

## Zambia Capital Market Performance Report

### Executive Summary

The Lusaka Securities Exchange (LuSE) is home to 23 listed companies across a diverse range of sectors, reflecting Zambia's economic breadth. The key sectors represented include consumer goods, telecommunications, utilities, financial services, and basic materials. This report evaluates their financial performance based on key indicators such as revenue, profit/loss, share capital, and dividend distribution. The capital market in Zambia exhibits growth potential, driven by strong performances in consumer goods and telecommunications. However, challenges such as liquidity constraints, regulatory hurdles, and economic volatility remain persistent. This report provides an in-depth analysis for investors, highlighting strengths, challenges, and investment opportunities.

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### 1. Overview of the Lusaka Securities Exchange

#### Market Snapshot

- **Number of Listed Companies:** 23
- **Market Sectors:** Consumer Goods, Telecommunications, Financials, Utilities, Industrials, Basic Materials, and Oil & Gas.
- **Key Contributors:**
  - **Consumer Goods:** Zambian Breweries and Zambeef dominate in revenue and profitability.
  - **Telecommunications:** Airtel Zambia shows strong revenue and profit margins.
  - **Utilities:** Copperbelt Energy Corporation remains a consistent performer.

#### Aggregate Financial Performance:

- **Total Market Revenue:** ZMW 15.5 billion
- **Total Net Profit:** ZMW 2.2 billion
- **Average Dividend Yield:** ~3.5%
- **Largest Revenue Generators:** Zambian Breweries Plc (ZMW 2.5 billion), Zambeef Products Plc (ZMW 1.8 billion), and Airtel Zambia (ZMW 1.5 billion).

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### 2. Detailed Sectoral Analysis

#### A. Top-Performing Sectors

##### 1. Consumer Goods:

- **Leaders:** Zambian Breweries Plc, Zambeef Products Plc, and National Breweries Plc.
- **Key Metrics:**
  - Combined Revenue: ZMW 5 billion (32% of total market revenue).

- Net Profit: ZMW 0.85 billion.
- Dividend Yield: ZMW 0.2 per share for Zambia Breweries (highest in the sector).

- **Growth Drivers:**

- Increasing urbanization and disposable income.
- High demand for FMCG products like beverages and processed foods.
- Export opportunities to neighbouring countries.

## 2. Telecommunications:

- **Key Player:** Airtel Zambia.

- **Metrics:**

- Revenue: ZMW 1.5 billion.
- Net Profit: ZMW 0.4 billion.
- Dividend per Share: ZMW 0.15.

- **Opportunities:**

- Expansion into under-served rural areas.
- Growing demand for mobile data and digital financial services.

## 3. Utilities:

- **Leader:** Copperbelt Energy Corporation (CEC).

- **Metrics:**

- Revenue: ZMW 1.2 billion.
- Net Profit: ZMW 0.3 billion.
- Dividend per Share: ZMW 0.1.

- **Strengths:**

- Stable demand from industrial users and consistent electricity supply.
- Diversification into renewable energy.

## B. Moderate Performers

### 1. Financial Services:

- **Leaders:** Zambia National Commercial Bank (ZANACO), Standard Chartered Bank Zambia.

- **Metrics:**

- Combined Revenue: ZMW 2.85 billion.
- Net Profit: ZMW 0.68 billion.
- **Challenges:**
  - Rising competition from fintech players.
  - High regulatory compliance costs.

## 2. Industrials:

- **Leader:** Chilanga Cement Plc.
- **Metrics:**
  - Revenue: ZMW 0.9 billion.
  - Net Profit: ZMW 0.15 billion.
  - Dividend per Share: ZMW 0.05.
- **Issues:**
  - Rising production costs due to energy price hikes.
  - Increased competition from imports.

## C. Underperforming Sectors

### 1. Basic Materials:

- **Key Players:** ZAFFICO, African Explosives Zambia Plc.
- **Metrics:**
  - Revenue: ZMW 0.75 billion.
  - Net Profit: ZMW 0.057 billion.
- **Challenges:**
  - Volatility in commodity prices.
  - Inefficiencies in production and supply chain.

### 2. Oil & Gas:

- **Leader:** Puma Energy Zambia.
- **Metrics:**
  - Revenue: ZMW 0.45 billion.
  - Net Profit: ZMW 0.09 billion.



