



Tanzania Breweries Limited Valuation Report

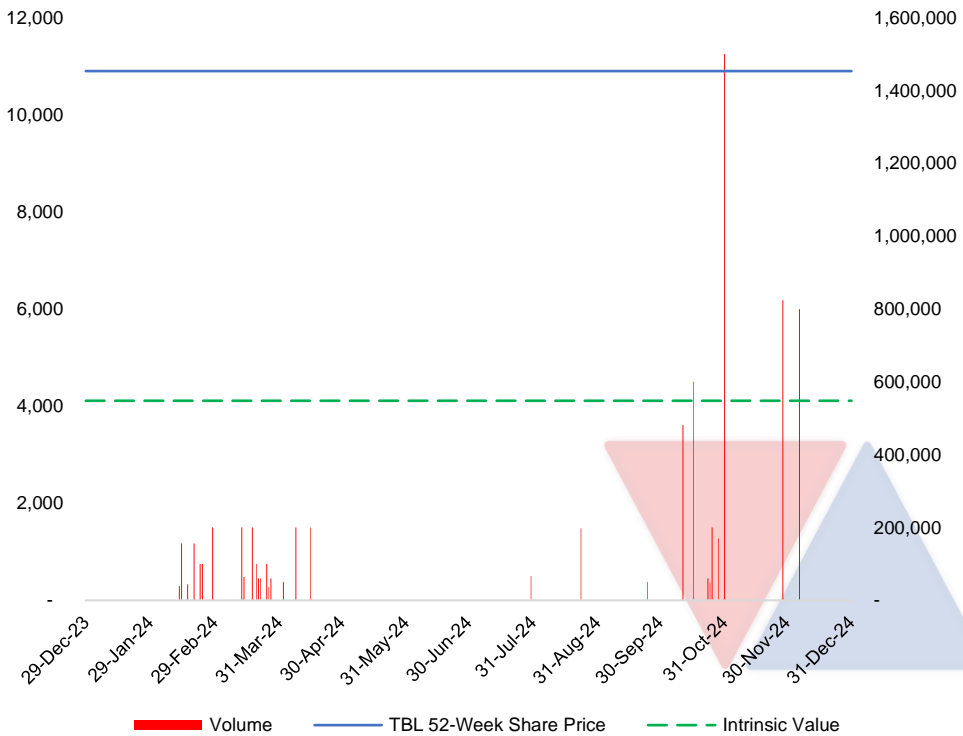
December 2024



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TBL Valuation Report – December 2024

TBL 52-Week Share Price Trend



Key Highlights

Company Name:	Tanzania Breweries Ltd
Company Ticker	TBL
Share Price as of Dec 31 st 2024	TZS 10,900
Target Price	TZS 4,110.21
Upside	▼ 62.69%
Recommendation	Strong Sell
Year-to-Date Return	0.00%
Dividend per Share (FY 2023)	TZS 537
Earning per Share (FY 2023)	TZS 436.49
P/E Ratio	24.97x
Book Value per Share (FY 2023)	TZS 2,794.05
P/B Ratio	3.90x

Executive Summary

Tanzania Breweries Limited (TBL), established in 1933, is a leading player in Tanzania's beverage industry and a member of the global AB InBev Group. With a diverse portfolio of beer, spirits, and non-alcoholic beverages, TBL has a strong market presence, commanding approximately 70% of the Tanzanian beer market. The company has demonstrated resilience and growth, supported by its commitment to sustainability, innovation, and community engagement. TBL's financial performance shows steady revenue growth, driven by local sales and strategic investments in digital platforms and distribution systems. Despite challenges in cost containment, TBL is poised for future growth, supported by its new Kilimanjaro Malting Plant and a focus on sustainable practices.

Investment Thesis

1. Stagnant Profitability and Inefficient Cost Management: Despite steady revenue growth, TBL's net profits have stagnated over the past five years, with a compound annual growth rate (CAGR) of -2.69%. The company's inability to effectively manage costs, particularly in the face of rising excise duties and raw material prices, raises concerns about its ability to improve profitability in the near term.

2. High Valuation and Limited Upside Potential: TBL's current valuation, based on a discount rate of 22.99% and projected growth assumptions, suggests limited upside potential. The company's reliance on retained earnings for growth and a marginal contraction in liabilities indicates a conservative approach to leveraging opportunities.

Company Overview

Company Background:

Tanzania Breweries Limited (TBL) was established in 1933, making it the oldest company in Tanzania. Over its 90-year history, TBL has grown from a small local brewery to a leading player in the Tanzanian beverage industry. The company has weathered significant historical events, including World War II, Tanzania's independence in 1961, and economic liberalization in the 1990s. Today, TBL is a member of the AB InBev Group, one of the world's largest brewing companies, and operates four breweries and a distillery across Tanzania. TBL produces a diverse portfolio of beer, spirits, and non-alcoholic beverages, with popular brands such as Safari Lager, Kilimanjaro Premium Lager, and Konyagi. The company is also listed on the Dar es Salaam Stock Exchange and is a major contributor to Tanzania's economy, supporting over a million jobs through its supply chain.

