Stock Data	HOLD
Current Price :	18.51
52 Week High :	30.00
52 Week Low :	17.00
20 Day VWAP :	18.50
P/E :	18.92
D/Y :	0.03
PBV :	4.31
EV/EBITDA :	12.91
Shares in Issue (m)	1,155.26
Market Cap ($m)	213.84

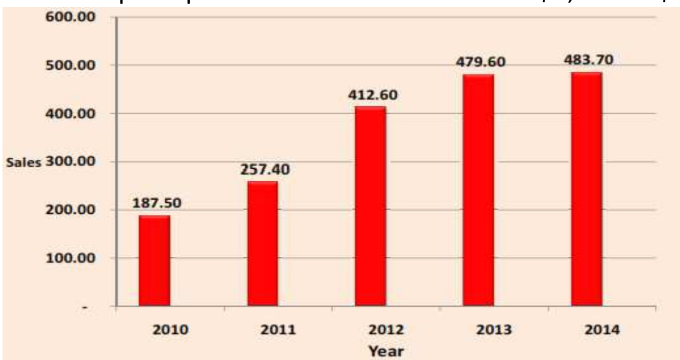
Financial Data	Final	Final	Final	Forecast
	Mar-12	Mar-13	Mar-14	Mar-15
Turnover	**412.56**	**479.64**	**483.66**	**475.47**
Gross Profit	70.16	82.91	83.00	80.34
Operating Profit	15.45	17.67	13.65	13.05
PBT	14.98	16.90	13.41	12.03
PAT	**10.31**	**12.38**	**9.69**	**8.94**
NAV	38.81	47.51	56.39	66.90
Total Assets	**95.50**	**116.30**	**117.04**	**125.98**
EPS (US cents)	1.00	1.19	0.85	0.79
NAVPS	4.62	5.44	5.89	6.68
Div Per Share	**0.50**	**0.60**	**0.43**	**0.39**
PBT Margins(%)	3.63%	3.52%	2.77%	2.53%
PAT Margins(%)	2.50%	2.58%	2.00%	1.88%
RoE	21.69	21.96	14.48	11.79
P/E (X)	12.57	20.09	21.71	0.00
PBV	2.73	3.76	2.24	1.98
Div Yield	0.05	0.03	0.03	0.03
Earnings Yield	0.08	0.07	0.06	0.06
Closing Price	11.00	18.00	18.50	
Target Price				**17.50**

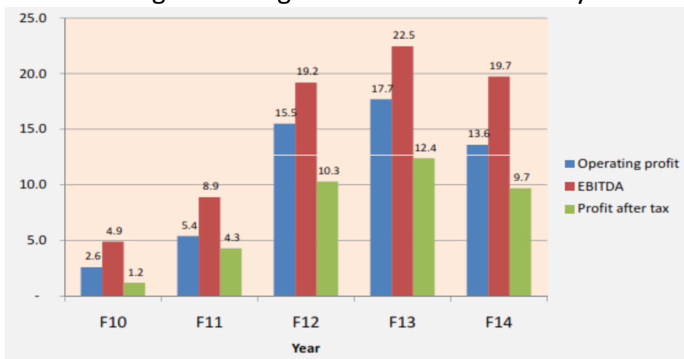
Financials

Revenue for the year at $483.7m was up 0.9% on the prior year outturn as the tight liquidity situation in the economy took its toll on the customer spend trends. The group operated at a GP margin of 17.0% to achieve gross profits of $83m for the year. Group EBITDA was down 11.8% at $19.8m while profit after tax closed at $9.7m being a 21.2% drop on that achieved in the prior year. This translated into earnings per share 0.85 cents down 28.6%, and from these the group rewarded the shareholders with a final dividend of 0.22c per share bringing the full year dividend to 0.42c per share. Group total assets at $117m were up 0.6% and of this $66.9m represented the shareholders' equity. Capital expenditure over the year went up 1% to $12.4m funded by cash generated from operations of $13.8m.

Review of operations

The group saw a constrained growth in revenues over the reported period partly as a result of the challenges in the operating environment while profitability declined attributed to expansion initiatives including the setting up of the financial services function and the taking on of extra staff to ma the additional operations. Over the reported period the group added five shops to the retail chains while a new shop under a new product concept I-Tech was opened over the same period. Resultantly overheads were up 6.3% lowering the group's profitability while the overheads as a percentage of sales ratio closed higher at 14.3% compared to 13.6% achieved in the previous year. Net sales per square metre went down from $6,067 to $5,865 reflecting the falling demand in the economy.





SOURCE:OKZIM

The group's revenue growth trend since 2010 is clearly showing signs of slowing down as only marginal growth was seen in FY2014. The reversal is however more pronounced in the profitability measures and in particular EBITDA, Operating profits and PAT trend graph shows a more pronounced downward trend. One of the reasons could lie in the generally trailing trend of costs to revenues in the face of the deflationary environment that the group finds itself operating in.

SOURCE: EFE

	OKZ.ZI	Industry	Sector
P/E (TTM):	17.68	22.62	32.61
EPS (TTM):	0.01	--	--
ROI:	20.62	7.65	59.99
ROE:	23.83	11.66	66.58

SOURCE: REUTERS

Company	Market	PER
CLICKS	JSE	19.03
OKZIM	ZSE	18.92
Pick N Pay	JSE	41.32
SHOPRITE	JSE	22.83
SPAR	JSE	17.21
Average		**23.86**

Comment and Valuation

The group has undoubtedly held its own given the slowdown in economic activity that has been characterised by the declining demand and falling consumer spend aggravated by tight liquidity. With the same conditions continuing to prevail in the ensuing year and looking unrelenting the group's success will lie in its ability to quickly adapt its cost structure to bring back its margins to within acceptable levels. Since the advent of the multicurrency system the group established itself as the epitome of the retail industry in Zimbabwe headlined by one of the successful recapitalization exercises that enabled them to set the bar high through shop refurbishments and heavy stocking all to enhance the customer experience. The onus now vests with them to maintain the customer counts notwithstanding the challenging operating where the customer spend is continually falling coupled with the continued growing competition in the sector that has continued to eat into the margins aided by the attendant high price sensitivity in the customers.

As in the case of the all the other companies on the market the economics of the country and operating environment is now intricately tied to the direction that the performance of the retail group will go. The much anticipated policy shift and realignment to draw investments places a glimmer of hope on the horizon though enactment and implementation will have their cost in terms of lead and lag time. With customer spend likely to remain constrained at least in the near term we expect this to negatively affect growth for OKZIM which will see them post FY15 revenues of $475.5m being a forecast -1.69% decline. Maintaining the margins attained in the previous year we expect operating profit and PAT of $80.34m and $8.94m. Applying the industry average PE of 22.62x value the group at $202m implying a target price of 17.5c. At the current price of 18.5c we do not see much upside in the short to medium term for the group and if anything it should soften marginally. Prospects can however change with improvement in the economic environment. Given the minimal forecast downside and a potential turn with improvements in the economy we place a **HOLD** rating on OKZIM for now.

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