

Investment Opportunity Analysis: Synthesia

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Executive Summary

- **Synthesia** is a leading UK-based generative AI company revolutionizing video production.
- Recent \$180M raise at \$2.1 B valuation (2025).
- Backed by leading VCs.
- Strong fit with AI-first thesis.
- Targeting global corporate communication, training, and media markets.

Market Context and Macro Trends



Cost

Increasing cost pressures on enterprise video production



Content

Content localization and personalization driving growth



Video

Global video content demand up 3x since 2019.

3x



AI

AI adoption forecast to grow at 2.1x the rate of non-AI sectors.

2.1x



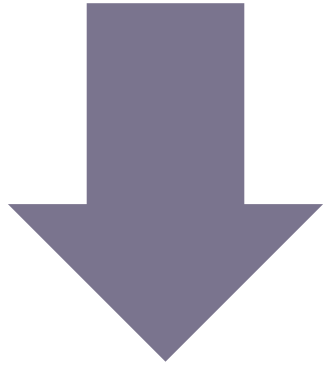
Growth

UK AI startups raised \$1.03B in Q1 2025 alone.

\$1B

Synthesia positioned to take advantage of increasing market acceptance

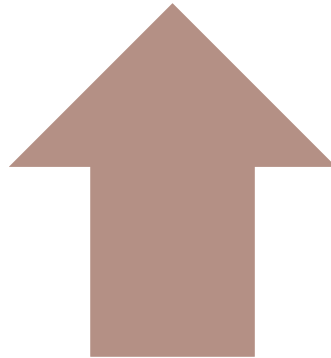
Problem & Solution



Synthesia's platform enables users to create lifelike avatar-based videos instantly without cameras or studios.

- Cut turnaround time from days to minutes.

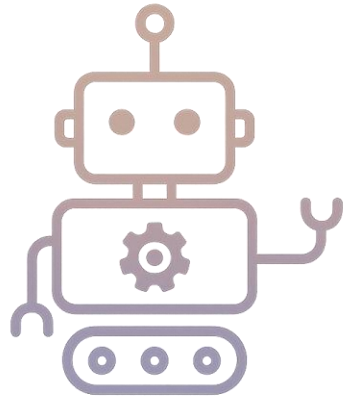
Traditional video production is expensive, time-consuming, and hard to scale.



Reduce production costs by

90%

Product Snapshot



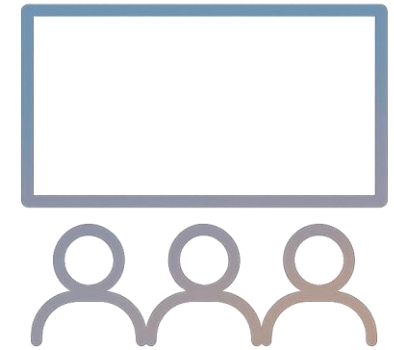
Web-based AI platform.



Custom avatars & multilingual voice synthesis



Drag-and-drop editor; no technical skills required



Use cases: HR onboarding, product demos, internal comms, training

Founding Team

- Victor Riparbelli (CEO): Product-led operator with commercial execution track record.

- Matthias Niessner (Co-founder): Renowned AI researcher, expert in computer vision and neural rendering.

- Team includes former DeepMind, Cambridge, Meta engineers.

VRIO Analysis

Resource / Capability	Valuable	Rare	Inimitable	Organized	Competitive Advantage
Generative AI engine (avatars)	✓	✓	✓	✓	Sustained
Cloud-native video platform	✓	✗	✗	✓	Temporary
Brand recognition in AI video	✓	✓	✗	✓	Temporary
Founding team (AI research)	✓	✓	✓	✓	Sustained
First-mover in UK AI video	✓	✓	✗	✓	Temporary

Competitive Landscape



DEEPBRAIN AI



runway

VEED.IO



Colossyan



synthesia



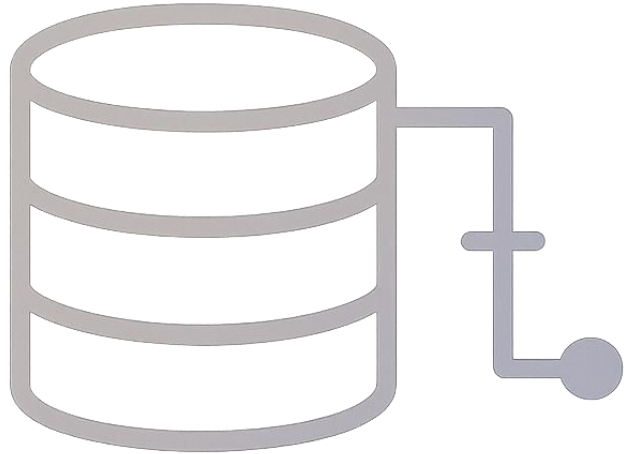
PICTORY™

FlexClip

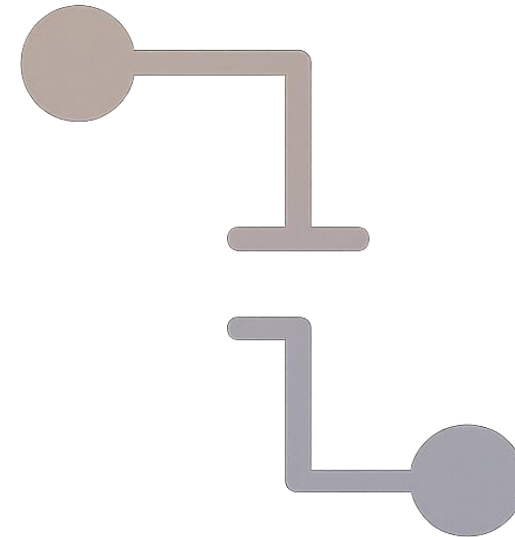
Competitive Landscape

Company	Funding Raised	Valuation	Revenue (2024)	User Base	Notable Clients/Partnerships
Synthesia	\$330M	\$2.1B	~\$32M	1M users; 60,000 enterprise	SAP, Siemens, IKEA
Runway	\$536.5M	>\$3B	N/A	N/A	Lionsgate
DeepBrain AI	\$55.76M	N/A	~\$12.8M	N/A	N/A
HeyGen	\$65.6M	\$500M	~\$35M ARR	40,000+ customers	N/A
Veed.io	\$35M	N/A	~\$40M	25,000+ paying customers	Netflix, Meta, Disney, Google
Colossyan	\$28.2M	N/A	N/A	400+ business customers	BMW, BASF, HPE, P&G

Competitive Landscape



Differentiated through: native AI stack, custom avatars, enterprise features



Entry barriers: IP ownership, data feedback loops, product UX

Strategic Positioning

- SaaS-based model with vertical expansion (education, HR, marketing).
- Strategic partnerships for API integrations
- High Net Revenue Retention (>135%).
- Pipeline for enterprise licensing and white-label offerings.

Valuation Snapshot

- Post-money valuation: \$2.1B.

- DCF supports \$2.2B intrinsic value based on 55% CAGR.

- EV/Revenue (2025): ~26x.

LBO Model Summary

- Hypothetical 2028 acquisition.

- Entry EBITDA: £60M @ 12x multiple.

- Exit EBITDA: £120M @ 12x.

- IRR: 34% | MoM: 3.2x over 5 years.

- Assumes full debt paydown and organic growth.

Investment Rationale

- **AI-native enterprise solution** - Synthesia solves a universal problem: how to scale professional video production affordably and efficiently. Its AI-powered platform replaces traditional video teams with studio-quality synthetic media, enabling fast, localized, and personalized content.
- **Scalable SaaS platform with strong unit economics** - With high gross margins (~75%) and >135% Net Revenue Retention, Synthesia's model supports profitable expansion across multiple industries. Its product-led growth and API strategy unlock horizontal and vertical scale.
- **Founder-led team with defensible IP** - The leadership combines commercial sharpness with technical depth, including academic pioneers in computer vision. The company owns and operates its entire AI stack, offering both independence from foundational model providers and long-term defensibility.
- **Clean entry** - Synthesia offers a unique entry point into the generative AI infrastructure stack. With a Series D just closed, A fund can potentially lead the next round or position for a strategic anchor investment pre-IPO

Investment Rationale (Cont.)

- **Strategic exit pathways through ecosystem incumbents** - Logical acquirers include Adobe, AWS, Microsoft, Salesforce, and Zoom, who are increasingly embedding generative AI into their productivity suites. IPO potential also exists as GenAI productivity matures into its own public vertical.
- **Data network effects with a flywheel advantage** - Every video produced generates user interaction data that refines the AI models. This proprietary feedback loop improves accuracy, personalization, and long-term stickiness, giving Synthesia a compounding data advantage.
- **Trusted and responsible AI reputation** - Synthesia has strong governance in place for synthetic content creation, prohibiting politically sensitive content and enforcing watermarking standards. This “safe AI” position resonates with large enterprise clients and regulators alike.

Risks & Mitigants

- **Regulatory concerns (deepfakes)** — As global scrutiny around synthetic media intensifies, Synthesia proactively enforces a strict ethical use policy, bans political and impersonation content, and applies watermarking to maintain transparency and compliance with evolving EU/UK regulations.
- **Competitive leapfrogging** — The pace of innovation in generative AI is fierce. Synthesia mitigates this through continuous R&D investment, a proprietary model stack, and platform lock-in via customer-specific avatars, integrations, and libraries.
- **Brand authenticity risk** — As synthetic content becomes more widespread, some audiences may question what’s “real.” Synthesia builds trust through clear disclosures, optional visual cues (e.g., AI-created tags), and enterprise education on safe deployment practices.
- **Hypergrowth scaling** — Rapid demand can strain platform infrastructure. Synthesia leverages scalable cloud backends (e.g., Azure), implements usage-based pricing to manage load, and ensures consistent performance through early infrastructure partnerships.

Risks & Mitigants (Cont.)

- **Model drift and hallucination risk** - As models evolve, outputs can become inaccurate or unaligned with brand tone. Synthesia counters this with rigorous QA pipelines, fine-tuned vertical models, and the ability to lock and version avatar output styles.
- **Dependence on global cloud infrastructure** - Latency and cost issues could emerge from over-reliance on third-party cloud compute. Mitigation includes multi-cloud redundancy, pricing negotiations with hyperscalers, and potential future inference optimization in-house.
- **Enterprise security & compliance** - Large clients demand robust security and GDPR compliance. Synthesia maintains enterprise-grade encryption, third-party security audits, and region-specific data hosting where required.

Closing Summary

- Synthesia is a rare blend of technical depth and commercial scalability.
- Offers Investor a high-growth, AI-aligned entry point into enterprise media.
- Clear product-market fit and multi-vertical potential.
- Backed by a strong team with vision and execution capability.

Thank You

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*Full Models and Assumptions Available on Request

Which Way is Forward?

2025 Q1 Overview

A brief reflection on what drove the 1Q25 news cycle.

To Kill a ... Globally Integrated Supply Network?

If you're reading this, I can safely assume you're likely overly familiar with tariffs by now. Donald Trump's latest tariff regime kicked off earlier this year, initially targeting Canada and Mexico, only to see some threats amended, withdrawn, or delayed. The news cycle then pivoted to Russia and Ukraine's continued standoff, before another wave of tariffs took effect on April 2nd, sending stock markets into a tailspin. The reported figures, based on what's being taken as questionable economics and/or maths, looked far worse than expected, rattling investors and bringing up overall uncertainty and volatility.

Humming along in the background though, the AI arms race continued to gather steam. With week after week bringing faster models and newer features, it's difficult to keep track of who's ahead. Recent weeks saw "Ghibli-style" caricatures flooding Twitter (now X, which Elon recently sold to xAI- also owned by Elon, but that's a story for another time) before Sam A. imposed tighter usage limits. Running these colossal AI models requires expensive, specialized chips and robust infrastructure that only a few players can afford. Or so we thought. Then along came Deepseek in January with its R1 model, dropping a bombshell that raised doubts about the supposed need for top-tier chips. Either that or Chinese firms found their way around limited accessibility to the latest chips. It's a reminder that trade restrictions can backfire: forcing one party to innovate or bypass barriers in unexpected ways.

All of this raises the question of whether these new tariffs will truly reshape global supply chains in a sustainable way. They're already facing multiple court

challenges, and it's unclear who will really benefit once all is said and done. China had previously been routing its manufacturing through countries like Vietnam, but with the U.S. now putting up broader trade barriers, that strategy may not work as well. On the American side, it's no secret that the U.S. dominates global finance and military spending more than it does trade; its partners could still learn to adapt or pivot elsewhere. Hopefully DJ has a grand strategy. For now, consumers face higher prices and fewer choices - any promised onshoring of factories won't happen overnight.

Across the Atlantic, Europe is grappling with its own security dilemmas, and several EU countries have upped their defense spending by a point or two of GDP. Whether that proves sufficient is anyone's guess; there's no

consensus on how big the budget should be to address both ongoing and potential conflicts. Meanwhile, Taiwan faces an interesting puzzle. If it offshores too much semiconductor manufacturing capacity to the US to avoid tariffs (sorry), it risks losing its unique leverage that incentivizes the US to protect them from a prying China.

All told, these developments show that the world is speeding ahead at a breakneck pace, fueled by AI breakthroughs, shifting alliances, and unpredictable policy moves. Here's to hoping someone, somewhere who actually knows what they're doing has a roadmap and a plan for what's to come as we make our way through the year. ■



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1. 2025 Economic & Investment Outlook

Overview:

This report forecasts global economic trends and portfolio positioning for 2025, with a focus on AI's financial viability, trade realignments, and structural market shifts in Europe and the U.S.

Context:

This work demonstrates my ability to forecast strategic shifts in AI investment viability and compute-heavy infrastructure sectors. It integrates macroeconomic data with scenario analysis, offering forward-thinking investment perspectives.

Highlights:

- Strategic allocation across equities, fixed income, and alternatives
- Risk-adjusted positioning in light of U.S. and European policy divergence
- Critical evaluation of AI sector hype vs. value

2025 Economic and Investment Outlook

Betting on Resilience

Moderate economic growth, evolving trade policies, and slowing multiple expansion will set the stage for 2025 — a make-or-break year for AI’s (financial) viability and a critical focus on European defense and the resurgence of “Trumponomics”

EXECUTIVE SUMMARY

2025 will require a proactive investment approach as markets balance opportunities with significant risks. Resilience, innovation, and strategic positioning will define success in the year ahead.

AI’s Make-or-Break Year

Artificial intelligence will face heightened scrutiny as companies strive to demonstrate its financial viability. Investors will focus on winners who successfully integrate AI into operational efficiency and revenue growth, while overhyped players risk falling behind.

Moderate Economic Growth with Divergences

Global growth will continue at a moderate pace, with the U.S. expected to outperform Europe and some emerging markets. However, uneven recoveries across regions and sectors highlight the importance of selectivity in investments.

Evolving Trade Policies and Nationalism

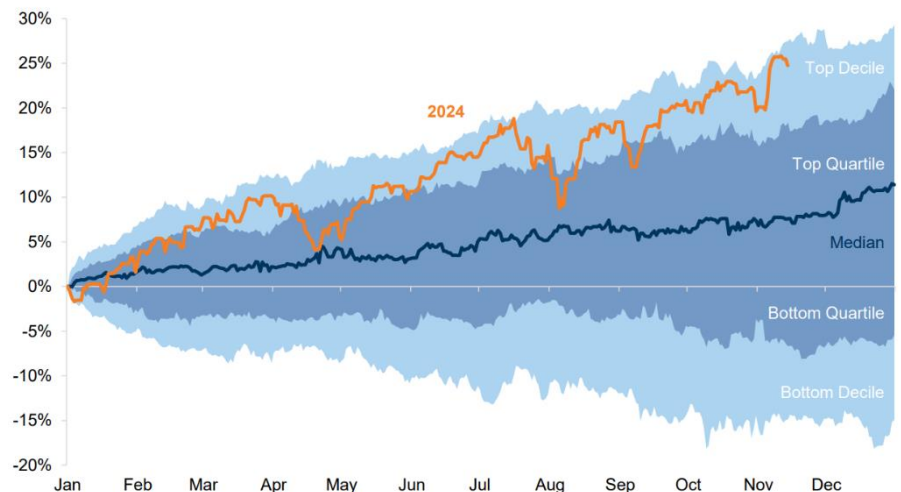
The re-election of President Trump and the continuation of "America First" policies signal heightened trade tensions, including increased tariffs and a push for supply chain resilience. These dynamics will challenge globalization, prompting nations

Past and backdated performance is not a guide to future performance and returns.

