Market sustains gains in second week of August…

	Previous	Current	Change	%Change	YTD %
Industrial	99.33	99.59	0.2600	0.26	13.29
Mining	25.56	26.35	0.7900	3.09	11.18

The market sustained its rising momentum into the week under review with both the Industrial and Mining Indices notching week-on-week gains. The Industrials firmed 0.26% and closed pegged at 99.59pts while, the minings firmed 3.09% and closed at26.35pts as demand returned to the resources. Only eleven counters ended the week on different prices from their opening levels with risers dominating at a count of seven compared to only four gainers for the week.

Weekly Risers

RISERS	PRICE	% Change
BIND.ZW	0.0120	9.09
SACL.ZW	0.0075	7.14
OML.ZW	2.4197	3.05
INN.ZW	0.1900	2.70
PHL.ZW	0.0970	0.41
NTFD.ZW	2.0475	0.37
SEED.ZW	0.5700	0.28

The weekly gains were led by nickel miners Bindura which gained 9.1% to $0.0120 in the wake of a slightly disappointing first quarter update in which nickel in concentration production fell 30% to 1,555 tonnes while, their all in sustaining costs went up 41.5% to $6,489 per tonne. Sugar refiners star Africa followed on a 7.1% lift to $0.0075 while Old Mutual maintained its uptick with a 3.1% gain to $2.4197. Innscor added 2.7% to $0.1900 and Padenga put on 0.41% to $0.0970. Completing the risers were National foods and SeedCO with gains of 0.37% and 0.28% respectively.

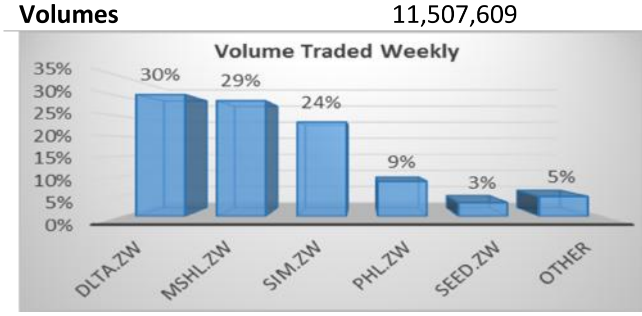
Weekly Fallers

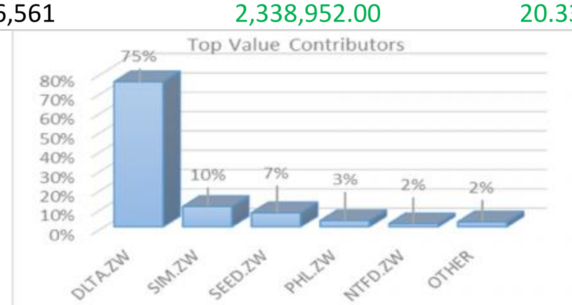
FALLERS	PRICE	% Change
PPC.ZW	0.6000	3.23
MSHL.ZW	0.0075	1.32
ECO.ZW	0.1990	0.25
SIM.ZW	0.1200	0.08

Four stocks closed the week in the red led by cement manufacturers PPC that shed 3.23% to $0.6000 where demand could be established while, construction allied group Masimba let go 1.32% and settled at $0.0075. Telecoms group Econet dropped 0.25% and ended trading at $0.1990 with Simbisa completing the shakers on a 0.08% fall to $0.1200

Market activity was much improved for the week though it was confined to a select few stocks on the market as investors largely exhibited cherry picking outlook.

	Previous	Current	Change	%Change
Values	734,542.58	3,732,406.02	2,997,863.45	408.13
Volumes	11,507,609	13,846,561	2,338,952.00	20.33





Values of the week ballooned 400% to $3.7m with the major driver being Delta in which 75% of the aggregate was derived. Volumes saw a 20% lift to 13.8m shares with top contributions coming from Delta – 30%, Masimba –29% and Simbisa – 24%.

