



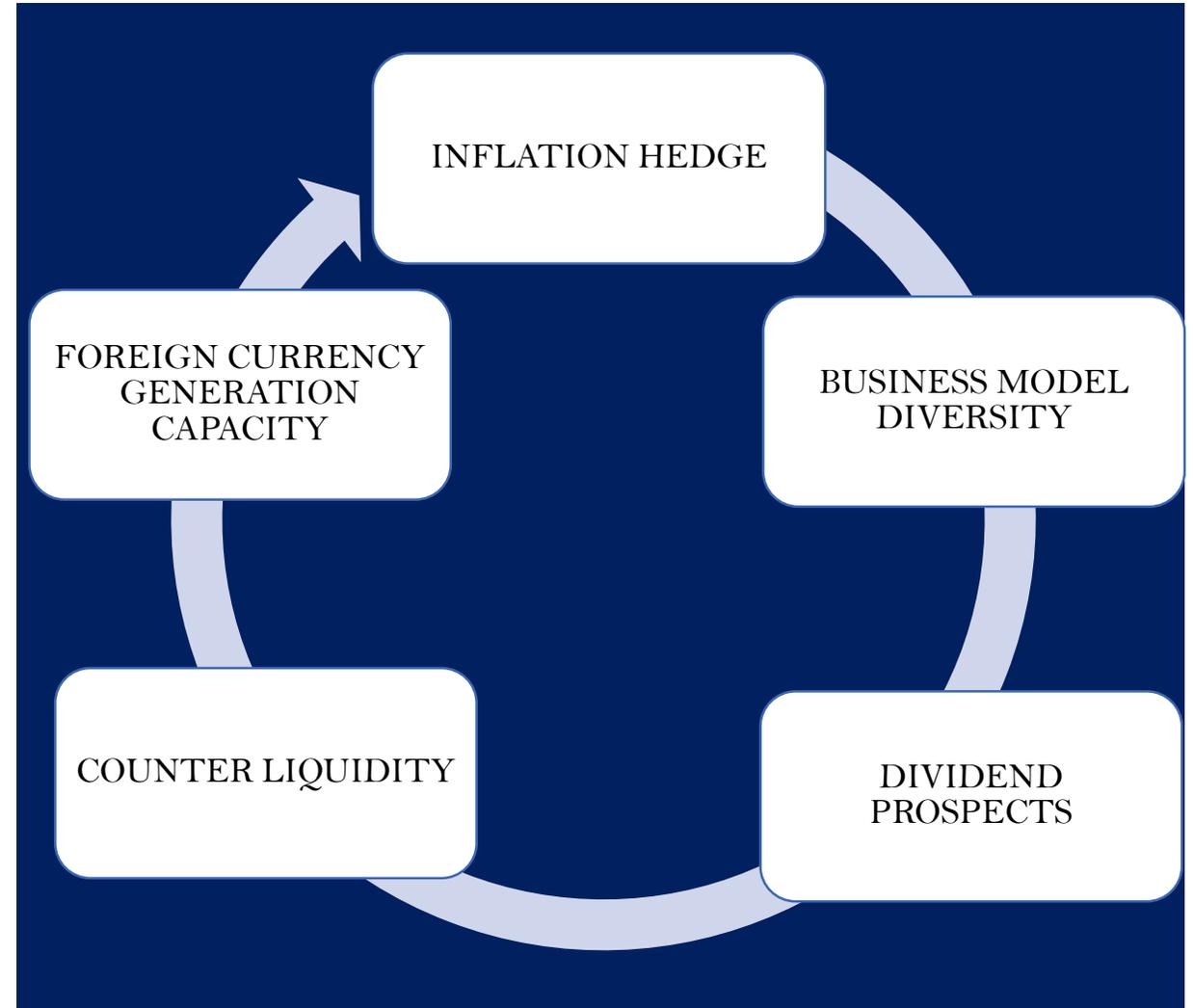
FBC Securities (Private) Limited

(Registered Stockbroker) - Member of the Zimbabwe Stock Exchange
You Matter Most

March 2023 Stock Pick Recommendations

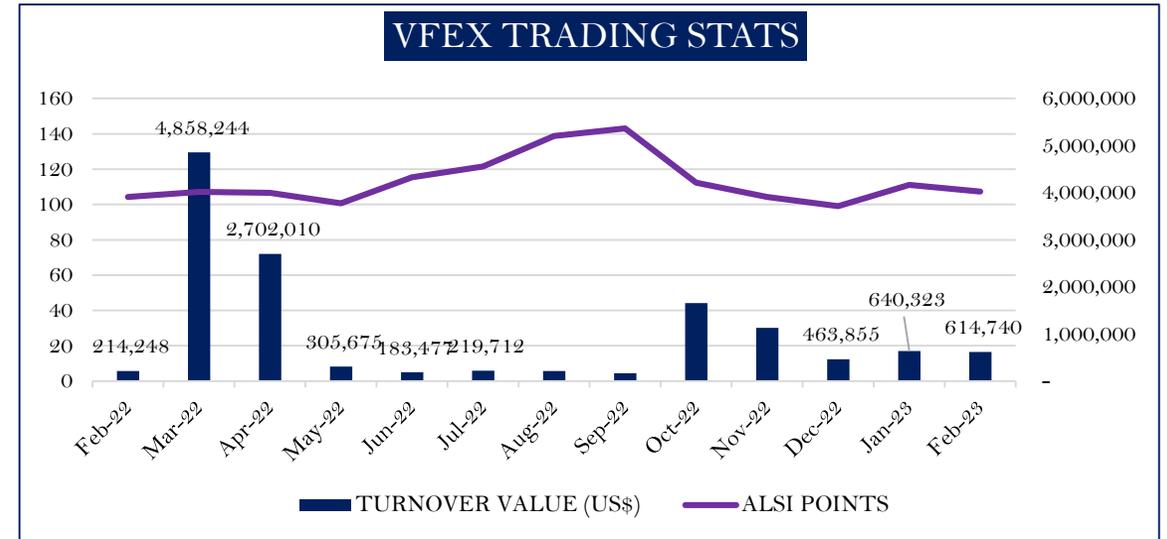
OVERVIEW...

- ❖ The global economic outlook remains largely uncertain as nations continue to navigate volatile terrain in the face of elevated inflation, rising interest rates and a war in Ukraine.
- ❖ Locally, government efforts to stabilize the economy yielded results as inflation and exchange rate pressures generally eased in the second half of 2022. Annual inflation peaked at 285% in August, before decelerating and closing the year at 244%. Month-on-month inflation during the year reached its highest in June at 31%, and closed the year at 2%. Macroeconomic stability remains fragile, however, owing to a gloomy global outlook, perennial power shortages, depressed aggregate demand and uncertainty around the upcoming elections.
- ❖ In view of these factors, we recommend that investors consider mature businesses with a proven track record of performance that have held up well in periods of uncertainty. Additionally, investors will derive value from holding positions in counters with diverse business models, inflation hedging capabilities and foreign currency generation capacity.
- ❖ In appraising the investment universe and tradable securities therein, we have taken cognizance of both qualitative and quantitative aspects offered by the Zimbabwean economic and investment landscape.
- ❖ We anticipate a general bullish sentiment to prevail on the stock market, however, gains may be moderated by inflation tightening measures being pursued by government.