Sources: Capital iQ, Bloomberg, MSCI (Index), London Stock Exchange. SPX is used as a comparative index for this strategy for illustrative purposes. This report claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Exhibit 1: The rise in the S&P in 2024 has been one of the strongest since 1928

Calendarized S&P 500 performance since 1928



Source: Bloomberg, Datastream, Goldman Sachs Global Investment Research

ANNUALIZED PERFORMANCE

% Returns in US dollars as at 29 Nov 2024	1 Month	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years
SPX	78.5	30.1	33.2	22.3	10.3	13.3	13.7	11.4

to invest in economic independence.

Toward a Multi-Polar World

While discussions around dethroning the US dollar are premature, rising regional economic blocs signal the acceleration of a multi-polar global order.

Valuation Challenges and Earnings Growth

High asset valuations leave little room for further multiple expansion, shifting focus to earnings growth as the key driver of returns.

CONTACT

STRATEGY OVERVIEW

The investment strategy for 2025 hinges on navigating a complex and shifting landscape defined by moderate economic growth, evolving trade policies, and geopolitical realignments. Asset allocation should emphasize resilience, diversification, and selectivity across regions and sectors.

Equities:

Focus on sectors poised to benefit from geopolitical trends, such as defense and aerospace, particularly in Europe, where increased defense spending offers strong growth potential. Exercise caution with high-growth technology companies, as the hype surrounding AI may lead to overvaluations reminiscent of the tech bubble. Prioritize companies demonstrating sustainable earnings growth and proven financial viability.

Fixed Income:

With central banks easing rates, high-quality bonds and securitized credit provide attractive opportunities. Fixed income also offers a hedge against equity market volatility, particularly in an environment of slowing multiple expansion and fiscal uncertainty.

Alternatives:

Infrastructure and private markets linked to defense, energy transition, and supply chain resilience are key opportunities. These investments align with the shift toward self-reliance and regional economic security amidst growing nationalism.

Currencies and Commodities:

The multi-polar shift creates opportunities in currencies beyond the U.S. dollar. Gold and other safe-haven assets may also perform well as geopolitical and inflation risks persist.

Cash:

Maintaining flexibility through liquidity is critical for opportunistic deployment into undervalued assets as markets adjust to heightened uncertainty and potential volatility.

By focusing on sectors and assets aligned with structural shifts—such as European defense and infrastructure—while remaining cautious on speculative growth stories like AI, this strategy balances offense with prudent risk management. Adaptability will be key to capitalizing on opportunities while mitigating downside risks.

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Factors Underlying Thematic Consensus

- **Macroeconomic Data:** Consistent signals from inflation, labor markets, and GDP growth across regions.
- **Policy Clarity:** Clear indications of central bank easing cycles and fiscal policies, particularly in the U.S.
- **Market Realities:** Elevated asset valuations and the need to focus on fundamentals (e.g., earnings, credit quality).

1. Moderate Economic Growth with Divergences

- Many sources, including JPMorgan, Goldman Sachs, and Barclays, agree that while global growth will continue, it will be uneven, with the U.S. expected to outperform Europe and some emerging markets.
- Stimulus measures in China and fiscal policies in the U.S. are seen as critical to supporting growth but might not uniformly benefit all regions

2. Rate Cuts and Policy Shifts

- There is consensus that central banks, particularly in the U.S. and Europe, will cut rates in response to cooling inflation, but the pace and extent of these cuts may vary.
- Uncertainty remains about how fiscal and trade policies, especially from the U.S. (e.g., tariffs, stimulus), will influence broader global economic dynamics.

3. Valuations and Earnings Growth

- High valuations in equity markets limit potential for further expansion, suggesting that future returns will likely depend more on earnings growth than on multiple expansion.
- Selectivity and diversification are key to navigating these markets, with small- and mid-cap equities in the U.S. and opportunities in European equities highlighted.

4. Fixed Income Opportunities

- Fixed income markets, particularly in high-quality corporate bonds and securitized credit, are viewed as attractive as yields stabilize or decline.
- A shift from cash to fixed income is emphasized as rates peak.

5. Technology and AI Investments

- The role of AI and digital transformation is a recurring theme, with asset managers highlighting both the risks of overhyped expectations and the longer-term opportunities in specific sectors.

6. China's Economic Outlook

- China's growth is a contentious issue. While stimulus is expected to support some recovery, structural issues like debt and underwhelming domestic demand are major concerns.

C O N T A C T

SENTIMENT TABLE – 2025

Industry Sector	-	o	+	Goegraphy	-	o	+
Financials				US			
Aerospace and Defense				UK			
Technology				Europe			
Consumer Discretionary				China			
Industrials				EMEA			
Healthcare				Africa			
Energy				Asia			
Real Estate				Middle East			
Materials							
Utilities							

FINAL REMARKS

As we step into 2025, the investment landscape demands a balance of resilience, adaptability, and strategic foresight. By aligning with structural shifts such as European defense spending, sustainable infrastructure, and multi-polar currency opportunities, investors can position themselves to navigate uncertainties and capitalize on emerging trends. While challenges in AI integration, evolving trade policies, and high valuations persist, a disciplined focus on fundamentals and diversified asset allocation will be critical to seizing opportunities in this pivotal year. Success in 2025 will be defined by the ability to anticipate change, act decisively, and remain steadfast amidst volatility

Past and backdated performance is not a guide to future performance and returns.

Sources: Capital iQ, Bloomberg, MSCI (Index), London Stock Exchange. SPX is used as a comparative index for this strategy for illustrative purposes. This report claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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2. AI WARS Strategy Deck

Overview:

Strategy presentation for Google's Gemini ecosystem, tackling product alignment, AI architecture, monetization strategy, and competitive landscape positioning.

Context:

This group project involved designing strategic responses to disruption in AI search and platform monetization. I focused on the technology roadmap, product narrative, and competitive integration of compute infrastructure.

Highlights:

- AI monetization frameworks (Gemini APIs, GCP Vertex AI)
- Open vs closed-source LLM strategy comparison
- Risk mitigation in compute cost and regulatory friction

Closing Remarks

This portfolio blends deep financial acumen with strategic foresight and clear communication. Whether modeling macroeconomic trends or framing compute strategy in AI-driven products, I aim to deliver structured insights that guide critical business decisions. I look forward to applying these capabilities to advance the mission at DeepMind.

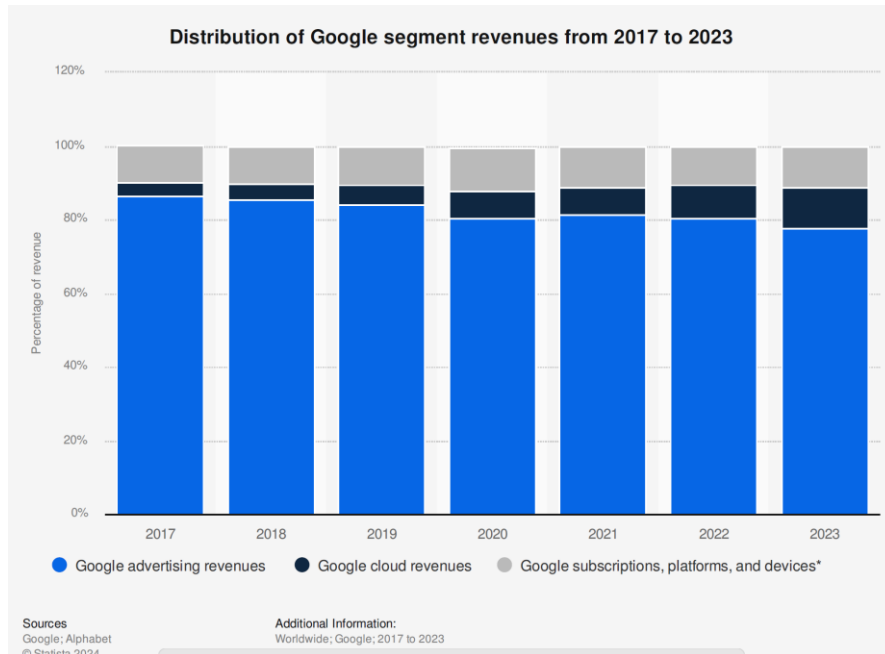
AI WARS

Group 33



Arathi Nair
Indira Annisa Sophia
Masaya Ozaki
Robin Hedley
Shiman Zhang
Tinashe Allen
Makamure

Our Gnarliest Problem



We get ~ 80% of our revenue from advertisements

Intent (60-70%)

- Google Search
- YouTube Ads

Contextual

- YouTube Ads
- Google Display Network /DSP
- Other Products like PlayStore

Other Generative AIs potentially may reduce user reliance on traditional search queries > fewer ad impressions > fewer clicks > impacting revenue

Key players in the ecosystems are – Brands, Ad Agencies, SME Business, Creators



Information – Quick Turnaround - Maximum ROI – Best consumer experience





AI has been powering us

Where we are:

Predictive AI
Historic – PMax search

Generative AI
AI Overview

What's already in phases of launch:

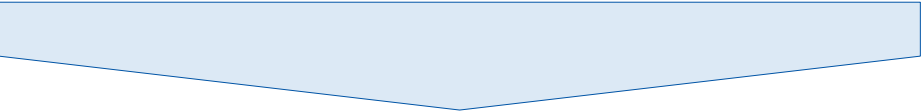
Partner	Type of AI	Brands	Ad Agency	SME	Creators
Creatives at Scale	Gen AI, Predictive AI	High	High	High	High
Media at Scale	Gen AI, Predictive AI	High	High	High	Low
Better Measurement	Predictive AI	High	High	High	High
Improved Process	Gen AI, Predictive AI	High	High	Low	Low

Creative Tool on Cloud

Notebook LM



Industry-wide reach & Client servicing teams



One Google Story for the Enterprises

Two search mindsets

Information seeking

What is the difference between predictive and generative AI

All Images Videos News Web Forums Books More Tools

Did you mean: what is *historical* ai called predictive or generative

Search Labs | AI Overview Learn more

Historic AI is typically called **predictive AI** because it uses historical data to analyze patterns and forecast future outcomes based on those patterns; unlike generative AI which focuses on creating new content, predictive AI aims to predict what might happen next using past information.

Key points about predictive AI:

- Focus on historical data: It primarily uses past data to make predictions about future events.
- Pattern recognition: It identifies patterns and trends within historical data to make forecasts.

Show more

Generative AI vs Predictive AI | EPAM SolutionsHub
14 May 2024 — Unlike traditional AI, which focuses on analyzing existing data, generative AI is designed to create...
EPAM SolutionsHub

Generative AI vs. predictive AI: Understanding the differences
20 Nov 2024 — Predictive AI uses patterns in historical data to forecast future outcomes or classify future events. It provides...

Problem solving

Furniture for living room

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Sponsored

Izzy Curved Rattan Large 3-seater sofa £309.99 Free delivery 30-day returns	Basel Bookcase Borough Wharf £113.99 £122 Wayfair.co.uk +£4.99 delivery ★★★★★ (29)	DUSK Hudson Click Clack Sofa £265.00 DUSK Free by 26/02 Free 30-day returns	ARTETHYS Side Table, Small... £39.99 Amazon.co.uk Free delivery	Dunelm Pippin Side Table, Red £83.30 £119 Dunelm Free delivery ★★★★★ (26)
Sideboard - Rattan - Cabinets By Productcaster	Bookcase By Productcaster	Sofa Bed - Fabric - Berry - Velvet... By Crowd Sho...	Coffee Table - Tables - Side... By Kelkoo	Side Table By Genie

IKEA
<https://www.ikea.com/rooms/living-room>

Explore Living Room Furniture & Decor

Living room · Sofas · Sofa beds · Bookcases & shelving units · Cabinets & cupboards · TV & media furniture · Armchairs · Living...
Living room furniture ideas · Living Room Table · Living room design ideas · Gallery



Moving from Mobile-first to AI-first



Our family of products (both current and future) are key in shaping our future

AI + Software + Hardware

Sensory,
Conversational

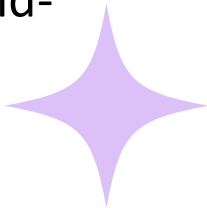
Ambient

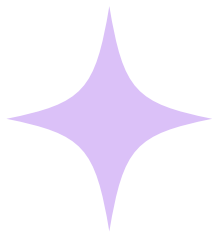
Thoughtfully
contextual

Learn and adapt

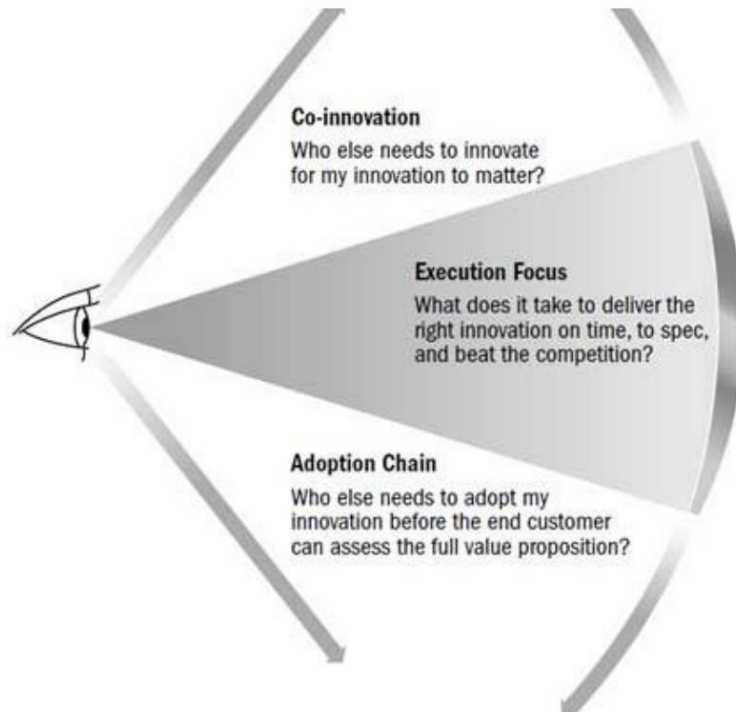
Wearable Tech remain high potential avenues to further explore with expenditure on R&D and market dynamics – These can become future platforms for seamless integration of Gemini that gives us a competitive advantage

This cross-platform integration is a unique strength of Google that other stand-alone LLMs like ChatGPT cannot replicate.





