

Investment Research

22 Arundel Road
Alexandra Park Harare
Tel: +263 4 783 069-71
research@mmccapital.co.zw
www.mmccapitalzim.com



mmc
CAPITAL

(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Market Statistics		
	18-Jul	Weekly Change
Mkt Cap \$'m	4,853	-0.35%
Mkt turnover \$'m	5.53	-25.2%
Indices		
ZSE Industrial	185.93	-0.46%
ZSE Mining	57.83	4.8%
NSE 20	4,910.60	0.2%
Nigeria All Share	42,891.85	0.1%
JSE All Share	51,695.05	1.0%
NIKKEI-225	15,215.71	0.3%
FTSE	6,749.45	0.9%
DJIA	17,100.18	0.9%

Source: ZSE, Bloomberg

In this week's review:

- **Zimbabwe Telecoms Sector Under Pressure, ARPU Declining;**
- **Global Capital Markets In Gains and;**
- **ZSE Under Pressure.**

Analyst:

Kudzanai Samudzi

Tel +263 -4-783 069-71

Cell: +263-0-774 716014

kudzanai@mmccapital.co.zw

Top-10 Statistics and Market Performance

Top 10 Market Capitalisation								
Market Performance						Valuations		
Name	Change	Sales c	Value US\$ 000/kt	CapUS\$ ml	Weight	PE	PBk	RoE
Delta	0.0%	125.00	679.5	1,551.0	32%	14.6	4.1	29%
Econet	0.0%	74.00	713.4	672.9	14%	10.16	2.23	21.9%
Innsco	0.0%	74.00	452.9	399.7	8%	11.40	2.46	30.3%
BAT	0.0%	1,300.00	764.1	268.2	6%	72.22	18.20	30.4%
OK Zim	0.0%	18.00	508.2	210.2	4%	21.18	3.32	15.7%
Seedco	5.4%	78.01	349.3	160.9	3%	13.24	1.62	12.8%
Natfoods	-5.2%	200.00	2.7	136.8	3%	10.39	2.16	20.8%
Hippo	-12.5%	70.00	1.9	135.1	3%	14.89	0.63	4.2%
TSL	2.3%	26.60	16.4	95.0	2%	14.94	1.59	11.7%
CBZ	0.0%	12.00	115.5	82.1	2%	1.90	0.38	20.1%
Sub Total			3,604	3,712	76%			
ZSE Total			5,526	4,853	100%			

*Econet excludes Class A shares * The top ten excludes Old Mutual

Zimbabwe Telecoms Sector Under Pressure, ARPU Declining

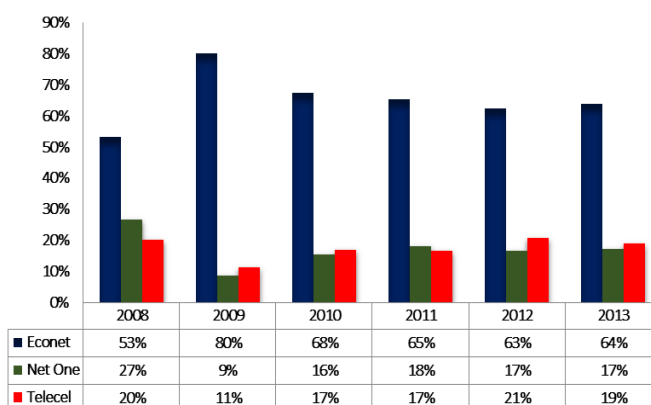
..... In the week under review, Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) released its telecommunications sector report for the first quarter of 2014.....

In the week under review, Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) released its telecommunications sector report for the first quarter of 2014. Total industry mobile subscribers increased by 1.9% to 13,892,109 from 13,633,167 in the previous quarter (Q4,2014). The mobile penetration rate increased by 2 percentage points to 106.4% from 104.4%. Fixed telephone subscribers was up 7.2% to 326,183 from 307,202 last year. Data and internet subscribers took a 2.9% surge to 5,633,242 from 5,471,710 in 2013. The internet penetration rate increased by 1.4% to 43.1% from 41.9% recorded in the previous quarter.

..... Zimbabwe has three (3) active mobile operators namely; Econet, Telecel and Netone. The fourth one is Telone which was granted an operational licence in 2011 but up to now remains inactive. Econet is the dominant player with a market share of approximately two thirds, while the other two control the remainder of the market, according to POTRAZ.

