FBC Securities (Private) Limited

(Registered Stockbroker) - Member of the Zimbabwe Stock Exchange

You Matter Most

HY1 2024 REPORT

Inside

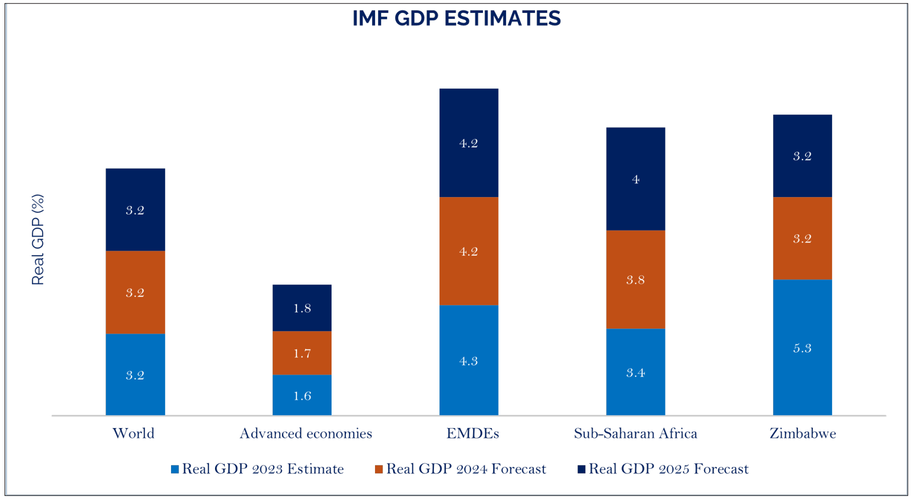
Global Highlights

- The global economy continues to navigate a path of cautious optimism in 2024. Growth projections remain modest, with the International Monetary Fund ("IMF") forecasting 3.2% in 2024 and 2025.

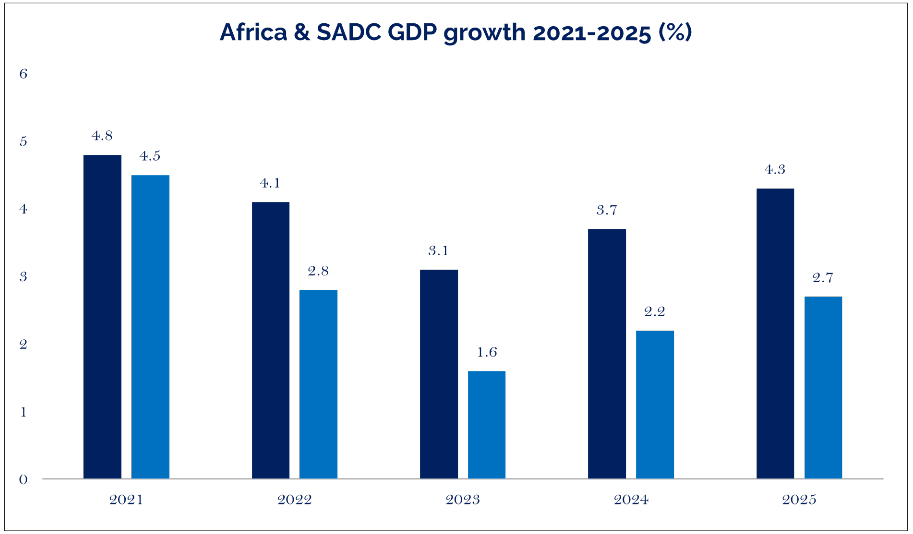
- The pace of expansion is low by historical standards, owing to near-term factors, such as still-high borrowing costs, longer-term effects of COVID-19 pandemic, geopolitical tensions and increasing geoeconomic fragmentation. Other setbacks are more cyclical in nature, including the effects of monetary policy tightening necessary to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events.

- On the African continent, the African Development Bank projects real GDP to grow to 3.7% in 2024 and 4.3% in 2025, exceeding the 4.1% in 2022.

- Growth in Southern Africa is projected to pick up slightly from an estimated 1.6% in 2023 to 2.2% in 2024 and firm up to 2.7% in 2025.



Source: IMF- World Economic Outlook (April 2024), FBC Securities Research



Source: AfDB, FBC Securities Research

Geopolitical Tensions Effects

Israel-Hamas

- The conflict in Gaza and Israel remains a key downside risk for the Middle East and North Africa region, including the risk of further escalation or a protracted conflict. Red Sea shipping disruptions and oil production cuts have added to existing vulnerabilities related to high debt levels and elevated borrowing costs.

- Accordingly, growth in the region is projected to remain subdued, improving moderately to 2.7% in 2024 (from 1.9% in 2023). In 2025, growth is projected to strengthen to 4.2% as the impact of these temporary factors is assumed to fade gradually.

- Security risks in the Red Sea also have a huge impact on trade and shipping costs globally, as 12–15% of global trade passes through the Suez Canal (UNCTAD 2024)

Russia-Ukraine

- The prolonged Russia-Ukraine conflict has resulted to increased costs, economic friction and GDP output losses associated with the global economy fragmenting into geopolitical blocs, with U.S.-led democracies on one side and China and other aligned states on another. This has led to competing technology systems and reduced trade.

- The increasing global and financial fragmentation is substantially increasing financial stability risks, with global trade now being driven more by political alliances than economic benefits. Financial fragmentation is also reducing cross-border capital flows, hinder capital accumulation, weaken international risk-sharing and increase macro-financial volatility.

- This has a compounded impact on emerging and developing markets due to their dependence on FDI and commodities.

China-Taiwan

- Tensions are once again ratcheting up in the Taiwan Strait, with China launching two days of military drills encircling Taiwan just days after Taiwan swore in a new leader long loathed by Beijing. This imminent conflict, if it occurs, has potential to attract heavy sanctions on China.

- Sadly, large-scale sanctions on China would entail massive global costs, as China, the second-biggest economy-ten times the size of Russia-and the world's largest trader, has deep global economic ties that make full-scale sanctions highly costly for the globe.

Geopolitical Tensions Effects

Effects of Geo-political tensions

SECURITY CONCERNS
changes in defence policies, military postures

ECONOMIC IMPACT
Financial Markets, Commodity prices, trade relations

HUMANITARIAN IMPACT
Displacements, refugee crises, human rights violations

POLITICAL TENSIONS
sanctions, trade restrictions, chances in political alliances

ENERGY MARKETS
Energy Markets- Oil gas crises and price volatilities

Global economic and financial fragmentation

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Commodities Highlights

- Heightened tensions in the Middle East have been exerting upward pressure on prices for key commodities, notably oil and gold. Copper prices have also reached a two-year peak, reflecting supply concerns and signs of firmer global industrial production.

- In 2024 and 2025, overall commodity prices are forecast to decline slightly but remain about 38% above pre-pandemic levels, according to the World Bank.

