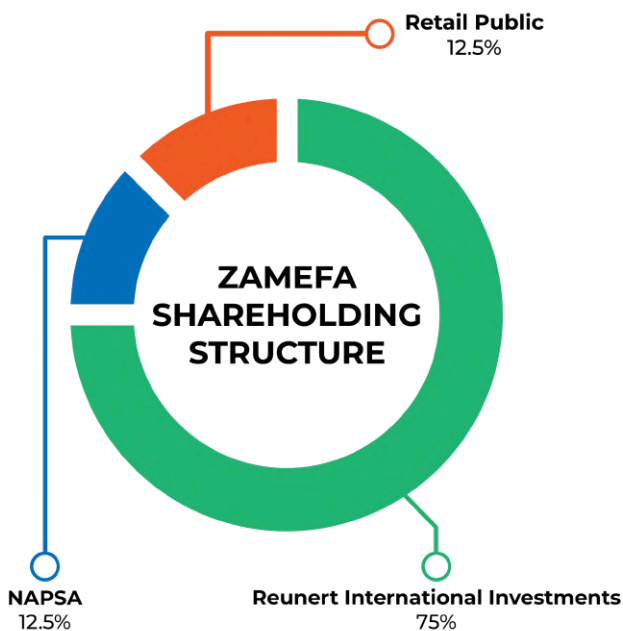




LuSE Symbol	ZMFA	Year End	30 September					
Price	ZMW 5.01	Date Listed on LuSE	8 September 2004					
ISIN Code	ZM0000000243	Issued Shares	27,090,099					
Exchange Rate	ZMW 28.0887 / US\$	Market Cap. (ZMW   USD)	135.7 M   4.83 M					
Short Term (0 - 6 Months)	Hold	Target Price Range	5.41 - 5.64					
Long Term (12 - 24 Months)	Buy							
	2026F	2025F	2024	2023	2022	2021	12 Mo. High	5.01
Earnings Per Share (EPS)	11.94	8.98	6.62	0.95	(0.27)	1.91	12 Mo. Low	4.83
Dividend Per Share (DPS)	-	-	-	-	-	-	EV/EBITDA	(-0.94)
Cash Flow Per Share (CFPS)	11.81	9.82	6.56	7.69	4.53	(0.09)	P/E	0.76
Return on Equity (ROE) %	75.58	64.74	46.31	12.44	(4.07)	27.55	P/E (+1)	0.77
Return on Assets (ROA) %	22.43	18.82	13.31	3.10	(1.12)	6.74	P/BV	0.35

### A Brief History

Zamefa is a Zambian company founded in 1968 to support Zambia's copper industry and industrialization goals specialising in the manufacture of copper rods and electrical conductors, serving both local and international markets. It's shareholding structure can be seen below:



**ZAMEFA  
PRODUCTS  
CATALOGUE**

**Other Products**

- Copper Rods
- Copper Shapes

**Conductors**

- Aluminium Overhead Conductors
- Aerial Bundle Conductors

**Wires and Cables**

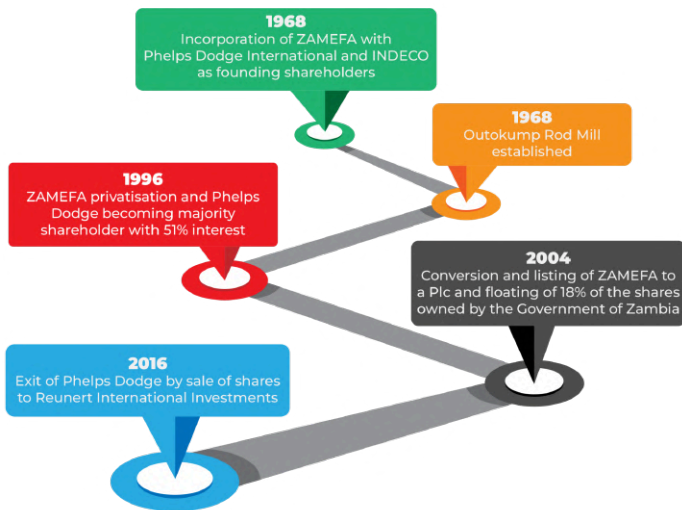
- Low Voltage Cables (600/1000V)
- Building Wire
- Bare Copper Earth Wire
- Flexible Cables and Wires