Zimbabwe has three (3) active mobile operators namely; Econet, Telecel and Netone. The fourth one is Telone which was granted an operational licence in 2011 but up to now remains inactive. Econet is the dominant player with a market share of approximately two thirds, while the other two control the remainder of the market, according to POTRAZ.

Figure 1: Market Share and Subscriber Statistics



Mobile Subscribers			
	Q4 2013	Q1 2014	Change
Econet	8,720,869	9,075,925	4.1%
Telecel	2,578,559	2,459,369	-4.6%
Netone	2,333,739	2,356,815	1.0%
Industry Total	13,633,167	13,892,109	1.9%
Zim Mobile Penetration	104.40%	106.40%	

Source: Potraz

..... Econet and Netone registered positive growth in mobile subscriber numbers whilst Telecel's mobile subscriber base took a 4.6 percentage dip to 4.6 million.....

Econet and Netone registered positive growth in mobile subscriber numbers whilst Telecel's mobile subscriber base took a 4.6 percentage dip to 4.6 million (Figure 1). The decline was on the back of the deactivation of inactive mobile lines. Resultantly, the market share for Telecel trimmed to 18% from 19% last year. Econet gained 100 basis points in market share to settle at 65% whilst Netone's market share remains at 17% as at 31 March 2014. In the first quarter of 2014, total mobile traffic declined by 20.7% to 1.9 billion minutes from 2.4 billion minutes registered last year. The intra-network traffic contributed 73.9% to the total traffic. Despite extensive promotions, the net-on-net traffic declined by 16.9% from 1.7 billion minutes last year to 1.4 billion minutes this year. As at the 31st of March 2014, the penetration of mobile services stood at 106.4%, a 2 percentage point increase from 104.4% as at the 31st of December 2013.

..... Our view is that the mobile industry in Zimbabwe is now under pressure. Though the current mobile penetration rate of 106% (up from 37% in 2009) is relatively lower compared to other countries such as Namibia (119%), South Africa (138%) and Botswana (153%), the average revenue per user (ARPU) is declining.....

Our view is that the mobile industry in Zimbabwe is now under pressure. Though the current mobile penetration rate of 106% (up from 37% in 2009) is relatively lower compared to other countries such as Namibia (119%), South Africa (138%) and Botswana (153%), the average revenue per user (ARPU) is declining, indicating limited scope for growth in this sector. Declining smartphone prices will however spur mobile penetration in Zimbabwe. According to phone manufacturer Ericsson, there is continued strong momentum for smartphone uptake in all regions. Approximately 15% of the worldwide installed base of mobile phone subscriptions use smartphones, which means that there is considerable room for further uptake. We expect the penetration ratio to reach 115% in Zimbabwe by the end of 2014 as mobile operators continue to make inroads into the rural areas. The local mobile market industry will likely remain very competitive thus requiring a great deal of creativity by the operators in order to remain viable.

Table 1: Stock indices performance.

Index	18-Jul-14	Weekly	YTD
Industrial	185.93	-0.46%	-8.01%
Mining	57.83	4.82%	26.29%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	18-Jul-14	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	130.08	-0.55	-3.99	-13.03
ZSE Top - 10	137.62	-0.36	-2.89	-11.09
Agro-industrial	61.05	-2.55	-18.36	-23.77
Banking	79.58		-5.85	-8.79
Conglomerates	62.95	+0.96	-11.06	-28.38
Dual-listed	195.43	+0.47	+0.58	+5.80
Insurance	59.25	-9.32	-43.26	-56.89
Manufacturing	235.3	-0.93	-8.10	-13.43
Mining	22.87	+4.62	+24.79	-17.19
Property	97.27	-5.38	-17.48	-20.44
Retail	247.75		-9.95	-31.06
Tourism	27.28	+10.85	-10.71	+19.05

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	18-Jul	Weekly	Market	
			Cap(\$'m)	Value Traded(\$)
FALGOLD	3.00	50%	3.33	456
STAR AFRICA	1.10	38%	5.70	78
AFDIS	32.00	28%	30.47	2,240
ART	0.36	20%	1.55	17
R T G	1.30	18%	24.32	22,887

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	18-Jul	Weekly	Market	
			Cap(\$'m)	Value traded(\$)
NTS	1.70	-37%	4.32	170
ARISTON	0.50	-29%	6.89	4,315
ZIMPAPERS	0.72	-28%	4.15	59,941
NICOZ DIAMOND	1.00	-23%	5.67	21
ZPI	0.80	-20%	13.73	772