- Gold prices have however surged to record highs on the back of safe-haven flows and central bank buying, as hedging against increasing uncertainty increases in pace. Heightened geopolitical uncertainty from an escalation of ongoing conflicts could push gold prices even higher.

Commodities Highlights

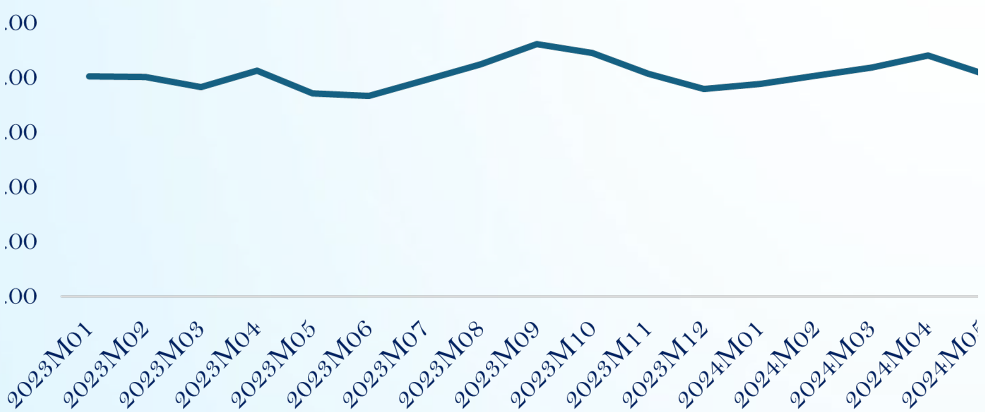
Gold & Platinum Monthly Prices (2023-2024)

Source: World Bank

Other Key Raw-Materials Prices (Year-on-Year)

Source: World Bank

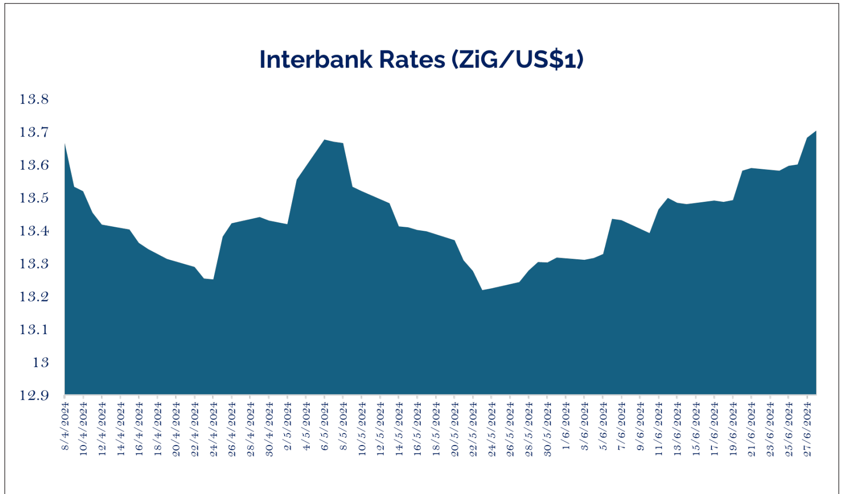
Global Crude oil, Average Prices/Month ($/bbl)



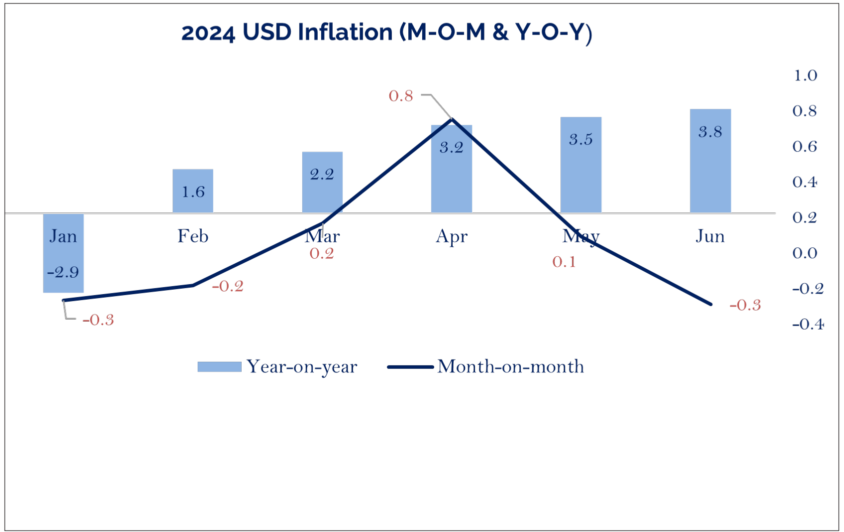
Source: World Bank

2024 H1 Economic Review & Outlook

- Liquidity shortages on the interbank forex market, high cost of doing business, electricity supply shortages, El-Nino induced drought, weak commodity prices and a weak global environment for growth, are among the downside risks expected to undermine the growth prospects of Zimbabwe's GDP in 2024.
- Accordingly, the Ministry of Finance and Economic Development is forecasting a 2% growth in 2024, before picking up to 6% in 2025 and 2026, whereas the AfDB projects a slower GDP growth of 2% and 3.5% in 2024 and 2025, respectively.
- Inflationary pressures have cooled off following the recalibration of the local currency with ZWG month-on-month inflation closing June 2024 at -0.0%. Monetary authorities anticipate a single digit ZWG inflation ranging from 2%-5% by year end, whereas the IMF projects a 7% inflation for the same period, according to their recently published Article IV Mission to Zimbabwe (June 2024).
- Exchange rate volatility has also dissipated as the monetary authorities continue to anchor excess local currency money supply.
- ZWG interest rates have remained in check emanating from limited demand for local currency funds. The Reserve Bank of Zimbabwe has managed to successfully issue treasury bills in local currency with satisfactory subscription levels especially for short term bills.
- However, USD interest rates have been creeping upwards on thin liquidity, increasing foreign currency demand and financial disintermediation.
- On the backdrop of limited USD liquidity, the market has started to witness elements of financial disintermediation wherein non-financial institution are also picking fixed term deposits at elevated yields compared to commercial banks.
- Minimum lending rates have also been scaling up for banks with narrow support base of demand deposits.
- Dollarization penetration continue to broaden as economic agents become increasingly rational and risk averse.
- Major downside risks to the outlook period include sustainability of power supply, tight liquidity situation, climate risks (erratic rainfall patterns), geo-political risks, sluggish mineral commodity price trends, and increasing informalization.



Source: RBZ, Mfed, Zimstats



Source: RBZ, Mfed, Zimstats

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Stock Market Overview

- Zimbabwe's economy continues to show resilience despite headwinds from a myriad of challenges the country currently faces. GDP is expected to grow at 2% in 2024 (from 5.3% 2023) as the agro-based economy faces a devastating El-Nino induced drought, before jumping by 6% in 2025 on the back of an anticipated rebound in agriculture, ongoing capital projects in the manufacturing sector and significant investments in infrastructure, as projected by the IMF.

