US-based institutional asset manager, which rebranded from OM Asset Management in March 2018; Quilter plc, formerly Old Mutual Wealth; Old Mutual Limited which includes Old Mutual Emerging Markets and Nedbank Ltd, a South African based bank. Quilter plc listed on the LSE on 25 June 2018 with a dual listing on JSE. Existing shareholders in Old Mutual plc will receive 1-for-1 shares in OML and 1 Quilter share for every 3 OML plc held. Unbundling of Nedbank is expected to happen in six months' time and indicatively, shareholders in plc may get 1 share in Nedbank for every 100 plc held. It is anticipated that OML and Quilter may issue a special dividend from sale of some of their operations. On the downside, shareholders in the African stock exchanges (other than South Africa) will end up holding Quilter and Nedbank shares which will not be listed locally and therefore may prove to be illiquid. *(Source: Nation and Cedar Capital Research)*

*Blantyre Hotels 1H18 earnings down 27%*

Blantyre Hotels Plc released its six months results to 31 March 2018 showing a 26.5% drop in earnings to K165.4m on a similar period last year due to flat revenues and increasing expenses. Revenues were reported at K1.9bn- same as in 1H17 while cost of sales increased by 3.7% to K887.6m. Operating expenses worsened 9.5% to K850m – contributing to the drop in in profitability.

Directors attribute the flat revenues to lower occupancy levels occasioned by a slow down on corporate travel. They also seem to finger energy and power as the main cost drivers as a result of the hotel's reliance on backup power from generators. While painting a brighter picture for the next six months, the board is quick to temper any expectations of immediate improvements to the bottomline as they point to one-off expenses in advisory and other related fees in its corporate action involving bonus issue and share split.

BHL concluded its corporate action in which a combination of a bonus issue and share split effectively increased its shares in issue by a factor of 6.5 – and subsequently reduced its share price by the same ratio to an opening price of K5.38. The share price has since

gained 30% to K7.00 with buyers showing interest at K7.06. This takes its rolling PE to 13x – almost double that of its competitor Sunbird Tourism. The sentiments from the board on the company's immediate future seem to be cautious given the main challenge that BHL is a one-hotel company. On relative valuation the counter seems demanding but share splits and bonus issues have tended to help the market for a relatively illiquid stock. We maintain a NEUTRAL recommendation.

1H18 BHL ("MWK '000")	2018	2017	% CHG
Revenue	1,965,705	1,970,045	-0.22%
Cost of sales	887,635	854,906	-3.83%
Gross profit	1,078,070	1,115,139	-3.32%
Selling and admin expenses	850,459	776,863	-9.47%
Net profit for the period	165,389	225,146	-26.54%

(Source: Company filings and Cedar Capital Research)

*NICO Holdings plc 1H18 results to be at least 24% better*

NICO Holdings has issued a trading statement in which it advises that its half year results to June 2018 will be at least 24% higher than 1H17. We attribute the anticipated increase in earnings to the announcement by NBS Bank that it will return to profitability in 1H18 as its losses were weighing down the group. Traditionally NICO Holdings has tended to report strong 2H results and one hopes this is an indication of better news to come. HOLD.

*NITL expects its 1H18 earnings to rise 35%*

NITL has released a trading statement advising shareholders to expect at least a 35% increase in 1H18 against 1H17. We expect the increase to be driven by price increases in its listed holdings, especially NBM and its realignment of the portfolio to bring in more TNM and FMBCH. Overall we find NITL valuation not demanding and recommend it as a BUY.

## 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
NBM	2017	Final	MWK 8.33	TBA
PCL	2017	Final	MWK 20.00	TBA
NICO	2017	Final	MWK 1.00	TBA

Source: Company filings

## Market activity and colour

The market traded 257,683 shares worth K2.6m (\$3.5K) in 6 trades during the week – rounding up a month in which trading activity was killed by an introduction of a CSD system which is yet to get more shares dematerialised for trading. Only three counters traded paltry volumes: TNM, NBS and MPICO.

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