FBC Securities (Private) Limited

2014 Market Review

2015 Prospects

The window of opportunity for deeper engagement and a potential path towards normalizing relations with international community as prescribed by the SMP neutralizes the fear in investment environment........

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Executive Summary

.... The window of opportunity for deeper engagement and a potential path towards normalising relations with international community as prescribed by the SMP neutralizes the fear in investment environment........

The focus of this paper is to articulate our views with regard to the overview and the outlook of the general economy paying much attention on the Stock Market. The political noise in the country, lack of policy clarity and policy reforms and the general economic weaknesses has however caused investors to behave in a nervous and indecisive way at a time when the risk-return attributes have remained highly uncertain.

The stock market traded bearish in 2014 as Market Capitalization fell 16.8% to $4.327 billion on continued selling-off in heavyweight counters. Total Value Traded dropped 6.8% to approximately $452.87 million. Foreign Investors however, continued to dominate the market accounting for 63.3% of total trades. The mainstream Industrial Index lost 19.5% while the Mining Index rose 56.6% at 162.79 points and 71.71 points respectively.

The lack of adequate financial resource endowments and the effects of sanctions has had significant negative spill-over effects on the economy. While the eccentric vagaries from the political perspective have somewhat remained bickering, uncertainty within the investment spectrum has further cast a shadow on the economy, leaving a lukewarm prospect in the short-medium term epoch. However, neutralizing our fear with respect to the expected suppressed trading environment is the window of opportunity for deeper engagement and a potential path towards normalizing relations with international community as prescribed by the SMP. Budgetary disciplines and efforts to stream down the large public sector wage bill will enable the economy to deal with the external position thus opening up opportunities for fresh financing.

Economic Scorecard

.... Key sectors of the economy recorded negative results in the year 2014. Key sectors Included:

- **Manufacturing Industry:**Manufacturing Industry growth declined further from a negative growth of 0.6% in 2013 to a more suppressed growth rate of 4.9% in 2014. The Government raised duty on all imports of all products that can be produced locally to protect the Industry from the influx of cheaper imports. However, financial constrains in the industry has had little impact in turning around the sector seeing capacity utilization levels hovering around 36%. Power Supply deficit and a low comparative advantage also remain key constraints in the Industry. Despite the suppressed activity at record, the Industry exhibits greater opportunities for growth cognizance of the adequate supply side support and sustainable demand from the local, regional and the international markets. Since the sector has good infrastructure, necessary capital support will achieve production efficiencies while excess capacity to absorb expansion efforts exist, presenting an investment case on the bourse. The sector is expected to move from the negative and grow by 1.7% in 2015.

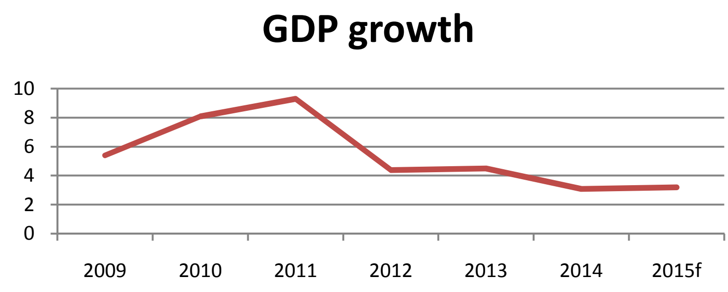
- **Agriculture:** The Sector achieved a growth of 23.4% in 2014 compared to a contraction of 2.7% in the prior year. The sector is set to expand by 3.4% in 2015 on the backdrop of Government continued commitment to prioritize food security, active private sector participation in financing agriculture, and improvements in farming methods. Albeit a good growth in the sector, the Industry was not spared from the Industry wide financial constraints. Efforts to mobilizefunding in the sector has seen the government floating the Agriculture Marketing Authority Bills which inevitably saw an improvement in grain prices from improving to $390 per tonne. Meanwhile, the major climb down by the government to allow farming joint ventures between the new black farmers and the former white farmers will go a long way in resuscitating the industry through mobilizing the necessary resources and skills needed in the sector.

