

Investing in **you**: Deciding which shares to buy and sell

Mercy Chome
Equity Dealer
Continental Capital Limited



What does investing in **you** mean?

Investing can take many forms. Here are three common financial investments:



Interest Bearing Assets

Income earned through
fixed deposits and bonds



Real Estate

Generates rental income and
appreciates in value over time



Commodities

Invest in physical goods like
agricultural products



TODAY'S FOCUS

Investing on the Malawi Stock Market

Buying shares in companies to grow wealth over time



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Why invest in shares?

01

Wealth creation

Grow your money through rising share prices and regular dividend payouts — two ways to earn from a single investment.

02

Company ownership

When you buy shares, you become a part-owner of real companies — their success becomes your success.

03

Long-term growth

Companies grow year after year — and as they do, the value of your shares can grow with them.

04

Collateral for loans

Your shares can be pledged as security to access financing — unlocking liquidity without selling your investment.



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Most people think:

"Buy low, sell high"

"Follow what others are
buying"



Reality:

Investing is decision-making
under uncertainty



Key Question:

*Why are you buying this
share?*

The reality of investing



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4 Steps to better decisions:

Define investment goals

Understand the business

Analyze the financial performance

Get the timing right

**A simple
framework**



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Step 1 – Define investment goals

Define your goal before buying: regular income (dividends) or capital growth (rising share price).



Steady income

Target well-established companies with a consistent dividend track record.



Long-term growth

Consider companies that reinvest profits into expansion — less dividend income, but higher growth potential.



Capital preservation

Consider established companies that post steady and predictable profits over time.

Your objective shapes every decision — the companies you research, the ratios you prioritize, and how long you hold.



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Step 2 – Understand the business



Ask yourself:



What does the company do?



How does it make money?



What are the risks associated with the business?



What's the competitive landscape?



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Importance of research



Why research matters

Buying shares is investing in a business — understanding fundamentals, market trends, and corporate governance is essential.



Reliable sources

MSE reports, Reserve Bank publications, broker and asset management reports, audited financial statements, and annual reports of listed companies.



Key factors to monitor

Malawi's economy, interest rates, government policies, exchange rates, and global economic developments.



Step 3 – Analyze the financial performance

Ratio Analysis

01

P/E Ratio

Is the company overvalued or undervalued?

02

P/B Ratio

Is the market value cheap compared to its net asset value?



Step 3 – Analyze the financial performance

Cash Flow Analysis

03

Earnings Growth

Is the net income increasing?

04

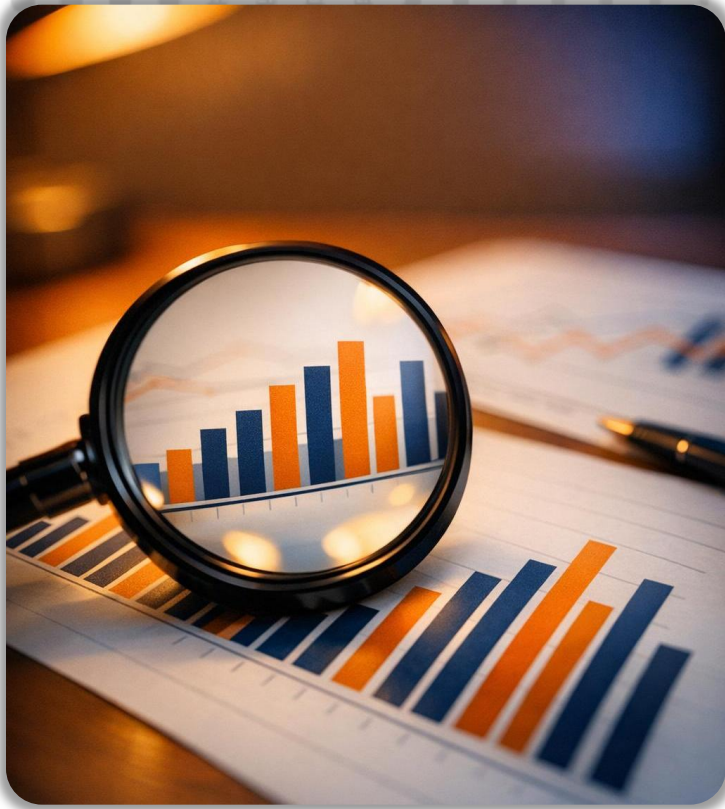
Dividend Yield

Is the share generating income relative to its price?



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Price-Earnings Ratio (P/E)



The P/E Ratio tells you how much you pay for every Kwacha a company earns. A lower number can mean a cheaper price; higher may signal overvaluation or growth expectations.

$$\text{P/E} = \text{Share Price} \div \text{Earnings Per Share}$$

Example: Share costs K1,000, earns K100/share. $K1,000 \div K100 = \text{P/E of } 10$



High P/E

Investors expect strong growth, so they pay a premium. Could also mean the company is overvalued.



