KADOO Securities

EQUITY RESEARCH · INITIATION OF COVERAGE

Tanga Cement PLC

DSE: TCCL · Simba Cement · Building Materials, Tanzania

Rebuilt balance sheet, record quarter — the turnaround is real; the re-rating is mostly priced

RECOMMENDATION

ACCUMULATE

Target price (12m)	**TZS 4,840**
Closing price (4 Nov 2026)	**TZS 4,340**
Upside	**+11.5%**
Shares in issue	**191.0m**
Market cap	**TZS 829bn**
≈ USD (at TZS 2,655/USD)	**US$ 312m**
Enterprise value	**TZS 867bn**
Controlling shareholder	**Heidelberg Materials**

Investment summary

- **Record Q3 2026.** Revenue hit TZS 111.5bn (+31.6% YoY, +40.4% QoQ) and net profit TZS 22.5bn, the best quarter in our 19-quarter review. Gross margin widened to 29.7%, helped by industry price increases of TZS 500–650 per bag in July 2026 and strong demand: the Bank of Tanzania reports cement output up 18.9% in Q2–Q3 2026.
- **The balance sheet has been rebuilt.** The TZS 203.7bn rights issue (Nov 2025) cut gross debt from TZS 343bn (Jun 2025) to TZS 106.8bn and turned equity of –TZS 17bn (Sep 2024) into +TZS 253.8bn. Net debt is now only 0.5x trailing EBITDA.
- **Cash conversion is high.** Operating cash flow of TZS 64.9bn for 9M 2026 is 1.8x net profit.
- **Three things cap the upside.** (1) A new 5,000 tpd Amsons/Mbeya Cement clinker line is being built in Tanga, Tanga Cement's home market. (2) Measures were initiated to bring cement prices down (Sept 2026). (3) The remaining TZS 106.8bn loan from the parent comes out of its standstill on 31 Dec 2026.
- **Valuation.** At TZS 4,340 the stock trades on 16.7x FY26E and 14.9x FY27E earnings, against a peer median of 15.4x trailing. Our blended relative valuation gives TZS 4,840. **ACCUMULATE.**

261	16.7x	3.27x	11.9x	19%	+83%
FY26E EPS (TZS)	FY26E P/E	P/B (Sep-26)	EV/EBITDA (TTM)	FY26E ROE	Price since 28 Nov 2025

ANALYSTS **ERICK SINDATUMA** **GILBERT OUMA** *Kadoo Securities Co Ltd · Research Department · Dar es Salaam*

1. Investment thesis & key forecasts

Tanga Cement has gone from a near-insolvent, loss-making business to a profitable, under-levered company in eighteen months. Heidelberg Materials took control in November 2023. A strategic restructuring and a fully subscribed TZS 203.7bn rights issue in November 2025 cleared most of the debt that came from building Kiln 2. In 2026 demand and prices rose across the industry, so this cleaner balance sheet now runs with much higher operating leverage.

What changed. Interest expense fell from TZS 8.3bn in Q2 2025 to TZS 2.4bn a quarter. FX swings on the USD-linked parent loan, which drove most of the volatility in reported profit in 2022–2025, are now much smaller. Operating profit, not FX gains, now drives earnings: 9M 2026 operating profit was TZS 53.6bn, up 54% YoY.

Where we differ. We do not extrapolate Q3 2026. That quarter combined seasonal dry-season demand, a July price rise now under pressure, and an 18.9% jump in national cement output. Our model normalises gross margin to 24.5–26% from FY2027 and allows for a new competitor kiln in Tanga from FY2028. EPS still grows from TZS 261 (FY26E) to TZS 342 (FY30E), and dividends could resume from FY2027 as cash builds.

Valuation. The share price has risen 83% since the rights shares listed. The stock now trades at a premium to regional peers on trailing earnings (23.9x vs 15.4x) but in line on forward earnings (14.9x FY27E). Our 12-month target of TZS 4,840 implies 11.5% upside. We rate the stock **ACCUMULATE** and would add on pull-backs below TZS 4,000.

Key financials & forecasts

TZS bn unless stated	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue (TZS bn)	**230.8**	**298.9**	**361.0**	**397.1**	**424.9**	**456.7**	**493.3**
Growth	–	29.5%	20.8%	10.0%	7.0%	7.5%	8.0%
Gross profit	57.4	64.7	96.1	103.2	104.1	111.9	123.3
Gross margin	24.9%	21.6%	26.6%	26.0%	24.5%	24.5%	25.0%
EBITDA	50.7	54.2	92.2	99.4	100.5	108.2	118.8
EBITDA margin	22.0%	18.1%	25.6%	25.0%	23.6%	23.7%	24.1%
Operating profit	31.8	30.5	71.8	77.4	76.5	82.2	91.3
Net profit	**(6.7)**	**5.1**	**49.8**	**55.7**	**51.8**	**57.5**	**65.3**
Net margin	-2.9%	1.7%	13.8%	14.0%	12.2%	12.6%	13.2%
EPS (TZS)	**(106)**	**65**	**261**	**292**	**271**	**301**	**342**
DPS (TZS)	–	–	0	88	108	151	171
P/E at TZS 4,340 (x)	–	66.5	16.7	14.9	16.0	14.4	12.7
EV/EBITDA (x)	–	–	9.2	8.2	8.0	7.2	6.3
Dividend yield	–	–	0.0%	2.0%	2.5%	3.5%	3.9%
ROE	–	–	18.6%	18.2%	15.3%	15.7%	16.3%
Net debt / EBITDA (x)	–	–	0.19	-0.12	-0.24	-0.45	-0.63

Source: Tanga Cement audited FY2024–FY2025 accounts, quarterly filings on DSE; Kadoo Securities estimates. FY2024–25 EBITDA as reported in the annual reports. Forward EPS on 191.0m shares after the rights issue. EV/EBITDA uses year-end forecast net debt.

2. Company profile

Tanga Cement PLC is Tanzania's second-oldest integrated cement maker. It sells under the **Simba Cement** brand from its integrated plant at Pongwe near Tanga port. The company makes clinker and a range of blended and ordinary Portland cements for building, roads and mining, and sells clinker to grinding plants in Tanzania and the region.

Milestones

1980	Plant commissioned at Pongwe, Tanga
2002	Listed on the Dar es Salaam Stock Exchange
2016–17	Kiln 2 (US$165m) brings clinker capacity to c.1.25 Mtpa, funded by a USD loan
2021–23	A proposed sale to Amsons Group was blocked in the courts. Scancem International DA (Heidelberg Materials) bought AfriSam's 68.33% stake; the deal took effect on 27 Nov 2023
2023–24	Power shortages, FX scarcity and the FX-linked Kiln 2 debt pushed equity negative from June 2024 (–TZS 1.6bn; –TZS 17.2bn by Sep 2024). A TZS 43.7bn short-term loan was drawn in H1 2024 for working capital. The FY2024 accounts carried a going-concern material uncertainty
Aug 2025	Heidelberg grants a moratorium on interest and principal to 31 Dec 2026
Nov 2025	2-for-1 rights issue at TZS 1,600: 127.3m shares, TZS 203.7bn, 100% subscribed. TZS 191.4bn of parent loans and TZS 31.4bn of short-term loans repaid
Q3 2026	Record quarter: revenue TZS 111.5bn, net profit TZS 22.5bn

At a glance (30 Sep 2026)

TZS 483bn Total assets	**TZS 278bn** PP&E
TZS 341.6bn TTM revenue	**TZS 72.8bn** TTM EBITDA*
TZS 68.8bn Cash	**TZS 106.8bn** Borrowings
TZS 35.65bn 9M 2026 PAT	**~1.25 Mtpa** Clinker capacity

*Operating profit plus ~TZS 20bn of annual D&A. Sources: Q3 2026 filing; StockAnalysis; ZKG/CemNet.

Ownership & governance

Heidelberg Materials controls the company through Scancem International DA. Scancem held 68.33% before the rights issue; the stake nears 75% as at 31st Dec 2025. The Board is chaired by Hakan Gurdal. Being part of Heidelberg gives the company procurement scale, technical support (kiln optimisation, alternative fuels) and parent funding. It also means the controlling shareholder is the company's main creditor.

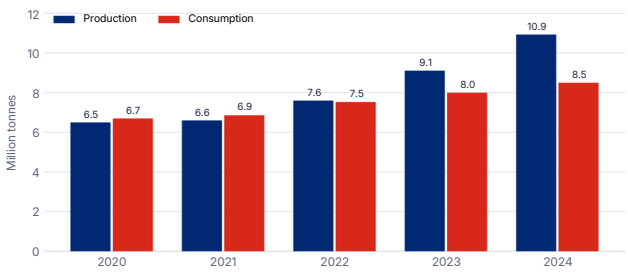
Products & channels

Simba-branded bagged cement for retail through wholesalers and distributors (75–80% of the industry's sales go through this channel), bulk and bagged supply to contractors, and clinker sales. In Q2 2026 management launched a new product to strengthen its market position, and it signed a rail-haulage agreement with Tanzania Railways Corporation to reach markets inland.

3. Tanzania cement industry: production, consumption & market share

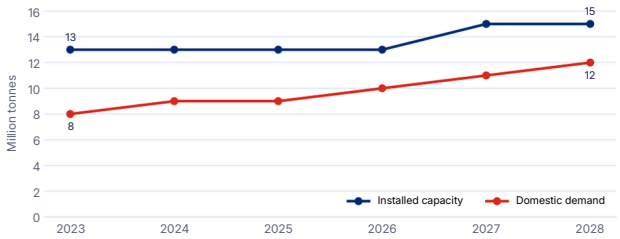
Tanzania's cement output grew from about 1.6 Mt in 2007 to an official record of 10.9 Mt in 2024. Since 2023 production has run above domestic demand, and the surplus is exported to neighbouring land-locked markets. The Ministry of Industry and Trade puts 2024 output at 10.93 Mt against demand of about 8.5 Mt, leaving 2.43 Mt for exports to Rwanda, Burundi, DRC, Uganda, Zambia, Malawi and Mozambique.