- **Mining:** The Mining Sector continued to face a great deal of volatility as Economic Empowerment and Indigenisation laws that require a 51% shareholding in favour of the Black Indigenous continued to be antagonistic to FDIs in the industry. The lack of financial resources has seen the sector decelerating growth to an estimated 2.1% compared to an expansion of 11.7% in the previous year. The sector is expected to gain significant traction in the next 24 months buoyed by the availability of vast mineral resources endowments and the amendments of the Mining Act which will enable to Government to repossess under-utilized mining claims currently held for speculation. This is however based on the country's ability to mobilize required capital and human resources. A 3.1% growth is envisaged for the Industry in 2015.

Gross Domestic Product

.......Economy was on the mend between the period 2009-2011 due to improved macroeconomic stability, increased domestic demand and robust growth in domestic credit......

The economy registered a notable recovery over the period 2009-2011 a period marked by improved macroeconomic stability, increased domestic demand and robust growth in domestic credit. In contra, 2012 turned out the period of structural economic reversals with an estimated growth rate of 4.4% from the initial projected 9.4%, subdued by liquidity constraints and the low industrial competitiveness.

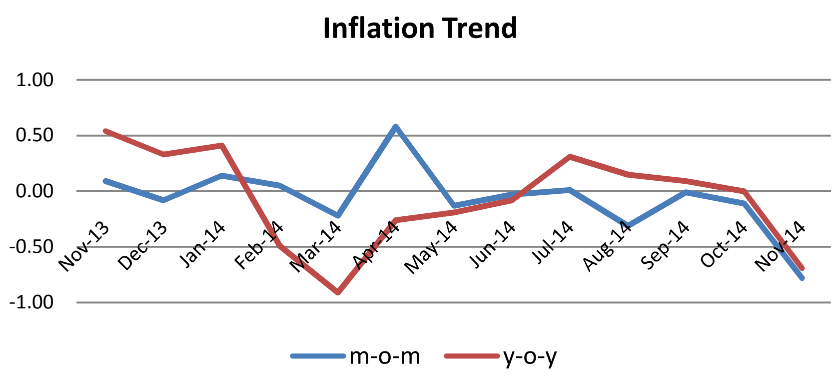


Source: Ministry Of Finance

Inflation

For the greater part of 2014 the economy was in deflation. This primarily displayed Aggregate Demand shocks over the year as consumption spending remained subdued to support prices and also the weakening of the South African rand. Generally, the period of deflation has created a vicious spiral of negatives that resulted in economic stagnation including falling profits, closing of factories, shrinking employment and incomes and increasing defaults on loans by companies and individuals.

While the declining inflation might be a reflection of the correction of yesteryear pricing anomalies, the continued weakness of the South African rand is likely to keep the local economy in a state of stagnation and lack of growth. Further decline in aggregate demand, caused by waning disposable incomes, will result in retailers and other service providers hugely sacrificing margins for turnover. Resultantly annual inflation will point further southwards and so will companies' profitability. The Inflation rates are provided below.



Source: Ministry of Finance

.......the banking sector has remained generally resilient under the current macroeconomic environment......

The External Position (BOP)

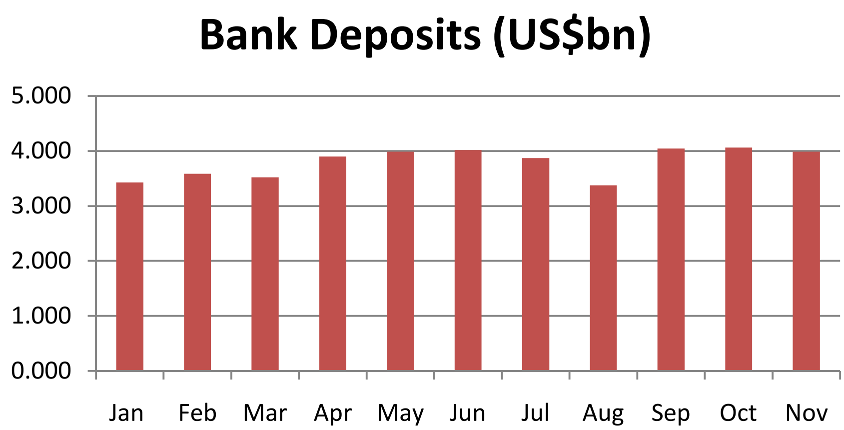
Due to low comparative advantage that has affected the ability to produce goods at a lower relative opportunity cost, the country has continued to witness the overreliance on the imports of finished goods againstdeclining exports. The country's trade deficit in the ten months to October 2014 stood at $2.87 billion on total imports and exports of $5.29 billion and $2.4 billion respectively. Capital inflows have been inadequate to finance the escalating current account deficit as the country looks to non-concessional debt flows to finance the gap which further widens the already precarious external debt situation.

