EFE SECURITIES

Member of the Zimbabwe Stock Exchange

EFE Securities Research Zimbabwe

2023 STOCK MARKET REVIEW
&
2024 OUTLOOK

ADVISORY SERVICES . EQUITIES TRADING . RESEARCH SERVICES . SPONSORING BROKERSHIP

Release Date 23 .01.2022

Zimbabwe's 2024 Crossroads:

Steering Through Drought, Inflation, and FX Volatility

EXECUTIVE SUMMARY

In this paper, we endeavour to put our views and expectations on the socio-economic landscape for Zimbabwe in 2024, building on the base of established of the same in the preceding year. The socio-political situation remains complex following the 2023 harmonized elections, which saw the ruling ZANU PF party secure a resounding victory and President Emmerson Mnangagwa re-elected. However, the main opposition CCC did not contest the results through the court process but only through utterances and social media as they continue to face internal discord. After CCC recalls, ZANU PF was able to gain a two-thirds parliamentary majority in subsequent by-elections. Looking ahead to 2024, Zimbabwe faces mounting economic pressures from drought, inflation, and foreign exchange volatility that could ignite social spending demands amidst low disposable incomes and weak economic activity. However, the government has limited fiscal space to respond to the high social need due to high debt levels. Attracting foreign direct investment will be critical to provide budget support.

In 2023, Zimbabwe's economy contended with currency instability, rising inflation that peaked over 50%, power shortages, declining industrial capacity utilization and weak aggregate demand. Exports provided some respite, rising 12% while agriculture posted good harvests. However, imports also swelled, widening the trade deficit gap. Mining output fell due to policy changes and lower commodity prices. The local currency depreciated significantly, public debt remained elevated at US$17.7 billion, and the budget deficit reached ZWL1.4 trillion.

Despite a sluggish start, the ZSE ultimately gained 22% in real terms in 2023, buoyed by resilient consumer stocks. Total value traded tripled while, volumes faltered by 13%. On the VFEX, seven new listings via introductions expanded the exchange to 13 counters, though the index declined 22% on repricing effects.

Looking to 2024, Zimbabwe faces significant headwinds that could limit GDP growth to around 2.9%. Inflation may moderate but remain high at 35%. Impending drought conditions pose risks to agriculture and food security. Power shortages and weak mineral prices could hamper mining. External engagement remains critical for fiscal support. On balance, 2024 will likely be a difficult year vulnerable to weather shocks and global factors. However, the ZSE should retain its appeal as an inflation hedge, with stability in blue-chip stocks although risks are biased downside. The VFEX offers stability but needs enhanced liquidity. In summary, opportunities remain selective amidst a challenging backdrop requiring further reforms.

Demographics	
Population	15,178,979
Economic Stats	
Real GDP growth rate	5.5% (2023 est.)
Nominal GDP	$119.02 trillion (2023 est,)
Public Debt	US$17.7bn (2023 est.)
Current Account Balance	USD$244.4 million (2023 est.)
Debt - External	USD$12.7billion (30 SEPT 2022 est.)
Total Revenue	$21.2 trillion (2023 est)
Total expenditure	$22.6trillion (2023 est)

CONTENTS

Socio - Political Review

2023 year of mixed fortunes that was…

Zimbabwe completed yet another boisterous year on the socio-political front and indeed it was a make or break year highlighted by harmonized elections, which the ruling party, ZANU PF won resoundingly. As expected, the main opposition CCC contested the election result, a year for them to forget, as the inhouse fighting gifted the ruling party a two thirds majority in parliament after several recalls just after the election.

The elections…

Coming into the year, debate was high on whether elections would go ahead or not, and all this was put to rest as Zimbabwe forged ahead with the harmonised elections. With an election date hastily announced to avoid precedence of contempt of court, the major concern ahead of the election was the fear of election violence and a contested result, with some political opponents calling in on SADC to broker yet another Global Political Agreement that ushered in the government of national unity. However, this was not to be as the ruling party won resoundingly with the incumbent President Emmerson Mnangagwa being re-elected after taking 52% of the vote while, his party garnered just below two thirds majority in the house of Assembly which was later achieved after by-elections following recalls which were instituted by CCC alleged interim secretary general.

The main opposition, Citizens' Coalition for Change (CCC), managed to get 73 seats in parliament and their presidential candidate Nelson Chamisa garnered 44% of the total vote cast. As usual CCC which is a brainchild of former MDC lieutenants, dominated the urban areas, missing out on the rural vote which is a strong hold of the ruling party. However, CCC finds itself ensnared in a quagmire of internal discord creating tumultuous atmosphere within the party which ensued in 23 members of parliament being recalled from parliament consequentially, resulting in by-election which were won and dominated by ZANU PF cementing their majority in parliament. There are still pending by election on the 3rd of February 2024 for the second batch of recalls.

Drought and low disposable income continue to mount social pressures…

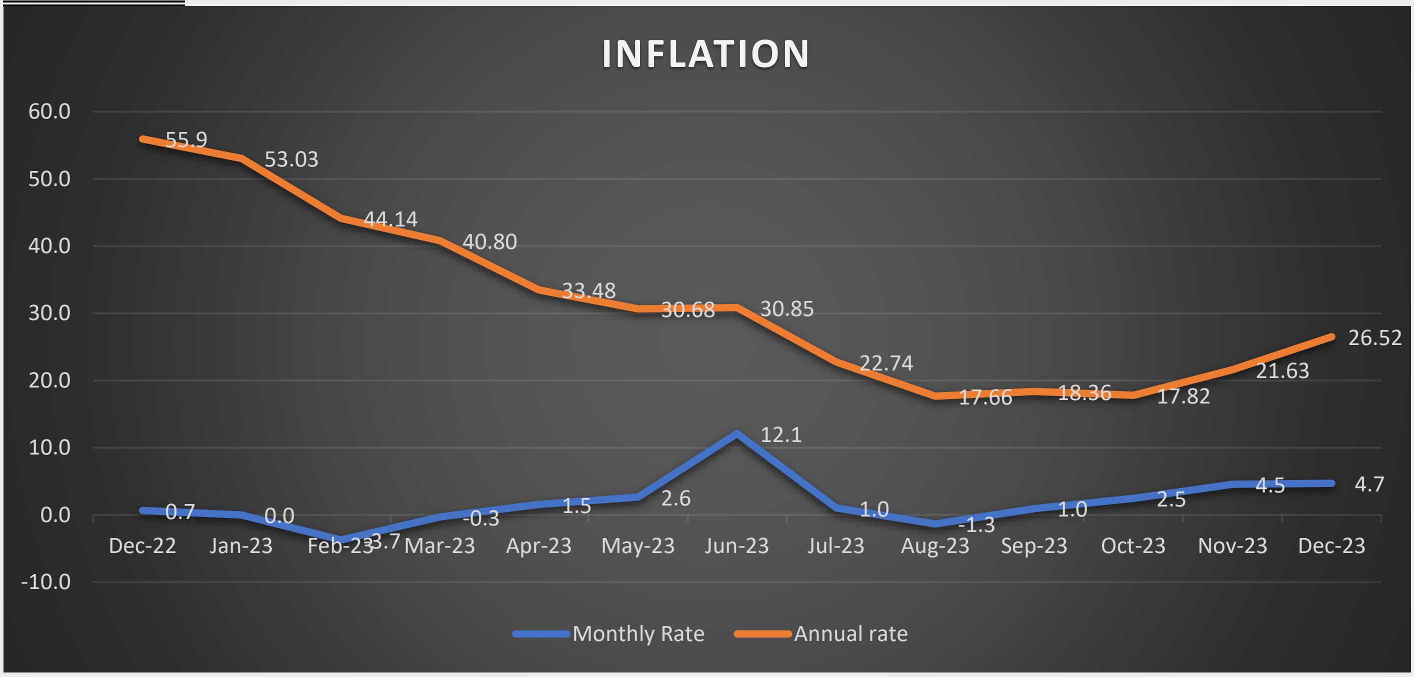
Authorities have seemingly weathered the early storms of wage adjustment demands in 2023 as they continue to negotiate through the Public Service Commission. The year 2024 appears to be offering a different proposition as the Minister of Finance through the budget converted the covid allowance for the civil service to taxable salary. We anticipate that in 2024, the government would be confronted with expenditure pressures particularly from the civil service in the face of currency depreciation that has resulted in the loss of value of the disposable incomes. In 2024, Zimbabwe faces an unconventional challenge to fend off hunger and starvation with the United Nations' World Food Program estimating that at least half the population of the country faces starvation due to an impending drought in the ensuing cropping season emanating from the Elnino effects. Rainfall patterns in the 2023-2024 cropping season have already thrown the forecast of a below normal rainfall which put growth in agriculture off balance with more food support needed. There are huge expenditure headwinds ahead, the economy had naturally become highly import dependent, notable amongst the imported products has been fuel and more recently power due to low water levels at Kariba. These two added to a coterie of other imported products, will certainly weigh on the already scarce foreign currency. The headroom to increase revenue collections appears limited due to high informalisation of the economy while, the taxation route is highly constrained in the face of the already high rates faced.

ECONOMIC BACKGROUND AND OVERVIEW

2023 ECONOMIC REVIEW…

The 2023 economic year has been one infested with malignant economic ills: from volatile inflation to a decline in capacity utilisation, unstable exchange rates and liquidity squeeze. However, the year 2023 signified a strong return of a USD economy as nearly 80% of the transactions done locally were settled in foreign currency. Dollarisation of the economy meant that the thrust would shift more to fiscal development while, monetary policy control became weak as evidenced by monetary challenges the economy is facing. Symptomatic of the problems delayed remittances from the country and failure to meet international payments as the government moved to ration limited foreign currency reserves so as to ensure consistent supplies of basic imported necessities mainly in the first half of the year. Efforts to quell the currency crisis through various interventions like introduction of the willing buyer and willing seller market, removal of exchange rate premiums in retail shops and export proceeds control did not yield long lasting results as evidenced by a wide gap between the auction and parallel market exchange rate differences. Economic growth for 2023 was initially forecasted at 5.3% has since been reviewed to an estimated 5.5% in the latest fiscal policy statement owing to a good agricultural season. The nation had a forecasted budget deficit of $1.4trn (1.2% OF GDP), as revenue is anticipated to come in at $21.2trn against expenditure of $22.6trn. The nation had a public debt of US$17.7bn, of which external debt amounted to US$12.7bn with the remaining US$5bn being domestic debt.

INFLATION

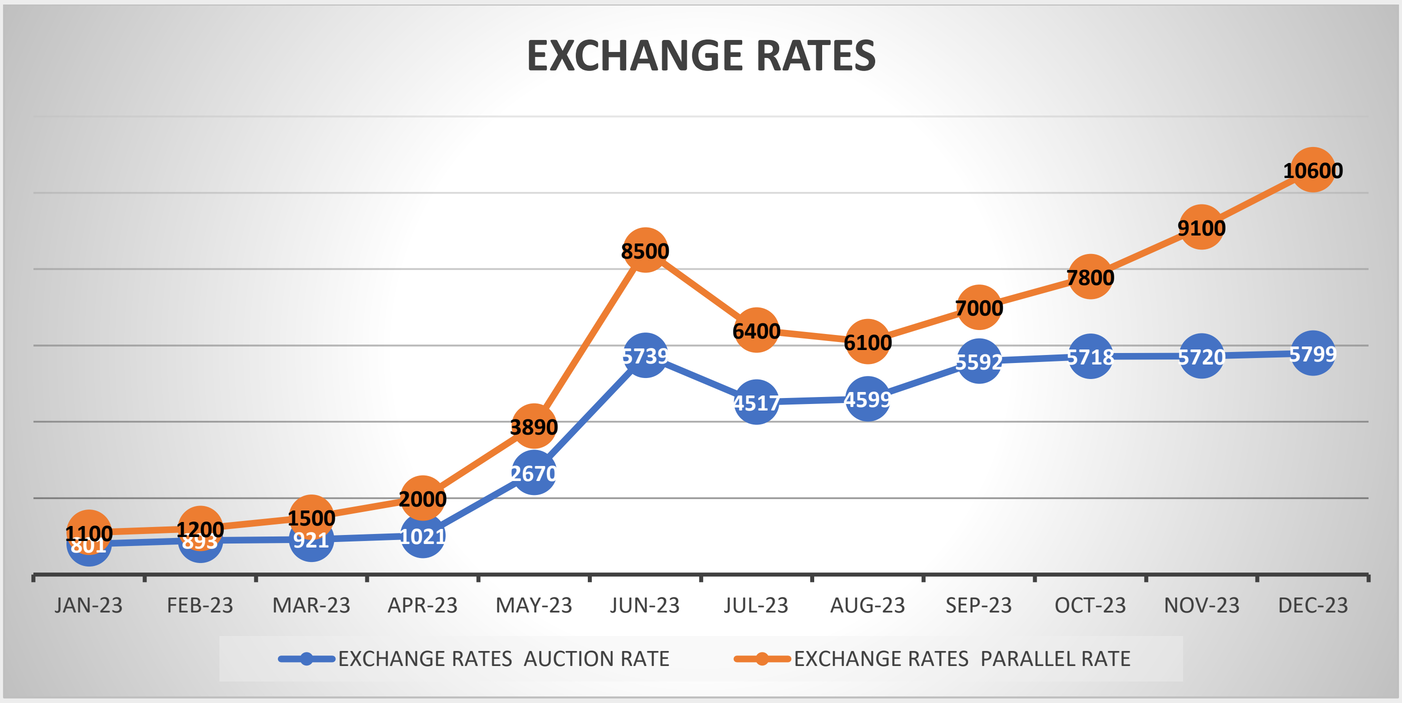


Source: RBZ/ EFE Estimates

The nation entered 2023 with high and volatile inflation continuing with years of persistent turbulent price movements. Prices have continued to exhibit significant variability and unpredictability, and this has made it extremely difficult for consumers and businesses to plan. Inflationary spikes have rapidly eroded purchasing power while, periods of disinflation provide little relief. The nation recorded mainly a downward spiral inflation during the year due to rebasing of inflation figures in February and September. In February authorities changed the calculation of the inflation and increased weights on the USD as Zimstat reported that nearly 78% of the local transactions were being settled in foreign currency. In September, Zimstats went further announcing that they will be dropping arithmetic calculations and adopting geometric computations.

Year on year inflation began the year pegged at 53.03% and closed the year pegged at 26.52% while, month on month was 0.01% in January 2023 and closed pegged 4.7% in December. The current inflation volatility can best be explained by forward pricing and inability to control money supply function which is grossly exogenous in nature. In Zimbabwe's case the high inflation is spurred by currency challenges, which we have seen suppliers instituting forward & dual pricing, against a backdrop of tight liquidity and generally weak economic fundamentals with declining aggregate demand, these developments points to difficulties in the operating environment.

