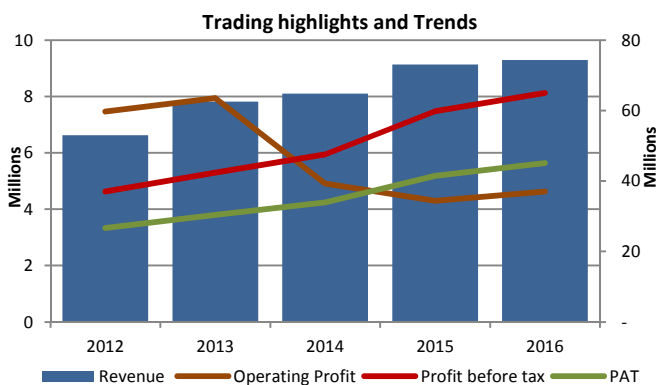


EDGARS

Price:	8.00
52 Wk High:	13.11
52 Wk Low:	7.25
20 Day VWAP:	8.32
P/E:	4.52
D/Y:	0.00%
PBV:	1.07
EV/EBITDA:	8.03
Issued Shares(m):	292.95
Market Cap(m):	\$ 23.44

PERIOD ENDING	5-Jan-13	4-Jan-14	10-Jan-15	2016F
	\$000	\$000	\$000	\$000
Revenues	62,576	64,824	73,037	74,308
Attributable PAT	3,798	4,238	5,184	5,635
Shareholders funds	11,766	16,461	21,920	27,555
Net interest bearing debt	16,604	15,614	19,493	18,220
Cash on hand	4,748	906	849	2,122
Interest bearing debt	21,352	16,520	20,342	20,342
Net current assets	22,966	22,836	29,318	32,250
Ratios				
Basic EPS	1.48	1.65	2.02	2.20
Diluted EPS	1.41	1.58	1.93	2.10
NAVPS	4.38	6.13	8.16	10.26



Source Edgars/EFE Securities

FY Results to 10 January 2015:

Edgars' results for the 53 week period to 10 January 2015 reflected a 12.7% increase in revenues to \$73.0m with merchandise sales accounting for 98.7% of the total. Gross profit for the period amounted was up 7.7% on prior year at \$33.4m representing 45.7% GP margins which a slightly lower than the 47.9% attained in the prior year. Higher operating costs saw the trading profit for the period decline 12.6% to \$4.3m, which got a boost from net finance income of \$3.2m to see the group post profit before tax of \$7.5m. The after tax profits for the group closed at \$ 5.2m having accounted for income taxes amounting to \$2.3m. The group's balance sheet stood at \$54.9m of which \$21.9m represented the group's Net Asset Value. Group cash and cash equivalents at the end of the period totaled \$0.8m while operations were in an outflow position of \$2.2m

The Group rode on offering various credit options and improved assortments in the various chains to drive revenues. On a chain by chain basis, Edgars' performance was underpinned by the re-launch of the Club which incorporated the Hospital Cash Plan. This gave the chain's topline a 9.1% boost to \$56.1m, as the club membership rose to 87,000 by end of December, but profitability decreased 6.6%, on more discounts to aging stocks. Jet contributed 21.6% (\$15.5m) to the Group's turnover as pricing and product assortment efforts paid off. The chain's turnover increased by 20.0% with like-for-like growth at 2.4% while profitability improved by 30.3%. The manufacturing unit carousel turned over \$7.6m including intercompany transactions and posted a trading profit of \$0.4m.

Comment:

Edgars has posted an impressive set of numbers which came against the run of performance in the general economy characterised by a dearth in demand and rising unemployment. With earnings of \$5.2m the group is now trading at a PE of 4.14x which we believe is a heavy discount on the group's value especially when taken in consideration of regional retailers in the region that hover in the teens. Our concern on the numbers however is the negative performance on operating cash flows which we believe could point to over accumulation of credit accounts. Having established the momentum in the reported period the group and we expect them to be able to maintain. The introduction of the extended credit in the Edgars chain augers well for the group despite the less supportive macroeconomic environment rife with falling disposable incomes and rising unemployment, both likely to dampen demand and revenues, we have been very conservative in our forecast in the ensuing year. We expect the topline to grow by 2% to \$74.3m buoyed by a migration of more accounts to the longer payment period in the Edgars chain. Applying the same GP margins of 45.7% attained in the prior year these should translate to \$34.0m gross profit and the group should easily attain PBT and earnings of \$8.1m and \$5.6m respectively. Based on the long run ZSE average PE 10x we value Edgars at \$56.2m which translate to a target price of 20c. BUY.