

## TPCC EQUITY NOTE

### 1. Overview

Tanzania Portland Cement Company PLC (TPCC), also known as Twiga Cement, is the largest cement producer in Tanzania and a member of the Heidelberg Materials group.

The company manufactures, sells and distributes building cement through its integrated Wazo Hill plant near Dar es Salaam. Products are marketed under the brands Twiga Ordinary and Twiga Extra, which serve general construction and high-strength applications, respectively. TPCC traces its roots to 1959 and was listed on the Dar es Salaam Stock Exchange (DSE) in 2006.

### Industry context

#### Growing construction and infrastructure demand.

Tanzania's economy has been expanding at approximately 5% to 6% over the past few years, supported by public infrastructure projects such as the Standard Gauge Railway, port upgrades and power generation. This structural investment, together with rapid urbanisation and a population of over 60 million, is fuelling demand for cement. The East African Community and Southern African Development Community (SADC) markets also provide export opportunities.

#### Competitive landscape and capacity.

The Tanzanian cement industry has attracted significant investment. Besides TPCC, major producers include Dangote Cement (Mtwara plant), Tanga Cement (Simba), Bulyanhulu Cement, ARM and Lake Cement (Nyati). The total installed capacity exceeds 10 million tonnes per year, while domestic demand is estimated at around 8 to 9 million tonnes, resulting in a capacity surplus. Price competition has therefore intensified, particularly from Dangote's low-cost plant in Mtwara and imports from neighbouring countries. TPCC maintains an advantage through its established distribution network and efficient clinker production at Wazo Hill.

### 2. Overall Performance

Key performance indicators for Q2 2025 include:

(000')	Q2 2025	Remarks
Revenue	102,923,723	Slight decline from Q1 as volumes softened
Gross Profit	20,190,454	Margins pressured by higher fuel and raw material costs
Operating Profit	12,488,189	Decline driven by cost escalation and lower forex gains
Finance Income	586,638	Higher interest earnings from deposits
Finance Costs	-195,825	Modest increase in debt servicing costs
Profit Before Tax	12,879,002	Drop from Q1 due to lower operating profit
Profit for the Year	9,231,503	Second quarter of profit decline
EPS	51	Significant drop reflecting lower net income
Net Profit Margin %	8.97%	Margins halved from Q1 as cost pressures intensified

Source: Company's Financial Statement, Kadoo Calculations.

Implied Price	TZS 3,220
Current Price (TZS) at 14/08/2025	TZS 5,730
Book Value	TZS 1,310.96
Recommendation	SELL
Date Established	1959
Dividend Yield	10.49%
Market Symbol	TPCC
Historical Price Range (52 weeks)	TZS 3,040 – TZS 6,300
Market Cap (TZS)	1,029.16B
Outstanding Shares (000')	179,923

Source: DSE, Company Website

### 3. Financial Performance

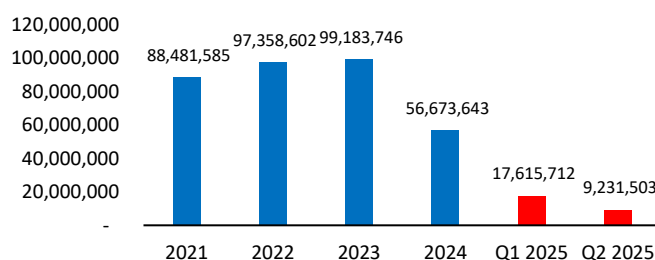
#### Profitability

Net profit for TPCC has shown a mixed trend over the past five years. Between 2021 and 2023, profitability steadily improved, rising from TZS 88.48 billion in 2021 to a peak of TZS 99.18 billion in 2023. This growth was supported by strong demand, stable cost control, and favourable foreign exchange gains in certain years.

However, 2024 saw a significant contraction in net profit to TZS 56.67 billion, representing a 42.9% year-on-year decline. This drop was largely driven by:

- Higher cost of sales from rising fuel, electricity, and raw material prices.
- Lower gross profit margins as cost pressures outweighed revenue growth.
- A normalization of foreign currency translation gains compared to prior periods.