**Certifications**

- ISO 9001
- ISO 14001
- ISO 45001
- SABS Mark
- ZABS Mark

Zamefa supplies products mainly to the power, telecommunications, mining, agriculture, and industrial sectors. The manufacturing plant is in Luanshya, Zambia's Copperbelt province which is a historically significant mining area.

## Key Milestones

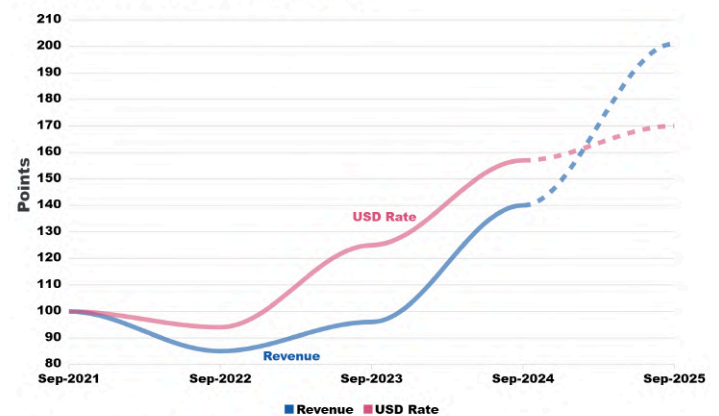


Since 2004, it faces growing competition from companies like Neelkanth Cables Ltd and Cable Mack Ltd, though Zamefa remains a key player due to its large-scale production and consistent high quality guarantee.

## 2023 Financial Performance Summary

Revenue increased by 46% to from ZMW 2.34 billion in 2023 to ZMW 3.4 billion due to a stable copper supply, higher sales volumes, an improved sales mix with a higher weight of cable and wire sales that carry higher margins, and the depreciation of the ZMW against the USD due to higher export sales (64%) as opposed to domestic (36%). The depreciation also affected gross and net profit, which superseded last years' by 98% and 600% respectively. The company recorded lower net exchange losses (ZMW 32 million) by 32% from the previous year, as well as increased finance costs (45%) due to USD appreciation.

ZMFA Revenue vs USD Rate Trend (Indexed)



Data and Chart Provided by: **NEOS**

## 2024 Market Performance Summary

In line with our calculated Zamefa beta of -0.01 and a market weight of 0.17%, the company made an underwhelming gain of 3.73% (2.77% in 2023) compared to the market's 71.51% (26.79% in 2023) as at the financial year end. In terms of trading activity, Zamefa accounted for 0.03% of the market's total turnover for the period indicating little demand for the stock which we assert is due to the lack of or comparatively miniscule dividends; Coincidentally this is in line with our calculated alpha of -6.42% (-8.23% in 2023).