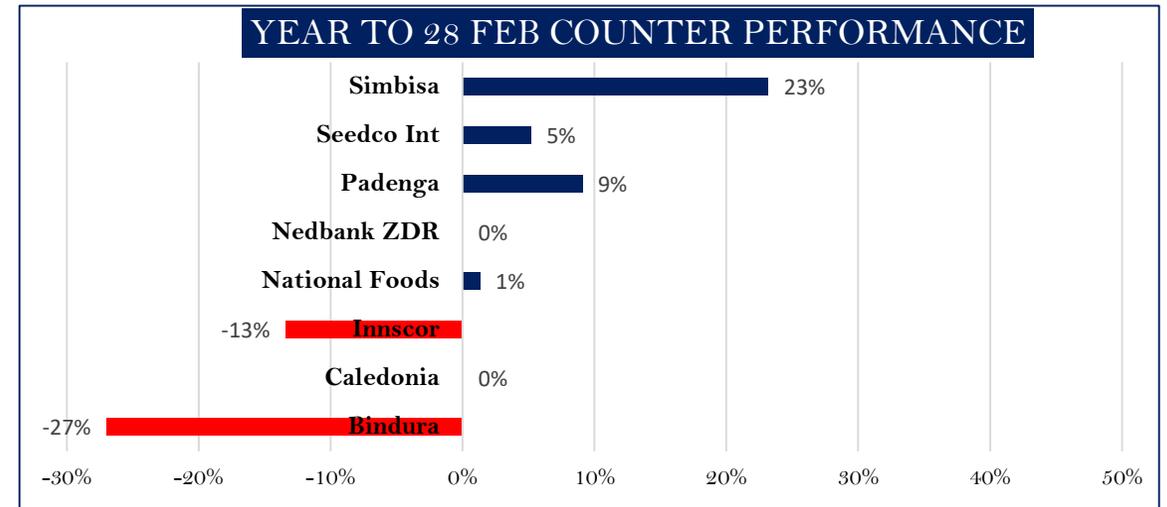


VFEX MIGRATIONS

- ❖ ZSE has seen an increase in de-listings by top counters in favor of the rapidly expanding US dollar denominated Victoria Falls Exchange as the bourse continues to attract migration of big companies.
- ❖ The VFEX platform offers a number of incentives, including tax exemptions on capital gains and the ability to repatriate funds which has been a challenge in previous years. Investors participating on the VFEX benefit from the ability to move capital and dividends freely, low transaction costs, tax incentives and minimal currency risks.
- ❖ The number of listings on the VFEX is expected to continue to grow this year as a result of existing local currency dynamics and unpopular policy intervention on the ZSE. A number of companies, including Getbucks, and African Sun, have already communicated intentions to migrate to VFEX.
- ❖ Migration of quality stocks from the ZSE to the VFEX, as opposed to new listings, may however be detrimental to the viability of the local currency denominated bourse.
- ❖ Liquidity on the bourse has been an area of concern, as activity levels have generally been low. The increasing number of quality stocks listing on the VFEX will aid in boosting activity and improving liquidity. Increased flow of foreign currency within the formal economy will also be key to driving activity on the VFEX with some of these funds directed to the stock market.
- ❖ While standardization of export retention levels may be necessary to lessen arbitrage opportunities in the economy, the move to suspend export incentives particularly for exporting companies listed on the VFEX may be perceived as a signal of policy inconsistency and deter listings on the VFEX.



Source: VFEX; FBC Securities Research



Source: VFEX, FBC Securities Research

ZSE TOP PICKS

1. DELTA CORPORATION LTD



Delta Corporation Limited boasts of a diversified product portfolio of local and international brands, inclusive of non-alcoholic beverages, sparkling beverages, lager beers and traditional beers.

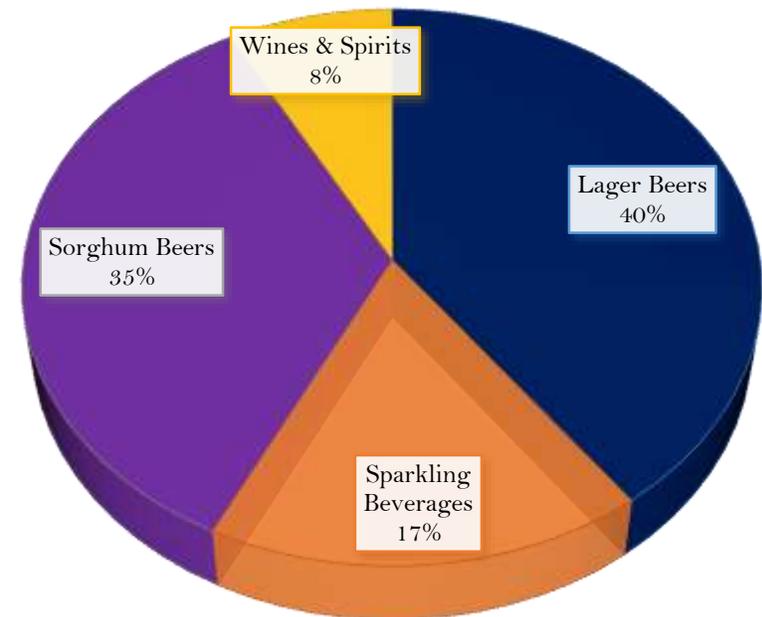
Historically, lager and sorghum beers have been significant contributors to group revenue. Production capacity constraints restricted supply of lager and sorghum beer in the last year, however, the group is set to address these challenges by installing and commissioning new production plants within the first half of 2023, largely utilizing internally generated funds.

