



WEEKLY REPORT

Zimbabwe

Equity Research

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CFI – Interim Results to 31 March 2009

Overview of Results

CFI Holdings released a set of results that show how much they should welcome the GPA and all the economic benefits to follow. As major players in the poultry industry, CFI was suffering from grain shortages, poor stock market performances and new competition from cheaper imported chickens. The group made sales of US\$7,5m, resulting in an operating profit of US\$407,091. Their investment portfolio suffered a revaluation loss of US\$461,556 which, along with their biological assets revaluation loss of \$1,2m, resulted in an attributable loss of \$45,895. Their NAV grew by US\$3,5m to US\$20,5m with total assets amounting to US\$32,1m.

Divisional Overview and Outlook

Retail

The half year was marred by shortages of local products as well as limited foreign currency to buy imported substitutes. However, their chain of just over 50 outlets should see a healthy growth as restocking is progressing well despite growing competition from new players. Market visibility has shrank as brands such as Spar and OK seem to be growing faster.

Poultry

The poultry division, which could easily be CFI's cash cow, had become quiescent because of severe grain shortages and cheaper imported chicken brands. The liberalization of grain trading along with the improvement of the economic outlook has brought light to the poultry division. In addition, foreign demand for parent day old chicks and hatching eggs remains firm as the regional market remains undersupplied. Broiler placements on Crest Far resumed in February 2009.

P (US\$)	PBV (x)	PER (x)	mc/sales
0.31	1.59	n/a	3.74

Glenara Estates has also diversified into soya beans, maize and horticulture farming for exports. Overall, the improvement of grain supplies should result in improved broiler placements and resultant throughput at Suncrest Chickens.

Specialised Division

Though Victoria Foods has been less visible in the food industry than the other major players, their future still looks bright as their capacity increased from last year's 15% to 50% in February 2009 when grain procurement got liberalized. Furthermore, construction of the Beira Grain Terminal (BGT) (owned 10% by Victoria) is progressing as planned. Another area of interest is Door and Pitt whose business had run quiet with the economic slowdown. They should expect a real boom in the medium term when the agricultural sector is recapitalized and irrigation schemes are initiated by necessary stakeholders.

The acquisition of an equity stake in Hubbard South Africa, a parent breeding operation in Peitermaritzburg, is still on-going. Potential benefits from this are yet to be quantified.

Recommendation:

Our view on CFI is medium to long term. This is because though their model is stable and geared for growth the solutions will take not less than 18 months to take effect. As such, more value can be attained from counters with a quick recovery plan. We recommend those with a long term investment horizon to accumulate now before their growth plan unfolds to see a significant contribution to income from Victoria Foods, Dore and Pitt and Hubbard South Africa. We recommend CFI to be a **LONG-TERM BUY**

Analyst: James T Chiuta

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ART – Interim Results to 31 March 2009

P (US\$)	PBV (x)	PER (x)	mc/sales
0.07	2.61	716.09	1.94

Overview of Results

ART Holdings released an even-handed set of results given the difficult trading environment they operated under. During the first quarter to December 2008, where factories' capacity utilization had declined from 37% to 18% in the 2008 year with subsidiaries such as Mutare Board and Paper Mill Factory and Fleximail Factory suspending operations to cut costs. Business was made particularly difficult as regional operations were affected by the global financial crisis and the local economy came to an almost stand-still. As with most companies, there were no comparable set of results from the prior year since we had not dollarized in 2008. Revenue was US\$11,3m. From a gross profit of US\$3,6m operating profits were stifled by huge operating expenses of US\$3,5m resulting in a net profit of US\$30 476 and EPS of 0,01USc/share.

Outlook

ART is geared for growth having already secured debt of US\$2,2m for working capital required to increase capital utilization. A further US\$3m is expected to be sought for the Mutare Mill, Chloride factory and other local operations boosting utility capitalization to at least 60% by September 2009. Long term finance up to US\$4m is also being sought for further growth plans.

Recommendation

Though ART has great potential, trade conditions will only become favourable to them after 2010. This is mainly because their industry has allowed new players to come in providing stiff competition. As such, we are not focussing on them in the short-run. They have however survived in this 2008 turbulence and we believe they will survive in the new environment. We therefore recommend a **HOLD**

Analyst: James T Chiuta

Lafarge – AGM and Trade Update

Trade Update

Lafarge MD Jonathan Shoniwa gave a trade update at their AGM held on 21 May 2009. Their only cry was with regards to the current low levels of disposable income among the local market weighing down on sales volumes. They are however currently producing 20 000 tonnes a month, an improvement in capacity utilization from 62% to 70%.