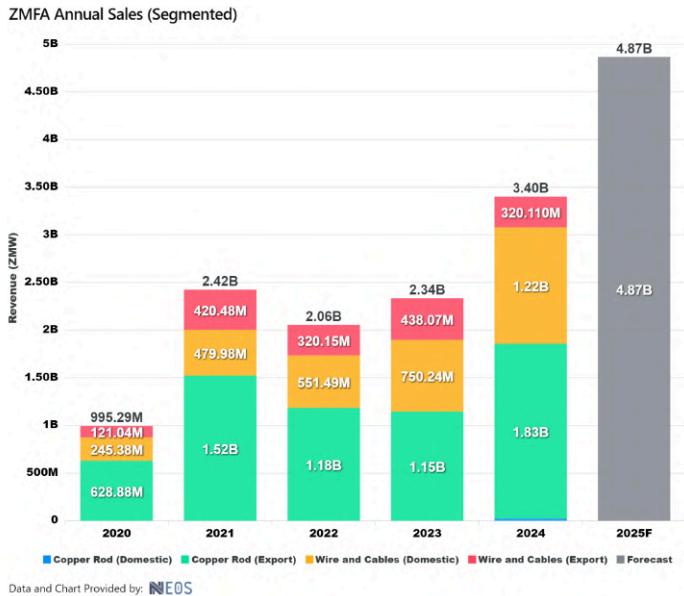
## ZMFA Chart | Monthly Closing Prices



Data and Chart Provided by: **NEOS**

## Sales Analysis

As was the case during the 2023 financial year, exports continue to be the main source of revenue accounting for 64% of the total sales revenue.



During the period under review, revenue rose by 46% as can be seen in the graph above; The dominant sales market was exports which accounted for 64% (ZMW 2.16 billion) of sales which benefited from an appreciation of the USD rate of 26% from Sep 2023 to Sep 2024. Furthermore, there was an improvement to the sales mix stemming from a 23% increase in Wire and Cable sales (ZMW 1.54 Billion) comprising 46% of total sales. We forecast that 2025's revenue will be 4.87 billion kwacha reflecting an increase of 43.11%.

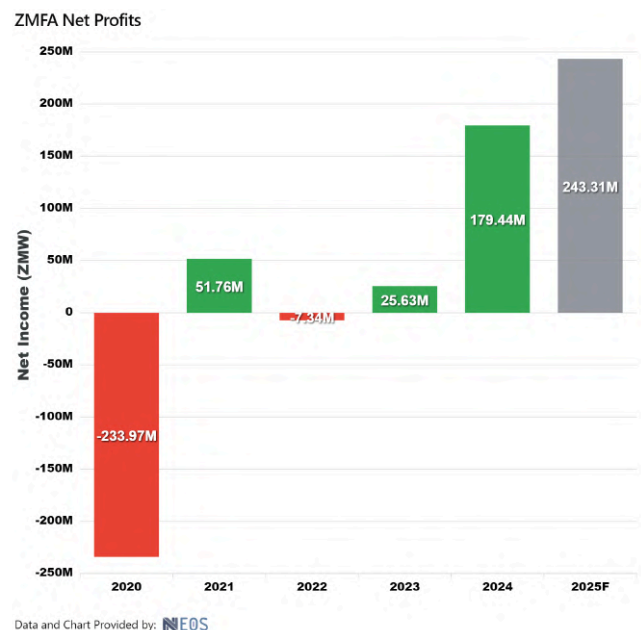
## Expenses Analysis

Expenses for this year were higher than the 2023 period overall mainly due to higher interest rates on USD denominated funding recording a finance costs gain of 46% (ZMW 33 million to ZMW 48 million). Furthermore, operating expenses were 23% higher totalling roughly ZMW 90 million. The cost of goods weight was at its lowest (89%) compared to the past four year range of 92% - 97% which can be attributed to the aforementioned favourable sales mix. The company reduced foreign exchange exposure therefore reducing their net foreign exchange losses by 35% (ZMW 32M).

## Profit Analysis

Gross profit this year for Zamefa was at its five year highest at ZMW 367.95 million which represents an increase of 97% from 2023's 186.48 million. This is as a direct outcome of the better sales mix and lowest cost of sales weight. Another contributing factor to their operating efficiency is the resolution of their previous border delay complications which indirectly increases their operating efficiency; This increase in efficiency is crucial for manufacturing companies as they are sensitive to economies of scale, therefore, the increased sales volume from the previous year reduced the average cost of production leading to a five year high gross profit margin of 10.82%.

