

Stock Market Review



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Maltapost share price doubles since IPO

The share price of Maltapost plc hit the €1 level on the penultimate trading day of 2010 helping the equity close the year as the best performer on the Official List of the Malta Stock Exchange with a gain of 42.9 per cent.

The €1 level also represented a new all-time high for the equity, a level which is double the IPO price in January 2008 when the government had sold 40 per cent of the company's shares at €0.50 per share. The public offering, which coincided with Malta's adoption of the euro, was very heavily oversubscribed and could be classified as the most successful local initial public offering ever.

The unsatisfied demand at the primary market offering then helped the equity to a strong debut when the shares were listed and trading commenced on January 25, 2008. The price had touched a high of €0.968 within the first two months of trading on high volumes with two shareholders accumulating shares coming on offer in the market and building up equity stakes in excess of five per cent each. The equity then drifted to close 2008 at the €0.80 level, and subsequently edged down gradually to the €0.60 level by November 2009.

Over the past 14 months since the low in November 2009, the equity rebounded strongly on high volumes as the local equity market entered into a recovery mode on increased demand by investors especially for companies offering attractive dividends. At the €0.60 level in November 2009, the gross dividend yield was in excess of 10 per cent per annum and although the share price has rallied by over 65 per cent since then, last week's confirmation that the dividend is being maintained at the prior year's level firmly places this equity as one of the top dividend yielders on the local market.

Due to the decline in bond yields to their lowest levels in several years and with the prospect of gradually rising interest rates and consequently lower bond prices going forward, investors seem to have begun increasing their exposure towards dividend paying equities. Unlike fixed income instruments such as bonds, companies may increase their dividend distributions over time. Market statistics indicate investors' preference for those companies with strong fundamentals and which

are likely to sustain dividend payouts even in adverse economic circumstances.

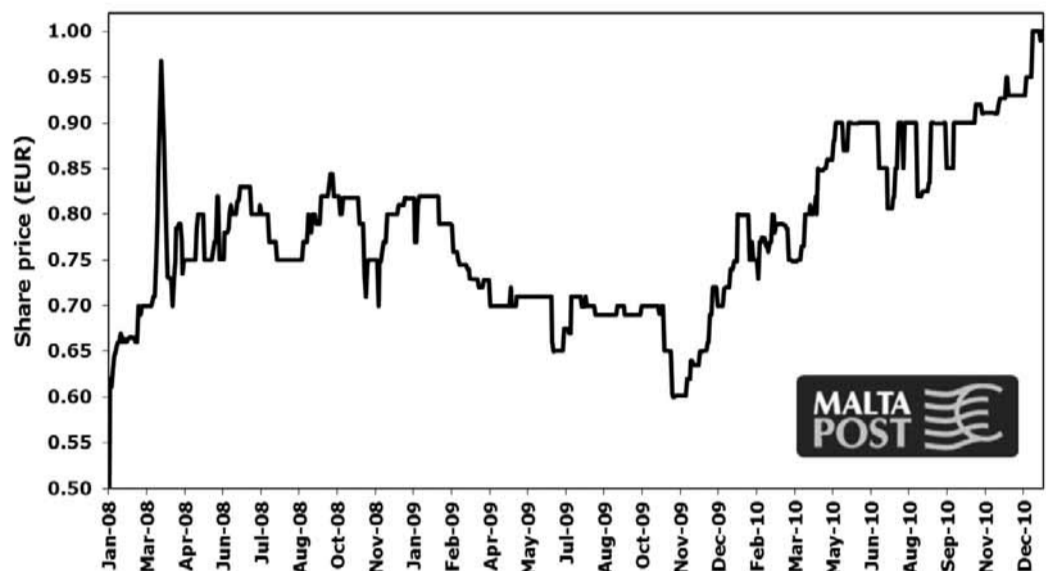
This, primarily, seems to have been the reason for the strong out-performance of the share prices of Maltapost plc, Malta International Airport plc, and Bank of Valletta plc in 2010 as the market deemed these three companies as having the ability to sustain and possibly grow dividends for shareholders.

The September 2010 full-year results published by Maltapost confirm the fundamental strength of the postal operator and its ability to maintain a healthy dividend. Pre-tax profits were maintained at last year's record level of €3.2 million while after-tax profits reached an all-time high of €2.1 million on a lower tax charge.

The company's overall revenue figure increased minimally to €20.4 million as Maltapost continued to benefit from the growth in parcels business. The internet revolution has benefited postal companies despite the lower volumes of traditional mail. Internet shopping and new philatelic initiatives were once again instrumental for the company to maintain a healthy level of profitability.

In anticipation of further growth from the parcels business through a higher number of e-commerce transactions, Maltapost embarked on an extension to the area dedicated to this activity within its head office. However, no update was given on this initiative in the recent preliminary profit statement by the company.

MaltaPost plc
24 January 2008 to 11 January 2011



At the time of the IPO in January 2008, Maltapost had also indicated that one of its future strategic objectives was that of providing low-cost financial services. While the postal operator was quick to introduce the encashment of social security cheques shortly after the public offering, no mention has been made by the company in recent months on its wider plans in this area and when it would be in a position to begin offering savings products to the local community.

The fundamental strength of Maltapost is also very evident from a quick glance at its September 30, 2010 balance sheet published last week. This reveals a total amount of €12.9 million in shareholders' funds with a further €5.2 million in financial assets and more importantly no debt. During the last annual general meeting chairman Joseph Said was quoted as having defended this strong position since the company "was reserving liquidity for this to be invested in a wider and improved branch network as well as for investment in future projects". Here again, an update of any concrete plans in this respect would be welcomed by shareholders.

For the third successive year, the full-year dividend was maintained at a net level of €0.04 per share and Maltapost is once again offering shareholders the option of either electing for a cash dividend or taking their dividend entitlement in the form of new shares.

The attribution price (i.e. the price at which these new shares will be

allotted) has been established at €0.92. This is substantially higher than the attribution prices of previous years of €0.77 and €0.66 and is reflective of the strong increase in the share price in recent months. While the creation of new shares may be viewed positively by shareholders especially since they are being offered at a discount to the current market price, some may argue that Maltapost does not require further permanent capital given its current strong financial position. However, additional new shares help to increase liquidity and activity in the secondary market which is so beneficial.

Although a healthy financial position is always very comforting, on the other hand a company with a high level of share capital and no borrowings is not always regarded very positively by international financial market commentators. An element of leverage is normally necessary to maximise shareholders' returns.

Unfortunately, the shares were already ex-dividend when the financial results and the recommended dividend were announced last week. This may have put off some investors from seeking to acquire some shares to be entitled to the full-year's dividend of €0.04 per share. However, the equity has held on to its record level of €1 probably on further support from longer-term investors who regard Maltapost as a company offering a sustainable and possibly higher dividend in the years ahead.

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Maltapost's results confirm the fundamental strength of the postal operator and its ability to maintain a healthy dividend.

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