Q1’25 Market Wrap-up & Outlook for Q2’25

SOLOMON Stockbrokers Limited

Date: 30th April 2025

Q1’25 Macro-Economic Overview

Economic growth remained resilient, with real GDP growth for FY’24 standing at 5.57% compared to 5.06% in FY’23. With economic growth for Q1’25 projected to remain stable at 5.5% with the key drivers behind the economic growth being the following economic sectors

- Finance & Insurance
- Agriculture
- Construction
- Mining & Quarrying
- Transport & Storage

Headline inflation for the year ended March 2025 stood at 3.3% compared to 3.0% as of March 2024 due to food inflation which stood 5.4% compared to 1.4% the year prior driven by the rise in food items such as

- Maize (19.65% YoY)
- Round Potatoes (11.40% YoY)
- Beans (10.57% YoY)
- Sorghum (5.25% YoY)
- Finger Millet (43.63% YoY)

Nonetheless its worth noting that core inflation has decelerated from 3.9% as of March 2024 to 2.2% as of March 2025

Foreign Exchange Reserves grew 12.16% from USD 4.97 billion in Feb 2024 to USD 5.58 billion in Feb 2025, with a 4.1-month import cover.

Exports grew 18.8% from USD 14.09 billion in Feb 2024 to USD 16.74 billion in Feb 2025, while imports experienced a slow growth of 9.17% to USD 17.51 billion in Feb 2025 from USD 16.04 billion Feb 2024.

Q1'25 Macro-Economic Overview

Fiscal Spending remained conservative with net deficits before grants between July 2024 and Jan 2025 standing at TZS 3.72 trillion which is 22.88% lower than the projected deficit of TZS 4.82 trillion during the same period.

This decrease was due to cost savings in interest payments, development expenditure and wages and salaries which saw a cumulative savings of TZS 1.31 trillion against the budget all while revenues saw a TZS 183.16 billion increase compared to budget during the same period with overall revenues standing at TZS 20.07 trillion during the 7-month period.

The government continued to maintain a less accommodative monetary policy stance in an effort to contain the pass-through effects of currency depreciation on inflation. This approach coincided with the Central Bank Rate remaining unchanged at 6% all while Reverse REPO rates rose by 95.63 basis point from 6.26% as of December 2024 to 7.21% in March 2025 with TZS 973.9 billion removed from circulation during Jan 2025.

Fixed income yields particularly for short and medium-term papers rose following an upward revision in their respective coupon rates. This will be covered in greater detail in the bonds section

Tanzania's macroeconomic outlook remains positive, with real GDP growth projected at 5.5% - 6.0% in 2024, driven by strong performance in finance, insurance, construction, and information and communications sectors. Key growth enablers include private sector credit expansion, investments in digital infrastructure, and major infrastructure projects.

Inflation is expected to stay remain below the 5% national target however it may rise in comparison to 2024 levels, following rising food inflation. All while global headwinds stemming from trade disruptions and the TZS's continued depreciation bring about rising core inflation and a worsened trade balance.

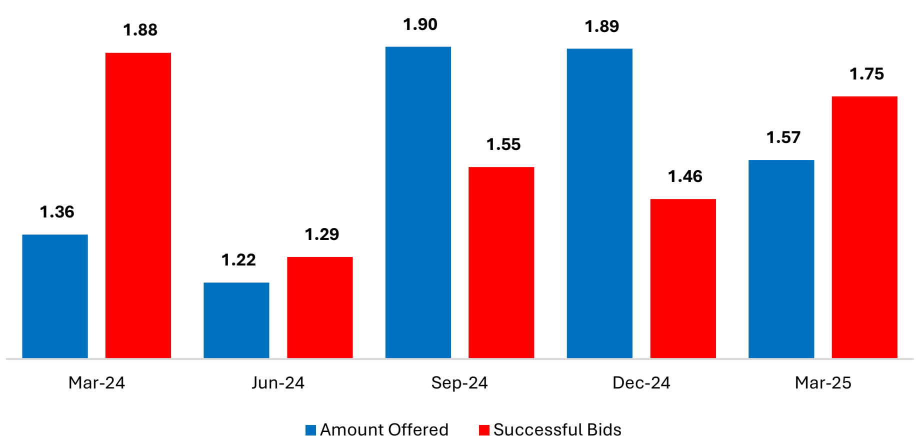
Fixed Income Instruments

Government Fixed Income Instruments: Primary Markets

In the first quarter of 2025, Tanzania's fixed-income primary markets saw significant activity. The government raised TZS 1.75 trillion from treasury bonds and bills, reflecting a 20.25% increase compared to Q4’24’s TZS 1.46 trillion, driven an improvement in the amounts raised from short and medium-term treasury papers and bonds such as the 364-Day Treasury Bill, 2-year, 5-year, 10-year and 15-year Treasury Bonds.

