

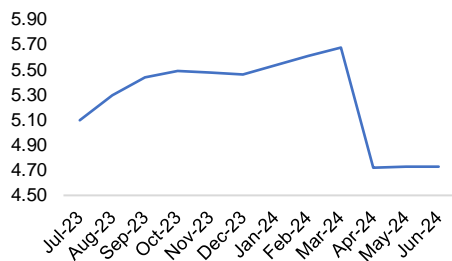
TCC PLC EARNINGS HIGHLIGHTS June 2024



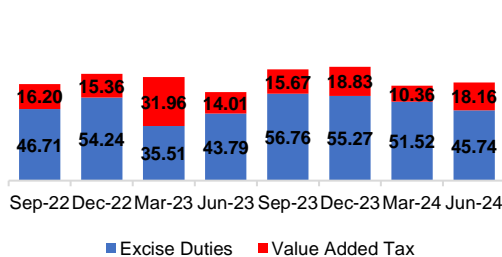
TCC PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING JUNE 2024

INDUSTRIAL OVERVIEW

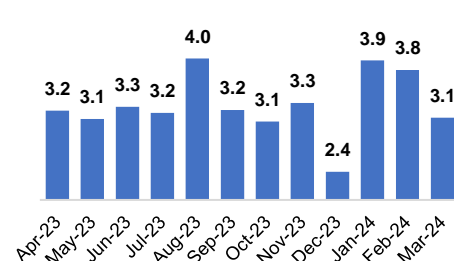
Tobacco Price Trend per KG in USD



Taxes Collected from Cigarettes in Billions TZS



Exportation of Manufactured Tobacco in Millions USD



INCOME STATEMENT ANALYSIS

Net Profits increased by 2.90%, from TZS 24.78 billion as of March 2024 to TZS 25.50 billion as of June 2024.

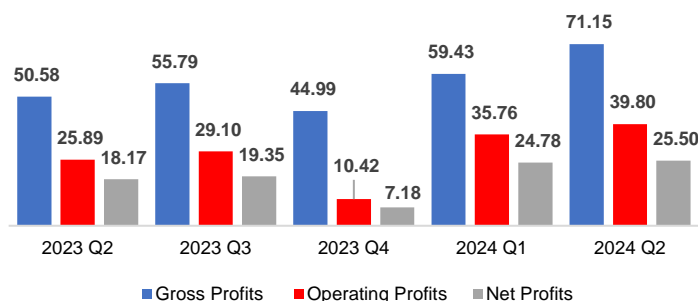
Possible Reasons:

Sales revenue surged by 5.27% during Q2'24, amounting to TZS 111.18 billion, due to increased sales volume following increased marketing spend and the use of its extensive distribution network and other strategies such as direct sales and partnerships with retailers. Cost of sales fell by 13.33% during Q2'24, amounting to TZS 40.03 billion, perhaps driven by falling tobacco prices. This, in totality, resulted in a 19.72% growth in the company's gross profits, amounting to TZS 25.50 billion, and an improvement in the company's gross profit margins from 56.27% in Q1'24 to 64.00% in Q2'24.

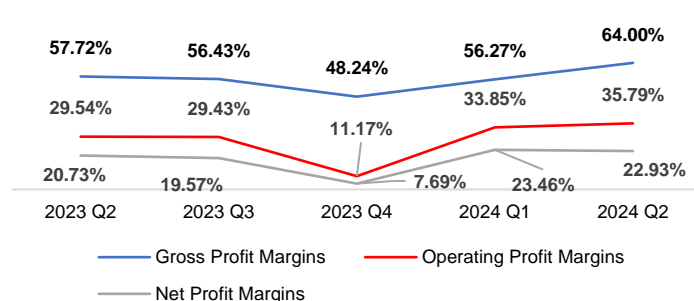
Underperformances in the Income Statement:

Despite improvements in the company's revenues and cost of sales, its operating expenses registered a 32.44% growth, amounting to TZS 31.36 billion during Q2'24, higher than the growth in gross profits recorded during the same period. This growth was attributed to a 537.13% increase in the company's "Other Expenses" line item, which we anticipate has been brought about by foreign currency losses arising from the payment of the company's foreign trade payables and borrowings.

TCC Profitability in Billions TZS



TCC Profit Margins Trend



Income Statement Analysis Amounts in Billions TZS	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Revenue	87.63	98.86	93.28	105.62	111.18
Growth Rate	-6.53%	12.81%	-5.65%	13.23%	5.27%
Operating Expenses	24.69	26.69	34.57	23.67	31.36
Growth Rate	11.36%	8.09%	29.52%	-31.52%	32.44%

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BALANCE SHEET STATEMENT ANALYSIS

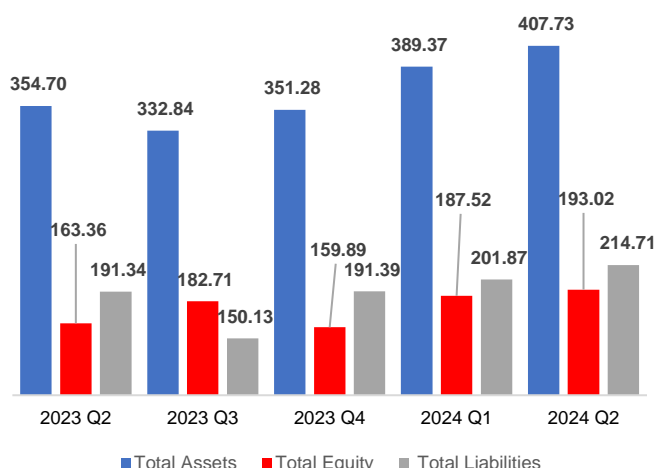
Total assets increased by 4.72% during the quarter ending June 2024, reaching TZS 407.73 billion in value.

