

MALAWI

Political and economic news

Two firms to add 86MW to the national grid by Dec 2019

Electricity Supply Corporation of Malawi (Escom) signed three Power Purchase Agreements (PPAs) with two Independent Power Producers (IPPs) that could add an additional 86MW to the national power grid by December 2019. The IPPs are Canada-based JCM Matswani Solar Limited, which will be producing 60MW and 20MW of solar power in Nanjoka, Salima and Golomoti, Dedza, respectively and Mulanje Hydro Limited, which will add 8MW of hydro power to the national grid. The Salima and Dedza projects are expected to start in March 2019 and August 2019, respectively while the Mulanje project will roll out in December 2019. These projects will be able to fit into the grid because of power infrastructure built under the \$350.7m energy compact from the USA government agency Millennium Challenge Corporation which has helped modernise the transmission and distribution infrastructure. *(Source: The Nation)*

RBM plays down depreciation fears

The Reserve Bank of Malawi (RBM) has downplayed fears of a possible depreciation of the local currency in the face of weak foreign direct investment and election-related spending saying the bank has sound policies to maintain the stability. RBM's spokesperson Mbane Ngwira said the bank is positive that the economy will not experience instability in foreign exchange availability or depreciation of the local unit, which has largely been stable for the past 24 months. Ngwira said RBM has the capacity to enhance its open market operations and sound monetary policy stance in order to meet targets set under the IMF's ECF programme with the country. *(Source: The Nation)*

Company news

Sunbird 1H18 earnings rise 9%

Sunbird Tourism plc reported a 9.3% increase in 2018 half year earnings to K1.17bn (\$1.6m) compared to K1.07bn in 1H17 on subdued revenues. Revenues inched up 3.4% to K9.18bn –an outcome the directors attributed to low demand in the hospitality industry prevailing during the period. The major revenue drivers remain corporate and conference segment which contributed 70% of total room nights and 20% of revenues, respectively. The directors consider these segments to be key drivers for the business in the short to medium term.

Gross profit margins improved slightly to 79.6% compared to 78.3% recorded in a similar period 1s year and 78.1% recorded at FY17. Savings were made in financing costs which decreased 30.6% to K224.3m as a result of loan repayments and improvement in cash flow. Decreasing interest rates in the macro-economic environment over the past 24 months have resulted in a general reduction in finance costs for companies across the board. The increase in earnings is therefore largely attributed to these savings and increases in other income.

Looking ahead Sunbird is currently constructing a conference hall at its Mount Soche Hotel in Blantyre and refurbishment of rooms in both its lakeshore resort hotels. The company plans to expand capacity of Livingstonia Beach hotel by adding a 42-bedroom resort whose works are expected to start before the end of the year. We expect earnings trend to continue to FY18 and rate the stock as a HOLD.

SUNBIRD TOURISM PLC

1H18 SUNBIRD (K"000")	HY 2018	HY 2017	% CHANGE
Revenue	9,179,841	8,877,454	3.4%
Cost of sales	-1,868,159	-1,922,220	2.8%
Gross profit	7,311,682	6,955,234	5.1%
Net other income	146,342	29,389	403.4%
Admin expenses	-5,539,307	-5,128,935	-8.0%
Financing costs	-224,386	-323,752	30.7%
Net profit	1,172,172	1,072,355	9.3%

NICO's 1H18 profit increases 38%

NICO Holdings plc released its half year results to June 2018 showing a 37.9% increase in IFRS earnings to K6.3bn (\$8.5m) buoyed by increase in the value of its investment portfolio and the return of NBS Bank to profitability. Both short-term and life insurance are reported to have put in a satisfactory performance while Nico Asset Manager's AUM shot up 48%. Gross revenue grew 19.4% to K71.4bn compared to 1H17. Attributable profit grew 28.4% to K2.9bn; resulting in the stock trading at a 12-month trailing PE of 7.9x.

NICO's strategy remains "sticking to the knitting" by concentrating on both life and short-term insurance business especially in its core markets of Malawi and Zambia. The group reduced its holding in other countries to pave way for Sanlam – who are better equipped to pursue their Africa growth strategy. It is heartening to see NBS Bank report positive earnings – which we hope is a beginning of a positive trend. The investment portfolio has benefited from the rally in stocks which generally started in 2017 into the current year although we think the market has heated up somewhat, may eventually start to correct. NICO has tended to put in a better second half performance and we hope we shall see this trend maintained to FY18. On the whole the recovery from NBS bank loss of K1.1bn to a profit of K479m seems to make the bulk of NICO group's increase in earnings suggesting little movement elsewhere. HOLD.

NICO HOLDINGS PLC

1H18 NICO (K "MILLION")	HY 2018	HY 2017	% CHANGE
Gross revenue	71,443	59,835	19.4%
Operating expenses	-23,345	-20,880	-11.8%
Management expenses	-14,361	-12,258	-17.1%
Profit b4 future policy holders benefits	33,710	26,714	26.2%
Long-term policy holders benefits	-25,358	-20,430	-24.1%
Profit before tax	8,352	6,284	32.9%
Net profit	5,973	4,303	38.8%
Attributable to shareholders of parent	2,934	2,285	28.4%
Total comprehensive income	6,313	4,576	37.9%

(Source: Company filings and Cedar Capital Research)

Old Mutual Limited declares a special dividend

Old Mutual Limited (OMU) announced its first interim dividend since its primary listing on JSE and secondary listings in Malawi, Namibia and Zimbabwe stock exchanges on 26 June 2018. An interim dividend of 45 ZAc (K22.50) has been declared and a special dividend of 100 cents (from Quilter sale) both are payable on 16 October 2018. In addition to these, the company plans to return to shareholders about ZAR 39.6bn through unbundling of Nedbank as part of the continuation of its managed separation process. The distribution to shareholders through shares in Nedbank is expected in 4Q18 and the estimated amount is based on Nedbank share price of R249.60 as at 30 June 2018. It is expected that 3 shares of Nedbank will be distributed for every 100 of OMU held representing a distribution of 32% of Nedbank.