Interest Rates

Over the retrospective period, interest rates have been stable but generally high. Lending rates signals the scarcity of financial resource endowments in the economy with lending rates averaging at 14.45% for Individuals and 9.57% for Corporates in Commercial Banks against 19% and 18% respectively for Merchant Banks. The deposits rates remained static ranging between 4-20% with higher rates associated with higher counterparty risk.Current economic tribulations and increasing liquidity constrains in the economy point to much more higher interest rates in the short-medium term.

Financial Service Developments

The banking sector was not spared from the adverse effects of the general slowdown in the economic performance as the sector has continued to face acute challenges. As at 30 September, 14 operating banking institutions out of 20 managed to comply with the prescribed minimum capital threshold of $25m for commercial banks. However, the banking sector has remained generally resilient under the current macroeconomic environment. The aggregate core capital for the banking stood sector as at 30June 2014 at $753.09 million compared to $790.35 million as at 31 December 2013. The reduction in the total core capital was largely attributed to loan loss provisions and subdued earnings performance by some banking institutions.The harsh economic environment has continued to heighten loan defaults by borrowers and consequently credit risk has remained the key component in the risk profiles of many banks. The level of non-performing loans rose from 15.9% in December 2013 to current estimated levels of around 25%.



Sources: RBZ

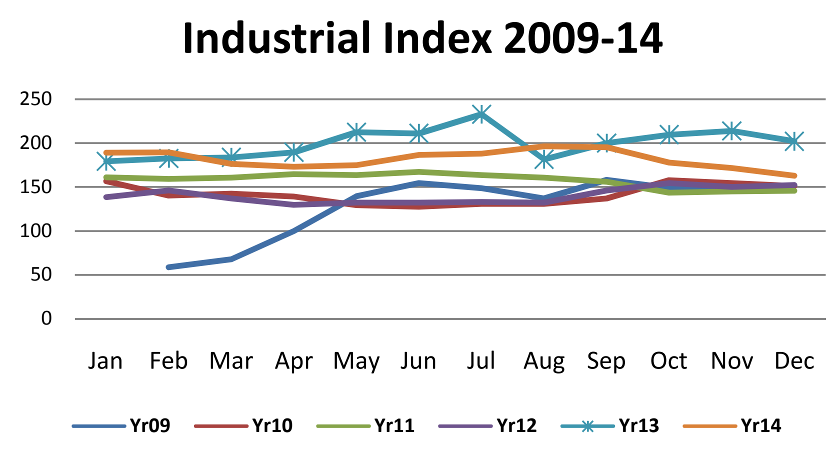
Stock Market Review

........Industrial Index lost 19.5% while the Mining Index rose 56.6%......

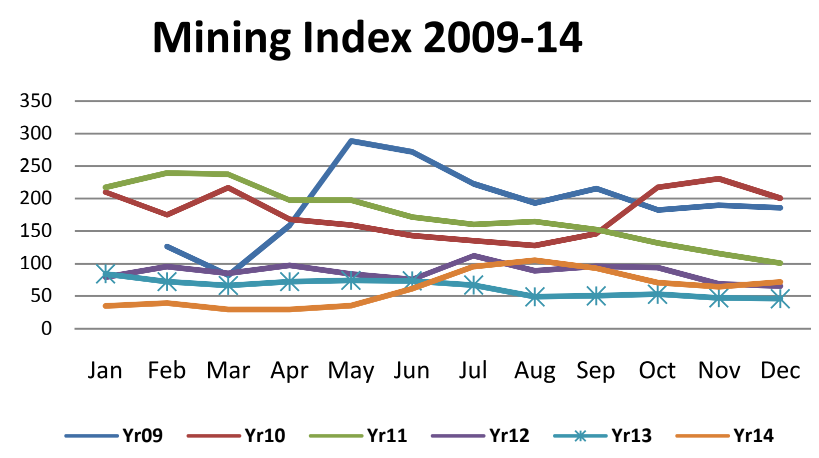
Bearish Sentiments on the local bourse.......