Ahead of envisaged growth in key economic sectors, such as mining, agriculture and construction, we anticipate firm aggregate demand for the company's products.

MARKET DATA & VALUATIONS

Sector	Consumer Staples
Price (ZWL\$) - 28/02/23	525.52
Market cap (bn)	685.37
NAV per share (ZWL\$)	57.12
P/E (x)	16.82
Earnings Yield	6%

PRODUCT REVENUE CONTRIBUTION



Source: Delta Corporation Annual Report

2. ECONET WIRELESS



Econet has maintained dominant market share and cemented its position as a market leader in the telecoms sector. The company has also launched the 5G network which will improve customer experience and enhance product offering.

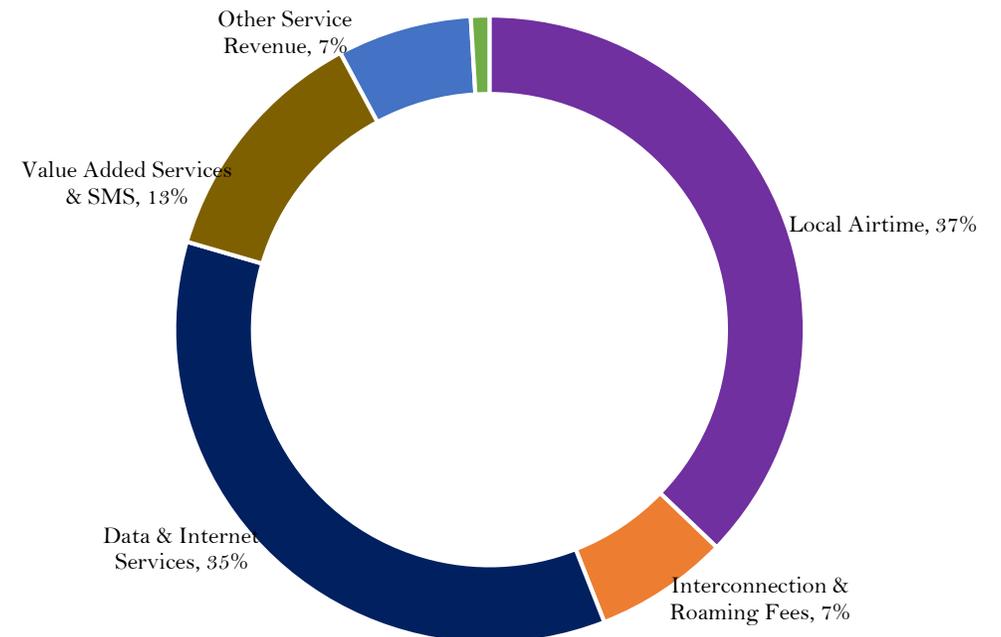
In line with global trends, data usage in Zimbabwe is expected to increase over the next few years. Population internet penetration and mobile phone subscriptions are forecast to rise to 63% and 85% by 2026.

Introduction of the multi-pricing regime will improve foreign currency generation and aid in covering the company's core operational costs from infrastructure and software upgrades that require foreign currency.

MARKET DATA & VALUATIONS

Sector	Consumer Staples
Price (ZWL\$) - 28/02/23	171.09
Market cap (bn)	443.22
NAV per share (ZWL\$)	78.23

ECONET REVENUE SPLIT



Source: Econet Wireless Annual Report

3. HIPPO VALLEY ESTATES



Hippo Valley is one of the 2 major players in the local sugar industry, consistently contributing circa 50% of total industry sales. The company is set to ramp up production following the greenlighting of its Project Kilimanjaro in the Lowveld.