Exchange rate developments



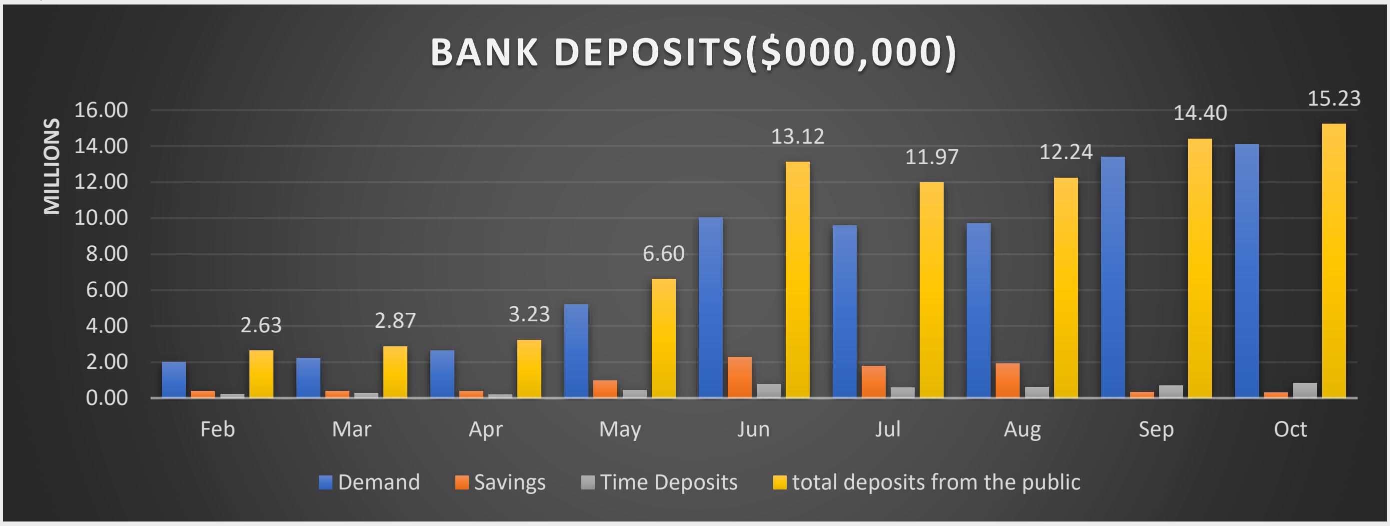
Source: MOF 2023

In 2023, Zimbabwe continued to face highly unstable currency conditions, with multiple exchange rates persisting for the US dollar on the auction and parallel markets. The official exchange rate continued to depreciate during the year as it faltered by 86.19% to close trading at $5,903 per USD. The parallel market continued to thrive year-on-year as official markets failed to meet national demand. On the parallel market the ZWL$ depreciated by 89.62% as it began the year pegged at $1100:US$1 to close pegged at $10,600 - $11,500: this represented a 55% premium to the official rate. The auction market allocated a total of USD760.10m for the year to December 2023, with the wholesale market being allocated USD349.82m. Total amounts allocated since inception to December 2023 stood at USD4.12bn. Majority of the auction payments were utilised for purchase of raw materials, machinery and equipment.

Main causes of currency depreciation have been an increased reliance on imports, quasi-fiscal activities by monetary authorities, policy inconsistency and continued capital flight in the economy. Raft of measures were introduced during the year to curtail the runaway exchange rate: the measures included liberalising the auction rate, allocating funds that are already available, introducing the WBWS market that is determined by market forces. Towards the end of the year the monetary authorities proposed to remove premium caps for retailers and other traders in a bid to reduce forward and uncompetitive pricing which stemmed from differences between suppliers rates and market permissible rates. Despite the interventions, APEX and fiscal authorities tend to focus more on symptoms rather than the problems at hand, hence the reason why the exchange rate differences and premiums continue to exist.

Financial sector developments

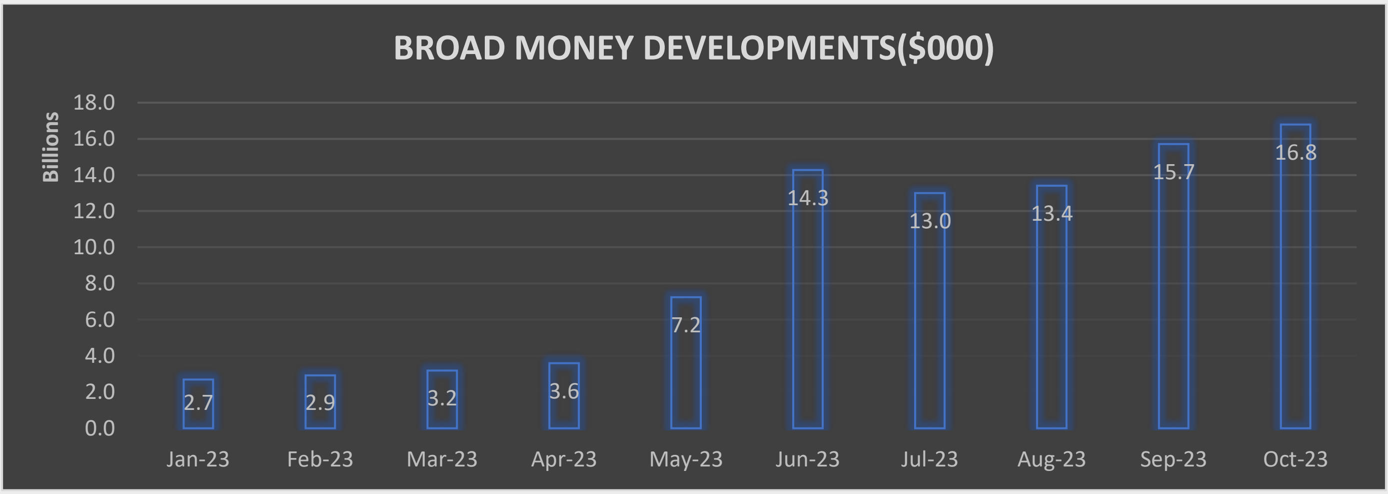
The sector remained under spotlight on the back of economic challenges that made it difficult for financial institutions to fully execute their duties. Liquidity crunch and lack of policy clarity affected the banking sector during the year as this had a direct effect on their operations. Bank lending to the private sector increased by 15% in 2023. The government and RBZ continue to encourage banks to extend more loans to productive sectors like agriculture and manufacturing to support economic growth, however, high interest rates and risks associated with lending still pose a significant constrain to credit growth. The high levels of informalisation have seen the number of microfinanciers in the economy rise to 288 as at 30 September 2023, as they take advantage of channels not being served by traditional financial institutions. The year 2023 recorded various mergers in the financial sector with CBZ leading as it acquired more stake in FML & FMP while, FBC is still in the process of acquiring Stanchart at a price of US$22m.



Source: MOF 2023

Banking sector deposits continued to surge month on month as shown on the graph above, having increased by 479.09% in the ten months to October 2023. Similar to the prior years, the distribution of deposits remained skewed towards demand deposits leaving only a small part of the deposits available to fuel savings and time deposits. This is due to inflation outpacing interest rates thus providing a disincentive to economic players for savings as they will be generating negative returns in real terms. However, the low numbers of savings are a cause for concern as they will be less resources to fuel the economic activities through on-lending. Individuals and Services providers held most of the funds in the banks as they contributed a combined 50% of the total deposits.

MONEY SUPPLY



Source: RBZ

Release Date 23.01.2024

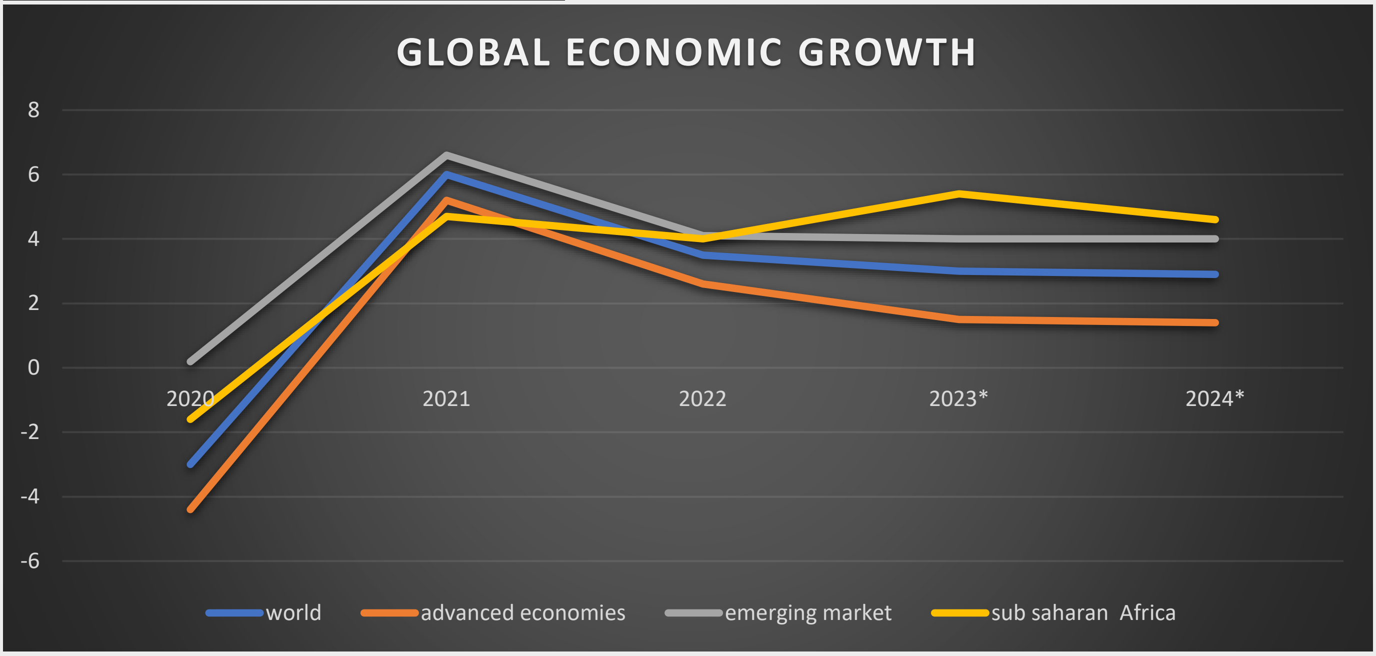
Broad money registered an increase of 522% to $16.7trn in the ten months to October 2023. The growth in money supply is partly reflected by exchange rate depreciation, from ZW$687.2836 /USD in January 2023 to ZW$5,698.96/USD by end-October 2023. Growth in the broad money is attributable to local money creation by banks, fiscal authorities through issuance of TBs and increase in foreign currency deposits. Foreign capital inflows from investments, aid, loans also contributed to the increases in money supply. As at the end of October 2023 money stock was largely composed of foreign currency deposits 79.18%, local currency deposits 20.75%, and currency in circulation 0.07%.

TRADE PERFORMANCE

Source: ZIMSTATS 2023

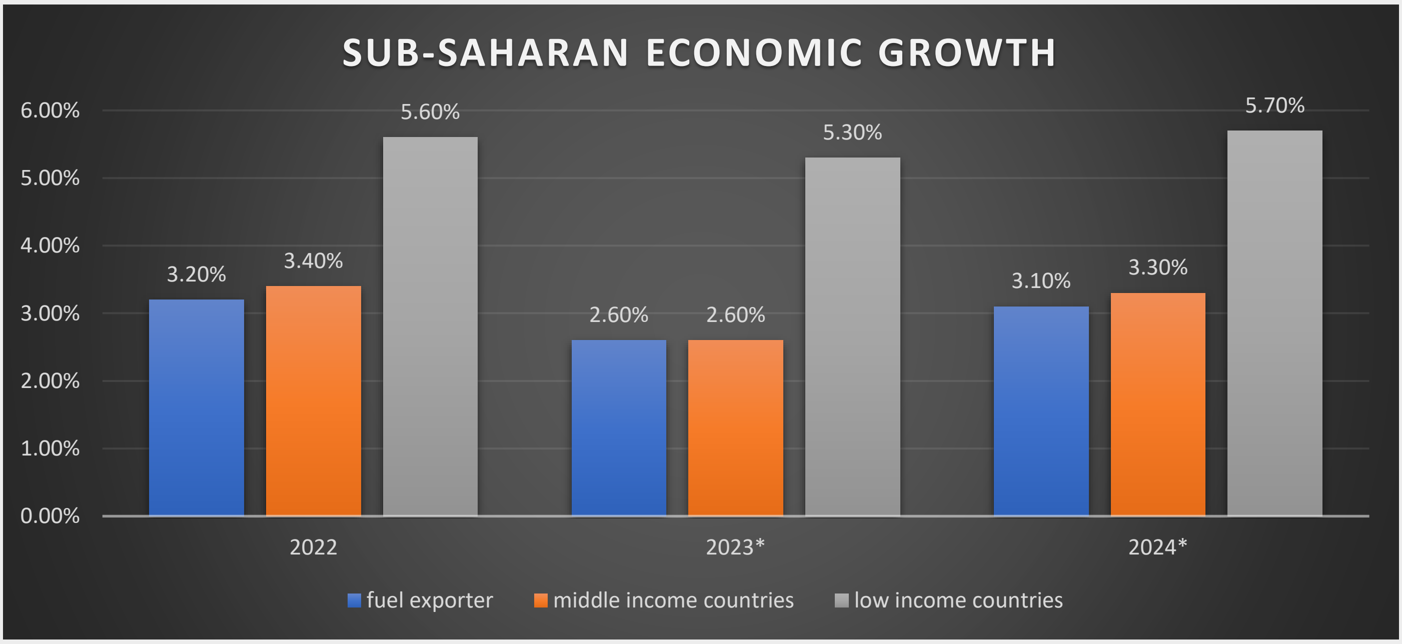
Zimbabwe continued to experience trade deficit in the year 2023 and failed to break even during the twelve months of trading. Exports increased by 12.13% to close at US$6.67bn in the eleven months under review compared to last year figures which closed at US$5.95bn. Trade imports amounted to US$8.4bn in the eleven months to November 2023 with huge spike being experienced in October 2023. Exports were mainly driven by tobacco earnings, lithium and gold while, imports were mainly driven petroleum products, agriculture imports and industrial machinery. The nation closed the 11-month period with a trade deficit of US$1.73bn in the period under review as the deficit exert more pressure on exchange rates. Major export destinations in the year 2023 were UAE, China, South Africa, and Belgium while, major import nations were South Africa, China, Singapore and Botswana. While, in other news, the current account surplus is projected to close the year 2023 at US$244.4 million, slightly lower than the US$305 million registered in 2022.

Global Economic Performance



Source: MOF 2023

Growth for global economies is expected to continue to recover from the negative effects Covid-19 lockdown, rising inflation and exogenous effect of wars, the global economy is expected to grow at a rate of 2.9% in 2024 as compared to 3,0% achieved in 2023. Growth for advanced economies is projected to slow down from 2.6% in 2022, to 1.5% in 2023, 1.4% in 2024, mainly due to contractions in the European Union, this is mainly attributable to tight monetary and fiscal policies coupled with energy resource challenges that the region is experiencing. Emerging markets and developing economies' growth is projected to remain stable at 4.0% in 2023 down from 4.1% achieved in 2022, 2024 growth will remain stable as China growth rates is expected to close at 4.6% down from 5,4% expected in 2023. The Sub-Saharan Africa region's economic growth outlook for 2024 is expected to be slightly higher than original 2023 projections, despite persistent challenges facing the region. Forecasts indicate sub-Saharan Africa's GDP will rise moderately compared to 2023, buoyed by strong performances in non-resources intensive countries across the region.



