EFE RESEARCH

Results reviews

Companies

- Lafarge Full Year Results to December 2012
- BAT Zimbabwe full year results to December 2012
- DZLH Full year results to December 2012
- Truworths Interim results to January 2013

LAFARGE FULL YEAR RESULTS TO DECEMBER 2012	
Current Price :	90.00
52 Week High :	90.00
52 Week Low :	45.00
20 Day VWAP :	74.24
P/E :	15.56
D/Y :	-
PBV :	2.12
EV/EBITDA :	8.32
Shares in Issue (mn):	80.00
Mrkt Cap ($mn) :	72.00

	FY 2011	FY 2012	2013 F
	$	$	$
Revenue	49,691	69,927	90,905
Operating profit/loss	5,509	6,779	13,363
PBT	5,027	6,454	13,038
Profit /Loss	3,496	4,626	9,346
Total Fixed Assets	28,540	34,785	38,085
Current Assets	18,427	24,229	30,275
Total Assets	46,967	59,015	68,360
Total Equity	23,922	34,000	43,346
Current liabilities	16,308	16,711	16,711
Ratios			
Op Margins	11.09%	9.70%	14.70%
PBT Margins	10.12%	9.23%	14.34%
PAT Margins	7.04%	6.62%	10.28%
Target Mrkt Cap			132,083
Target Price			165.10
Upside/Downside			83%

Analysts Respect Gwenzi +263 773 782 392
respectg@efesecurities.co.zw
Phenias Mandaza +263 772 144 334
pheniasm@efesecurities.co.zw

Lafarge annual results summary

Lafarge reported its full year results to December 2012 reporting an upsurge in turnover of 41% to $70m over prior year on the back of a 48% increase in local cement sales to give an operating profit of $6.7m net of $3.5m retrenchment costs, which is 15% up on last year. PBT for the year was $6.5m a 28% increase ahead of the comparable period last year, however PBT margins before once off costs (retrenchment exercise) increased to 14% compared to 10% for 2011. Resultantly profit for the year at $4.6m was 32% up relative to the comparable period to give an EPS of $0.06 from $0.04. The balance sheet stood at $59m a relative growth of 21% compared to $46.9m in the preceding year on the back of a revaluation of assets and the profit. Cash and cash equivalents closed the period at $2.8m a marginal gain from last year whereas NAV per share stood at $0.74.

Operations review

The refocusing of operations to concentrate on satisfying domestic demand resulted in a surge in local sales boosting revenue levels to $70m and in a further bid to auger their revenue the company has increased their propensity to produce other non cement products including aggregates and paints that significantly impacted on the top line. Major construction works were affected due to the tight liquidity in the economy resulting in low cement uptake; however cement demand for individual home projects increased as people focused on improving their residential houses. Consequently, overall domestic cement demand increased by 10% from 898 kilo tones (kt) for 2011 to 984 kt for 2012. The company has agreed with the relevant authorities on the modalities to minimize foreign shareholding to an acceptable 49% for indigenization thresholds.

For the trading update management were upbeat after reporting a first two months revenue growth of 7% to $11million and operated at profit margins of 9% which are expected to improve driven by economies of scale and improved production efficiencies on the back of successful completion of the plant maintenance exercise and cost reduction initiatives which the company embarked on last year. Against this backdrop management forecast full year 2013 revenues to increase by 29% to $90 million. The company has a $3.3m capex budget to be expended on improving plant efficiencies while improved operating margins and working capital management should result in better cash generation.

Valuation and recommendation

We believe that the group should be able to achieve revenues of $91m assuming a 2 year average growth (2010, 2011) of 30% on current year's revenue buoyed by improving domestic demand. Based on operating, PBT, and PAT margins of 14.7%, 14.34% and 10.28% achieved in 2012 excluding the nonrecurring retrenchment cost we forecast the group to post $13.3m Op Profit, $13.0m PBT and PAT of $9.3m respectively. This would translate into a P/E +1 of 7.7x, indicating a discount to the regional peer average P/E for players in the sector of 14.1x implying a potential upside of 83% in 12 months. We therefore maintain our Buy Recommendation.