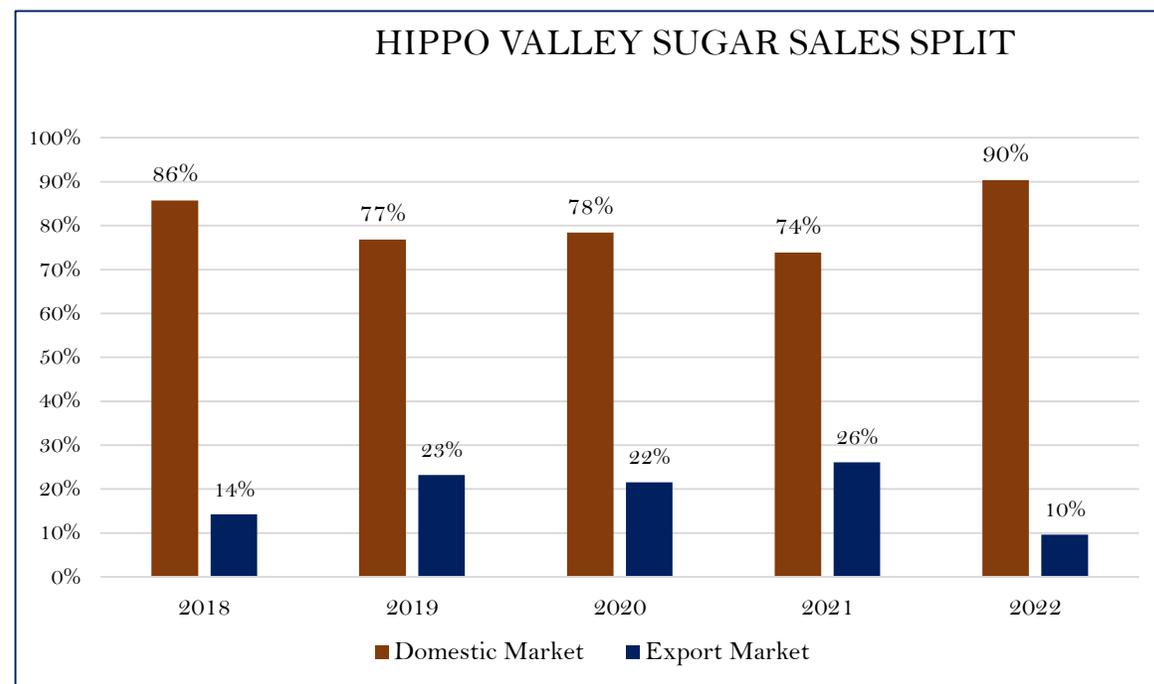
Global sugar prices may come under pressure in 2023 due to increased supply owing to Brazil’s projected increase in output. Kenya, one of Zimbabwe’s top sugar export destinations, is still facing annual deficits, creating opportunities for Hippo Valley to increase export sales.

While there is a possibility of price pressure in the exports market, we anticipate sustained demand in the local market on the back of improved consumer disposable incomes. Hippo Valley’s dominance in the market plus the anticipated increase in output drive a positive outlook for the company’s performance.

MARKET DATA & VALUATIONS

Sector	Consumer Staples
Price (ZWL\$) - 28/02/23	500.00
Market cap (bn)	96.51
NAV per share (ZWL\$)	18.22
P/E (x)	4.20
Earnings Yield	24%