Source: MOF 2023

Fuel exporting nations in Sub-Saharan Africa are projected to see improved growth in 2024 as oil prices stabilize. Nigeria and Angola, two major oil producers, are poised to drive more economic activity. However, energy subsidies remain a concern for fuel exporters' fiscal positions.
Middle income countries like South Africa, Kenya, and Senegal are demonstrating resilience and are utilizing steady consumer spending to achieve respectable growth. Expanding agricultural and service sectors are also supporting middle income economies.
Low-income Sub-Saharan countries continue to grapple with deficits, food insecurity, and high public debts. But nations like Ethiopia and Zambia are undertaking reforms which could unlock stronger growth in 2024. Debt relief will be key for low-income countries to spur investments.

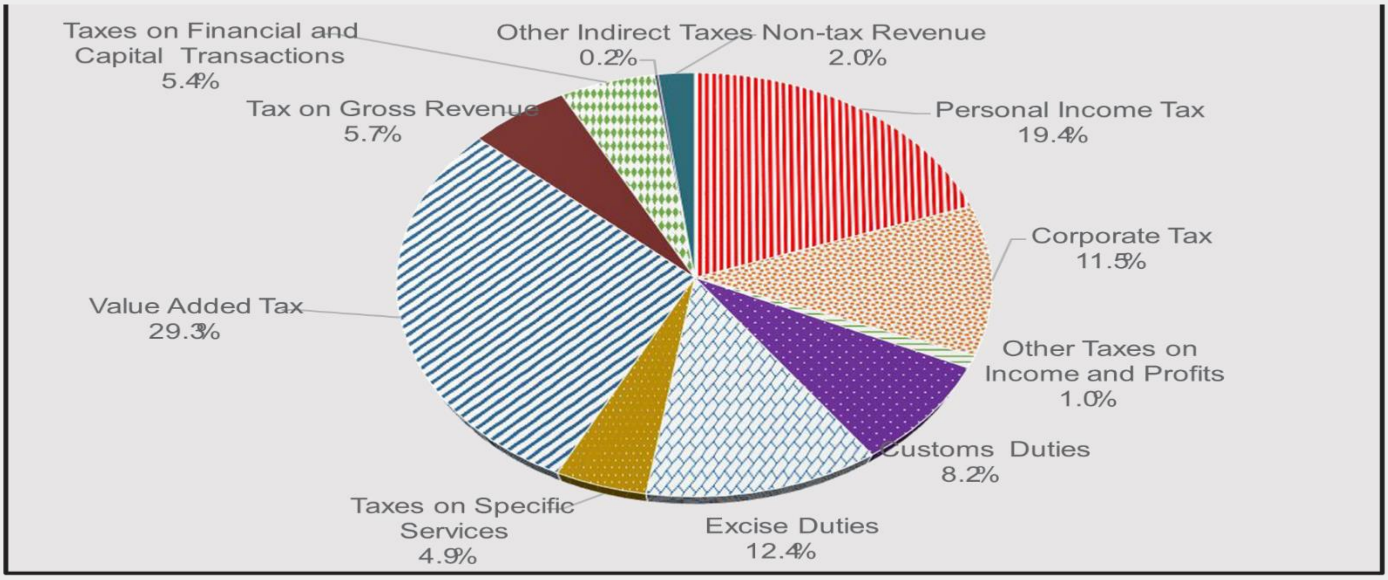
ZIMBABWE ECONOMIC PERFORMANCE

Source: MOF 2023

The Zimbabwean economy went through another challenging phase in 2023 as the foreign currency shortages, high unemployment, liquidity squeezes and social challenges continued to haunt the economy. Local manufacturers continued to struggle for competitiveness as inefficient plant and machinery coupled with high costs of inputs, mostly denominated in USD priced out most of the local produce in international markets. Initially GDP was projected to grow by 3.80% in 2023 from the 4.00% achieved in 2022. However, an upward revision was due on account of better than expected output in agriculture, mainly in tobacco, wheat and cotton. Moreover, volatile commodity prices and persistently high inflation eroded purchasing power and weighed down overall economic activity. The year was also marked by electricity challenges, further hindering industrial production and dampening investment prospects. Major revenue sources were affected whereas global commodity prices remained depressed in the year especially the gold and platinum products.

Capacity utilization as highlighted earlier has been nearly stable and in some instances declining owing to lack of liquidity and cheap lines of credit to finance recapitalization of same. This has heightened the call for FDI and a reengagement of financiers such as IMF and the World Bank. However, a national debt overhang to the tune of a circa US$17.7b, according to the ministry of finance, continues to dampen government efforts to thoroughly engage with the financiers.

In the year 2023, the nation recorded a budget deficit, and the trend is anticipated to continue into 2024. The deficit in the year 2023 was due to high employee compensation, social benefits, and interest on public debt. In 2023 the Government had budgeted total revenue of $3.9trn (18% of GDP) against expenditure of $4.2trn (19.5%of GDP), but in the nine months period to September the nation had raked in $11.4trn against total expenditure of $12.32trn to result in a budget deficit of $0.9trn. Majority of the revenue was from taxes that contributed $11.2trn while, non-tax revenue was 0.2trn. The deficit for the twelve months period is expected to come in at $1.4trn. The deficit was financed through issuance of treasury bills, trade finance structure of US$400m from AFRIEXIMBANK and loans.

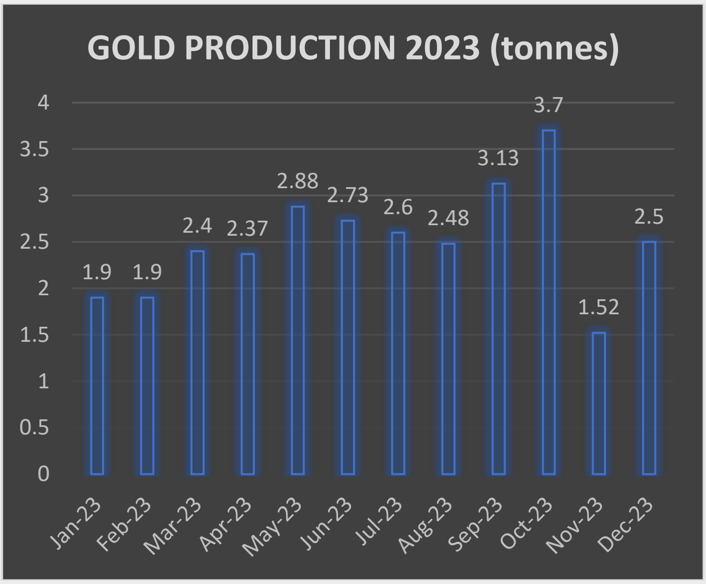


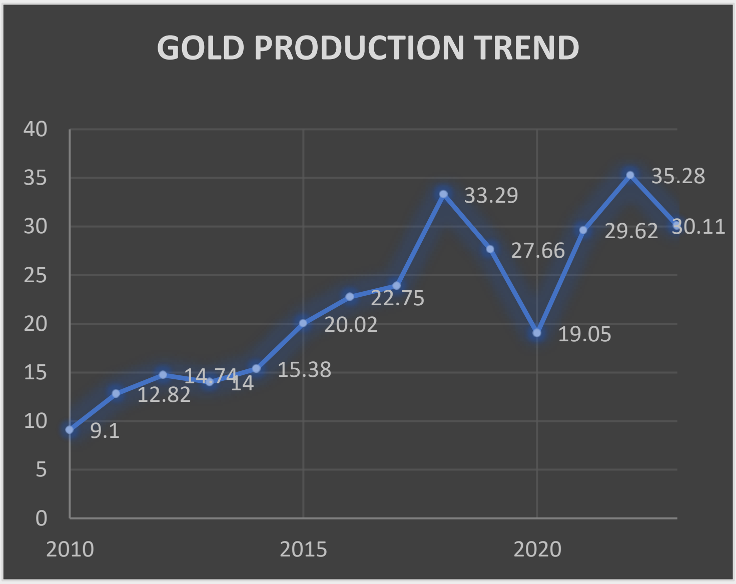
Source: MoFEDIP (2023)

<u>Public Debt</u>

The economy continued to struggle with public debt, as at 30 September 2023, the nation had a debt amounted to US$17.7 billion, of which external debt amounted to US$12.7bn including liabilities on the RBZ balance sheet assumed by Treasury and, domestic debt was US$5bn. Of the total external debt stock, the bilateral and multilateral debt amounted to US$9.1 billion, of which 76% are principal arrears, interest arrears and penalties. It is imperative that the nation come up with a strong debt restructuring plan as the interest cost continue to expand. A proper debt plan will assist in terms of certainty, optimal resource allocation and improved credit worthiness, which in turn helps in better access to capital, reduced cost of capital and improved chances of FDI.

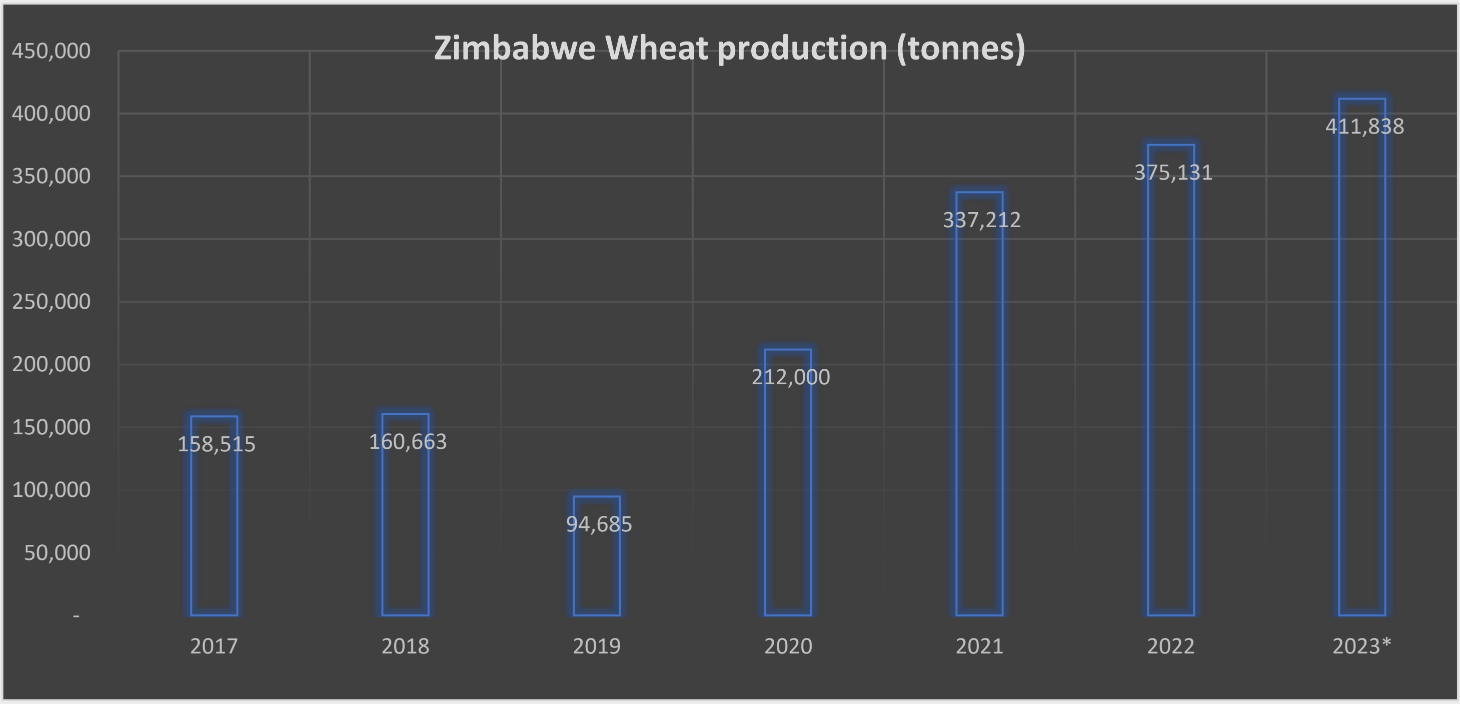
Commodity review





Source: FIDELITY GOLD REFINERIES

The gold output in the year under review declined by 14.66% to 30.11tonnes which fell shy by 5.17tonnes to reach prior years' output levels. The decline in the amount of gold produced in 2023 is due to policy changes that affected production in the last quarter when RBZ instituted a 25:75 ZWL to USD retention on all exports receipts, coupled with prolonged rainfall in the first quarter, electricity challenges and delays in payments from Fidelity. Small scale deliveries were at 18 661.5kg, down 22.53% on 2022. The sector was expected to deliver 32 000kg initially. Primary producers delivered 11 455.21kg, a 2.28% increase on 2022. Output is expected to increase next year to 39t mainly driven by expansion projects at primary producers. Several large scale miners have capital projects in the pipeline to ramp up production. Gold performance in 2024 will mainly be anchored on good commodity prices, foreign to local partnerships, improved policies.



SOURCE: RBZ/ GMB

Government statistics shows that the nation surpassed the 2022 wheat output as the current wheat output stands at 411,838 tonnes from 77,192 hectares. Local demand of wheat currently stands at 410,000 tonnes on an annual basis, meaning that the country now has sufficient wheat reserves. A good harvest will reduce the import bill for wheat which had increased by 61% to US$12m between July and August. Going forward, we should be able to maintain the same level of output as government has made strides in setting up good irrigation infrastructure. Focus should now be on promoting contract farming and value chain development, as wheat production involves a complex network of actors, such as seed companies, millers, bakers, retailers and this will help to improve the coordination and collaboration among the stakeholders. Government should ensure the timely delivery and payment of wheat and increase the competitiveness of the sector through promoting research & innovation and supporting contract farming as well as out grower schemes.

ECONOMIC OUTLOOK

Zimbabwe's economic landscape in 2024 paints a picture of cautious optimism tempered by significant challenges. While glimmers of hope appear, they flicker amidst persistent obstacles threatening to derail progress.

Currency performance review and outlook

Zimbabwe has been under a multicurrency system for over a decade and recently the authorities through a statutory instrument extended the multicurrency regime to 2030. The Reserve Bank of Zimbabwe Foreign Currency Auction remain the major market for forex despite its opaqueness and inconsistences. The authorities were continuously refining the operational modalities of the auction during the year 2023 to give some direction for a market that had hitherto largely been over the counter and deemed parallel by authorities and gotten dominated by informality and, in some cases illegalities. Having started off the year 2023 pegged at 1: 687.2836 to the United States Dollar the local unit rapidly lost value against the dollar to see it end the year exchanged at 5903.3898 local units for a single dollar on the official interbank market while, trading as high as 11,500.0000 to the United States dollar on the parallel market. Currently the official interbank rate is at 9,000 which means it has lost 34% since the beginning of the year and remain heavily discounted against the widely used parallel rate of 13,500. We foresee local demand for foreign currency continuing to rise on the back of slow US dollar inflows which according to RBZ is due to weak exports emanating from salving global commodity prices and, huge import bill for grain and agric commodities due to erratic rainfall pattern being experienced for 2023/24 cropping season.

Inflation: Despite recent declines, inflation remains a formidable foe. The International Monetary Fund projects a 2024 figure of 36.1%, down from 2023's staggering 222.4%, but still a far cry from stability. Tight monetary policy and fiscal restraint might offer some relief, but their effectiveness hinges on external factors like the global economic performance and availability of cheap raw materials. Zimbabwe's inflation dynamics will certainly depend on exchange rate movements and ability of local industry to manage cost emanating from policy changes and economic risks that may arise from time to time. We are of the view, inflation will remain volatile in the year 2024, as the trend continues from what the nation has experienced in the last 3years.

