



SUNBIRD TOURISM LTD

Suffering from Covid-19 related complications....

Sunbird Tourism (Sunbird) as a hospitality group suffered the most in 2020, as MICE (meetings, incentives, conferences, and exhibitions) ground to a halt due to the Covid -19 pandemic. These activities which involve large gatherings have traditionally been major revenue sources for hotels; second to but also driving demand for rooms. The result was that the occupancy levels for Sunbird averaged 32%, down from 52% in FY19.

Topline down nearly a third, EBIT slips into the red ...

With occupancies sliding, turnover tumbled 30% to MWK13.5bln. Cost of sales, being variable declined 23% to MWK2.9bln, reflecting the drop in volumes and the impact of cost-cutting measures. Consequently, gross profits retreated 32% to MWK10.6bln. Fixed costs are sticky by nature, hence in FY20, Sunbird managed to eke out a marginal 5% decrease in operating costs to MWK11.0bln. As expenses exceeded revenues, Sunbird recorded a loss at EBIT level of MWK148mln and a MWK1.2bln loss at PAT.

Funding the business and projects...

The difficult trading conditions of FY20 resulted in a deterioration in cash generation, with operations generating only MWK392mln compared with MWK2.5bln in FY19. Hence, Sunbird had to increase borrowings by 33% to MWK10.5bln. As such, the net gearing ratio worsened 400bps to 35%, which, however, is not yet onerous. In the P&L, finance costs spiked to MWK826mln as a result.

Projects update ...

In FY21, Sunbird expects to complete the 42-room Sunbird Waterfront Hotel at the Livingstonia Beach and the refurbishments of Sunbird Ku Chawe and Sunbird Mzuzu.

The outlook ...

The type and nature of rooms and services demanded from the hotel industry post the pandemic may not be what Sunbird is currently configured for. As well, Sunbird's asset heavy business model means profits are more vulnerable to drop in volumes and it could take time to regain previous profitability levels going forward. On the other hand, the share price is down nearly 40% from the FY18 peak of MWK145 implying that the weakness predated the pandemic. **SELL.**

Price (MWK)	90
DPS (MWK)	0.00
P/E (x)	N/A
P/B (x)	0.87
DPS Yield (%)	
Market Cap (MWK mln)	23 542
Recommendation	SELL

MWK mlns	Dec-20	Dec-19	YoY
Revenues	13,510	19,370	(30%)
Cost of Sales	(2,931)	(3,831)	(23%)
Gross Profit	10,579	15,539	(32%)
other	255	205	
Opex	(10,982)	(11,523)	(5%)
EBIT	(148)	4,221	(104%)
Finance Cost	(826)	(229)	261%
PBT	(974)	3,992	(124%)
Tax	(206)	(1,398)	(85%)
PAT	(1,180)	2,594	(145%)
Cash & near	1,109	676	64%
Debtors	1,724	2,731	(37%)
Inventory	2,858	2,167	32%
Current Assets	7,342	8,034	(9%)
PPE	42,907	33,687	27%
Total Assets	50,386	41,862	20%
Payables	2,124	2,183	(3%)
Current Liabilities	2,880	3,141	(8%)
Borrowings	10,467	7,894	33%
Capital/NAV	27,018	23,346	16%
Capex	2,485	6,345	
Debtors/Revenues	13%	14%	
GP Margin	78%	80%	
EBIDTA Margin	(1%)	22%	
Cost of Debt	9%	4%	
Capex/Revenue	18%	33%	
Days working capital	126.37	75.34	
Debtors Days	60.18	43.83	
Net Debt/Equity	34.64%	30.92%	
Debt/Assets	20.77%	18.86%	

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.