Trading on the Zimbabwe Stock Market was characterized by bearish sentiments as the risk-averse behavior continued to occupy the investment spectrum as political squabbles in the country, compounded by the lack of policy clarity and reforms have caused investors to behave in a nervous and indecisive way. Recapitalization issues remain in the doldrums of the bourse consequently claiming a further two victims namely COTTCO and PG Industrial , while those companies that managed to ride the tide have remained grossly undervalued.

Over the 6 year period, the Industrial Index achieved a marginal gain of 1.2%. However, over the year 2014 the Industrial Index lost 19.5% index points to close the year at 162.79 points due to losses in heavyweight caps due to the economic challenges of the country. In contrary, the Mining Index over the period 2014 gained 56.6% to end the year at 71.71 points supported by the rallying in **BINDURA**. Below are the graphs for the Industrial and Mining Index since multicurrency inception.



Source: FBC Securities & ZSE

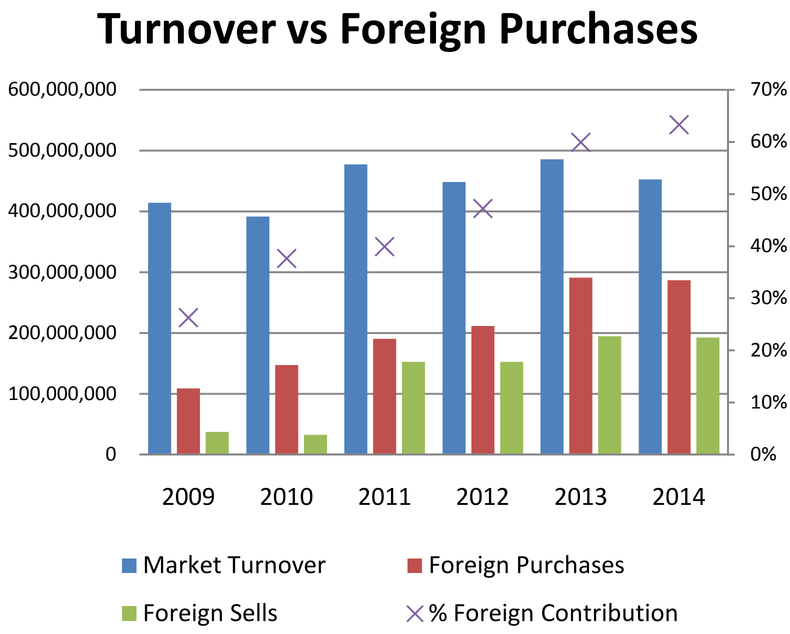


Source: FBC Securities & ZSE

Market Turnover and Foreign Activity

.................While securities regulators are engaged in efforts to modernize the market through technology, and increase the number of products on offer, activity and interest will rest solely on the attractiveness and performance of listed securities.................

The foreign Investors continued to dominate the market accounting for more than 60% contribution on the Purchasing side. This is mainly attributed to the need by foreign investors to exploit the opportunities of the undervalued stocks at a time when the economy is underperforming.



Source: FBC Securities & ZSE

Outlook

For the greater of the prior period, the political environment has been the major variable to determine the trading dynamics on the Stock Market. While the political environment has remained highly uncertain this further increases the country risk discounts from the international players thereby adversely affecting the much need injections on the bourse. Albeit we agree that the undemanding valuations on the stock market carries huge probability to reward investors with positive alpha returns, the ability by the government to instil confidence in investors from a political standpoint remains key .

While the Securities regulators are engaged in efforts to modernize the market through technology, and increase the number of products on offer, activity and interest will rest solely on the attractiveness and performance of listed securities. The Stock Market remains an alternative investment platform to the money market given the vulnerabilities in the banking sector and acceptable risk and return trades off in the equities market.

Companies

Business Evolution

While the economic set up from a fundamental perspective has remained static, adopting the FBC developed Business Evolution Model (BEM) model, that is defined by 3 stages in which ZSE listed companies can be categorised remains key in selecting the recommended Stock Picks for the year.

In a business environment wherein economic variables are waning and the investment case more or less remains static, BEM provides guidelines for differentiating stock counters in the selection process as all stocks seemingly take on tendencies towards being under bought.