HIPPO VALLEY SUGAR SALES SPLIT



Source: Hippo Valley Annual Report

4. OK ZIMBABWE LIMITED



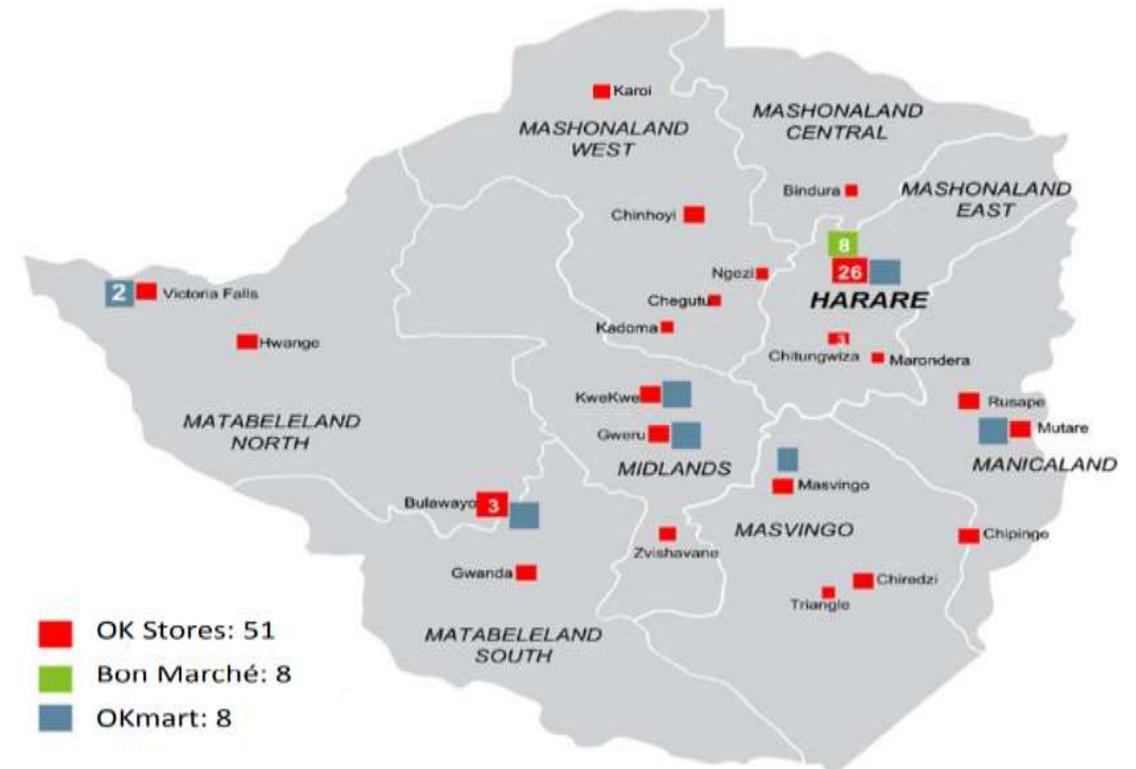
The conclusion of OK Zim’s acquisition of Food Lovers is a positive development in extending the Group’s footprint. OK Zim’s highly recognizable brand gives the company a competitive advantage on top of its varied product offering and the company’s expansion prospects

The growing popularity of informal stores in high density areas, where majority of OK stores are situated, has seen an increase in competition for more formal retail outlets. The informal sector of the economy is largely dollarized, and able to transact primarily in USD, therefore discounted prices offered by informal outlets are more appealing in comparison to formal stores that peg USD prices to the official exchange rate.

As the economic outlook remains largely uncertain, in view of a gloomy global outlook and a uniquely challenging domestic environment, investors may take positions in established, mature businesses operating in defensive sectors such as OK Zim. The company pays out consistent dividends and has high prospects for both inorganic and organic growth.

MARKET DATA & VALUATIONS

Sector	Consumer Staples
Price (ZWL\$) - 28/02/23	52.40
Market cap (bn)	67.38
NAV per share (ZWL\$)	16.94
P/E (x)	31.04
Earnings Yield	3%



Source: OK Zim 2021 Annual Report

5. TANGANDA TEA COMPANY



Tanganda remains the largest producer, packer and distributor of tea in Zimbabwe and has developed the largest hectareage of both macadamia nuts and avocado, becoming the single largest producer of both high value crops in Zimbabwe.

Due to increasing focus on healthy living, the global macadamia and avocado markets are expected to expand at compound annual growth rates of between 7% to 11% and 5% to 7%, respectively, creating opportunity for growth in Tanganda's export earnings as the markets expand.

