

MALAWI

Political and economic news

UN raises hope on tax, debt relief

United Nations Conference on Trade and Development (Unctad) says Malawi continues to perform well on tax reforms and dealing with debt. In its 2019 Least Developed Countries (LDCs) report, Unctad said Malawi stands out among nine LDCs in taxation reforms. Unctad observes that although Malawi's domestic and external debt has increased in the last five years, the country has managed to reach the Heavily Indebted Poor Countries (Hipc) completion point as at February 2019, alongside other 27 LDCs. A Hipc completion point is a stage at which countries receive full and irrevocable debt reduction provided that they establish a satisfactory track record of good performance, implement key reforms agreed at the decision point and adopt and implement their poverty reduction strategy papers. Thanks to Hipc initiative and Multilateral Debt Relief Initiative, Malawi's external debt stock reduced from \$2.97bn (K2.1trn) as at the end of 2005 before the debt relief, to \$490m as of December 2006 and it stood at \$680m as at the end of 2008. As a ratio of GDP, the external debt stock was reduced from 104pc before debt relief to 14.2pc in 2006 after cancellation of the loans. RBM figures show that as at the end of 2018, the country's debt stock stood at K3.3trn of which \$2.1bn (K1.5trn) or 29pc of GDP is external. *(Source: Nation)*

Budget support from AfDB on the cards

The African Development Bank (AfDB) has confirmed the possibility of providing budgetary support to Malawi in the current financial year, a move that has excited Treasury. The AfDB move follows positive indication from the IMF that the country's economy is on track. AfDB acting director general for southern African region development and business delivery service Josephine Ngure confirmed that the bank and Treasury have been discussing the issue. She said AfDB has been waiting for a positive signal from IMF and that a high level team will be visiting the country in the near future to discuss the issue further along with other development support possibilities. She disclosed that apart from the IMF assessment, the bank has other criteria they look at internally when processing budgetary support operations. Those are the things the AfDB will be reviewing when their high level mission arrives in the country. On his part, minister of finance, economic planning and development Joseph Mwanamvekha confirmed that he recently met and discussed with the bank's president on the budget support issue. He added that stabilisation budgetary support from the IMF has triggered a positive signal from cooperating partners, including AfDB. Through the IMF approval, Malawi has shown the world that it is managing its resources prudently. *(Source: Nation)*

Company news

NBS Bank FY19 earnings expected to double

NBS Bank Plc has released a positive earnings statement for FY19. The bank expects earnings to be at least 100pc on FY18. Put into perspective, NBS FY18 earnings were reported at K1.7bn – so one would expect a minimum of K3.4bn. While the results are coming off a low base, we think NBS is an exciting recovery play as the loan book is, by and large, cleaned up and is yet to grow to optimum levels. We believe NBS has laid down the necessary prerequisites for growth going forward.

FMB Capital Holdings acquires Bank of India (Botswana) Ltd

FMB Capital Holdings has acquired Bank of India (Botswana) Limited (Boib). The opportunity is said to have come about as a result of the decision by Bank of India to

divest from certain markets outside India, including Botswana. According to the official press release, First Capital Bank Botswana (a subsidiary of FMBCH) has already integrated Biob's assets, clients and staff within its business with former Boib customers now transacting on First Capital Bank Botswana platform. According to the 2018 Banking Supervision Annual report by the Bank of Botswana, Boib was the smallest bank by assets in Botswana with BWP137m (\$12.6m) representing 0.1pc of the total assets of commercial banks. Boib had one operating business location as at 31 December 2018 according to the report. *(Source: Nation and Cedar Capital Research)*

Market activity and colour

Trading activity report for week ending 29 November 2019

During the week under review the market registered trading activity in 11 of the 14 listed counters on the market – except three counters; OMU, BHL and FMBCH. A total of 289m shares worth K5.9bn (\$7.9m) traded in 134 transactions. This is much higher than trading activity in the first three weeks of the month to 22 November which comprised a total of 53.6m shares worth K1.05bn (\$1.4m) traded in 173 transactions.

The peak in trading activity was occasioned by the onset of the closed period in most companies for some key investors who have board seats on the listed companies. Closed period for such investors starts 30 days before the end of the reporting period. For companies with a December reporting period, which are in majority, trading activity in the company is prohibited for such investors from 2 December until results are released.

The index went down 80bps to 29,456.27 on account of 15pc drop in the price of Illovo from K180.00 to K153.00 – Illovo is expected to release its results soon with an expectation of at least 40pc drop in earnings – according to its profit warning issued earlier.