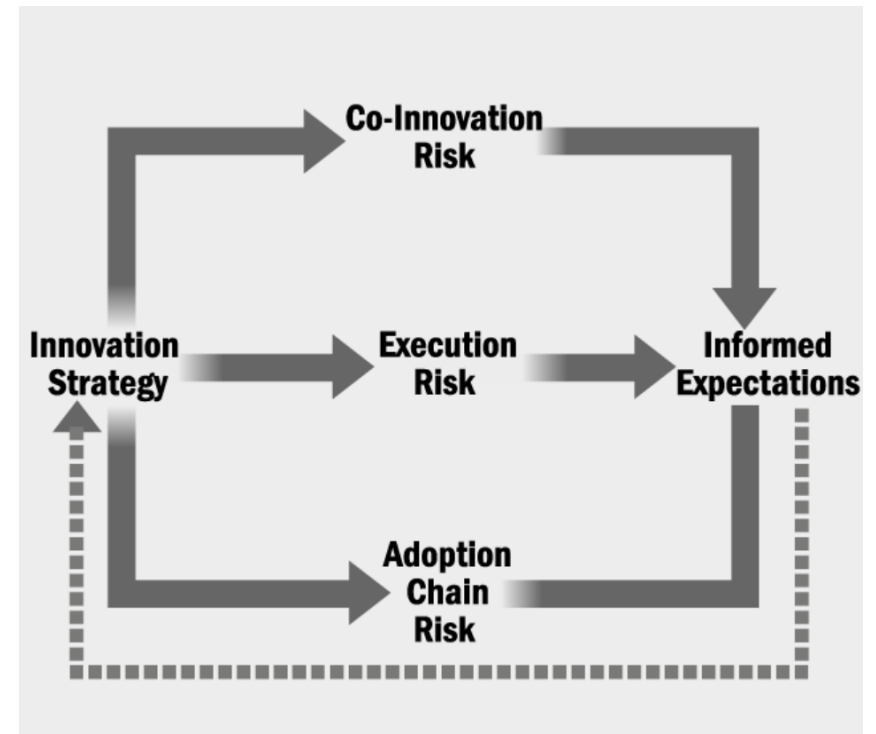
The Wide Lens and The Whole Product



Co-Innovation

Google have to work alongside:

- **Chip manufacturers:** to be in the forefront of AI chip capabilities that facilitate Google's vision and strategy
- **Mobile manufacturers:** to align the vision of user-centric AI with our innovation & development for Android



Adoption Chain

Google has to strengthen its position beyond desktop and mobile to:

- **Wearables**
- **IoT manufacturers**

for wider adoption and even more personalized approach to end users

An Integrated Personalized Assistant – Age of Agentic AI

Google + Gemini

Leveraging its vast user data and AI capabilities & multimodal model - Google can expand its services into the Personal Assistant domain.

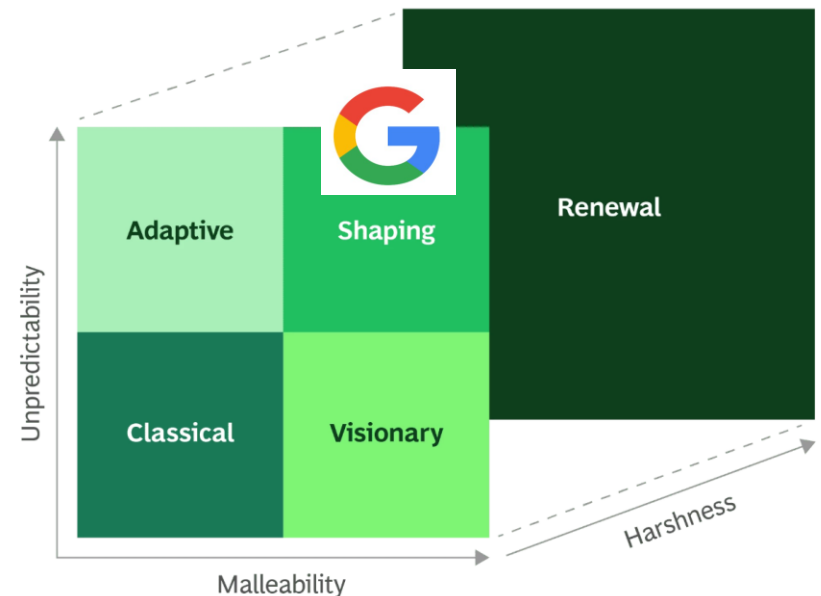


“Hi Gemini, I want a haircut”

- { Analyse haircut preference } Gemini
- { Find the closest salon at a time you are free }
- { Book the appointment for you }

Google's Personal Assistant services are not limited to **web browsers** - they are also deeply integrated into Android OS, powering **various apps and interfaces**

Our industry is seeing high Unpredictability and high Malleability – we see ourselves **shaping the future**



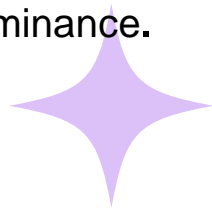
Competition (Opensource vs Closed)

AI Industry Competition and Google's Strategy

	Open-Source AI (Meta's Llama, Mistral)	Hybird AI (x.ai's Grok-1, Google Gemini Nano)	Closed-Source AI (Google Gemini, OpenAI, Anthropic)
Competitive Edge	<ul style="list-style-type: none"> Fast innovation Widespread adoption 	<ul style="list-style-type: none"> Balancing transparency with commercialization 	<ul style="list-style-type: none"> Controlled AI quality Strong security
Opportunity	<ul style="list-style-type: none"> Expands AI accessibility 	<ul style="list-style-type: none"> Encourages AI-driven product expansion 	<ul style="list-style-type: none"> Enterprise AI monetization via cloud, B2B services, personalization
Accessibility & Cost	<ul style="list-style-type: none"> Lower cost Greater accessibility 	<ul style="list-style-type: none"> Selective open-sourcing 	<ul style="list-style-type: none"> Premium AI services with monetization models
Development Approach	<ul style="list-style-type: none"> Community-driven enhancements 	<ul style="list-style-type: none"> Limited access to model weights Maintain proprietary elements for monetization 	<ul style="list-style-type: none"> Exclusive control over data & revenue streams
Risk & ethical concerns	<ul style="list-style-type: none"> Regulatory uncertainty Fragmentation 	<ul style="list-style-type: none"> Maintains some openness but restricts enterprise-level use 	<ul style="list-style-type: none"> Stronger ecosystem lock-in

Google Gemini's Competitive Strategy:

- Selective Open-Sourcing: Gemini Nano open for Android developers (on-device AI).
- Enterprise Monetization: Gemini API via Google Cloud Vertex AI for business adoption.
- Ecosystem Integration: AI-powered Ads, Search, Workspace, and Android apps strengthen Google's dominance.





Risk Mitigation

Data Privacy

- Google has previously been fined under **GDPR** (General Data Protection Regulation)
- Other privacy laws like **CCPA** (California Consumer Privacy Act) could restrict AI-driven ad targeting

AI Ethics

- The **EU AI Act** mandates transparency and safety standards for AI

Energy & Sustainability

- The increasing use of AI raises Google's **energy consumption** and operational costs
- Higher energy consumption leads to increased **CO2 emissions**, raising concerns about **environmental sustainability**

Antitrust Laws






- The **US Federal Trade Commission (FTC)** is monitoring AI market competition

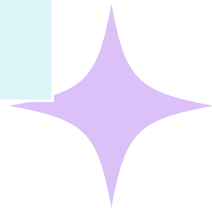
 Gemini
Google needs to...

- **Ensure AI transparency** (clear explanations of AI models and ethical guidelines)
- **Strengthen safeguards** (filtering misinformation and enhancing content moderation)
- **Increase lobbying efforts** (engaging policymakers in the EU and US to shape favorable regulations)
- **Optimizing AI processing** (reducing AI workload for content irrelevant to user preferences through personalization)



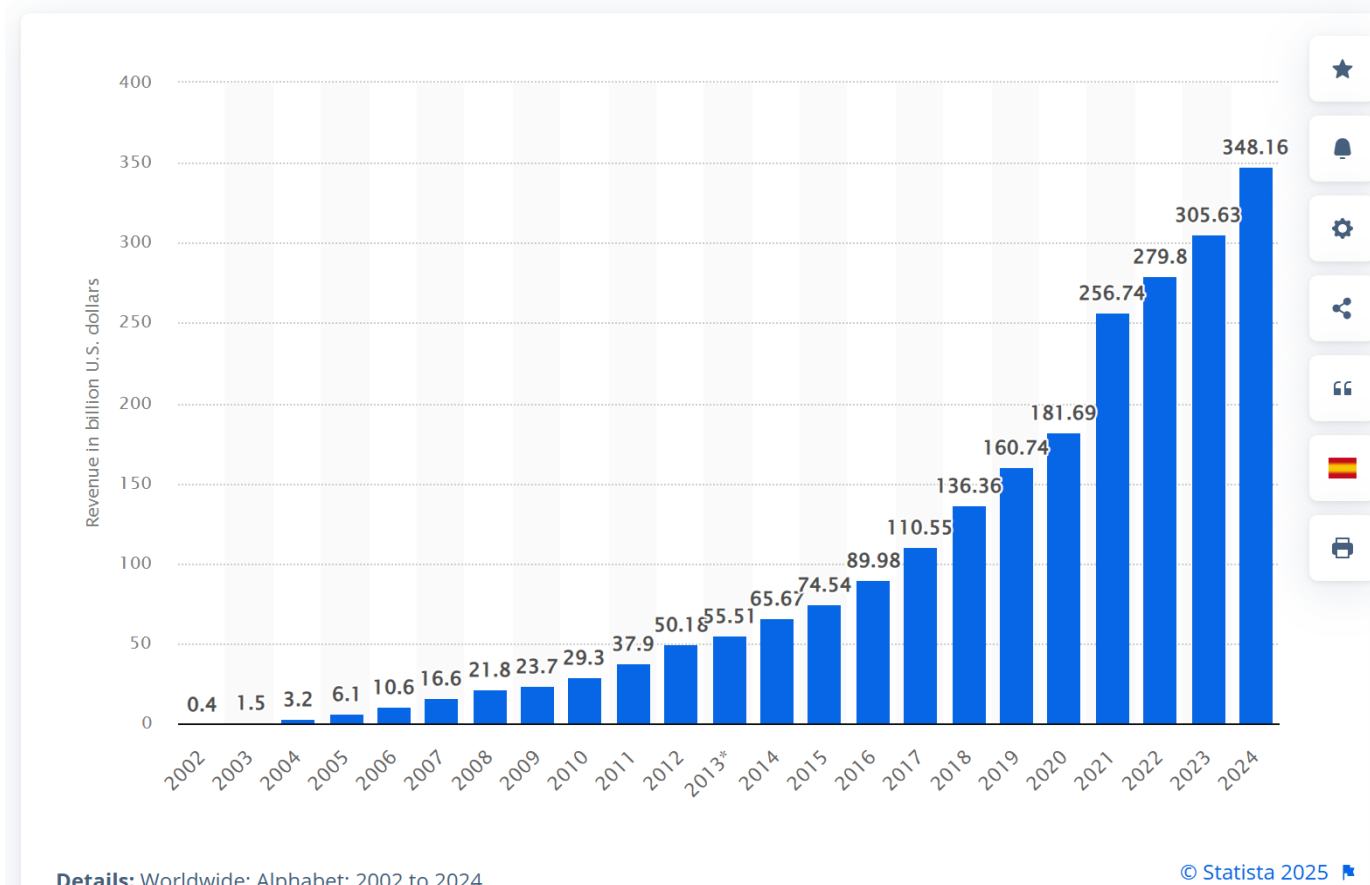
Technical Comparison – Google Gemini vs. Competitors

	 Google Gemini	 OpenAI	 Meta AI	 xAI Grok	 Claude 3
Model Type	Multimodal (Text, Image, Video, Audio, Code, Math Reasoning)	Text & Code-Based AI	Open-Source LLM	Conversational AI (Text-Based)	Ethical AI
Architecture	<ul style="list-style-type: none"> Transformer-based TPU-Optimized 	<ul style="list-style-type: none"> Transformer GPU-Trained 	Open-Source Transformer	Transformer	RLHF
Parameter Size	1.5 Trillion	1.76 Trillion	7b, 13b, 70 billion	314 billion	70-100 billion
Context Windows	<ul style="list-style-type: none"> 128K tokens (Standard) 2M tokens (Enterprise) 	128K tokens	64k tokens	128k tokens	200k tokens
Training Data	<ul style="list-style-type: none"> Google Search YouTube Proprietary Data 	<ul style="list-style-type: none"> Proprietary Internet data 	<ul style="list-style-type: none"> Open-source datasets 	<ul style="list-style-type: none"> X (Twitter) Data Web Scraping 	<ul style="list-style-type: none"> Curated Datasets for AI Safety
API Access	✓	✓	✓	✗	✓
Real-Time Web Access	✓	✓	✗	✓	✗



Annual revenue of Google from 2002 to 2024

(in billion U.S. dollars)



3. AXIA Valuation & Results Report

Overview:

In-depth equity research report evaluating a specialty retail and logistics company. Includes full financial modeling, margin decomposition, Altman Z-score, and ROE/peer benchmarking.

Contex:

This analysis showcases my valuation modeling depth, peer benchmarking, and scenario-based thinking. I utilized both top-down and bottom-up financial frameworks to evaluate fundamental performance under various market and operational assumptions.

Highlights:

- Multi-year financial forecasts and scenario testing
- Retail, manufacturing, and distribution segment breakdown
- Investment recommendation with supporting financial ratios

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**FY23 Results Report, Company Overview and
Valuation Update**

15/11/2023

Report by:

Tinashe Allen Makamure, CFA



Executive Summary - Results

Results Summary - FY23 and 1Q24 Trading Update

FY23: Revenue for the year ended June 2023 was marginally down from the USD 204.2m in FY22 to US\$203.8m. Continued growth in the store network saw TVSH grow volumes and revenue by 4% and 5% respectively despite a 14% decrease in Restapedic volumes. Conversely however, a 29% decrease in DGA-Zimbabwe and a decrease of 15% in Malawi largely offset the TVSH revenue gains. For the first time ever, DGA-Zimbabwe's revenue contribution (30%) was below that of TVSH (35%). Zambia results were positive with volumes and revenue up 14% and 22% respectively. Operating profit in Zambia also increased by 199%. For the group as a whole, profit for the year decreased nearly 39% to USD6.2m while net cash generated from operating activities was down 62%. This resultantly led to a decrease of US\$2.9m in the cash position; roughly 50% of the balance at the beginning of the year. Notably, this is the first fiscal year the distribution business has recorded a loss position.

1Q24: The local trading environment was relatively stable in the first quarter of FY24x. The company's TV Sales & Home business saw revenue growth of 23%, while its Restapedic and Legend Lounge businesses saw volume growth of 29% and 44%, respectively. The company's Touch Distributors business saw continued growth in turnovers and volumes, while its Transerv business saw revenue growth of 15%. The company's DGA Zimbabwe business saw volume declines of 29% due to strict stop supply measures being applied on late paying customers. The company's DGA Region business saw revenue growth of 16% and volume growth of 10% in Zambia, while it saw volume growth of 53% in Malawi. The new concept "Bedtime" and Outdoor stores have started rolling out and the business is now operating from the new factory. Current output is currently at 4000-4500 mattresses per month.

Takeaways: The business is taking a firm stance and introducing strict stop supply measures in order to mitigate the effects of the volatile monetary environment. Credit terms are being kept under tight control and the distribution business has continued to pivot towards the informal or "general trade" sector. The Formal:Informal ratio was roughly 9:1 in June 2022 but has since decreased to 3:1 in June 2023 and 1:1 in September 2023. Banks' unwillingness to lend during the election period also disrupted the usual trade financing schedule and contributed to DGA implementing the stop supply mandates and preferring upfront payments they were receiving in the informal sector.

