

Current Price :	116.99
52 Week High :	157.00
52 Week Low :	104.90
20 Day VWAP :	117.66
P/E :	13.77
D/Y :	0.03
PBV :	4.01
EV/EBITDA :	9.41
Issued Shares (mn)	1,240.53
Market Cap (mn)	1,455.14

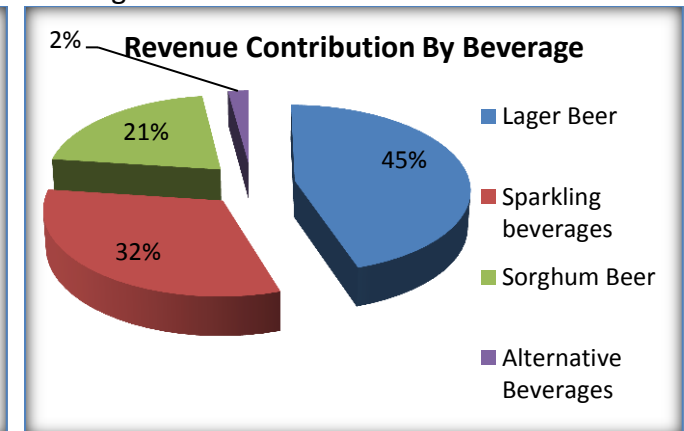
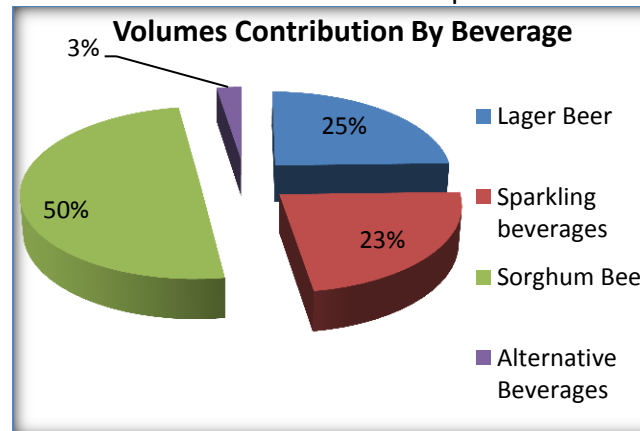
### Financials

Delta posted an almost flat performance for the year to March 2014 as operations suffered from a marked slowdown in consumer spend in last half and worsening economic fundamentals. The result was that revenues saw a marginal 1% decline to \$625,5m (Turnover: \$733,8m). From this EBITDA of \$165.2m was achieved being up 2% on the prior year outturn. The gains however failed to hold at EBIT level which recorded a 1% decline owing to higher depreciation closing at \$134.2m. Attributable income also improved by 3% to \$105.7m, on the back of a finance income of \$9.5m being a 37.7% improvement on that earned last year, which translated to 8.55c per share. The group then rewarded their shareholders with a final dividend of 2.25c to bring the full year dividend to 3.55c. The group's balance sheet at the end of the year stood at \$619.9m with equity of \$406.1m while operations managed to generate \$153m in cash flows over the year which was down 7.43%

	Final 31-Mar-13	Final 31-Mar-14	Forecast 31-Mar-15
	US\$ 000	US\$ 000	US\$ 000
Gross Sales	740,162	733,874	755,890
Revenues	631,276	625,517	644,283
EBITDA	161,500	165,300	170,259
Operating Income	134,989	134,184	138,210
PAT	104,123	107,193	110,409
AE	104,123	105,664	108,834
NAV	347,250	500,116	608,950
EBITDA Margins	22%	23%	19%
EPS (US cents)	8.46	8.52	8.77
Dividend Per Share	3.40	3.55	3.66
RoE	29.99	21.43	18.13
P/E (X)	13.59	13.50	13.37
Div Yield	2.96%	3.09%	2.96%
Earnings Yield	7.36%	7.41%	7.36%
Closing Share Price	115.00	115.00	117.30
<b>EFE Target Price</b>			<b>166.52</b>

### Review of operations

LAGER volumes were 18% lower at 1,696k (hl) resulting in a 10% decline in revenues to \$316m while Sparkling Beverages were down 2% on both volumes and values to 1,590k (hl) and \$225m respectively. Sustaining the performance for the year was Sorghum beer that saw a 12% growth in volume to 3,442k (hl) resulting in a revenue contribution of \$146m which was up 24% on that achieved last year. Another driver of performance were the alternative beverages that contributed \$15m to total revenues from a volume of 175k (hl) after a 33% increase over the year. The improved operating margins at 24.75% were a result of better efficiencies and improved overheads management.



SOURCE: DELTA



SOURCE: EFE

	DLTA.ZI	Industry	Sector
P/E (TTM):	13.36	18.98	33.26
EPS (TTM):	0.09	--	--
ROI:	26.05	6.47	71.85
ROE:	32.78	8.53	80.89

SOURCE: REUTERS

### Valuation and recommendation

Delta’s market spread geographically and demographically makes the group a barometer for the economic conditions in the country. The economic slowdown highlighted by a tight liquidity situation and falling demand had its toll on the group particularly the premium lager beer brands that took a dip in volumes. The group’s commendable strategic move to drive the sorghum beer volumes paid off though as the beverage volumes remained flat while revenues took only a 1% fall on prior year. The ensuing year however remains a demanding proposition for companies in Zimbabwe with the challenges previously highlighted continuing to haunt economic agents. We believe that the group’s drive to diversify its income streams via additions to their product range is a welcome move towards its long term growth prospects.

Delta’s performance is thus intricately tied to the improvement in the economic fortunes of the country and the recovery in consumer spends. Against this backdrop we expect Delta to post a growth for the year to March 2015, of 3% similar to the GDP forecast by the IMF. This should see the beverages group turn in gross sales of \$755.9m while FY2014 margins should prevail to see them attain EBITDA and attributable earnings of \$170.3m and \$108.8m for the full year to March 2015. Based on the average industry P/E for breweries of 18.89x this places our target price at 166.52c. Delta’s allure has always been its strong market presence coupled with their consistent capital investments that have resulted in optimal productivity and should assure sustainable returns. We therefore maintain a **BUY** rating on them

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