NEWSPAPERPOST

SHAREHOLDER'S NEWS

SHAREHOLDER'S NEWS

Malta Association of Small Shareholders - MASS VO 0629
c/o 11, Chelsea Flat 6. Triq l-Għabex, San Pawl il-Baħar. SPB 3215
website: mass.org.mt email:info@mass.org.mt mob: 7984 2964

Mejju 2016 Ħarġa Nru.19

Editorjal

Matul dawn l-aħħar ġimgħat saru ħafna Laqgħat Ġenerali Annwali tal-Kumpaniji kkwotati fuq il-Borża ta' Malta. Għalhekk, il-Malta Association of Small Shareholders (MASS), kellha għadd sabiħ ta' laqgħat bejn Uffiċjali u membri tagħha u Uffiċjali ta' diversi minn dawn il-Kumpaniji. Anzi, tajjeb ħafna li ssiru tafu, li tant din l-Assoċjazzjoni qegħda tiġi rikonoxxuta f'dan il-qasam, illi saħansitra hemm Kumpaniji minnhom, li talbu huma lill-Assoċjazzjoni biex jiltaqgħu flimkien u jiddiskutu qabel il-LĠA rispettivi tagħhom.

F'dawn il-laqgħat l-Assoċjazzjoni żammet dejjem fuq quddiemnet l-interessi tal-membri tagħha. Rat b'mod għaqli kif Kumpanija tkun qegħda twettaq ix-xogħol tagħha u xi prospetti jkun hemm għall-ġejjieni biex il-qliegħ jibqa' jsir kull sena u kemm jista' jkun dan jiżdied sew. Għamlet il-kritika kostruttiva tagħha; għamlet suġġerimenti u proposti kull meta ħasset li għandha tagħmel dan. Barraminhekk, ħadna ħsieb ukoll illi kull meta ħassejna li għandna nqumu u nitkellmu f'dawn il-LĠA, u hekk għamilna. Mijiet minnkom rajtuna u smajtuna.

L-Assoċjazzjoni tkellmet biex meta jkun hemm qliegħ jingħata dividend. Kif tafu, kien hemm Kumpaniji li ħabbru qliegħ, waqt li kien hemm xi wħud li m'għamlux qliegħ. Kien hemm min naqqas it-telf u mistenni li fis-sena li qegħdin fiha jkollu l-qliegħ. Aħna l-Azzjonisti ż-żgħar żgur li nieħdu gost bil-qliegħ. Għax fejn isir il-qliegħ, għandu jingħata dividend għas-sogru li jkun ħa l-Azzjonist, speċjalment iż-żgħir. Aktar u aktar jekk dan ikun pensjonant jew xi ħadd li jkun dieħel għal xi spiża.

Aħna, m'hemmx dubju illi nifirħu, mhux biss bħala Azzjonisti żgħar meta jsir il-qliegħ u jitqassam dividend, iżda wkoll bħala ċittadini, għax bi flusna li nvestejna f'dawn il-Kumpaniji, nkunu qegħdin ngħinu l-ekonomija ta' pajjiżna. Biex ingawduh iżjed dan id-dividend billi jsir iservina iżjed, l-Assoċjazzjoni għadha tisħaq illi r-rata ta' 35% taxxa fuqu, tinżel kif niżlu taxxi oħra.

Inroddu ħajr lill-membri tagħna talli tħeġġuna u lill-isponsors talli huma strumentali biex din ir-rivista toħroġ u twasslilkom tagħrif utli dwar il-kultura tal-għaqal fit-tfaddil.

Alfred Portelli.

Indirizz

Editur: Saviour Buttigieg
Issettjat: Tarcisio Barbara
Disinn tal-Logo u Stampat:
Print Right Ltd. - Qormi

Kull ma jinkiteb f'dan il-fuljett mhux bilfors jirrifletti l-fehma tal-Membri tal-Kumitat tal-MASS.

Meeting with HSBC Malta *by Kevin Mizzi*

The meeting was held at HSBC Malta's head office in Valletta on the 11th March 2016. The Malta Association of Small Shareholders met with the CEO and Executive Director Mr Andrew Beane and the company secretary Dr George Brancaleone. MASS was represented by Alfred Portelli, Tarcisio Barbara, Kevin Mizzi, Anthony Said and Anthony Borg.