Consumer Discretionary

Recommendation	HOLD
Current Price (Usc)	6.7
Intrinsic Value Estimate (Usc)	19.03
Upside/Downside	184%

Market Stats

Market Cap (USD m)	37.3
Shares Outstanding	556.0m
Avg Daily Volume (Shares)	134,562
Avg Daily Value (USD)	8,047.73

Share Price Performance

Q4	-21.20%
YTD	-54.58%
Y-o-Y*	-20.63%
Y-o-Y^	-34.21%
High/Low (Usc, Since Migration)	14.75/5.00

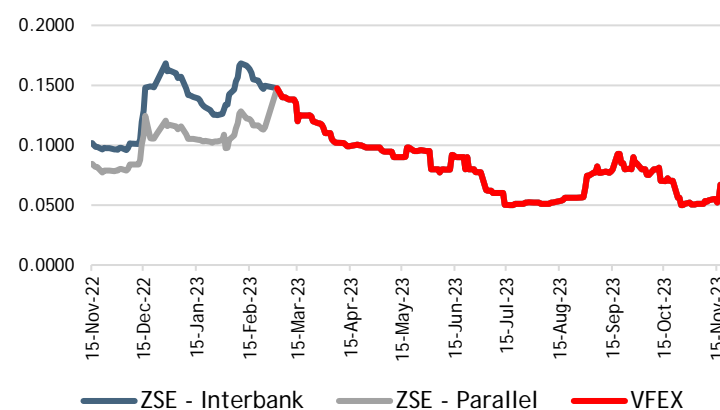
*Using Parallel Rate ^Using Interbank Rate

Financials - 30 June	2022	2023	2024F
	US\$ m	US\$ m	US\$ m
Total Revenue	204.2	203.7	224.1
Profit Before Tax	16.5	11.2	15.7
Profit for the Period	10.1	6.2	11.8
Basic EPS (Usc)	1.02	0.68	1.04

Valuation Ratios

NAV/Share	0.11
PER	9.85
PER + 1	6.46
Final Dividend (Usc)	0.10
Total Dividend (Usc)	0.28
Dividend Yield	4.18%
Payout Ratio	41.18%

Axia Price (USD)



Source: ZSE, IAMZ

Report by:

Tinashe Allen Makamure, CFA



Company Overview

Axia Corporation Limited

Subsidiaries: TV Sales & Home (TVSH),
Distribution Group Africa (DGA), Transerv

Top Revenue Generator 2022: Distribution
2023: Speciality Retail

Top Profit Generator: Speciality Retail

Axia Corp. Ltd. engages in the retail, distribution and logistics industries selling products such as automotive spares, home ware furniture and electrical appliances. It operates through the following segments: Specialty Retail, Distribution and Other. The Specialty Retail segment refers to the television sales and home furniture and electronic appliances retail.

Speciality Retail & Manufacturing

FY2023 Revenue: USD 98.5m

Operation Margin: 15.4%

Branches:	TVSH	53
	Transerv Retail	35
	Fitment centres	10
	Other	4

Ownership:	TVSH	67%
	Transerv	51%

Other:	Legend Lounge -	100%
	Restapedic -	60%

Employees: 701

TV Sales & Home (TVSH) forms part of the speciality retail segment of the Axia Group's operations. Although the unit primarily operates through importing electronic appliances and furniture, the entity has ventured into manufacturing through Restapedic (mattresses) and Legend Lounge (furniture)

Notable Brands include: LG, Kenwood, Philips, Capri, Hisense

The Transerv unit sells automotive spares and offers vehicle related support services. These include wheel balancing, engine cleaning, suspension checks and tune ups.

Notable Brands include: Dunlop, Continental, Shield

Distribution & Logistics

FY2021 Revenue: USD 105.2m

Operation Margin: 6.0%

Employees: 1 271

Ownership: 50.01%

The Distribution segment refers to the provision of inbound clearing and bonded warehousing, ambient and chilled or frozen warehousing, logistics, marketing, sales and merchandising services. This unit houses 1 271 employees and is the largest revenue contributor in the group. The business unit also operates in Zambia and Malawi. OK Zimbabwe Limited and TM Supermarkets (Private) Limited are DGA most significant clients and historically accounted for 21.7% and 23.8% of the unit's turnover in the year ended June 2021. The shift to the informal route to market has most likely impacted these figures in the years since.

Notable Brands include: Kellogg's, ProBrands, Colgate, Nestle

Report by:

Tinashe Allen Makamure, CFA



Market Overview



Competitive Rivalry

Axia's TV Sales and home occupies the speciality retail segment that refers to its operations in television, home furniture and electric appliance retail. Each of these sub-categories are fairly saturated in the Zimbabwean market. Formal stores that compete in TVSH's furniture subsector include Manhattan Interiors, McDeere and KDV bedding. Additionally, furniture products are provided by both boutique specialist vendors as well as informal players who provide cheaper options. However, production at Restapedic and the new concept bedtime stores are aimed at hitting the full spectrum of price points which would allow the firm better overall market penetration.

Regarding TV sales and electrical appliance retail, the industry is mainly dominated by TVSH and the likes of OKmart when looking at large appliances (Fridges, Freezers, and Washing Machines). Little competition for these products is derived from the informal market and boutique suppliers. Reengagement and a new sole distribution mandate with Samsung may give the subsidiary a competitive edge over other retailers of TVs and home appliance.

Bargaining Power of Suppliers

This sector is a mixed bag of various levels of supplier power. As TVSH does not directly produce the vast majority of the products it sells, much of the supplier power is indirect and passed on to them from suppliers who face pressure from further up the value chain. Axia has however managed to mitigate a portion of this risk through the integration of manufacturing units Legend Lounge and Restapedic.

Regarding TV sales and appliances, manufacturers of highly recognised and trusted brands such as Samsung, LG, and Sony carry significant bargaining power. Retailers have few alternatives when choosing to stock large, consumer durable assets. This is because end users tend to be more brand and reputation sensitive when considering the purchase of costly durable items such as refrigerators and televisions. The overall effect of higher supplier bargaining power is that it lowers the profitability of retailers. This can be seen in the diminishing gross margins in FY23. Conversely, although brands such as Kenwood for kitchen appliances and Phillips for irons are popular, the lower cost and shorter lifespan of small appliances results in end users being more indifferent to branding. As such, retailers can opt to stock a larger variety of better priced but less popular brands of small appliances meaning significantly lower bargaining power for small appliance suppliers.

Bargaining Power of Buyers

Buyers of furniture and home appliances hold significant bargaining power. The main reason underpinning this bargaining power is the lack of strict integration requirements for furniture and appliances. As such, switching costs are non-existent in this space and allows buyers the freedom to buy from competitors that can offer similar products at lower price points. However, designs and styles in the furniture industry may be seasonal and certain pieces unique to a given supplier. This slightly reduces the buyer's ability to bargain for better prices.

Threat of Substitution

Both Furniture and Home appliances are subsectors that are difficult to substitute. While demand can fluctuate due to disposable incomes and cross price elasticity with respect to other competing brands, there are few substitutes for many large appliances. While washing machines and dish washers can be substituted by hand washing for example, fridges & freezers are near impossible to substitute. Similarly, open fire cooking can take the place of stove tops and ovens but is not a practical substitute for indoor use. Regarding furniture however, mattresses, bed frames, chairs, sofas, and tables have no close substitutes. Imperfect substitutes for TVs only exist in the form of alternative entertainment platforms such as mobile devices and radios. Mobile devices generally only provide single user viewing capabilities, and the popularity of radios as principal entertainment units has declined significantly over the decades. This leaves TVSH in a relatively stable operating environment form a product demand point of view.

Threat of New Entrants

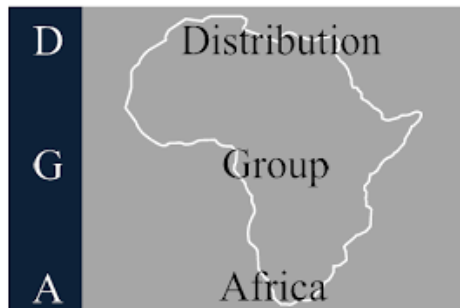
The speciality retail industry has significant barriers to entry. Established retailers benefit from economies of scale and the capital requirements to maintain an up-to-date catalogue of home appliances are large. We do note however that advantages derived from product differentiation in home appliances are non-existent (given that different retail outlets can stock the same products) and switching costs in the furniture sector are minimal. This can work to the advantage of potential entrants as these are advantages current players in the market will not have over them. However, this also means new entrants may find it hard to establish a customer base unless exclusive branding rights are obtained for TVs and appliances. TVSH can mitigate this threat through sole

Report by:

Tinashe Allen Makamure, CFA



Market Overview



Competitive Rivalry

Axia's DGA unit operates in a very competitive industry. Not only does the unit face competition against other distribution and logistics service providers in the Zimbabwe such as Brands Africa, DGA also competes for market share in the regional space as well. However, DGA manages this competition through the integration of strategic distribution agreements with major suppliers of popular fast moving consumer goods (FMCGs). DGA distributes for Unilever, Tiger Brands, Probrands, Nestle and Johnson & Johnson to name a few. Local brand names are also strong competition for shelf space, however.

We also note that in the regional market, competition has been growing. Product manufacturers have increasingly been entering new markets and purchasing existing local distribution and warehousing businesses as opposed to the more traditional route of partnership agreements and distribution licenses. This brings the distribution of goods inhouse and circumvents the need for third party distributors.

Bargaining Power of Suppliers

Suppliers hold significant bargaining power over distributors. Brand visibility is an important factor in the wholesale business and manufacturers of household name brands can leverage this popularity to demand higher prices.

Usually, the effect of higher supplier bargaining power is that it lowers the profitability of retailers. However, in regard to non-durable consumer staple products, costs can be passed on to retail outlets and ultimately to the end user. Additionally, the cross price elasticity of demand for popular brands is relatively low so demand can still be sustained should the unit have to resort to price increments.

Bargaining Power of Buyers

A large portion of DGA's distribution business is comprised of non-durable fast moving consumer goods. Additionally, the products DGA distributes tend to also fall into the consumer staples category. To this end, buyers such as OK Zimbabwe and TM Supermarkets that are outlets for the purchase of consumer staples almost certainly need to stock the products DGA supplies to remain competitive; drastically reducing their bargaining ability. This relationship holds for other consumer outlets in the region.

We do note however that in regard to local operations, Axia's distribution unit faces significant concentration risk. The aforementioned outlets (OK and TM Supermarkets) comprise c45% of the unit's turnover. Given they account for such a large portion of the groups top line figure, they may be able to balance out the bargain power disparity arising from the need to stock DGA's products. However, because of the exclusive distribution rights Axia has with popular brand manufacturers, the bargaining power of buyers remains low.

We see this effect through the stop supply mandates Axia has put in place following payment delays and delinquencies from buyers.

Threat of Substitution

We first note that the distribution and warehousing services DGA provides are necessary to the overall consumer goods supply chain and are difficult to substitute. In regard to the products DGA distributes, the essential nature of the consumer staple products ensures demand as substitution is impractical.

The brands DGA distributes may face competition from other brands in the market. Brand loyalists however sustain the demand for certain international brands over local brands.

Threat of New Entrants

The Distribution and logistics industry has significant barriers to entry. The existence of a well-integrated supply chain system is one such barrier that deters new entrants. The establishment of such systems is capital intensive and may require pre-existing business relationships to distribute for popular brands. Given the monopolistic nature of the distribution of certain brands in the region, new entrants would find it difficult to gain a foothold. Similarly, the ability to profit in this industry is heavily reliant on cost management and economies of scale due to the relatively low margins the business provides. As mentioned before, the threat of new entrants is mainly derived from manufacturers who choose to integrate an already existing distribution and warehousing entity into their internal operations.

Report by:

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Financial Analysis

Income Statement (\$ 000)	FY22	FY23	%Change
Revenue	204,181.13	203,749.97	-0.2%
EBITDA	24,687.09	20,844.64	-15.6%
EBITDA Margin	12.09%	10.23%	
Financial Loss	- 662.57	832.12	25.6%
Depreciation	- 5,266.62	5,571.96	5.8%
Fair Value Adjustments	- 323.92	211.38	-34.7%
EBIT	18,433.98	14,299.18	-22.4%
EBIT Margin	9.03%	7.02%	
Net Interest Expense	- 2,528.30	3,220.57	27.4%
Equity Accounting Earnings	610.51	178.16	-70.8%
Profit Before Tax	16,516.20	11,186.77	-32.3%
PBT Margin	8.09%	5.49%	
Income Tax Expense	- 6,455.73	5,003.26	-22.5%
Profit for the Period	10,060.47	6183.508	-38.5%
PAT Margin	4.93%	3.03%	
EPS (cents)	1.02	0.68	-33.3%
Balance Sheet (\$ 000)	FY22	FY23	
Non-Current Assets	25,291.37	43,938.98	73.7%
Current Assets	71,091.10	74,238.30	4.4%
Total Assets	96,382.47	118,177.28	22.6%
Equity	56,511.08	61,731.82	9.2%
Non-Current Liabilities	1,902.10	11,503.71	504.8%
Current Liabilities	37,969.30	44,941.75	18.4%
Equity & Liabilities	96,382.47	118,177.28	22.6%
CashFlow Statement (\$ 000)	FY22	FY23	
Cashflows from Operating Activities	16,524.52	7,226.81	-56.3%
Cashflows from Investing Activities	- 14,335.42	6,616.64	-53.8%
Cashflows from Financing Activities	- 2,597.41	3,493.92	34.5%
Change in Cash Position	- 408.30	2,883.75	606.3%
Opening Cash Position	6,131.33	5,723.04	-6.7%
Closing Cash Position	5,723.04	2,839.29	-50.4%

Source: AXIA

Credit sales driving growth in trade receivables

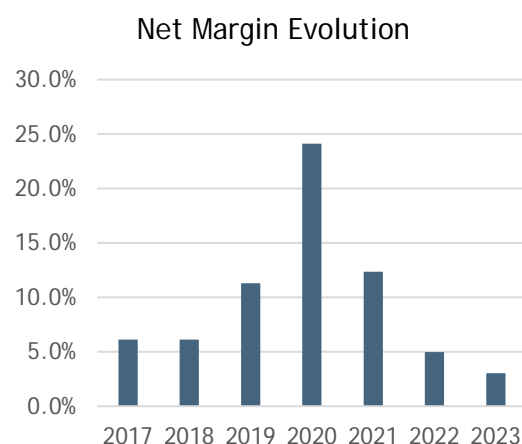
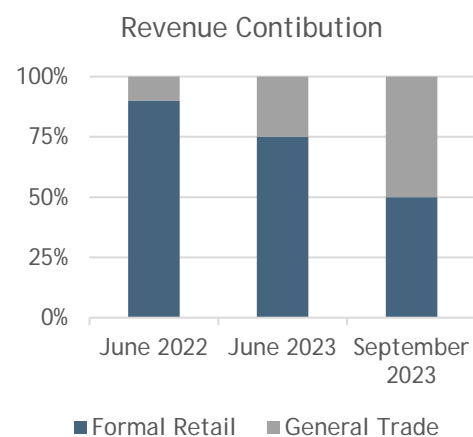
Similar to the year ended June 2022, Axia continued to grow its balance sheet with large increases in assets being driven by a 35% growth in trade receivables. FY24 should see this trend continue as credit sales are set to be introduced across the Transerv subsidiary.

