

MALAWI

Political and economic news

December inflation recovers to single digit level

Malawi's headline inflation swung back to single digit in December 2018 recording 9.9pc y/y after just one month in the double digit bracket, according to the National Statistical Office (NSO). In the previous month of November, headline inflation was recorded at 10.1pc after a 15-month single-digit streak. However a reduction in fuel prices has stemmed the effect of the increases in food inflation and electricity tariff hikes which threatened to exert inflationary pressure. The development means the inflation for 2018 averaged 9.2pc compared to 11.5pc recorded in 2017 – well within the prediction by the Reserve Bank of Malawi (RBM). In his remarks at the launch of three systems automating the financial system and the listing of Icon Properties Plc, RBM governor Dalitso Kabambe painted a bright outlook for the economy in 2019. He highlighted that inflation target for 2018 was achieved amidst a number of challenges that had to be surmounted which included increases in utility tariffs, fuel price hikes and low crop output. He said the outlook for 2019 was expected to be much better considering these factors were almost under control. *(Source: Daily Times and Cedar Capital Research)*

AfDB projects 5.5pc growth for Malawi in 2019

The African Development Bank (AfDB) has projected Malawi's economic growth at 5pc and 5.5pc for 2018 and 2019 respectively, citing the stable economy despite noting that the country remains vulnerable to external shocks and fiscal slippages. The forecast, contained in this year's flagship publication of the African Economic Outlook (AEO) released by the bank is slightly higher than government's forecast of 4.5pc for 2018. AEO is a publication that provides short to medium term forecasts on the evolution of key macro-economic indicators for all 54 regional member countries, as well as analysis on the state of socio economic challenges and progress made in each country. The bank has, however, cautioned that economic performance depends largely on weather conditions, which are expected to be more variable due to climate change. The report further commends government for implementing fiscal reforms and improving accountability and transparency systems, which are starting to bring back development partners that had previously withdrawn budgetary support. *(Source: Nation)*

Egenco positive on energy generation

The Energy Generation Company (Egenco) has said the outlook for energy generation in 2019 remains promising following the completion of installation of generators in Blantyre and Lilongwe that will be producing a combined output of 30MW. Egenco also said it was banking on the rains to improve hydro power generation at its power stations. Egenco's senior public relations officer, Moses Gwaza said the company has been meeting the country's power demand since December 2018. He further disclosed that the company is currently supplying an average of 240MW to the Electricity Supply Corporation of Malawi adding that supply may increase once outstanding rehabilitation works on a 26MW Tedzani III sub-station are completed. *(Source: Daily Times)*

Company news

ICON Properties lists, price up 37% on first day of trading

ICON Properties Plc (ICON) listed on the Malawi Stock Exchange (MSE) on Monday, 21 January 2019 at a ceremony graced by the minister of finance which also included the launch of three automated platforms in the financial system. The trading, payment and settlement systems launched included the automated trading system and central securities depository for trading securities on the MSE; the operationalisation of the national switch and the establishment of the micro-finance hub. ICON raised K14.7bn (\$19.9bn) in its IPO which closed on 28 December 2018 at a price of K8.75. Upon its

listing, the counter traded over 3.3m shares at market opening at the price of K12.00 per share. By the close of the day's trading, over four million shares had changed hands at an average price of K12 per share. The listing preceded the launching of World Bank-funded automated financial systems and related infrastructure. The MSE automated trading system with an automatic matching engine replaced the call-over trading system from mid-June 2018. The system means that trading is only done in electronic securities since the time it went live and as a result all physical share certificates have to be converted to electronic form in the central securities depository before they are available for trading. The second system launched was the national switch which introduced inter-operability in all payment systems covering the banking systems, ATMs, point of sale devices and mobile money transfer services. It is touted as the most comprehensive switch of its kind which links most, if not all, forms of electronic money transfer platforms including access by central government and the Malawi Revenue Authority. The third system is the micro-finance hub which links accounts for all micro-finance and savings cooperative transfers in the country. The listing of ICON comes 10 years after the last listing on the MSE and is seen as the revival of listing activity on the MSE. *(Source: Cedar Capital Research)*