The President kicked off the meeting by introducing the committee members and presented an overview of the remit of the Association. Mr Beane thanked the committee for accepting HSBC's invitation and gave an over view about HSBC's performance. The following were his comments:

In 2015, the operating environment for eurozone banks remained difficult with record low interest rates and higher operating cost, principally driven by the impact of new regulation. HSBC Malta's underlying profitability was strong and the capital strength and conservative risk appetite enabled the bank to perform well in the European Central Bank's regulatory assessment.

Since Mr Beane was appointed Chief Executive in November 2015, the focus has been on reviewing the bank's strategy and re-focusing the business to restore growth. The priorities are to better serve the customers in order to grow revenue, to maintain strict cost discipline to reduce the impact of ongoing cost inflation in the banking industry and to operate to the highest regulatory standards. In 2015, the company made significant progress; decisive action was taken to reduce costs; the necessary steps were taken to resolve a long-running industrial dispute which was concluded in early 2016; and made a number of key leadership appointments.

Against this backdrop, the strong balance sheet enabled the bank, with no objection from the regulator, not only to take these decisive actions to improve future profitability but also to increase the dividend payout ratio from 55% to 65% so that a greater share of profits is returned to HSBC's owners.

MASS commented that the cost-to-income ratio has increased. The CEO commented that this is due to the new employee collective agreement, voluntary retirement scheme and other consolidation efforts undertaken by the bank.

The Association expressed its concern about the early retirement and asked whether this was in line with the strategy adopted by HSBC Group. Mr Beane explained that the objective of the scheme is to reduce resources from low value areas and invest in high-value, high-growth segments.

HSBC Malta seems to be more risk-averse when it comes to loans than other local banks, commented MASS. The bank is in the process of de-risking its business to lower the capital requirements which in turn should lead to a higher dividend payout ratio to shareholders.

Customers complain about the downsizing of the branch network. First and foremost, HSBC encourages clients to use online banking and the mobile app. Howvever, the new CEO is looking at how to best serve customers and positioning HSBC Malta as the bank of choice.

The negotiations of the employee collective agreement which expired in 2013 was quite a rough ride. However, Mr Beane is satisfied with the positive conclusion of the agreement.

In almost every AGM, the Association pointed out to the CEO that shareholders criticise HSBC Malta about the fact that the bank employs expatriates in senior management ranks. The CEO explained that these professionals bring a wealth of experience and expertise which is of great benefit to the bank. Positive growth will ultimately lead to an appreciation of the share price.

MASS highlighted the fact that the CEO is both the head of the executive management team and an executive director on the board. The Association asked Mr Beane whether it would be good practice if the board and management were two separate bodies. He explained that the non-executive directors monitor and evaluate the decision taken by the executive directors.

AVVIŻ LILL-MEMBRI

Il-Malta Association of Small Shareholders tixtieq li l-esperjenzi li l-investituri lokali jkunu ghaddew minnhom meta nvestew f'isħma jew bonds, jew anke f'xi tip ta' investiment ieħor, jiġu diskussi waqt il-konferenzi, ħalli kulħadd ikun jista' jitgħallem minnhom. Jekk trid taqsam xi esperjenza tajba, jew ħażina, ma' membri oħra tal-Assoċjazzjoni, jekk jogħġbok għarrafna. Niddiskutu u nitgħallmu mill-esperjenzi ta' xulxin. Dwar dan tista' tikkuntattja lil wieħed minn dawn:

		Tel:	Mob:	Email:
It-Tezorier -	Saviour Buttigieg	21455530	79060926	saviour.btt@gmail.com
Il-PRO -	Tarcisio Barbara	21682269	99494878	tarcisio.barbara@mass.org.mt

The 2016 Dividend League Table

Financial Article by Edward Rizzo - May 05, 2016

Following the end of the 2015 annual reporting season last week, the updated dividend league table is now complete and it is possible to compare the dividend returns across the local equity market.

The 2016 dividend league table is based on the net dividend to shareholders in respect of the 2015 financial year and the current market price of the respective shares. Since some companies benefit from tax incentives and distribute dividends out of tax free profits or reduced tax compared to the standard 35%, the dividend league table is based on the net dividends being proposed or paid to shareholders. This provides a better comparison as opposed to the gross dividend.