Cash flow Concerns

While the focus has shifted to the cash dominated informal sector, the firm still saw the closing cash position fall over 50%. Large portions of the cash spend went towards repaying borrowings and cash payments for lease liabilities. These two increased by 189% and 166% respectively compared to FY2022

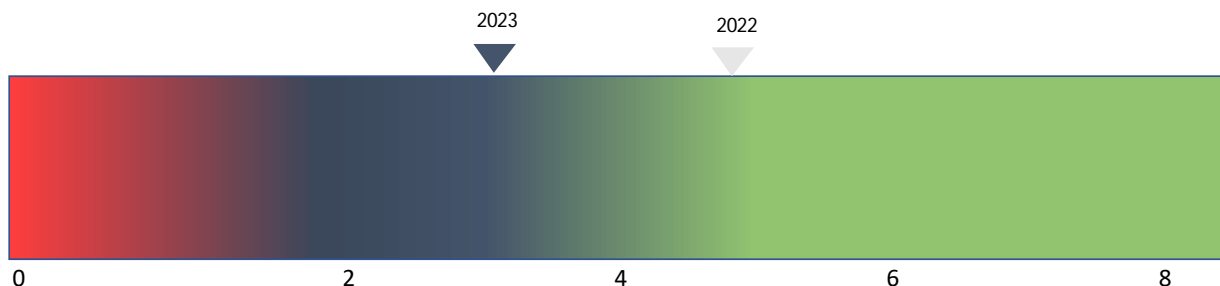
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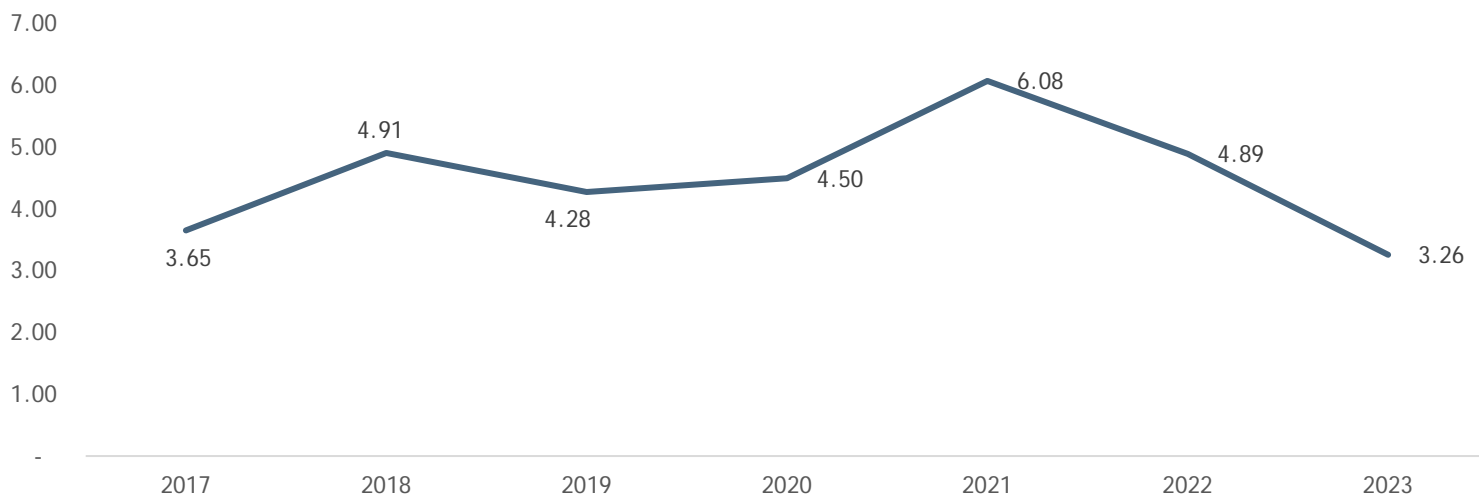
Financial Analysis

Altman's Z-Score is a numerical measurement used to predict the chances of a business going bankrupt over the next two years. The measurement is a weighted average figure comprising various financial ratios that contribute to the overall financial stability and solidity of a business. As at 30 June 2023, Axia Corporation Limited's Altman Z-Score was 3.2. In general, scores below 2.0 point to fragility and risk of bankruptcy while scores above 3.0 represent a stable and sustainable operational position. Given Axia's concerning cash flows, the Altman Z-score gives context to the extent of the challenges being faced.



The average Altman Z-Score for Axia Corporation over the last 5 years has been 4.60 but the periods between 2018 and 2021 may be subject to misinterpretation given their local currency reporting basis. Regardless, the figure for June 2023 is below the value in 2017 when full USD financials were last published. Operational efficiency may have also decreased over the period as Total Sales-to-To Total Assets has dropped from a high of 2.43 in June 2021 to 1.71 In June 2023.

Altman's Z-Score (ζ)



The ratios used in deriving Altman's Z-Score for Axia are below.

	2017	2018	2019	2020	2021	2022	2023
Working Capital/Total Assets	0.40	0.40	0.34	0.38	0.31	0.34	0.25
Retained Earnings/Total Assets	0.32	0.34	0.24	0.20	0.21	0.33	0.28
EBIT/Total Assets	0.15	0.19	0.26	0.43	0.44	0.19	0.12
Market Value/Total Liabilities*	0.19	1.92	1.62	1.71	2.53	2.13	0.75
Total Sales/Total Assets	2.13	2.16	1.73	1.33	2.43	2.12	1.72
Altman's Z-Score (ζ)	3.65	4.91	4.28	4.50	6.08	4.89	3.26

*Market value as at 30 June

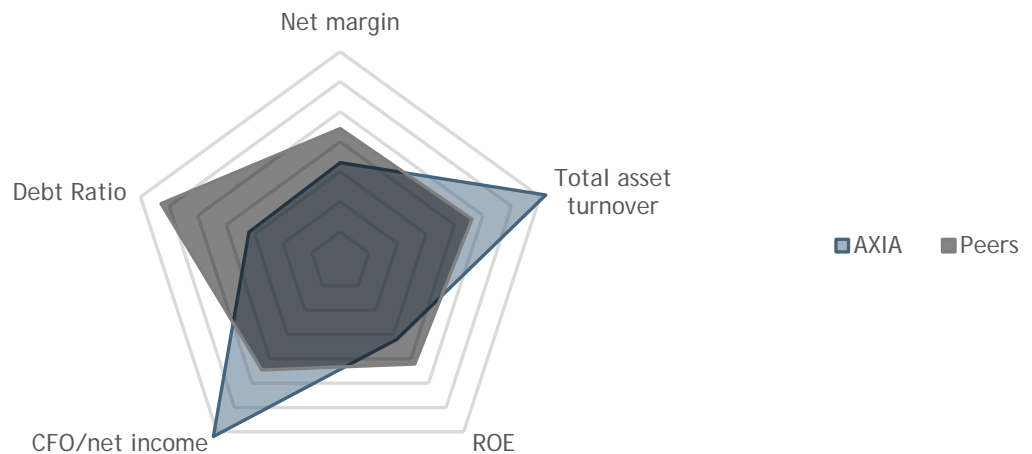
Report by:

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Financial Analysis

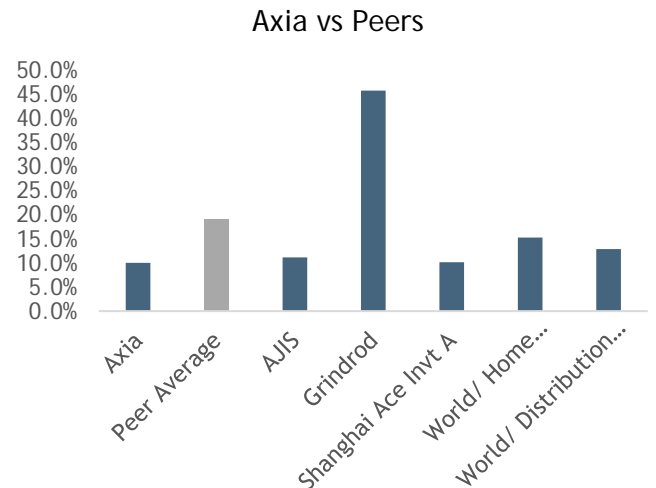
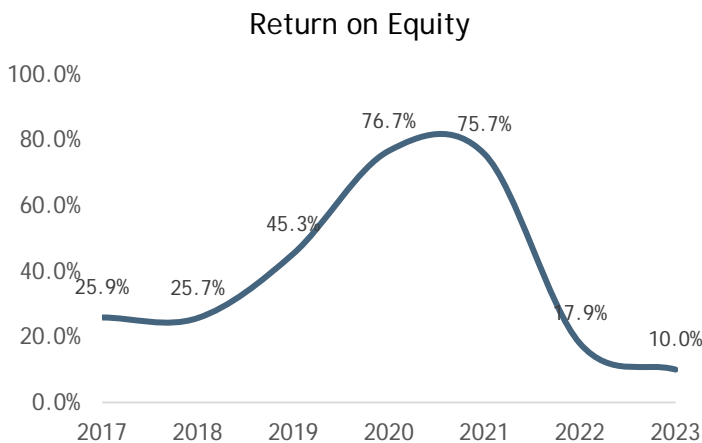
The Axia Group is comprised of TVSH, DGA and Transerv, whose operations span a variety of industries. Given that TVSH and DGA account for roughly 65% of turnover, the peer group chosen consists of global distribution and logistics firms as well as aggregated portfolios representing global home furnishing and distribution service providers. The illustration below represents an overview of how the Axia group's financial ratios compare to the peer average.



Source: Yahoo Finance, Axia

RETURN ON EQUITY

Axia Corporation Limited registered a return on equity of 10.0% during the most recent fiscal year. This is significantly below the FY21 and FY22 figure of 75.7% and 17.9% respectively but the difference can be attributed to changes in functional and reporting currency. A DuPont analysis points to relatively stable leverage and Total Asset Turnover ratios and the decrease in ROE being the result of net margins decreasing to 3% from a height of 24% in 2020. Additionally, the ROE figure is well below the peer average of 19.1%.



Report by:

Tinashe Allen Makamure, CFA

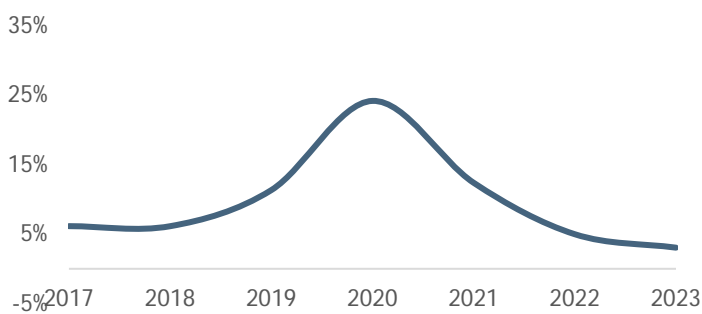


Financial Analysis

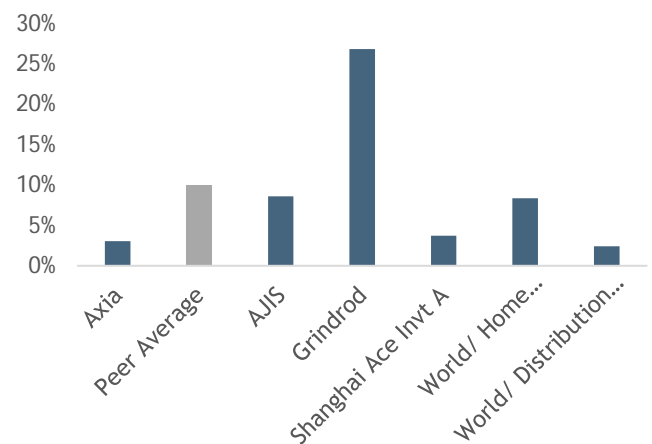
PROFITABILITY

The business recorded a net profit margin of 3% which was lower than the peer average of 10%. Different operating environments and reporting currency can account for the difference and retail margins are generally low but the 3% point is still concerning. The figure was 7% and 6% in FY16 and FY17 with USD reporting. Similar to the group's return on equity figure, the net margin peaked during the 2019-2020 period. Falling margins come despite a reported shift towards higher margin products across the group. This points to the need for more stringent cost containment measures. Of the USD 39.7m in Operating Costs, Staff costs of USD 19.2m, Distribution costs of USD 3.3m and Bank Charges (IMTT) of USD 3.0m were the largest contributors. Fuel costs also increased from USD 0.8m in FY22 to USD 1.3m in FY23. The aforementioned costs seem to largely be out of Axia's direct control. Additionally, depreciation of USD 5.6m and an interest expense of USD 3.3m were 27% of operating profit and 23% of EBIT respectively.

Net Margin

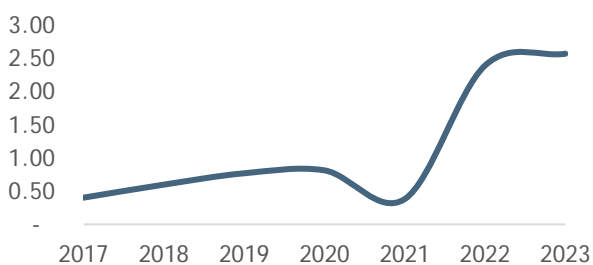


Axia vs Peers

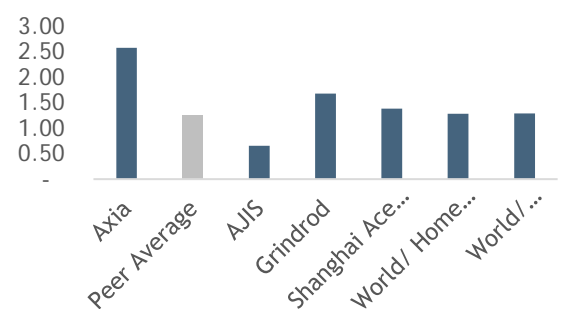


The Cash flow from operations (CFO) to Net Income ratio measures the quality of earnings, that is, a higher ratio points to a higher quality of revenues generated. In this regard, Axia's ratio of 1.2x might point to an ability to generate considerable and consistent cash flows as a proportion of the bottom line. However, we do take note that due to the negative factors affecting the net margin as mentioned above, the ratio might be concealing the fact that earnings were particularly low during this period as opposed to better cash flow generation. This is further supported by the worrying decrease in cash balance of -50%. The CFO figure decreased by 35% but earnings were down 39%, resulting in the marginally higher ratio.

CFO-to-Net Income



Axia vs Peers



Source: Axia

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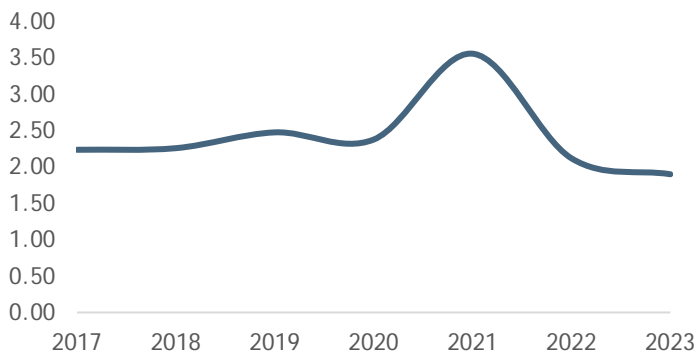


Financial Analysis

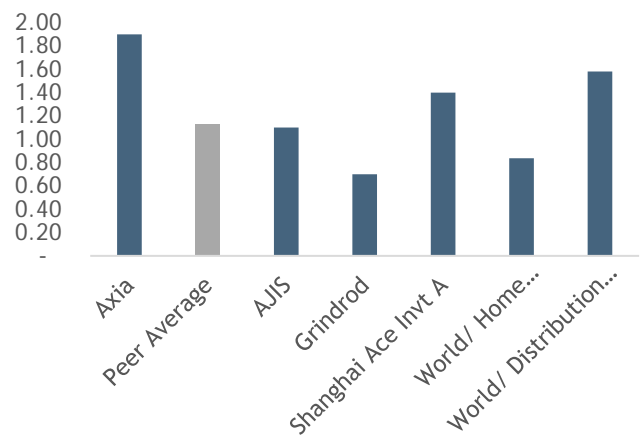
EFFICIENCY

Axia recorded an asset turnover ratio of 1.9x. This figure represents sales revenue per dollar of total assets and the trend shows marginally down trending but consistent operational efficiency. Credit sales would have contributed to both the growth in total assets (trade receivables) as well as the top line figure and resulting in the consistency shown in the ratio over the years. As Axia's Restapedic ramps up production and DGA continues to grow within the region, we can expect the aggregate asset turnover ratio to level out or decrease further given the asset heavy nature of these business units. Currently however, Axia has the highest ratio in a peer group with an average of 1.12x.