Net Profit TZS (000')



Source: Company Financial Statements

In 2025, the downward trajectory has continued into the first half:

- Q1 2025: Net profit stood at TZS 17.62 billion, already weaker than historical quarterly averages.
- Q2 2025: Dropped further to TZS 9.23 billion, reflecting ongoing margin compression and possibly higher financing costs or reduced forex gains.



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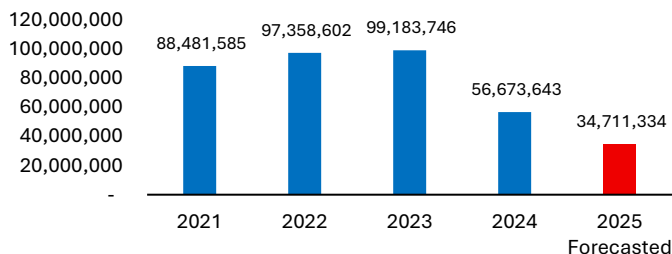
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If the trend persists, full-year 2025 earnings could substantially undershoot those of prior years, unless cost pressures ease faster or demand recovers sharply in the second half.

### Net Profit Expectations for FY 2025 (TZS 000')



Source: Company Financial Statements, Kadoo Calculations

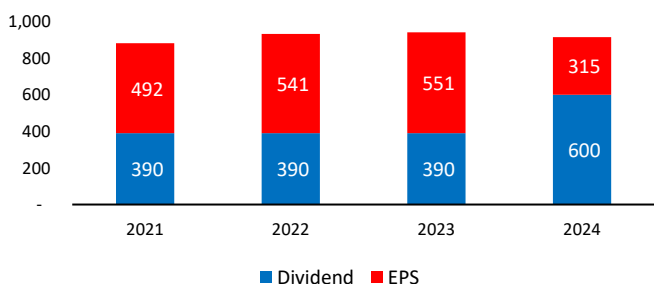
The forecast for 2025 projects a further decline to TZS 34.7B, reflecting:

- Sustained cost pressures from energy, fuel, and raw materials.
- Foreign exchange volatility, impacting imported input costs despite local production advantages.
- Weaker sales volumes amid competitive pricing in the cement market.

### Dividend Vs Earnings Per Share

TPCC has historically maintained a stable dividend policy, distributing consistent payouts even during earnings fluctuations. Between 2021 and 2023, dividends remained steady at TZS 390 per share, aligning with its reputation for predictable shareholder returns. However, in 2024, the payout jumped to TZS 600 per share despite a significant drop in EPS.

### Dividend And Earnings Per share (TZS 000')



Source: Company Annual Statements.

- **Stable dividend policy:** From 2021 to 2023, TPCC maintained a consistent 390 TZS dividend, aligning with a “stable” payout strategy even as earnings fluctuated.

- **2024 spike:** The jump to 600 TZS in 2024, despite lower EPS, suggests an exceptional payout, possibly from retained earnings or special dividend policy adjustment.

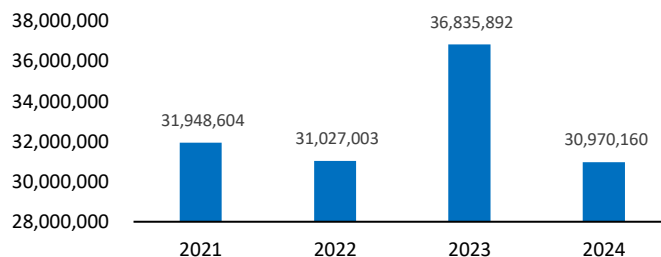
### Sustainability Considerations

While the sharp increase in dividends could raise questions on long-term sustainability, the company’s strong balance sheet, minimal debt, and stable cash generation mitigate near-term risk. However, unless profitability rebounds, maintaining such elevated payouts could erode retained earnings over time.

### 4. Cost Structure

Total costs have shown fluctuations over the review period, peaking sharply in 2023 at TZS 36.84 billion, a notable jump from TZS 31.03 billion in 2022 (+18.7%), but declining in 2024.