BEM seeks to provide further insight in decision making other than focusing merely on the price, turnover and profitability components as basis for a **buy** or **sell** decision. Under the current market conditions were the business case is illiquid and productivity is low BEM draws attention to other key lines of business health as a measure to equity investment stability.

Under the current market conditions were stock fundamentals i.e turnover, Price to earnings, profitability negate the organic growth aspect of a company, BEM classifications provide a basis for grouping of stocks according to set parameters aiding in stock selection.

2015 is a year rife with investment uncertainty thus inhibiting growth prospects of most listed stocks. As such a defensive yet growth oriented positioning in the waning market becomes critical.

Short term gains inevitably will be difficult to achieve within the short term as there will be no significant shift in either performance or growth prospects – calling for an investment strategy that is hinged on financial health and sustainability.

Cognizant of the above, Stage 2 and 3 rated Companies are enlisted as commendable for investment while stage 1 companies should be considered under capital raising initiatives or mergers for investment.

1st stage

- **High debt overhang**
- **Machinery redundancy**
- **Stagnant Market**
- **Low comparative Advantage**
- **Unsustainable capital base**
- **Lost market share**
- **Negative cash flows**
- **Negative EPS**

2nd Stage

- **Near ideal debt structure**
- **Recapturing lost market share**
- **Realigning capital base to near sustainable levels**
- **Near optimal operational levels/structures**
- **Commendable strides in regional markets**
- **Improving cash flow positions**
- **Improving EPS**
- **Commendable comparative advantage**

3rd Stage

- **Ideal capital structures**
- **Realigned debt structures**
- **Optimal operational structures**
- **High comparative advantage**
- **High cash flow generating capacity**

Recommended Stocks

ECONET

Econet has maintained its dominant market position accounting for 66% of market share in the domestic telecoms market. Weak competition presents a positive footing for Econet. Continued investment in infrastructure backed by the group's high cash generating ability provides an opportunity for network upgrades and expansion while at the same time exploiting the benefits of geographical footprints. The cash generated from operations in FY 14 was up 113.3%. The strong marketing and research capabilities is expected to continue sustaining the Group's market pole position while at the same time exploiting the leadership benefits in new products and service developments.

Given the low access to traditional banks as in most cases banks are general concentrated in major town and cities, while at the same time there is increasing loss of trust in Banks, the growth in data and overlay services is expected to open up the diversified revenue streams through broadening the financial inclusion across all ends of the country currently standing around 40% of the total population. Increasing convenience due to mobile financial service as well at a lower cost is out-rightly a driver for growth in the product mix of the company. However, given the mobile penetration rate of 106% within the national frontiers limits the scope of business in the voice space.

Currently trading at PER of 8.9x and EV/EBITDA of 3.7x, the company is trading a discount versus its Sub Saharan Africa peers by almost 40%. We maintain our **BUY** recommendation on the counter.

Business Evolution Scale: Stage 2

Revenue	$752.7m	Market Cap	$545.6m
EBITDA Margin	44%	EV/EBITDA	4.2x
ROA	10.2%	P/E	8.8x
ROE	19.8%	Current Price	60c

INNSCOR

The Cash generating ability of the group remains strong, with the group recording $108.8m cash from operating activities, an increase of 97% on prior year. This ensures a good cash flow position further enhancing capacity to reinvest in positive NPV projects. However, failure to contain overhead costs resulted in suppressed growth in EBITDA margins at 10% from 13% in the prior period as the Operational cost bill rose 58% to US$905.2m.

Generally, FY 14 was a tough year for the Group as the business experienced significant headwinds across major business units which negatively impacted on the margins . While Innscor occupies the dominant space in the FMCG Industry, we expect the earnings growth rate to maintain their positive footing. However, the conglomerate discount will limit the convergence to the fair valuation.

Trading at PE(+1) of 2.22x and an EV/EBITDA(+1) Multiple of 4.28x versus the averages of Emerging Market peers PE(+1) of 15.11x and EV/EBITDA(+1) of 10.37x the company exhibits an undemanding valuation. Using our combined multiples PE, EV/EBITDA and the Discounted Cash flow methodology, we envisage a target price of 86c discounted 20% for cut throat competition and declining demand totals, implying a 12-months upside potential of 50%. We therefore pass a **BUY** recommendation.