Nonetheless, amounts raised compared to Q1’24 lagged by 6.66% where the government raised TZS 1.88 trillion following strong inflows from the 364-Day Treasury Bill due to its attractive yield at the time and increased 20-year treasury bond auctions during the onset of the government’s program to re-open Treasury Bond auction of long-term papers. From a fiscal year point of view the government has raised TZS 4.77 trillion or 72.05% of its full year target compared to 79.65% of its full-year target during the same period last year. The reason to why collections have lagged marginally during the first 9 months of the current fiscal year being due to a reduction in long-term treasury bond auctions compared to last year.

Amount Offered Vs Total Successful Bids across Gvt Treasuries in Trillions TZS



Amounts Raised for across Q1’25

Fixed Income Instruments in Billions TZS	Amounts Offered	Amounts Raised	Difference
35 Days Treasury Bill	5.40	1.80	(3.60)
91 Days Treasury Bill	11.40	3.80	(7.60)
182 Days Treasury Bill	17.40	5.40	(12.00)
364 Days Treasury Bill	616.80	820.82	204.02
2-years Treasury Bond	73.87	24.61	(49.26)
5-years Treasury Bond			
10-years Treasury Bond	158.95	29.93	(129.03)
15-years Treasury Bond	141.02	141.49	0.47
20-years Treasury Bond	224.88	228.25	3.37
25-years Treasury Bond	247.97	348.83	100.86
Total Amount Raised	**1,571.56**	**1,754.92**	**183.36**

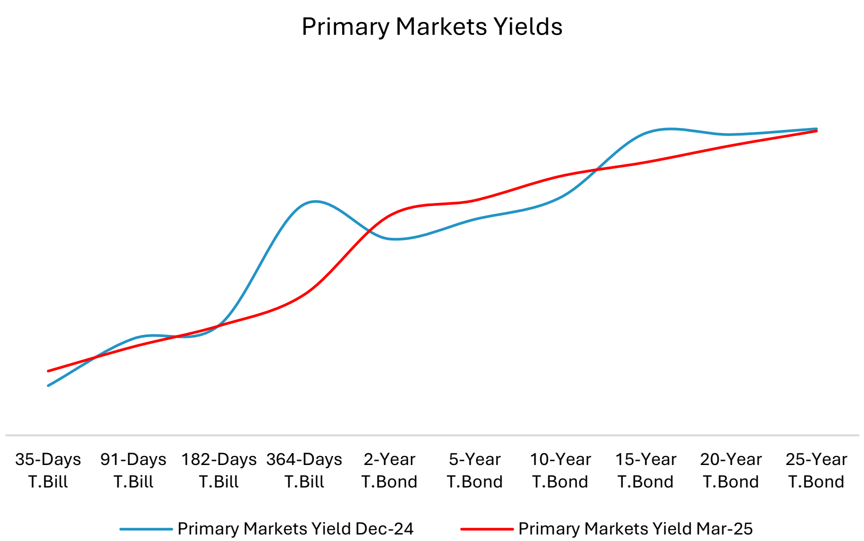
Source: Bank of Tanzania, Solomon Stockbrokers Research Department

Fixed Income Instruments

Government Fixed Income Instruments: Primary Markets

Q1'25 witnessed the Central Bank initiate the coupon determined pricing mechanism for government bonds to allow for greater transparency, competitive pricing, financial mobilization, and alignment of coupons from Treasury Bonds with that of broader interest rates and monetary policy. Implementation of the new pricing system saw coupons from the longer-term 20 and 25-year treasury bonds decrease marginally while those of short and medium-term papers increase drastically with the intention of aligning coupons to the market's pricing of these bonds in the form of yields from previous primary market auctions.

This initiative resulted in improved investor participation in the short and medium-term papers such as the 2-year, 5-year and 10-year bonds without significantly disrupting investor preference away from the long-term treasury bonds while also causing yields from the short and medium-term treasury bonds to rise at the expense of long-term yields.