The 2016 dividend league table should not be looked at in isolation. A comparison with the previous year's league table provides some interesting observations including the factors that led to such fluctuations.

In general, while there had been a marked downturn in yields depicted in the league tables in the previous two years (between 2014 and 2015), dividends across the overall equity market are now not significantly lower when compared to last year's dividend league table.

Bank of Valletta ranks in top position for the third successive year with a dividend yield of 3.3% compared to 3.6% in 2015. BOV's overall dividend to shareholders was largely unchanged in the last two financial years while its share price edged 8.3% higher over the past 12 months. Since BOV's financial year ends in September, they have a somewhat different reporting calendar to most of the other companies. Last Friday, BOV reported its interim results for the six months ended 31 March 2016. Profits after tax increased by 11% to €44.6 million during the first half of their current financial year and dividends by 8.3% as the bank seeks to increase its capital partially via retaining higher levels of profits. In fact, the Chairman gave a strong indication of lower dividend payout ratios going forward.

"… Dividends … should not be the sole over-riding factor influencing an investment decision …"

The number two position in the 2016 dividend league table goes to HSBC Bank Malta plc – this is also the equity that gained most places since last year as it moved up from 12th position. The reason behind this increase was two-fold – on the one hand the dividend increased by 20.5% from 2014 to 2015 and on the other hand, the share price declined by 13% over the past year. The combination of these two changes helped the net dividend yield improve to 3.1% from 2.3% in 2015. It is also worth highlighting that HSBC's equity is the only one among the dividend paying equities whose price declined over the past 12 months.

GO plc is ranked in third place with a net yield of 2.9% compared to 2.3% (11th position) in 2015. The improvement in the league table is due to the sharp increase in dividend to shareholders as the net dividend increased by 43% from €0.07 per share paid last year in respect of the 2014 financial year to €0.10 per share. This is being distributed shortly after approval from shareholders during the Annual General Meeting next week. On the other hand, the growth in the dividend was partially offset by the increase in the share price of 16% over the last twelve months although this is not adjusted to take account of the dividend in kind of €0.331 per share distributed to all GO shareholders by way of shares in Malta Properties Company plc.

Plaza Centres plc maintained its position in 4th place and the dividend yield was also largely unchanged from one year to the next at 2.8%. It is interesting that the growth in the dividend of +6.7% was matched by an almost identical increase in the share price over the past 12 months of +8.3%. Within the same sector, Malita Investments plc ranks in 5th position with a dividend yield of 2.6% (the minimal increase in the dividend was outweighed by the 7% increase in the share price) while Tigne' Mall plc ranks 10th with a net yield of 2%. The yield of Tigne' Mall declined from last year's level of 2.4% as the 20% growth in dividends was more than offset by a 43% rally in the company's share price.

Medserv plc's dividend yield declined from 2.6% to 2.5% although the equity improved its position in the league table to 6th. Similar to GO plc, the total dividend distributed to Medserv shareholders improved by 43% although for the 2015 financial year this was distributed as an interim dividend in December 2015 ahead of the rights issue and debt funding required to conduct the acquisition of METS in February 2016. The slight reduction in yield was impacted by the 49.6% increase in Medserv's share price over the past twelve months. The combination of the high absolute dividend and the increase in the share price was surely welcome by Medserv shareholders.

While all companies either left their dividends unchanged or hiked their distributions to shareholders, Malta International Airport plc is the only company that reduced the dividend to shareholders. The overall dividend in respect of the 2015 financial year declined by 9.1% from €0.11 per share to €0.10 per share. This, however, must also be seen in the context of the sharp increase in the final dividend in respect of 2014 which was paid to shareholders in June 2015.

One of the reasons for the reduction in dividend, despite a further increase in profitability, may be the significant capital expenditure programme over the coming years which the company announced in December 2015.