Recommendations:

The level of optimism Lafarge management has for their outlook should definitely spill over to the investors. Though business seems slow with reduced construction business locally and regionally, current signals show that very soon this will be a thing of the past. With the local economy coming out of the dark, Lafarge as a major cement supplier should enjoy increased revenues. Producing 20 000t a month, Lafarge is turning over up to US\$2,8m a month. This is magnified by the fact that they can now retain 100% of their export revenue and are no longer subject to any price controls. PPC's Market Cap/Sales is 2,6x. At current sales volumes, Lafarge's Market Cap/Sales is 2,0x. Assuming Lafarge remains consistent with their sales, their value should be US\$1,10 per share. With a simple business model that is currently running profitably and a strategic position to multiply business as the economy grows, our recommendation on Lafarge is definitely a **BUY**.

Zimnat Lion: Cautionary Statement.

Zimnat Lion issued a circular on Thursday the 21st of May providing details of the buyout arrangement parent company TA Holdings are planning to execute from the 12th of June 2009. Proxies have to be lodged with the Company secretary by 9.30 AM on the 12th of June, with scheme meeting to consider the offer taking place at Zambezi Room of the Jameson Hotel at 9.30AM on the 16th of June. This act is an attempt by parent company TA Holdings to recapitalize the insurance company without significantly diluting minority shareholders. TA Holdings is offering Zimnat shareholders 10 TA shares for 175 Zimnat shares.

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...Zimnat continued

Our view on this is that all parties stand to benefit from this; TA Holdings will get an opportunity to grow their empire by strengthening their subsidiary, which will benefit from expanded business as a result of recapitalisation. Minority shareholders could be viewed as the biggest beneficiaries as they are selling their Zimnat shares at a clear premium. Hence, at TA's 22 May price of \$0.745, Zimnat was made worth \$0.04 instead of its actual price of \$0.035. Thus, at any price less than \$0,04 we attach a **Spec Buy** recommendation based on this arbitrage opportunity. We also encourage shareholders to vote for this proposal as it would only benefit them.

Market Overview

The ZSE maintained steady growth with the Industrial Index advancing 5,8% to close the week at 140,14points and the Mining Index gaining 22,1% to close at 280.97 points. Major weekly gains were seen in GBH, ZBH and Zeco who soared by 115%, 100% and 100% respectively. Losers include TPH, Trust and CFI who shed 33%, 28,6% and 18,2% respectively.

Top Gainers

Counter	Prices as at 15 May 09 (US cents)	Prices as at 22 May 09 (US cents)	Move (US cents)	% Change for the week (%)	YTD Change (%)
GBH	0.40	0.86	0.46	115.00	(84.00)
ZBH	4.00	8.00	4.00	100.00	(25.00)
Zeco	1.00	2.00	1.00	100.00	200.00
Steelnet	0.50	0.85	0.35	70.00	(50.00)
FBC	1.20	2.00	0.80	66.67	25.00
Fidelity	0.50	0.80	0.30	60.00	75.00
Turnall	1.00	1.60	0.60	60.00	133.33
Nicoz	0.75	1.10	0.35	46.67	(20.00)
AICO	19.00	27.00	8.00	42.11	166.67
ART	5.00	7.00	2.00	40.00	50.00

Top Losers

Counter	Prices as at 15 May 09 (US cents)	Prices as at 22 May 09 (US cents)	Move (US cents)	% Change for the week (%)	YTD Change (%)
TPH	3.00	2.00	(1.00)	(33.33)	(10.00)
Trust	4.20	3.00	(1.20)	(28.57)	(80.00)
CFI	38.00	31.10	(6.90)	(18.16)	10.00
TSL	12.00	10.00	(2.00)	(16.67)	(20.00)
ABC	22.00	19.00	(3.00)	(13.64)	(45.00)
Bindura	25.00	22.00	(3.00)	(12.00)	(80.00)
Redstar	1.70	1.50	(0.20)	(11.76)	(20.00)
Barclays	17.00	15.00	(2.00)	(11.76)	(50.00)
RTG	4.50	4.00	(0.50)	(11.11)	(33.33)
Pearl	3.00	2.70	(0.30)	(10.00)	80.00

OUTLOOK

With major tourism group RTG, leading mining player Rio Zim and the dairy company with the highest local market share Dairibord all, along with ABC, Pearl and Afre holding their AGMs this week, we expect there to be a lot of trade of these counters if they release interesting information then. Large volumes are also expected to change hands in TA, Zimnat and KML as investors position themselves for these companies' shareholder reshuffling. Daily volumes traded continue to improve with the blue chips continuing to enjoy most of the attention. Our belief is that this trend will continue as foreign investors as well as local institutional investors have a clear preference for the blue chips. While the heavyweights such as Delta, Econet, Inncor and KMAL have a meaningful upside in the short to mid-term, we are convinced that the small to mid-cap counters will suffer the most volatility and enjoy the most upside in the short-run.