Subscription Levels	2-Year T.Bond	5-Year T.Bond	10-Year T.Bond
Q1'24	7.18%	6.45%	33.95%
Q2'24	7.18%	6.45%	63.41%
Q3'24	7.18%	58.25%	44.41%
Q4'24	7.18%	64.79%	30.37%
Q1'25	87.22%	269.13%	53.47%

Source: Bank of Tanzania, Solomon Stockbrokers Research Department

Fixed Income Instruments

Corporate Bonds: Primary Markets

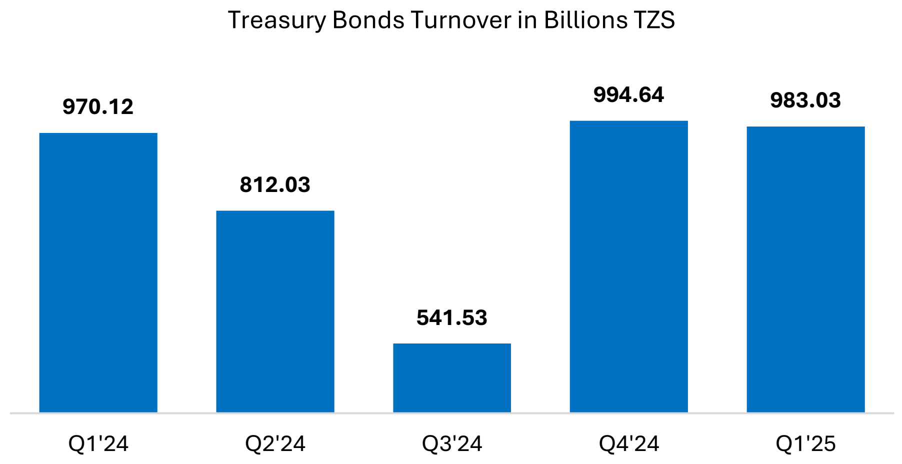
The primary markets kicked off with vibrancy in Q1'25 with the collections and subsequent listing of the Azania Bondi Yangu by Azania Bank and Samia Infrastructure Bond by CRDB Bank. The bond programs were able to raise a cumulative amount of TZS 386.36 billion against a target raise of TZS 180 billion which equates to a 214.64% subscription level

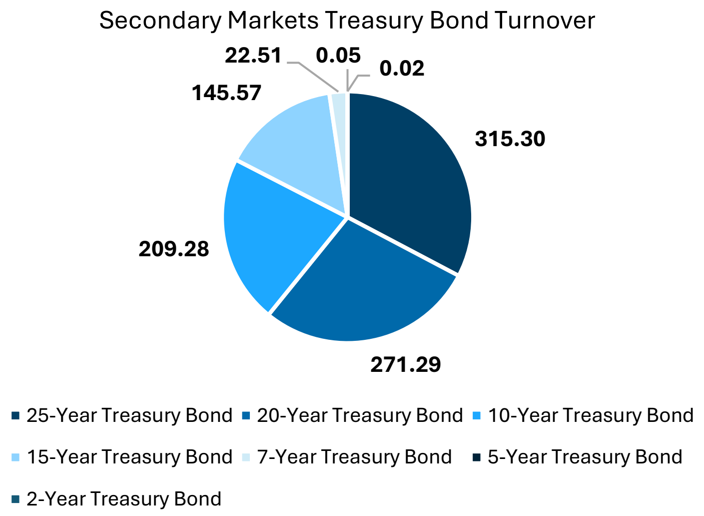
Amounts Raised for across Q1'25		
Corporate Bonds Issued	**Azania Bondi Yangu**	**Samia Infrastructure Bond**
Ticker	AZA	SAM
Tenor	4 years	5 years
Coupon Rate	12.50%	12.00%
Issue Date	6-Jan-25	10-Feb-25
Maturity Date	6-Jan-29	10-Feb-30
Total Amounts Offered	30.00	150.00
Total Amounts Received	63.27	323.09
Subscription Rates	210.89%	215.39%
Coupon Payday 1	6-Apr	10-May
Coupon Payday 2	6-Jul	10-Aug
Coupon Payday 3	6-Oct	10-Nov
Coupon Payday 4	6-Jan	10-Feb

Fixed Income Instruments

Government Fixed Income Instruments: Secondary Markets
The fixed income segment of the Dar es Salaam Stock Exchange saw a 1.17% drop in the transaction values of all treasury bonds traded from TZS 994.64 billion as of Q4’24 to TZS 983.03 billion as of Q1’25. The drop in turnover has been largely the fall in transactions for the 15 and 25-year treasury bonds however its worth highlighting that compared to Q1’24 turnovers are up 1.33% from TZS 970.12 billion.

Treasury Bonds that contributed the most turnover during Q1’25 include the 10, 20 and 25-year Treasury Bonds which have made up a total of 80.96% of the total treasury bond turnover. It’s also worth highlighting the reason behind the increased liquidity of the 10-year bond was due to TZS 55.07 billion worth of investors funds or 64.79% of the total amount offered by investors having missed out the bond in the primary markets due to underpricing below the minimum successful price putting pressure on investors funds to acquire the bond via the secondary markets’ avenue.