Source: ZSE, MMC Capital Research

MARKET COMMENTARY AND OUTLOOK

Stock Market Review

Global capital markets posted gains in the week under review as enthusiasm about better-than-expected earnings for prominent global companies offset geopolitical concerns (Ukraine and Gaza). The Dow and FTSE 100 gained 90 basis points apiece to close at 17,100.18 points and 6,749.45 points respectively. Back home, the mainstream index trimmed 46 basis points in the week under review to close at 185.93 points. The negative movement was on the back of losses in Hippo (-13% to 70 cents) and Natfoods (-5% to 200 cents). Partially offsetting the losses were gains in Seedco and TSL which advanced 5% to 78.01 cents and 2% to 26.6 cents respectively. Delta, Econet, Innscor and OK Zimbabwe traded flat in the week under review. The resources index, however, closed 4.82% in the positive territory on the back of a surge in the share prices of Falgold (50%) to 3 cents and Bindura (7%) to 4.6 cents. The total market capitalization closed the week at \$4.853 billion compared to \$4.870 billion in the prior week.

Trading turnover on the ZSE retreated to \$5.53m this week from \$7.39m last week and weekly volumes, however, improved to 132.7m shares from 88.94m shares last week. Foreign investors were net buyers of Econet, Delta and Innscor in the week. The foreign purchases to total turnover ratio declined to 27% from 33% last week. The foreign sales to total turnover ratio also rose to 9% from 8% last week. The overall foreign investor participation retreated to 36% this week relative to 42% last week. The weight of the top ten counters (excluding Old Mutual) on the bourse (as a percentage of the total market cap) remained relatively flat at 76% this week.

Sectoral performance as measured by the **12-Zfn indices** show that the Tourism sector was the week's top performer, gathering 10.85% to 27.28 points as a result of gains in the share prices of African Sun (3.85%) to 2.7 cents and RTG (18.18%) to 1.30 cents. The insurance sector was the worst performer for the week, dropping 9.32% to close at 59.25 points dragged down by losses in Nicoz diamond (-23.08%) to 1 cent. The ZSE Top-10 lost 36 basis points in the week to close at 137.62 points with two of the largest market cap players posting losses in the week. (**Table 2**).

Falgold topped the top movers pack after adding 50% to close at 3 cents. Star Africa came in second, advancing 38% to close at 1.1 cent. Afdis and Art gathered 28% and 20% respectively to close at 32 cents and 0.36 cents respectively (**Table 3**). NTS was the worst performer for the week, losing 37% to close at 1.7 cents. Ariston and Zimpapers also lost 29% and 28% respectively to close at 0.50 cents and 0.72 cents respectively. (**Table 4**).

Outlook

Global capital markets will likely trade northwards this week as investors anticipate the Malaysian Airlines jet disaster and the Israeli ground invasion of the Gaza strip to have a manageable impact. Investors are also taking bets that the Chinese government will do more to bolster growth. China's central bank refrained from draining funds using repurchase agreements for the second time in a month as cash demand tightens.

Locally, we maintain our view that the weak economic fundamentals in Zimbabwe will continue to be the major risk impacting negatively on the upside potential of the local bourse. The economy is experiencing a slowdown in consumer spending; depressed mineral output; stagnation in money supply growth and tighter revenue collections among other impediments. The current environment, however, presents a good opportunity for long term equity players as the majority of stocks are currently heavily discounted.