- Stability in the monetary sector evidenced by a 0.0% m-o-m inflation in June 2024 and a stable ZiG/US$ exchange rate is also expected to support a strong GDP growth in 2025.

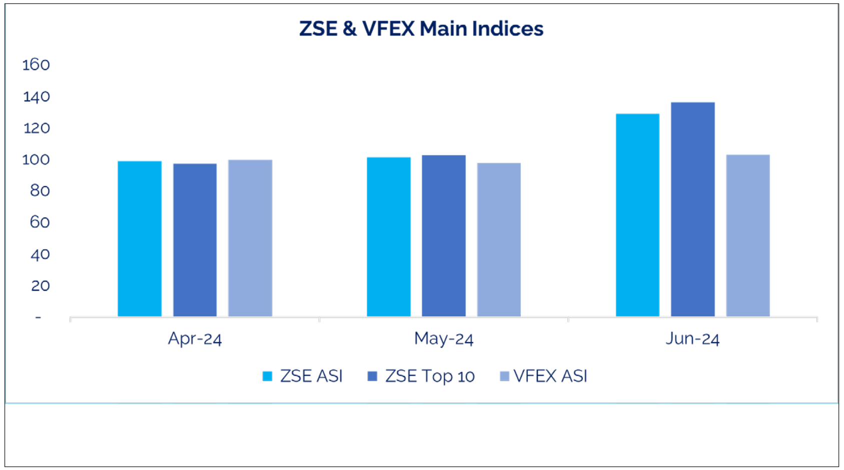
Source: RBZ, Mfed, Zimstats

- The ZSE's response to the stability has been remarkable with the All Share Index and the Top 10 index recording a 27% and 33% m-o-m growth respectively in June 2024. Resultantly, market cap closed the month at ZWG39 billion (US$2.8bn), a 32% jump from ZWG29.4bn (US$2.2bn) recorded in May 2024. YTD, the ASI and market cap rose by 29% and 30%, respectively.

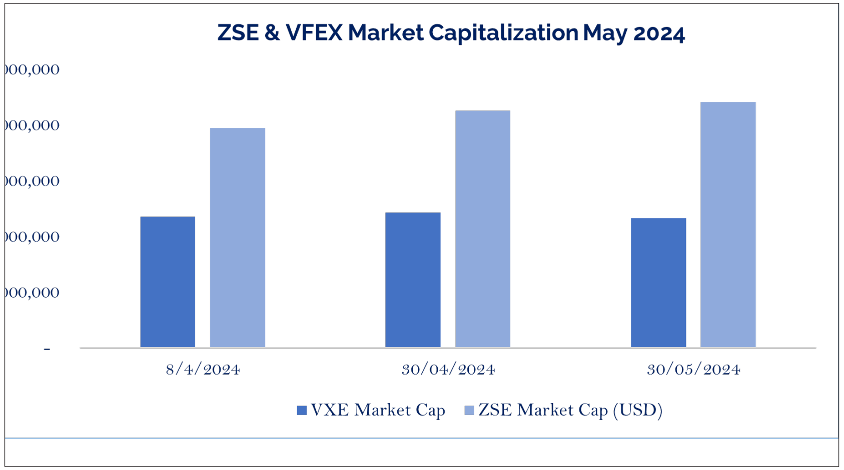
- On the VFEX, the All-Share Index firmed by 6% m-o-m from 97.27 by end of May to close the month of June 2024 at 102.69. The market capitalization, likewise, gained 6% to close the month at US$1.30 billion. Over the half year ending 30 June 2024, the market was nearly flat, with the ASI and market cap gaining 0.2% and 1.2% respectively. This was largely caused by a USD liquidity crisis, which is expected to slightly improve in the 2nd half of 2024 as remittances increase.

- SI 110 of 2024 (Finance (Amendment of Sections 38 and 39 Finance Act) Regulations, 2024 which removed the 180 days vesting period and standardized CGWT to 2% for the next 6 months, is expected to significantly improve trading on the ZSE. High positive real returns are also anticipated on the ZiG-denominated bourse due to low ZiG inflation which is expected to reach 7% by year end according to the IMF.

- Various initiatives aimed at improving participation of economic agents on stock markets are underway, for example the current efforts by the ZSE executives to convince the government to list its debt instruments on the local bourses which will be in boosting investor confidence and deepen the markets.

