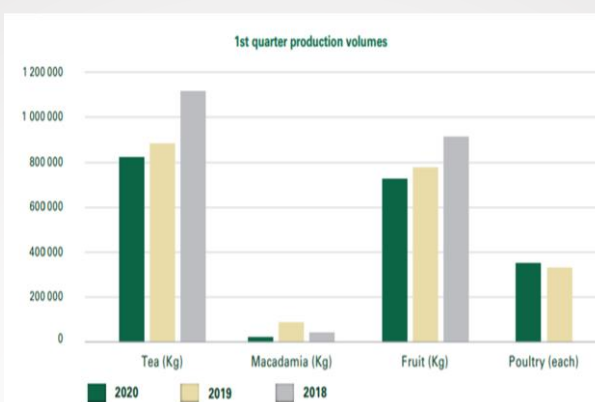
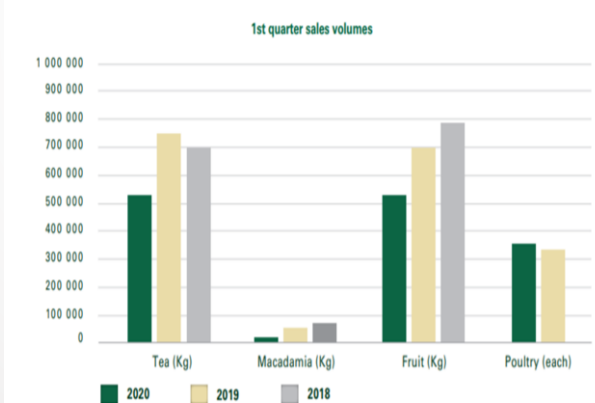


Market Data

Bloomberg:	ART ZH
Market capitalisation	\$981m
Issued shares	1.63 b
Price as at 17/02/2020	60.28
2020 YTD return 17/02/2020	218.1%
Recommendation	BUY



Source: Company



Source: Company

COMPANY OVERVIEW

- Ariston Holdings Limited is an agricultural enterprise operating in diverse markets that range from tea, macadamia nuts, horticulture and deciduous fruits among other activities.
- The Group is a predominantly export oriented business with its main products like Macadamia, Tea and avocados being the top foreign currency earners.
- It has six strategic business units located in the northern and eastern regions of Zimbabwe.

Summary of results

- In its 1Q2020 trading update, the Group reported that due to its business model and as history has shown that very little revenue is generated in the first quarter of the financial year as the period coincides with the growing phase of the majority of the Group's agricultural produce.
- Tea production volumes for the first quarter are reported to be marginally lagging prior years owing to the dry spell experienced in the current year and exacerbated by the intermittent availability of electricity for irrigation. **Export tea** sales were subdued in the period under review but the situation improved in January 2020 when the auction reopened after the festive break.
- **Macadamia** – Low production volumes were recorded in the first quarter due to the fact that the harvesting season for the nuts commences in March and more nuts will be available at maturity that will fetch better prices.
- The **fruit** category production volumes have increased significantly during the period under review and whilst sales volumes are said to be in line to prior period.

Investment Scope and outlook

High forex earning power - The Group's product offering is primarily export oriented with Macadamia, tea and avocado are mainly grown for the export. With the decline in local demand and uptake due to harsh economic environment, export markets continue to be growing for the other product categories so as to cushion the Group from the gruesome local trading environment.

Improved production and drying capacity - Two of Group's three tea growing Estates will have new tea processing plants in the current year and the last new tea processing plant will be paid for and installed by July 2020. This will likely improve production efficiencies, whilst reducing overhead costs and improving quality.

The macadamia drying facility installed in 2017 was doubled in capacity in the 2019 and management has made indications that it will be available for use on the current year 2020 harvest. This will enable the Group to further improve on its average selling prices for macadamia as its production would be able to be processed in the plant, where the high specifications required by International buyers will be achieved.

Nonetheless, the Zimbabwe economy is faced with significant headwinds such as forex shortages, inflationary pressures, diminishing disposable income etc. **(1)** During the first quarter(1Q2020), one of the main constraints for the Group was the incessant power outages which negatively affect the Group's ability to irrigate orchards thus affecting tea leaf availability and quality. The Group however, is currently evaluating installation of a solar power generation plant at the largest of its tea growing Estates in order to counter the negative effects of power outages. **(2)** Another key constrain was the occurrence of the disturbances on farms which continued to hamper progress and management has made indications of its intentions to engage relevant authorities to solve the land issues affecting its Group assets.

We maintain our **BUY** recommendation.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject issuer and the securities of the issuer. In addition, the analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report.

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