

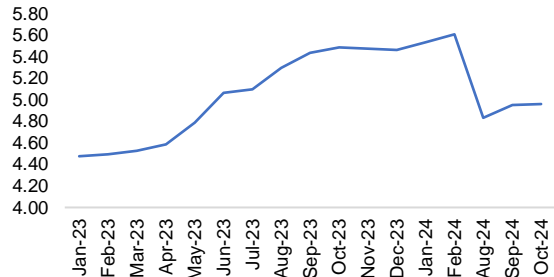
**TCC PLC  
EARNINGS  
HIGHLIGHTS  
Sept 2024**



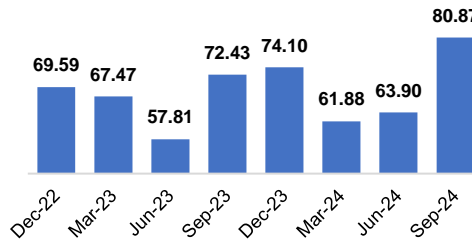
## TCC PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING SEPT 2024

### INDUSTRIAL OVERVIEW

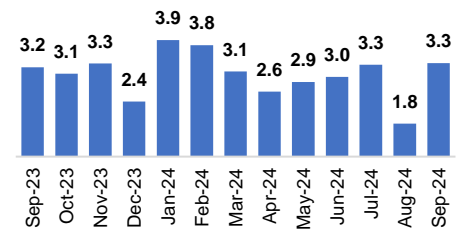
Tobacco Price Trend per KG in USD



Taxes Collected from Cigarette Sales In Billions TZS



Manufactured Tobacco Exports in Millions USD



### INCOME STATEMENT ANALYSIS

Net Profits increased by 42.71%, from TZS 25.50 billion as of June 2024 to TZS 36.39 billion as of Sept 2024.

#### Possible Reasons:

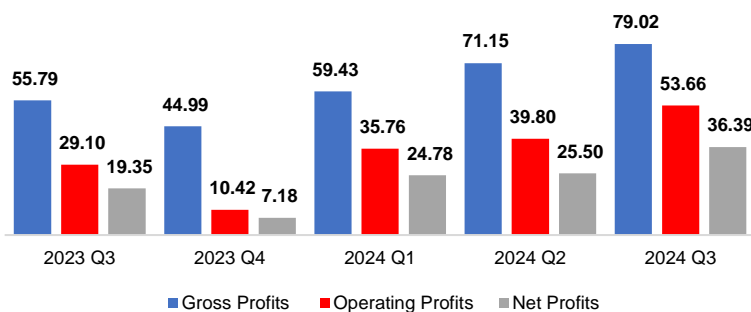
Sales revenue surged by 11.10% during Q3'24, amounting to TZS 123.52 billion, due to increased sales volume following the use of TCC's extensive distribution network and other strategies such as direct sales and partnerships with retailers.

Operating expenses registered a 19.11% drop of TZS 25.36 billion in Q3'24. The drop was brought about by a 12.67% decrease in Administrative Expenses, amounting to TZS 12.44 billion as of Q3'24, while Other expenses contracted by 81.43%, amounting to TZS 1.56 billion during Q3'24

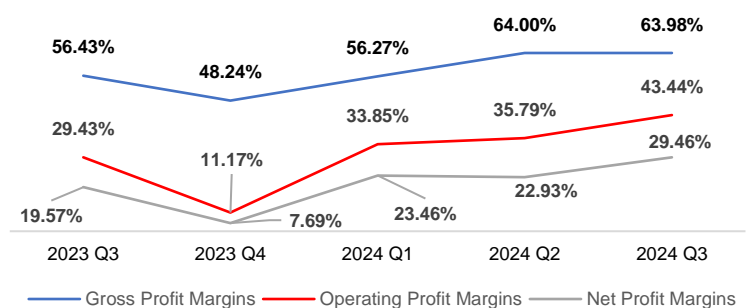
#### Underperformances in the Income Statement:

Interest expenses surged by 96.48% QoQ, amounting to TZS 1.95 billion as of Q3'24, following the payment of interest from an inter-company borrowing that was taken all the way until Q2'24, amounting to TZS 60.11 billion. It's worth noting that as of Q3'24, the borrowing has been fully paid for.