Low P/E

Could be a bargain - or a sign the company isn't growing much. Always compare within the same industry.

Always compare P/E ratios between companies in the same industry — comparing a bank to an agricultural firm isn't a fair test.



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P/E Ratios across the MSE

Company	Sector	P/E Ratio
ICON Properties	Real Estate	3.27
MPICO	Real Estate	3.30
TNM	Telecom	16.29
Airtel	Telecom	24.12
FDH Bank	Banking	27.28
NBS Bank	Banking	14.79
National Bank of Malawi	Banking	25.32
Standard Bank	Banking	39.95
BHL	Tourism	27.28
Sunbird Tourism	Tourism	47.12

Banking vs Non-Banking

Banks on the MSE tend to trade at higher P/E ratios (14-40) compared to real estate (around 3). This reflects investor confidence in the banking sector's consistent earnings and growth potential in Malawi's expanding financial services market.

Source: MSE Daily Report, May 4, 2026



Price-to-Book Ratio (P/B)



The P/B Ratio tells you whether you're paying more or less than what a company's assets are actually worth -- its "book value" after selling everything and paying debts.

$$\text{P/B} = \text{Share Price} \div \text{Book Value Per Share}$$

Example: Share costs K500, assets/share worth K250. $K500 \div K250 = \text{P/B of } 2.0$

>1

P/B Above 1

You're paying more than the assets are worth -- investors believe the company will keep growing.

<1

P/B Below 1

Could be a bargain - you're paying less than the assets are worth. But check why it's cheap.

P/B works best for companies that own a lot of physical assets, like banks and property firms.



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Earnings Growth



Earnings Growth measures how much a company's profits are increasing over time. Consistent growth signals a well-managed company with strong demand for its products and services.

$$\text{EPS Growth} = (\text{Current EPS} - \text{Previous EPS}) \div \text{Previous EPS} \times 100$$

Example: Last year K80/share, this year K100. $(K100 - K80) \div K80 \times 100 = 25\%$ growth



High Growth (15%+)

The company is expanding profits quickly - often attracts investors and pushes the share price up.



Low or Negative Growth

Profits are stagnant or shrinking - could signal trouble, but may be temporary due to new project investments.

Look at earnings growth over several years, not just one. A single good year can be misleading - consistent growth matters most.



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Dividend Yield



The Dividend Yield tells you how much cash income you're earning from a share relative to its price - the annual return from dividends alone.

$$\text{Dividend Yield} = \text{Annual Dividend Per Share} \div \text{Share Price}$$

Example: A share pays K20 in dividends/year and costs K500. $K20 \div K500 = \text{Dividend Yield of 4\%}$



Higher Yield

More income per kwacha invested - attractive for income-focused investors. But very high yields can be a warning sign if unsustainable.



Lower Yield

The company pays less income - it may be reinvesting profits to grow instead of paying them out.



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Knowing when to sell



Stay Rational

Before making any sell decision, check your emotions at the door. Fear and greed cloud judgment - approach every trade with a clear, rational mindset.



Know When to Exit

With a clear head, watch for the signals: overvaluation, speculation-driven prices, or a shift in the company's fundamentals. These are your cues to consider selling.



Realize Your Profits

Once the signals align, act decisively. Gains on paper aren't real - profits only count when you sell. You can always reinvest later at better prices.

If you're unsure, consider getting advice from a professional.



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The value of diversification

Shares can grow your money, but they also come with risk. Don't put all your money in one investment.



Spread your risk

Spread your money across different companies and sectors.



Balance the loss

If one performs poorly, others can help balance the loss, protecting your overall investment.



Get expert advice

If you're unsure, consider getting advice from a professional.



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Why do prices rise or fall?

Share prices move based on supply and demand — shaped by investor sentiment, economic conditions, and company performance.



Bullish Market

Prices are rising - optimism drives demand

What causes it:

- Strong company earnings and profit growth.
- High investor confidence and demand for shares.
- Favorable government policies and interest rates.

What it means for you:

- Share prices tend to rise over time.
- Good time to hold or buy early in the trend.
- **Watch out for FOMO** - don't chase rising prices out of fear of missing out.



Bearish Market

Prices are falling - fear drives selling

What causes it:

- Declining company earnings or negative results.
- Low investor confidence and widespread selling.
- Tax reforms or unfavorable policy changes.

What it means for you:

- Share prices tend to decline - portfolios lose value.
- Can be an opportunity to buy quality shares at lower prices.
- **Avoid panic selling** - emotional reactions lock in losses. Stay disciplined.



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**An investment in
knowledge pays
the best interest.**

Benjamin Franklin



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Visit Us

Ulimi House, Glyn Jones Road, Blantyre | Gowa House, City Centre, Lilongwe



Call Us

0999 971 579 | 0999 971 580 | 0887 376 467



Email

capital@continental.mw



Website

www.continentalcapital.mw



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