Erratic Rainfall Pattern: The Specter of El Niño looms large, potentially triggering a drought and jeopardizing agricultural production. This would not only hammer food security but also negatively impact exports and rural incomes, cascading into broader economic repercussions. Rural economies are expected to be severely affected as the populace depends more on agriculture, of which the erratic rains that have had poor distribution are likely to affect their output. A decline in agric output is likely to trigger more demand for food support programs for the rural population and increased need for imports by the production sector.

Mining in a Squeeze: Zimbabwe's mining sector, a vital engine of growth, faces headwinds. Declining international prices for key commodities like gold and platinum could dampen revenue and investment. Diversifying into other minerals and value-added processing might offer some protection but requires substantial capital and expertise. We anticipate seeing more partnerships coming up and lithium production will increase as the nation capitalises on the high demand the mineral has. The government's thrust towards local beneficiation and value addition might slow the amount of output but it is a step in the right direction as this will increase the national earnings.

Construction Sector: With high taxes and inflation eroding disposable incomes, the construction sector is likely to witness a slowdown. This could further dent employment and dampen consumer confidence, creating a vicious cycle. Targeted government interventions and infrastructure development efforts could provide a the much-needed boost to keep the sector afloat. Major road construction projects like the Harare-

Chirundu highway upgrade and the rehabilitation of rural feeder roads are injecting much-needed stimulus into the sector. Housing remains another area of potential growth. Government initiatives like the National Housing Delivery Programme and private sector investments in affordable housing projects are creating a steady demand for construction services.

Exports and Imports: High taxes introduced by the fiscal authorities are likely to make locally produced goods expensive and imports are likely to increase given the porous nature of our national boarders, basic consumer goods are likely to be smuggled into Zimbabwe. While the government aims to boost domestic revenue, this approach might ultimately prove counterproductive, stifling economic activity and limiting demand of locally produced goods. Finding a balance between raising revenue and facilitating trade will be crucial.

Conclusion- Growth Outlook:

We view the government's GDP growth target of 3.5% as another pie in the sky, as there has been little done to address the three major issues that weighed on 2023 performance, thus currency instability, inflation and power shortages. Though early to call the season, the early days of 2023 -2024 cropping season have been less than inspiring. A humanitarian crisis can easily emerge from the water situation while, the World Food Program has already issued early calls for food aid to avert hunger and starvation for at least half the population of Zimbabwe. Local manufacturing has long since been depressed suffering from undercapitalisation as the unpalatable policy framework and environment continues to keep funders on the fence coupled with lack of competitiveness against cheaper imports. Mining however could emerge as the economy's anchor with the government earmarking it as one of the expected drivers of the economy despite declining international prices on commodities. Meanwhile, high inflation and fluctuating exchange rates have reduced private and institutional savings, limiting capital for investment. In the face of these headwinds, we expect the best that the economy will do to be a 2.9% growth coupled with projected slowdown of the global economy in 2024.

STOCK MARKET REVIEW

ZSE Overcomes Early 2023 Lull, Ends Year With Modest Gains of 22% …

The Zimbabwe Stock Exchange (ZSE) overcame a sluggish start to 2023 to end the year with modest gains of 22% in real terms, despite the challenges that persisted during the year. The ZSE saw low trading activity and liquidity issues in the second and third quarters of 2023, weighing in on performance of the bourse. However, the market rebounded in the final quarter of the year, buoyed by resilient consumer and industrial stocks. Prudent stock selection allowed some investors to achieve good returns throughout the year, especially mid cap counters that outperformed heavy cap counters. The ZSE continued to face exodus of companies during the year as some crossed to the VFEX, where there is stability and certainty while, Getbucks completely delisted after failing to reach required capital thresholds by RBZ. CBZ was also active during the year as it acquired substantial chunk in FML and FMP. The REIT category continued to develop as a new REIT Revitus listed in December.

ZSE Indices enhance in 2023…

	2022	2023	%Change	USD rebased %
All Share	19,493.85	210,833.92	981.54	22.34
Mid Cap	36642.42	920,516.25	2412.16	2412.16
ZSE-Agriculture	73.84	626.74	748.78	748.78
Top 10	12311.13	90,085.91	631.74	631.74

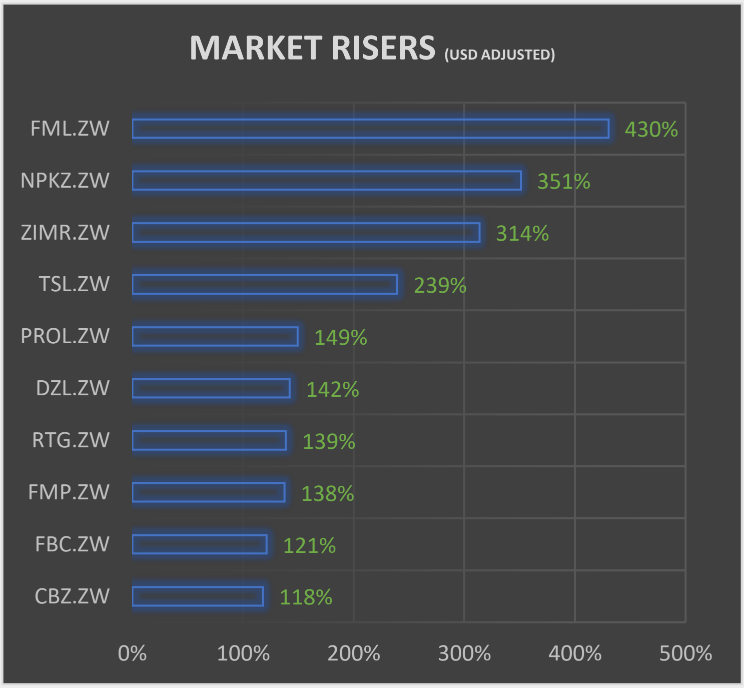
Source: ZSE/EFE Estimates

The ZSE was volatile during the year filled with periods of ups and downs, during the first and second quarters, the market registered significant rallies. However, this was soon reversed due to tightening of liquidity by fiscal and monetary authorities to curb exchange rate movement, hence reducing money flowing into the stock market. The primary All Share Index ballooned 981.54% to 210,833.92pts while, the Mid Cap Index climbed 2,412.16% to 36,642.42pts as the index's constituent counters dominated the top gainers list of the year. The Agriculture Index surged 748.78% from an opening Index of 73.84pts while, the Blue-Chip Index garnered 631.74% to close the year at 90,085.91pts.

RISERS AND SHAKERS

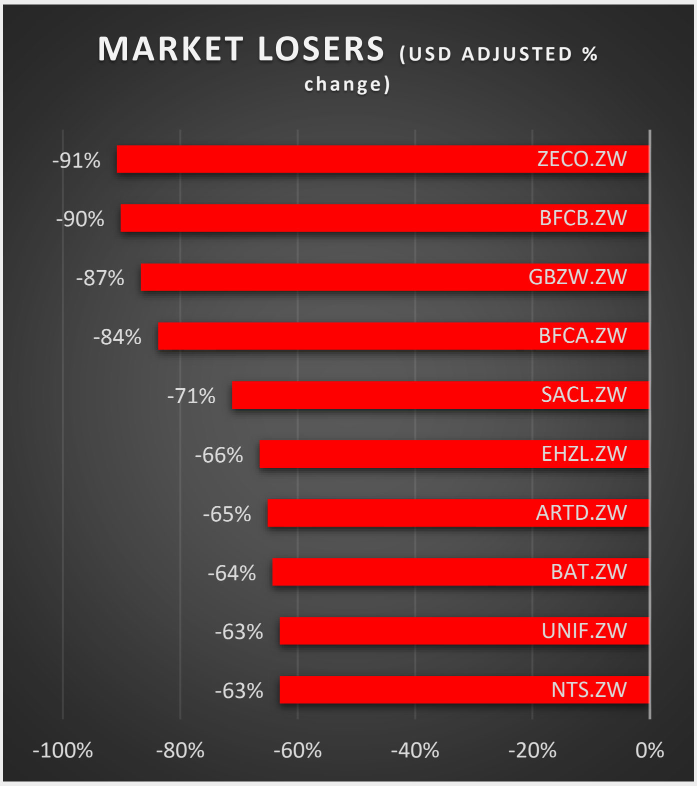
RISERS	(ZWL$)		
Symbol	**PRICE (01.01.2023)**	**PRICE (30.12.2023)**	**%Change**
FML.ZW	25.6	1,000.0000	3,806.25
NPKZ.ZW	9.01	299.3530	3,222.45
ZIMR.ZW	5.25	160.0000	2,947.62
TSL.ZW	44.0047	1,100.0000	2,399.73
PROL.ZW	33	606.0000	1,736.36
DZL.ZW	35	624.2000	1,683.43
RTG.ZW	8.87	156.0000	1,658.74
FMP.ZW	12	210.0000	1,650.00
FBC.ZW	62	1,010.0000	1,529.03
CBZ.ZW	135	2,167.3367	1,505.43

Source: ZSE/EFE Estimates



Release Date 23.01.2024

Mid cap counters weights drove the market performance in 2023, with anchoring performance that saw eight of the counters close topping the gainers' list of the year. Insurer First Mutual Holdings led the top performers of the year on a 3,806.25% jump to $1,000.0000, despite having traded under a cautionary throughout the year and recently IPEC did a forensic investigation on asset separation in the company. Nampak trailed on a 3,222.45% surge (351% in USD adjusted term) to close at $299.3530 on the back of healthy dividends declared throughout the year while, property concern Zimre Holdings Limited rose 2,947.62% to $160.0000. TSL closed the year at $1,100.0000 following a 2,399% uplift as strong national tobacco performance anchored the company while, Proplastics charged 1736.36% to close at $606.0000. Dairy processor Dairibord added 1,683.43% as the company continued with its product innovation to see it close at a price of $624.2000 while, RTG was 1,658.74% up to close at $156.0000 buoyed by recovery of domestic tourism, post covid. Property concern FMP garnered 1,650% to close at $210.0000. Double banking act of FBC and CBZ had a busy year as the duo went ahead with plans to acquire other banks during the year. FBC disclosed that it will be acquiring Stan Chart while, CBZ reported that they are still in the process of valuing ZB for a possible merger. The duo was 1,529% and 1,505% stronger to seal the year at $1,010.0000 and $2,167.3367 in that order.



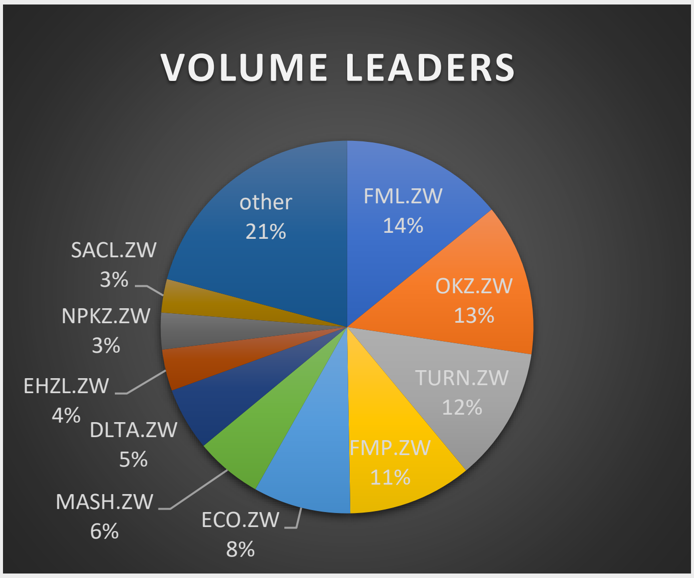
Source: ZSE/EFE Estimates

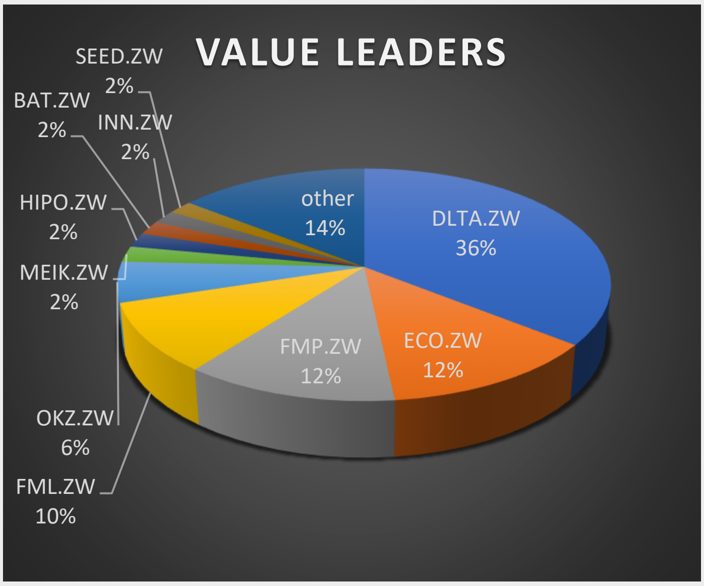
The market had outstanding performance during the year, as some companies had positive return in ZWL terms however as we adjusted in for USD terms, a total of twenty-five counters closed in the red. Leading the laggards of the year was a rarely traded counter ZECO that retreated 91%, trailed by Bridgefort Capital B that lost 90%. Microfinancier Getbucks lost 87% during the year with investors dumping their holdings as soon as news about delisting hit the market. Bridgefort Capital Class A remained as a perennial loser as it shed 84% despite having released a cautionary statement about acquiring Diaspora Kapita. Star Africa succumbed 71% while, Ecocash dropped 66% on the back of waning demand as the company was engaged in a capital raising project through rights issue, to pay debentures issued in 2017. Art Holdings dropped 65% during the year while, BAT tripped 64% as the company reported poor set of financials during the year. The duo of Unifreight and NTS parred off a similar 63%.

Delta and FML propels aggregates…

Beverages giant Delta was the most liquid stock of the year as investors scurried for the value preservation found in the heavy stock which claimed 36% of the value outturn. The Blue Chip opened three new plants during the year 2023 in their quest to meet its consumer demand. Econet and FMP followed anchoring with an identical 12% while, FML contributed 10% as OKZIM claimed 6% of the total value traded during the year. Insurance group FML emerged as the top volume driver as a block trade sailed through in the insurance group, claiming 14% of the total volumes traded during the year. Turnall trailed after claiming 12% while, FMP added 11% to the volume total, as transactions were mainly attributable to corporate actions that saw major shareholding movements in the duo.