TCC Profitability in Billions TZS



TCC Profit Margins Trend



Income Statement Analysis Amounts in Billions TZS	Sep-23	Dec-23	Mar-24	Jun-24	Jun-24
Revenue	98.86	93.28	105.62	111.18	123.52
Growth Rate	12.81%	-5.65%	13.23%	5.27%	11.10%
Operating Expenses	26.69	34.57	23.67	31.36	25.36
Growth Rate	8.09%	29.52%	-31.52%	32.44%	-19.11%

# TCC PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING SEPT 2024

## BALANCE SHEET STATEMENT ANALYSIS

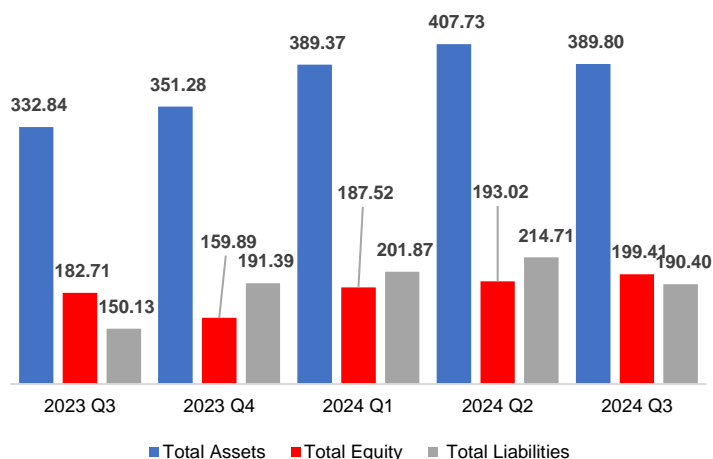
Total assets decreased by 4.40% during the quarter ending Sept 2024, reaching TZS 389.80 billion in value.

### Possible Reasons:

A 27.68% drop in the company's cash and cash equivalent amounting to TZS 59.16 billion during Q3'24 due to the repayment of a TZS 60.11 billion inter-company borrowing and a net Capital Expenditure worth TZS 6.03 billion.

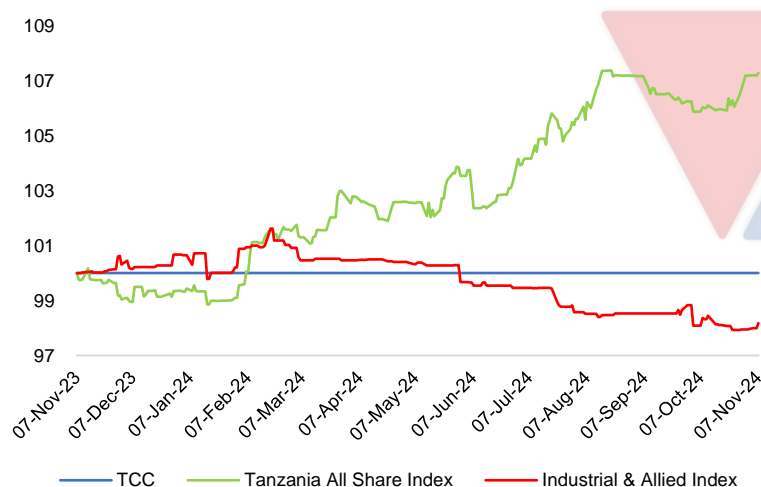
Asset growth was mainly financed by a 3.31% increase in shareholder's equity, amounting to TZS 199.41 billion, brought about by increased profitability from the first three quarters of 2024. This resulted in a 3.48% rise in retained earnings, amounting to TZS 189.86 billion. Liabilities shrunk by 11.33%, amounting to TZS 190.39 billion, brought about by the repayment of the inter-company borrowings described earlier.