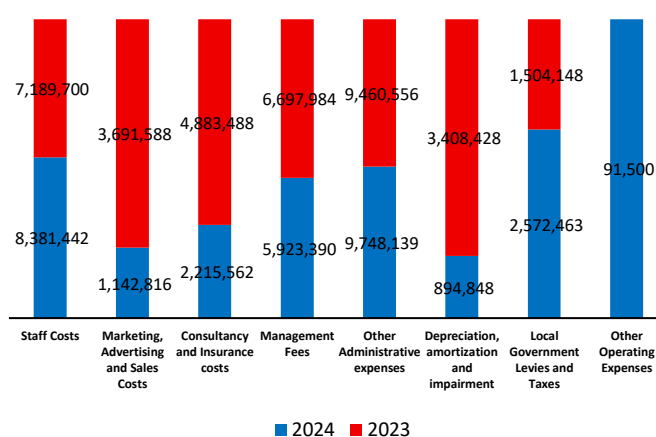
### Total Costs (TZS 000')



Source: Company Financial Statements

This spike was driven mainly by higher variable costs and administrative expenses, particularly consultancy and insurance, and increased depreciation and impairment charges.

### Cost Structure 2024 Vs 2023 (TZS 000')



Source: Company Financial Statements

### Key takeaways

- 2023 was the cost-intensive year, mainly due to higher operating and administrative pressures.



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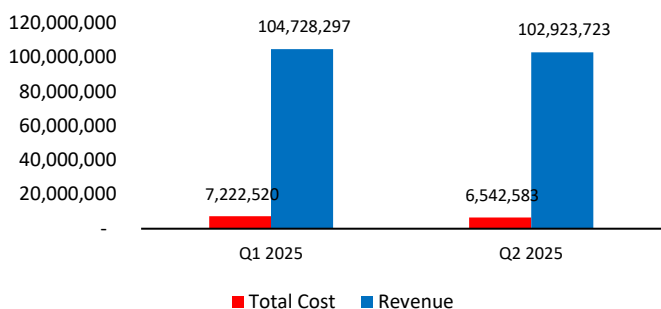


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- 2024 saw effective cost optimization, with costs even falling below 2023 levels.
- Overall, the cost structure remains heavily influenced by variable production costs, which make up the bulk of total costs each year.

- **2023 → 2024:** Sales plunged by -8.48%, the steepest drop in the period.
- **Sor Far into 2025:** Cumulative sales from Q1 and Q2 Total TZS 208B.

### Total Cost Vs Revenue



Source: Company Financial Statements, Kadoo Calculations

- Revenue dropped from TZS 104.73B in Q1 to TZS 102.92B in Q2, a decline of about TZS 1.8B (-1.72%).
- Total costs fell from TZS 7.22B to TZS 6.54B, a reduction of TZS 679M (-9.4%).

However, because revenue dropped more than the absolute cost savings, gross profit still decreased.

### Table Showing Revenue Collection for Products offered by TPCC

TZS 000'	2021	2022	2023	2024
Twiga cement plus	264,242,242	345,646,240	338,957,481	307,702,782
Twiga cement extra	104,164,101	72,908,410	48,678,486	47,422,771
Twiga cement ordinary	78,964,341	71,103,809	72,092,638	85,265,906
Twiga cement super	2,135,616	5,057,724	2,889,403	1,665,468
Twiga cement mega	-	-	3,817,447	158,769
Twiga Jenga	3,001	-	-	-
Coal	-	6,652,824	23,736,374	6,370,396
<b>Total Sales</b>	<b>449,509,301</b>	<b>501,369,007</b>	<b>490,171,829</b>	<b>448,586,092</b>
<b>YoY% Growth</b>		<b>11.54%</b>	<b>-2.23%</b>	<b>-8.48%</b>

Source: Company Financial Statements

Even with cost controls, the *mix* of sales has shifted toward lower-margin or lower-volume products, while high-value and export segments have taken big hits. This combination can cause net profit to decline even if total operating costs are lower.

## 6. Construction Sector Growth In Tanzania

### National Growth Trends Are Positive

- In 2024, the Tanzania Investment Centre (TIC) recorded a record 901 investment projects, together valued at approximately USD 7.7 billion, equivalent to 88.2% of its annual target.