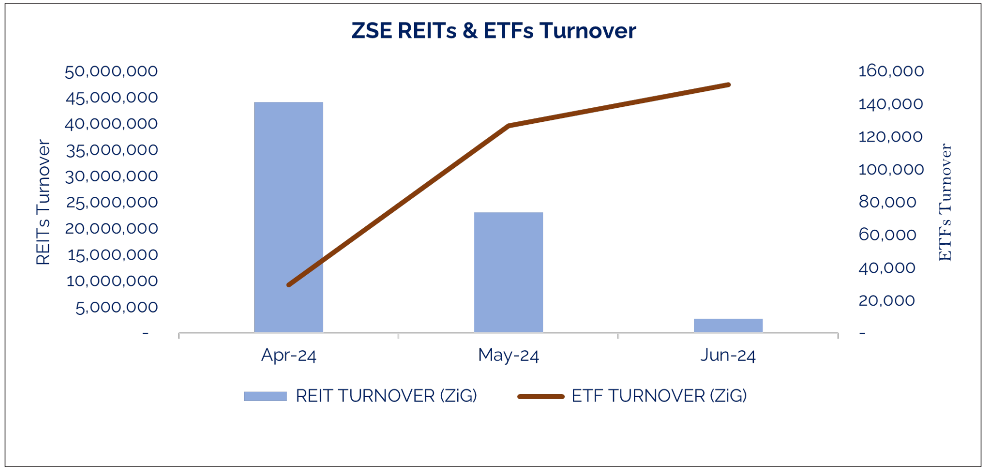


Source: ZSE & VFEX

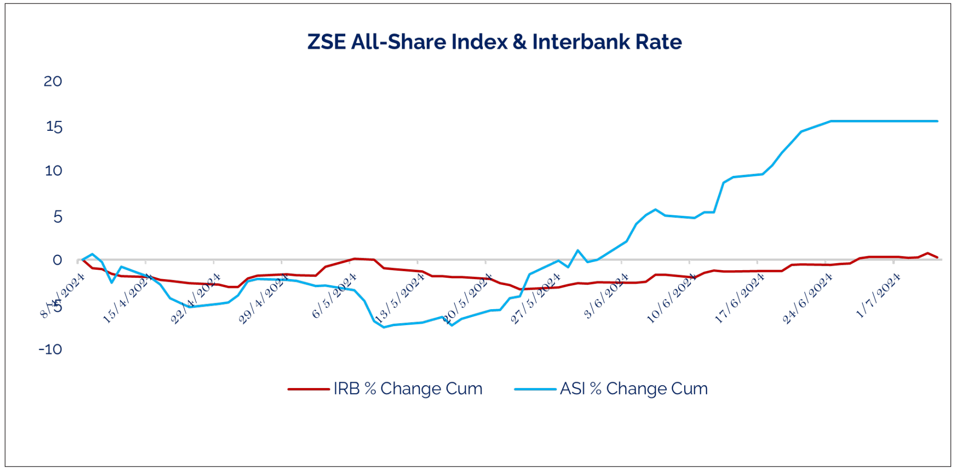


Source: ZSE & VFEX

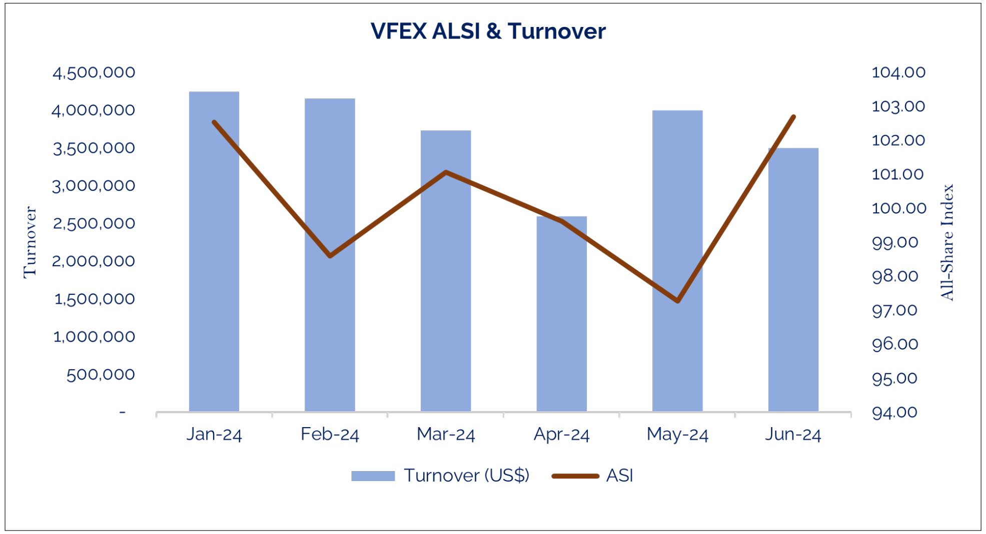
Stock Market Overview cont...