COMPANY UPDATES AND RESULTS

African Sun Interim Results to June 2016

Revenue	**17,987,889**	**22,412,721**	**-20%**
Cost of sales	5,932,066	6,944,470	-15%
Gross profit	12,055,823	15,468,251	-22%
Operating (loss)/Profit	(494,873)	779,324	-164%
Loss Before Tax	(1,236,276)	(433,654)	185%
Loss for the period	(557,240)	(1,198,812)	-54%
Assets			
Fixed Assets	22,096,255	26,828,702	
Current Assets	9,738,938	12,957,129	
Total Assets	31,835,193	39,785,831	
Equity	2,038,881	9,025,432	
Non-Current Liabilities	5,271,438	8,206,924	
Current Liabilities	22,681,785	22,553,475	
Total Liabilities	29,796,312	30,760,399	

Highlights

- Revenue down 20% relative to the prior year comparative at $18.0m

- Gross profit down 22% at $12.0m

- Group posts an operating loss of $0.5m compared to a profit of $0.8m
- Loss before tax extended to $1.2m against last year's $0.4m
- Loss for the period reduced to $0.6m compared to $1.2m from prior year
- Net asset value narrowed down to $2.0m from $2.5m at end of December
- Operations in Net Cash outflow of $1.0m

Comment

The leisure group has continually found the going tough in the dollarized environment with some highly commendable efforts as restructuring and realigning operations though they continually fall short to carry the group into profits. The regional focus has now fully been done away with as the group now refocuses its energies towards Zimbabwe which has been the sole profitable entity in their cluster. With the focus on Zimbabwe in mind it is therefore not surprising that the group is focusing in rebranding all the hotels under their management so that they can run under international and regional brands. African Sun has perennially underperformed over the years weighed down largely by some overbearing debts. Recently though the efforts by current management to turnaround the fortunes of the group are slowly but surely starting show signs of bearing fruit starting with the reduced finance costs coupled with the marked 14% reduction in operating expenses. A full turnaround of fortunes for the company remains a dream afar off and though Zimbabwe has been the profitable operation for them thus far, a pending election creates an even more challenging outlook for the target market given the country's history at such times. International market room nights which played a significant part in driving ADR's higher could easily be curtailed leaving the group to look to the local market that is being ravaged by the liquidity challenges and the fundamental pressures in the economy. Even though management's efforts may eventually result in an attractive investment in the group we felt that the attempt at a minority buyout by the new major shareholders have left the group so tightly held that attempts get reasonable investment exposure would likely bear little if any positive results. To this end we urge investors to avoid this stock.

Barclays Bank of Zimbabwe Limited - Interim Results to June 2016

	30.06.2016	30.06.2015	%
Net Int Income	8,720	7,780	12
Fee & Comm Income	13,650	12,656	8
Total Income	25,284	21,973	15
Net Operating Income	24,896	21,717	15
Operating Expenses	(20,312)	(19,637)	3
Profit before tax	4,584	2,199	108
Profit for the period	3,277	1,299	152
Loans and Advances	126,534	125,315	10
Total Assets	350,916	311,735	17
Deposits	279,674	222,966	20
Total Liabilities	293,476	261,102	20
Total Equity	57,440	50,633	6

Results Highlights

- Net Interest Income up 12% at $8.7m
- Non-Interest Income up 8% at $13.65m
- Total Income Up 15% at $25.28m
- Operating costs relatively stable except for Admin and General Expenses that went up 16%
- Total operating expenses up 3% at $20.3m
- Profit before tax surged 108% to $4.58m
- Profit after tax ballooned 152% to $3.28m implying a basic EPS of $0.0015
- Balance sheet firmed 17% to $311m
- Deposits up 20% from December 2015 position at $279m

Comment

Barclays' performances over the years had generally fallen short of expectations and these results come in as somewhat a justification for those who held them in high regard. Coming against an increasingly difficult trading environment the group's safe banking model is now paying off, as Barclays finds itself as the sole entity in the listed banks space with growing deposits thanks to a flight to quality in the market. These results could also offer the welcome respite to the group's price on the market which took a battering in the wake of the announcement by parent company Barclays Plc's intention to divest from their investments in Africa. If the momentum from the first half is maintained Barclays should be able to achieve total Income of about $50m while, before tax profits of and after tax profit of $9.1m and $6.5m could be expected. The market currently values the group at $32.3m while, its NAV as at end of June 2016 is pegged at $57.44m, implying that the group is trading at a PBV+1 and PE+1 of 0.56x and 4.93x which are both undemanding for a group that has maintained remarkable resilience owing in part largely to its brand equity. Based on our combined PBV and PE valuation models we value Barclays at $61.49m - Target price 2.86c. Notwithstanding the potential loss of brand leadership from the envisaged intention to divest by their parent we foresee the group's performance to remain resilient as the headwinds in the environment and banking industry in general favour them as one of the go to banks as deposits' flight to quality continues. We are therefore placing a **BUY** recommendation on Barclays Bank of Zimbabwe Limited.

