

**Zimbabwe Equity Research**

Telephone: +263 4 799132-5  
 E-mail: [research@efesecurities.co.zw](mailto:research@efesecurities.co.zw)  
 Website: [www.efesecurities.com](http://www.efesecurities.com)  
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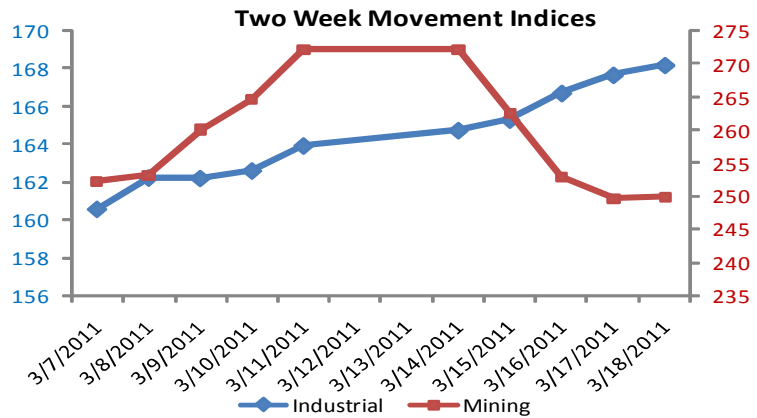
**Market Highlights.**

Index	Value @ 11-Mar-11	Value @ 18-Mar-11	Change in Points	% Change	YTD Change
Industrial Index	163.93	168.20	4.27	2.60%	11.19%
Mining Index	272.21	249.77	(22.44)	-8.24%	24.64%

**Source ZSE/EFE Database**

Several months ago in one of our daily market commentaries we asked the question, who will be on the buying side when foreigners begin to sell? Drawing analogies from our neighbours South Africa where two of the most significant lows in their stock markets 2002/3 and 2008/9 occurred in periods of net foreign outflows our concern was that similar market downturns would engulf the market once wide spread outflows hit. Alas, in the first week of net foreign outflows the ZSE has shown resilience with the main stream industrial index surging +2.60% to 168.20pts as local investors rose to the occasion with sustained buying pressure in market heavyweights Delta, Innscor and Meikles.

*Net foreign out flows for the first time on ZSE...*



*Minings trade in the negative on losses in Hwange...*

The volatile Mining index on the other hand closed -8.24% softer at 249.77pts as buying pressure in Hwange began to wane. RioZim and Bindura were also in the negative shedding -1% and -14% to 194c and 12.1c respectively as both companies continued to hog the limelight with uncertain recapitalisation setup

ZSE Trading Statistics	Weekending 11-Mar-11	Weekending 18-Mar-11	% Change	% Of Total Turnover
Volume Traded	60,086,868	85,741,935	42.70	
Value Traded (US \$)	8,136,000.81	10,601,805.09	30.31	
Foreign Volume Traded (Inflows)	21,924,260	3,028,264	(86.19)	
Foreign Value Traded (Inflows US\$)	2,895,939.63	2,288,341.01	(20.98)	21.58
Foreign Volume Traded (Outflows)	19,580,682	16,144,516	(17.55)	
Foreign Value Traded (Outflows)	1,489,943.31	4,053,892.05	172.08	38.24

**Foreign outflows outweighed gains for the first time...**

For the first time foreign participation was in a net outflow position as outflows accounted for 38.24% of the week's total turnover compared to the 21.58% of the buy side turnover(Inflows) representing an estimated \$1.8m net outflow for foreign investors. It is our opinion that the re-emergence of flows into pension funds as the economy slowly recovers is attributable to the current wave of local investors buying impetus. It remains to be seen however whether the local investor buying appetite will be enough to quench sustained foreign selling should last week's trend continue.

**Special Bargains in Econet and FBCH sees the counters emerge as market favourites by value traded...**

Volume traded for the week surged 42% to 85.7m on the back of a special bargain of 23m shares in FBC that was executed at a top price of 6c.turnover.

Econet and FBCH emerged the market's favourite counters by value traded on the back of special bargains in the two counters which saw them account for 18% and 13% of total turnover. In Econet 300,000 shares were traded at bettered price of 490c while in FBC 23m shares were crossed at an improved price of 6c. Other notable trades were seen in Delta with 12% of turnover and Dairibord and Innscor with 8% each of total turnover.