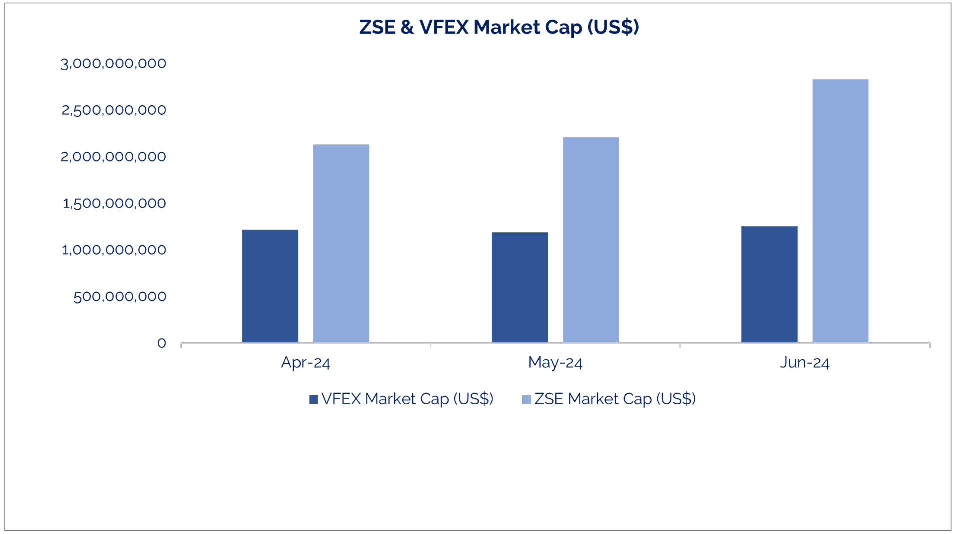
Source: ZSE & VFEX



Source: ZSE & VFEX

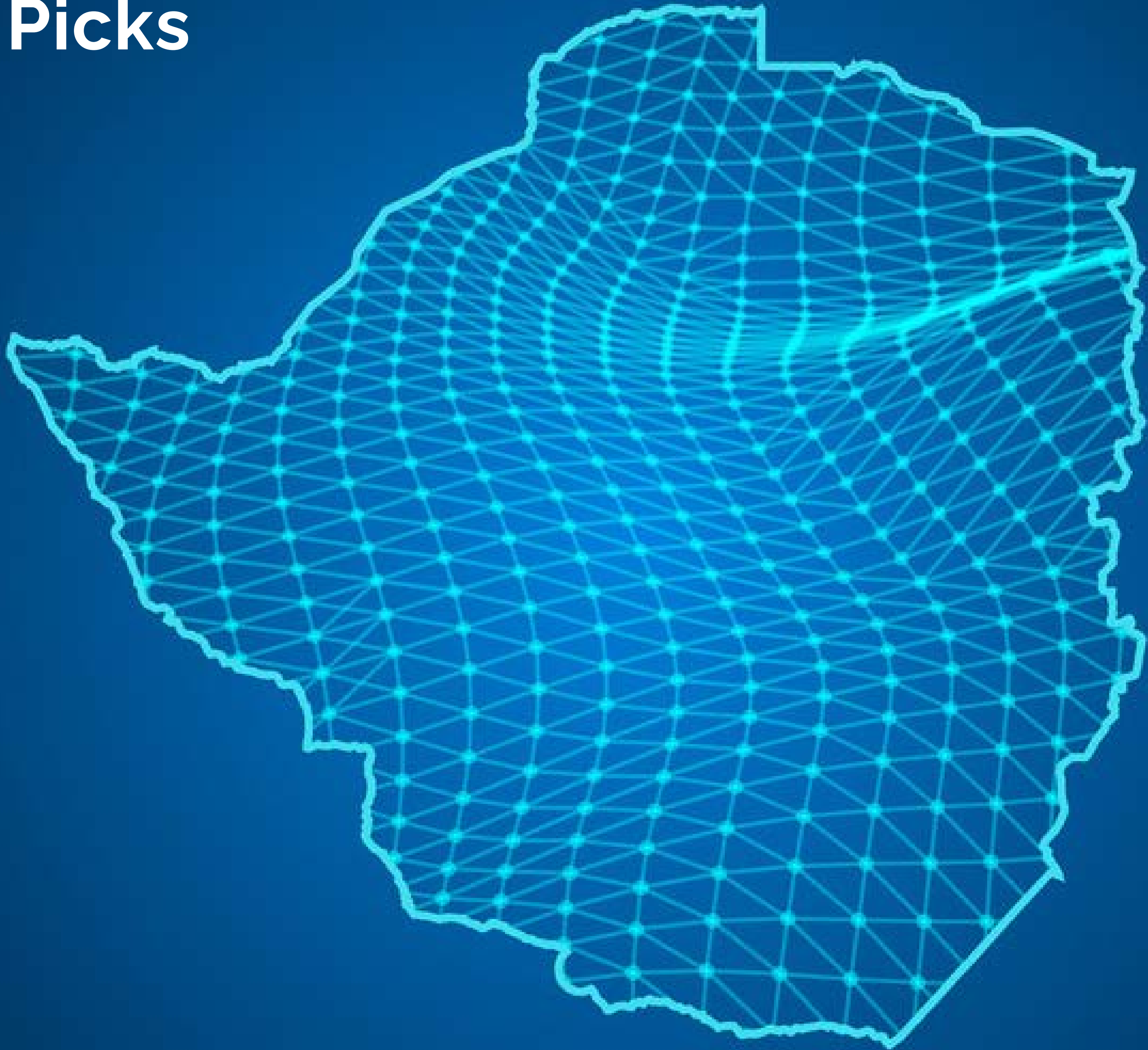


Source: ZSE & VFEX



Source: ZSE & VFEX

ZSE Top Picks



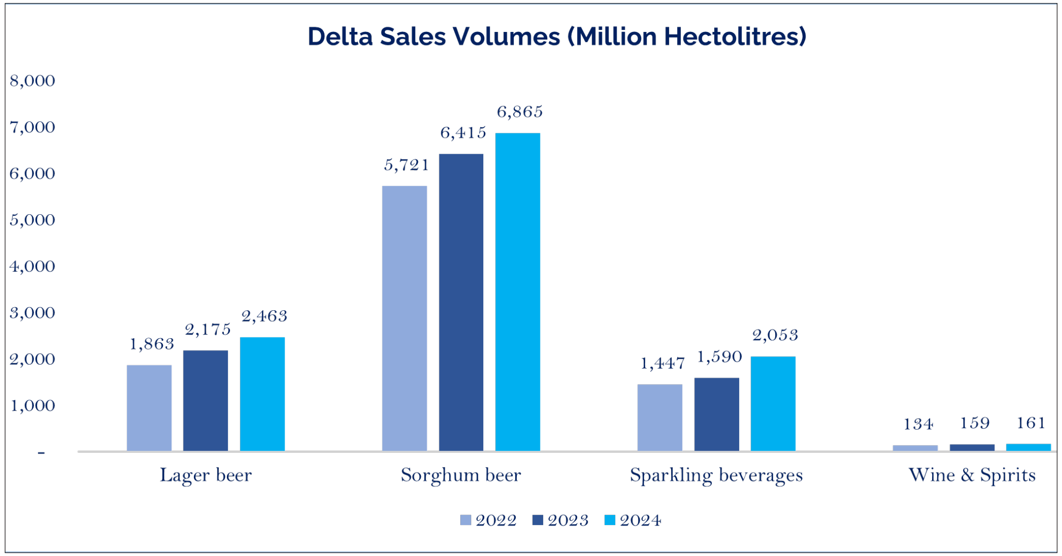
1. Delta Corporation Ltd

- The company has consistently registered volume and revenue growth over the years, demonstrating long term sustained demand for its products. Management has also successfully defended margins, despite complexities in the local economic environment characterized by utility challenges (electricity and water) and supply chain disruptions due to geopolitical conflicts.

- The group's volume trajectory remains strong. We anticipate improved volume performance in the second half of the year supported by US dollar pricing, improvement in wages and salaries across various sectors, diaspora remittances, increased mining activity and government spending on infrastructure projects.

- Given its strong business model with diversified product lines, fairly liquid share and a consistent record of paying dividends, Delta remains attractive as a long-term investment.
- The Company's ESG statistics are also impressive, covering community support, employment creation (with gender sensitive policies), brands innovation and tax contributions, among others.

MARKET DATA	
Metric	**Delta**
Sector	**Consumer Staples**
Price (US$) 28-June 2024	0.71
Market Cap 28-June 2024 (US$m)	937.00
NAV/ share (US$)	0.17
Dividend Yield	4.24%
EV/Share (US$)	0.71
EV/EBITDA (x)	5.5
Target price	0.89
Upside	26%



Source: Delta 2024 Analyst Presentation

2. Tigere REIT

- The real estate sector has generally remained insulated from currency headwinds that prevailed, the greater part of 2023, owing to its foreign currency-based income generating ability. Demand for quality retail infrastructure remains elevated, albeit with limited supply of stock due to unattractive financing options.

- Notwithstanding, the development of clusters, student accommodation facilities, corporate housing and warehouse space has continued on an upward trajectory, with yields ranging from 5-7%. Additionally, the ever-growing need for a proven inflation-hedge in the face of currency instability has seen investors continue to invest in the real estate sector in search of value preservation.

- With a record 100% occupancy level for all its properties, the Tigere REIT has become a highly lucrative investment vehicle on the Zimbabwe Stock Exchange. It has managed to pay out dividends per every quarter since its listing in late 2022. We anticipate improved performance of the REIT if it successfully acquires Highland Park Phase 2, which was officially opened for trading in December 2023, and is reported to have an extensive waiting list of tenants for the available spaces. The REIT therefore remains a viable long -term investment for investors.

MARKET DATA	
Sector	**Real Estate**
Price (US$) 28- June 2024	0.05
NAV (US$ mln) 31 March 2024	22.70
NAV/ share (US$)	0.03
Rent/sq. m (US$)	17.61
Occupancy Rate (%)	100.00
Price/NAV	1.62
Dividend Yield	2.45%

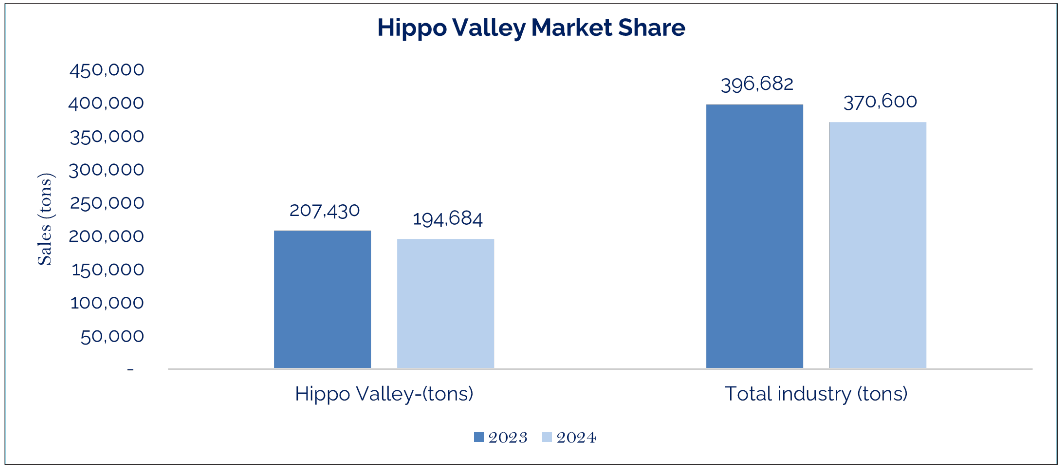
	Dividend History	USD cents/unit	ZWL cents/unit
2022	Q4	0.02	10.54
2023	Q1	0.01	15.29
	Q2	0.03	23.30
	Q3	0.03	19.54
	Q4	0.04	-
2024	Q1	0.03	-