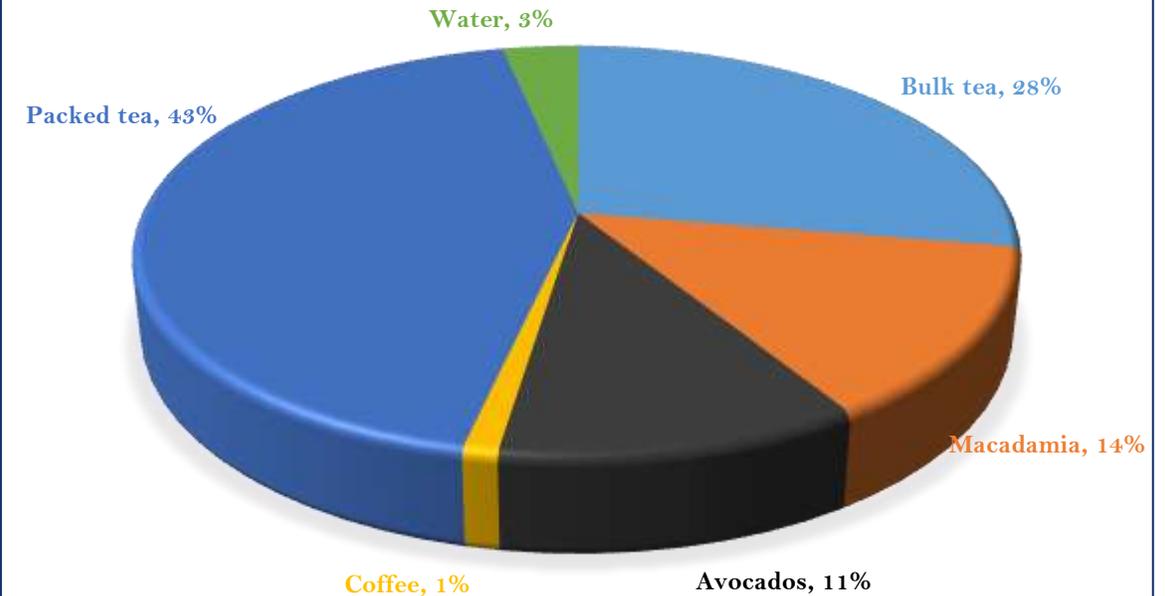
A key risk in the macadamia global market is the uneven competitive landscape as the top 2 exporters within the market (South Africa and Australia) make up nearly 67% of all exports.

The company's dominance in the local tea industry, and its presence in the growing macadamia and avocado markets set basis for a favorable outlook on the company's future prospects.

MARKET DATA & VALUATIONS

Sector	Consumer Discretionary
Price (ZWL\$) 28-02-23	253.32
Market cap (bn)	66.13
NAV per share (ZWL\$)	23.58
P/E (x)	15.84
Earnings Yield	6%

PRODUCT REVENUE CONTRIBUTION



Source: Tanganda 2022 Financial Statements

VFEX TOP PICKS

1. INNSCOR AFRICA LIMITED



The Group has maintained focus on broadening product ranges, investment into modern manufacturing processes, extending production capabilities, as well as ensuring product and pricing relevance across the market spectrum.

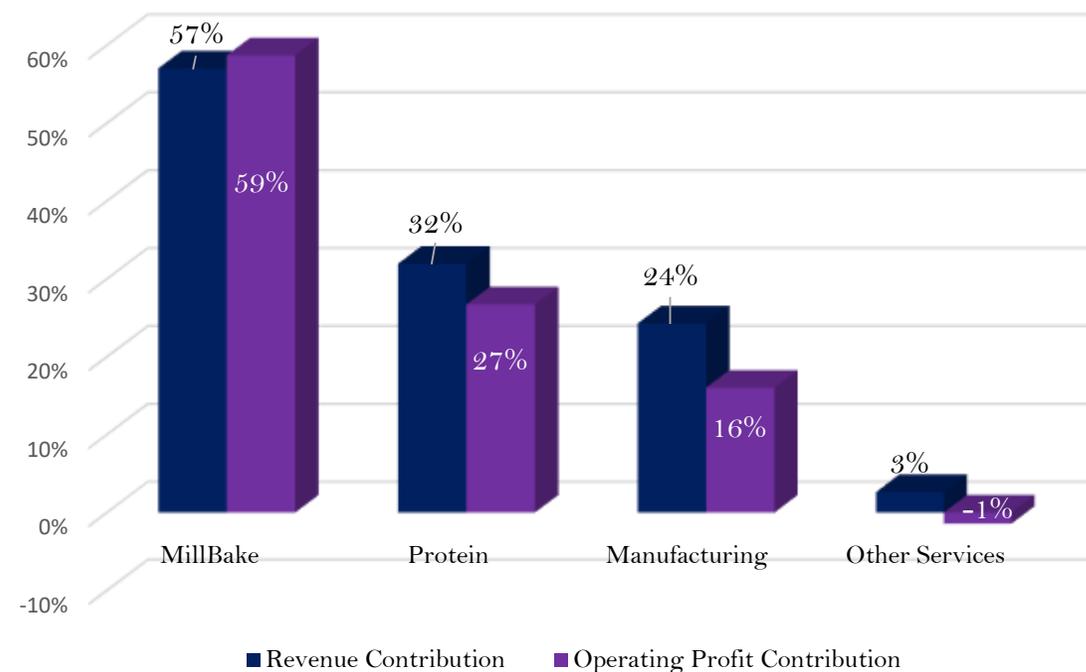
The Group's migration to the VFEX platform enhances its ability to raise foreign currency capital, which is essential as the business has embarked on an ambitious investment program, with additional investment planned in the current year. Due to the funding complexities presented by prevailing economic conditions, the business' ability to fund these programs with little to no debt will be of note going forward.