Business Evolution Scale: Stage 2

Rev	$1,010.9m	Market Cap	$307.9m
P/B	1.47x	EV/EBITDA	4.28x
ROA	17.6%	P/E	5.1x
ROE	30.9%	Current Price	57c

COLCOM

The group has continued to postcommendable set of results against the background of a difficult operating environment. Revenues went up 9.5% at $66.6m as overall growth in volumes improved 16% in FY 14. Massive Investment in additional capacity over the past 2 years has given the company platform to explore market opportunities in the region. The group has plans to step efforts in looking at possibilities of exporting product in the region since predominantly the products were absorbed in local market. This will open up streams for revenue diversification.

Meanwhile, mass marketing leveraging on the existing volume growth will act as a game changer with the declining margins as customers are increasingly becoming price elastic. The conversion of short-term expensive debt to long-term cheaper debt culminated in the reduction of the interest expense by 35.9% to around $0.14m. The company accumulated $10.9m cash from operating activities, with cash and cash equivalences improving 104% to $10.0m. The strong cash resources are earmarked to support planned investments without the group resorting for borrowings from banks further backing the regional footprints.

The strong balance sheet for the group presents a solid footing in the pricing dynamics of the company. Colcom trades on PER(+1) of 9.45x, an EV/EBITDA(+1) of 4.51x and a PEG ratio of 0.53. The Ratings are undemanding against the emerging market peer averages of PER(+1) 38.24x, EV/EBITDA(+1) 14.92x and a PEG ratio of 1.14. Applying our combined multiples PER, EV/EBITDA, PEG ratio and the DCF Model, we arrived at a fair price of 45.04 cents per share. However we have revised our previous discounting factor to 30% cognizant of the continued decline in disposable income to arrive at a price of US31.5c. **BUY**

Business Evolution Scale: Stage 2

Revenue	$66.6m	Market Cap	$39.8m
P/B	0.76x	EV/EBITDA	4.81x
ROA	1.6%	P/E	8.65x
ROE	3.7%	Current Price	25c

AFRICAN DISTILLERS

African Distillers achieved an 8.4% growth in revenues in FY14 at $23.95m necessitated by volume growth over the financial period. Operating margins improved to 47% from 44% last year on improved productivity and cost management efficiencies. The reduction in expensive short term debt as well as the improved cash holdings in the second half of the financial period saw the decline in net interest expenditure by 44% to $0.2m.

The commissioning of the new Cider plant in October 2014 is set to increase the volume mix following the localisation of Cider production. While this is expected to bring in around 30% in cost savings from the localisation, there is huge opportunity of product price reduction further increasing the top-line.

African Distillers currently trades on PER(+1) of 18.03x, an EV/EBITDA(+1) Multiple of 11.10x and P/BV of 2.86x, placing the company at a discount against the emerging averages of PER(+1) 23.83x, EV/EBITDA(+1) of 16.90x and P/BV of 3.88x. Given that the company is already trading at discounted matrices our preferred valuation based on forecasts warrants a better upside potential. Using PER, P/BV, EV/EBITDA and the DFC model, we arrived at a fair price of 49.79c per share, on the current 45c price per share.

Business Evolution Scale: Stage 2

Revenue	$24.0m	Market Cap	$53.6m
P/B	4.1x	EV/EBITDA	12.43x
ROA	12.46%	P/E	23.97x
ROE	21.8%	Current Price	46c

NATIONAL FOODS

In FY14 the food processor managed to grow the top line by 11% to $343.5m on prior year. The growth in revenues was attributed to growth in total volumes sold by an overall 8% to around 538,000mt, representing 48% capacity utilisation levels. The group has a strong business model with a strong Cash generating ability. In FY14 the company had $25.3m cash generated from operating activities presenting an opportunity for efficient management of working capital.

We have projected a CAGR of revenue of 4% between the period 2015 to 2019 based on the expected market growth emanating from reduced costs per unit as capacity increases.We forecast a CAGR of 15.5% in EBITDA over the same period between FY15-FY19 reflected in the gradual decline in the Operational Cost Bill benefiting from the economies of scale of mass production with growth in capacity utilisation and the continued focus by the group to reduce costs across units to match with revenue generating capacity.