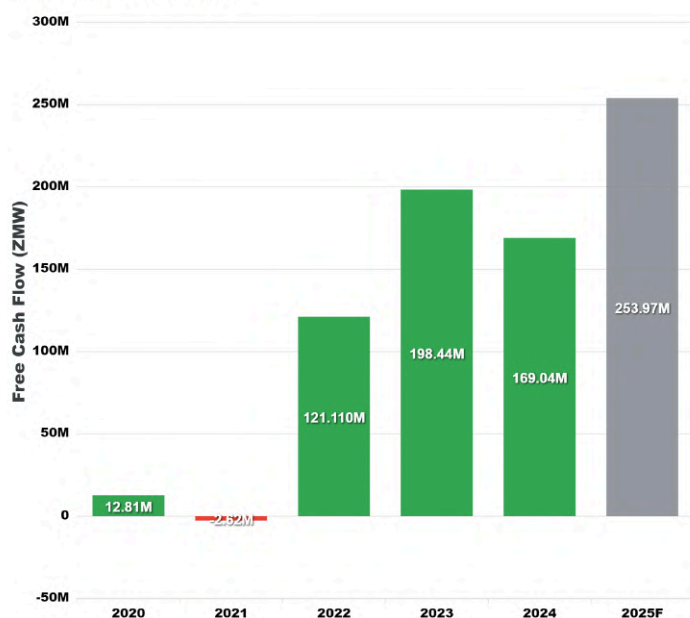
The above gross profit performance led to a comfortable PBT position of 197.97 million; Between 2020 and 2024 this marks the third year Zamefa has had a positive PBT (65.41 million in 2021 and 31 million in 2023) marking a remarkable YoY increase of 538%. With a tax exposure of 9.36% and no PAT deductions or additions, Zamefa's net profit for the year was 179.44 million which is an impressive result from last year's 25.63 million. This represents a net profit margin of 5.28% which is the highest it's been since 2020 (51.76 million or 2.14% in 2021) in line with the PBT performance.



## Cash Flow Analysis

This year saw the company's net cash and cash equivalents rise by roughly 81.71% from ZMW 203.36 million (USD 9.69 million) in 2023 to ZMW 369.54 million (USD 13.16 million) in the year under review. This increase puts them in a good position going forward regarding future CapEx that can be utilised to ramp up and improve their productive capabilities inline with our projected increase in sales. Furthermore, their free cash flow (FCF) decreased by 15% to ZMW 169.04 million (USD 6.02 million) and we forecast this to increase in 2025 to ZMW 253 million (USD 9.04 million) off the back of reduced foreign exchange exposure, increased CapEx, and increased operating cash flow.

ZMFA Free Cash Flow Trend



Data and Chart Provided by: NIFS

## Liabilities Analysis

Continuing with the total debt decrease from 2017 to 2022 by 85%, The firm holds no interest bearing instrument having a utilised revolving facility at Rand Merchant Bank amounting to USD 30.14 million (ZMW 846.51 million). With the aforementioned increase in FCF, we project that total equity and liabilities will reduce to roughly ZMW 1.29 billion or USD 46.02 million. Their payback period has also increased to 111.37 days from 102.62 stemming from a payables increase of 53%.

## Assets Analysis

Total assets increased by 63% from ZMW 826 million (USD 39.4 million) in 2023 to ZMW 1.35 billion (USD 48 million) the increase coming mainly from an increase in trade and other receivables by 117% the majority (55%) being from current trade receivables (from ZMW 228.5 million in 2023 to ZMW 354 million). As with the projected liabilities decrease, we expect total assets to reduce as well (forecasted to ZMW 1.29 billion) expected from a reduction in cash and cash equivalents from utilising the projected FCF increase to resolve payables. Additionally, the reduced total assets is projected to have a higher weight of property, plant and equipment (11% in 2024 to 14%)

## Valuation

Net Asset Value (NAV) this year rose from ZMW 205.9 million in 2023 to ZMW 387.5 million leading to an NAV per share of ZMW 14.30 reflecting an increase of 88.13% (ZMW 7.60 in 2023). Whilst this NAV increase comes from reduced accumulated losses by 66% (ZMW 271.5 million in 2023 to ZMW 92 million), it is slightly concerning as the company looks to be holding too much cash on hand.