Figure 1 Cement production vs consumption, Tanzania (Mt)



Source: Ministry of Industry & Trade budget speeches 2024/25 & 2025/26; NBS via TanzaniaInvest (2021); Bank of Tanzania WP No.28 (2020)

Figure 2 Capacity vs demand outlook, 2023–2028 (Mt)

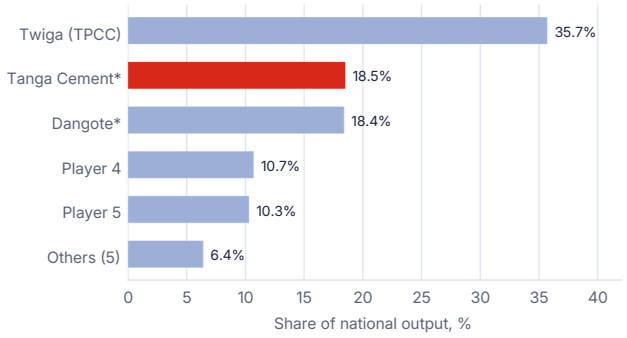


Source: Holtec Consulting, 'Grey Cement Market in Tanzania' (2024)

How the market has changed

- **From shortage to surplus.** Production rose 20% in 2023 and 20% in 2024, while consumption grew 6–9% a year. Utilisation fell even as volumes rose, which weighed on prices until mid-2026.
- **A note on the data.** The NBS Statistical Abstract 2024 records 7.70 Mt of production, while the Ministry reports 10.93 Mt. The gap probably comes from coverage (clinker and grinding plants) and timing. We use the Ministry series for the balance and treat the NBS series as a floor.
- **2026 recovery.** The Bank of Tanzania's MPC statement (Oct 2026) says cement production grew 18.9% in Q2–Q3 2026, a leading indicator of the construction upturn behind Tanga Cement's record quar ter.
- **Regional gaps.** Supply sits in Dar es Salaam, the North (Tanga) and the South (Mtwara/Mbeya). The Central Corridor (1.6 Mt) and the Lake Zone (1.2 Mt) have no integrated plants, so freight costs decide who wins there.

Figure 3 Producer shares of national output (BoT field survey)



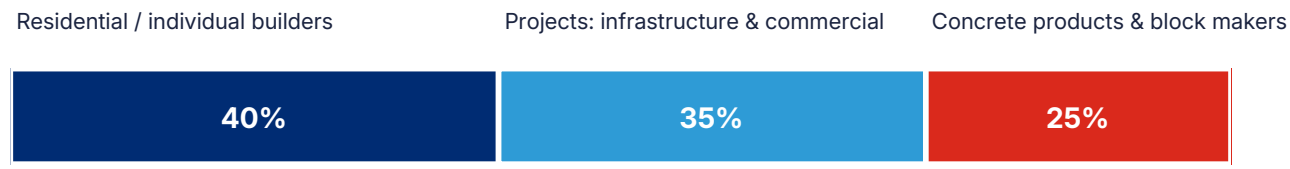
Source: Bank of Tanzania Working Paper No.28 (2023), Feb-2021 survey. *Tanga + Dangote = 36.9% combined; split is our approximation

Tanga Cement's market share. The latest official firm-level data (BoT, 2021) puts Tanga Cement at roughly 18–19% of national output, second to Twiga (35.7%). Capacity has been added since, mainly by Huaxin (Maweni), Dangote's ramp-up and new grinding plants, and Holtec now lists TPCC, Huaxin and Dangote as the top three with more than 60% of capacity. Comparing FY2025 revenue (TZS 298.9bn, including clinker) with a blended ex-factory price, we estimate Tanga Cement's share of 2025 domestic sales at **about 11–13%** (Kadoo estimate). Its share fell as capacity expanded, but its revenue grew 29% in 2025 and 20% in 9M 2026, both faster than the market.

4. Who buys cement: major consumers in Tanzania

Cement demand in Tanzania has three sources: households building their own homes, public infrastructure and commercial projects, and makers of blocks, pavers, pipes and other concrete products. Public works drive the swings in demand, while households provide a steady base.

Figure 4 Cement demand by customer segment (%)



Source: Holtec Consulting (2024); Kadoo Securities

1. Individual & residential builders (~40%)

Urbanisation is about 35.8% and rising toward 59% by 2050. The national housing deficit is an estimated 3.8 million units, and population grows by more than 1 million a year. Most homes are built in stages with bagged cement, so this demand is price-sensitive and seasonal (it slows in the long rains, March–May). Credit to building and construction grew **41.8% YoY in August 2026** (BoT), the fastest pace on record in the review period.

2. Government infrastructure & commercial projects (~35%)

- **Standard Gauge Railway**: Dar–Mwanza lots and Tabora–Kigoma (milestones by end-2026), plus planned links to Burundi and DRC.
- **Roads & bridges**: Ministry of Works 2026/27 development budget of **TZS 2.47 trn**, including 260.5 km of new paved roads, 16 bridges, Tanga–Pangani–Makurunge road (TZS 66.4bn), Pangani bridge (525 m, 64% complete) and the Arusha–Moshi–Holili corridor (TZS 83.9bn).
- **Urban transport**: Dar BRT phases 3–5 (TZS 213.8bn in 2026/27).
- **Energy**: Julius Nyerere Hydropower (2,115 MW) and the EACOP crude export terminal at Chongoleani, Tanga.
- **Events & public buildings**:

3. Concrete products & ready-mix (~25%)

Block makers, precast yards and ready-mix plants serving Dar es Salaam, Arusha and Dodoma. They buy in bulk and can switch brands easily, so they reward consistent quality and reliable delivery. Heidelberg's technical know- how gives Tanga Cement an advantage here.

4. Export & clinker buyers

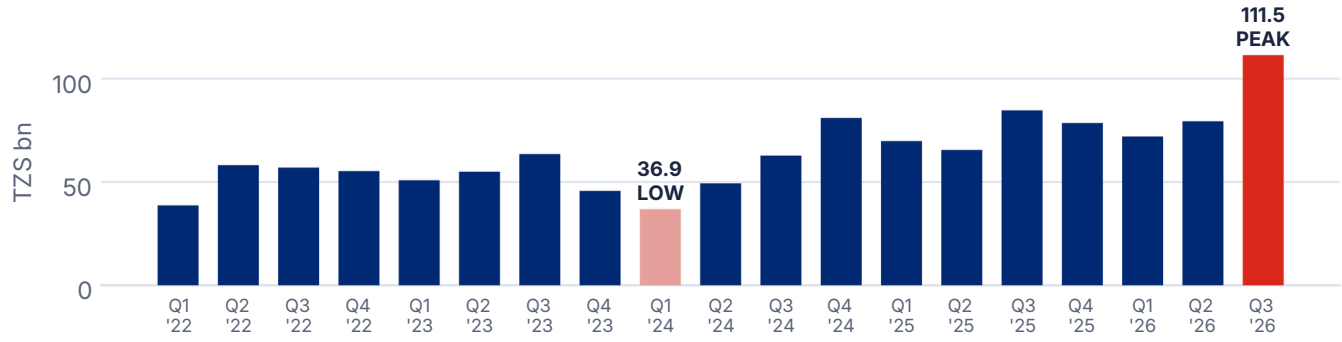
Land-locked neighbours take Tanzania's surplus (2.43 Mt in 2024). Five of the six grinding plants in Tanzania rely on imported clinker (Holtec), which gives an integrated producer like Tanga Cement a natural market for surplus clinker.

Policy anchors to 2030/31

FYDP IV (2026/27–2030/31) plans US$183bn of investment, including US$45.8bn for transport and logistics. It targets a rise in construction's share of GDP from 12.8% (2024) to **15.5%**. Real GDP grew about 6% in Q1–Q2 2026, and the BoT projects 7.2% for Q4 2026.

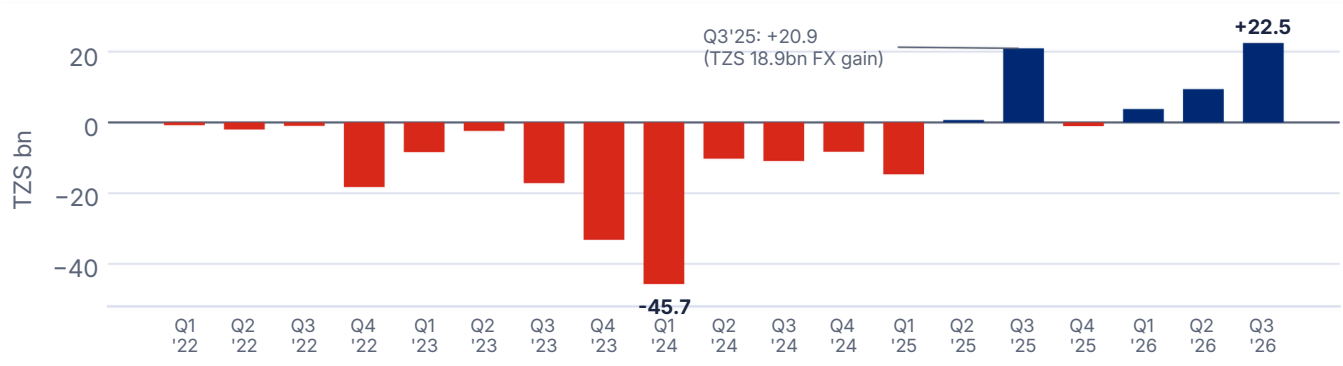
5. Quarterly performance FY2022 – Q3 2026: peaks & troughs

Figure 5 Quarterly revenue, Q1 2022 – Q3 2026 (TZS bn)



Source: Company quarterly filings (DSE). Q3'22 derived from audited annual totals

Figure 6 Quarterly net profit (TZS bn)



Source: Company quarterly filings (DSE)

Peak revenue: Q3 2026, TZS 111.5bn

Revenue was up 40.4% QoQ and 31.6% YoY. The Chairman credits a "strong commercial dynamic", and external data explains it: (i) national cement output rose 18.9% in Q2–Q3 2026 (BoT); (ii) manufacturers raised prices by TZS 500–650 per 50 kg bag (The Citizen, 9 Jul 2026); (iii) the Q2 product launch and the June–September dry season. Customer advances (contract liabilities) rose to TZS 12.8bn from TZS 2.6bn a year earlier, a sign of strong order books.