National Foods exhibit undemanding valuation as the company trades on PER(+1) 12.42x, P/NAV of 2.88x and EV/EBITDA(+1) 1.59x placing the company at a discount to emerging market peer averages at PER(+1) 38.24x, P/NAV of 2.48 and EV/EBITDA(+1) 14.92x. Applying a PEG ratio multiple of 0.53, the company is discounted by 54% against Emerging Market food processorspeersat 1.14.Having combined the Comparable Multiples valuation models with the multiple growth DCF model we have calculated a target price of US414.57c, implying an upside potential of 33.7% on the current price of US310c.

Business Evolution Scale: Stage 2

Revenue	**$343.5m**	**Market Cap**	**$232.6m**
P/B	3.16x	EV/EBITDA	8.43x
ROA	14.7%	P/E	13.85x
ROE	25%	Current Price	340

EDGARS

The credit model has continued to pay dividend as Credit sales for EDGARS accounted for 73% of total turnover for the six month ended 30 June 2014 while the cash sales account for the remaining 27%. Revenues over the period increased 8% at $29.5m. With the economy cash strapped buying on credit has proved sustainable as payment is spread over a long time thus sustaining the revenue growth of the group. However cut throat competition following the mushrooming of the retail clothing shops in the economy while at the same time defaults have remained on toll due to the economic challenges of the country subdues the convergence to fair valuations.

In an attempt to broaden coverage and the reach to the market the number of Edgars Stores were increased from 24 to 28, while Jet Stores improved from 18 to 25. This will go a long way in tapping in new markets to broaden the revenue base.

We have forecasted a forward PE of 9.36x and an EV/EBITDA(+1) of 5.40x displaying an undemanding valuation versus the emerging market averages at 21.97x and 12.65x respectively. Merging these multiples with a PEG ratio of 0.65 against Emerging Market peers average of 1.27 and a P/NAV of 2.10x versus the Emerging Market retailers average of 3.38x and a Free cash flow to Equity DCF model valuation we have downgraded our fair price to 11.02c.

Business Evolution Scale: Stage 2

Revenue	**$67.7m**	**Market Cap**	**$26.4m**
P/B	2.49x	EV/EBITDA	5.16x
ROA	9.7%	P/E	5.52x
ROE	30%	Current Price	9c

PADENGA

We expect Padenga to continue benefiting from strong global demand for luxury branded goods which is expected to double over the decade by the Luxury Goods Association. The business model is unique and enjoys a desirable level of immunity from local economic apprehension as the market is purely export market. Subsequently, Padenga locally enjoys a unique competitive advantage that enhances its Industry competiveness.

Increasing profitability and higher earnings visibility should support convergence to Fair Market value in the immediate short term. A double increase in cash and cash equivalences in the prior year to ~$8.2m justifies the ability to support planned CAPEX by the group from internal resources, giving a platform for the company to reduce its debt. Meanwhile, the setting up of Lone Star Alligator farm (USA) into the business model is expected to smoothen out the company's financial year further enhancing the Group's profitability and opening up new supply markets.

Serving the luxury end of premium brands which has remained relatively inelastic to global consumer demand trends, the crocodile farmer is assured of sustainable demand for the foreseeable future.

Padenga currently trades on PER, EV/EBITDA and PEGR of 6.37X, 4.38X and 0.23 respectively against emerging market averages of 22.34X, 6.5X and 0.85 times respectively, implying the company is trading at a discount to emerging market Textile industry comparables. Using a combination of comparable multiples (PER, EV/EBITDA, PEG) and Free cash flows to Equity DCF valuation models we introduce a target price of US12.45.

Business Evolution Scale: Stage 2

Revenue	$27.0	Market Cap	$48.2
P/B	1.35x	EV/EBITDA	10.39x
ROA	11.8x	P/E	14.83x
ROE	26.3x	Current Price	9c

DELTA

Continued efforts to step up expansion in alternative beverages and the sorghum beer and the innovations on packaging and new products is set to take the company on the next level of growth. However, the business across key lines of business has remained subdued with the company posting a decline of 4% in revenues in the first half of the year primary due to low consumer spend. However, the strong cash generating ability is one of the major elements to support investment capacity by the group to continue benefiting from the market leadership position.