Possible Reasons:

A 48.72% increase in the company's cash and cash equivalent amounting to TZS 81.82 billion during Q2'24 due to higher cash inflows from operating activities as a result of increased sales and reduced costs of production as well as a net borrowing of TZS 18.47 billion that was received to finance working capital and capital expenditure requirements.

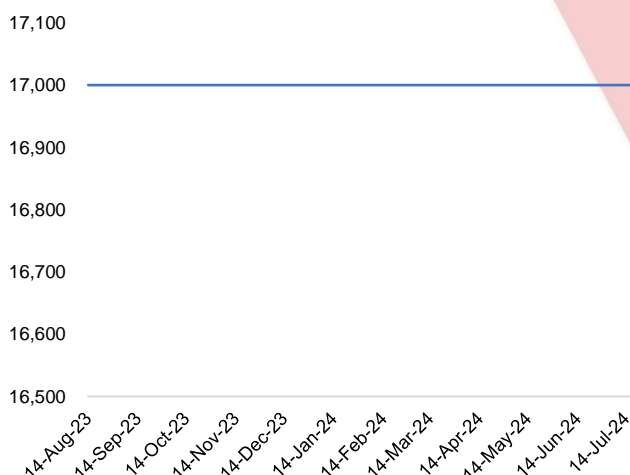
Asset growth was mainly financed by a 6.83% increase in current liabilities due to a 42% increase in the company's inter-company borrowings amounting to TZS 60.11 billion and a TZS 1.09 billion increase in its current tax payables. Due to increased profitability during the quarter, shareholder Equity recorded a 2.93% increase of TZS 193.02 billion.

TCC Plc Balance Sheet Highlights



INVESTORS' CORNER

TCC 52-Week Share Price Trend



Supporting Fundamentals

Ticker	TCC
Closing Price as of 19 th Aug 2024	TZS 17,000
Book Value per Share	TZS 1,930.21
P/B Ratio	8.81x
Annualized EPS	TZS 1,005.52
Annualized P/E Ratio	16.91x
Dividend per Share	TZS 500
Dividend Yield	2.94%

*Dividend of TZS 500 compared to Opening Price TZS 17,000 as of Jan 2nd 2024

OUTLOOK

TCC's half-year profits increased by 25.21%, from TZS 40.15 billion in the first half of 2023 to TZS 50.28 billion in the first half of 2024. This growth has mainly been supported by increased sales revenue and improved cost optimization strategies, particularly with the company's cost of sales. Despite the earnings growth, its shares have remained stagnant at TZS 17,000 as shareholders view the shares trading at an overvalued price compared to alternative manufacturing and finance companies where investors can earn more returns at a fairer or discounted share price valuation.

Looking ahead, the company's fundamentals seem strong, fueled by higher sales volume on the back of a strong distribution channel, customer spending, and aggressive sales strategies, as well as lower cost of sales due to falling tobacco prices, which for context have seen a 13.41% reduction in their monthly average prices from USD 5.46 per kg to USD 4.73 per kg in June 2024. However, the increased foreign inter-company borrowings and the company's exposure to foreign trade payables could magnify the company's foreign currency translation losses, which could put a dent in the company's profitability growth, as observed with the surge in the company's other expense line item during Q2'24

TCC PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING JUNE 2024

RATIO ANALYSIS

	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Capital Structure:								
Debt to Equity	58.69%	70.38%	74.00%	117.13%	82.17%	119.71%	107.65%	111.24%
Equity Multiplier	2.70	2.42	2.35	1.85	2.22	1.84	1.93	1.90
Interest Coverage	2795.18	9.36	15280.00	25888.00	4849.17	1737.17	51.30	40.08
Asset Quality:								
Total Asset Turnover	1.34	1.19	1.27	1.04	1.15	1.09	1.14	1.12
Inventory Turnover	1.61	1.32	1.35	1.04	1.12	1.24	1.10	0.96
Return on Assets	31.11%	23.55%	27.74%	20.49%	23.25%	8.17%	25.46%	25.01%
Management Quality:								
Revenue Growth	17.75%	-9.53%	14.46%	-6.53%	12.81%	-5.65%	13.23%	5.27%
Gross Profit Margins	53.60%	55.86%	56.24%	57.72%	56.43%	48.24%	56.27%	64.00%
Operating Profit Margins	33.96%	23.04%	32.59%	29.54%	29.43%	11.17%	33.85%	35.79%
Earnings Quality:								
Net Profit Growth	81.23%	-25.97%	36.78%	-17.36%	6.50%	-62.91%	245.26%	2.90%
Net Profit Margins	23.98%	19.62%	23.45%	20.73%	19.57%	7.69%	23.46%	22.93%
Return on Equity	49.36%	40.13%	48.27%	44.49%	42.36%	17.96%	52.86%	52.84%
Liquidity Ratio:								
Current Ratio	2.31	2.06	2.08	1.61	1.92	1.55	1.66	1.64
Quick Ratio	1.15	0.78	1.00	0.66	0.81	0.58	0.74	0.81
Cash Ratio	0.43	0.18	0.36	0.31	0.40	0.23	0.30	0.42

Quarterly Revenue and Profit Data has been annualized

ANALYST'S NAMES & CONTACTS

Emmanuel Matunda
emmanuel@solomon.co.tz

For further information please contact Us : 2124495 /2112874 /0764269090 /0714 269090

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PSSSF House, Ground Floor
Samora Avenue / Morogoro Road
P.O. Box 77049
Dar es Salaam

+255 764 269090
+255 714 269090



research@solomon.co.tz

[@sstockbrokers](#)

[#elimuYaUwekezajiHisa](#)

www.solomon.co.tz