Low revenue: Q1 2024, TZS 36.9bn

Revenue fell 27% YoY. Management cited "competition, inadequate electricity supply and scarcity of US dollars and euros". Tanzania rationed power in late 2023 and early 2024, before the JNHPP units came online, and heavy El Niño rains followed by Cyclone Hidaya (May 2024) slowed building. The Ministry of Works later spent TZS 556bn repairing roads damaged by these storms. Q2 2024 stayed weak at TZS 49.4bn (–10% YoY): the Chairman cited adverse weather and delays in government-funded infrastructure projects in the first half of 2024.

Peak profit: Q3 2026, TZS 22.5bn

Unlike Q3 2025 (TZS 20.9bn, of which TZS 18.9bn was an FX gain on the parent loan), Q3 2026 profit came from operations. Operating profit was TZS 26.8bn (24.1% margin), interest fell to TZS 2.4bn, and FX added only TZS 0.5bn. 9M 2026 net profit was TZS 35.6bn, against TZS 7.0bn in 9M 2025.

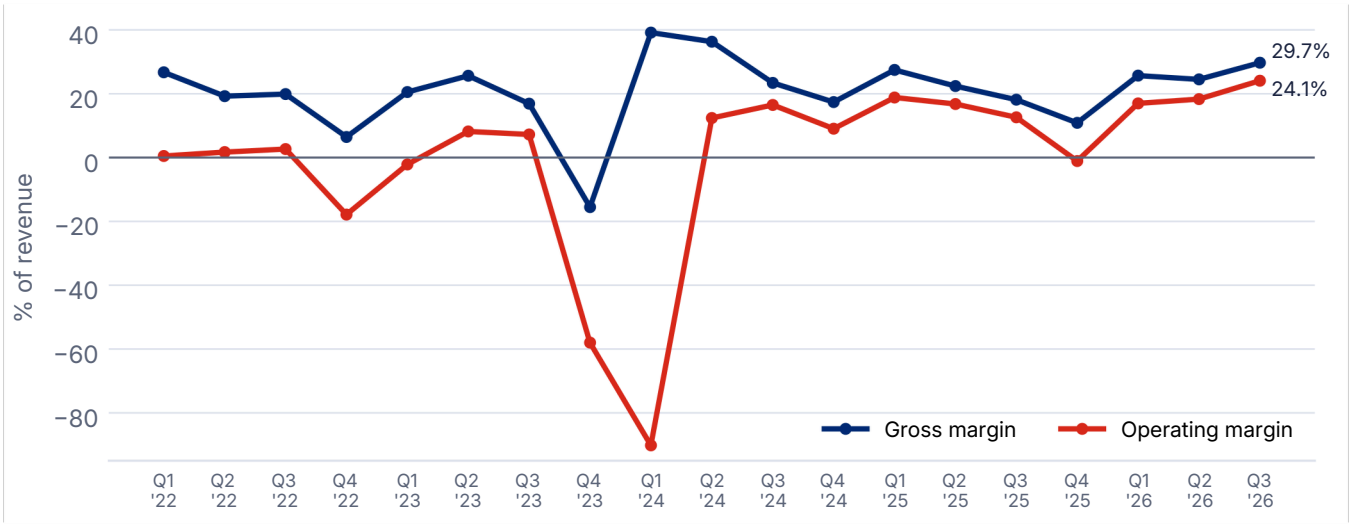
Low profit: Q1 2024, loss of TZS 45.7bn

The loss came from TZS 33.3bn of "optimisation" and restructuring costs after the Heidelberg takeover, TZS 8.0bn of term-loan interest and TZS 4.3bn of FX losses as the shilling weakened. Q4 2023 (–TZS 33.2bn) and Q4 2022 (–TZS 18.3bn) were the other low points: in both, fourth-quarter maintenance, year-end provisions and FX hit together. Q2 2024 (–TZS 10.2bn) shows the debt burden clearly: operating profit rose 53% YoY to TZS 6.1bn after a 24% cut in operating costs, but TZS 9.0bn of interest and TZS 7.1bn of FX translation losses on the foreign-currency facility turned it into a loss.

Trend. Revenue went from a TZS 37–64bn range (2022–1H24) to TZS 65–85bn (2H24–2025) and TZS 72–111bn in 2026. 9M 2026 revenue of TZS 263.0bn is 19.5% above 9M 2025.

5. Quarterly performance (cont.): margins & seasonality

Figure 7 Quarterly gross and operating margins (%)

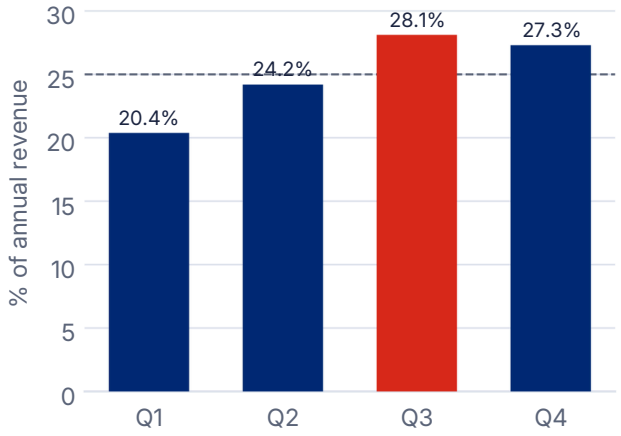


Source: Company filings; Kadoo Securities

Margin story

- **2022: cost squeeze.** Gross margin fell from 27% (Q1) to 6% (Q4) as fuel, logistics and imported coal costs rose and power cuts forced diesel generation. The FY2022 gross margin was 17%, down from 27% in FY2021 (audited).
- **2023: breakdown.** The Q4 2023 gross loss reflected maintenance on the main kiln after repeated power dips. At audit, cost of sales was restated to give a full-year gross loss of TZS 18.8bn.
- **2024–25: Heidelberg's playbook.** In Q2 2024 the Chairman reported a 24% cut in operating costs and 53% higher operating profit despite 10% lower revenue. Gross margin recovered to 20–27% as clinker output, kiln availability and maintenance costs improved and the company used alternative fuel (carbon black).
- **2026: operating leverage.** Q3 2026 operating margin reached 24.1%, the highest in the review period, and gross margin 29.7%, the highest on a like-for-like basis, because a TZS 32bn QoQ revenue increase came with fixed overheads and flat admin costs (TZS 4.8bn).

Figure 8 Seasonality: average share of annual revenue, FY22–FY25



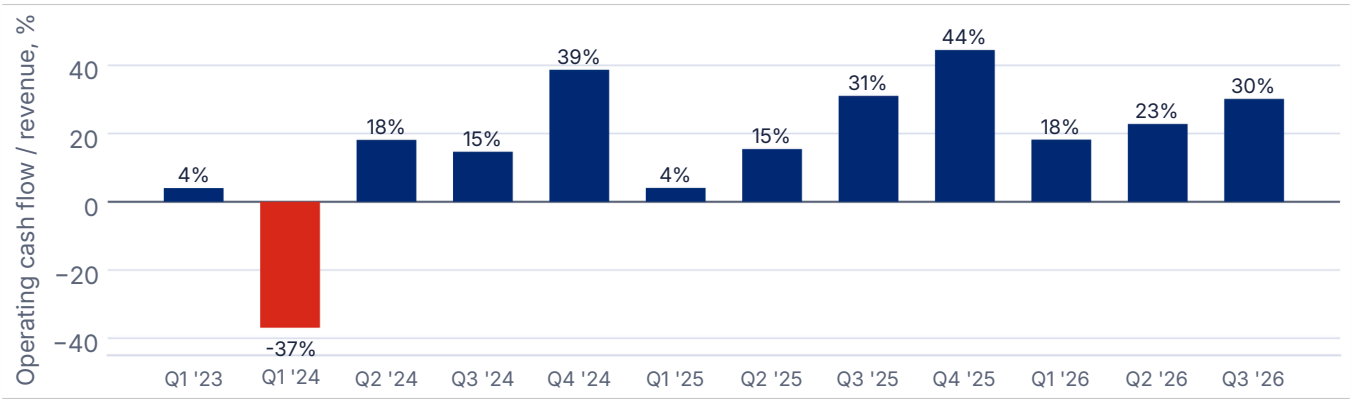
Source: Company filings; Kadoo Securities

Q1 is the weakest quarter (20% of annual revenue) because of the long rains and slow public spending early in the calendar year. Q3 (28%) is the strongest: the dry season and new-fiscal-year (July) capital budgets. Q4 tends to have strong revenue but weaker profit because of year-end maintenance and provisions (losses in Q4 of 2022, 2023, 2024 and 2025).