BAT FULL YEAR RESULTS TO DECEMBER 2012	
Current Price :	720.00
52 Week High :	725.01
52 Week Low :	178.00
20 Day VWAP :	721.88
P/E :	10.21
D/Y :	9.03
PBV :	8.96
EV/EBITDA :	10.91
Shares in Issue (mn):	17.38
Markt Cap ($mn) :	125.15

	FY 2011	FY 2012	2013 F
	$ -	$ -	
Revenue	39,784	51,853	57,038
Operating profit/loss	7,344	17,612	20,665
PBT	6,937	16,878	19,925
Profit /Loss	4,883	12,262	14,475
Total Fixed Assets	10,169	10,308	10,308
Current Assets	21,705	23,317	37,792
Total Assets	31,874	33,625	48,100
Total Equity	8,479	13,962	28,437
Current liabilities	21,266	17,630	17,630
Ratios			
Op Margins	18.46%	33.97%	36.23%
PBT Margins	17.44%	32.55%	34.93%
PAT Margins	12.27%	23.65%	25.38%

Target Market Cap	203,820
Target Price	1,172.63
Upside/Downside	63%

Analysts Coreen Madanha +263 772 144 333

coreenm@efesecurities.co.zw

Phenias Mandaza +263 772 144 334

pheniasm@efesecurities.co.zw

Summary of Final Results to December 2012

British American Tobacco Zimbabwe Limited (BATZ) released its audited financial results for the year 2012, showing a 30% increase in turnover from $39.8m to $51.9m. Likewise, operating profit increased markedly by 140% from a lower position of $7.3 to $17.6m while PAT surged 151% also from a low base of $4.8m to $12.2m. Gross profit margins for the period stood at 57.65%. The group's NAV was up 112% to $17.9m and closed with cash and cash equivalents of $3.5m. The performance reflected a 71c EPS and the group spiced it up with a 42c per share interim dividend to the shareholders.

Operations Review: BAT's positive out turn was attributable to improved sales mix as Dunhill a quality brand achieved 43% in volume growth and price adjustments .However overall sales volumes were recorded 11% lower as compared to last year. Madison continued its flagship position as main contributor as it put in 68% of the local sales volume. Exports in the form of cut rag sales to Mozambique were 16% lower than the same period in 2011 dampened by the inflow of competitors as the country's procurement processes. The group believes that the success of the business hinges on prominent brands, good customer relations and strong distribution network thereby ensuring that their brands remain the preferred quality option. The group expects to focus on improving the sales growth in all brands by ensuring that demand is met and extensive marketing and distribution initiatives.

Comment: BAT has reasserted its market leadership status in the local cigarette industry as evidenced by yet another solid and improved performance reported for the year ended 31 December 2012. With dominant brands in their portfolio and operating in a market that appears fairly mature the company's prospects cannot be any brighter. Of concern however are the increased health risk awareness campaigns linked with smoking that have seen lower cigarette consumption in the developed countries though statistics from W.H.O have however shown that the reverse is certain for most developing nations in Southern Africa. The anti tobacco lobby is however less likely to fly more so with many developing agro-based economies depending on the crop for further development.

Recommendation: BAT's financial 2012 performance reasserted its strong cash generation capacity which we believe should easily continue into 2013. Currently trading at 730c, its stock is indicating a P/E multiple of 10.21x, which in our opinion makes the stock fairly cheap considering the average P/E multiple of its peer group of 16.35x. The allure in the stock vests in its munificent dividend policy coupled with their strategic alliance with the major shareholders that should easily enable the flow of expertise and knowledge between the two. We reiterate that the dynamics and economics of the local cigarette industry suggest that the group is operating in a fairly mature market in which their brand equity and market leadership is poised to be the major drivers of financial performance going forwards, we therefore place a **BUY** recommendation on BAT.