	Previous	Current	Change	(%) Change
Values	132,252,118,844.50	558,097,073,978.00	425,844,955,133.50	321.99
Volumes	2,296,012,961	2,000,377,161	295,635,800	12.88

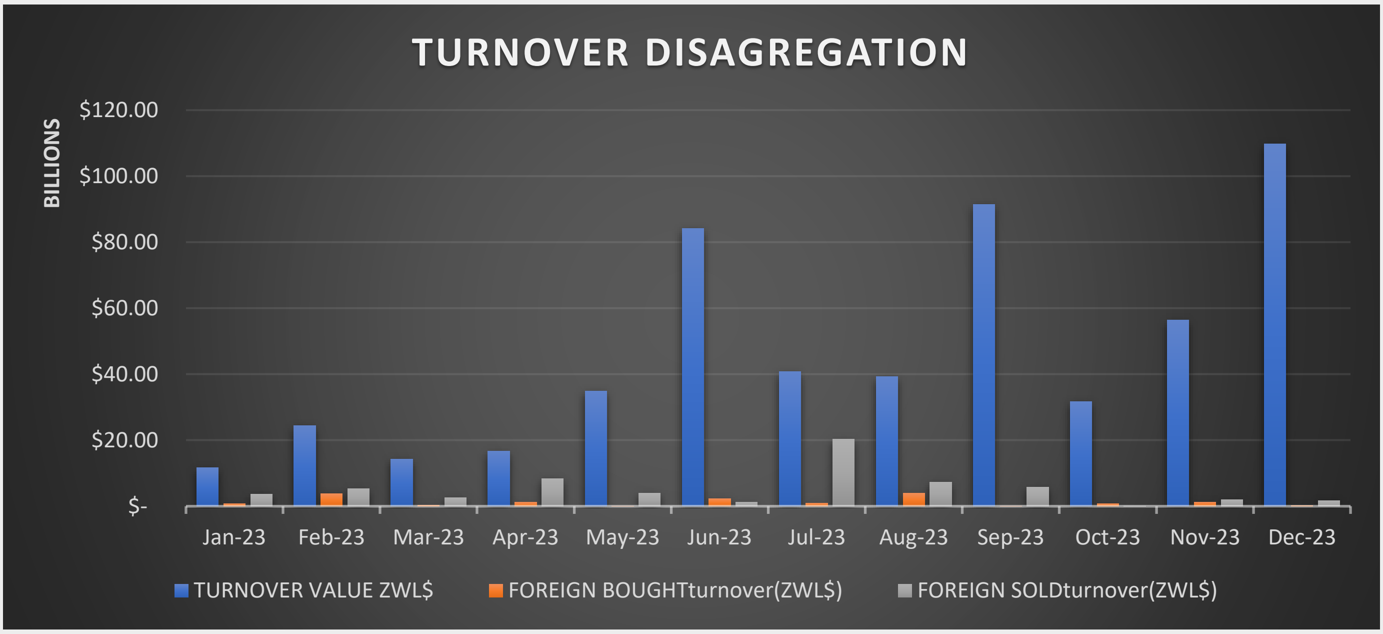


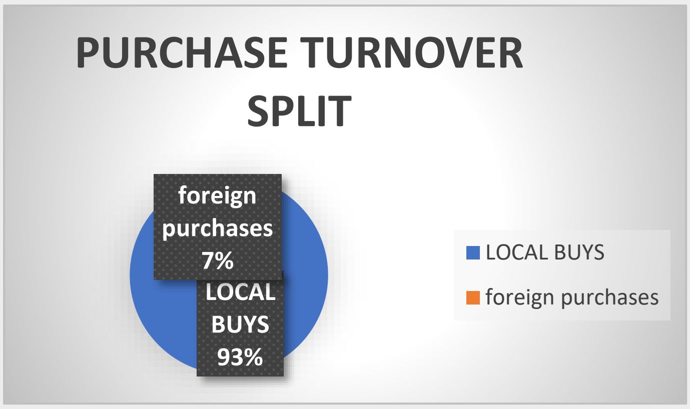


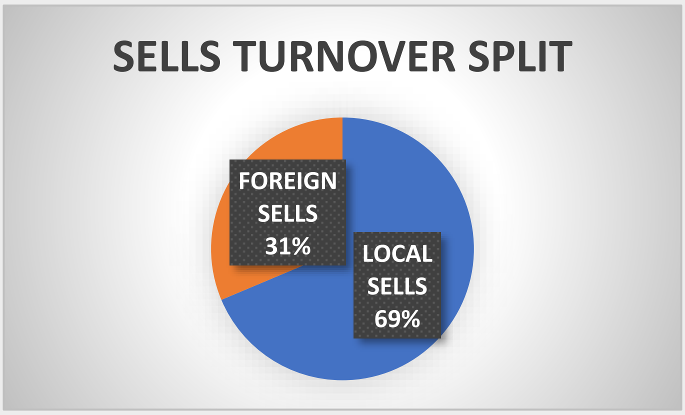
Source: ZSE/EFE Estimates

Local investors continue to sustain …

In a trend that has continued, the market activity was stimulated by local shareholders who claimed most of the purchases and disposals over the year. Domestic investors accounted for 93% of the demand on the market while, equities selling by the same claimed 69% of the sales aggregate. Foreign Investors continue to lower their interest in the local market due to currency policy inconsistences and inflation within the country. Resultantly, foreign investors lack confidence in the local market which has led them to reinvest in other countries. Foreign sales accounted for 31% as investors from outside the country continues to lose their value on waning exchange rates.



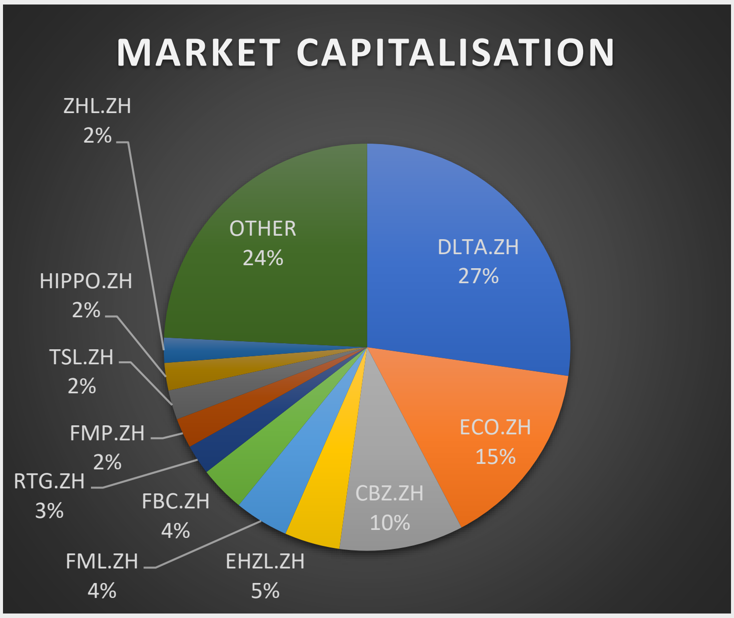




Source: ZSE/EFE Estimates

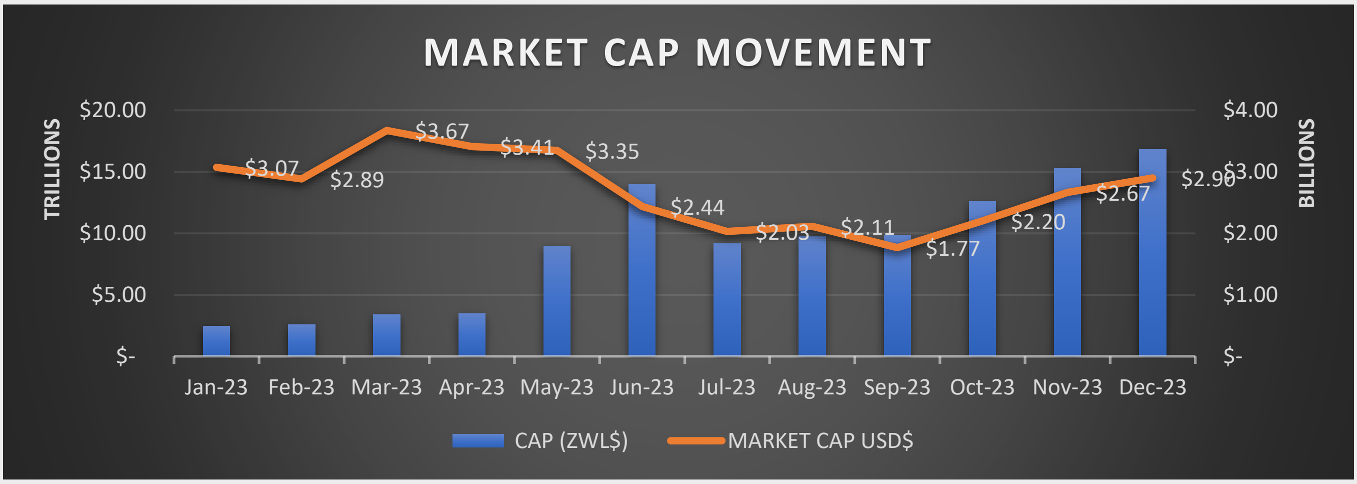
MARKET CAPITALISATION

COMPANY	Market Capitalisation
Delta Corporation Limited	4,582,653,537,936
Econet Wireless Zimbabwe Limited	2,531,228,839,635
CBZ Holdings Limited	1,659,450,151,375
Ecocash Holdings Zimbabwe Limited	739,036,982,252
First Mutual Holdings Limited	722,480,403,219
FBC Holdings Limited	608,820,231,358
Rainbow Tourism Group Limited	399,279,286,880
First Mutual Properties Limited	398,748,561,686
TSL Limited	393,884,665,900
Hippo Valley Estates Limited	366,739,071,600
Other	4,075,222,168,344
Total	16,812,914,355,263



Source: ZSE/EFE Estimates

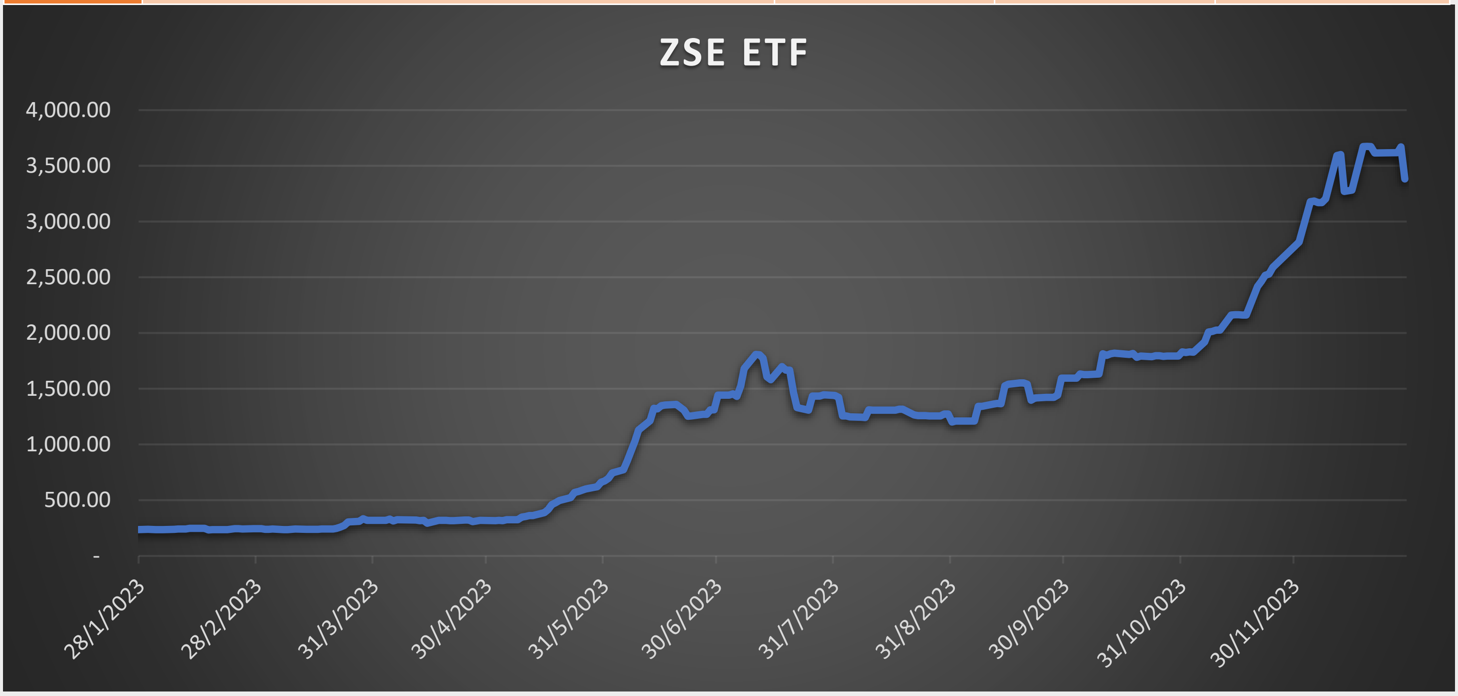
Market capitalisation closed at USD2.85 billion (ZWL16.8 trillion) in 2023 from USD$1.96bn in 2022 at the FX auction rate of 5,903.3898. However, using the widely used market alternative rate of 11,500 as at 31 December 2023, the market capitalisation closed at USD1.46 billion as values continued to be eroded. Delta had the largest market cap of ZWL4.58 trillion, followed by Econet which ended the year at ZWL2.53 trillion.



Release Date 23.01.2024

ETF performance…

	2022(pts)	2023(pts)	%Change	YTD %
ETF	213.93	3,383.63	1481.6570	1481.6570



Source: ZSE/EFE Estimates

Symbol	Last Day Closing Price	Current	Change	%Change	% change (USD adjusted)
MCMS.ZW	23	516.2615	493.2615	2,144.62	155.2774256
MIZ.ZW	1.1375	9	7.8625	691.2088	-10.0167629
OMTT.ZW	6.4401	41.6843	35.2442	547.2617	-26.38769611
DMCS.ZW	1.56	9	7.4400	476.9231	-34.38722295
CSAG.ZW	1.8	5.81	4.0100	222.7778	-63.29086629

In the ETF category, it was mainly an idle year during the period with no new listings while, activity was mainly from retail investors. The ETF Index jumped 1,481.6570% during the year 2023, to settle at 3,383.63pts with all the five listed funds registering gains in ZWL terms while, in USD terms only one fund was able to register gains. The Morgan and Co ETF was the only gainer amongst the ETF's after it rose 2,144.62% (155% in USD adjusted terms) to close at a VWAP of $516.2615. The other four ETF's failed to record gains in USD terms during the year. Cass Saddle ETF dropped 63.29% in USD adjusted terms to $222.7778 while, Old Mutual ETF and MIZ ETF fell 26.38% and 10.02% to end the year pegged at $547.2617 and $691.2088 respectively. Morgan and CO Made in Zimbabwe shed 10.02% to close at $9.0000. Activity aggregates closed mixed as volume of units traded faltered by 49.57% to see 115.25m units worth $1.23bn exchange hands. The huge jumps in volumes in the prior period was due to new listings that created once off demand during the relevant particular periods.