Comparability note. The Q2 2023, Q1 2024 and Q2 2024 filings report depreciation (about TZS 5bn a quarter) below gross profit, so their gross margins in Figure 7 are overstated by roughly 10 pp. Operating margin is unaffected.

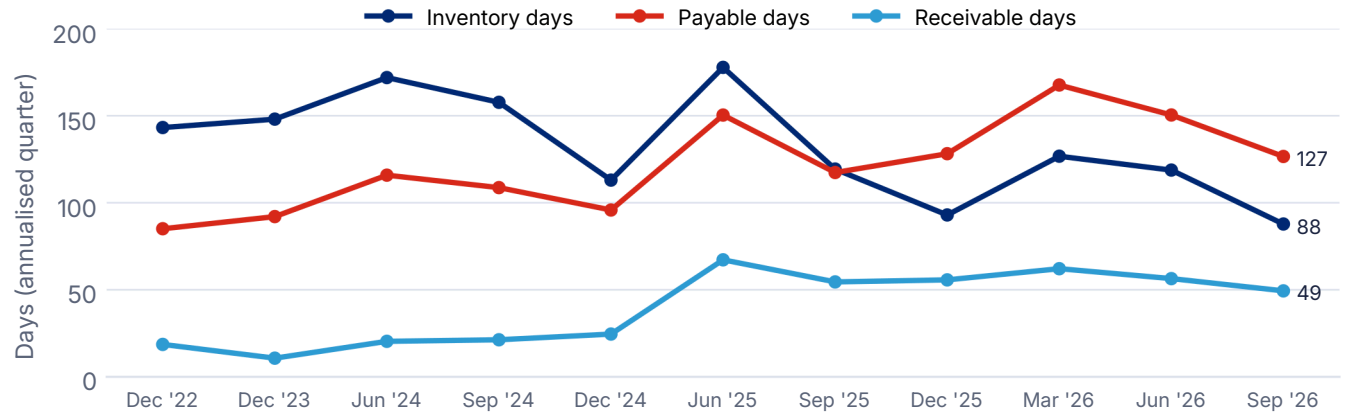
6. Cash conversion & collection

Figure 9 Cash conversion: operating cash flow / revenue



Source: Company filings (quarters where a cash-flow statement was published). Q2 2024 = H1 2024 less Q1 2024

Figure 10 Working-capital cycle (days)



Source: Company filings; Kadoo Securities. Days on annualised quarterly revenue / cost of sales

Peak conversion: Q4 2025 (44%) and Q4 2024 (39%)

Both fourth quarters released inventory built ahead of the dry season (inventory fell from TZS 90.7bn to TZS 71.4bn in Q4 2025) while payables rose. Q3 2026 converted 30% of revenue to cash (TZS 33.6bn), the highest in absolute terms after Q4 2025. Over 9M 2026, operating cash flow was 1.8x net profit.

Low conversion: Q1 2024 (–37%) and Q1 2025 (4%)

In Q1 2024, management attributed the cash outflow of TZS 13.6bn to inventory and to paying one-third of disputed tax assessments (a deposit required to lodge an objection). In Q1 2025, receivables rose from TZS 21.8bn to about TZS 39–50bn (the comparative was later restated) as the company gave distributors credit to win back volume. In H1 2024 as a whole, operating cash flow was –TZS 4.6bn: the Chairman attributed the outflow to higher working-capital needs and lower revenue, funded by a TZS 43.7bn short-term loan. Q2 2024 on its own recovered to +TZS 9.0bn (18% of revenue) as inventory fell to TZS 68.6bn.

Collection

Receivable days rose from 11–25 days in 2023–24 to 55–67 days through 2025. This was a deliberate change in credit policy that supported 29% revenue growth. In 2026, receivable days fell back to **49 days** by September, even with record sales. Expected-credit-loss charges were small (a release of TZS 0.28bn in Q2 2026 and a charge of TZS 0.01bn in Q3 2026), so collection quality looks sound.

Supplier funding

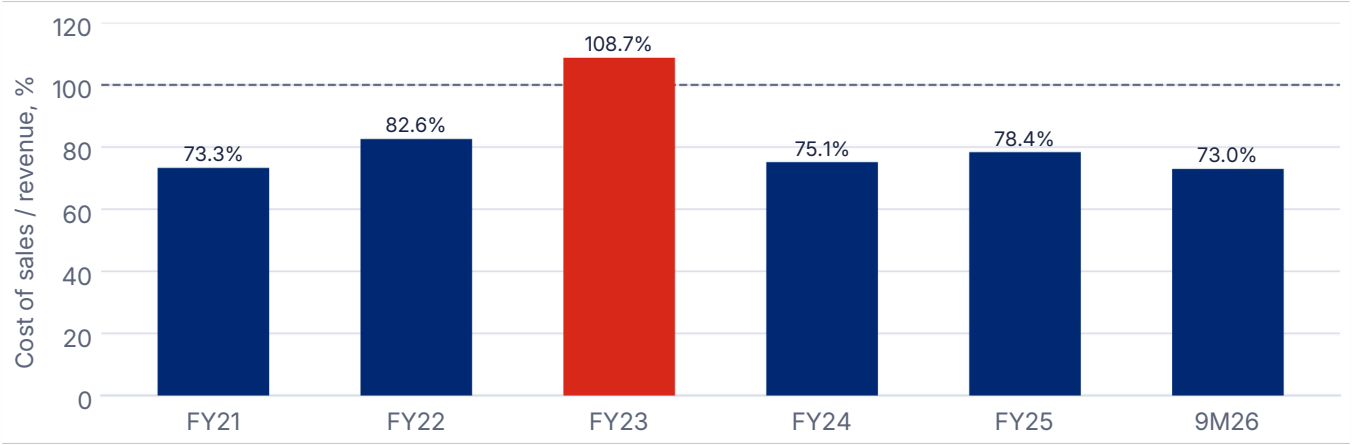
Payables rose from TZS 48bn (Dec 2022) to TZS 108.7bn (Sep 2026), or 127 days of cost of sales. Some of this is probably owed to Heidelberg group companies for clinker, fuel and technical fees, so it acts as cheap working-capital finance. Inventory days fell from a peak of about 170 (Jun 2024) to 88, the best level in the review period. The company now has a **negative cash conversion cycle (about 10 days)**.

7. Earnings quality

We rate earnings quality as **improving: low in 2022–2025, now moderate to good**. Reported profit used to be driven by FX revaluation and audit adjustments. In 2026 it comes from operations and is backed by cash.

Test	FY2022–FY2025	9M 2026	Read-across
Revenue contribution	Grey cement under the Simba brand plus clinker. Clinker sales were material in Q4 2024 ("especially for clinker"). Segment split not disclosed	Mainly bagged cement. Price-led (July 2026 increase) as well as volume-led	Price-led growth is less durable; volume share data would help
Cost control: cost of sales / revenue	82.6% (FY22) → 108.7% (FY23) → 75.1% (FY24) → 78.4% (FY25)	73.0% (Q3: 70.3%)	Structural gain from kiln availability and fuel mix
Overheads: (admin + selling) / revenue	Q4 2022 G&A 23% and Q4 2023 39% of revenue; FY2025 5.7%	6.0%; admin flat at TZS 4.5–4.8bn a quarter	Disciplined; most overheads are fixed
Non-operating items in PBT	FY2025: FX of +TZS 3.0bn and interest of –TZS 29.0bn on PBT of about TZS 8bn. Q2 2024: operating profit TZS 6.1bn wiped out by TZS 9.0bn interest and TZS 7.1bn FX. Q3 2025: 86% of PBT was FX	FX –TZS 5.6bn; interest –TZS 7.0bn; PBT TZS 41.8bn	Profit is now driven by operations
Cash backing (OCF / net profit)	FY2025: 12.7x (OCF TZS 64.7bn vs NP TZS 5.1bn)	1.82x	High: accruals are negative
Tax rate	Erratic: 2024 Q4 tax of TZS 24.9bn on a deferred-tax true-up	14.6% effective, helped by tax losses brought forward	Will rise toward 30%: a headwind to EPS
Reporting reliability	Unaudited quarters added to a TZS 61bn loss for FY23 vs audited TZS 99.9bn; FY24 quarters vs audited loss of TZS 6.7bn; Q1 2025 equity restated from –TZS 30.9bn to –TZS 4.2bn	Statements reconcile; comparatives now QoQ only	Investors should give more weight to audited figures
Seasonality	Q1 trough / Q3 peak; Q4 profit hit by year-end entries	Same pattern; Q3 2026 flattered by price rises	Do not annualise Q3