	Equity	Net Dividend Yield 02/05/2016
1	Bank of Valletta plc	3.27%
2	HSBC Bank Malta plc	3.09%
3	GO plc	2.86%
4	Plaza Centres plc	2.75%
5	Malita Investments plc	2.58%
6	Medserv plc	2.46%
7	Malta International Airport plc	2.28%
8	MaltaPost plc	2.02%
9	6pm Holdings plc	1.96%
10	Tigné Mall plc	1.96%
11	MIDI plc	1.79%
12	Mapfre Middlesea plc	1.74%
13	Simonds Farsons Cisk plc	1.63%
14	Lombard Bank Malta plc	1.21%
15	RS2 Software plc	0.72%

The only new entrant to the 2016 dividend league table is MIDI plc as it declared its first dividend since its IPO in December 2010. The net dividend of €0.007 per share, which will be paid after approval at the Annual General Meeting also next week, gives a yield of 1.8% on the current share price of €0.39. However, it is also worth highlighting that the share price has recovered by a further 34.5% over the past twelve months following the sharp decline to a low of €0.21 in November 2014 and January 2015.

On the other hand, 6pm Holdings plc is the only company that exited from the dividend league table. Although profits after tax more than doubled in 2015 to

GBP1.69 million, the Directors did not recommend the payment of a dividend in the light of the interest being shown by third party investors in taking over the company.

The other IT company, RS2 Software plc, is the lowest ranked company in terms of dividend returns. Although RS2 is proposing a 25% increase in dividends, this was outweighed by the superior share price performance as the equity surged by 142% over the past twelve months.

International Hotel Investments plc, FIMBank plc and Grand Harbour Marina plc again do not feature in the 2016 dividend league table as all companies failed to pay dividends to their shareholders.

Malta Properties Company plc also failed to declare a maiden dividend to shareholders. However, this was highlighted in their Prospectus dated 16 October 2015 where the Directors explained that the company will be unable to pay a dividend in the first two to three years following listing in view of its funding requirements to develop a number of the properties in their portfolio and until such time as the new commercial space being developed is eventually leased out.

Dividends distributed by a company in one particular year should not be the sole over-riding factor influencing an investment decision. As a start, the sustainability of the current dividend is very important due to a multitude of factors that can affect dividend payments from one year to the next such as a company's short and medium term business prospects, expansion plans and funding requirements as well as regulation affecting a particular industry. These factors, amongst others, may adversely affect a company's dividend from one year to the next and impinge on the suitability of such an equity in an investment portfolio for income-oriented investors. The situation with Grand Harbour Marina, from being the highest yielding equity in 2013 and the second highest in 2014 to no dividends in the following two years, is a good case study in this respect. Moreover, the stiff regulation across the banking sector with specific emphasis on dividend distributions is another very clear example which many local investors are now surely aware of.

In addition to the historic or ideally the future potential dividend returns from a particular company, investors would do well to take account of the growth prospects of a company before deciding whether to proceed with an investment in the company as part of their diversified investment portfolio. Investors should not only invest in companies with a dividend income stream. They should also gain some exposure to companies that may not be particularly appealing from a dividend perspective but may offer sizeable growth prospects due to certain strategies being adopted. This is especially relevant for the various local companies actively seeking international expansion, most of which have seen their share prices strongly outperform other companies over the past few years thereby producing overall returns to shareholders far superior to those with a relatively attractive dividend payment.

The return on equity (ROE) is a good indicator which investors should also take into account when considering which companies to invest in. A review of the ROE's across the local equity market will be published next week.

The ROE League Table

Financial Article by Edward Rizzo - May 12, 2016

In last week's article I shared my view that, apart from dividend returns, investors should also take into account the return on equity (ROE) when considering which companies to invest in.

Following the end of the 2015 annual reporting season, the updated ROE league table highlights those companies which are generating the highest returns and also enables investors to compare the changes from one year to the next.

Today's article reviews the 10 companies that generated double-digit ROE's during their 2015 financial year.

By far, the company that generated the highest ROE in 2015 was Medserv plc with an impressive return of 40.5%. The ROE of Medserv increased significantly from 22.7% in 2014 as the company's profits after tax surged to €4.12 million in 2015 from €1.94 million in 2014. It is also worth highlighting that Medserv's ROE during the 2013 financial year was only 5%. The significant upturn in the ROE over the past two years is testament to the strong improvement in profits as a number of contracts offshore Libya commenced and the company also benefited from the contribution of the new Cypriot base. By the end of this month, Medserv will be publishing its 2016 financial projections and investors will have an indication whether the Directors are expecting this return to be sustainable or otherwise during the current financial year. The projections will also include the initial contribution from METS following the acquisition of this company in February 2016 and investors will gain an early insight as to analyse whether this strategic move will immediately beginto generate positive returns for shareholders.