OMU adjusted headline earnings were flat at ZAR 5.39bn compared to ZAR 5.35 in 1H17 – keeping adjusted headline eps constant at 112.3c over the two comparable periods. Returns from operations were up 7% to ZAR 4.84bn. Net profit for the period went up 42% to ZAR 10.6bn from ZAR 7.5bn reported in 1H17. This was mainly due to the accounting effects of the sale and distribution of Quilter (Old Mutual's former UK arm) shares. (Source: OML website)

Corporate action

Dividends

COMPANY	YEAR	TYPE	AMOUNT	LAST CUM DATE
PCL	2017	Final	K20.00	TBA
MPICO	2018	Interim	K0.09	14-Sep-18
NICO	2018	Interim	K0.60	14-Sep-18
TNM	2018	Interim	K0.25	14-Sep-18
SUNBIRD	2018	Interim	K0.28	TBA

(Source: Company filings)

Market activity and colour

The market traded 2.5m shares with a market turnover of K69.9m (\$95k) in 62 trades. Top volume and value trader was TNM with 1.9m shares. Comparatively in the previous week, the market traded 7.9m shares with a market turnover of K1.8bn (\$2.4m) in 66 trades – the previous week was buoyed by 2m shares of Standard worth K1.3bn. Three risers were recorded in BHL, MPICO and NBM while NICO declined.

Week's Trading Summary

Symbol	Open	Close	Volume	chg%	Value	Trades Count	Market Capitalisation
BHL	8.08	8.70	244,400	Δ 7.67%	2,125,914.60	9	7,305,831,134
FMBCH	159.98	159.98	0		0.00	0	373,753,275,000
ILLOVO	240.00	240.00	0		0.00	0	171,226,653,840
MPICO	19.45	19.51	119,851	Δ 0.31%	2,335,717.20	9	44,834,905,945
NBM	310.06	311.00	1,528	Δ 0.00%	475,208.00	1	145,215,770,518
NBS	9.00	9.00	155,256		1,397,304.00	10	26,195,160,204
NICO	53.95	52.00	77,245	↓ 3.61%	4,146,563.70	5	54,238,136,992
NITL	75.00	75.00	58,132		4,359,900.00	4	10,125,000,000
OMU	2,513.26	2,513.25	262		658,472.71	2	14,647,228,540
PCL	850.00	850.00	0		0.00	0	102,217,447,000
STANDARD	670.00	670.00	0		0.00	0	157,227,668,540
SUNBIRD	145.00	145.00	0		0.00	0	37,929,474,100
TNM	28.50	28.50	1,909,751		54,427,903.50	22	286,152,825,000
			2,566,425.00		69,926,983.71	62	1,431,069,376,811.85

(Source: MSE)



Previous week's Trading Summary

Symbol	Open	Close	chg%	Volume	Value	Trades	Market
						Count	Capitalizat
BHL	8.05	8.08	Δ 0.37%	65,745	531,089.60	4	6,785,185.696
FMBCH	159.99	159.98		457	73,110.86	2	373,753,275.000
ILLOVO	240.00	240.00		850,600	204,144,000.00	5	171,226,653.840
MPICO	19.45	19.45		0	0.00	0	44,697,023.097
NBM	310.02	310.06	Δ 0.01%	4,799	1,487,978.00	1	144,776,854.684
NBS	8.66	9.00	Δ 3.92%	1,028,500	9,247,071.00	7	26,195,160.204
NICO	54.00	53.95	↓ 0.09%	1,471,749	79,400,673.15	16	56,272,067.129
NITL	75.00	75.00		14,527	1,089,525.00	2	10,125,000.000
OMU	2,513.26	2,513.26		2,100	5,277,846.00	1	14,647,286.820
PCL	772.00	850.00	Δ 10.10%	100,000	85,000,000.00	4	102,217,447.000
STANDARD	670.00	670.00		2,000,000	1,340,000,000.00	5	157,227,668.540
SUNBIRD	145.00	145.00		0	0.00	0	37,929,474.100
TNM	28.01	28.50	Δ 0.02%	2,412,155	68,746,422.50	19	286,152,825.000
				7,950,632	1,794,997,716.11	66	1,432,005,921.111

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

www.cedarcapital.mw

This document is confidential and issued for the information of internal and external clients of Cedar Capital Limited registration 8700. It is subject to copyright and may not be reproduced in whole or in part without written permission. The information, opinions and recommendations contained herein are and must be construed solely as statements of opinion and not statements of fact. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such recommendation or information is given or made by Cedar Capital in any form or manner whatsoever. Each recommendation or opinion must be weighed solely as one factor in any investment or other decision made by or on behalf of any user of the information contained herein and such user must accordingly make its own study and evaluation of each strategy/ security that it may consider purchasing, holding or selling and should appoint its own investment or financial or other advisors to assist the user in reaching any decision. Cedar Capital will accept no responsibility of whatsoever nature in respect of any statement, opinion, recommendation or information contained in this document.