DZL FULL YEAR RESULTS TO DECEMBER 2012	
Current Price :	28.00
52 Week High :	29.00
52 Week Low :	14.00
20 Day VWAP :	28.90
P/E :	13.58
D/Y :	1.61
PBV :	1.97
EV/EBITDA :	10.12
Shares in Issue (mn):	343.17
Mrkt Cap ($mn) :	96.09

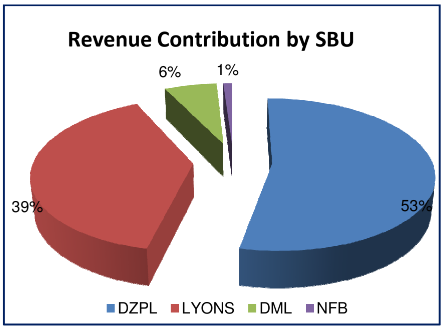
	FY 2011	FY 2012	2013 F
	$ -	$ -	
Revenue	95,983	106,889	117,577
Operating profit/loss	10,846	9,800	11,956
PBT	9,967	9,421	11,494
Profit /Loss	7,187	7,187	8,768
Total Fixed Assets	38,412	42,984	44,738
Current Assets	25,502	30,556	37,571
Total Assets	54,224	73,797	82,309
Total Equity	42,652	48,781	57,550
Ratios			
Op Margins	11.30%	9.17%	10.17%
PBT Margins	10.38%	8.81%	9.78%
PAT Margins	7.49%	6.72%	7.46%

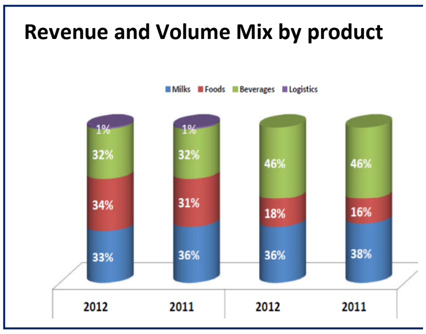
Analysts Phenias Mandaza +263 772 144 334

phenias@efesecurities.co.zw

Results Review: DZL released their full year results to December 2012 reflecting a flat bottom-line outturn despite revenues growing by 11% to $106.9m. The group's undoing was certainly in the operating costs that ate into the margins resulting in a 10% decline in operating profits from $10.8m to $9.8m, from which they posted a profit of $7.2m up by just 1% on last year and managed to reward their shareholders with a 0.45 USc dividend per share. The group's balance sheet stood at $ 73.8m up 14% on prior year level and had an NAV of $48.8m. Operations managed to generate $5.4m in cash and closed cash equivalents of $2.1m.

Operations: Group margin performances took a knock with operating margins dropping 200b.p to 9% while PBT margins were down 100bp at 9%; PAT Margins fell 60bp to 6.7%. The group believes that the misalignment between overheads and volumes of activity has impacted on the operating costs for the business with key cost drivers being labour, utilities and materials. Resultantly the group is looking to rationalize operations starting with the milk processing plants that are set to be reduced from ten to eight with plans to close the Bulawayo and Mutare plants. This will result in a 12% reduction in head count and annual savings of an estimated $1.0m.





The outlook for the group is however somewhat brighter given the $6.5m capex investment in 2012 which is set to increase capacity in the food business for the ensuing year while the planned further capex of $10m should further enhance production and output. The group's plan to rationalize production plants to suit the current raw milk production levels will be a welcome development that should see improvements in the bottom line while their proactive approach to revive the national herd by assisting farmers secure heifers also makes for better prospects of improving their intake going forward.

Recommendation: We forecasted the group 2013 out turn based on a top-line growth of 10%, though management forecast 12% growth. This should see DZHL post revenue of $117.6m and a bottom line of $8.8m based on 2012 PAT margins. As the group moves to correct the misalignment of cost structure through plant rationalization profitability is set to improve. The 2012 flat outcome is certainly a disappointment from the group however we believe Dairibord remains an attractive investment option whose allure vest in the group's fairly competitive product range that has been able to hold its own against imports coupled with the growing investment in building raw milk production that should go a long way in seeing the company rebuild capacities. We therefore maintain our **BUY** recommendation on the group.