November 2019 Trading summary

The month of November saw 342.6m shares change hands for a total value of K7bn (\$9.3m) in 307 transactions. Value and volume drivers were NBS with 258.9m shares worth K3.1bn, seconded by TNM (51.9m worth K1.5bn), NBM (3bn worth K1.4bn) and NICO (11.2m shares worth K493.9m).

By comparison, the previous month of October recorded trading activity in 185.4m shares for a total value of K2.5bn (\$3.3m) in 243 transactions. This represents 180pc increase in November value and 84.8pc increase in volume traded; compared to October 2019. November tends to be a more active month as institutional and high net-worth investors engage in last-ditch trading due to an impending closed period starting in December.

Comparing with prior year, November 2018 recorded trades in 109.8m shares worth K8.4bn (\$11.4m) in 311 transactions. This means November 2019 was 16.7pc down in value and 212pc up in volume on the comparable period last year.

The index closed in October at 29,215.33 sliding 3.7pc from the opening position of 30,344.49. This was a result of price drops in Illovo (27.1pc to K153.00) and FMBCH (6.3pc to K75.00)

Year-to-date, the index recorded 0.8pc gain from an opening position of 28,983. It also increased 9% y/y from a November 2018 opening of 26,803.80.

Weekly Market Report



Equity research | News & Analysis

Trading Summary for week 25 to 29 November

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.95	12.95		0	0.00	0	10,874,771.630
FMBCH	75.00	75.00		0	0.00	0	184,368,750.000
ICON	10.49	10.50	0.1% ↑	5,020,100	52,689,247.50	11	70,140,000.000
ILLOVO	180.00	153.00	-15.0% ↓	1,000	153,000.00	1	109,156,991.823
MPICO	19.50	19.50		214,830	4,189,185.00	8	44,811,925.470
NBM	460.02	460.03	0.0% ↑	3,000,189	1,380,176,943.78	5	214,802,607.432
NBS	12.50	12.50		213,682,128	2,534,272,700.00	40	36,382,166.950
NICO	48.50	48.50		9,026,428	386,591,464.50	8	50,587,493.156
NITL	75.00	75.00		10,200	765,000.00	2	10,125,000.000
OMU	2,499.99	2,499.99		0	0.00	0	31,803,162.787
PCL	1,400.00	1,400.00		60,000	84,000,000.00	1	168,358,148.000
STANDARD	670.00	670.00		9,700	6,499,000.00	2	157,227,668.540
SUNBIRD	118.00	118.00		1,307	154,226.00	1	30,866,744.440
TNM	26.00	26.00		58,002,836	1,508,063,416.00	55	261,051,700.000
Totals				289,028,718	5,957,554,182.78	134	1,380,557,130,228

INDEX (week)	29,456.27	29,215.33	-0.8% ↓
INDEX (month)	30,344.49	29,215.33	-3.7% ↓
INDEX (year to date)	28,983.64	29,215.33	0.8% ↑

(Source: MSE)

Trading Summary for the month of November 2019

Symbol	Open	Close		Volume	Value	Trades Count	Market Capitalization
BHL	12.95	12.95		25,790	333,980.50	1	10,874,771.630
FMBCH	80.00	75.00	-6.3% ↓	155	11,625.00	1	184,368,750.000
ICON	10.50	10.50		5,490,882	57,624,417.54	26	70,140,000.000
ILLOVO	210.00	153.00	-27.1% ↓	3,223	559,830.00	4	109,156,991.823
MPICO	19.50	19.50		385,284	7,513,038.50	19	44,811,925.470
NBM	460.01	460.03	0.0% ↑	3,055,968	1,405,836,636.23	32	214,802,607.432
NBS	12.50	12.50		258,913,760	3,068,712,005.41	70	36,382,166.950
NICO	48.50	48.50		11,240,735	493,984,912.50	24	50,587,493.156
NITL	75.00	75.00		3,533,832	265,037,400.00	21	10,125,000.000
OMU	2,499.99	2,499.99		0	0.00	0	31,803,162.787
PCL	1,400.00	1,400.00		80,290	112,406,000.00	8	168,358,148.000
STANDARD	670.00	670.00		63,670	42,658,900.00	14	157,227,668.540
SUNBIRD	118.00	118.00		1,400	165,200.00	2	30,866,744.440
TNM	26.00	26.00		59,901,818	1,557,424,726.00	85	261,051,700.000
Totals				342,696,807	7,012,268,671.68	307	1,380,557,130,228

INDEX (month)	30,344.49	29,215.33	-3.7% ↓
INDEX (year to date)	28,983.64	29,215.33	0.8% ↑
INDEX (Y/Y)	26,803.80	29,215.33	9.0% ↑

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

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.