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TPCPLC
AGM UPDATES
June 2024

TWIGA CEMENT 32nd ANNUAL GENERAL MEETING HIGHLIGHTS

On June 5th 2024, Twiga Cement held its 32nd Annual General Meeting. Here are some of the key takeaways from the event.

KEY CHALLENGES

1. Sales for the year ending 2023 decreased by 2.23%, dropping from TZS 501.37 billion in 2022 to TZS 490.17 billion. This decline was primarily due to a reduction in cement sales volume, particularly in the 4th quarter of 2023, caused by El-Nino rains which slowed construction projects and reduced cement demand. Additionally, government demand for cement decreased as most major infrastructure projects were nearing or at full completion.

2. The introduction of a TZS 1,000 excise duty per 50 kg of cement by the government in the 2023/24 financial year has raised costs for both the company and its customers. This tax diminishes the company's competitiveness in regional export markets and gives an edge to importers, as imported cement, such as cheaper Kenyan cement, is not subject to the same duty, leading to unfair competition against local manufacturers in Northern Tanzania.

3. Foreign exchange scarcity particularly that of US Dollar is hindering exports to regional markets and that could potentially hurt export sales of cement to other regional markets.

4. Despite being the only cement manufacturer which utilizes gas, a cleaner source of energy compared to coal, prices for gas have remained relatively higher which has in turn increased the company's production costs.

5. Port inefficiencies and delays are increasing the company's lead time and storage costs.

KEY STRENGTHS

1. The company's annual profits were up by 1.87% and closed at TZS 99.18 billion as of 31st December 2023 despite losing TZS 11.2 billion in sales revenue and this was mainly attributed by the company's operational cost efficiencies, one-time gains from disposing its plant, property and equipment and foreign exchange translation gains arising from a substantial cash position held in foreign currency.

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KEY STRENGTHS

Dividend payments remain stable at TZS 390 per share which remains unchanged from last year's dividend.

The company's carbon footprint per cement bag has dropped from 539 kg in 2022 to 504 kg per cement bag as of 2023 with carbon footprints declining further to 480 kg per cement as of latest internal data.

TANGA CEMENT ACQUISITION

Following the acquisition majority shares of Tanga Cement by Scancem International D.A. (Twiga Cements majority shareholder) from AfriSam Cement as of November 2023 at a target price of TZS 2,441.42 per share no indicative date has been provided on the when the acquisition of the remaining shares from minority shareholders will be bought out by Scancem International D.A, however the acquisition price is likely to remain unchanged at TZS 2,441.42 per share.

From an operational perspective, plans are in place to ensure there is sharing of resources between Twiga and Tanga Cement with a notable aspect being the trade of clinker from Tanga to Twiga Cement. Long term plans in place are to make Tanga Cement not just a raw material supplier but a competitive cement manufacturer which can be achieved by making the company as cost competitive as possible.

OUTLOOK

1. Cement demand and consumption are expected to increase from the second quarter of 2023 as the El-Nino rains subside. To capitalize on this, management has implemented strategies to focus more on the private sector, anticipating higher demand from private projects rather than relying only on government contracts.

2. Investments towards alternative fuels and energy sources such as Solar shall be made in order to address the company's high energy costs while simultaneously reducing its carbon footprint.

3. Capital Expenditures shall be made towards increasing the company's cement production capacity and securing limestone deposits in order to capitalize on growing cement demand in the future as the rate of population growth and urbanization in Tanzania are anticipated to remain high into the foreseeable future.

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