While the business environment is expected to remain difficult, the technological advancement and the strong funding capacity by the group distinctively offers the group a competitive advantage to remain the first mover in pioneering new products in the market.

In our view, Delta has a strong footing with its strong balance sheet, strong cash flows as well as strong brands. Trading at PER 13.4x and EV/EBITDA of 8.4x warrants an unattractive valuation versus the emerging market peer averages. WE envisage a price target of $1.30 per share as we believe the company remains one of ZSE leading stocks.

Business Evolution Scale: Stage 2

Revenue	$625.5	Market Cap	$1,333.1m
P/B	3.28x	EV/EBITDA	8.5x
ROA	6.6%	P/E	12.60x
ROE	10.4%	Current Price	109c

HIPPO

Year 2014 was a tough year for the sugar manufacturer with revenues declining to $136.1m against $174.2m in the prior year. However, we believe Hippo is currently under appreciated and depicts an **undemanding** valuation in the market. The integrated supply chains guarantees a smooth production and output consistency. The company expects to maintain sugar production levels in the 2014/2015 season at the prior levels of 239,338t implying an operating capacity of around 37% against the currently installed industry capacity of 640,000t per annum. By mere looking at this, the Agri-Industrialist has the capacity to increase output by fully exploiting the current capacity for the company of 300,000t per annum thus enhancing the company's top line.

While there are only two companies operating in the sugar production space in the country, the sugar industry is characterized by low rivalry among existing firms due to significant barriers to scale and this enhance the industry attractiveness. Sustainable local and regional demand is expected to ensure steadfast revenue flows.

We expect margins to recover due to improving trading conditions following the government regulatory interventions. Recently, the Government introduced a 10% duty on sugar imports and $100 for every tonne brought in. Trading at EV/Production of $534.81 places the company under severe discounts against the regional averages around $1,500. However, opposing the investment case motion is the subdued local economic prospects coupled with declining international sugar prices.

Business Evolution Scale: Stage 2

Revenue	**$136.1m**	**Market Cap**	**$96.5**
P/B	0.43x	EV/EBITDA	5.42x
ROA	2.4%	P/E	10.63
ROE	4.1%	Current Price	50c

BAT

BAT continues to occupy the dominate position in the cigarette market with an estimated market share of around 70% of the Zimbabwean market. The limited barriers to entry coupled with prohibitive set-up costs of production the company is set to continue leading the market.

Meanwhile, a small share free-float limit the dilutive price effect on the company guaranteeing that the company will remain the ZSE best priced company for some time.

The strong cash generating ability will enhance the Research and Development initiatives by the company continue pioneering new products in the market. The most interesting thing about the company is that, BAT has a generous dividend policy and is consistent with its culture of rewarding shareholders. By so doing, the suppressed capital gains portion is offset by the counter's dividend yield which has consistently rewarded shareholders at whatever point in time.

Trading at PER(+1) of 8.5x and an EV/EBITDA(+1) of 5.4x, ratings are undemanding versus the emerging market peer averages PER(+1) of 17.86x and EV/EBITDA of 14.87x. We recommend a **BUY.**

Business Evolution Scale: Stage 3

Revenue	**$44.6m**	**Market Cap**	**$235.2m**
P/B	21.64x	EV/EBITDA	20x
ROA	79.6	P/E	63.33x
ROE	69.3	Current Price	1140c

Argument

All in all, despite the subdued performance on the stock market over the past 12 month, the local bourse remains an attractive destination for positive alpha returns in the regional characterized by hedging opportunities presented by the dollar denominated assets, creating lucrative capital market alternatives as the dollar has continuedto be the anchor in the currency's basket.

Whilst the CSD has ushered in new process flows to the market which have been characterized by teething problems fluidity is anticipated to characterize market in the second quarter of the year in which we expect the beneficiation process of the system to translate laying ground for the ATS.

However, funding constrains will continue to hinder recapitalization efforts undermining convergence to the fair value adjustments of most companies, while at the same time uncertainty will continue to take centre stage as the political environment continues to shift.

The inception of the **Bond Market**becomes an enticing feature to the Capital Markets as it broadens the investment scope and diversifies risk inherent in the Capital Markets. The **Bond Market** thus provides a broadened scope for investment for investors considering Zimbabwe's Capital Markets .

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