**... and the movers and shakers**

#### Weekly Top Gainers

Counter	Price as at 11-Mar-11	Price as at 18-Mar-11	Change in Cents	% Change	YTD Change
STEELNET	0.10	0.20	0.10	100.00	0.00
TRUST	1.50	1.80	0.30	20.00	38.46
AICO	18.00	21.50	3.50	19.44	19.44
ABCH	43.00	51.00	8.00	18.60	13.33
M & R	17.01	20.00	2.99	17.58	(2.44)
RTG	1.31	1.54	0.23	17.56	18.46
ZHL	1.20	1.40	0.20	16.67	(12.50)
PELHAMS	0.12	0.14	0.02	16.67	(22.22)
PHOENIX	2.20	2.50	0.30	13.64	13.64
NTS	3.90	4.40	0.50	12.82	46.67

#### Weekly Losers

Counter	Price as at 11-Mar-11	Price as at 18-Mar-11	Change in Cents	% Change	YTD % Change
GULLIVER	0.13	0.10	(0.03)	(23.08)	(52.38)
CELSYS	0.10	0.08	(0.02)	(20.00)	0.00
NICOZ	2.00	1.60	(0.40)	(20.00)	(36.00)
FIDELITY	3.00	2.50	(0.50)	(16.67)	13.64
BINDURA	14.00	12.10	(1.90)	(13.57)	(6.92)
HWANGE	90.00	80.00	(10.00)	(11.11)	50.94
PGI	3.30	3.00	(0.30)	(9.09)	15.38
STAR AFRICA	3.30	3.00	(0.30)	(9.09)	(57.14)
PADENGA	6.00	5.60	(0.40)	(6.67)	24.44
BARCLAYS	7.50	7.00	(0.50)	(6.67)	(22.22)

#### Top performers for the week...

The advance-decline ratio for the week stood at 34:20 as the sustained bullish trend took its toll on the market which saw the main stream industrial index post five successive daily gains in the week. The slightly better financials coming from the reporting season continued to be the major driver of performance as seen in financial services group ABCH that added an impressive 18.6% after an 8c rise took them to 51c following an impressive set of full year results that showed a 0.61c EPS. M&R's financials showing a recovering business had their price rebound +17.58% to 20c as management advised that there is \$100m worth of contracts that are at various stages of completion which could help boost their top line.

The week's top performer however was Steelnet that surged 100% to 0.2c. Trust and AICO followed having added 20% and 19.44% to close the week at 1.8c and 21.5c. Other notable gains were seen in RTG up +17.56% at 1.54c and ZHL up +16.7% at 1.4c. Amongst the losers Gullivers anchored the list after shedding -23.08% to close the week at 0.1c with fellow lightweights Celsys following shedding 20% to close the week at 0.08c. Insurance companies Nicoz and Fidelity traded -20% and -17% softer at 1.6c and 2.5c ahead of their results expected later in the week.

**Advance decline ratio closes at 34:20 as the market remained resilient...**

**In the news...**

**Hwange's \$20m Cash boost**

HWANGE Colliery Company Limited has reportedly received a US\$20 million cash boost from a local bank and the Development Bank of Southern Africa. It was reported that the regional financier had approved a short-term loan of US\$4,6 million while a local bank has agreed to advance about US\$15 million to the coal mining giant. The funds are expected to go towards recapitalisation of the open cast mines, acquisition of dump trucks, bulldozers as well as upgrading of the underground equipment, such as the dragline. Some of the funds, the report said, would be channelled towards refurbishment of the coke oven battery...

Full Story: [http://www.herald.co.zw/index.php?option=com\\_content&view=article&id=5081:hwange-gets-us20m-for-recapitalisation&catid=41:business&Itemid=133](http://www.herald.co.zw/index.php?option=com_content&view=article&id=5081:hwange-gets-us20m-for-recapitalisation&catid=41:business&Itemid=133)

**Chemco disposes loss making units,**

CHEMCO Holdings Ltd has disposed of two noncore businesses and closed two other loss making divisions. Chemco sold the seed company Agpy to a management consortium and closed two loss-making divisions the transport unit and Farm-A-Rama with the aim to improve the group's earnings and refocus their energies on Agricura and TS Timbers. The group also plans to exert their energies on servicing the debt overhang in the financial year to end October 31 2011.