Total Asset Turnover



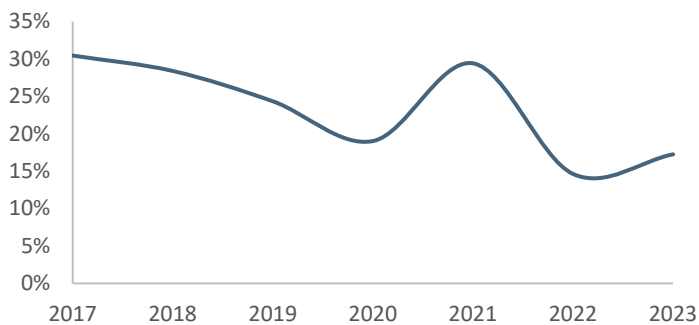
Axia vs Peers



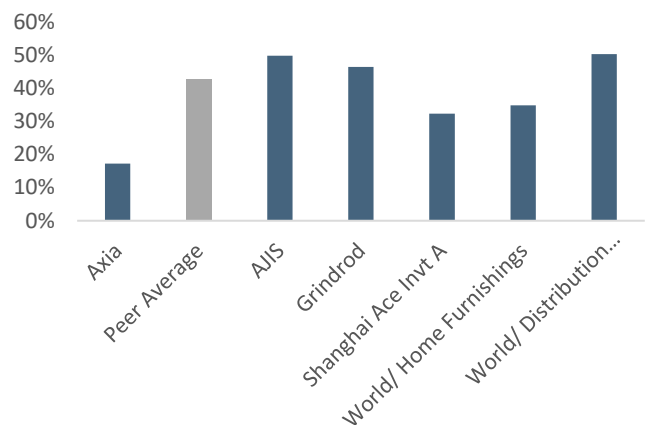
LEVERAGE

Repayments of USD 11.2m and proceeds from borrowings of USD 13.8m saw the firms overall gearing increase from FY22 to FY23. Interest expenses for the year resultantly increased from USD 2.6m to USD 3.3m. The firm's debt ratio remains below the peer average but this is to be expected given that larger, more established companies operating in stable economies tend to be highly leveraged when compared to companies in less stable environments. This is partially due to the lower cost of debt availed to firms with larger collateral facilities and the availability of willing lenders in an economy. Additionally, the decrease in Axia's debt ratio over the years is consistent with increasing interest rates in the local market. Per the management contact meeting, Axia is seeing anywhere between 9% and 12% on its USD borrowings.

Debt Ratio



Axia vs Peers



Source:

Report by:

Tinashe Allen Makamure, CFA

Source:



Investment Thesis

Pros:

- **Growth potential:** The Company has invested in expanding its retail network, manufacturing capacity, and regional presence. The company has also diversified its product portfolio and secured exclusive distribution rights for popular brands. These factors could enhance Axia's competitive advantage and profitability in the long term. While less than 1,000 beds have been exported to Zambia so far, conversations with management highlight that retailers in the region are adding close to 150% mark-up on Restapedic's products. To this end, Axia is considering how it aims to approach the regional market with potentially targeting the direct to consumer route. Current production at Restapedic is 4000-5000 beds per month. Once full automation updates are installed and the full 10,000 beds per month capacity is reached, Axia will be better positioned to penetrate the regional market.
- **Hedge against country risk:** Axia operates in a volatile and challenging economic environment in Zimbabwe, which exposes it to currency fluctuations, inflation, and regulatory uncertainties. However, the company has managed to hedge against these risks by increasing its revenue and profit contribution from its regional operations in Zambia and Malawi. Though faced with their own economic challenges, these markets offer more stable and favourable conditions for Axia's distribution and logistics business given that currency fluctuations in Zambia have somewhat been pacified in recent years. The company also acquired new distribution agencies in Malawi, such as Unilever and BIC Clover, which aim to boost its turnover and market share in the region.
- **Branding:** Contributing to an already packed line-up of reliable brands in-store, TVSH has reengaged with Samsung after the previous distributor failed to reach volume expectations. To this end, TVSH has been given a sole distributor mandate with Samsung with stock expected in-store before this year's black Friday. Aside from beds (15%-18% of revenue), TVs (10%), Fridges (5%), Freezers (<5%) and cookers (<3%) are the subsidiaries top revenue contributing product lines.

Cons:

- **Declining margins:** Axia's net profit margin declined from 5% in FY22 to 3% in FY23, which was well below the peer average of 10% and below the 7% the firm was achieving when USD financials were last reported in 2017. This was mainly due to the increase in operating costs (namely, staff costs, distribution costs, bank charges, and fuel costs), depreciation, and interest expenses. The company also faced pressure from its suppliers, who have significant bargaining power over the prices of the products that Axia sells. Moreover, in previous years, the company's margins were diluted by the exchange losses in Zambia, where the local currency depreciated significantly against the US dollar. The currency volatility has since become less material but still poses a risk for operation in the region.
- **Concentration risk:** Axia's distribution business in Zimbabwe depends heavily on two major customers, OK Zimbabwe and TM Supermarkets, which accounted for about 45% of the unit's turnover in FY21. These customers may have some bargaining power over Axia, as they can switch to other distributors or negotiate for lower prices. Moreover, these customers may be affected by the macroeconomic conditions in Zimbabwe, such as low consumer spending, high inflation, and currency instability. Any disruption or decline in the demand from these customers could adversely impact Axia's revenue and profitability. We do note however that the move towards the informal market has mitigated this concentration risk. Notably, unlike Zimbabwe, 85% of revenue from Zambia is through the modern trade channels while the figure is 70% in Malawi.
- **Competition and substitution:** Axia faces intense competition from both formal and informal players in its various segments. In the speciality retail segment, Axia competes with other stores that sell furniture, TVs, and appliances, such as Manhattan Interiors, McDeere and KDV bedding to name a few. These competitors may offer similar or cheaper products, or have better brand recognition and customer loyalty. In the distribution and logistics segment, Axia competes with other service providers in Zimbabwe, Zambia, and Malawi, such as Bullred and Brands Africa. Axia also faces the threat of substitution from product manufacturers, who may choose to integrate their own distribution and warehousing operations, rather than relying on third-party distributors like Axia.

Recommendation: HOLD. Axia presents a mixed investment case, with both opportunities and risks. The company has in the past demonstrated its growth potential, strong cash generation, and hedging against country risk but the company's declining margins, concentration risk, and competition and substitution challenges could limit its profitability and market share. Ray (CEO) says the flat revenue projection and declining profits are transitory and the group aims to increase revenue by 10%-15% and profit by 100%; 1Q24 updates have yet to derail that possibility of that target but it may well be too early to tell. From a pricing perspective, US\$ 6.70 is an outrageously low price.

Report by:

Tinashe Allen Makamure, CFA



Forecasts & Valuation

30 June (USD '000)	2023	2024F	2025F	2026F	2027F
Total Revenue	203,749.97	224,124.96	233,157.20	242,553.43	252,328.34
Operating Income	20,844.64	20,498.00	21,324.07	22,183.43	23,077.42
<i>Operating Margin</i>	<i>10%</i>	<i>9%</i>	<i>9%</i>	<i>9%</i>	<i>1%</i>
Profit Before Tax	11,186.77	15,652.10	16,282.87	16,939.07	17,621.71
<i>PBT Margin</i>	<i>5%</i>	<i>7%</i>	<i>7%</i>	<i>7%</i>	<i>7%</i>
Net Profit	6,183.51	11,817.33	12,293.57	12,788.99	13,304.40
<i>PAT Margin</i>	<i>3%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>	<i>5%</i>
Basic EPS(ZWL\$)	0.68	1.04	1.08	1.12	1.17

Source: Axia, IAMZ

FORECAST AND VALUATION TRIGGERS

Stronger sales volumes driving top line projections

Volume growth from the 3 core business units is set to be strong in the coming years. An increased store network will allow the TVSH unit to better penetrate the market through greater accessibility of their products. Additionally, increased production through Restapedic should see volumes continue to grow. Dedicated outdoor and bed stores to also contribute to top line growth. New Partnerships and the establishment of logistics centres in DGA's regional business could also facilitate top line revenue.

Diverging influences on Margins

Decreasing margins have stressed the bottom line in recent years but issues expected to only be transitory and resolved in FY24 and forecoming years. Stabilisation in the local currency may see the entity better manage and forecast expenses. A shift towards higher margin products may also have a positive effect. However, staff costs, high rental fees, increasing interest rates and bank charges are significant net margin suppressors that the firm has little-to-no control over.

Continued growth in earnings expected

We still estimate continued growth in earnings. The Q1 trading update was positive and was reflective of the expected volumes growth we anticipate going forward. Estimates for FY24 EPS is 1.04; 53% above FY23 but only 3% above FY22. A marginal but positive trajectory expected afterwards.

Report by:

Tinashe Allen Makamure, CFA



Forecasts & Valuation

We arrive at an intrinsic value estimate of USD 0.17 implying a market cap figure of USD 94.5m. Values used in the DCF are below. The intrinsic value estimate implies an upside of 161% from the current price.

USD	2024F	2025F	2026F	2027F	2028F	2029F	2030F	Perpetuity
Revenue	224,124,962	233,157,197	242,553,433	252,328,336	262,497,168	273,075,804	284,080,759	
EBIT	17,893,343	18,614,445	19,364,607	20,145,001	20,956,844	21,801,405	22,680,002	
Add: Depreciation	1,456,812	1,515,522	1,576,597	1,640,134	1,706,232	1,774,993	1,846,525	
Less: Interest	-672,375	-699,472	-727,660	-756,985	-787,492	-819,227	-852,242	
Less: Tax	-3,834,763	-3,989,304	-4,150,073	-4,317,321	-4,491,309	-4,672,309	-4,860,603	
add: Interest(1-tax)	504,281	524,604	545,745	567,739	590,619	614,421	639,182	
less: Net WC changes	-1,120,625	-1,165,786	-1,212,767	-1,261,642	-1,312,486	-1,365,379	-1,420,404	
Less: Capital Expenditure	-560,312	-582,893	-606,384	-630,821	-656,243	-682,690	-710,202	
Free cashflow	13,666,362	14,217,116	14,790,066	15,386,105	16,006,165	16,651,214	17,322,258	
Period	2.5	3.5	4.5	5.5	6.5	7.5	8.5	
WACC	16%	16%	16%	16%	16%	16%	16%	
Discount factor	1.451	1.684	1.954	2.267	2.631	3.054	3.544	
PV	9,419,840	8,444,197	7,569,605	6,785,597	6,082,791	5,452,777	4,888,015	57,794,372
Value of firm								106,437,193
add: cash								2,839,285
less: debt								-16,627,150
less: Minority Interest								-53,218,597
Value to Shareholders								97,225,104
Number of Shares								556,000,308
Intrinsic Value Estimate (USc)								0.17

Report by:

Tinashe Allen Makamure, CFA



4. Padenga – Russia-Ukraine War Analysis

Overview:

A geopolitical risk analysis evaluating how the Russia-Ukraine conflict may influence revenues from luxury goods (skins) and commodities (gold).

Contex:

This piece demonstrates my ability to assess external shocks on firm-level strategy. I modeled macro scenarios, assessed exposure across revenue lines, and evaluated commodity pricing volatility.

Highlights:

- Scenario planning: Base case vs. Conflict escalation vs. Resolution
- EPS forecasting and revenue disaggregation
- Risk implications for fashion + mining dual business model

Padenga Holdings Limited.

Russia – Ukraine War: Outlook and Expected Effects on The Diverse Counter

2 MARCH 2022

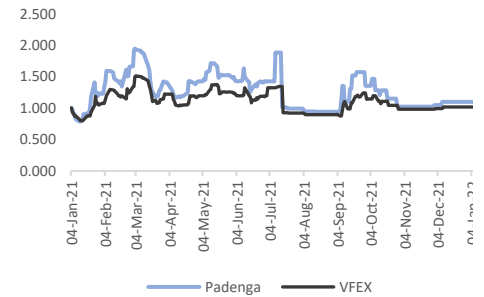
RECOMMENDATION: **SELL**
 PRICE TARGET: **USD 0.177**
 EPS Forecast: **-USc 2.39**

Decreasing Disposable Incomes from Energy and Food Price Increases

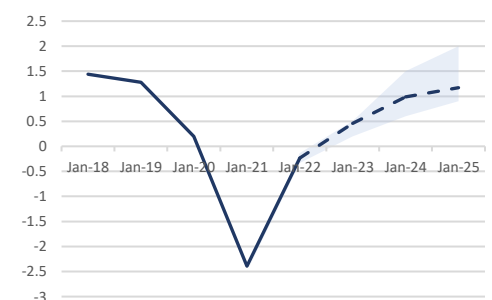
Russia is the 2nd largest oil exporter and largest natural gas producer in the world. Russian gas accounts for up to 40% of energy supply across the EU and as countries continue to cut ties to the former Soviet nation, we expect fuel prices to rise along side supply-side induced increases in oil and energy costs. Similarly, basic staple foods will be subject to inflation as the black sea region occupied by Ukraine and Russia accounts for up to a third of the global wheat supply and Ukraine is a major exporter of corn, barley and sunflower oil. Rising living wages have historically been negatively correlated to the general public's marginal propensity to consumer discretionary items. Padenga's crocodile skin export volumes have been recovering since the eradication of COVID-19 restrictions across Europe and we opine that the fashion industry that has previously been a prominent destination for Padenga's skins will continue to prop up revenue figures. Conversely however, due to the geopolitical tension arising and the aforementioned effects on household disposable income, we believe growth from the skin business will be positive but relatively subdued compared to a no-conflict scenario. A scenario analysis is provided in Appendix 1.

Upward Pressure on Gold Prices.

As has held true over much of the recorded history of global finance, commodity prices have risen in response to uncertainty in the equities and FX markets. Russia's invasion of Ukraine has not only seen the steady rise of oil, but of other commodities such as gold and palladium. Palladium being a key component of catalytic converters may result in marginal but noticeable increases in vehicle uptake costs which will further reduce disposable incomes as mentioned in the previous paragraph. Gold prices, however, have a more direct link to Padenga's top and bottom-line figures. Padenga's consolidated business incorporates Dallaglio Investments, a gold mining and exporting entity. Gold deliveries have represented roughly 50%-70% of Padenga's revenue figures and up to 90% of profits in some periods. Sanctions on Russia, the closing of the Moscow Stock exchange and Debt Rating Downgrades by Moody's and S&P have all been a cause of concern for international market participants. Billions of dollars have already been wiped off the FTSE 100 and investors have started seeking refuge in safer assets such as treasury bonds, gold, and gold futures. Demand for gold has inevitably led to a sharp price increase (+8%, 30-days) that Padenga's operations can benefit from should they be able to meet volume projections.



Padenga EPS Forecasts



Other Considerations

Excluding the relatively direct considerations mentioned above, a number of minor factors resulting from the Russia-Ukraine conflict may be observed and have an affect on our forecasts for Padenga going forward. These include:

- As inflation rises globally ([link](#)), tighter monetary policy and increases in interest rates introduced to combat increasing prices may make gold, a non-cash generating asset, comparatively unattractive and hence, not appreciate as much as anticipated.
- Under the guise of the Russia-Ukraine conflict, China has continued its endeavour of obtaining control over Taiwan. Though too early to make assumptions, conflict in mainland Asia as well as continental Europe will definitely disrupt the clothing and fashion industry. The EU (34%) the UK (5%), China (1.7%) and Russia (1.5%) ([link](#)) are amongst the leading apparel importers on the planet. This directly affects Padenga as ~70% of its skins go to the high end apparel market ([link](#))
- As highlighted in the financial summary on the next page as well as information from Padenga's Q3 Trading update, gold operations have lagged expectations and half year profit margins are below it's historic averages despite heightened gold prices throughout the COVID-19 Pandemic. The counter banked on the Eureka mine's completion. However, the mine has been producing lower grade product than expected. Rains in the beginning of the year reduced profit margins further than in previous years. Historically, Padenga's full year revenues are 3x their half year figures with lower margins. Padenga has however already registered a -1.31 eps for the first half of the year and volumes in the Q3 trading update show a reduced YTD figure. We opine that there may be a risk Padenga will fail to take advantage of any conflict related price gains in Gold if volume targets are not met.