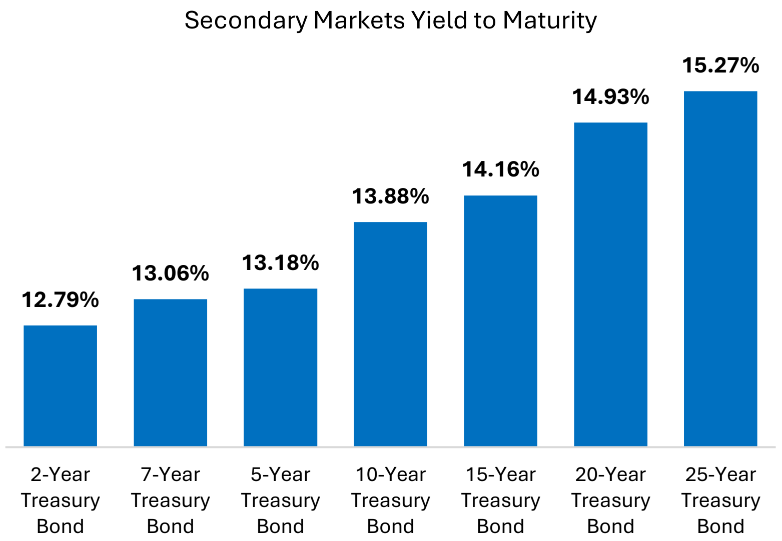
Source: Dar es Salaam Stock Exchange, Solomon Stockbrokers Research Department

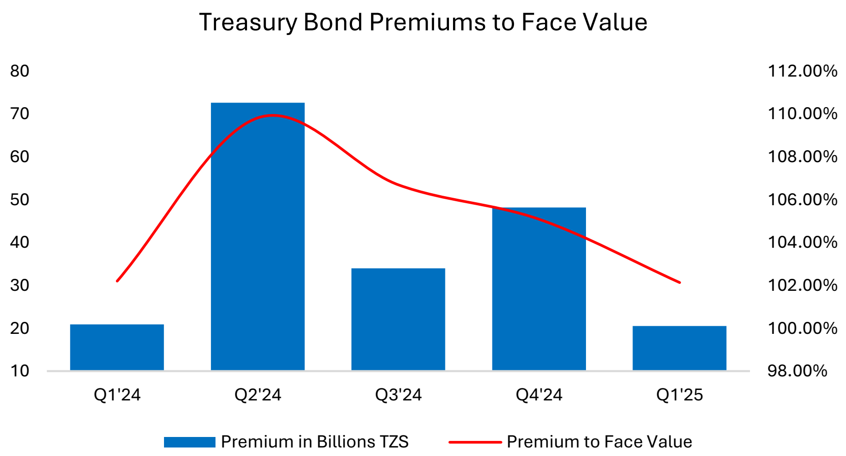
Fixed Income Instruments

Government Fixed Income Instruments: Secondary Markets

Secondary Markets Yields have fallen across the Yield curve with the exception being the 15-year and 25-year treasury bond. The reason behind the fall in yields could be driven the auctioning of higher coupon short and medium-term papers at prices close to par resulting in a conundrum where investors with the lower-coupon short and medium term papers would rather opt to hold to maturity than selling the bonds at steep losses in the secondary market leaving the only bonds available for trade being those of the recently auctioned high-coupon bonds in which are likely to trade higher than the weighted average price from the primary markets thus resulting to relatively lower yields.

Despite that average premium pricing in the secondary markets has fallen from 105.15% in Q4’24 to 102.26% in Q1’25 following a reduction in average premium prices from the 15-year and 25-year treasury bonds from 103.62% and 106.16% in Q4’24 to 101.87% and 105.82% in Q1’25 which also in turn led to these bonds being the only ones to experience an increase in yields during the quarter.