TCC Plc Balance Sheet Highlights



## INVESTORS' CORNER

TCC Vs TSI & IA Index 52-Weeks Returns



### Supporting Fundamentals

Ticker	TCC
Closing Price as of 7 <sup>th</sup> November 2024	TZS 17,000
Book Value per Share	TZS 1,994.07
P/B Ratio	8.53x
Trailing EPS	TZS 938.41
P/E Ratio	18.11x
ROE	47.06%
ROA	24.07%

## OUTLOOK

TCC's profits for the nine months ending Sept 2023 have recorded a stronger growth of 45.64%, amounting to TZS 86.66 billion as of Sept 2023. This growth stems from stronger sales growth of 21.43%, amounting to TZS 340.32 billion, following increased investments into broadening TCC's distribution network and consistent spending on marketing and advertising the company's products. Increased cost optimization initiatives and falling prices of tobacco as a raw material for TCC have resulted in a slower growth in the cost of sales by 7.89%, amounting to TZS 130.71 billion, and a 9.29% increase in operating expenses, resulting in improved profitability margins. The only downside observed during the first nine months was an escalation in interest expenses by over 40335.56% from TZS 9 million in Q3'23 to TZS 3.64 billion in Q3'24. This escalation was brought about by increased inter-bank borrowings from TCC's parent company, Japan Tobacco International Holding, which was taken in foreign currency. Thus, the high interest rate environment coupled with the depreciation of the shilling against major currencies heightened TCC's interest expense bill. Regardless, it's worth noting that the borrowing was taken with the intention of improving upon working capital and capital expenditure requirements and as of Q3'23 the borrowing has been paid in full.

Moving into the final quarter of the year, we anticipate a drop in sales and profits as it has been a recurring trend since TCC was required to publish its quarterly results in 2022, perhaps due to the cyclical nature of the cigarette business. Nonetheless, we believe that the company's strong cost containment initiatives will result in lower pressures on the business' margins and won't have a significant impact on the overall full-year results, which an investor ought to keep in mind that just from the first three quarters the company has already outperformed its FY'23 profits by 30%. Despite the impressive results, it's worth mentioning that the company's shares priced at TZS 17,000 are still overvalued both from a comparative and future cashflow perspective.

# TCC PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING SEPT 2024

## RATIO ANALYSIS

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
<b>Capital Structure:</b>								
Debt to Equity	70.38%	74.00%	117.13%	82.17%	119.71%	107.65%	111.24%	95.48%
Equity Multiplier	2.42	2.35	1.85	2.22	1.84	1.93	1.90	2.05
Interest Coverage	9.36	15,280.00	25,888.00	4,849.17	1,737.17	51.30	40.08	27.50
<b>Asset Quality:</b>								
Total Asset Turnover	1.19	1.27	1.04	1.15	1.09	1.14	1.12	1.24
Inventory Turnover	1.32	1.35	1.04	1.12	1.24	1.10	0.96	1.07
Return on Assets	23.55%	27.74%	20.49%	23.25%	8.17%	25.46%	25.01%	37.34%
<b>Management Quality:</b>								
Revenue Growth	-9.53%	14.46%	-6.53%	12.81%	-5.65%	13.23%	5.27%	11.10%
Gross Profit Margins	55.86%	56.24%	57.72%	56.43%	48.24%	56.27%	64.00%	63.98%
Operating Profit Margins	23.04%	32.59%	29.54%	29.43%	11.17%	33.85%	35.79%	43.44%
<b>Earnings Quality:</b>								
Net Profit Growth	-25.97%	36.78%	-17.36%	6.50%	-62.91%	245.26%	2.90%	42.71%
Net Profit Margins	19.62%	23.45%	20.73%	19.57%	7.69%	23.46%	22.93%	29.46%
Return on Equity	40.13%	48.27%	44.49%	42.36%	17.96%	52.86%	52.84%	72.99%
<b>Liquidity Ratio:</b>								
Current Ratio	2.06	2.08	1.61	1.92	1.55	1.66	1.64	1.77
Quick Ratio	0.78	1.00	0.66	0.81	0.58	0.74	0.81	0.78
Cash Ratio	0.18	0.36	0.31	0.40	0.23	0.30	0.42	0.35

*Quarterly Revenue and Profit Data has been annualized*

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