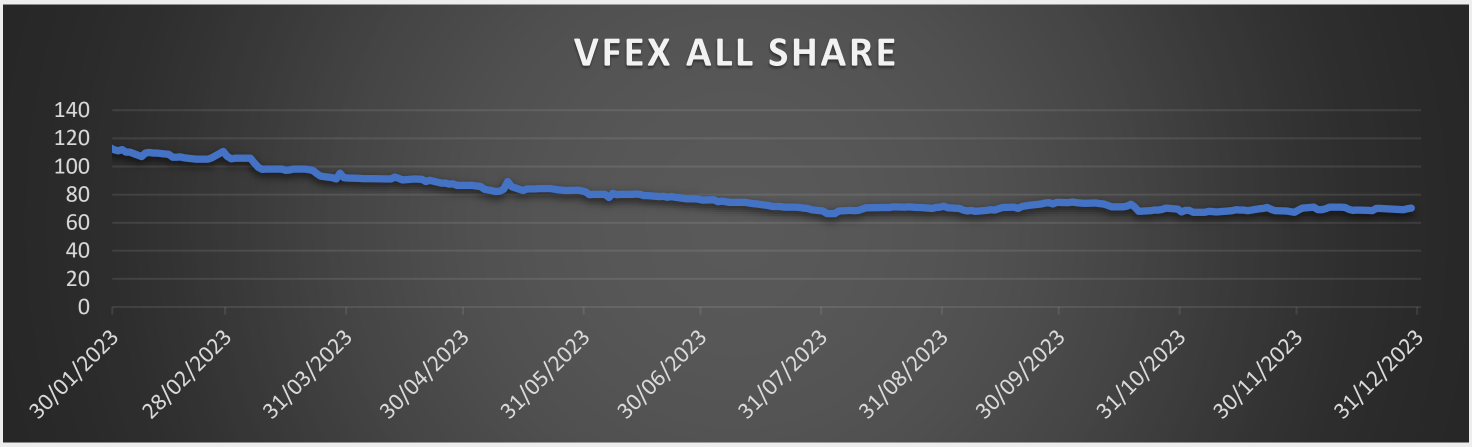
	2023	2024	change	% change
VOLUME	228,516,266.00	115,246,615.00	-113,269,651.00	-49.5674
VALUE	726,800,820.31	1,228,114,455.24	501,313,634.93	68.97538
Source: ZSE/EFE Estimates				

Release Date 23.01.2024

VFEX Index decline despite new listings…

On the VFEX it was a fairly busy year, as we noticed more listing on the USD denominated bourse. Majority of the Listing that happened during the year were mainly by introduction from counters that were moving from the ZSE. The Exchange grew from having six listings to close with a total of thirteen. Westprop Holdings was the only counter to list on the exchange without having to transfer from the ZWL bourse and listed at an offer price of $10.0000. The All-Share Index dropped 21.75% to settle at 70.4753pts, the decline has been due to lack of liquidity into the aforementioned market and proper repricing of counters post movement from the ZSE.

	2022	2023	%Change	YTD %
VFEX-ALL SHARE	99.0683	70.4753	21.75	21.75

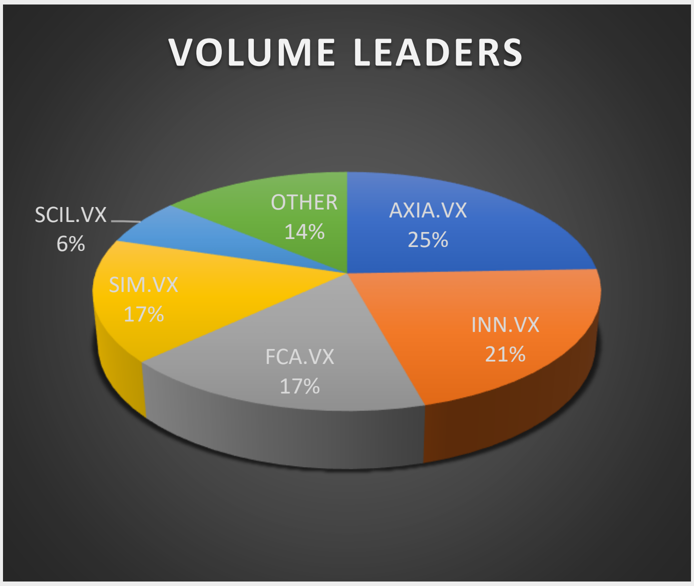


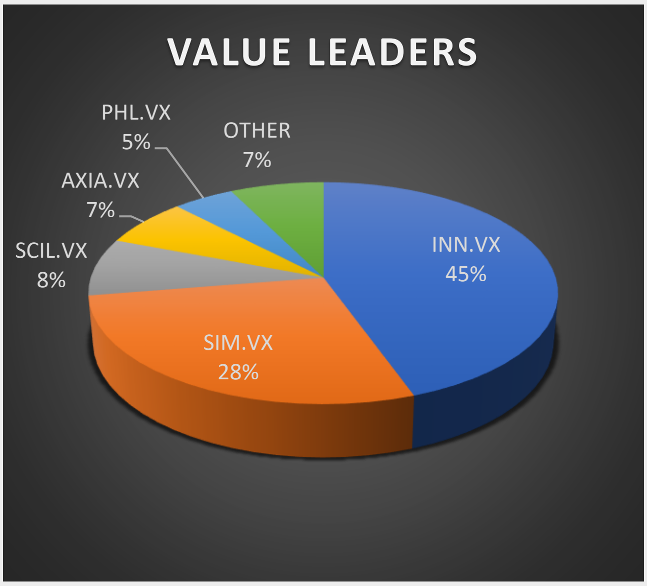
Symbol	Last Day Closing Price	Current	% change	Symbol	Last Day Closing Price	Current	% change
CMCL.VX	13	16.2	24.6154	INN.VX	0.9217	0.44	-52.26
NED.VX	11.5	12	4.3478	BIND.VX	0.023	0.0113	-50.8696
SCIL.VX	0.2995	0.3095	3.3389	AXIA.VX	0.11	0.08	-27.27
				PHL.VX	0.2292	0.1705	-25.6108
				NTFD.VX	1.7864	1.445	-19.1111

Source: ZSE/EFE Estimates

Gold mining company Caledonia led the market charge on a 24.62% increase to $16.20 on the back of a health $0.14 dividend declared every quarter. Nedbank depository edged up 4.35% to settle at $12.0000 despite failing to capture investors interest during the year as it only traded 1,236 shares while, SeedCo International advanced 3.34% to settle at $0.3095 on the back of arbitrage opportunities that existed during the year. Conglomerate Innscor retreated 52.26% to settle at $0.4400 while, nickel miner Bindura plummeted 50.87% to $0.0113. Retail and Distribution group Axia lost 27.27% to end pegged at $0.08 while, Padenga Holding continued to experience waning demand as it faltered 25.61% to $0.1705. Millers National Foods were 19.11% weaker at $1.4450 despite reporting impressive set of financial results during the year.

	2023	2024	change	% change
VOLUME	142,750,075	120,086,026	-22,664,049.00	-15.88
VALUE	12,320,187.20	26,361,504.04	14,041,316.84	113.97%



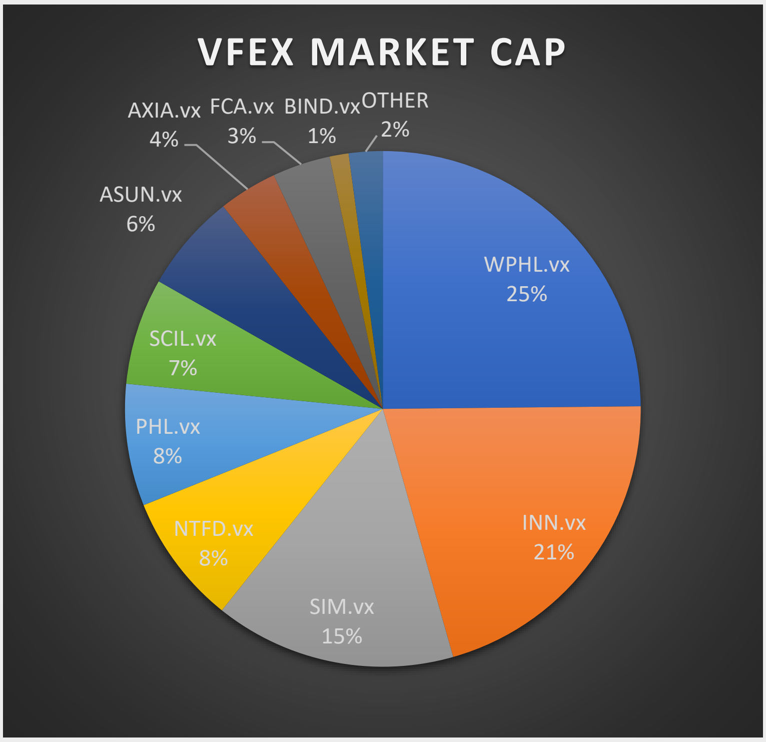


Source: ZSE/EFE Estimates

Activity aggregate closed the year mixed during the year as volume traded faltered 15.88% to 120.09m shares with the major contributors being Axia, Innscor, FCA and Simbisa with respective contributions of 25%, 21%, 17% and 17%. In the value category Innscor and Simbisa were the major value drivers as they claimed a combined 73% of the value traded after the turnover traded jumped 113.97% to see $26.36 million exchange hands.

VFEX Market cap

VFEX MARKET CAP as at 29.12.2023 (USD$)	
WPHL.vx	300,000,000
INN.vx	250,745,638
SIM.vx	182,710,056
NTFD.vx	98,838,156
PHL.vx	92,341,682
SCIL.vx	80,648,299
ASUN.vx	74,190,655
AXIA.vx	44,393,625
FCA.vx	43,865,578
BIND.vx	14,381,879
OTHER	25,640,604
Total Market Cap	**1,207,756,172**



Source: ZSE/EFE Estimates

MAJOR TRANSACTIONS DURING THE YEAR

1. On 6 September 2023, CBZHL acquired 226,997,219 shares, constituting 31.22% shareholding in FMHL from National Social Security Authority “NSSA” in a cash and share swap transaction.
2. Rights Offer by Eco Cash Holdings Zimbabwe Limited to the registered holders of ordinary shares in Eco Cash Holdings Zimbabwe Limited as at 18 August 2023 to subscribe for 1,604,220,688 ordinary shares at a subscription price of US$0.0189 per each share.
3. Microfinance Bank Limited GetBucks voluntary delisted on the Zimbabwe Stock Exchange with effect from 18 September 2023.
4. Econet had a rights Offer to Raise US$ 30.3 Million. The estimated net proceeds from the Rights Issue were for the redemption of the debentures.

STOCK MARKET OUTLOOK

ZSE…

Equities are one of the main hedging frontiers for investors and economic agents in Zimbabwe given the challenges with the traditional banking systems that have failed to provide real positive returns on savings. Over the last couple of years, the ZSE has displayed a unique direction of performance which goes against the grain, where other markets would tumble on the first mention of economic challenges, the ZSE does the opposite as the uncertainty in the monetary settings have meant that the market remains one of the viable options for store of value. This situation is further explained by the fact that most of the problems in the economy are premised primarily on the currency conundrum which has played out in the economic sphere on three major places being a thriving parallel currency market and constrained hard currency, general liquidity crunch, multiple pricings emerging from currency discrepancies as retailers seek to cushion themselves from the sliding value of the Zim dollar.

As 2024 succeeds, the nation awaits the new governor Dr J Mushayavanhu to take charge at the APEX Bank, we see little in policy initiatives to fully address the root causes of these challenges, but we remain optimistic that he may come up with new ideas. Incidentally most of the policies introduced thus far have only further created more internal arbitrage opportunities which unfortunately promotes a rent seeking behaviour and in turn thriving parallel markets of any commodities involved. Commodity prices have been volatile, creating uncertainty for mining stocks. Foreign investor participation is likely to remain low due to currency instability and tight foreign exchange controls. Persistent drought conditions could negatively affect some agricultural companies.

Despite all these challenges and a potentially gloomy and difficult trading environment we believe that investors in the local space have limited options to pursue, with annual inflation at the end of December 2023 reported at 57.99% while, there is a cap to the lending rates the money market investments are likely to be limited to US dollar. As a result, the Zim dollar will find its way into the stock market as safe haven. In 2024 we expect the ZSE to remain an option for investors as a hedge against currency disparities and inflation. Investors would probably prefer to be holding assets that will easily reprice and correct to match the new settings, and there is no better option than equities unless one can access the actual hard currency. The economic outlook remains fraught with uncertainties emanating from incoherent policy initiatives from government, therefore, we expect equities to continue to be the go-to hedging asset in the local markets with the blue-chip stocks remaining particularly alluring. However, technology firms and mobile money providers like Econet should continue growing given Zimbabwe's young demographics. Periodic liquidity squeezes in the banking system could constrain stock market activity and affect non funded income for some of the listed financial institutions. The market's usual top capitalised blue-chip stocks are set to remain favourites while, some selected mid-tier stocks that have made huge strides towards restructuring and reorganising their operations and those earning hard currency together with those that have operations outside Zimbabwe will offer a good hedge against the vagaries of the economy. However, the government has shown some fiscal discipline lately, which could support the stock market if maintained. While the market-friendly reforms under the current administration have been positive, challenges like inflation remain. Therefore, the ZSE is expected to remain stable in 2024, albeit with risks skewed to the downside. Further improving the foreign exchange regime and business climate would support more positive market performance.

Our general finding was that most of our counters are trading at a far much cheaper price to where they were in the comparative date, despite some positive changes the companies have made along the years, and below we give summaries of some of the picks for 2024.

VFEX…

There was a marked improvement of activity on the VFEX in the year 2023 as nostro balances found their way to the hard currency market. We expect the momentum to steadily increase in 2024 as the exchange seems to be a more attractive market for both retail and wholesale clients due to low trading costs, ability to contain exchange rate depreciation and other challenges. If they are no changes in the current listing requirements and currency issues, we forecast to see VFEX out-perform the ZSE in terms of market capitalisation and value traded.

Sector	Beverages
Company Name	Delta
Stock Data	
Current Price (ZWL$)	$3,495.00
Price Performance YTD (as at 19.05.2023)	790.32%
Shares Outstanding (millions)	1,308.70
Market Capitalisation (ZWL$ trillion) (as at 19.05.2023)	4.18
PER +1 (X)	9.35
Average (20 day) Daily Value ($m)	703.88
Average (20 day) Daily Volume	221,355
Target Price	US$0.78

Financial Data	HY23	HY24	FY24F
Gross Sales(000HLs)	5,472	6,114	13,359
Revenue ($m)	730.89	1,928	
Operating Income ($000)	161.71	408.43	
Profit before tax	156.43	404.93	
PAT	65.173	338.78	
EPS (ZWL$)	23.9092	258.86	
Dividend Per Share ($)	0.01	0.01	
PAT margin	8.91%	17.6%	
RoE	6.08%	31.6%	
P/E (X)	23.21	12.48	
Closing Share Price	221.8934	3,495.00	
EFE Target Price			US$0.75

DELTA FULL YEAR EARNINGS UPDATE 2023

Relative macroeconomics stability help anchor Delta's volume performance …

Delta recorded a sterling volume performance in the six-month period to 31 September 2023, mainly anchored by increased consumer spending emanating from national infrastructure projects, marketing of commercial crops, and increase in foreign currency salaries. Group revenue increased by 164% to $1.9 trillion with management translating it to US$376m. Operating income came in at $408bn, following a 153% surge, despite experiencing reduced operating margins. The operating margins were marginally lower at 21% from 22% in the prior comparable period. The group profitability increased by 419% to $338.78bn, implying earnings per share of $258.8631 and rewarded shareholders with an interim dividend of US1cent. The group's balance sheet stood at $2.21 trillion with $1.01 trillion of the funding being shareholders' funds.

Operating Activities

Sorghum beer

Sorghum beer intake continued to surge in the six months period under review as the beer intake increased by 4.27% to 2.17m HLS. The Zimbabwean segment mainly benefited from increased demand for Chibuku scud and political activities leading to elections and post-election period. The company commissioned a new plant at the end of 2nd quarter, and this is set to address supply gaps across the region. Sorghum beer consumption in South Africa was stable at 780,000 HLS while, in Zambia volumes increased by 67% to 647,000 HLS as compared to the prior comparable period. In South Africa, UBA is reported to have break even and they are continuing with penetration into more trade channels. Zambia volumes recovered in the six-month period anchored mainly by penetration into new markets coupled with increase in retail footprint. The Zambian segment is facing challenges of currency depreciation and higher raw material costs that has seen the segment close with losses.

Lager beer.

