



Company: Zambia Forestry And Forest Industries Corporation Company Plc
Business: Manufacturing and Production
Country: Zambia

Sector Report
Equity Research
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ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION PLC

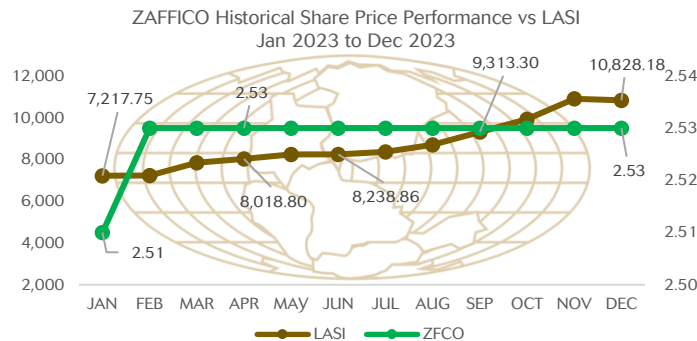
Zambia Forestry and Forest Industries Corporation PLC (“ZAFFICO” or the “Company”) is the country’s largest exotic forestry company mandated to establish and manage pine and eucalyptus plantations as well as harvest and commercially process timber for supply to the local and foreign markets. The Company was incorporated in September 1982 following the commercialisation of the Industrial Plantations Division (“IPD”) of the Forestry Department under the then Ministry of Lands and Natural Resources. Currently, ZAFFICO manages approximately 54,482 hectares of Pine and Eucalyptus Plantations on the Copperbelt, Luapula, Muchinga, Northern and North-Western Provinces.

SHAREHOLDING STRUCTURE

Shareholder Name	Percentage
Industrial Development Corporation	62.6
National Pension Scheme Authority	25.0
Workers Compensation Fund Control Board	7.0
ZISC Life Policy Holders Fund	2.0
Others (LuSE free float)	3.4

MARKET INFORMATION AND PERFORMANCE

LuSE Ticker – 09 May 2024	ZFCO
LuSE Price, in ZMW (Current)	2.53
LuSE Price, in USD	0.93
Issued Shares	400,000,000
LuSE Market Cap, in ZMW [Fully Diluted]	1,012,000,000.00
LuSE Market Cap, in USD [Fully Diluted]	37,009,811.99
LuSE Market Cap Rank	11
52-Week High, in ZMW	2.53
52-Week Low, in ZMW	2.51
Forex USD to ZMW [09 May 2024]	27.34



2023 Trade Statistic	Volume	Turnover (ZMW)
Number	136,686	345,804
LuSE Rank	17 th	16 th

STOCK PERFORMANCE

ZAFFICO ranked 17th and 16th in volume and turnover respectively, on the Lusaka Securities Exchange (“LuSE”) in 2023, with 136,686 shares traded and a total turnover of ZMW345,804 for the year. When compared to its industry peers in manufacturing, the Company ranked 6th in both turnover and volume.

As seen above, the ZAFFICO stock recorded marginal stock price variations achieving a 0.8% capital gain in 2023. Dividend payments are one of the main drivers of stock activity on the LuSE with large dividend payers also possessing large capital gains. Due to its moderate financial performance, ZAFFICO paid a dividend of ZMW0.03 per share in the year 2022 which implied a miniscule dividend yield of 1%. This failed to stimulate interest in the Company’s shares which led to low capital gains and a small volume of its shares being

traded. ZAFFICO is yet to establish itself as a highly demanded stock.

2023 FINANCIAL RESULTS AND RATIOS

Financials (ZMW million)	2023	2022	%Change
Revenue	424	386	9.71
Operating Profit	1,284	2,865	(55.20)
Net income	1,148	2,578	(55.47)
Total Assets	7,581	6,103	24.22
Total Liabilities	834	660	26.35
Total Equity	6,747	5,442	24.00

Key Metrics	2023	2022
Earnings Per Share (ZMW)	3.26	6.45
Operating Profit Margin	3.03	7.42
Net Income Margin	2.71	6.68
Return on Equity	0.17	0.47
Return on Assets	0.15	0.42
Current Ratio	1.73	2.40
Debt to Equity	0.12	0.12

2023 COMPANY PERFORMANCE

Even with the tough economic climate in 2023, ZAFFICO was still able to post positive financial results for the year. The Company remained focused on enhancing operational efficiencies and improving their product offering through value added products.

While strong sales of core products were maintained, the Company’s profitability in 2023 experienced a significant decline of 55% from ZMW2.58 billion in 2022 to ZMW1.15 billion in 2023. This decrease was primarily attributed to the adoption of fair value accounting for biological assets, which saw a significant decrease as the value of ZAFFICO’s biological assets stabilized.

OUR 2024 INSIGHTS

Despite the significant decrease in net income, ZAFFICO is still well positioned to deliver enhanced shareholder value.

In order to maximise the value that the Company can realise from their limited mature wood stock, the Company continues to expand their operations and diversify their product offerings which is in line with their Business Development and Expansion Plan.

The Company plans to raise USD40 million using a rights offering. The proceeds raised from the rights offer will be used to fund their business expansion and diversification plans. In 2023, ZAFFICO began setting up an integrated wood processing plant that will produce sawn timber, medium density fibre (“MDF”), plywood and particle boards, and briquettes to guarantee financial and business sustainability.

This vertical integration will mitigate the risk of relying on imports for the supply of raw materials while at the same time enable the Company to tap into the board market. As part of the operationalisation of the integrated wood processing plant, the procurement process for the milling plant commenced, which is expected to be fully operational in 2025.