Bindura Nickel Corporation Q1 Trading update

Trojan Mine		Quarter ended June 2016	Quarter ended March 2016	Quarter ended Dec 2015	Quarter ended Sept 2015
Tonnes mined	t	97,689	97,335	86,794	95,802
Tonnes milled	t	101,433	107,421	101,804	101,701
Head grade	%	1.76	2.30	1.78	1.62
Recovery	%	87.0	90.8	87.3	87.6
Ni in concentrate	t	1,555	2,246	1,584	1,442
Nickel sales	t	1,493	2,274	1,577	1,494
Average nickel price	US$/t	5,728	5,520	6,121	6,847
Cash cost (C1)	US$/t	5,736	4,226	4,933	6,895
All-in sustaining cost (C3)	US$/t	6,489	4,586	6,349	7,539

Highlights

(All comparisons are relative to most recent quarter)

- Nickel in concentrate of down 30% at 1,555t from 2,246t (Q4 FY2016)
- Head grade to 1.76% having lost 54 Basis points from 2.30% (Q4 FY2016)
- Recovery marginally lower at 87% (90.8% Q4 FY2016)
- Average Nickel price for the group improved 3.7% to $5,728
- All In Sustaining costs went up 41.5% to $6,489

Source: FY2017 Q1 ASA Quarterly Update

Comment

The Q1 update for Bindura has proven to be quite a disappointment especially when taken in light of the Q4 numbers for the full year to March 201T6. At the presentation of the full year results to March 2016, management was convincingly adamant that the group could maintain and sustain the all in sustaining costs at circa $5,000 and of course having achieved $4,586 in Q4 of FY2016 the target appeared well within their reach if not too easy a target. The Q1 F2017 figures however suggest that the dynamics at play with Bindura's operations certainly leaves a lot of bad taste in the mouth more so with a contractor's failure to meet normal contractual commitments being cited as one of the reasons for the decreased recoveries. That aside however the firmer nickel price in the global commodities markets hovering well above $10,000 against an average of $8,800 that prevailed in Q1, offers a boon for better performance in the coming periods. The group having advised that the problem of access to higher grade ore having been rectified we expect the all in sustaining cost to come down to management's target of circa $5000 in second quarter owing to better recovery and higher head grade while, they should also enjoy the better prevailing price on nickel sales and thus better returns in that quarter. Analyst consensus in the commodities market is that price of Nickel will continue firming despite the general decline forecast for most other metals, we are therefore inclined to go with the market consensus on the direction of Nickel prices.

The most immediate results which will be the first half results to September, holding prices of Nickel around current levels, with nickel in concentrate production at the average of the company's recent 4 quarters of 1706 tonnes, interim revenues of circa $20.10m accrue in H1 against all in sustaining costs of $19.5m leaving them with before tax profit of $0.6m. If this performance is projected for the full year within the same parameters, FY17 should give the group revenue of $43.1m, profit before tax of $4.8m and PAT of $3.3m (EPS US cents 0.56). BNC has maintained an average P/E multiple of 10x for all their results and we do not foresee any divergence from the norm and therefore place a target price of $0.0560 on BNC - placing a **BUY** Recommendation on them.

ZB Financial Holdings Limited Interim Results to June 2016

Net Interest Income	9,270,966	5,156,970	79.78%
Net Fee & Comm Income	15,866,947	18,237,815	-13.00%
Total Income	29,387,348	28,489,359	3.15%
Profit before tax	7,049,989	4,947,781	42.49%
Profit for the period	5,935,416	4,059,494	46.21%
	30.06.2016	31.12.2015	
Advances	93,641,127	99,578,011	
Total Assets	396,240,713	424,083,047	
Deposits	254,477,170	269,697,449	
Total Liabilities	312,662,611	342,510,211	
Equity for owners	63,728,700	62,011,473	
Total Equity	83,578,102	81,573,372	

Highlights

- Net interest Income up 80% at $9.3m
-Fee and Commission Income Dow 13% at $15.87m
- Total Income up 3% at $29.4m
- Profit before tax up 42% at $7.0m
- Profit for the period up 46% at $5.9m
- NPL Ratio stood at 24% of the loan book,
- Cost to income ratio down to 74%from 82% on the back of a 7% reduction in operating expenses and improved revenue
- EPS up 33% at $0.036

Comment

ZB has certainly shown signs of the ability to sustain its breakout performance from FY 2015 with the major lines ticked northwards in the first half. Though some concern could be raised for the decline in deposits, this should have been expected given the prevailing environment which prompts depositors to seek refuge in foreign aligned banks due to perceived safety. With one eye on the 2020 recapitalisation target the group performance shows that there are quite a few strategic options available to them to meet the target including possibly consolidating the bank and the building society, though it is undoubted that any route taken would need the group to trade itself to the target. This is where their improved performances would really come into play anchoring the group's growth and development despite the enormity of the environmental challenges.