Source: Tigere Property Fund Financials

3. Hippo Valley Estates

- Hippo Valley remains a dominant player in the local sugar industry, consistently contributing above 53% of total industry production and sales, which has earned 1% increase following the repeal of Statutory Instrument 80 of 2023 which previously allowed duty-free sugar imports into the country.
- However, the Company was not spared by the adverse weather conditions emanating from a strong El Nino event, albeit with minimum impact because of availability of water supply dams that cover the sugar industry. Unscheduled mill stoppages, combined with the decline in yields, increase in minimum wage, high input costs due to price volatility, new tax measures and global supply chain disturbances, also compounded the challenges that negatively affected Hippo's financial performance.
- Notwithstanding the foregoing, the Company remained resilient against the challenges to record a profit of ZWL535bn. Its business model is also still strong enough to support further growth in profitability and capacity utilization, on the back of a product with sustainable demand.
- Various cane supply growth initiatives are currently underway, such as Pezulu Project in Western Triangle of close to 1000ha. and the Chiredzi River North (1000 ha.) project. Together with the Project Kilimanjalo, a 4000-ha new sugarcane development project, these projects are expected to significantly increase cane supply and maximise the existing sugar milling capacity within the industry.
- In the 2024/2025 season, the Company expects a 4% increase in cane yield, harvesting 945 471 tons and receive 739 329 tons from private farmers. Milling efficiencies are also anticipated to recover on the back of improved cane quality, and after the satisfactory completion of the requisite annual maintenance program.

MARKET DATA	
Sector	**Consumer Staples**
Latest Financials- FY ending 31 March 2024	
Price (US$) 28-June 2024	0.36
Market cap (US$ mln) 28-June 2024	69.00
NAV/ share (US$)	0.24
PER (x)	5.19
Price/NAV	1.51
Dividend Yield	-
EV/Share (US$)	0.39
EV/EBITDA (x)	8
Target price	0.50
Upside	40%



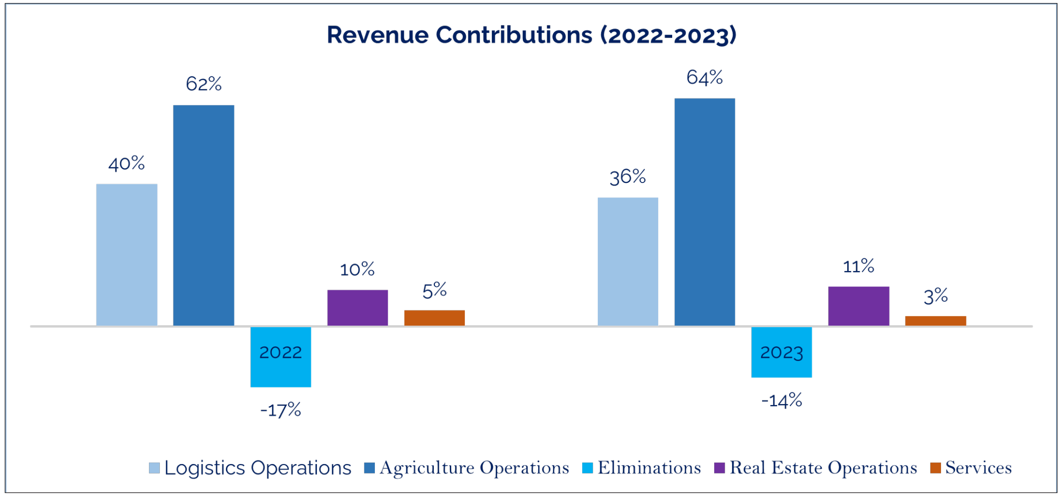
Source: Hippo Valley 2023 Financials

4. TSL

- TSL Limited is an integral and intelligent handler of all movement in the agricultural value chain. The company is well diversified across different ventures that include agricultural inputs (chemicals, fertilizers and packaging), a market exchange platform and end-to-end logistics solutions to producers and processors of agricultural commodities on its intelligent and integrated business platforms

- Anchored on its agriculture operations, we anticipate long term volume growth for TSL supported by several investments lined up to scale up manufacturing, expand the capacity of the different business units, and improve efficiencies to deliver a superior offering to the marketplace across the agriculture and mining value chains. Real estate operations are also expected to record marginal growth in revenue after the completion of the construction of a new, world class 15,000 square meter warehouse at a prime location, which is expected to be completed and occupied in time for the start of the tobacco marketing season.

MARKET DATA	
Sector	
Price (US$) 28-June 2024	0.10
Market cap (US$ mln) 28-June 2024	37.00
NAV/ share (US$)	0.14
PER (x)	3.35
Price/NAV	0.71
Dividend Yield	3%
EV/Share (US$)	0.10
EV/EBITDA (x)	2
Target price	0.14
Upmarket	34%



Source: TSL 2023 Financials

VFEX TOP PICKS

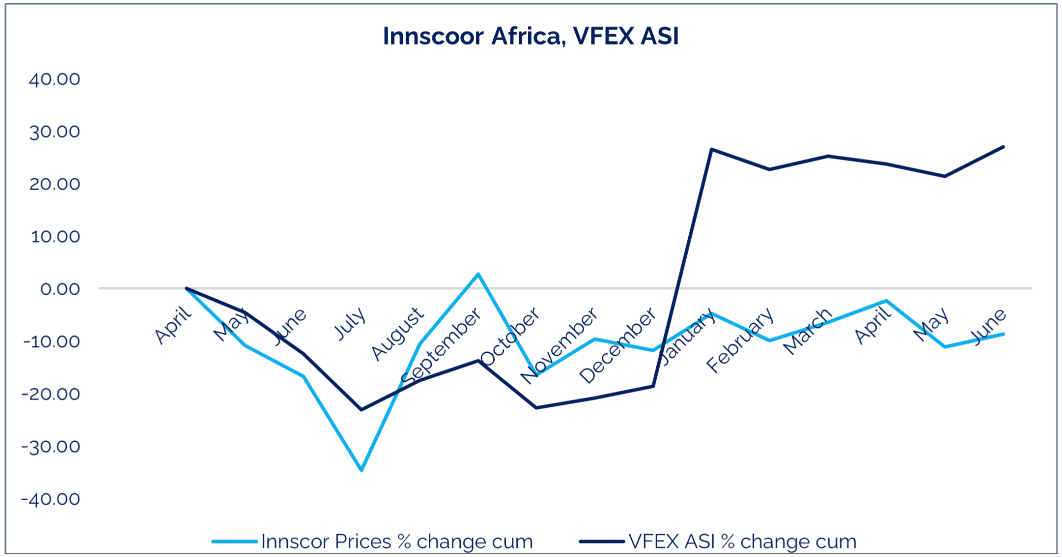
1. Innscor Africa Ltd

- Innscor remains well positioned to navigate challenges presented by an uncertain global outlook and complexities in the local environment due in part to its diversified product offering. Additionally, the business operates in the consumer staples sector, therefore, demand for its products is largely sustainable even in times of economic downturn.

