



EFE Research Weekly Market Review

Zimbabwe Equity Research

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Date: 28 February 2011

Market Highlights

Index	Value @ 18-Feb-11	Value @ 25-Feb-11	Change in Points	% Change	YTD Change
Industrial Index	157.44	159.11	1.67	1.06%	5.18%
Mining Index	231.57	239.06	7.49	3.23%	19.29%

Source: ZSE/ EFE Securities Database

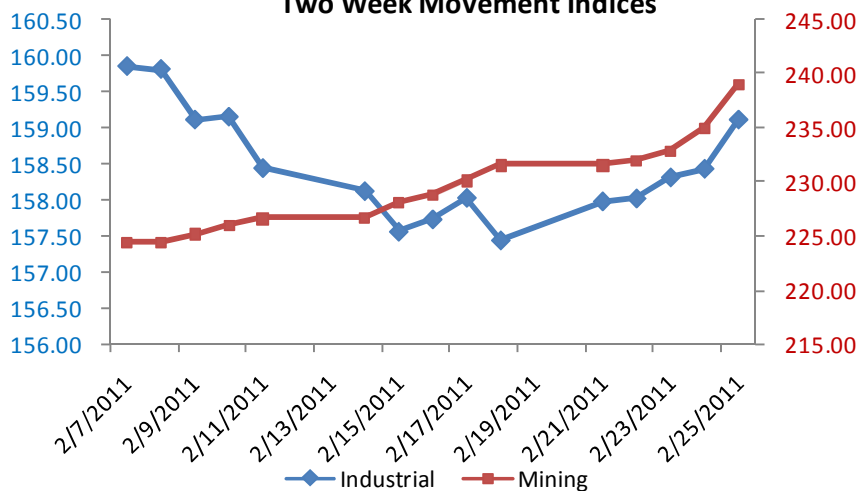
The main stream industrial index completed a rising week recording five rises in five successive trading sessions giving them a cumulative 1.67pts (+1.06%) for the week while the Mining index added +3.23% (7.49pts) to close at 239.06pts in one of the most heavily traded week with turnover surging 127.51% to \$21.5m. Turnover was boosted by special bargains in financial services group ABCH and conglomerate Meikles in trades that are sure to have a significant impact on the shareholder structure of both groups. A special bargain of 12.6m (5.15% of the issued share capital) shares in Meikles coupled with a few scrap trades in the week to help the group top the weekly value traded charts with 33.4% of the week's turnover. Coming hard on the back of the notice of the impending finalization of the demerger of Kingdom Financial Holdings Limited the market was awash with speculation of the trade being linked to the process. In ABCH 15m (10% of the outstanding shares) shares were traded in a trade worth \$6.7 as shareholder restructuring continued in the financial services group where over 12m shares were traded in similar trades last month. ABCH's value traded for the week eventually came up to 33.1% of the week's total turnover. Telecoms giant Econet also witnessed a special bargain of 423,300 shares at a stable price of 500c that helped them to third place with 12.7% of the week's total turnover being attributed to the group.

Industrials in rising week...

Special bargains in ECONET and Meikles boost turnover...

10% of outstanding shares in ABCH exchange hands in significant deal on shareholder structure...

Two Week Movement Indices



Source: ZSE/EFE Database

ZSE Trading Statistics	Weekending 18-Feb-11	Weekending 25-Feb-11	% Change	% Of Total Turnover
Volume Traded	39,157,760	77,117,811	96.94	
Value Traded (US \$)	9,471,470.63	21,548,513.79	127.51	
Foreign Volume Traded (Inflows)	9,543,146	17,747,496	85.97	
Foreign Value Traded (Inflows US\$)	6,376,193.81	9,914,266.53	55.49	46.01
Foreign Volume Traded (Outflows)	5,237,147	11,887,273	126.98	
Foreign Value Traded (Outflows)	4,937,731.78	3,504,754.03	(29.02)	16.26

Local investors return on the buying side though foreign inflows remain significant...

Source: ZSE/EFE Database

Foreign inflows at \$9.9m (46.01% of total turnover) for the week remain a significant source of liquidity on the local market though their contribution has been fairly depressed in the week under review. Outflows however have been notably rising with 16.26% of turnover being attributed to foreign selling.

and the movers and shakers...