Summary

We acknowledge the effects of the Russia-Ukraine conflict on the global financial markets. Uncertainty in regard to the extent of sanctions, the impact of varying debt ratings, and the fleeing of international investors to safer havens such as gold and cash have all had a multitude of affects. More specifically, a number of these factors directly and indirectly affect Padenga's profitability and our forecast for the counter going forward. Uncertainty in the equities mark puts upward pressure on gold prices which Padenga, through Dallaglio Investments can benefit from. However, rising oil and energy prices in Europe, (Padenga's largest market for crocodile skins) may see a decrease in overall disposable income and hence, less appeal for the high-end fashion market.

Scenario Analysis

	2021	2022	2023	2024	2025
Scenario 1 - Base Case					
Gold Revenue Growth	22.20%	4.76%	0.92%	4.33%	4.33%
Skins Revenue Growth	5.20%	4.20%	2.10%	2.10%	2.10%
EPS Forecast (USc)	-2.392				
Scenario 2 - Conflict Resolution					
Gold Revenue Growth	22.02%	13.08%	5.65%	6.17%	4.33%
Skins Revenue Growth	6.24%	4.83%	2.31%	2.10%	2.10%
EPS Forecast (USc)	-3.297				
Scenario 3 - European Shut Down					
Gold Revenue Growth	42.35%	20.48%	5.00%	0.00%	5.00%
Skins Revenue Growth	-100.00%	0.00%	0.00%	0.00%	2.10%
EPS Forecast (USc)	0.114				



Padenga: Key Data and Metrics

Corporate Profile

Industry: Consumer Goods/Mining
Divisions: Skins, Meat, Gold Deliveries
Largest Revenue Generator: Gold
Subsidiaries: Padenga Zimbabwe, Tallow Creek, Dallaglio

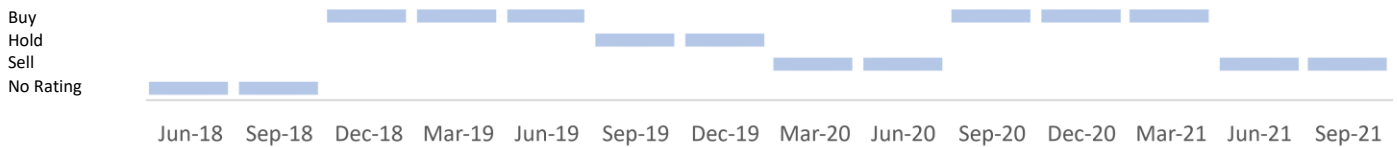
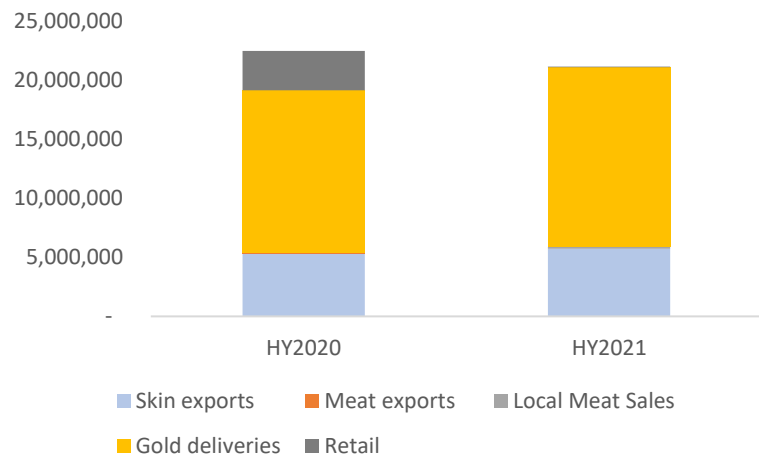
Padenga Holdings Ltd. engages in the production and sale of crocodilian skins and meat as well as the mining and sale of Gold through Dallaglio Investments.. The Crocodiles segment focuses the farming in Zimbabwe. The Alligators segment involves in the cultivation in the United States of America. Gold Operations were consolidated after a deal saw Padenga own 50.1% of Dallaglio in late 2019. The gold operations have steadily risen to account for more than 50% of both revenue and profit. The company was founded on July 27, 2010 and is headquartered in Harare, Zimbabwe

1H2021 Results

Revenue: US\$ 21,186,456
Net Profit: US\$ (7,075,244)
Cash from Operations: US\$ 4,130,231
EPS: USc (1.31)

Revenue was down 5.8% in the half year period with the gold mining operations contributing 72% of total revenue. Low grade ore from gold operations, reduced prices of alligator skins to clear degrading stock and no meat exports to the European market due to COVID restrictions all contributed to the reduction in revenue despite increasing gold prices during that period. Foreign currency losses of US\$2.3m as compared to gains of US\$3.9m in the same period last year contributed to the overall decrease of EBITDA from US\$2.25 to -US\$8.55m. Interest payable increased 72% as a direct result of interest-bearing borrowings increasing from US\$5m in December 2020 to US\$33.9m in June 2021. Earnings per share were negative at -USc1.31 as compared to a half year EPS of USc1.43 in 2020.

Revenue Contribution



Date	Stock Price (ZwC)	Price Target (ZwC)	Rating
Dec-18	0.85	0.80	Hold
Dec-19	2.45	3.00	Buy
Dec-20	23.32	25.00	Hold
Jun-21	29.95	25.00	Sell
Current	0.21 USc	0.177	Sell

5. NYSE LinkedIn Post

Overview:

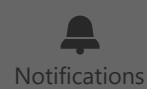
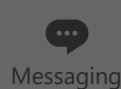
A real-time market analysis post assessing a major decline in the NYSE Composite using statistical windows and historical comparisons.

Contex:

This post reflects my communication skills and analytical agility. I use standard deviations, ranking, and market timing to provide context in a moment of investor uncertainty, conveying clarity with both numbers and narrative.

Highlights:

- Rolling window performance framework
- Data-driven commentary with relevant statistical analysis and movement context
- Readable, engaging market analysis



Reactivate Premium: 50% Off

Distribution of Returns for ^NYA (NYSE Composite Index Since 2000)

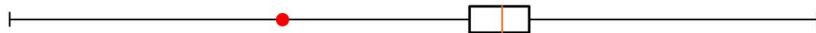
Daily NYA Returns

4 Apr 2025



Weekly NYA Returns

Week Ending 4 Apr 2025



5-Day Rolling NYA Returns

5-Day Return Ending 4 Apr 2025



-20% -15% -10% -5% 0% 5% 10% 15% 20%
Return

Tinashe Allen Makamure, CFA



Tinashe Allen Makamure, CFA • You
Cambridge MBA '25 | Portfolio Manager | CFA...
1d • Edited •

Looking at all 5-day rolling windows since 2000, this week, although 3.5 standard deviations (!) below average and far outside the interquartile range, only ranks around 40th when it comes to worse returns.

Bad? Yeah top 40 out of 6000+ rolling windows isn't great by any standard.

But should you be concerned? Depends (See my last post on whether falling prices are really a bad thing.)

On the other hand though...

If this coming Monday and Tuesday turn out as bad as today or worse, we're on track to beat the worst 5 day windows on my list which are:

- ▼ 5-day period ending March 12, 2020 (down 20.1%) and,
- ▼ October 10, 2008 (down 19.5%)

I'll give an update when I post my thoughts and views as we head into Q2 in a few weeks.

[#NYSE](#) [#StockExchange](#) [#Tariffs](#) [#FinancialTimes](#)
[Capital IQ Ltd.](#)

Panashe Bera and 7 others

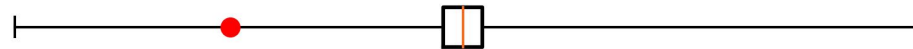
Since everyone else is talking about it, this week's close on the NYSE was rough.
Looking at the NYSE Composite index (^NYA):

-8.6% for the week definitely lands it in the Top 10 worst weeks since 2000.

Distribution of Returns for ^NYA (NYSE Composite Index Since 2000)

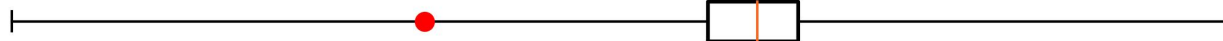
Daily NYA Returns

● 4 Apr 2025



Weekly NYA Returns

● Week Ending 4 Apr 2025



5-Day Rolling NYA Returns

● 5-Day Return Ending 4 Apr 2025



-20% -15% -10% -5% 0% 5% 10% 15% 20%

Return

6. Global & Regional Markets Presentation Portfolio

Overview:

This collection of slides spans presentations made between 2022 and 2024, offering an executive-level view of global macroeconomic conditions, monetary policy tightening cycles, commodity market movements, and market volatility. The decks present macro-to-micro strategy thinking relevant for investors, policy analysts, and asset allocators.

Context:

These presentations reflect my ability to interpret and communicate global macroeconomic developments, inflation cycles, and equity market trends. They were designed to brief institutional investors on regional and global positioning decisions—translating volatility, inflation, and geopolitical risk into investment perspectives.

Highlights:

- Impact of synchronized rate hikes and end of quantitative easing on global liquidity
- Analysis of capital flight, FX movements (Euro, Pound), and their effect on compute-access markets
- Use of the VIX as a proxy for forward-looking risk assessment
- Strategic communication of multi-asset positioning during periods of global stress



Tinashe Allen

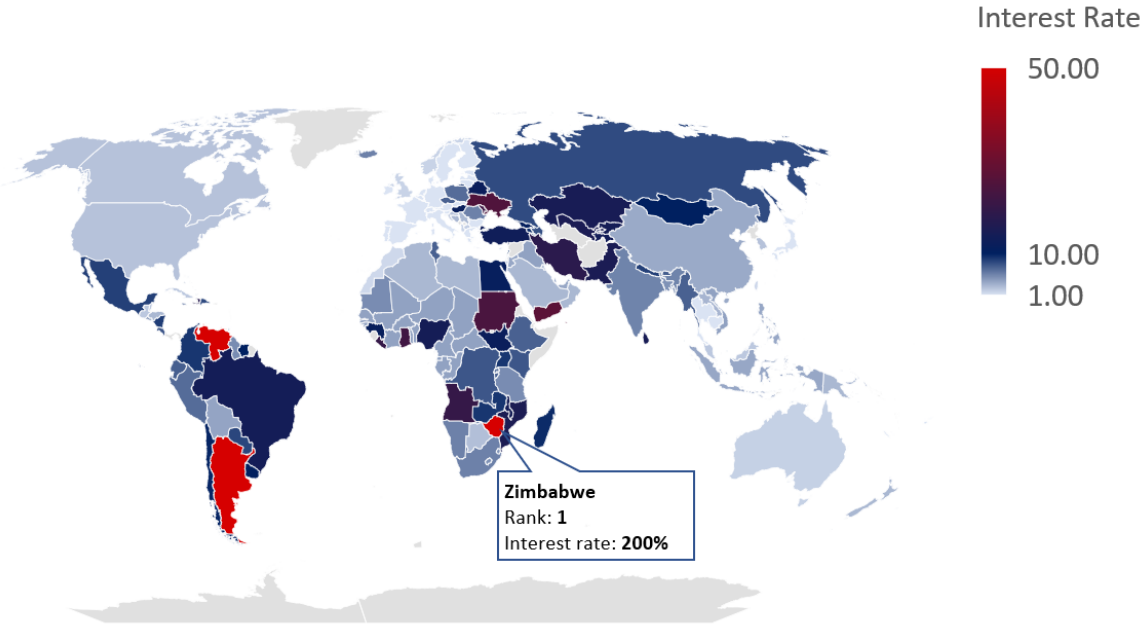
Equity Research | Investment Management | Economic Analysis



Presentation Extracts - Global & Regional Slides Compilation

June 2022 - Present

Macroeconomic Landscape: War On Inflation in Full Force



Powered by Bing
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- COVID-19 fallout, geopolitical tensions and rising inflation were still the major themes and contributing factors that pushed major economies towards recession.
 - The global monetary policy cycle is largely synchronized as the frequency and magnitude of rate hikes accelerates.
 - The end of quantitative easing and decoupling of fragile supply chains could see tighter international credit markets and unabating pressure on domestic currencies.
- The quarter also saw the Euro fall below the dollar and the British Pound head towards parity with the same currency. Both tighter monetary stances in the US as compared to Europe and socioeconomically driven uncertainty in the latter were drivers for these FX Market developments.
 - While Ukrainian pushback has largely seen them have the upper hand over the Russians in key areas, calling up of reserves by Putin and an official application by Zelenskyy to join NATO are likely to see the war escalate further and continue to be a contributing factor to the global economic landscape as the year progresses. This has a direct impact on energy and food commodity prices across the globe.

Global View: Diverging Macro- Indicators Split Economists

The inflation surge is behind us

Year-over-year headline U.S. PCE Deflator, %



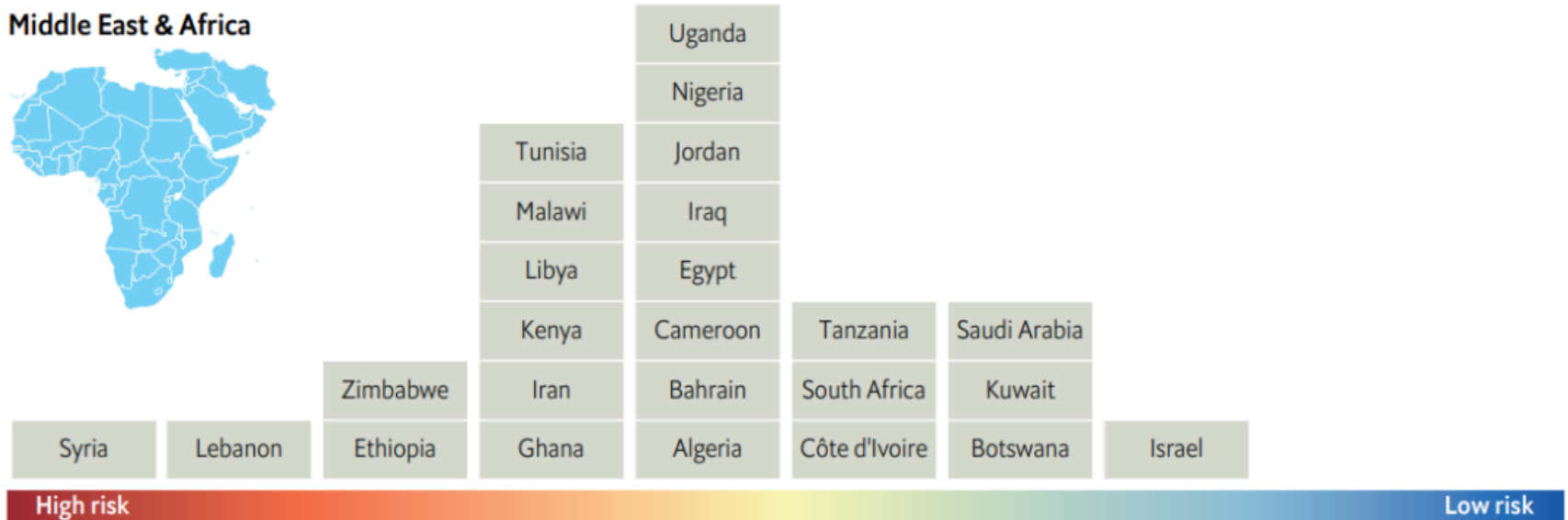
Sources: Bureau of Economic Analysis, Bloomberg Finance L.P. Data as of February 29, 2024. PCE = Personal Consumption Expenditure.

- While major economies, namely The UK and Japan, are in a technical recession, jobs' reports point to economic resilience across the board.
- Encouraging unemployment figures have resulted in global markets pricing in a 75 bps of rate cut in major economies; down from the expected 160 bps at the beginning of the year.
- Additional stimulus provided by rate cuts may take away from progress made against inflation. Recession across Europe, Asia and the US still remains likely.

- Equity markets continued to trend upwards in 1Q24 with 'the magnificent 7' still driving the bulk of returns on the NYSE; Risk aversion and investor caution has resulted in a notable concentration in trading activity.
- In the futures markets, productive commodities (platinum, palladium et al) continued to take a hit but uncertainty on the subject of forward-looking macroeconomic projections has resulted in a demand driven highs for Gold and Oil.