Listed Company Statistics as at 18 July 2014

Counter	Sector	Monthly Change	Latest Price	Mkt Cap US\$m	Rolling PE	Price/ Book	EV/ EBITDA	Earnings Yield	ROE	YTD	ROA
COTTO	Agro processing	-10%	0.90	4.81	1.70	0.09	(3.47)	59%	28.33%	-85%	7.97%
ARISTON	Agro processing	-29%	0.50	6.89	5.56	0.36	3.34	18%	6.92%	-44%	3.07%
BAT	Agro processing	0%	1,300.00	225.96	72.22	18.20	18.51	1%	30.39%	8%	11.76%
BORDER	Agro processing	0%	20.00	8.59	2.95	0.08	(10.19)	34%	-2.83%	0%	-1.89%
COLCOM	Agro processing	12%	25.00	39.76	18.38	0.00	(0.86)	5%	9.89%	14%	6.80%
HIPPO	Agro processing	-13%	70.00	135.11	14.89	0.63	5.56	7%	4.19%	-22%	2.42%
PADENGA	Agro processing	0%	8.00	43.33	13.33	1.26	7.90	8%	11.78%	0%	8.33%
SEEDCO	Agro processing	5%	78.01	150.57	13.24	1.62	9.49	8%	12.76%	-13%	7.15%
ABCH	Banking	0%	70.00	50.24	7.45	0.32	(0.12)	13%	13.23%	19%	1.17%
BARCLAYS	Banking	0%	4.00	86.10	28.57	2.03	(6.25)	4%	6.96%	-9%	1.00%
CBZH	Banking	0%	12.00	69.43	1.90	0.38	(1.23)	53%	20.06%	-20%	2.64%
FBCH	Banking	0%	11.50	68.06	5.00	0.85	0.76	20%	17.51%	-15%	3.30%
NMB	Banking	0%	6.00	16.84	(6.00)	0.58	(5.41)	-17%	-11.34%	-8%	-1.37%
ZBFH	Banking	0%	4.00	7.01	20.00	0.12	(7.10)	5%	1.53%	-64%	0.67%
CFI	Conglomerate	2%	2.30	2.43	(0.23)	0.04	(2.86)	-426%	-17.56%	-36%	-9.61%
INNASCOR	Conglomerate	0%	74.00	400.78	11.40	2.46	6.77	9%	30.34%	-16%	11.48%
MEIKLES	Conglomerate	0%	18.00	44.17	1.19	0.29	18.13	84%	24.04%	-5%	26.96%
RADAR	Conglomerate	0%	8.00	4.09	(1.89)	0.10	14.69	-53%	-5.56%	0%	-2.18%
STAR AFRICA	Conglomerate	38%	1.10	5.70	(0.34)	(6.42)	(5.25)	-291%	1814.57%	10%	-33.62%
TA HOLDINGS	Conglomerate	11%	10.00	16.49	(2.12)	0.31	1.98	-47%	-10.86%	64%	-3.67%
TSL	Conglomerate	2%	26.60	92.46	14.94	1.59	12.46	7%	11.73%	-30%	7.89%
ECONET	ICT	0%	74.00	1,213.62	10.16	2.23	3.86	10%	21.92%	23%	10.91%
ZIMPAPERS	ICT	-28%	0.72	4.15	8.00	0.37	(7.84)	13%	4.78%	-10%	1.50%
FIRST MUTUAL	Insurance	0%	4.00	15.21	9.30	0.84	4.63	11%	33.09%	-50%	3.13%
FIDELITY	Insurance	-16%	8.00	8.71	4.06	0.81	2.78	25%	23.49%	-39%	4.75%
NICOZDMD	Insurance	-23%	1.00	5.60	2.50	0.36	0.46	40%	15.06%	-29%	8.44%
ZHL	Insurance	-6%	0.85	6.59	(5.67)	0.13	11.01	-18%	3.02%	-41%	1.06%
AFDIS	Manufacturing - Beverages	28%	32.00	30.40	28.07	4.51	13.63	4%	16.19%	7%	6.25%
DELTA	Manufacturing - Beverages	0%	125.00	1,540.63	14.62	4.13	9.28	7%	28.72%	-11%	18.14%
LAFARGE	Manufacturing - Construction	-13%	55.00	44.00	13.75	1.23	4.54	7%	9.77%	-50%	5.59%
MASIMBA	Manufacturing - Construction	6%	1.80	3.97	(60.00)	0.20	1.30	-2%	-0.30%	-72%	-0.16%
TURNALL	Manufacturing - Construction	-14%	3.00	11.43	(6.00)	0.52	9.02	-17%	-9.07%	-40%	-3.74%
WILLDALE	Manufacturing - Construction	0%	0.10	1.78	(2.50)	0.17	75.24	-40%	-7.23%	0%	-3.70%
DZHL	Manufacturing - Food	0%	11.00	39.38	(22.00)	0.84	26.42	-5%	-3.74%	-27%	-2.48%
NATFOODS	Manufacturing - Food	-5%	200.00	136.80	10.39	2.16	7.69	10%	20.82%	0%	10.79%
ART	Manufacturing - Nonfood	20%	0.36	1.68	3.27	0.16	4.29	31%	4.43%	80%	1.53%
ASTRA	Manufacturing - Nonfood	0%	4.00	5.60	3.67	0.38	1.95	27%	11.35%	-20%	13.52%
GBH	Manufacturing - Nonfood	0%	0.05	0.27	(8.91)	0.10	(0.45)	-11%	-108.72%	-38%	-26.15%
HUNYANI	Manufacturing - NonFood	0%	2.50	7.99	5.56	0.27	3.61	18%	5.02%	25%	3.35%
NTS	Manufacturing - Nonfood	-37%	1.70	4.32	5.00	0.79	3.34	20%	16.08%	-32%	10.89%
PIONEER	Manufacturing - Nonfood	0%	7.00	38.48	(6.73)	7.07	(15.31)	-15%	-10.55%	133%	-2.16%
POWERSPEED	Manufacturing - Nonfood	0%	1.60	6.07	9.41	0.74	5.85	11%	7.94%	-11%	3.54%
ZECO	Manufacturing - Nonfood	0%	0.01	0.05	(0.01)	0.00	(0.25)	-10200%	-15.63%	0%	-10.18%
ZIMPLOW	Manufacturing - Nonfood	1%	8.60	53.55	32.78	2.07	54.50	3%	6.31%	146%	3.17%
MEDTECH	Manufacturing - Pharmaceutical	0%	0.05	1.40	50.00	0.78	12.29	2%	5.51%	-29%	1.22%
CAFCA	Manufacturing -Cables	-6%	22.50	7.34	5.18	0.77	3.93	19%	14.85%	-20%	10.35%
BINDURA	Mining	2%	4.60	5.80	1.39	0.78	(318.44)	72%	-23.87%	130%	-2.75%
FALGOLD	Mining	50%	3.00	3.33	(2.73)	(1.01)	(36.50)	-37%	50.45%	-40%	-9.09%
HWANGE	Mining	-13%	4.80	8.82	(0.28)	0.10	(0.93)	-354%	-33.83%	-47%	-12.24%
RIOZIM	Mining	0%	21.00	6.30	(2.46)	0.29	13.45	-41%	-21.36%	-36%	-3.91%
DAWN	Property	5%	1.00	24.57	25.00	0.29	11.11	4%	2.54%	0%	2.45%
MASH	Property	0%	2.40	44.62	4.44	0.42	3.70	23%	8.72%	-26%	8.24%
PEARL	Property	-12%	2.60	32.19	3.28	0.27	7.63	31%	8.24%	0%	7.34%
ZPI	Property	-20%	0.80	13.73	7.27	0.26	7.62	14%	3.41%	-38%	3.19%
EDGARS	Retail	0%	12.20	34.49	7.97	3.53	5.95	13%	38.83%	1%	9.86%
OK ZIM	Retail	0%	18.00	204.49	21.18	3.32	10.27	5%	15.71%	-10%	8.30%
PELHAMS	Retail	0%	0.02	0.20	(0.11)	0.06	(12.22)	-900%	-49.20%	-80%	-13.45%
TRUWORTHS	Retail	0%	3.00	11.43	10.00	1.93	10.47	10%	18.78%	-29%	5.62%
AFRICAN SUN	Tourism	4%	2.70	22.25	(2.70)	1.17	7.78	-37%	-43.46%	0%	-14.4%
RTG	Tourism	18%	1.30	24.32	20.00	1.73	10.14	5%	8.74%	-19%	2.5%