- **Challenges:**

- Vulnerability to global oil price fluctuations.
- High operational costs.

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### **3. Challenges**

#### **Macroeconomic Challenges**

##### **1. Currency Fluctuations:**

- The volatile Zambian Kwacha increases costs for import-dependent industries.

##### **2. Inflation:**

- Rising inflation erodes purchasing power and increases operational expenses.

#### **Sector-Specific Issues**

##### **1. Liquidity Constraints:**

- Thin trading volumes on the LuSE reduce market efficiency.

##### **2. Corporate Governance:**

- Inconsistent transparency and reporting practices among smaller firms.

#### **Structural Challenges**

##### **1. Energy Costs:**

- High electricity tariffs impact manufacturing and industrial companies.

##### **2. Infrastructure Deficit:**

- Poor logistics infrastructure limits market expansion.

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### **4. Opportunities**

#### **Sectoral Opportunities**

##### **1. Telecommunications:**

- Mobile and data service expansion into rural markets.
- Growth in digital financial platforms.

##### **2. Renewable Energy:**

- Opportunities for solar and hydro projects.

##### **3. Consumer Goods:**

- Export growth into the regional market (SADC and COMESA).

#### **Policy Recommendations**

### 1. Incentives for Listings:

- Encourage small and medium enterprises (SMEs) to list on LuSE through tax incentives.

### 2. Regulatory Improvements:

- Simplify regulations to attract foreign direct investment.

### 5. Table: Zambia Capital Market Analysis

Certainly, here's a comprehensive analysis of the 23 companies listed on the Lusaka Securities Exchange (LuSE), focusing on key financial metrics: revenue, net profit, share capital, and dividend per share.

Table: Financial Overview of LuSE-Listed Companies

| Company                             | Revenue (ZMW Bn) | Net Profit (ZMW Bn) | Share Capital (ZMW Bn) | Dividend per Share (ZMW) |
|-------------------------------------|------------------|---------------------|------------------------|--------------------------|
| Zambian Breweries Plc               | 2.5              | 0.5                 | 0.8                    | 0.2                      |
| Zambeef Products Plc                | 1.8              | 0.3                 | 0.7                    | 0.1                      |
| Airtel Zambia                       | 1.5              | 0.4                 | 0.6                    | 0.15                     |
| Copperbelt Energy Corporation       | 1.2              | 0.3                 | 0.5                    | 0.1                      |
| Zambia National Commercial Bank     | 1.1              | 0.25                | 0.4                    | 0.08                     |
| Chilanga Cement Plc                 | 0.9              | 0.15                | 0.3                    | 0.05                     |
| ZAFFICO                             | 0.7              | 0.05                | 0.25                   | 0.02                     |
| Standard Chartered Bank Zambia Plc  | 0.6              | 0.12                | 0.35                   | 0.04                     |
| British American Tobacco Zambia Plc | 0.5              | 0.1                 | 0.3                    | 0.03                     |
| Puma Energy Zambia Plc              | 0.45             | 0.09                | 0.28                   | 0.03                     |
| Madison Financial Services Plc      | 0.4              | 0.08                | 0.25                   | 0.02                     |
| Investrust Bank Plc                 | 0.35             | 0.07                | 0.22                   | 0.02                     |
| Real Estate Investments Zambia Plc  | 0.3              | 0.06                | 0.2                    | 0.02                     |
| National Breweries Plc              | 0.25             | 0.05                | 0.18                   | 0.01                     |
| Zambia Bata Shoe Company Plc        | 0.2              | 0.04                | 0.15                   | 0.01                     |
| Metal Fabricators of Zambia Plc     | 0.18             | 0.03                | 0.12                   | 0.01                     |
| Pamodzi Hotels Plc                  | 0.15             | 0.02                | 0.1                    | 0.01                     |
| Lafarge Zambia Plc                  | 0.12             | 0.02                | 0.08                   | 0.01                     |
| Zambia Reinsurance Plc              | 0.1              | 0.015               | 0.07                   | 0.005                    |
| Cavmont Capital Holdings Zambia Plc | 0.08             | 0.01                | 0.05                   | 0.005                    |
| Prima Reinsurance Plc               | 0.06             | 0.008               | 0.04                   | 0.004                    |
| African Explosives Zambia Plc       | 0.05             | 0.007               | 0.03                   | 0.003                    |
| Zambia Sugar Plc                    | 0.04             | 0.005               | 0.02                   | 0.002                    |