Figure 7b Cost control: cost of sales as % of revenue



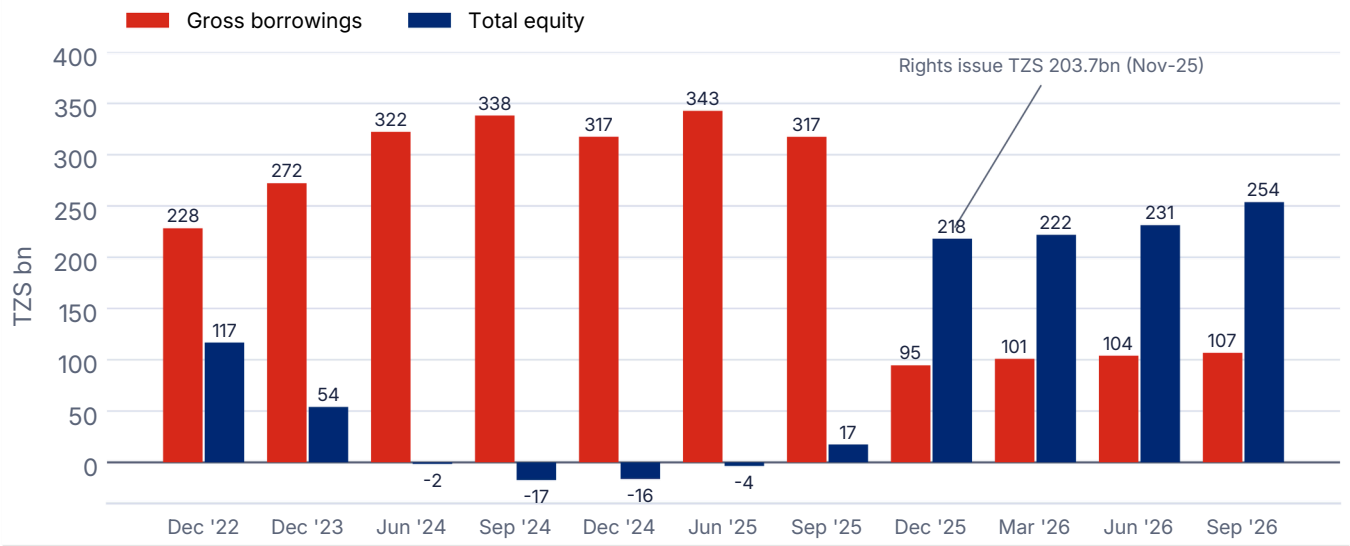
Source: Audited accounts FY21–FY25; 9M 2026 unaudited

Bottom line. The TZS 26.8bn operating profit in Q3 2026 is "clean": it came with TZS 33.6bn of operating cash flow and almost no FX or one-off items. Trailing net profit of TZS 34.6bn understates the earnings base because it includes the loss-making Q4 2025 (TZS 6.4bn of other expenses).

Watch-points. (1) Price-driven margin is exposed to regulation. (2) The low tax rate will normalise. (3) Interest of about TZS 2.4bn a quarter is accrued but not paid, so the cash and earnings benefit depends on how the parent loan is refinanced after 31 Dec 2026.

8. Balance sheet, capital & funding evolution

Figure 11 Capital structure: gross borrowings vs total equity (TZS bn)



Source: Company filings (quarter-end balance sheets)

TZS bn	Dec 22	Dec 23	Jun 24	Sep 24	Dec 24	Jun 25	Sep 25	Dec 25	Mar 26	Jun 26	Sep 26
Total assets	**406.7**	**385.9**	**376.6**	**380.1**	**396.9**	**427.3**	**427.8**	**418.8**	**429.6**	**446.4**	**483.4**
Cash & bank	4.7	4.4	16.7	20.9	19.5	10.7	15.8	20.8	27.4	43.3	68.8
Trade & other receivables	11.3	5.4	11.0	14.7	21.8	48.2	50.6	48.0	49.0	49.1	60.3
Inventories	81.2	85.6	68.6	83.2	82.9	99.0	90.7	71.4	74.4	78.1	75.4
Trade & other payables	48.2	53.2	46.2	57.3	70.3	83.8	89.2	98.4	98.4	98.9	108.7
Gross borrowings*	**228.2**	**272.2**	**322.3**	**338.1**	**317.5**	**342.7**	**317.4**	**94.6**	**100.9**	**104.0**	**106.8**
Net debt	223.5	267.8	305.6	317.3	298.0	332.0	301.6	73.8	73.5	60.7	38.0
Total equity	**116.8**	**54.0**	**(1.6)**	**(17.2)**	**(16.2)**	**(3.5)**	**17.4**	**218.1**	**221.9**	**231.3**	**253.8**
Debt / equity (x)	1.95	5.04	n/m	n/m	n/m	n/m	18.23	0.43	0.45	0.45	0.42

*Gross borrowings = term loans (current and non-current) + short-term borrowings + bank overdrafts, excluding lease liabilities. Sources: company filings; Kadoo Securities.

Three phases

1. **Debt spiral (2022 – Jun 2025).** The USD-linked Kiln 2 loan, accrued interest and a weakening shilling raised gross debt from TZS 228bn to a peak of TZS 343bn. Losses wiped out equity, which went from TZS 117bn to –TZS 17bn. Overdrafts and a TZS 43.7bn short-term loan (H1 2024) funded working capital; equity first turned negative in June 2024.
2. **Recapitalisation (Q4 2025).** The rights issue raised share capital from TZS 1.3bn to TZS 203.0bn. Proceeds repaid TZS 191.4bn of the parent loan and TZS 31.4bn of short-term loans. Debt/equity fell from 18.2x to 0.43x.
3. **Self-funding (2026).** There were no financing cash flows in 9M 2026. Equity grew by retained profit alone, to TZS 253.8bn, and cash tripled to TZS 68.8bn.

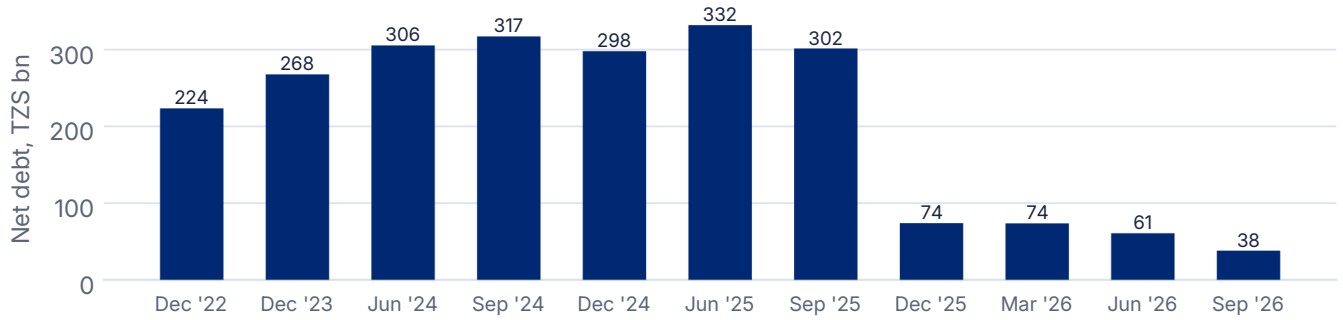
Funding structure today

The remaining TZS 106.8bn of term borrowings rose from TZS 94.6bn in Dec 2025 with no new drawdowns, which points to accrued interest and FX revaluation. It is all classified as **current** because the standstill ends on 31 Dec 2026. Other funding comes from trade payables (TZS 108.7bn) and customer advances (TZS 12.8bn). Treasury shares (TZS 1.8bn) are held by the employee share trust.

Total assets of TZS 483bn are 57% fixed assets (PP&E TZS 277.7bn, mostly Kiln 2) and 42% working capital and cash.

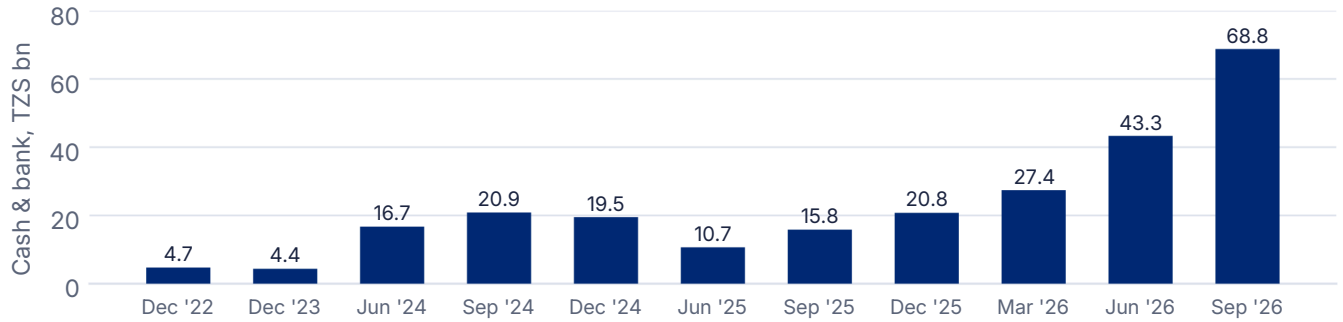
9. Liquidity, capital allocation & leverage

Figure 12 Net debt (TZS bn)



Source: Company filings; Kadoo Securities

Figure 13 Cash & bank balances (TZS bn)



Source: Company filings

Liquidity

Current ratio	**0.90x**
Excluding parent loan	**1.68x**
Quick ratio	**0.57x**
Cash / borrowings	**64%**
Audited FY24 → FY25	**0.32x → 0.70x**

Headline liquidity is tight only because the TZS 106.8bn loan falls due on 31 Dec 2026. Cash of TZS 68.8bn, quarterly operating cash flow of about TZS 20–35bn and parent support make a refinancing or part-repayment likely. We assume TZS 32bn is repaid in FY2027.

Leverage

Net debt	**TZS 38.0bn**
Net debt / TTM EBITDA	**0.52x**
Debt / equity	**0.42x**
EBIT / interest (TTM)	**4.3x**
EBIT / interest (Q3 26)	**11.1x**

Net debt to EBITDA was above 6x in 2024. The audited figure for FY2025 is 25% net debt to equity (FY2024: 96%). On our forecasts the company becomes net cash during FY2027.