Given that the company has no traditional debt reported, they have a **negative Enterprise Value of ZMW 369.5 million (-18.4 million USD)**. This is in line with our NAV analysis suggesting that there is excessive cash on hand.

## Prospects

Given the stable copper prices in 2024 and increased global demand to power increased technology demand and production, we posit that the 64% export weight of sales is sufficient to offset currency volatility. The growing local demand for copper products due to the ongoing energy crisis in Zambia as well as the increased GDP gross value added mining of metal ores, manufacture of metal products, and construction (46% YoY, see annexure 2) place Zamefa for a successful 2025.

## SWOT Analysis

### Strengths

- Strong presence in the copper industry
- High export weight (over 50%) of sales
- Majority shareholder having a strong regional presence in the cable industry
- Easy access to copper in Zambia

### Weaknesses

- Supply chain; Little to no alternate suppliers of copper cathodes
- High cost of production (94% ± 2%)
- Overcapitalization in cash reserves
- No dividend payouts for the past 5 years

### Opportunities

- Increased alternate and standard energy generation projects in the SADC
- An ever growing construction industry locally and in neighbouring economies
- Increased mining activity in Zambia

### Threats

- Exchange risk (resulting from exports being USD denominated)
- Volatile copper prices
- Increasing competition from local and neighbouring countries

## Recommendation

Given that Zamefa is currently trading at ZMW 5.01 and our target price of ZMW 5.53, our short term recommendation is to **hold**. Considering its beta of -0.01 reflecting a lack of responsiveness to the LuSE as a whole, it serves as a stable stock to hedge against volatile economic trends in Zambia.

## Annexure - 1

### Detailed Historical and Financial Ratios and Statistics

	2021	2022	2023	2024
Accounts Receivable Turnover	6.58	7.52	7.91	5.31
Inventory Turnover	11.31	9.65	11.57	16.58
Asset Turnover	3.18	3.15	2.83	2.52
Current Ratio	1.12	1.11	1.05	1.24
Quick Ratio	0.73	0.71	0.80	1.05
Total Liabilities / Total Assets	0.76	0.72	0.75	0.71
Current Assets / Total Assets	0.83	0.79	0.83	0.88
Current Liabilities / Total Liabilities	0.98	0.99	0.99	0.99
Long Term Debt / Shareholders Funds	0.05	0.03	-	-
Gross Profit Margin (%)	5.04	3.31	7.98	10.82
Net Profit Margin (%)	2.14	(0.36)	1.10	5.28
Return on Capital Employed (%)	21.90	6.61	54.31	71.42
P/E Ratio	2.51	(17.70)	5.11	0.76
Cash Flow From Operations per Share	(0.07)	4.53	7.69	6.56
NAV per Share	6.94	6.66	7.60	14.30



## Leverage and Coverage Ratios

	2021	2022	2023	2024
Liabilities to Assets Ratio	0.76	0.72	0.75	0.71
Non Current Liabilities to Assets Ratio (%)	1.10	0.68	0.30	0.14
Liabilities to Equity Ratio (%)	317.40	261.90	301.07	248.00
Tax Burden Ratio	0.79	1.50	0.83	0.91
Interest - Burden Ratio	1.52	(0.40)	0.27	0.71