Events Diary

COMPANY	EVENT	Time	Date	VENUE

Disclosure appendix

Analyst Certification

The following analyst(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Kudzanai Samudzi.

Important disclosures

Stock ratings and basis for financial analysis

MMC CAPITAL RESEARCH believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, MMC CAPITAL RESEARCH has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating.

MMC CAPITAL RESEARCH has issued this document for distribution to its clients. It may not be reproduced or further distributed in whole or in part for any purpose. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. MMC Capital Research has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; MMC Capital makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of its content.

Additional disclosures

1 This report is dated as at 22 July 2014

2 All market data included in this report are dated as at close of 22 July 2014, unless otherwise indicated in the report.

MMC Capital

22 Arundel Road

Alexandra Park

P. O. Box BW 1797

HARARE, ZIMBABWE

Tel: +263-4-783069-71, +263-4-744467

Tellular: +263-0 -772 020 279
www.mmccapitalzim.com

Managing Director

Edward Mapokotera

edward@mmccapital.co.zw

+263 772 128 203

Executive Director

Itai Walter Chirume, CFA, CIPM

itai@mmccapital.co.zw

+263 773 336 832

Sales & Trading

Tinashe Mapara, CFA

tinashe@mmccapital.co.zw

+263 773 413 288

Research and Advisory

Kudzanai Samudzi

kudzanai@mmccapital.co.zw

+263 774 716 014