TRUWORTHS INTERIM RESULTS TO JANUARY 2013	
Current Price :	4.19
52 Week High :	7.21
52 Week Low :	2.00
20 Day VWAP :	3.86
P/E :	14.92
D/Y :	-
PBV :	2.80
EV/EBITDA :	12.99
Issued Shares (mn) :	359.65
Mrkt Cap ($mn) :	15.07

	HY 2012 $ -	FY 2012 $ -	2013 F
Revenue	23,059	13,866	25,583
Op profit/loss	1,157	1,447	2,681
PBT	882	1,432	2,558
Profit /Loss	648	1,061	2,205
Total Fixed Assets	2,303	1,852	1,852
Current Assets	13,793	14,151	16,356
Total Assets	16,096	16,003	18,208
Total Equity	4,320	4,370	5,514
Ratios			
Op Margins	10.04%	10.44%	10.48%
PBT Margins	7.65%	10.33%	10.00%
PAT Margins	5.62%	7.65%	8.62%
Target Market Cap			29,574
Target Price			8.22
Upside/Downside			96%

Analysts Respect Gwenzi +263 773 782 392

respectg@efesecurities.co.zw

Phenias Mandaza +263 772 144 334

pheniasm@efesecurities.co.zw

HY results summary 2013:

Truworths released its interims to January 2013 in which they reported improved revenues of $13.8m, 11% up on last year on the back of a 10% rebound in retail sales to $13.2m over a comparable $12m. Despite a marginal increase in gross margins, gross profit surged higher to $6.9m and was 10% ahead of prior year's $6.1m. The group closed at an EBITDA of $1.8m while they operated at 10.9% PBT margins and achieved PBT of $1.4m. From these the group achieved interim after tax profits of $1.1m (EPS 0.28c), 52% up on comparative period. As at the reporting date the balance sheet firmed 19.3% to $19.2m from its FY 2012 position on the back of improved profitability and an increase in borrowings while NAV per share urged higher to 1.44c from 1.17c.

Operations review:

Active accounts of the group went up 11.2% to 74,563 from their prior year position driven by middle class earners with stable and consistent incomes mainly civil servants. 24% of group sales were on cash basis (Number 1 Stores) while 75% was on credit, whilst on contribution to sales by chain Topics remain the major contributor at 52.6% ahead of Truworths and number 1 at 34.4% and 13% respectively. Trading expenses saw an 8.1% improvement over the year while capex of $482,455 resulted in an increase of 44.3% in depreciation and amortization. Also on the upside were employment costs that grew 24.7% buoyed by an increase in staffing on new stores as well as a 22% increase in basic salaries.

Number 1 retail chains despite being the least contributor to sales ensures liquidity since it is a cash only retail chain and its contribution to overall sales have been steadily increasing ahead of other chains gaining 3% in the period under review. Two stores were opened in the interim under the number 1 chain. The annualized group sales densities per square meter averaged $1,198.52 on a trading space of 19,593 square meters. Net bad debts written off were 93% down on last year driven by improved collection and stricter account accreditation.

Valuation and recommendation:

Based on the H1 performance trajectory we believe the group should be able to carry through the same performance into H2 which should see the group post revenues of $25.6m. Applying the same margins achieved in the first half this should translate into operating profit of $2.7m, PBT of $2.6m and PAT of $2.2m. This would indicate a forward P/E of 6.84x which compares favorably to the peer group average of 13.4x we believe the stock offers opportunities for capital gains. As disposable incomes continue to improve albeit slowly coupled with the drive towards the development of a credit bureau, Truworths should continue to strengthen its performances. Zimbabwe sales densities continue to lag regional averages on the back of the shorter credit periods of 6 months compared to the 12 to 18 months in other retail markets opportunities for greater sales abound in the local market should terms improve.

Disclaimer:

This document has been prepared by EFE Securities (Private) Limited (EFE), for the information of its clients. Although the statements of fact in this report have been obtained from sources that the company believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute the company's judgment as of the date of this report and are subject to change without notice. The securities discussed and mentioned in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors they believe necessary. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. EFE and any of the individuals preparing this report may at any time have a long and/ or short position in any securities of companies in this report. In addition EFE may from time to time perform investment banking or other services for, or solicit investment banking or other business from any entity mentioned in this report. EFE may at times buy and sell shares on an agency or principal basis to its clients. Shares may rise or fall and investors may end up with a reduced amount from their initial capital invested. Additional information on recommended securities is available on request