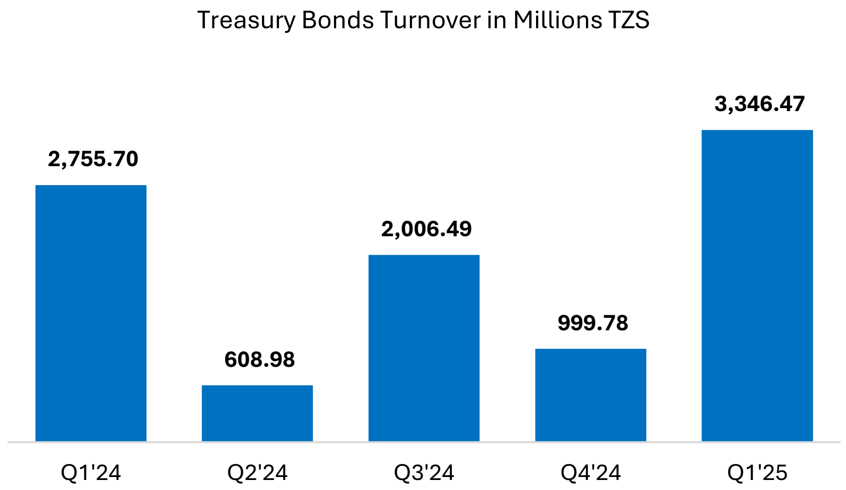


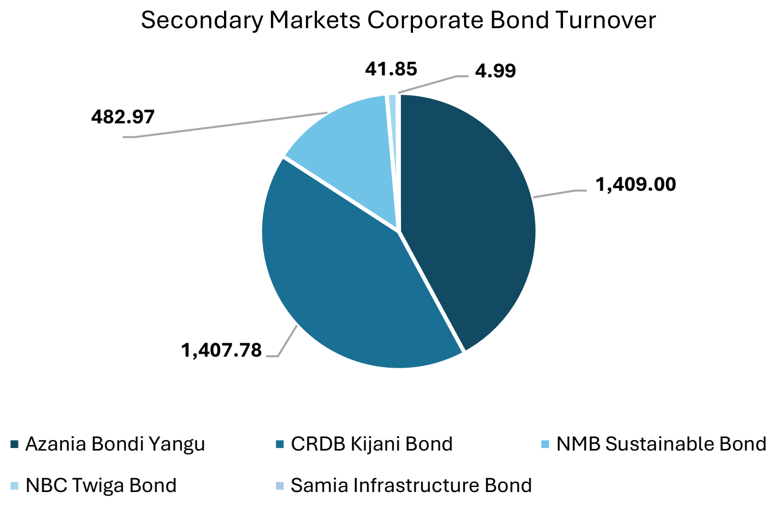


Fixed Income Instruments

Corporate Bonds: Secondary Markets

Corporate bond transactions surged by 234.72% during Q1’25 to TZS 3.35 billion from TZS 999.78 million, in large part due to increased trading of the Azania Bondi Yangu that was listed in Jan 2025 as well as increased trading of the CRDB Kijani Bond and NMB Sustainable Bond as investors particularly Collective Investment Schemes chase after the higher yields that have been traditionally offered by such corporate bonds in the secondary market in order to deliver competitive results for unitholders.