Capital allocation

Capex FY2025	**TZS 21.7bn**
Capex 9M 2026	**TZS 15.9bn**
Capex / D&A	**~1.0x**
ROCE (TTM EBIT)	**18.1%**
Dividends since 2021	**Nil**

Capital has gone almost entirely to balance-sheet repair: 100% of the rights-issue money paid down debt. Capex is at maintenance level. ROCE has recovered from negative to 18%, above our estimated cost of capital of about 16%.

Our assessment. Management has handled capital well since 2024: no new expansion debt, working-capital days cut, and cash kept in the business. The next test is what it does with roughly TZS 180bn of cumulative free cash flow we forecast for FY2026–30: paying off the parent loan, resuming dividends, or adding capacity in the Central Corridor and Lake Zone, where there is a supply deficit.

10. Growth opportunities to 2030

Official plans support demand growth of 8–9% a year to 2030. Construction's share of GDP is targeted to rise from 12.8% to 15.5%, Holtec projects demand of 12 Mt by 2028 (8 Mt in 2023), and the FYDP IV pipeline is worth US$183bn. Below are the concrete openings we see for Tanga Cement to grow volumes or defend share.

Northern infrastructure corridor

01

Ministry of Works 2026/27 projects next to the plant: Tanga–Pangani–Makurunge road (TZS 66.4bn), Pangani bridge (525 m), the Arusha–Moshi–Himo–Holili corridor (TZS 83.9bn) and upgrades at Tanga port. Tanga Cement is the lowest-cost supplier for these by distance.

EACOP & Tanga industrial cluster

02

The Chongoleani marine storage terminal of the East African Crude Oil Pipeline, related camps and roads, and the Tanga special economic zone bring heavy civil works into the plant's own region. Oil-well and high-strength cements sell at a premium.

Rail to deficit regions

03

The Central Corridor (1.6 Mt deficit, rising to 2.5 Mt by 2028) and the Lake Zone (1.2 to 1.8 Mt) have no integrated plant. The company's TRC rail-haulage agreement and the SGR (Dar–Mwanza, Tabora–Kigoma) can cut delivered cost and support depots in Dodoma, Tabora and Mwanza.

Clinker to grinders & exports

04

Five of six grinding plants import clinker. Spare Kiln 2 capacity can supply them, along with regional buyers in Burundi, Rwanda, DRC and Zambia, which took 2.43 Mt of Tanzania's 2024 surplus. Tanga Cement is one of five key exporters named by the Ministry.

Affordable housing & mortgage push

05

The housing deficit is 3.8m units. Samia Housing, NHC and Watumishi rent-to-own schemes, plus 41.8% growth in construction credit, support bagged-cement demand. Targeted products (blocks, plaster, masonry cements) and distributor credit can win retail share.

Green, low-clinker cements

06

Green building practices become mandatory by 2029 (FYDP IV). Heidelberg's low-carbon portfolio and alternative fuels (carbon black, biomass) lower cost per tonne and fit public-tender criteria. More reliable JNHPP power reduces diesel and maintenance costs.

Ready-mix & bulk solutions

07

Large contractors on BRT phases 4–5, the expressway PPP and Dodoma projects prefer bulk supply. Ready-mix or bulk terminals in Dar and Dodoma would capture more of the value chain and lock in project volumes.

Balance-sheet optionality

08

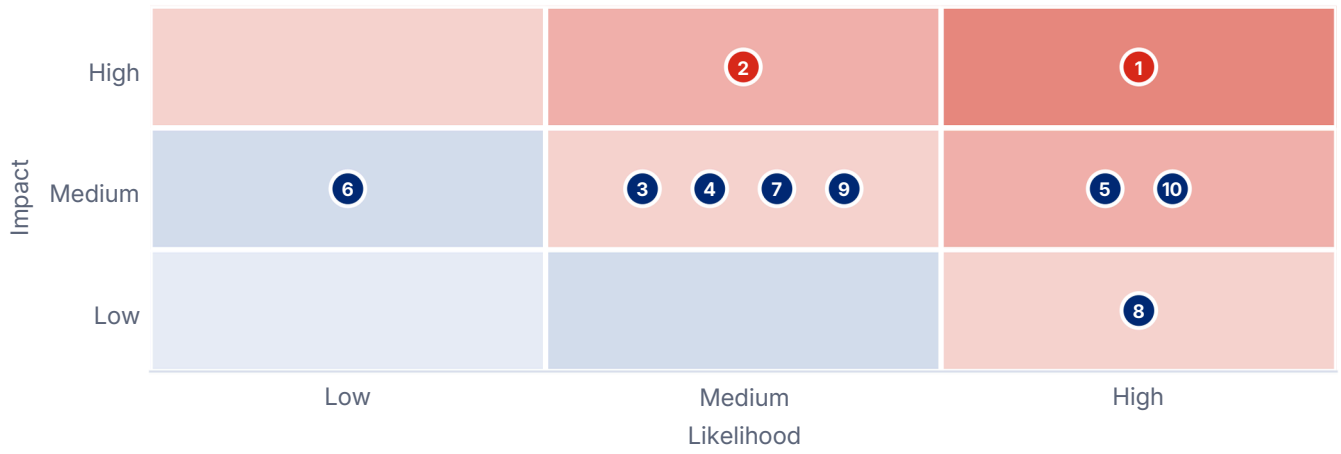
The company will be net cash from FY2027 on our estimates. It could fund debottlenecking (cement mills, packing lines) or a bolt-on grinding plant without equity, and resume dividends. A shareholder base with a free float is also now in place for future capital raising.

Market-share view to 2030. If Tanga Cement captures half of the volume opportunity in its northern home market and grows Central Corridor sales by rail, we think it can hold **11–13% of national volumes** despite new capacity. Our base case assumes volumes grow 5–7% a year, slightly below the 8.5% market, as competition in Tanga increases from FY2028.

11. Risk outlook

The overall risk outlook is **moderate, but rising after 2027**. The near-term risk, refinancing, looks manageable given parent support and TZS 68.8bn of cash. The structural risks, a new local competitor and pressure on prices, will decide whether 2026 margins last.

Figure 11b Risk map: impact vs likelihood (numbers refer to the table below)



Source: Kadoo Securities assessment

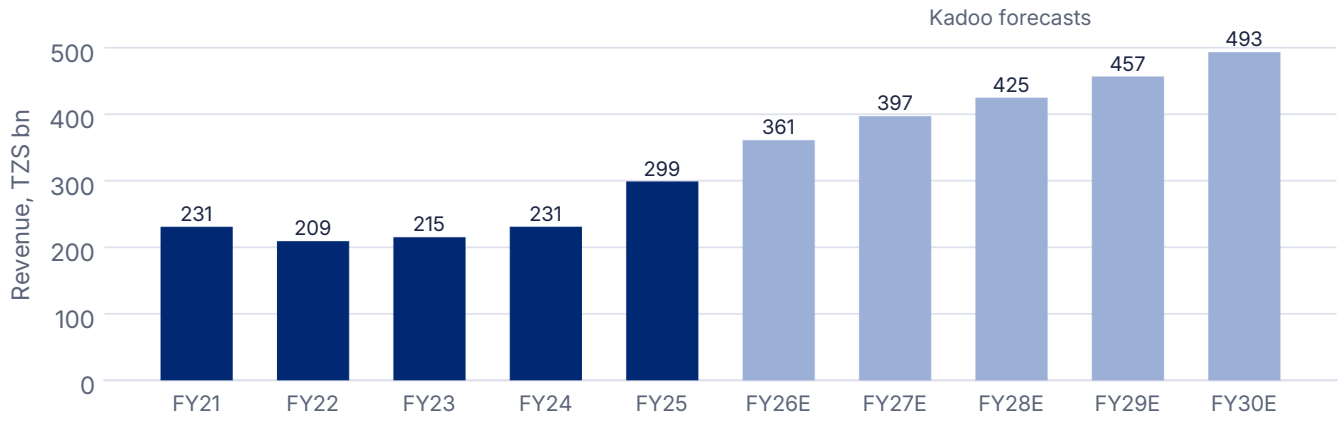
Risk	Description & evidence	Impact	Likelihood
1. New competitor kiln in Tanga	Amsons' Mbeya Cement signed a Sinoma EPC contract in Dec 2025 for a 5,000 tpd clinker line in Tanga (US$190m). Expected to start around 2028; risk of a price war in the home market	High	High
2. Price regulation	In Sept 2026 inititaves were launched to propose measures to lower prices after retail prices reached TZS 26,000–32,000 per bag in some regions. Possible caps, import waivers or export limits	High	Medium
3. Refinancing of parent loan	TZS 106.8bn falls due when the standstill ends on 31 Dec 2026. Heidelberg is the creditor (supportive), but terms, interest and currency are not disclosed	Medium	Medium
4. Currency	TZS depreciated 7.4% YoY vs USD (Sep 2026). Imported coal, spares and a USD-linked loan; FX losses of TZS 21.4bn in Q1 2025 alone	Medium	Medium
5. Industry overcapacity	Capacity of 13–15 Mt vs demand of 8.5–12 Mt to 2028. Utilisation below 70% limits pricing power	Medium	High
6. Energy cost & reliability	Power accounts for a large share of cost. Outages in 2022–24 caused kiln damage. Energy inflation was 7.7% in Q3 2026	Medium	Low
7. Fiscal & contractor arrears	Contractor payment delays of more than 90 days can slow project demand. Infrastructure bonds are a new and untested funding source	Medium	Medium
8. Weather	El Niño and Cyclone Hidaya (2024) disrupted demand and logistics. Long rains every Q1/Q2	Low	High
9. Reporting & governance	Large unaudited-to-audited differences (FY23–24)	Medium	Medium
10. Tax	Effective tax rate rising from about 15% to 30% as tax losses run out; history of tax disputes (deposits paid in 2024)	Medium	High

Sensitivity. Each 1 pp change in gross margin moves FY2027E EPS by about ±TZS 16 (±5.5%). A 5% price cut with no volume offset would cut FY2027E EPS by about 28%, to TZS 210, and our target to about TZS 3,500.