- The group's overall volume trajectory remains strong underpinned by its investment drive, with focus being deployed on expanding plant capacities, enhancing manufacturing capabilities and product extensions as well as route-to-market initiatives that continue to be refined in order to drive volume into new markets.

- Despite a widespread dollarization trend, activity on the VFEX remains largely subdued with a number of counters trading at a discount to their fair value, creating pockets of value for investors. As capital gains are likely to remain subdued in the medium term, we recommend investors take long term positions in companies that have demonstrated resilience and have consistently paid dividends, such as Innscor Africa

MARKET DATA	
Sector	**Consumer Staples**
Price (US$) 28-June 2024	0.45
Market cap (US$ mln) 28-June 2024	256.16
NAV/ share (US$)	0.79
PER (x)	1.52
Price/NAV	0.9
Dividend Yield	8.52%
EV/Share (US$)	0.11
EV/EBITDA (x)	1.31
Target Price	0.79
Upside	77%



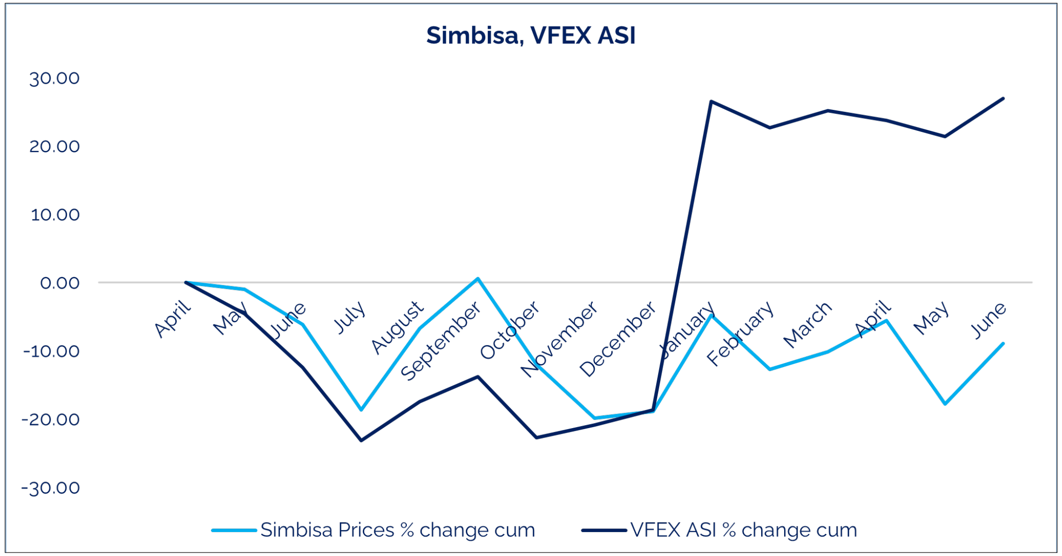
Source: VFEX; FBC Securities Research

FBC Securities

2. Simbisa Brands

- Simbisa Brands has established itself as a market leader locally and remains on a growth trajectory, highlighting further expansion plans, both locally and regionally.
- The Group recently expanded its footprint by opening 37 new stores, bringing its total network to 568 owned and operated restaurants across Zimbabwe, Kenya, and Eswatini (655 stores including franchised markets). We expect the increased store count, with a reported pipeline of 33 new stores for the six months to 30 June 2024.
- Additionally, we expect envisaged growth in key economic sectors such as mining, agriculture and construction industries to translate to improved consumer disposable income. Simbisa's strong business model and huge room for further expansion makes it an attractive long-term investment.

MARKET DATA	
Sector	**Consumer Staples**
Price (US$) 30-June 2024	0.35
Market cap (US$ mln)	195.00
NAV/ share (US$)	0.13
PER (x)	10.25
Price/NAV	2.64
Dividend Yield	3.79%
EV/Share (US$)	0.21
EV/EBITDA (x)	5.05
Target Price	0.40
Upside	13%



Source: VFEX; FBC Securities Research

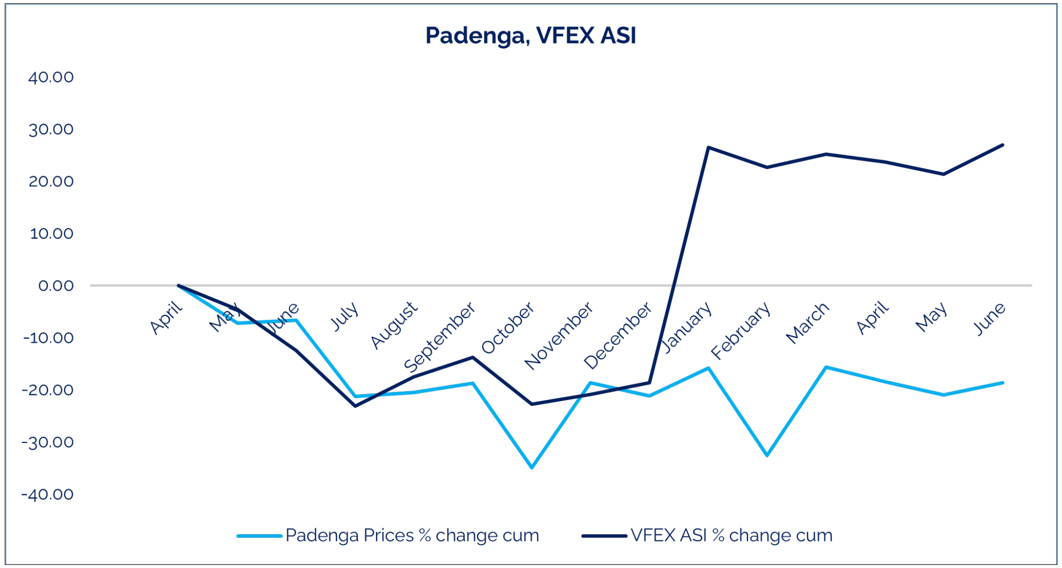
3. Padenga Holdings

- SimPadenga Holdings is one of the world's leading suppliers of premium quality crocodilian skins, accounting for nearly 85% of the supply of Nile crocodile (Crocodylus niloticus) skins to high end luxury brands globally. The Group also has the capacity to produce crocodile meat from its export approved abattoir for sale to European markets, and opportunities for the export of crocodile meat are being vigorously pursued.