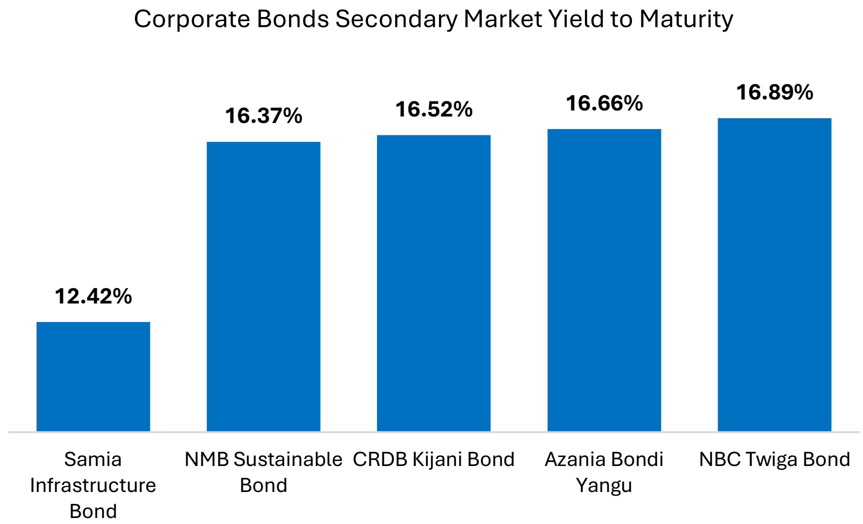


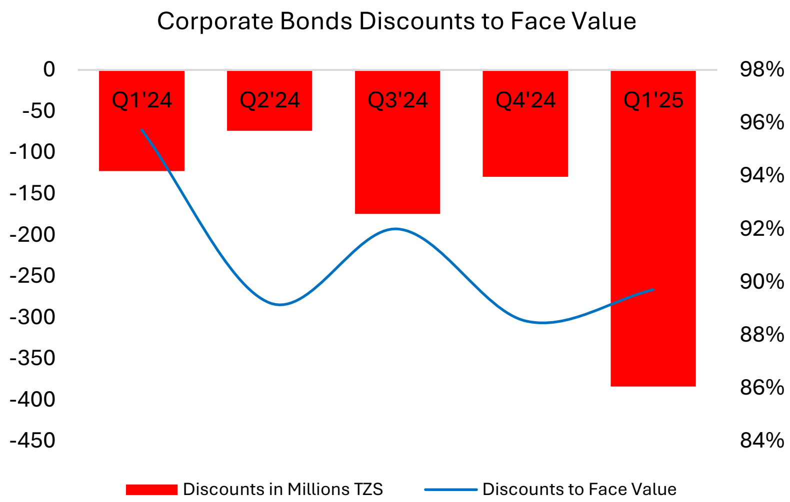
Source: Dar es Salaam Stock Exchange, Solomon Stockbrokers Research Department

Fixed Income Instruments

Corporate Bonds: Secondary Markets

Corporate Bond Yields continue to retain their premier status as the market continues to price them at steeper discounts in comparison to treasury bonds due to their non-risk free status. Average discounts from corporate bonds stood at 89.72% in Q1’25 with the discounts mainly stemming from the NBC Twiga Bond and CRDB Kijani Bond.





Source: Dar es Salaam Stock Exchange, Solomon Stockbrokers Research Department

Fixed Income Outlook for Q2'25

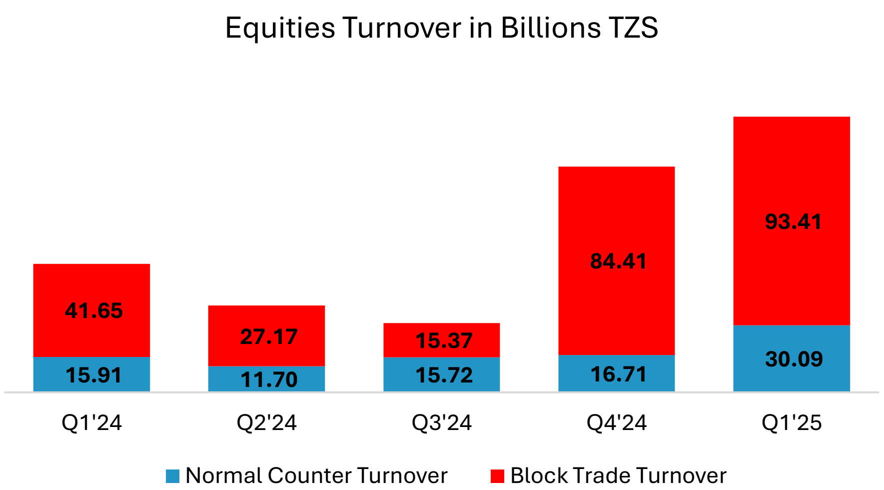
1. Scramble for long-term papers: Premium Pricing at hand

The new coupon-determined pricing system came with a bond auction schedule in favor for more short and medium-term papers in comparison to long-term treasury bonds unlike what presided in 2024. The reduction of long-term treasury bond auctions like the 20 and 25-year is likely to cause immense pressure in the long-term auctions that are remaining (3 to be precise between today and end of June) as these bonds remain scarce in both the and as the Central Bank steadily reaches its fiscal targets thus having less pressure to raise funds this may place pressure on investors who may have to auction the bonds for higher prices in order to secure their investments resulting in lower long-term yields. This has been evident with the reopened 20-year Treasury Bond which auctioned on April 3rd 2025 which saw its minimum successful price rise 66 basis points to 100.2611% from 99.6% in 19th Feb 2025 and the highest minimum price recorded since June 5th 2024.

2. Sticky Central Bank Rate – Elevated Primary Market Yields Continue

February 2025, saw the Central Bank unveil that it shall continue to take a less accommodative monetary policy stance in order to contain the pass-through effect of exchange rate depreciation on inflation while facilitating economic growth. We anticipate this to continue being the stance taken by the Central Bank towards the 2nd half of the 2025 which may result in a Central Bank Rate that sticks at 6% and primary market yields that continue to remain elevated particularly the short-and-medium term papers

Equities Markets



The Equities Markets started strong in 2025 with equities turnover having risen by 22.12% QoQ from TZS 101.12 billion in Q4’24 to TZS 123.50 billion in Q1’25 and a 114.54% increase compared to TZS 57.56 billion in Q1’24. This growth has largely been driven by block trades from counters such as TBL, TCC, CRDB and NMB by institutional investors such as pension funds and asset management firms coupled with increased retail transactions in the normal counter which are close to double in size than any quarter in 2024.