Upside risks. Prices hold after the government review; the Amsons Tanga line is delayed; large EACOP or SGR supply contracts; dividends resume earlier; Heidelberg converts the parent loan to equity or buys out minorities.

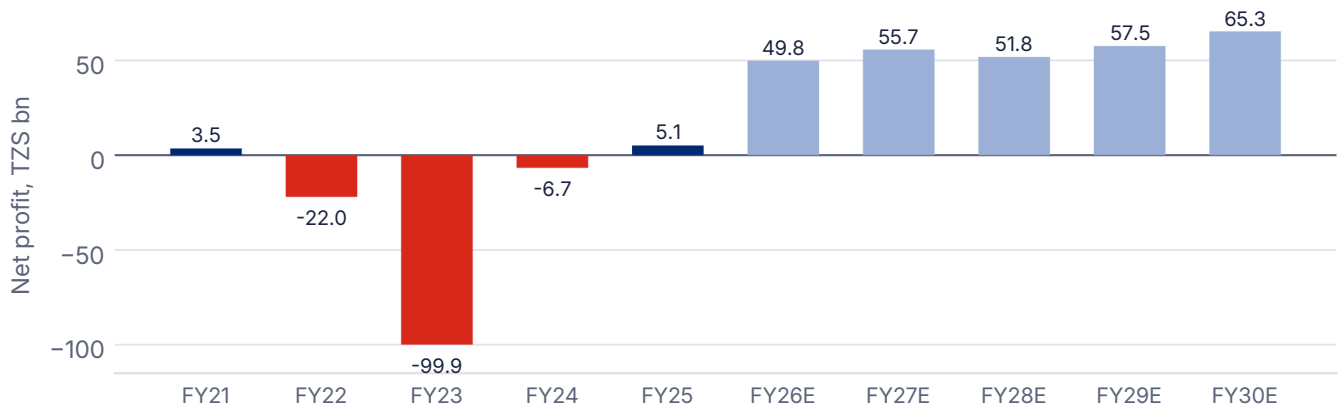
12. Earnings projections FY2026E – FY2030E

Figure 14 Revenue: actual FY21–FY25 and forecast FY26E–FY30E (TZS bn)



Source: Audited accounts; Kadoo Securities estimates

Figure 15 Net profit (TZS bn)



Source: Audited accounts; Kadoo Securities estimates

Key assumptions

Driver	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue growth	20.8%	10.0%	7.0%	7.5%	8.0%
– of which volume	~12%	6%	5%	5%	5.5%
– of which pr ice/mix	~8%	4%	2%	2.5%	2.5%
Gross margin	26.6%	26.0%	24.5%	24.5%	25.0%
Opex (net) / revenue	6.7%	6.5%	6.5%	6.5%	6.5%
Interest (TZS bn)	9.3	8.0	5.0	3.0	1.5
Effective tax	~14%	22%	30%	30%	30%
Capex (TZS bn)	28	45	45	35	35
Dividend payout	0%	30%	40%	50%	50%

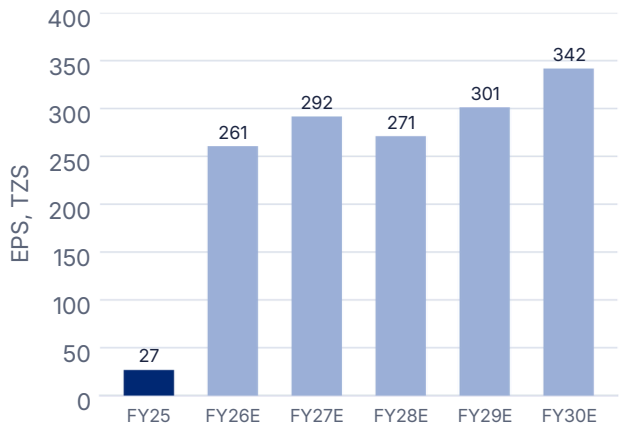
FY26E = 9M actual + Q4E (revenue TZS 98bn, gross margin 25.5%, seasonally weaker than Q3). FX is assumed neutral.

Rationale

- **Volume.** Demand grows 8–9% a year (Holtec; FYDP IV). We assume Tanga Cement grows 5–6%, below the market, as it loses some share in Tanga once the new competitor kiln starts (FY2028).
- **Price.** FY2027 includes the full-year effect of the July 2026 increase, partly reversed under government pressure (+4%). After that, price rises roughly with inflation (about 4%) minus competition.
- **Margins.** We cut gross margin from the 29.7% of Q3 2026 to 24.5–26%, near the 9M 2026 average (27%) less a competition haircut. Overheads stay largely fixed.
- **Debt and tax.** The parent loan is repaid in instalments by FY2030, which lowers interest. Tax rises to 30% as losses run out, so **EPS falls in FY2028** even though EBIT grows.
- **Result.** Revenue CAGR FY25–FY30E of 10.5%. EPS rises from TZS 261 (FY26E) to TZS 342 (FY30E), a 7.0% CAGR. ROE settles at 15–18%.

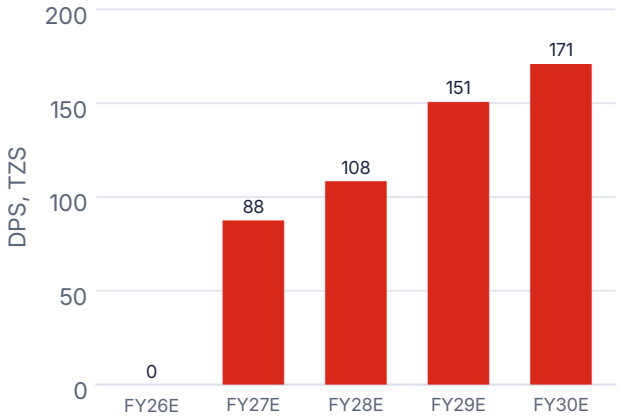
13. Relative valuation

Figure 16 EPS (TZS): FY25 actual, FY26E–FY30E



Source: Kadoo Securities estimates (FY25 EPS on post-rights share count)

Figure 17 Dividend per share forecast (TZS)



Source: Kadoo Securities estimates

Relative valuation against regional peers

Company	Mar ket	Exchange	P/E (TTM)	P/B	EV/EBITDA	Div. yield
Twiga Cement (TPCC)	Tanzania	DSE	17.7x	4.33x	9.8x	5.2%
HBM Nigeria (ex-Lafarge Africa)	Nigeria	NGX	15.4x	9.22x	10.7x	3.7%
Dangote Cement	Nigeria / Pan-Africa	NGX	15.4x	8.38x	9.74x	5.7%
PPC Ltd	South Africa / Zimbabwe	JSE	13.7x	1.93x	5.5x	4.0%
Peer median			**15.4x**	**6.36x**	**9.8x**	**4.6%**
Tanga Cement – trailing 12M	Tanzania	DSE	23.9x	3.27x	11.9x	0.0%
Tanga Cement – FY2027E			14.9x	2.70x	8.2x	2.0%

Sources: StockAnalysis (TPCC 23 Sep 2026, HBM Nigeria 5 Nov 2026, PPC 8 Oct 2026, Dangote 20 Aug 2026), MarketScreener (Dangote dividend yield 2026e); TPCC P/E and P/B recalculated by Kadoo at TZS 5,780 (30 Oct 2026, DSE) on TTM EPS of TZS 326 and BVPS of TZS 1,335. HBM Nigeria is the former Lafarge Africa.

Figure 18 P/E: Tanga Cement vs peers



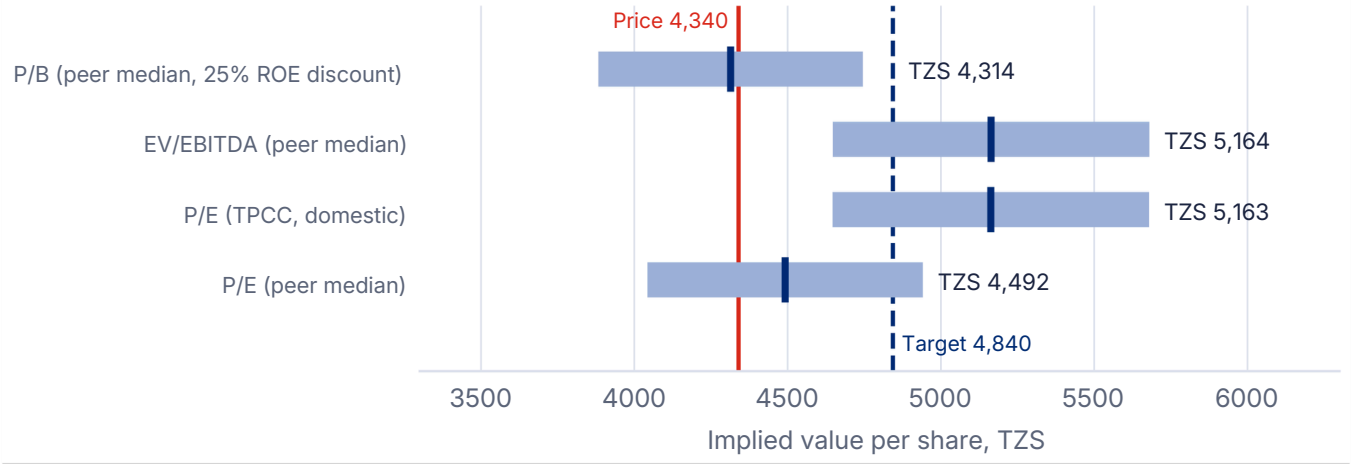
Source: As above; Kadoo Securities

Reading the comparison

- On **trailing** earnings Tanga Cement looks expensive (23.9x vs median 15.4x), but TTM includes the loss-making Q4 2025 and 1H 2026, when interest costs were still high.
- On **FY2027E** it trades at 14.9x P/E and 8.2x EV/EBITDA. That is a small discount to Twiga (17.7x) and in line with the Nigerian majors.
- **P/B of 3.27x** is below Twiga's 4.3x, which matches a lower ROE (Tanga about 18% vs Twiga about 20%) and no dividend yet. Twiga yields 5.2%.