Top Picks

Fundamentals		Speculative	
Buy	Reduce	Buy	Sell
ABC	BNC	Old Mutual	
African Sun	Old Mutual	PPC	
Aico		Steelnet	
Art		KML	
CFI		Fidelity Life	
Lafarge		GB Holdings	
Dawn		Phoenix	
Delta		Zimnat	
Econet			
Inncor			
Natfoods			
OK			
TA			

Upcoming events

Company meetings

Company	Event & Place	Date	Time
ABC	AGM, Tholo Park Boardroom Fairground Office Park Gaborone Botswana	Tue 26 May	8.00AM
Pearl	AGM, Building 1, Arundel Office Park, Norfolk Rd, Mt Pleasant	Wed 27 May	10.00AM
Rio Zim	AGM, Kenilworth Rd, Highlands EGM to approve the increase in share capital by 62 487 582 shares, RioZim Employee Share Purchase Scheme and approval of the process of recapitalisation by private placement	Thur 28 May Thur 28 May	10.30AM Soon after the AGM
Dairibord	AGM, Mirabelle Room, Meikles Hotel	Thur 28 May	11.00AM
BAT	AGM, Head Office, 1 Manchester Rd, Southerton	Thur 28 May	12.00PM
RTG	AGM, Jacaranda Room 2 & 3, Rainbow Towers	Thur 28 May	12.00PM
Afre	AGM, ReNaissance Park, Borrowdale Rd	Fri 29 May	2.30PM

Indices

	15 May 09	22 May 09	Change	% Change	YTD Change
				(%)	(%)
Industral Index	134.34	140.14	5.80	4.32	34.34
Mining Index	258.92	280.97	22.05	8.52	158.92

Currencies

	15 May 09	22 May 09	Change	% Change
Rand/Dollar	9.1238	8.2228	0.90	10.96
Dollar/Euro	1.3317	1.3985	(0.07)	(4.77)
Dollar/Pound	1.4674	1.5924	(0.12)	(7.85)
Yen/Dollar	99.9600	93.9608	6.00	6.38

Dividend

Company	Final/ Interim	Amount (USc)	Record date	Payment date	Price as at 22 May 09 (Usc)	Yield (%)
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n/a

Commodities

	15 May 09 US\$	22 May 09 US\$	% Change for week (%)	YTD Change (%)
Gold	926.50	950.50	(2.52)	5.95
Silver	13.77	14.45	(4.71)	24.28
Platinum	1,113.00	1,146.00	(2.88)	20.19
Copper	4,508.00	4,504.00	0.09	55.37
Nickel	12,455.00	12,300.00	1.26	15.24
Zinc	1,460.50	1,443.00	1.21	30.37
Lead	1,422.50	1,420.05	0.17	49.97
Aluminium	1,483.00	1,430.00	3.71	1.99
Brent Crude	56.17	60.15	(6.62)	17.56

Dual Listed Counters

	ZSE Price US cents	JSE Price US cents	Discount (US cents)	Discount (%)	JSE Price ZAR cents	LSE Price GBP
Old Mutual	86.10	101.57	(15.47)	(15.23)	904.00	67.20
PPC	195.00	347.64	(152.64)	(43.91)	3,094.00	n/a

Rating Key 1-Strong buy, 2-Buy, 3-Accumulate, 4-Neutral, 5-Reduce, 6-Sell. This document has been prepared by EFE Securities (Private) Limited (EFE), for the information of its clients. Although the statements of fact in this report have been obtained from sources that the company believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute the company's judgment as of the date of this report and are subject to change without notice. The securities discussed and mentioned in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors they believe necessary. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. EFE, and any of the individuals preparing this report may at any time have a long and/ or short position in any securities of companies in this report. In addition EFE may from time to time perform investment banking or other services for, or solicit investment banking or other business from any entity mentioned in this report. EFE may at times