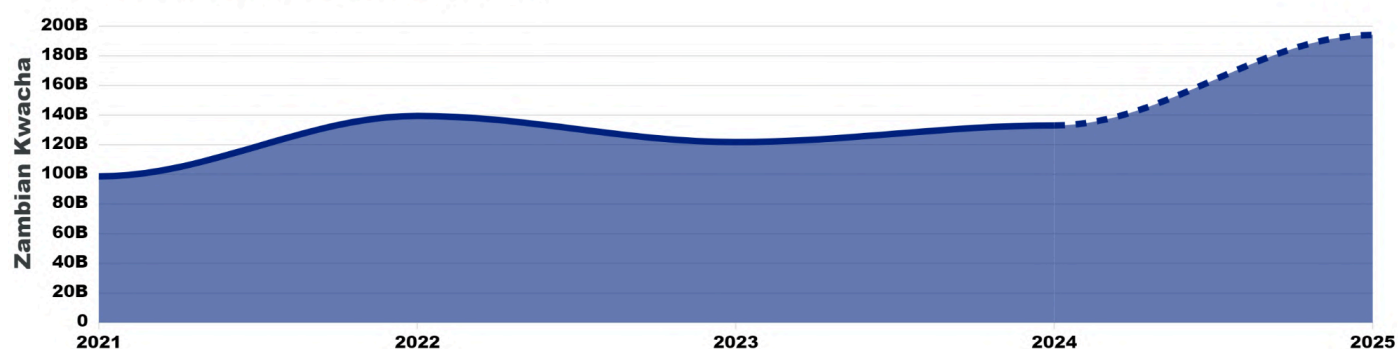
## Activity Ratios

	2021	2022	2023	2024
Average Collection Period (days)	55.48	48.54	46.14	68.75
Payment Period (days)	66.63	75.74	102.62	111.37

## Annexure - 2

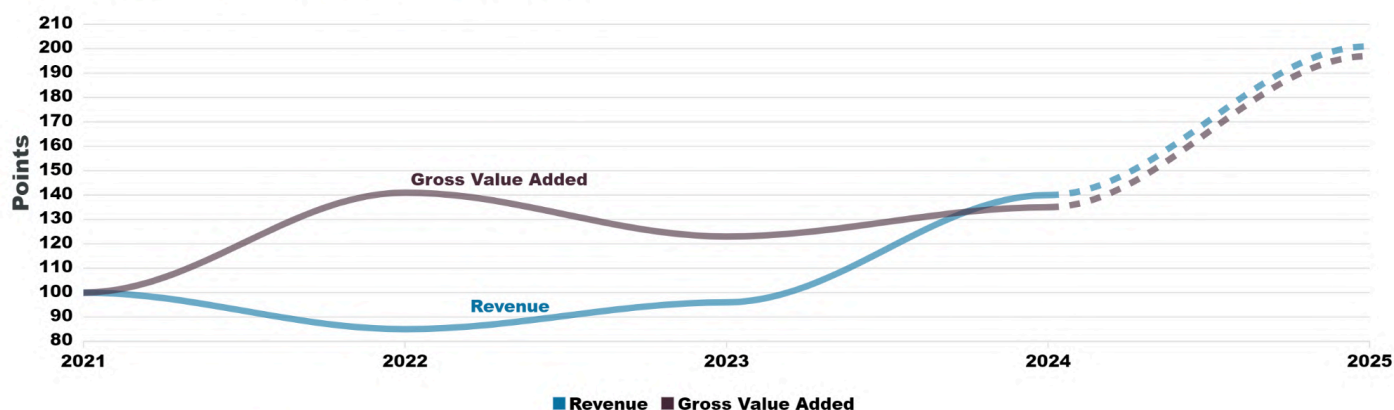
Gross Value Added includes: Mining of metal ores, manufacture of basic metal products, manufacture of metal products, computer, machinery, motor vehicles, furniture, and other, and construction.

GDP Gross Value Added (Current Prices | Annual)



Data from Zambia Statistics Agency and Chart by: NEOS

ZMFA Revenue vs Gross Value Added Trend (Indexed)



Data and Chart Provided by: NEOS

Report By:



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Investment Caution

Share prices may rise and fall, investors should always seek professional advice before investing in shares.

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