- Padenga's flagship is now its mining operations through Dallaglio Investments, the holding company to two large gold producing mines in the country, namely Pickstone Peerless and Eureka, which now contribute circa 82% of Padenga's revenue.

- We expect considerable volume growth for both units, following extensive expansionary projects in 2023 such as the refurbishment of the underground mine at Pickstone Peerless Mine

MARKET DATA	
Sector	**Consumer Staples**
Price (US$) 30-June 2024	0.17
Market cap (US$ mln)	90.00
NAV/ share (US$)	0.13
PER (x)	25.22
Price/NAV	1.33
Dividend Yield	2.66%
EV/Share (US$)	0.29
EV/EBITDA	6.02
Target Price	0.24
Upside	44%



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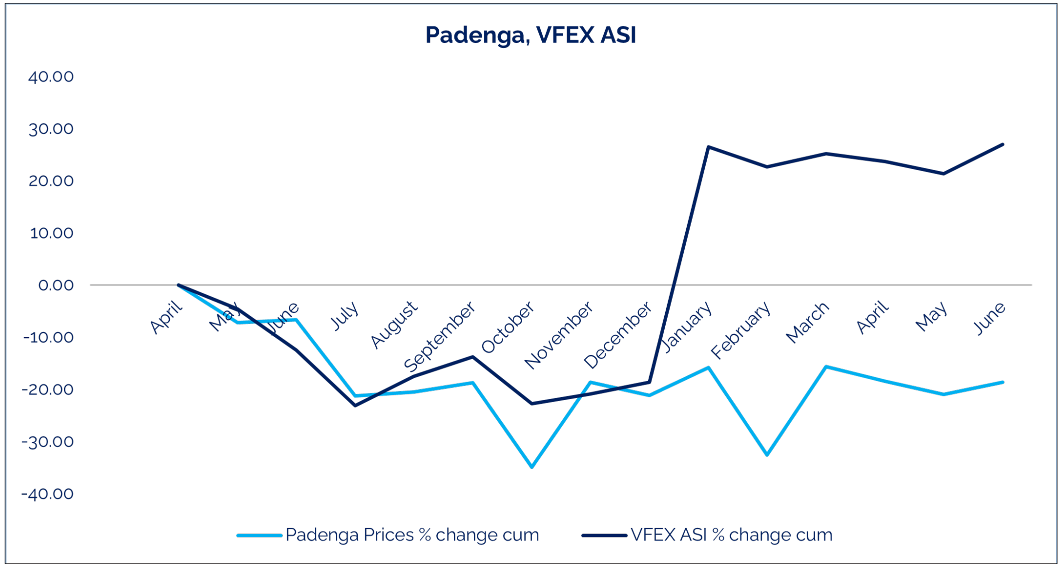
PER (x)	25.22
Price/NAV	1.33
Dividend Yield	2.66%
EV/Share (US$)	0.29
EV/EBITDA	6.02
Target Price	0.24
Upside	44%



Source: VFEX; FBC Securities Research

Stock Market H2 Outlook

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Equities: ZSE

- ZSE performance continues to respond to local money supply. The growing adoption of US$ amid the entrenched multi-currency system until 2030 coupled with a local currency liquidity crunch are likely to cause a depressed activity on the ZSE, being a local currency denominated bourse. The major buying investors on ZSE namely corporates, asset managers and pension funds which are increasingly recording foreign currency income are their investment funds to the VFEX.

Equities: VFEX

- The growing use of the USD in the economy is expected to result in an increase in USD surplus cashflows to individual and institutional investors. The surplus funds will likely flow as investment funds to various investment vehicles, including VFEX-listed equities which are currently trading at discounts to their intrinsic values.
- We therefore expect a flat to bullish recovery of the VFEX, which will be more substantial if new investment products such as ETFs, REITs and government debt instruments are listed on the bourse.

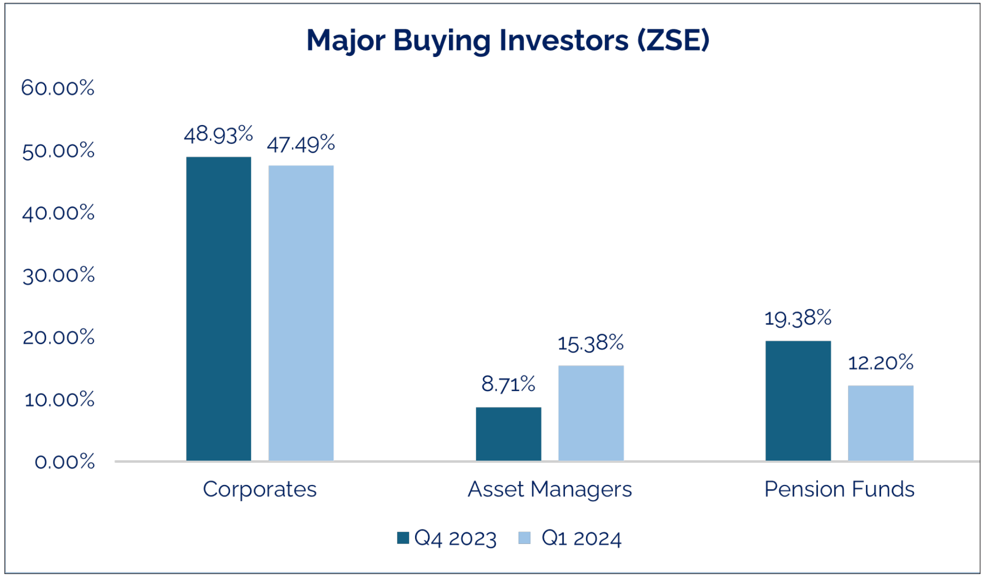
CFD: VFEX

- Contracts For Difference (CFDs) recently introduced on the VFEX are expected to start to get more traction in the second half of 2024, which will likely increase the market's coverage and attract more attention from investors.

Bond Market

- The ZSE CEO recently hinted on the ongoing discussions they are having with the government to have it consider raising debt capital through local capital markets. Having the government as a trailblazer, setting benchmarks for interest rates will undoubtedly attract the private sector into participating, which will significantly boost activity on the markets. The establishment of the Bond Market Association of Zimbabwe (BMAZ) in April 2024 is clear testimony of the urgency being given to the matter.
- The revitalization of a bond market will significantly deepen the market

2023	Forex Income (US$m)	Contribution to total industry income	Forex Assets (US$m)	Invested in Equity (%)	Invested in Equity (US$m)
Q1	5.20	1%	257.00	53%	136.21
Q2	51.00	4%	288.00	38%	109.44
Q3	51.00	4%	326.00	47%	153.22
Q4	236.83	13%	1,050.00	54%	567.00



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