*“However, the effect is not immediate as registration is not equal to execution, as some projects take months (or years) before breaking ground. This means 2024’s registrations could sustain demand through 2025-2027.”*

### Implications For TPCC’s Performance

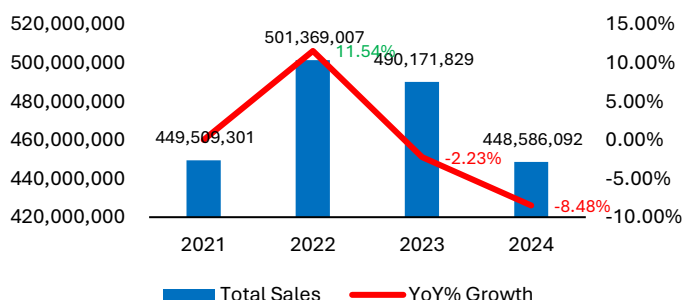
Despite strong infrastructure investment, TPCC faces headwinds from intensifying competition and limited pricing power. The entry and expansion of major players like Dangote Cement and others are constraining price increases.

Combined with weakening cement prices globally and regionally, this environment makes a sustained profit rebound in 2025 less likely. However, performance might escalate in the Medium to long term as prospects are supported by Tanzania’s infrastructure pipeline and regional expansion opportunities.

## 5. Revenue Structure

Despite cutting costs, as revenue drops by almost 9% YoY, it erodes gross profit faster, especially if fixed costs (e.g., depreciation, admin, salaries) are significant. That’s likely why Q2 2025 Net profit still fell despite reduced expenses.

### Revenue Trend (2021 - 2024) TZS 000'



Source: Company Financial Statements, Kadoo Calculations

### YoY Trend:

- **2021 → 2022:** Sales grew by +11.54%, peaking at TZS 501B.
- **2022 → 2023:** Sales slipped by -2.23%, a small dip.



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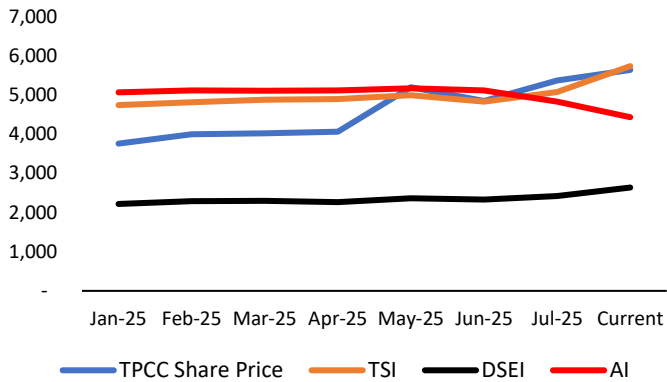
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## 7. Stock Market Performance

Share Price VS Indices (Jan 2025 - 15th Aug 2025)



Source: DSE

TPCC's share price has delivered a strong rally of +50% YTD, climbing from TZS 3,760 in January 2025 to TZS 5,640 currently. The surge was particularly sharp in May 2025 when the price spiked to TZS 5,200, outpacing broader market indices.

- **TSI:** TPCC has consistently outperformed the Tanzania Share Index (TSI), which rose a modest +21% over the same period. As of August, TPCC is trading above the TSI curve, highlighting strong investor preference for cement as a defensive play.
- **DSEI:** The DSE All-Share Index (DSEI) gained only +19% YTD, lagging TPCC significantly.
- **IA Index:** The Industrial & Allied (IA) index trended sideways and recently weakened, falling -13% since June.

## Analyst Justification: TPCC SELL

At a current market price of TZS 5,730/share, TPCC trades at a 78% premium to its intrinsic value of TZS 3,220/share. This significant disconnect between market valuation and fundamental worth underpins our SELL recommendation.

## 8. Valuation

### Model Summary:

Metrics	
WACC	15%
P/E	17.91x
P/B	4.31x
Terminal Growth (g)	3%
Equity Value Per Share (TZS)	3,220

Source: Kadoo Research Team



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TPCC's FINANCIAL PERFORMANCE