Weekly Top Gainers

Counter	Price as at 18-Feb-11	Price as at 25-Feb-11	Change in Cents	% Change	YTD Change
INTERFRESH	0.30	0.40	0.10	33.33	0.00
ZHL	1.20	1.40	0.20	16.67	(12.50)
ABCH	39.00	45.00	6.00	15.38	0.00
PIONEER	0.70	0.80	0.10	14.29	33.33
ZPI	0.68	0.75	0.07	10.29	0.00
BORDER	50.01	55.00	4.99	9.98	(38.89)
CAFCA	28.00	30.00	2.00	7.14	87.50
CAPS	0.80	0.85	0.05	6.25	(15.00)
SEEDCO	118.10	125.09	6.99	5.92	28.96
HWANGE	68.00	72.00	4.00	5.88	35.85

Weekly Losers

Counter	Price as at 18-Feb-11	Price as at 25-Feb-11	Change in Cents	% Change	YTD % Change
STAR AFRICA	4.70	3.50	(1.20)	(25.53)	(50.00)
PELHAMS	0.20	0.15	(0.05)	(25.00)	(16.67)
TA	23.00	20.00	(3.00)	(13.04)	(2.44)
TRUST	1.50	1.31	(0.19)	(12.67)	0.77
CHEMCO	40.00	35.00	(5.00)	(12.50)	(22.22)
ARISTON	1.80	1.60	(0.20)	(11.11)	6.67
CFI	12.00	11.00	(1.00)	(8.33)	(20.29)
NMBZ	1.20	1.10	(0.10)	(8.33)	10.00
FALGOLD	6.50	6.00	(0.50)	(7.69)	(36.84)
TRUWORTHS	4.00	3.70	(0.30)	(7.50)	5.71

Forty eight counters in price movement with gainers outstripping losers by 31 to 17...

Source: EFE Securities Database

It was a gainers market as fresh buying from local investors saw the gainers and losers spectrum being heavily tilted in favor of the former as 31 counters recorded gains against 17 losers. Fresh demand in SeedCo saw the seed producer and distributor rise +5.92% to close the week trading at 125.09c.

World demand for coking coal spurs Hwange to record high...

Strong demand in Hwange spurred by the rising demand for coking coal and coal products in the global market saw the coal miner breach the 70c mark for the first time and trade at an all time high of 72c per share having added a cumulative +5.88% in the week. Financial services group ABCH saw their price recover to 45c being a 15.4% rise.

Top performing for the week was fresh farm produce distributor Interfresh that was up 33.3% at 0.4c with insurance group ZHL following having added +16.7% to 1.4c. Other notable gains were seen in Pioneer and ZPI up +14.3% and +10.3% at 0.8c and 0.75c respectively.

Star Africa in unprecedented decline...

Sugar processing and packaging group Star Africa who recently consolidated their hold on struggling retails subsidiary Red Star through minority shareholder buyout are counting their losses as the seemingly excess supply of their scrip on the market has since seen their share price crumble 50% from the implied buyout conversion price of 7c to 3.5c having lost -25.5% in the week under review. Furniture retail group Pelhams followed with a 25% retreat to 0.15c. TAH were down 13.04% at 20c with waning demand in the investment holding company. Trust and Chemco sealed the top five losers list after coming off -12.67% and -12.5% to 1.31c and 35c respectively. Other notable losses were seen in Econet down -1.01% at 490c, Dairibord down -5.41% at 17.5c, and Truworhs down -7.5% at 3.7c

Company Results and Corporate events

Border and Radar Interims to 31 Dec 2010

Border 6 months to December 31 2010 (US\$)

Financials

- Revenue 42.9% up at \$9.7m
- EBIT 122% up at \$1.8m
- Finance costs \$474,323
- PBT 90.9% up at \$1.4m
- Profit for the period \$1.7 up 113%
- EPS – 0.04 cents compared 0.02cents
- Total Assets \$139.7m
- Biological assets – \$84.34m

Operations: The group invested \$943 000 on silvicultural operations as they drove towards their plantation development. 193ha lost to fire which is attributed to arson. The re-tooling project saw \$1.7m being invested in plant and equipment which in turn saw an increase in total round-wood production relative to the comparative period

Radar 6 months to December 31 2010 (US\$)

Income statement

- 54% rise in Revenue to \$17.80
- EBIT 106% up at \$1.926
- Finance costs \$760,964
- PBT up 57%v at \$1.2m
- Taxation \$128 146
- Profit for the period up 11.6% at \$1.0m
- EPS – 0.02 cents vs 0.02cents
- Total Assets \$162.9m

Operations: An 80% surge in turnover for UBM to \$6.3m underlined the continued growth in the retail operations, while demand remained firm for products from McDonald Bricks despite the production line being increased.