Financial risk in selected countries

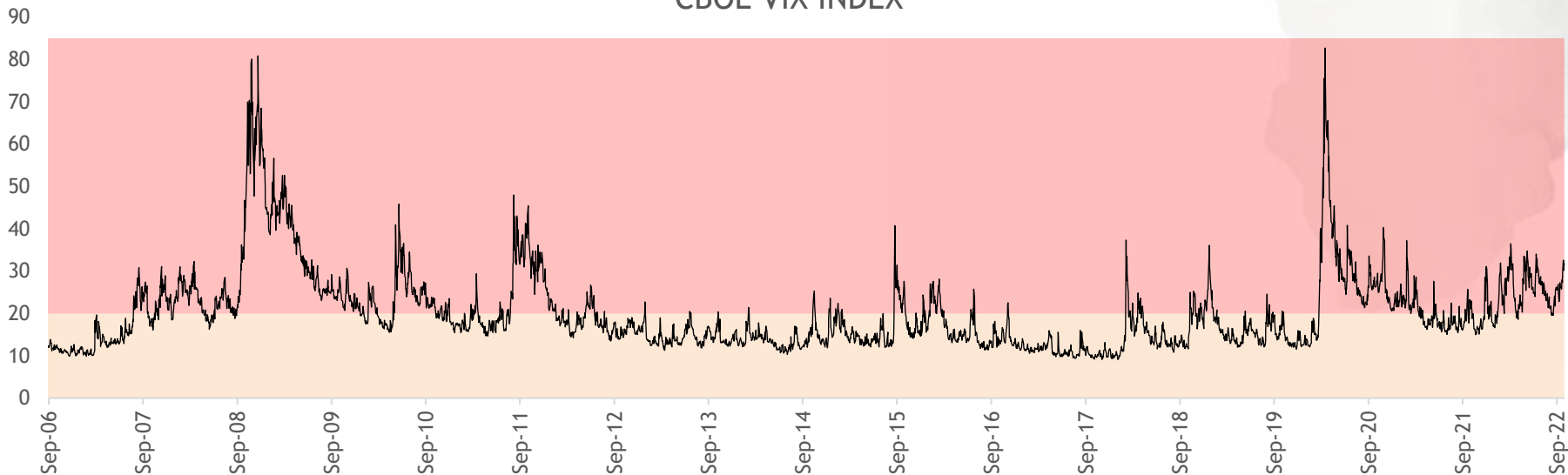
Middle East & Africa



- While global disinflation is being driven by supply factors and lower commodity prices, inflation in several emerging and frontier markets will likely remain high.
- The most exposed global economies are in Africa, reflecting high indebtedness, heavy external debt service burdens and stretched public finances.
- African economies had generally taken advantage of low-cost international credit prior to the pandemic, accumulating large external debt burdens. Rising interest rates have increased debt-servicing costs dramatically.

Global Equity Markets Update

CBOE VIX INDEX



Source: The Chicago Board Options Exchange CBOE.

CBOE's Volatility Index (VIX) is a barometer of global equity volatility and represents aggregated expectations of market uncertainty. A VIX level of 20+ represents a considerably high level of market expectations of risk and volatility.

- The VIX Index, generally viewed as a measure of worry and uncertainty is signalling significant risk in the global equity markets
- Capital Markets across the globe are in a state of high volatility and increased uncertainty. Key markets have seen massive sell offs with the S&P 500 closing the month at a YTD figure of - 24.77%.
- Drivers of market risk and uncertainty over the quarter included rising inflation figures, suppressed employment figures and increased exposure to global currency fluctuations
- We have similarly seen high levels of stock price volatility on the local exchange as prices fell from their heights in April; Prices bottomed out in September before a slight recovery was registered in the final week of the quarter

7. Zimbabwe & Regional Markets Presentation Portfolio

Overview:

This deck distills local market insight into capital market strategy frameworks, emphasizing monetary tightening, exchange rate dynamics, and the effect of capital controls on public market activity. It features policy-aware asset allocation commentary and local equity pricing signals.

Framing Commentary:

This presentation portfolio showcases my grasp of frontier market behavior, policy risk, and the nuances of investor sentiment in constrained capital environments. I worked to bridge macro policy tools with equity-level implications and guide asset allocation decisions amidst structural volatility.

Highlights:

- Correlation analysis between ZSE Industrial Index and parallel exchange rate premium
- Assessment of capital outflows and the erosion of foreign investor confidence
- Tactical calls based on liquidity injections tied to election cycles and government payments
- Positioning strategy involving gold-linked instruments and real-return-focused asset allocation



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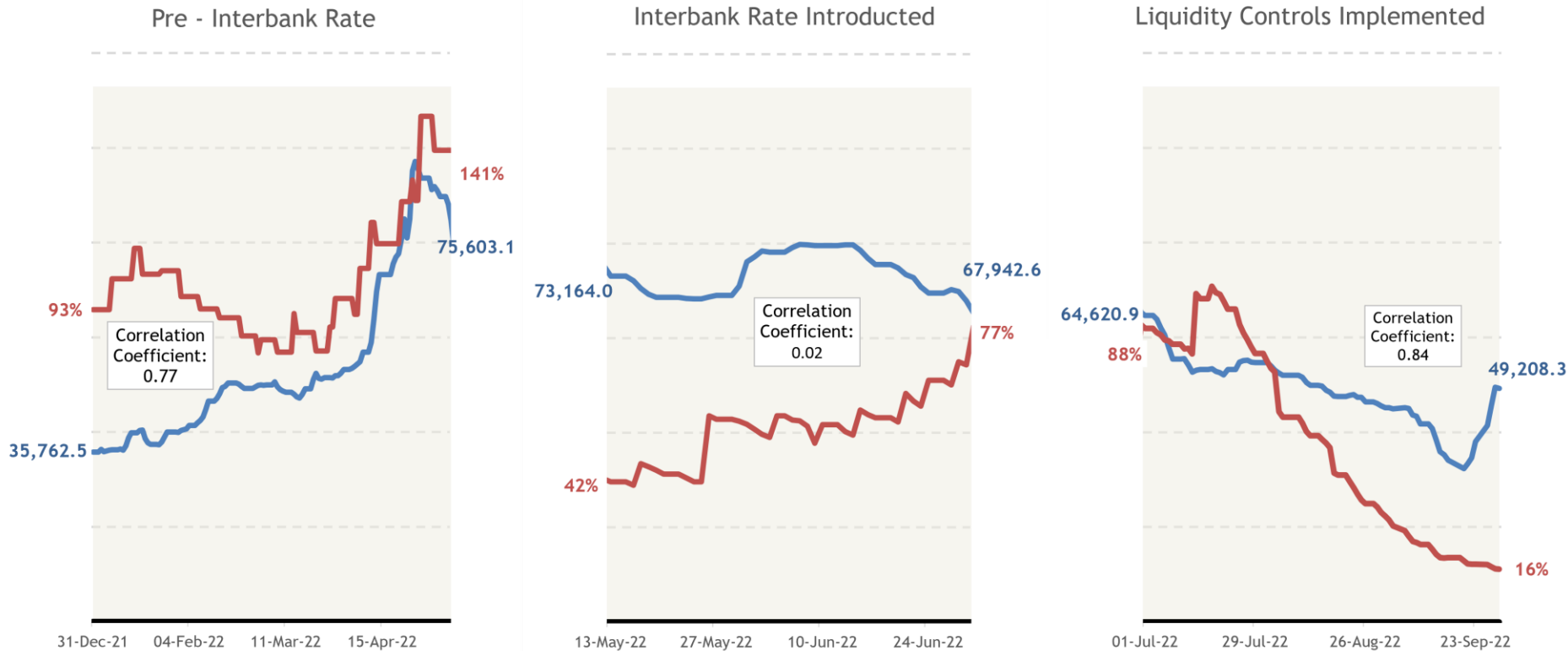


Presentation Extracts - Local Slides Compilation

June 2022 - Present

Local: Significant correlation between ZSEI & Rates Premium

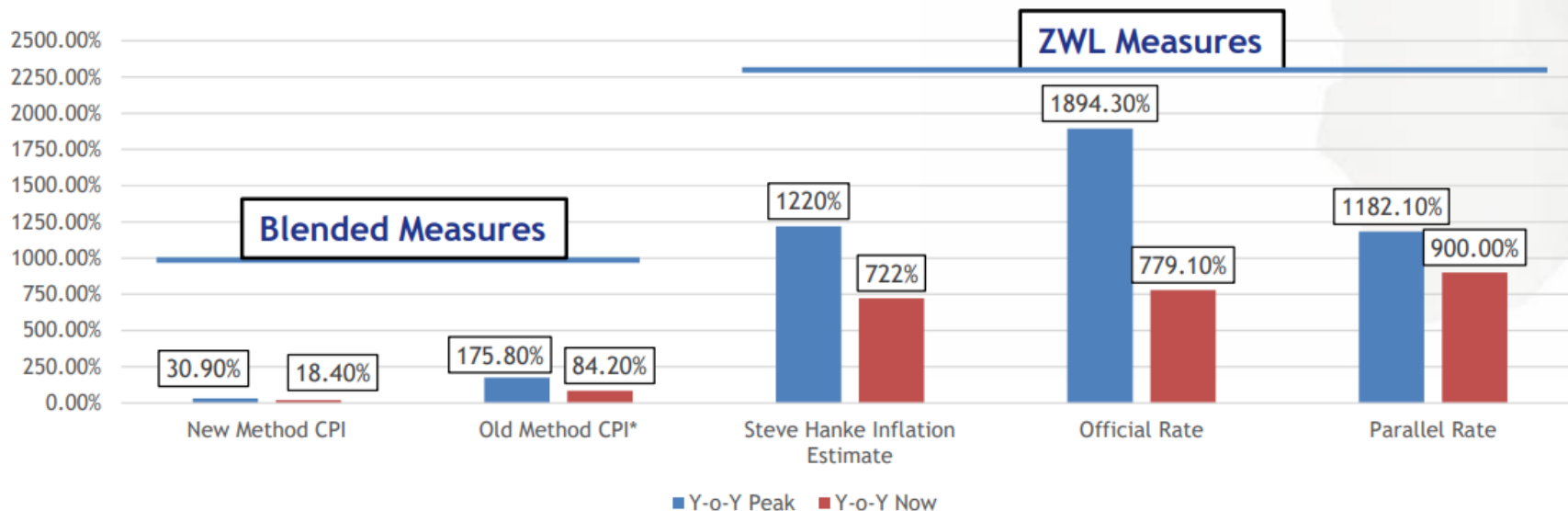
ZSE Industrial Index vs Parallel Rate Premium (%)



- Contractionary monetary and fiscal policies are converging in the local market to stall growth in money supply. Resultantly, the parallel rate premium over official rates has decreased to below 20%
- Measures have come in the form of intense liquidity management through interest rate increases, delayed payments to contractors, heightened trading costs and the issuing of Gold Coins as an alternative investment vehicle.
- Funding for the upcoming elections and fulfilment of payments to contractors could see a resurgence in ZWL liquidity and resultantly, upward pressure and increased activity in the equities space.

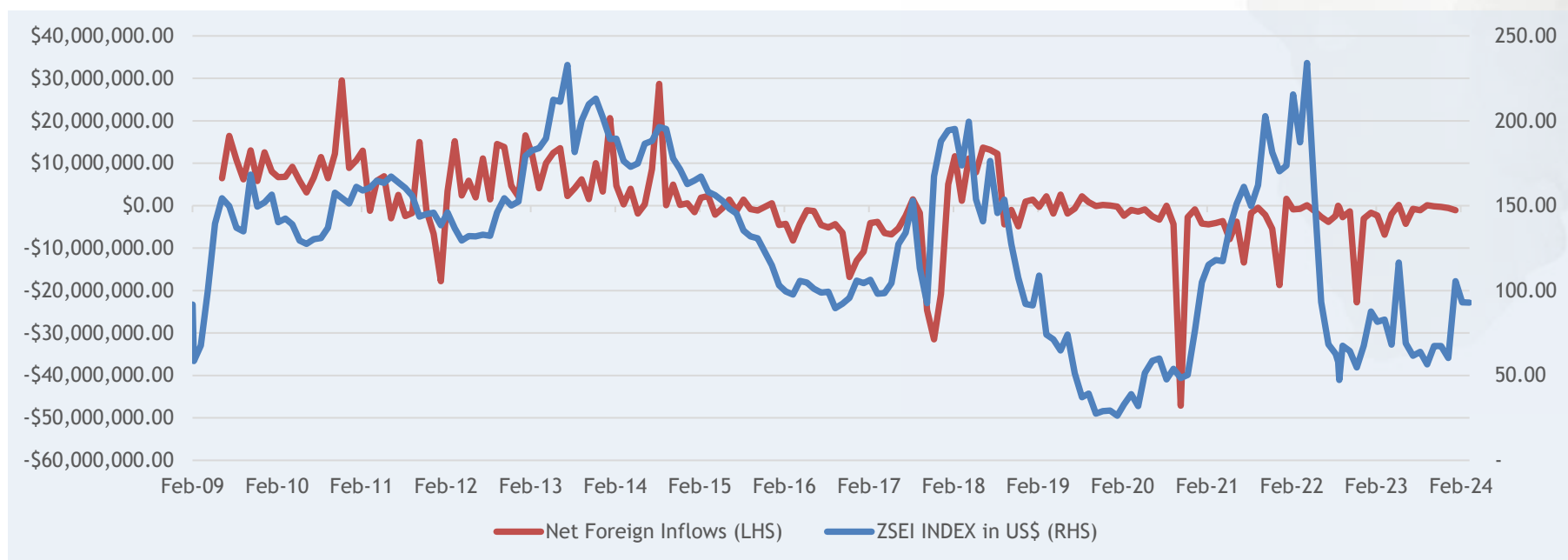
Smoke & Mirrors: Deceptive CPI Figures Out of Touch with Reality

Mismatch Between Inflation Estimates, Currency Devaluation and Published CPI Rates



- While the various measures all point to a decrease in Y-o-Y figures from their peaks in June, it's clear that published CPI numbers are not in sync with estimates of ZWL inflation and Currency Depreciation.
- Additionally, the new Blended CPI calculation method introduced in September states the already flawed blended inflation figure as now 18.4% Y-o-Y while our estimate using old methodology puts the figure closer to 84.2%.
- While we continue to see an increase of USD financial statements, historic conversions done using CPI make comparisons to previous years ambiguous and speculative at best.
- Transparency and openness would entail data collection agencies separately publishing ZWL and USD inflation statistics with clearly defined, consistent procedures.

ZSE: Foreign Outflows - An Impediment on Regional Markets



- While the ZSE has generally kept pace with changes in the exchange rates in ZWL terms, it is evident that fluctuations, measured in USD terms, are largely correlated with advances and reversions in net foreign activity.
- Exchange controls, currency volatility and both economic and political uncertainty increase risk premiums and deter rather than encourage foreign portfolio investment (FPI) in the local exchange.
- Similarly, the aforementioned trading environment characteristics are common across regional stock exchanges and have resulted in similar capital flight from the public stock markets.
- To this end, we expect to continue picking up counters at bargain prices while keeping an eye out for policies that incentivize freedom of investment and ease of FPI implementation.

Local Asset Allocation Preference Matrix

Real Inflation

High	Property Gold Coins Private Equity Listed Equities	Property Gold Coins Private Equity	Listed Equity Property Gold Coins Offshore Investments
Average	Private Equity Fixed Deposits	Listed Equities Property Corporate Bonds (USD)	Listed Equity Property Offshore Investments
Low	Treasury Bills (ZWL) Listed Equities Fixed Deposits	Treasury Bills (USD) Corporate Bonds (USD) Fixed Deposits	Listed Equities Property Offshore Investments USD Fixed Deposits
	Low / Stable	Mid	Highly Volatile

Currency Devaluation