Lager beer volumes rose by 13% to 1.17m (HLS) anchored by improved supply and strong demand. The company also benefited from improved product supply following commissioning of the new packaging line in Southerton. Competitive and stable pricing in foreign currency provided a good base for the company as it allowed for increased and constant demand. The segment recorded a monthly run rate before the 2023 peak season signifying that the company might surpass prior year volumes at full year.

Sparkling beverages

Sparkling beverages volumes charged 17% to close the period under review with 832,000(HLS) as the segment continues to record steady recovery in volume and market share. The sparkling beverages segment is benefitting from improved supply and range of PET packs following commissioning of new plant in the first quarter. Improved pricing and marketing strategies contributed to the segment's positive performance. Market share for sparkling beverages improved from 61% to 65%. AFDIS volumes grew by 11% to 76,321(HLS). AFDIS benefitted mainly from ciders that grew by 13%, underpinned by expansion of route to market channels and increased local production. However, the AFDIS segment is being affected by grey imports and proliferation of home brewed spirits.

Challenges

Delta Corporation contends with severe economic difficulties in most of their operating nationalities that significantly hamper operations. Hyperinflation has led to distorted cost structures, exchange rate volatility, and tight liquidity constraints, stemming from unstable macroeconomic environment. This resulted in higher input costs, foreign currency shortages therefore, impacting the group's financial performance. Pricing distortions from hyperinflation complicated the trading environment. Inflated costs throughout the value chain make it difficult to set optimal pricing. This is exacerbated by exchange rate fluctuations that affected input and outputs.

Infrastructure deficits in electricity, water supply and poor road network in Zimbabwe further disrupt production and distribution capabilities. Electricity challenges have seen the company incurring costs that were three times higher when running alternative sources of power.

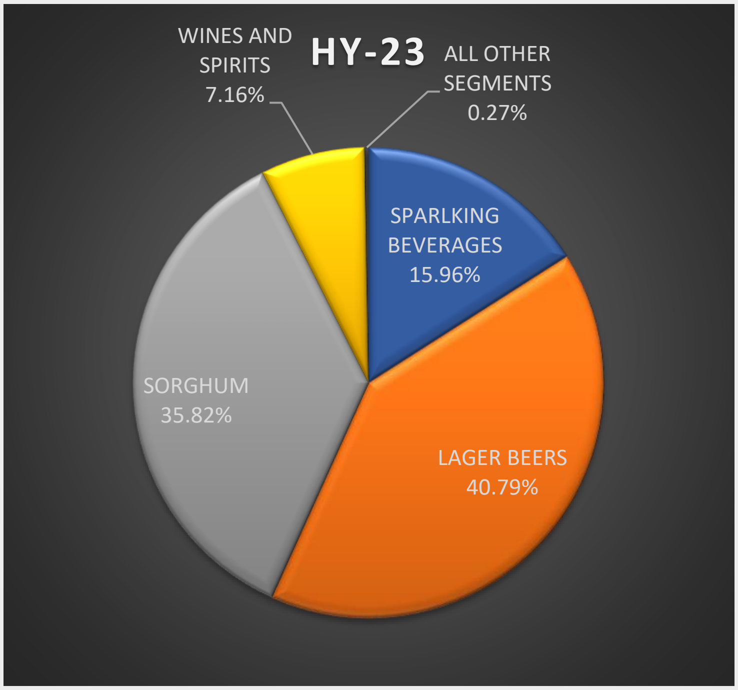
Complex regulatory issues pose additional challenges. Disputes with tax authorities over foreign currency tax assessments reflect the intricacies of Zimbabwe's multi-currency regime.

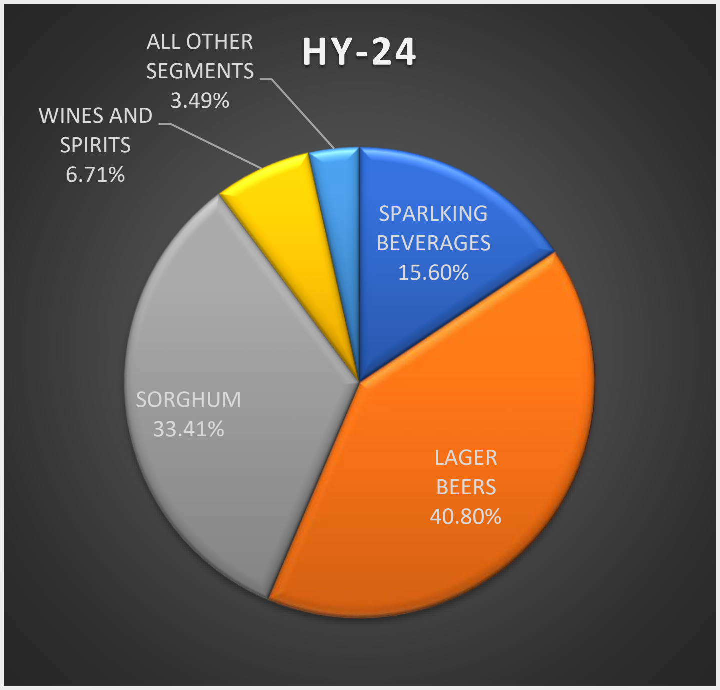
Competitive pressures have heightened given limited consumer spending power. The growth of informal markets and grey imports in spirits indicate consumers seeking lower cost options amidst economic hardships. Shortages and high prices of maize affected the volumes that could have been obtained in the Zambian sorghum beer segment.

Developments and Outlook

Despite the considerable challenges, Delta Corporation has opportunities to consolidate and potentially expand its market leadership in the beverages sector. Its strategic initiatives to enhance competitiveness, optimize costs, and leverage regional diversification could unlock growth. Further investments to boost production capacities and product ranges may be pursued, anchoring on the recent packaging line upgrades. Distribution could be broadened by deepening penetration of the informal sector through creative route-to-consumer models. Adapting pricing and packaging to serve a range of consumer segments will be important. There is also potential to grow the wines and spirits category by checking grey imports and improving brand equity. However, Delta's outlook remains contingent on stability and reforms in the Zimbabwean economy. Managing inflation, fostering competitiveness, addressing infrastructure deficits, and continued re-engagement with global partners will be essential to shore up consumer spending power and the policy environment. If economic fundamentals improve, Delta Corporation could see higher revenues and profitability over the medium term. But volatility and macroeconomic fragility in Zimbabwe pose risks.

<u>Delta revenue contribution HY23 & HY24</u>

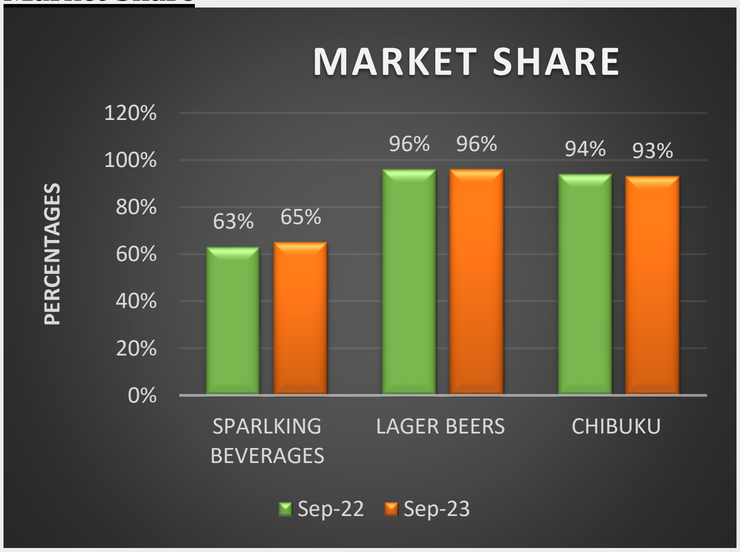




Source:Delta

Lager beers were the major revenue contributor, claiming 40.80% of the total revenue, having gained a mere 0.01% in HY24, trailed by sorghum beer segment that contributed 33.14% of the same, despite having dropped by 1.87%. Sparkling beverages and wines & spirits segments had respective contributions of 15.6% and 6.71%. Other segments improved in the six-month period under review as their contribution increased from 0.27% to 3.49%.

<u>Market Share</u>



Source:Delta

Market share for Chibuku declined from 94% in September 2022 to 93% in September 2023 as new entrants begin to gain traction in the market. Sparkling beverages market share went up by 2% to 65% as lagers' market share was stable at 96% with the company investing more in the injection of new glass bottles and improved glass circulation.

<u>Valuation</u>

Delta has shown resilience, posting volume growth of 12% in the first half of FY2024 across its beverage portfolio, despite the challenging operating environment. The upward volume trajectory is expected to continue in the second half, with Delta targeting growth ahead of historical trends. The commissioning of new packaging lines and plants will boost production capacity. However, power outages, foreign currency shortages and inflationary pressures pose downside risks. Based on the group's first half year volume growth trends, we anticipate second half year volumes to come in at 7.245m HLS, which will translate in full year volumes of 13.359m HLS. Applying Delta's revenue per hectolitre outturn from H1, we forecast Delta to achieve a total revenue of US$821.54m. At EBITDA, operating profit, and PAT margins (from H1) of 22.6%, 21.2% and 17.6%, we forecast EBITDA of US$185.7m, operating income of US$174.1m and PAT of US$144.6m. This comes up to a forward PER of 9.35x, relative to the average P/E for selec This comes up to a forward PER of 9.35x, relative to the average P/E for selected African breweries of 15.7x to arrive at a target price of US$0.75 equivalent. Delta Corporation exhibits fundamental strength but remains exposed to Zimbabwe's economic uncertainties. Its resilience, regional diversification and market leadership provide opportunities for growth, however translating potential into sustained strong performance will depend on stability in the operating environment.

Sector	Telecommunication
Company Name	Econet
Stock Data	
Price Range YTD (Low, High) ZWL$	($62; $335)
Current Price	71.15
Price Performance YTD	44.78%
Shares Outstanding (millions)	2,394
Market Capitalisation ($bns	180,601
Average Daily Value ($m)	54.68
Average Daily Volume (000)	731.13

Financial Data			
(billions)	HY 22	HY23	FY23F
Revenues	113.99	112.38	230.38
EBITDA	62.55	52.22	131.61
PBT	35.38	5.45	46.18
PAT	25.36	-5.78	27.45
Total Assets	288.92	377.44	725.97
Total Liabilities	89.15	130.53	452.42
EPS ($)	10.61	-2.31	13.79
P/E (X)	3.55	-47.08	-
ROE	0.13	-0.02	0.09
PBT Margins	31.03%	4.85%	20.05%
Closing Share Price	37.7183	108.7775	
EFE Target price			195

ECONET EARNINGS UPDATE

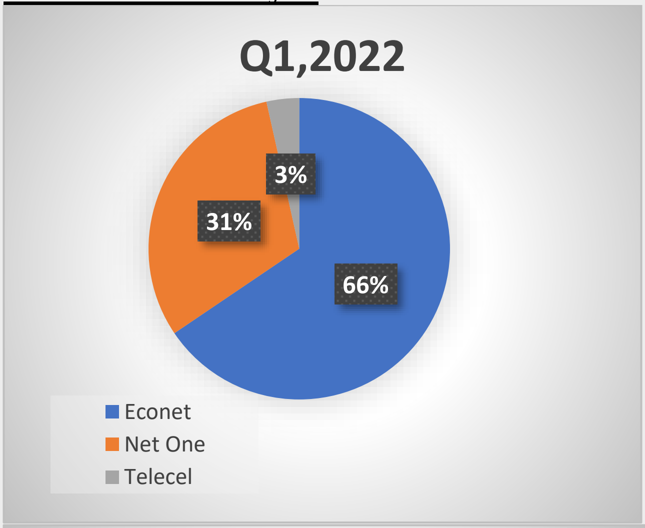
Econet records 186% revenue growth anchored on surge in data demand…

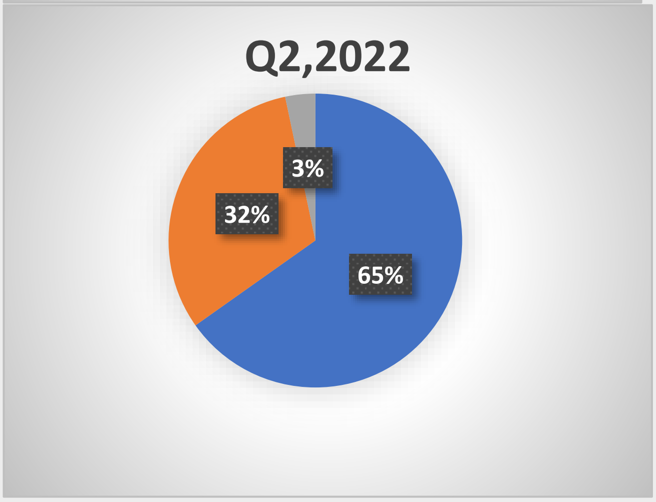
Econet Wireless Holdings Limited released their audited results for the half year ended August 2023 in which the volume growth trajectory continued in the period under review. Management expressed concern over the difficulty to report accurate results owing to the harsh economic environment with multiple currency regimes and hyperinflation. Revenue for the period increased by 186% to see $1.1trn mainly anchored by voice and data volume that increased by 24% and 25% respectively.

Operations review and Outlook

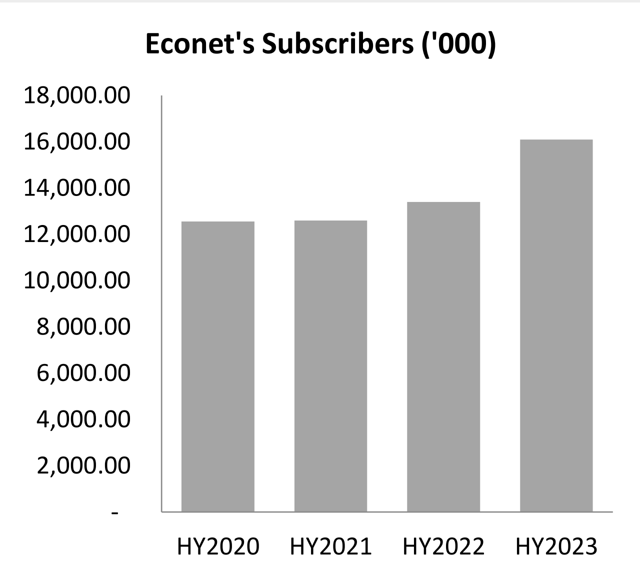
Number of subscribers jumped 20% to 16.1m from 13.4m in the prior period. The group recently launched its 5G network and its expansion will be important for delivering additional digital growth services to both retail and enterprise customers. Econet invested in a radio access network so as to reduce congestion and improve call completion rates and quality. The business migrated and upgraded the call centre platform to a more reliable and scalable cloud platform that handles customers efficiently and reduce waiting and query handling period. There was a significant increase in the uptake of self-care platforms which include subscriber registration verification self-service, PUK, retrieval international roaming activation and airtime transfer among other services. Econet also launched the electronic recharging system (ERS) for mobile channel partners and have signed up more than 200 channel partners as the group seek to serve even the most remote areas of the country. There was an increase in self-service adoption on both the traditional USSD and more recent web platforms. Foreign currency shortages continue to affect the group's network expansion plans and the routine maintenance plan but however, we anticipate seeing a change as the group now receives some of its income i

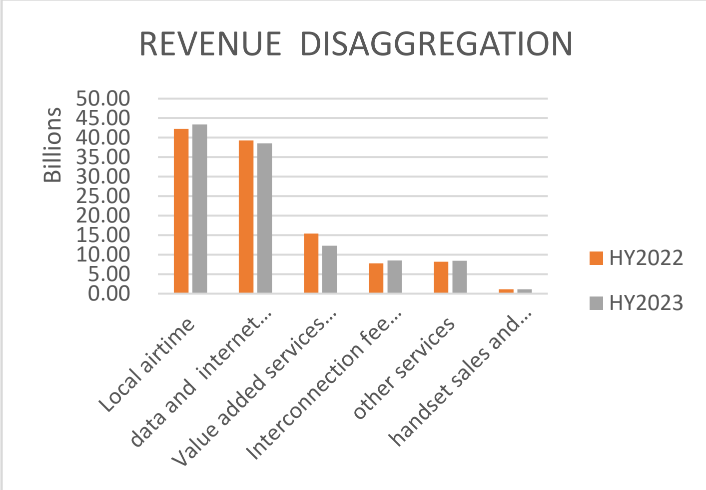
Market Share Analysis





Source-Potraz/EFE





The duo of Econet and Telecel lost subscriber market share by 0.3% and 0.2% respectively. Conversely, NetOne gained subscriber market share by 0.5% in the second quarter of 2022. Market share decline may be attributable competitive pricing at its competitor Netone.
Subscriber Analysis

Source-Econet
Number of subscribers have been increasing over the years, recording the highest rise of 20% in HY2023.