Combined Opinion on Border and Radar

Radar and Borders's sales volumes and revenues continue to improve on the back of resurgent construction activity on the individual level. As producers and suppliers of construction and allied industry products, prospects remain high that the anticipated improvement in economic conditions in Zimbabwe should see the re emergence of large scale construction projects whilst even more activity from reconstruction and refurbishment of infrastructure should give an opportunity for even better performance from the two groups. Their stocks are fairly tightly held with free float estimates at 6% and 30% for Border and Radar respectively. We believe this constrains the ability of making a reasonable investment for investors wishing to get significant exposure into them. However for those investors willing to wait while they slowly raise their stakes we place an **ACCUMULATE** recommendation on both counters.

Promising financials in radar but limited liquidity a major hinderance to investment...

RioZim year to December 31 2010 (US\$)

Income statement

- Revenue up 54% at \$67.4m
- 3% increase in Cost of sales to \$33.51m
- 50% Gross profit margins to give them GP of \$34.0m
- EBIT up 21% at \$9.4m
- Net finance costs – \$9.0m
- Share of loss of associate \$948 000
- Pre-tax loss \$570,000
- Income tax expense \$318,000
- Loss for the year \$887,000
- Basic loss per share 10c
- Total Assets \$129.8m

Operations: Gold production for the year fell to 18 000oz from 22 762oz produced in 2009. Operations affected by load shedding which reduced output in the second half which management was optimistic was mitigated in mid December following the introduction of an uninterrupted and ring-fenced power supply. Nickel and copper

Finance costs thrusts RioZim into losses...

production reduced slightly to 8,600tonnes compared with 8,800tonnes.

Opinion:

The group is expected on the market to get financing and we believe this should see the servicing of haemorrhaging debt which in turn might see the return of better financials from the group. For now we reserve a firm recommendation on them until such a time as and when we get fuller refinancing plans and management's expectation on the impact of the refinancing plan.

Zimplow year to December 31 2010 (US\$)

Income statement

- 35% increase in Turnover to \$12.3m
- EBIT down -0.5% at \$2.8m
- Net finance income \$146 191
- 3.6% increase in PBT to \$2.9m
- Income tax expense \$580,252
- Attributable profit \$2.342m up 5.4%
- Total Assets \$13.5m
- Total liabilities \$2.2m of which \$599,833 is differed tax
- EPS 0.72c
- Final dividend 0.21c

(Full results summary paper to follow)

***One of last year's top performers
Zimplow supports performance
with sound financials...***

Top Picks

Buy	
Colcom	Running profitably, business growing and have positive cashflows. Regular dividend payments
Dawn	Trading at average PBV of 0,5x. Have strong diversified earnings potential in tourism and commercial properties.
Delta	Strong fundamentals, should be able to make regular dividend payments
Econet	Dominating market share (62+%) and growing network coverage as well as product range.
Edgars	Re establishing strong credit client base. Should return to profitability in the short term
Pearl	Trading at average PBV of 0,5x. Regional average is 2x.
ZPI	Trading at average PBV of 0,5x . Have strong mix of properties that can generate cash. Have a big pool of undeveloped land-banks that can convert to business anytime.
Seedco	Dominate local and regional seed market and growing strong in new regions.
Barclays	Has a strong brand that has international recognition that should buoy them especially now that we use an international currency. Strong corporate and high networth individual depositor base
Truworths	Strong earnings potential. Trading at annualised PER of 6x
OK	Strong earnings potential once credit lines increase and local producers increase supply.
LT Buy	
Aico	Strong recovery play in Olivine and lint business once recapitalisation is completed while the seed business has potential to outdo its current good performance on the back of regional expansion.
PGI	Exciting business model in a potentially lucrative building and allied industry poised for growth as disposable incomes improve. Recapitalised recently and should be able to rebuild capacities
Spec Buy	
Old Mutual	Room to make 15-25% profit from arbitrage should exchange control regulations thaw
PPC	Room to make 15-25% profit from arbitrage should exchange control regulations thaw

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Notes

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