Full Story: <http://www.theindependent.co.zw/business/30177-chemco-disposes-of-loss-making-divisions.html>

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## Company Statistics

Sector	FINANCIAL
Company Name	BancABC
<b>Stock Data</b>	
Price Range (Low ,High) USc	12c;51c
Price Performance YTD	13.30%
Shares Outstanding (millions)	156
Market Capitalisation (USD)	74,673,832
Average Daily Value (USD)	13,451.00
Average Daily Volume	69,970
Employees	693
Branches	17

### Financial Data

	31-Dec-09	31-Dec-10	2011 F
Net Interest Income	17,948,000	41,542,000	51,927,500
Non Interest Income	37,402,000	38,930,000	48,662,500
Revenues	55,350,000	80,472,000	100,590,000
PAT	8,302,000	10,103,000	12,628,750
NAV	62,325,000	67,911,000	80,539,750
EPS (US cents)	5.70	6.80	8.12
Dividend Per Share	0.00	1.50	1.79
RoE	0.13	0.14	0.16
P/E (X)	-	-	0.93
Div Yield	0.60%	0.00%	0.00%
Cost to Income	82.00%	77.00%	n/a
Earnings Yield	28.50%	13.33%	15.92%
Closing Share Price	20	51	51
<b>EFE Target Price</b>			<b>67.03</b>

Analyst: **Phenias Mandaza**  
[pheniasm@efesecurities.co.zw](mailto:pheniasm@efesecurities.co.zw)  
 +263 772 585 318 / +263 712 325 552

## BancABC Full Year Results 2010

### Company Description

ABC Holdings Limited is the parent company of a number of sub-Saharan Africa banks operating under the BancABC brand offering a diversified range of financial services including personal, business and corporate banking as well as asset management, stock broking and treasury services. The Company has operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and a group services office in South Africa.

### Full year results to 31 December 2010

Group total income stood at \$80.5m split into net interest income after impairment of \$41.5m, and Non interest income of \$38.9m. The group then incurred operating expenditure to the tune of \$64.1m to post net income from operations of 416.4m. A share of loss in associate of \$3.0 took the group to a \$13.4m Profit before tax and PAT of \$10.1m with \$9.1m being attributed to the shareholders of the group (EPS of 6.8c per share). The group's balance sheet firmed 41% to \$932.4m as deposits grew 51% to \$761.1m, and loans and advances grew 60% to \$477.4m as the equity attributable to ordinary shareholders was stated \$65.5m up 10%.

### Operations and outlook

The group is currently sitting on a network of 17 retail branches with a staff compliment of 693 employees. Capex amounted to \$17.6m with \$9.5m going towards branch capex and \$4.6m systems roll out and \$3.5m on the data centre centralisation all of which were funded from internal resources. All the group's operations by country were in a profitable position for the financial year end and they are all adequately capitalised with bancABC Botswana having 18% capital adequacy ratio, BancABC Mozambique at 24%, BancABC Tanzania at 15%, BancABC Zambia at 21% and BancABC Zimbabwe at 21%. The overall loan book improved with collections on previously impaired accounts higher while non performing were down from prior year and the loan book was

The group's objectives going forwards include:

- Increasing non-interest income by expanding retail banking business and cross selling products to borrowing customers.
- Reducing impairments and boosting net interest income by improving credit management and through managed growth of the loan portfolio
- Reducing cost of funding through the retail banking rollout across its foot print
- Controlling operation costs,
- Managing investment growth and
- Growing and diversifying the customer base

### Valuation and Recommendation

The group has rolled out its retail banking operations of 2009 saw costs related to the roll out eat into the group's profits however it is expected that going forwards fledgling retail banking operations should boost available cheaper financial resources to fund the group's loan book while costs rationalise. As result we forecast the group to attain \$51.9m net interest income and \$48.7m non interest income. Assuming they improve their RoE to 16% we expect their earnings to approximate USD 12,6m. Our relative PER (applying a regional PER of 8.6x) and earnings yield valuations aggregates to an average one year target value of \$104,3m (EFE Target price: 67.03c). Having already overcome our reservations on the retail banking rollout we believe the group is well placed to enjoy the benefits of their retail footprint. With in excess of 31% upside we maintain a **BUY** Recommendation on the group

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## Upcoming Events

Company	Event	Venue	Day	Time
PGI	Finals & Analyst Briefing	Head Office, 146 Seke Road	22-Mar	14:30 Hrs
CFI	AGM	Trumph Hall Cellebration Centre	24-Mar	11:00 Hrs
Phoenix	AGM	25 Birmingham Rd, Southerton	24-Mar	12:00 Hrs
Willdale	AGM	Board Room, Administration block, Mt Hampden	25-Mar	11:30 Hrs
Nicoz	Finals & Analyst Briefing	7th Floor Auditorium Insurance Hse		
Fidelity	Finals & Analyst Briefing	7th Floor Auditorium Insurance Hse	25-Mar	14:30 Hrs
ZPI	Finals & Analyst Briefing	7th Floor Auditorium Insurance Hse		

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## Notes

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