The increased transactions are a product of increased marketing and investor awareness, coupled with technological advancements and strong fundamentals.

TOP WINNERS

Co Name	Q1 Gains
CRDB	▲ 16.42%
NICO	▲ 14.06%
NMB	▲ 12.15%
TPCC	▲ 11.67%
MBP	▲ 9.68%
SWIS	▲ 9.09%
MKCB	▲ 7.41%
AFRIPRISE	▲ 6.98%

TOP LOSERS

Co Name	Q1 Gains
DCB	▼ 7.41%

Q1 Market Index Movements

Index	Gains
DSEI	▲ 7.49%
TSI	▲ 5.71%
IA	▲ 1.32%
BI	▲ 13.38%
CS	▲ 0.20%

Source: Dar es Salaam Stock Exchange, Solomon Stockbrokers Research Department

Equities Markets

Sectoral Performance

1. Financial Sector

The financial sector has recorded resilient returns during the first quarter of 2025 with broad based returns standing at 13.40%, returns have mainly been concentrated around the banking sector and closed ended mutual funds and due to strong profit growth recorded during the year 2024 and investor anticipation for higher dividend payments.

Furthermore, the banking sector has continued to show exceptionalism in financial performance with the recent release of Q1 results where CRDB, NMB, MKCB. MBP and DCB have seen a combined 24.86% growth in net profits from TZS 290.21 billion to TZS 362.36 billion driven by net revenue growth of 19.30% from TZS 753.59 billion in Q1'24 to TZS 899.02 billion in Q1'25 all while assets have grown 20.77% from TZS 27.05 trillion as of Q1'24 to TZS 32.67 trillion as of Q1'25

Company	28-Mar-25	52-Week High	52-Week Low	YTD Change	Market Cap in Billions TZS	Trailing 12 Months EPS	P/E Ratio	Book Value per Share	P/B Ratio	ROE	Latest Data
AFRIPRISE	230	270	180	▲ 6.98%	33.59	26.62	8.64	388.79	0.59	6.85%	Jun-24
CRDB	780	800	480	▲ 16.42%	2,037.23	228.71	3.41	910.77	0.86	25.11%	Mar-25
DCB	125	175	100	▼ 7.41%	20.37	10.11	12.36	194.93	0.64	5.19%	Dec-24
DSE	2,360	2,620	1,800	0.00%	56.22	188.96	12.49	1,342.53	1.76	14.07%	Dec-24
MBP	340	380	290	▲ 9.68%	10.20	126.51	2.69	760.12	0.45	16.64%	Mar-25
MCB	310	320	280	0.00%	19.17	1.26	246.03	254.02	1.22	0.50%	Dec-24
MKCB	580	640	500	▲ 7.41%	13.66	551.53	1.05	1,869.11	0.31	29.51%	Mar-25
MUCOBA	400	400	360	0.00%	13.07	2.79	143.59	110.79	3.61	2.51%	Dec-24
NICO	730	860	530	▲ 14.06%	45.00	147.16	4.96	2,637.43	0.28	5.58%	Dec-24
NMB	6,000	6,100	4,700	▲ 12.15%	3,000.00	1,382.80	4.34	5,485.81	1.09	25.21%	Mar-25
BI	6,558.01	6,558.01	4,935.68	▲ 13.38%	5,254.69	1,324.82	3.96	5,491.00	0.95	24.12%	

NOTE: The BI is an index that tracks all listed companies in the financial sector and its Trailing 12 months EPS and Book Value per Share is in billions TZS

Source: Listed Companies Financial Data, Solomon Stockbrokers Research Department

Equities Markets

Sectoral Performance (Cont.)
2. Manufacturing Sector

The manufacturing sector has seen modest growth during Q1’25 with the sector up by 1.32% driven by 11.67% quarterly gain in Twiga Cement share prices despite a 42.86% reduction in 2024 profits to TZS 56.67 from TZS 99.18 billion in 2023 driven by weak sales following weak cement demand and rising costs perhaps as investors are betting on the poor performance to rebound in FY’25 since long term prospects for infrastructure development and cement consumption at large remain strong.

Companies such as TBL and TCC saw a 11.80% and 70.73% growth in FY’24 earnings amounting to TZS 157.38 billion and TZS 113.84 billion respectively. The growth was brought about by stronger sales driven by increased volumes as well as increased production cost efficiencies during the second half of the year and increased cost optimization all while companies with this case completely reversing TBL’s financial fortunes during the second half of FY’24 from a depressing 48.49% drop in earnings during H1’24.