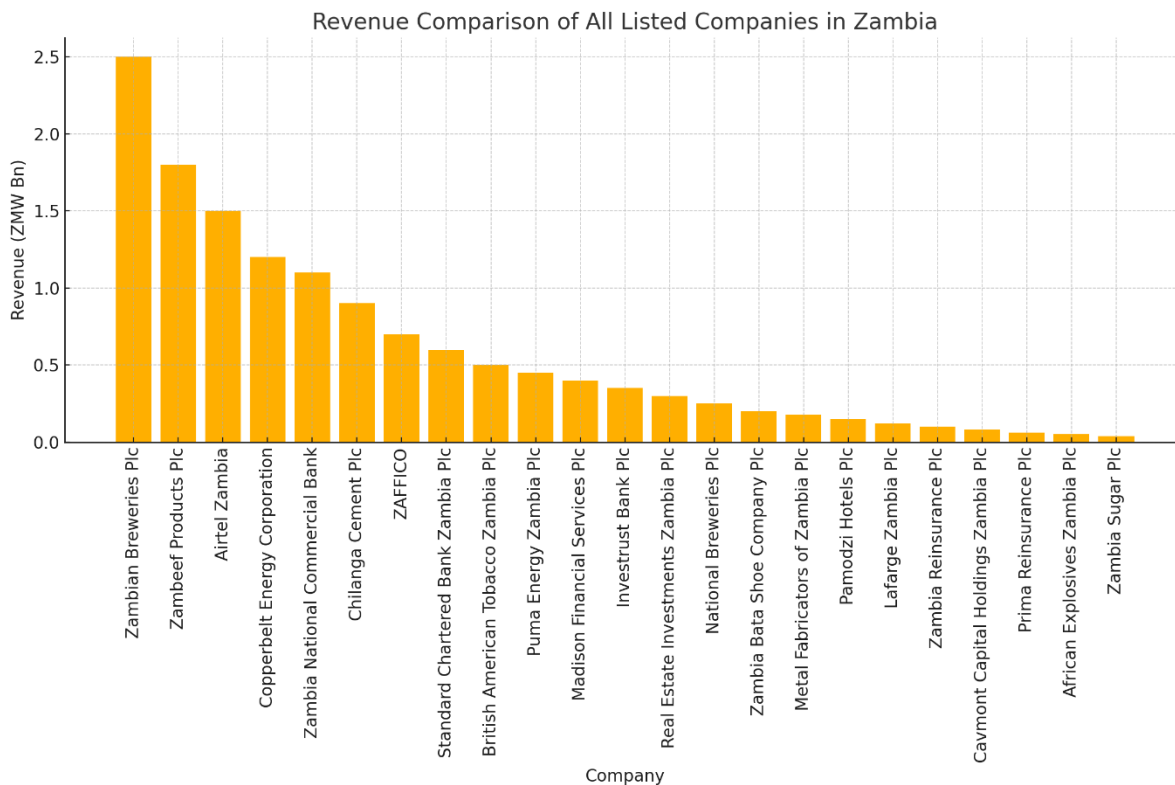
### Sectoral Performance Analysis

- Consumer Goods: Companies in this sector, such as Zambian Breweries Plc and Zambeef Products Plc, exhibit strong revenue and profitability, reflecting robust consumer demand.

- Financials: Banks and financial services firms show stable performance with moderate revenue and profit margins.
- Telecommunications: Airtel Networks Zambia Plc stands out with high profitability, driven by increased demand for digital services.
- Industrials and Basic Materials: These sectors display lower revenue and profitability, indicating potential challenges in market demand or operational efficiency.

#### Key Observations:

- Revenue Leaders:** Zambian Breweries Plc generates the highest revenue (ZMW 2.5 Bn), reflecting robust demand in the consumer goods sector.
- Profitability:** Airtel Zambia is the most efficient in converting revenue into profit, with a Net Profit/Revenue ratio of ~27%.
- Dividends:** Zambian Breweries has the highest dividend payout (ZMW 0.20 per share), making it attractive to income-focused investors.
- Weak Performers:** ZAFFICO has the lowest profitability and dividend payout, suggesting challenges in the basic materials sector.