We believe that the group is poised to sustain its performance from the first half to see them post Total Income of $56.7m and profit before tax of $12.1m which should see them end with after tax profits of $9.7m. The market currently values the group at $5.3m which, based on our forecast places the group at a PE+1 of 0.54x which in our view makes the group the cheapest in the listed banks universe were most average around 5x with the exception of Barclays which has seemingly traded at a premium to its peers largely owing to its brand leadership. That the group is one of the specified companies by the US has not helped its case on the market as local investors only have largely been the involved parties to date and as such their price on the market has largely been sluggish owing in part to the above mentioned reason as well as the long running wrangle with THI which the company announced has been resolved. However the continuing decent numbers coming from them should help dispel any doubt that the 2015 outcome was a fluke. We believe the market has already heavily undervalued the group with the group trading at a trailing PE of 0.68x with its next peer, CBZ, at 2.15x. Our PE based valuation places a target price of $0.1260 based on our forecast earnings for FY2017 and its closest peer. **BUY.**

In the news:

Ariston narrows debt by $6m

Ariston Holdings Limited is upbeat of earnings performance in 2017 after it narrowed its debt by $6 million. The group is now seeking to strengthen its balance sheet and enhance profitability.
http://www.herald.co.zw/ariston-narrows-debt-by-6m/

Blanket mine gold output up 15.6pc

Gwanda-based Blanket Mine increased its gold output by 15.6% to 23 332 ounces during the first half of 2016 from 20 360 ounces in the prior comparative period. Blanket Mine is a gold mining producer which is 49% owned by the Toronto Stock Exchange Listed Caledonia Mining Corporation.
http://www.herald.co.zw/blanket-mine-gold-output-up-156-percent/

ZB to set up micro finance unit

ZB Financial Holdings is looking at setting up a micro finance unit to tap into the growing demand for small loans and to promote financial inclusion, CEO Mr Ron Mutandagayi said.
http://www.herald.co.zw/zb-to-set-up-micro-finance-unit/

Metallon records jump in gold output

An outstanding performance by How Mine in the second quarter of 2016 saw Zimbabwe's biggest gold producer Metallon Corporation record a 9% jump in gold production to 22 565 ounces from 20 673 produced in the first quarter. http://www.herald.co.zw/metallon-records-jump-in-gold-output/

Telecoms revenues drop 12pc

Zimbabwe's mobile telecommunication services providers saw their revenues for the first quarter of this year decline 12%, latest Postal and Telecommunication Regulatory Authority of Zimbabwe (Potraz) figures show.
http://www.herald.co.zw/telecoms-revenues-drop-12pc/

African Sun exits Mauritius

Zimbabwe Stock Exchange-listed African Sun Limited is continuing with its disposal of foreign assets to focus on local operations. The hospitality firm's chairman Herbert Nkala, yesterday said after exiting regional markets early this year, the group was now moving to dispose its Mauritian entity, African Sun PCC.
https://www.dailynews.co.zw/articles/2016/08/11/african-sun-exits-mauritius

Zimplats eyes US$500m Investments

ZIMPLATS, the country's biggest platinum producer, has lined up investments worth more than US$500 million despite declining commodity prices on international markets.
http://www.sundaymail.co.zw/zimplats-eyes-us500m-investments/

Ariston banks on normal rainfall season

LISTED agro-industrial concern Ariston Holdings is betting on normal rains for the 2016-2017 summer cropping season to lift its output, as a significant portion of its estates rely on rain-fed agriculture.
http://www.sundaymail.co.zw/ariston-banks-on-normal-rainfall-season/

SECZ engages RBZ on repatriation of dividends to foreign investors

THE Securities Exchange Commission of Zimbabwe (Secz) has engaged the Reserve Bank of Zimbabwe, urging it to allow foreign investors on the Zimbabwe Stock Exchange (ZSE) to repatriate some of their dividends.
https://www.thestandard.co.zw/2016/08/07/secz-engages-rbz-repatriation-dividends-foreign-investors/

Swiss firm takes Turnall to court over debt

Swiss-based Ramatex SA has taken its dispute with a local building material manufacturer, Turnall Holdings to the High Court in a bid to recover $1,1 million which Turnall has failed to pay for raw materials supplied.
https://www.thestandard.co.zw/2016/08/07/swiss-firm-takes-turnall-court-debt/