Innscor is well positioned to navigate challenges presented by an uncertain global outlook and complexities in the local environment due in part to its diversified product offering. Additionally, the business operates in the consumer staples sector, therefore, demand for its products is largely sustainable even in times of economic downturn.

MARKET DATA & VALUATIONS

Sector	Consumer Staples
Price (US\$) - 28/02/23	0.7983
Market cap (US\$mn)	454.93
NAV per share (US\$)	0.36
P/E (x)	1.93
Earnings Yield	52%

SEGMENT CONTRIBUTION



Source: Innscor Africa 2022 Annual Report

2. SIMBISA BRANDS



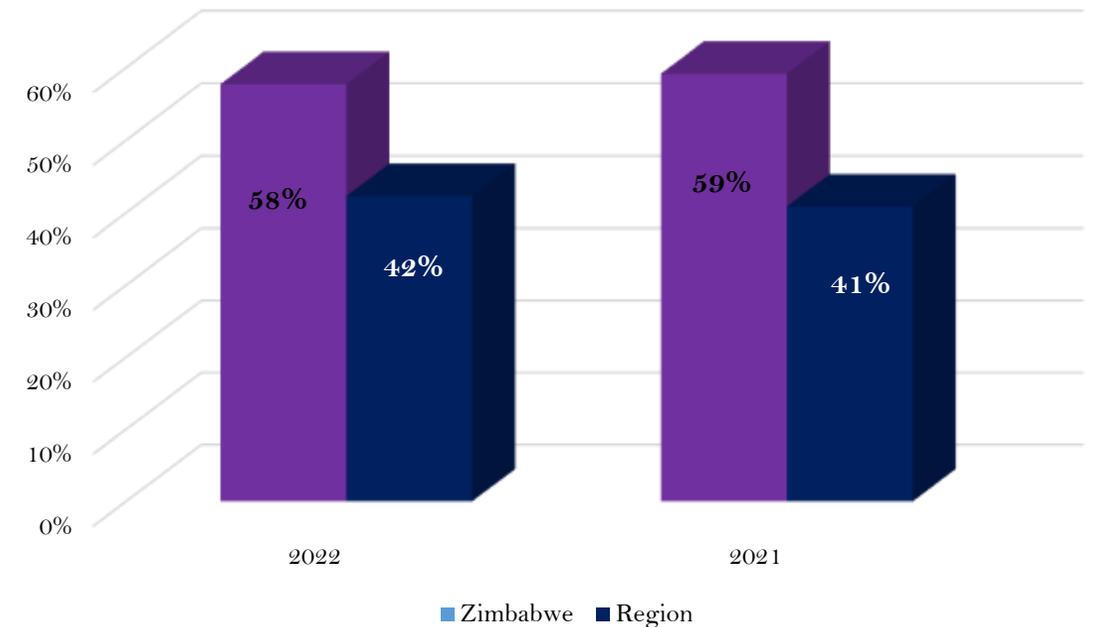
The Group remains on a growth trajectory, highlighting further expansion plans, both locally and regional, after adding 27 outlets in the past year. The company plans to finance the expansion from internally generated funds, eliminating the risk of insufficient allocations from the official auction and exorbitant interest charges.

We expect the increased store count and improved trading hours as business activity normalizes post Covid-19 to feed into revenue growth for the Group. Additionally, we expect envisaged growth in key economic sectors such as mining, agriculture and construction industries to translate to improved consumer disposable income.

MARKET DATA & VALUATIONS

Sector	Consumer Staples
Price (US\$) - 28/02/23	0.4508
Market cap (US\$mn)	253.43
NAV per share (US\$)	0.09
P/E (x)	4.32
Earnings Yield	23%

GEOGRAPHIC REVENUE CONTRIBUTION



Source: Simbisa Brands 2022 Annual Report

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