GO plc ranks in 2nd position in the 2016 ROE league table with a return of 27%. The ROE improved substantially from only 7.8% in 2015 on account of two factors (i) the improved profitability in 2015 (comprising a €6 million uplift in operational results, the fair value uplift of €7 million related to the option which GO held in relation to its investment in the Cypriot telecoms company Cablenet as well as the €6.6 million impairment on the investment in Forthnet accounted for in the restated 2014 results) and (ii) the reduction in shareholders' funds by 11% to €92.1 million following the spinoff during the year of Malta Properties Company plc. Although the immediate focus for GO shareholders in the coming

weeks will be news regarding the identity of the selected preferred bidder for the company and the price which will be offered to all shareholders, the interim financial statements as at 30 June 2016 (generally published by early August) should begin to show the contribution of the Cypriot company after GO increased its equity stake to 51% in January 2016.

Malta International Airport plc has been one of the most consistent performers in recent years. Although the ROE of the airport operator improved from 24% to 25.5% between 2014 and 2015, the company dropped to 3rd position from the top ranking position last year. 2016 should be another very positive year for MIA as passenger traffic is expected to reach yet another record following the 12% increase in the first four months of the year coupled with the additional seat capacity in both the summer schedule and also the winter months.

The two companies in the IT sector both rank among those that generated double-digit returns. RS2 Software plc is in 4th position with an ROE of 18.8% during the 2015 financial year, up from 12.5% in 2014 following the 70% increase in profits despite the impairment on receivables of €1.2 million. Meanwhile, the ROE of 6pm Holdings plc only improved from 14.5% to 15.8% although the profits more than doubled to GBP1.69 million from GBP0.81 million in 2014 largely reflecting the consolidation of Blithe Computer Systems Ltd in the UK as from July 2015. The increased profitability was counter balanced by the fact that the company's equity base improved by GBP11.5 million to GBP15.8 million reflecting the GBP9 million (net of deferred tax) revaluation of the Group's proprietary software solutions.

In the banking sector, only Bank of Valletta ranks in the top 10 positions with an ROE of 12.4% during its 2014/15 financial year. Recently, BOV issued its interim financial statements for the six months ended 31 March 2016 with profits after tax rising by 11% to €44.6 million translating into an annualised ROE of 13.2%. However, the Bank has continued to indicate that they will need to increase their Tier 1 capital in the near term (possibly through a mix of higher profit retention and additional equity through a rights issue or a placement of shares to new investors) and this could negatively impact the ROE going forward.

	Equity	Post-Tax ROE 2015
1	Medserv plc	40.52%
2	GO plc	27.02%
3	Malta International Airport plc	25.47%
4	RS2 Software plc	18.80%
5	Malita Investments plc	16.30%
6	6pm Holdings plc	15.76%
7	MIDI plc	15.07%
8	Bank of Valletta plc	12.36%
9	MaltaPost plc	11.83%
10	Malta Properties Company plc	11.32%

On the other hand, the ROE of HSBC Bank Malta plc declined from 7.8% during their 2014 financial year to 6.5% as the bank's performance was impacted by the cost of the voluntary early retirement scheme of €14.7 million. Lombard Bank Malta plc saw its ROE improve slightly from 4.2% in 2014 to 5.1% mainly on lower impairment provisions.

Tracking the ROE's and other financial indicators of companies over a number of years also provides a good overview of trends across a specific company or sector. In this respect, it is worth highlighting the rapid decline in returns across the banking sector. The ROE of HSBC Malta was above 20% in 2008 but dropped to below 10% in 2014 and 2015. Likewise,

Lombard Bank Malta plc saw its ROE drop from 15% in 2008 to below 10% in each of the last 5 financial years. On the other hand, BOV's ROE was more volatile due to the impact of fair value adjustments in their income statement.

However, BOV continued to generate double-digit ROE's during each of the last four financial years.

MIDI plc also registered a double-digit ROE in 2015 and ranks 7th in the league table with a return of 15%. This property development company benefited from the recognition of property sales revenue amounting to €38.8 million in 2015 as the company concluded the final deeds on the large majority of apartments from the Q1 residential block. However, this return is unlikely to be repeated in 2016 on a lower amount of final deeds of sale during the current financial year as the Q2 apartments (60 in total) are being sold on plan with final deeds expected during the first half of 2018 upon delivery of the finished apartments.