13. Valuation summary & recommendation

Figure 19 Valuation summary: implied value per share (bars show ±10%)



Source: Kadoo Securities

Method (applied to FY2027E unless stated)	Weight	Value / share	vs price
P/E (peer median)	35%	TZS 4,492	+3.5%
P/E (TPCC, domestic)	25%	TZS 5,163	+19.0%
EV/EBITDA (peer median)	30%	TZS 5,164	+19.0%
P/B (peer median, 25% ROE discount)	10%	TZS 4,314	-0.6%
Blended 12-month target price	**100%**	**TZS 4,840**	**+11.5%**

P/E methods applied to FY2027E EPS of TZS 292. EV/EBITDA applies the peer median of 9.8x to FY2027E EBITDA of TZS 99.4bn, less year-end FY2027E net debt. P/B applies the peer median of 4.33x with a 25% discount for lower ROE, to Sep 2026 book value per share (TZS 1,328).

RECOMMENDATION

ACCUMULATE

Target price **TZS 4,840** · Upside **+11.5%**

Tanga Cement is now a fundamentally sound, cash-generating cement maker with a strong parent. Its balance sheet has gone from distressed to net cash within about 18 months on our numbers. The stock rose 83% after the rights shares listed and now prices in most of the recovery. Our blended relative value of TZS 4,840 gives 11.5% upside. That is enough to accumulate, but we would not chase the stock while the price review and the 31 Dec 2026 refinancing are unresolved.

Catalysts: FY2026 results and possible first dividend (H1 2027); refinancing terms for the parent loan; outcome of the government's cement-price review; Amsons Tanga project timeline; Q1 2027 volumes. **Entry:** we would add on weakness below TZS 4,000, which is about 13.7x FY27E P/E.

Scenario analysis (12-month value per share)

Scenario	Key assumption	FY27E EPS	Multiple	Value / share	vs price
Bear	Government-led 5% price cut, no volume offset; refinancing on tougher terms	TZS 210	15.4x	TZS 3,230	–25.6%
Base	Our forecasts; gross margin 26% in FY27E	TZS 292	Blended	TZS 4,840	+11.5%
Bull	July 2026 prices hold; gross margin 27.5%; Amsons Tanga kiln delayed	TZS 316	17.7x (TPCC)	TZS 5,590	+28.8%

Kadoo Securities estimates. Bear and bull cases flex FY2027E EPS using the gross-margin and price sensitivities on page 13.

Appendix

A1. Quarterly income & cash-flow summary, Q1 2022 – Q3 2026 (TZS bn)

Quar ter	Revenue	Gross profit	GM	Op. profit	OM	Net profit	Op. cash flow	OCF/Rev
Q1 2022	38.7	10.3	26.7%	0.2	0.5%	(0.8)	n/d	n/d
Q2 2022	58.2	11.2	19.2%	1.0	1.7%	(2.0)	n/d	n/d
Q3 2022	57.0	11.3	19.9%	1.5	2.7%	(1.0)	n/d	n/d
Q4 2022	55.3	3.6	6.5%	(9.9)	-17.9%	(18.3)	n/d	n/d
Q1 2023	50.8	10.4	20.5%	(1.1)	-2.2%	(8.4)	2.0	4%
Q2 2023	55.0	14.1	25.6%	4.5	8.2%	(2.4)	n/d	n/d
Q3 2023	63.5	10.7	16.9%	4.6	7.2%	(17.2)	n/d	n/d
Q4 2023	45.7	(7.1)	-15.5%	(26.5)	-58.0%	(33.2)	n/d	n/d
Q1 2024	36.9	14.4	39.2%	(33.2)	-90.2%	(45.7)	(13.6)	-37%
Q2 2024	49.4	17.9	36.3%	6.1	12.4%	(10.2)	9.0	18%
Q3 2024	62.8	14.7	23.4%	10.4	16.5%	(10.9)	9.2	15%
Q4 2024	81.0	14.1	17.4%	7.3	9.0%	(8.3)	31.4	39%
Q1 2025	69.8	19.2	27.5%	13.1	18.8%	(14.7)	2.8	4%
Q2 2025	65.5	14.7	22.4%	11.0	16.8%	0.7	10.1	15%
Q3 2025	84.7	15.4	18.1%	10.7	12.6%	20.9	26.3	31%
Q4 2025	78.6	8.6	10.9%	(0.9)	-1.1%	(1.0)	35.0	44%
Q1 2026	72.1	18.5	25.7%	12.2	17.0%	3.8	13.1	18%
Q2 2026	79.4	19.5	24.5%	14.6	18.3%	9.4	18.1	23%
Q3 2026	111.5	33.1	29.7%	26.8	24.1%	22.5	33.6	30%

Source: Tanga Cement unaudited quarterly results (DSE / simbacement.co.tz). Q3 2022 revenue, gross profit, operating profit and net profit are derived as FY2022 audited totals minus the other three quarters. Q2 2024 operating cash flow is the H1 2024 figure (–TZS 4.6bn) less Q1 2024 (–TZS 13.6bn), because the published cash-flow statement covers January–June. Quarterly revenue for FY2024 sums to TZS 230.1bn vs TZS 230.8bn audited. Q2 2023 operating cash flow not separately disclosed (cash from operations of TZS 9.0bn reported for H1 2023). Highlighted rows: peak and trough quarters.

A2. Annual audited summary (TZS bn)

	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	230.8	209.2	215.1	230.8	298.9
Gross profit	61.7	36.5	(18.8)	57.4	64.7
Operating profit	15.0	(7.2)	(55.1)	31.8	30.5
Net profit	3.5	(22.0)	(99.9)	(6.7)	5.1
EPS (TZS, reported)	56	(350)	(1,587)	(106)	65
Operating cash flow	18.5	2.2	3.3	27.7	64.7
Total equity (year-end)	139.1	116.9	n/d*	(16.2)	218.1

Sources: FY2022 audited Chairman's statement; StockAnalysis (FY2023–25 income statement); CemNet (operating cash flow FY2024–25); company filings.
*Unaudited Dec 2023 equity was TZS 54.0bn; the audited figure is lower after year-end adjustments.

Appendix (cont.): sources & disclosures

A3. Sources

Data / document	Where obtained
Tanga Cement PLC – Unaudited results Q3 2026, Q2 2026, Q1 2026, Q4/Q3/Q2/Q1 2025, Q4/Q3/Q2/Q1 2024, Q4 2023, Q1–Q2 2023 statements; FY2022 audited Chairman's statement	DSE filings / simbacement.co.tz
Rights Issue Results Announcement (CMSA-approved), Nov 2025	simbacement.co.tz
Bank of Tanzania – Monthly Economic Review Sept 2026; MPC statement Q4 2026; Working Paper No. 28 (2023) on cement prices	bot.go.tz; TanzaniaInvest
Ministry of Industry & Trade – Budget speeches 2024/25 and 2025/26 (cement production & demand)	Daily News (22 May 2024); The Guardian (14 May 2025)
Ministry of Works – Budget 2026/27 (TZS 2.47trn development)	TanzaniaInvest (May 2026)
National Bureau of Statistics – Statistical Abstract 2024 (cement output); quarterly GDP	Daily News (Dec 2025); Trading Economics
FYDP IV 2026/27–2030/31 targets; construction share of GDP	The Guardian (8 May 2026); TICGL
Holtec Consulting – Grey Cement Market in Tanzania (2024)	holtecnet.com
DSE closing prices: TCCL TZS 4,340 (4 Nov 2026), TPCC TZS 5,780 (30 Oct 2026)	MarketScreener; TanzaniaInvest DSE weekly report wk 44
Cement price increases (Jul 2026); PM directive on prices (Sep 2026)	The Citizen (9 Jul 2026); Daily News (16 Sep 2026)
Heidelberg standstill & going-concern disclosure	The EastAfrican (Sep 2025)
Amsons / Mbeya Cement US$320m expansion; Sinoma EPC (Dec 2025)	TanzaniaInvest; CemNet
Peer multiples: TPCC, HBM Nigeria, Dangote Cement, PPC, EAPC	StockAnalysis; MarketScreener; Kadoo Securities TPCC equity note (Aug 2025)

Rating framework: BUY >15% expected 12-month return · ACCUMULATE 5–15% · HOLD –5% to +5% · REDUCE/SELL ←5%.

Analyst certification

We, **Erick Sindatuma** and **Gilbert Ouma**, certify that the views expressed in this report accurately reflect our personal views about the subject company and its securities, and that no part of our compensation was, is or will be directly or indirectly related to the specific recommendation or views in this report.

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