FMBCH raises \$11.5m through an issue for cash

FMBCapital Holdings Plc (FMBCH) raised K8.5bn (\$11.5m) through an issue of 122m ordinary shares to pension funds under Old Mutual Investment Group through a private placement. The issue was done at a price of K70.00 per share. In its press release, FMBCH disclosed that the additional capital raised will be used to fund short to medium term growth initiatives across the group. The additional shares were listed on the MSE on 14 January 2019. This brings the total shares in issue to 2,458,250,000 ordinary shares resulting in a dilution of 4.96% as a result of the issue. FMBCH is registered in Mauritius with banking operations in Malawi; Botswana, Zambia, Mozambique and Zimbabwe. FMBCH entered the Zimbabwe market through its acquisition of a significant stake in Barclays Zimbabwe in the fourth quarter of 2017. *(Source: Company filings)*

Trading statements update

Increase in earnings

- NBS bank expects its FY18 earnings to be at least 130% better than its loss of K1.1bn reported in FY17. This puts its expected earnings at a minimum of K1.4bn and forward PE of 20.5x.
- TNM earnings to be at least 25% higher than FY17 – earnings to be around K16.3bn with a forward PE of 17.4x.

Decrease in earnings

- NITL expects its FY18 to be 25% lower than FY17 – thus earnings are expected at K1.6bn mainly due to a reduction in share value gains.
- BHL expects its FY18 earnings to 30 September 2018 to be 30% lower than FY2017. This puts its earnings around K358m and forward PE of 30.4x

Market activity and colour

During the year to 18 January 2019, the market has traded 36.8m shares worth K1.8bn (\$2.5m) in 118 trades. The index shed 0.5% to close at 28,848.15 on account of share price drops in NBM, MPICO and NICO. TNM rose 1.6% to close at K28.45.

Trading Summary for three weeks to 18 January 2019

Trading summary for
1 Jan to 18 Jan 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	13.00	13.00		7,540	98,020.00	1	10,916,759,165
FMBCH	100.00	100.00		122,539	12,253,900.00	10	245,825,000,000
ILLOVO	200.00	200.00		1,050,489	210,097,800.00	7	142,688,878,200
MPICO	13.20	13.00	-1.5% ↓	1,338,969	17,456,013.60	16	29,874,616,980
NBM	332.02	312.71	-5.8% ↓	150,570	47,083,341.40	4	146,014,223,790
NBS	10.00	10.00		282,978	2,829,780.00	10	29,105,733,560
NICO	43.00	42.00	-2.3% ↓	6,723,280	201,980,373.00	5	43,807,726,032
NITL	75.00	75.00		1,828	137,100.00	2	10,125,000,000
OMJ	2,513.25	2,513.25		5,324	13,380,547.75	3	14,647,228,540
PCL	1,140.00	1,140.00		513,743	585,667,000.00	10	137,091,634,800
STANDARD	670.00	670.00		72	48,240.00	1	157,227,668,540
SUNBIRD	145.00	145.00		303	43,935.00	2	37,929,474,100
TNM	28.00	28.45	1.6% ↑	26,596,117	758,117,878.00	47	285,650,802,500
Totals				36,793,752	1,849,193,928.75	118	1,290,904,746,207
INDEX (period)	28,983.64	28,848.15	-0.5% ↓				
INDEX (month)	28,983.64	28,848.15	-0.5% ↓				
INDEX (year)	28,983.64	28,848.15	-0.5% ↓				

(Source: MSE)

2018 roundup

The year was eventful for the MSE as it was one of the most active coupled with some developments in the market. The market saw the introduction of the automated trading system in June 2018 and electronic share settlements through the Central Securities Depository (CSD). Although this had a temporary effect of reducing trading activity in June and July, the timing turned out to be a master stroke as most active institutional investors entered the closed period on 1 June pending the release of most interim results.

On the trading side, the market traded 948.2m shares worth K48.7bn (\$66.9m) in 2,153 trades compared to 698.9m shares worth K13.5bn (\$18.9m) in 1,189 trades recorded in 2017. Average daily volume and turnover was 3.9m shares and K196.3m (\$270K); in 2018 compared to 2.8m shares and K54.5m (\$76.4K), in 2017; respectively.

The index rose 34.2% (33.4% in USD terms) in 2018 compared to a rise of 62.14% (62.09% in USD terms) in 2017. This means the bull-run continued for the past 24 months more than doubling with a 117.5% increase. Put into perspective, in general an investor across the counters on the MSE would have, on average, doubled the value of their investment in two years in US dollar terms. Market capitalisation rose from \$1.32bn at the beginning of the year to close at \$1.76bn. (Source: MSE and Cedar Capital Research)

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