The three property rental companies have differing ROE's due to their unique characteristics. Malita Investments plc ranks among the top 10 companies on the MSE as the company's performance was again very positively impacted by the fair value gains amounting to €11.6 million which helped the company's profit amount to €16.6 million. On the other hand, the other two companies (Tigne Mall plc and Plaza Centres plc) do not hold investment property and therefore their income statement is not impacted by any changes in value to investment property. Instead, property revaluationsare reflected only in the balance sheet. In fact, the ROE's of these two companies are similar. The ROE of Tigne Mall improved from 4.1% in 2013 to 5.2% in 2015 and Plaza's edged up to 4.2% from 3.9% in 2013. The ROE of Tigne Mall is higher than that of Plaza due to its relatively higher leverage which offsets the better operational performance of Plaza.

Although the two ratios I discussed in my latest articles are very important indicators, they are definitely not the only ones which need to be take into consideration when analysing companies. Additionally, it is important to highlight that financial ratios are based on historical figures. More importantly, one would need to understand the potential future prospects of the company or sector in question and additional information in this respect is essential from local companies to assist investors accordingly. Furthermore, investors should also be cognisant of the various risks related to a specific company and the industry in which it operates, in order to assess whether this is in line with the investor's own risk profile before taking an investment decision.

Rizzo, Farrugia & Co. (Stockbrokers) Ltd, "RFC", is a member of the Malta Stock Exchange and licensed by the Malta Financial Services Authority. This report has been prepared in accordance with legal requirements. It has not been disclosed to the company/s herein mentioned before its publication. It is based on public information only and is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The author and other relevant persons may not trade in the securities to which this report relates (other than executing unsolicited client orders) until such time as the recipients of this report have had a reasonable opportunity to act thereon. RFC, its directors, the author of this report, other employees or RFC on behalf of its clients, have holdings in the securities herein mentioned and may at any time make purchases and/or sales in them as principal or agent, and may also have other business relationships with the company/s. Stock markets are volatile and subject to fluctuations which cannot be reasonably foreseen. Past performance is not necessarily indicative of future results. Neither RFC, nor any of its directors or employees accept any liability for any loss or damage arising out of the use of all or any part thereof and no representation or warranty is provided in respect of the reliability of the information contained in this report.

AVVIŻ KONFERENZA MEJJU 2016

Il-Pubbliku huwa mistieden għal konferenza bil-Malti:

Is-Sur Peter Baldacchino, Lettur fl-Università ta' Malta, jitkellem dwar **'Corporate Governance and its assessment'.**

Post: Mapfre Middlesea House, Floriana

Data: It-Tlieta, 24 ta' Mejju 2016

Ħin: Kafè fis-6:00pm. Taħdita mis-6:30 sat-8:00pm.

Dħul b'xejn. Il-post hu ġentilment offrut lilna mingħajr ħlas mill-MAPFRE Midddlesea Insurance p.l.c.

MEMBERSHIP APPLICATION FORM

Nixtieq insir membru / inġedded is-sħubija tal-**Malta Association of Small Shareholders**.

Isem u kunjom: ______________________________

Indirizz: ______________________________

Kodiċi Postali: ______________ ID: ______________

Tel ___________ Mowbajl___________ Imejl: ______________

Qed nibgħat ċekk ta' €5, f'isem il-Malta Association of Small Shareholders.

Jien niddikjara li nimxi skont l-Istatut u l-aġġornamenti tiegħu.

FIRMA: ______________ DATA: ______________

L-INFORMAZZJONI KOLLHA TINŻAMM SKONT ID-'DATA PROTECTION ACT'.

LIST OF SPONSORS

International Hotels Investment
Mapfre Middlesea Insurance
Malta International Airport
Grand Harbour Marina
Malta Stock Exchange
Simonds Farsons Cisk
Mediterranean Bank
Island Hotel Group
Bank of Valletta
6PM Solutions
Global Capital
Loqus Group
Medserv
Fimbank

MASS

email: info@mass.org.mt

website: www.mass.org.mt

facebook.com/MaltaAssociationSmallShareholders