TOL saw a 89.33% increase in profits amounting to TZS 5.13 billion in 2024 from TZS 2.71 billion in 2023 due to stronger sales growth of 25.22% amounting to TZS 30.87 billion following increased production capacity and a recovery from 2023 production slowdowns.

Company	28-Mar-25	52-Week High	52-Week Low	YTD Change	Market Cap in Billions TZS	Trailing 12 Months EPS	P/E Ratio	Book Value per Share	P/B Ratio	ROE	Latest Data
TBL	10,900	10,400	10,400	0.00%	3,216.11	424.80	25.66	2,683.29	4.06	15.83%	Dec-24
TCC	17,000	16,200	16,200	0.00%	1,700.00	1,138.43	14.93	2,230.92	7.62	51.03%	Dec-24
TCCL	1,800	2,300	1,560	0.00%	114.61	-462.36	-3.89	-254.48	-7.07	0.00%	Dec-24
TOL	670	770	650	0.00%	38.53	89.22	7.51	535.64	1.25	16.66%	Dec-24
TPCC	4,020	4,400	3,000	▲ 11.67%	723.29	314.99	12.76	1,750.19	2.30	18.00%	Dec-24
IA	5,108.12	5,173.41	4,956.15	▲ 1.32%	5,803.95	268.88	21.59	1,349.41	4.30	19.93%	

NOTE: The IA is an index that tracks all listed companies in the production and manufacturing sector and its Trailing 12 months EPS and Book Value per Share is in billions TZS

Source: Listed Companies Financial Data, Solomon Stockbrokers Research Department

Equities Markets

Sectoral Performance (Cont.)
3. Commercial Services

The commercial services segment saw a 0.20% increase in quarterly capital gains stemming from a 9.09% increase in Swissport shares following a 49% increase in profits from TZS 3.71 billion in 2023 to TZS 5.09 billion in 2024 due to 26% growth in sales from TZS 40.93 billion in 2023 to TZS 51.47 billion in 2024 as tourism and international trade activities continue to surge in the country coupled with the revenue diversification strategies into accommodation services within the travel industry and well as prudent cost management.

Vodacom also posted strong financial performance during the 9 months ending December 2024 with profits having increased by 101.72% YoY to TZS 95.53 billion following stronger revenue growth from segments such as M-Pesa, Fixed and Mobile Data resulting coupled with decent cost containment strategies and an growing customer base of reliant consumers of digital services.

Company	28-Mar-25	52-Week High	52-Week Low	YTD Change	Market Cap in Billions TZS	Trailing 12 Months EPS	P/E Ratio	Book Value per Share	P/B Ratio	ROE	Latest Data
SWIS	1,200	1,300	900	▲ 9.09%	43.20	141.00	16.23	1,017.42	1.18	13.86%	Dec-24
VODA	770	800	740	0.00%	1,724.80	45.36	7.22	736.21	1.05	6.16%	Dec-24
CS	2,142.69	2,143.53	2,134.20	▲ 0.20%	1,768.00	106.67	15.80	1,349.41	4.30	19.93%	

NOTE: The CS is an index that tracks all listed companies in the Commercial Services sector and its Trailing 12 months EPS and Book Value per Share is in billions TZS

Source: Dar es Salaam Stock Exchange, Solomon Stockbrokers Research Department

Equities Markets Outlook

Sectorial Outlook

1. Share Price momentum to slow down ex-dividend

Most companies leading in gains have seen most of their gains fueled by strong fundamental performance for 2024 which in turn caused investors to price in more lucrative dividend payments in the company's shares with the likes of CRDB, NMB, SWIS and DSE being leading case examples, as most of these companies go on to declare and pay these dividends in the 2nd half share price growth is anticipated to slowdown resulting in a brief period of market stagnation which would likely be broken by half year financial results that are to begin rolling out in August of 2025 hence investors looking to buy shares can take advantage of pricing once the shares turn to their ex-dividend period.

2. Watch out for the unexpected

The banking sector as a whole has continued to strengthen quarter over quarter leading to a shared prosperity in revenues and profits across large and small banks, with Q1'25 results underway and banks such as Maendeleo, Mkombozi and DCB recording growing profits, containing NPLs and reducing Cost to Income ratios with some banks already in range with Central Bank requirements for eligible dividend payments, if this momentum goes on into 2025 and given than these companies have not seen as significant price discovery, it could lead to favorable market corrections allowing investors to make above average returns however caution should be taken with this strategy given that in the event of a downturn these banks are characterized with having their earnings eroded quite quickly compared to larger banks.

Thank You for Listening!

End of Presentation