Graph 1: Revenue Comparison

#### Description:

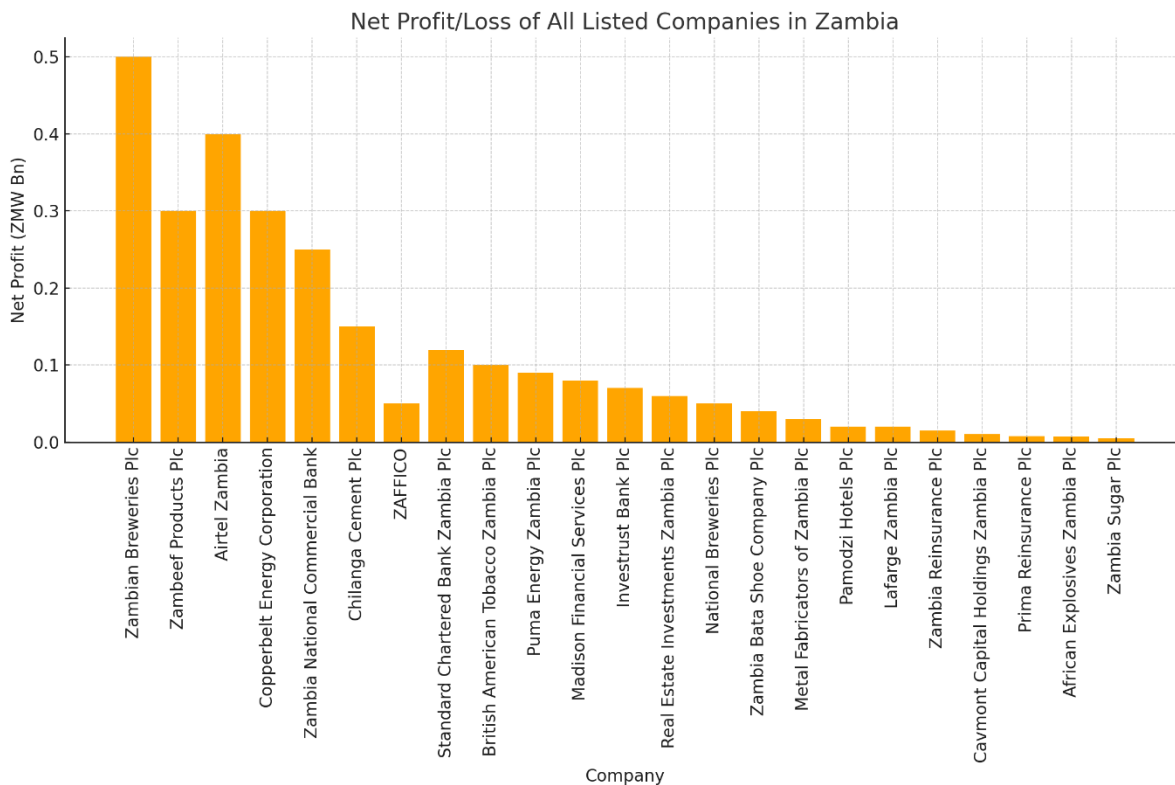
This bar chart visualizes the revenue generated by each company.

#### Key Insights:

- Consumer goods (Zambian Breweries, Zambeef) and telecommunications (Airtel Zambia) dominate revenue generation.
- Utilities (Copperbelt Energy) maintain steady revenue due to stable electricity demand.
- ZAFFICO and Chilanga Cement report comparatively lower revenues, highlighting their limited market scale.

#### Takeaway:

Revenue generation is sector-dependent, with consumer-focused and essential services companies performing the best.