000'	Actual				Forecasted					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue from Contracts with customers	449,509,301	494,716,182	490,171,829	448,586,092	382,202,014	402,076,519	426,201,110	452,199,378	478,426,942	505,218,851
<b>YoY% Growth</b>		<b>10.06%</b>	<b>-0.92%</b>	<b>-8.48%</b>	<b>-14.80%</b>	<b>5.20%</b>	<b>6%</b>	<b>6.10%</b>	<b>5.80%</b>	<b>5.60%</b>
Cost of Sales	293,185,036	328,592,344	330,443,277	339,399,436	316,200,381	320,234,494	323,162,001	322,267,061	314,712,222	299,102,018
<b>Gross Profit</b>	<b>156,324,265</b>	<b>166,123,838</b>	<b>159,728,552</b>	<b>109,186,656</b>	<b>66,001,633</b>	<b>81,842,025</b>	<b>103,039,110</b>	<b>129,932,317</b>	<b>163,714,720</b>	<b>206,116,832</b>
<b>Gross Profit Margin%</b>	<b>34.78%</b>	<b>33.58%</b>	<b>32.59%</b>	<b>24.34%</b>	<b>17.27%</b>	<b>24.00%</b>	<b>25.90%</b>	<b>26.10%</b>	<b>26.00%</b>	<b>25.90%</b>
Other Operating Income	1,205,920	841,677	9,745,144	949,361	2,575,441	2,592,796	2,609,515	2,625,493	2,640,737	2,655,312
Selling and marketing costs	3,010,835	3,082,702	5,891,729	3,638,392	3,955,815	4,236,982	4,540,814	4,869,306	5,224,644	5,609,218
Administrative Costs	23,514,168	25,216,626	29,440,015	24,667,805	22,881,756	24,508,117	26,265,582	28,165,694	30,221,086	32,445,592
Net (charge)/release of expected credit losses			11	187,251						
Other Operating Expenses	5,423,601	2,727,675	1,504,148	2,663,963	1,163,663	1,248,916	1,337,685	1,433,610	1,537,321	1,649,507
Net gain / (loss) on foreign currency translation	191,595	1,829,994	8,795,332	301,919	2,804,841	4,047,537	3,089,304	1,507,855	3,159,192	2,372,451
<b>Operating Profit</b>	<b>125,389,986</b>	<b>137,768,506</b>	<b>141,433,125</b>	<b>79,280,525</b>	<b>43,380,682</b>	<b>58,488,343</b>	<b>76,593,847</b>	<b>99,597,055</b>	<b>132,531,597</b>	<b>171,440,279</b>
Finance Income	3,258,481	3,139,579	3,092,852	2,579,964	2,319,171	2,334,126	2,348,418	2,362,053	2,375,090	2,387,573
Finance Costs	611,279	810,519	1,051,474	627,587	794,467	850,935	911,955	977,928	1,049,293	1,126,529
<b>Finance Income - net</b>	<b>2,647,202</b>	<b>2,329,060</b>	<b>2,041,378</b>	<b>1,952,377</b>	<b>1,524,704</b>	<b>1,483,191</b>	<b>1,436,462</b>	<b>1,384,124</b>	<b>1,325,798</b>	<b>1,261,044</b>
<b>Profit Before Tax</b>	<b>128,037,188</b>	<b>140,097,566</b>	<b>143,474,503</b>	<b>81,232,902</b>	<b>44,905,386</b>	<b>59,971,534</b>	<b>78,030,310</b>	<b>100,981,179</b>	<b>133,857,395</b>	<b>172,701,323</b>
Income Tax Expense	39,555,603	42,738,964	44,290,757	24,559,259	13,542,020	18,366,834	23,897,500	30,926,414	40,995,058	52,891,368
<b>Profit for the year</b>	<b>88,481,585</b>	<b>97,358,602</b>	<b>99,183,746</b>	<b>56,673,643</b>	<b>31,363,365</b>	<b>41,604,701</b>	<b>54,132,810</b>	<b>70,054,765</b>	<b>92,862,337</b>	<b>119,809,955</b>
<b>Net Profit Margin%</b>	<b>19.68%</b>	<b>19.68%</b>	<b>20.23%</b>	<b>12.63%</b>	<b>8.21%</b>	<b>10.35%</b>	<b>12.70%</b>	<b>15.49%</b>	<b>19.41%</b>	<b>23.71%</b>
EPS	492	541	551	315	174	231	301	389	516	666
Outstanding shares (000')	179,923	179,923	179,923	179,923	179,923	179,923	179,923	179,923	179,923	179,923



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