Local airtime was the major revenue earner for the group followed by data and internet services that claimed $38.58bn. SMS, interconnection fees and roaming and handset accessories accounted for $12.33bn, $8.53bn and $1.11bn of total revenue.

Valuation
Our valuation on Econet assumes that revenue for the next half year will increase by 5% to a forecasted $118bn spurred by increase in the number of subscribers in the next half year, high tarriffs, decline in exchange losses and the expected uptake of the 5G network. We project a PAT of $38.80bn and an EBITDA of $79.38bn. We therefore place the counter .

STOCK DATA		BUY
Price:		0.4733
52 Wk High:		0.9217
52 Wk Low:		0.3279
20 Day VWAP:		73.34
P/E:		0.4885
D/Y:		2.22
PBV:		0.65
Issued Shares (m):		571.05
Market Cap ($m):		269.64
	31-Dec-22 $000	**31-Dec-23 $000**
Revenue	700,994	804,040
EBITDA	105,220	91,061
EBIT	91,673	60,035
Net Interest	(17,227)	(13,443)
Equity Earnings	45,281	32,147
PBT	80,475	48,315
PAT	63,824	37,844
Total non-current assets	338,133	398,193
Total current assets	262,540	255,650
Total assets	600,673	653,843
Net Asset Value	405,464	417,670
Long Term liabilities	45,536	55,933
Current liabilities	149,672	180,240
NAVPS(cents)	0.71	0.73
Basic EPS	5.95	5.63
Diluted EPS	5.95	5.63
Headline EPS	5.42	5.63
Price at Date	-	USD0.45
EBITDA Margins	15.01	11.3
EBIT Margins	12.06	6.49
P/E	35.22	11.93
PBV	-	0.88
Target Price		0.68

INNSCOR ANALYSIS

Financials

Innscor FY23 revenue grew 14.69% to $804.04m over prior comparable period while, EBITDA came in at $91.06m which was 13.5% lower compared to prior period. Revenue was driven by improved capacity utilisation across the group's core manufacturing segments, introduction of new segments, category extensions and route to market optimisation strategies. Operating income was $52.21m, down having fell 38% from last year's values. However operating margins fell slightly to 11% from 15% in 2022. PBT declined by 40% to $48.32m while, PAT softened 40.7% to $37.84m translating to an EPS of US5.63c. The balance sheet grew 8.85% to $653.84m as at the reporting date. Currency losses continued to haunt the group as they incurred losses of US$15.404m, due to exchange rate differences from the second half of 2023, operating cashflow was 12% ahead at $112.07m, supported by improved efficiency. A total of US$70.25m was deployed towards capital expansion during the year.

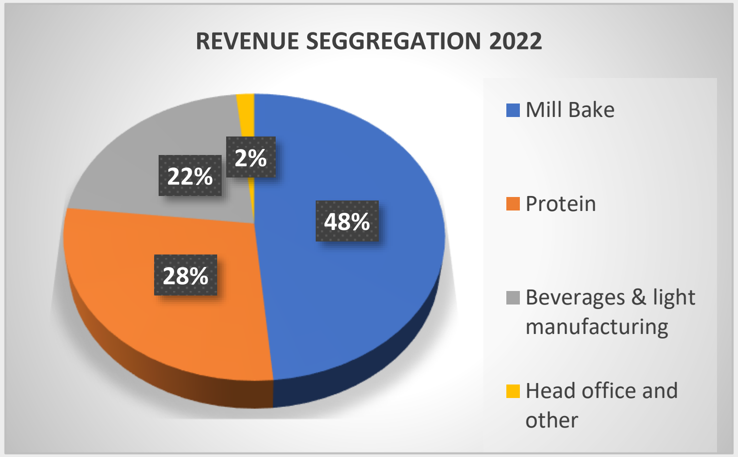
Review of operations

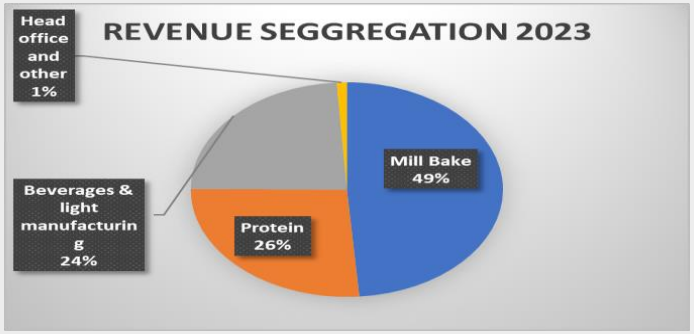
The tight operating environment which has seen a reduction in overall demand in the economy has been cited as a major constraint in performance of the group's various operations. Margins have been further suppressed due to macro-economic volatilities, low prices to maintain volumes and low spend while, a lax in overheads control in some sections of the business compounded performance depression.

Sectorial Performance

MILL-BAKE

The bakery division volumes were stable compared to prior year, the stability is due to pricing dynamics caused by inflated international wheat prices. This had an adverse effect on bread pricing therefore affecting demand in the first half of the year. Volumes are expected to increase into FY24 as the group recently commissioned its USD22m investment and is in process of plant automation and upgrading capacity at Harare manufacturing capacity. National Foods volumes were 3% lower triggered by downward performances in the flour unit and maize volumes. Volume for the flour unit declined by 12.3%, mainly affected by increases in the price of wheat in the first half of the year. The price increases in wheat affected volumes by 19.6% in the first half of the year. Maize volumes fell by 9.4% as compared to prior period, affected by various procurement related distortions. Stock feed volumes increased by 10% with growth mainly emanating from poultry, beef, and dairy sector. Volume for the cereals unit grew by 47% over the comparative year, as the company continues to launch new range of breakfast cereals. Profeeds volumes increased 9.5% in the year under review on the back of sustained demand in the poultry category while, day old chick volumes rose by 17%. Nutri Master volumes increased by 35% over the comparative year underpinned by strong order book across the row-cropping, horticulture and tobacco segments.





Protein

At Colcom, the demand for fresh pork continued to increase as volumes grew by 8% anchored by growth in sausages and polony. Pig production at Triple C increased by 3% as investments into enhanced genetics and improved rearing sites begin to yield positive results. At Irvines, volume growth was recorded in table egg category (+14%) and day old chicks (+17%). AMP group recorded a 13% growth in the year under review as chicken and beef category remained firm in the year under review.

Beverages and other light manufacturing

In the beverages and other light manufacturing sector, Prodairy volumes rose by 44% while, the dairy blend category under Revive benefited from prior capacity expansion investment as its volumes charged by 83%. Dairy milk production at Mafuro grew by 8% while, sorghum beer Nyathi at TBBC that was launched in December 2022, reported to be performing well with management highlighting that it commands a market share of 4-6%. Natpak recorded a 10% volume increase, driven by rigids and corrugated divisions which introduced new products.

Outlook and Valuation

Looking ahead, the operating environment is likely to remain volatile given currency instability, policy uncertainty, supply chain disruptions and forecasted El-Nino induced droughts. Innscor 's diversity provides some resilience with different business units benefitting from varying economic drivers. Key strengths are the company's wide geographic footprint, established brands and ongoing investments to expand production capacity. Innscor will continue optimizing manufacturing efficiencies and extracting synergies across the expanded asset base. New product innovations and route-to-market strategies are crucial for accessing underserved markets. Tight working capital management and capital allocation discipline also helps navigate the turbulent conditions. With a robust balance sheet, Innscor is well positioned to consolidate market leadership across segments. However, earnings visibility remains constrained by external shocks and execution risks on major capex projects.

While the current macroeconomic environment poses a threat to future prospects with regards to aggregate demand, we envisage the group to stay the course leveraging mainly on its diversified operations. The group's strong cash generation capability equally set it on a platform for growth while, reducing leverage overpriced loans. We expect the improvement in margins to lessen the effect of constrained demand resulting in a 45% growth in full year revenues to $1.17bn assuming that the new capital projects gain traction. TBBC sorghum beer segment and other beverages segment will be the major gainers as they tap into markets which offer opportunities for growth. From these, we expect PBT and PAT to come in at $71.99m and $56.2m respectively which is 48% and 45% increase from comparative previous year to obtain a target price of US68.23c. **BUY**

TOP PICKS

TOP PICKS

COUNTER	COMMENT
DELTA CORPORATION	It is principally a beverages company with a diverse portfolio of local and international brands in lager beer, traditional beer, Coca-Cola franchised sparkling and alternative non-alcoholic beverages. The group released its financial results for the six months ended 31 March 2023 where its revenue increased by 60% to ZWL$536.92 billion, operating income going up by 29% to ZWL$99.79billion adjusted inflation. and EBITDA growing by 29% to ZWL$112.60 billion. The business has been able to grow its volumes across all its business units. Despite the difficult climate, the company has been able to increase volumes across all its business segments. Additionally, the business seeks to capitalise on the solid aggregate demand, which is primarily fuelled by remittances from the diaspora, infrastructural improvements, mining activity, and an increase in social activities. The sorghum beer market is probably going to be competitive for the Group.
INNSCOR AFRICA	The Group recorded revenue of USD 804.040m during the financial year under review, representing a growth of 14.7% over the comparative year. Revenue performance was driven by improved capacity utilisation across the Group's core manufacturing businesses, and further supported via the introduction of new product categories, category extensions, and route-to-market optimisation strategies undertaken during the financial year under review. Revenue growth was underpinned by strong sales volumes across all core categories as the Group's business units achieved improved capacity utilisation, introduced new products, and expanded product offerings across existing categories; this combined with optimal pricing strategies and growing demand from the informal market drove the Group to achieve a pleasing result.
AXIA CORPORATION	Axia Corporation Limited is a retail enterprise that sells specialty homeware furniture and electrical appliances through 38 nationwide retail outlets; and retails automotive spares across multiple channels with a footprint that stretches to Zambia and Malawi. The company's FY results for the year ended 30 June 2023 showed a 32% increase to revenue to ZWL$75.53 billion as PBT rose 146% to ZWL7.42 billion from prior period (2021). The group generated cash of ZWL$2.724 billion from operations which was a 148% surge from comparative period, and it plans to use some of this money towards setting up a 10000-bed production facility. The group is in the process of moving to the VFEX.
SEEDCO LIMITED	As the leading producer and marketer of certified crop seeds in Zimbabwe, Seed Co Limited remains the go-to name in terms of supplying hybrid seed varieties in Zimbabwe. Most African economies are agrarian based hence the demand for seed is always firm. Turnover grew by 56.4% to ZWL$49.3BN from prior in year IAS29 restated. ZWL$31.5BN. The growth in turnover was on the back of a 14% increase in sales volumes and selling price adjustments in response to inflation-induced increases in operating costs, as well as the general effects of exchange rate fluctuations. On the export front, the business registered a notable 88% volume growth satisfying seed shortage in the region caused by drought in prior year.
NATIONAL FOODS	National Foods Holdings Limited manufactures a branded portfolio of essential food stuffs and stockfeed. Today, its products are the cornerstone of basic food nutrition in Zimbabwe. Operating profit before interest, equity accounted earnings and tax for the year was US$ 23.4 million, 16.5% below last year, in summary due to our strategy to moderate price increases and the higher operating costs. As with last year, there were significant losses on the 'financial loss' line, largely on account of translating the Group's various ZWL monetary positions, as once again consistency

	of product supply was prioritised to certain market channels, even when it resulted in financial losses.
SIMBISA	Simbisa Brands Limited has had a strong year, recording good overall revenue and EBITDA growth of 23% and 9%, respectively. This success can be attributed to various factors, including the expansion of our store footprint and the continued development of the Group's digital channels. Revenue increased by an impressive 23% overall, with Zimbabwe contributing with a growth rate of 34% and the Region growing 5%. This revenue growth in Zimbabwe was primarily driven by a considerable increase in customer counts of 24%. In the Region, customer counts grew by 2.5%.
FBC HOLDINGS	FBC Holdings Limited achieved a profit before tax of ZWL427 billion and a profit after tax of ZWL366 billion, a reflection of the resilience of the Group's diversified business model and ability to adapt to the challenging environment. Net transactional revenues amounted to ZWL56,9 billion for the half year ended 30 June 2023 on account of the Group's innovation and digitalization thrust. The Group continues to invest in digital platforms and channels to widen its product offering and enhance customer convenience in line with changes in the technological space. Automation and digitalization initiatives are being pursued to lower the cost to serve customers.
MEIKLES	Meikles Limited, a public company listed on the Zimbabwe Stock Exchange ("ZSE") and London Stock Exchange ("LSE"), is pleased to present the annual report for the year ended 28 February 2023. Profit after tax (excluding investment income of ZWL 3.6 billion and ZWL 179.0 million profit on distribution of subsidiary equity to shareholders in the previous year) declined by 48% to ZWL 3.1 billion. Total comprehensive income was boosted by the exchange rate impact on the translation of foreign subsidiary and increased to ZWL 25.4 billion (Previous year: ZWL 11.1 billion).
MASIMBA HOLDINGS LIMITED	Masimba has a strong order book of US$220 million and is well-positioned to benefit from the infrastructure boom in Zimbabwe over the next 5 years. The government has pledged to resuscitate ailing infrastructure which aligns directly with Masimba's construction services in areas of roads, housing, airports and power plants. Masimba has successfully executed many complex and high-profile projects across Zimbabwe which gives it a strong reputation and track record. The company is projected to deliver high earnings growth of 25-30% annually based on its current order pipeline and the favourable industry dynamics. Major national projects in roads, housing and airports anchor near-term growth. We believe the company's strong order book, growth trajectory, and discounted valuation make this an attractive investment.

GEORGE CHIRWA - +263 774 871 378 georgec@efesecurities.co.zw
SOLOMON SITHOLE - +263 772 165 293 solomons@efesecurities.co.zw
BRENDA MWATURURA - +263 782 785 666 brendam@efesecurities.co.zw
KELVIN MUCHIRAWEHONDO -+263 778 867 804 – kelvinm@efesecurities.co.zw