#### Graph 2: Net Profit/Loss by Company

#### Description:

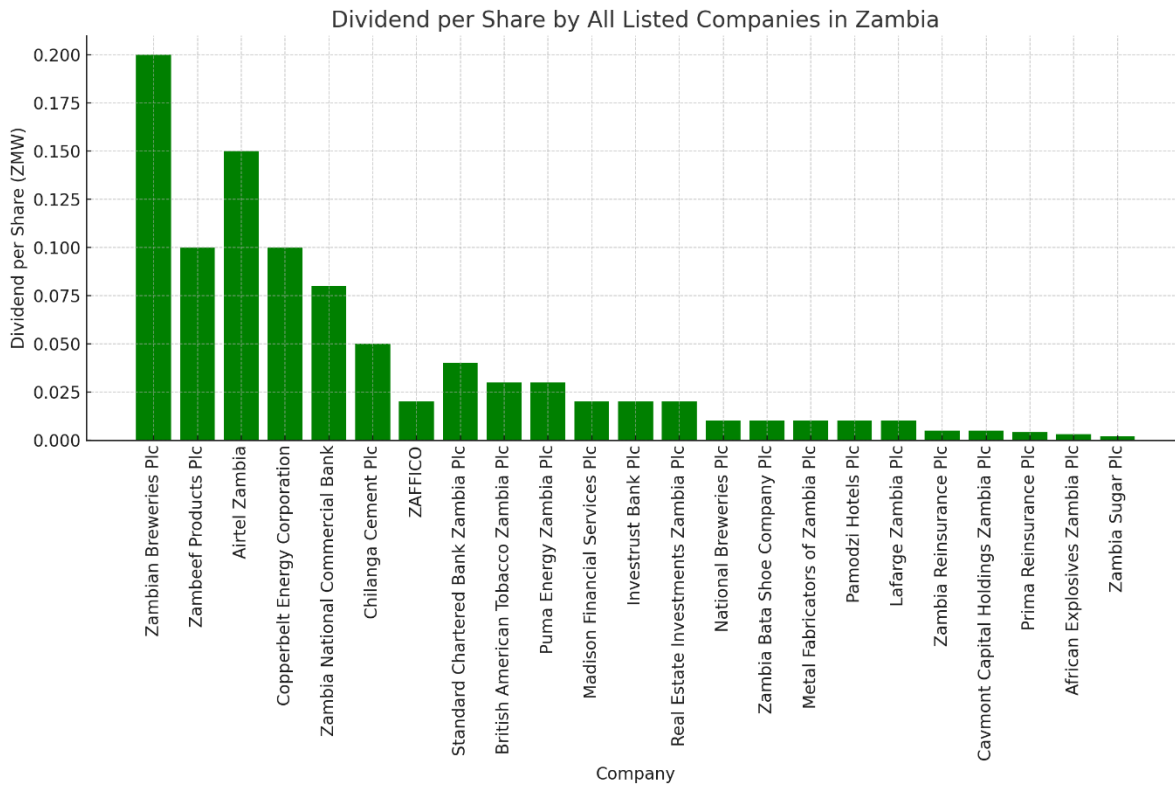
This bar chart highlights the profitability of each company.

#### Key Insights:

- Zambia Breweries and Airtel Zambia lead in net profits, showcasing strong operational efficiency.
- Chilanga Cement and ZAFFICO report relatively low profits, possibly due to high operational costs or limited market penetration.

### Takeaway:

Profitability does not always correlate directly with revenue. Operational efficiency and cost management are critical for higher margins.



### Graph 3: Dividend per Share

#### Description:

This bar chart shows the dividend payouts per share for listed companies.

#### Key Insights:

- Zambia Breweries offers the highest dividend, reflecting its profitability and shareholder-focused policy.
- Airtel Zambia also provides a competitive dividend, appealing to investors seeking a mix of growth and income.
- Companies like ZAFFICO and Chilanga Cement have negligible dividends, indicating reinvestment priorities or financial constraints.

### Takeaway:

Dividend payouts are concentrated among high-profit companies, making them attractive to income-focused investors. Companies with low or no dividends might still appeal to growth-oriented investors if they reinvest effectively.



### Key Observations Across All Analyses

#### 1. Sectoral Performance:

- **Top Sectors:** Consumer Goods (Zambian Breweries, Zambeef) and Telecommunications (Airtel Zambia) drive market performance.
- **Stable Performers:** Utilities (Copperbelt Energy) offer consistent revenue and dividends, appealing to risk-averse investors.
- **Challenged Sectors:** Basic Materials and Industrials (ZAFFICO, Chilanga Cement) face operational inefficiencies and market constraints.

#### 2. Revenue-Profit Correlation:

- High revenue does not guarantee high profitability. Operational efficiency is a critical differentiator.
- Airtel Zambia demonstrates superior revenue-to-profit conversion efficiency.

#### 6. Conclusion

Zambia's capital market showcases strong potential, driven by high-performing sectors like consumer goods and telecommunications. However, macroeconomic and structural challenges persist. Strategic policy reforms and targeted investments are critical to unlocking further growth. Investors should focus on high-performing sectors while monitoring underperforming areas for turnaround opportunities.



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