Mission and Vision:

TBL's mission is to create a future with more cheers by delivering high-quality beverages, fostering community engagement, and driving sustainable growth. The company aims to be the most sustainable brewer in Africa by 2030, focusing on reducing its environmental footprint and promoting responsible drinking.

Company Products

TBL offers a diverse range of alcoholic and non-alcoholic beverages catering to various consumer preferences. The company's product portfolio includes Beer, Wines, and Spirits



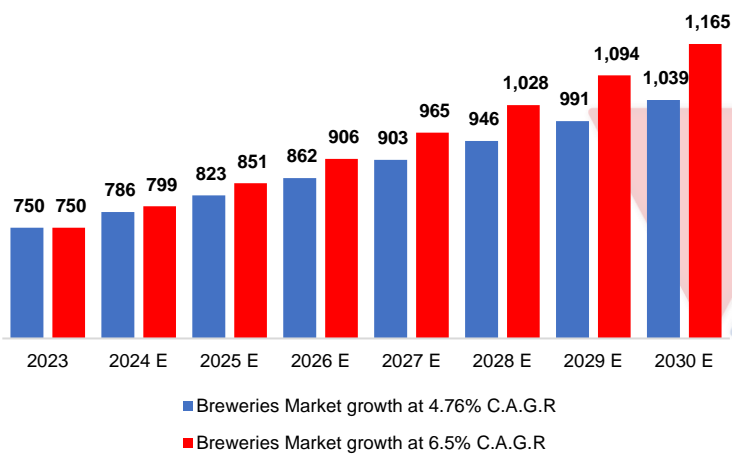
Tanzania Breweries Limited Brands

Industry Analysis

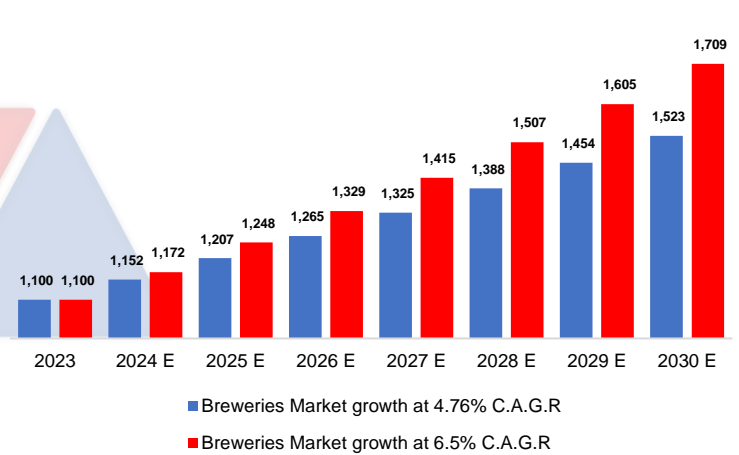
Global Breweries Market Overview

The beer market is one of the largest segments within the global beverage industry, with a global valuation ranging between USD 750 billion – USD 1.1 trillion as of 2023. The market is estimated to grow at a Compound Annual Growth Rate ranging between 4.76% - 6.5% from 2024 – 2030 due to increasing demand for craft beers, flavored beers, and low-alcohol or non-alcoholic beer options. Coupled with the rising consumption of beer in emerging economies due to rising disposable incomes and large demographics, as well as the expansion of e-commerce platforms for alcohol sales.

Projected Breweries Market Growth from USD 750 Billion in 2023



Projected Breweries Market Growth from USD 1.1 Trillion in 2023



Key Trends Shaping the Market

- Rise of Craft Beer:** Craft beer, which is beer that is made in a traditional or non-mechanized way, has been a new growth segment in the beer industry, particularly in North America and Europe, as consumers seek unique flavors and locally brewed options that also comes brings forth unique social cohesion and identity amongst members of a community.
- Reinvigorating approaches to innovation:** Millennials and Gen-Zs have developed newer preferences and tastes in the brewery market centered around reducing or eliminating the alcoholic concentration in beer due to increased health concerns and the need for more flavored beer. Their increasing influence on beer sales has thus brought about the need amongst brewery manufacturers to innovate newer beverages that meet these unique demands.
- Sustainability:** Breweries are increasingly adopting sustainable practices, such as using eco-friendly packaging, reducing water usage, and sourcing local ingredients, to appeal to environmentally conscious consumers and investors and attain cost savings and improved productivity to sustain long-term profitability.
- E-Commerce Growth:** Online beer sales have surged, particularly during and after the COVID-19 pandemic, and this trend is expected to continue as consumers embrace the convenience and option of home delivery over beer consumption in social gatherings.
- Premiumization:** Consumers are willing to pay more for high-quality, premium beers, which is driving the growth of the luxury beer segment.

Industry Analysis

Geographic Segments Influencing Growth

1. Asia-Pacific: This region is the fastest-growing market for beer, driven by rising disposable incomes, urbanization, and a robust population. Countries like China, India, and Vietnam are key contributors to this growth.
2. North America & Europe: In North America, the U.S. and Canada are seeing strong demand for craft beers and non-alcoholic options. The region is also a hub for innovation in beer flavors and brewing techniques, while Europe remains a mature market with a strong beer culture. However, growth is being driven by the popularity of craft beers and low-alcohol options, particularly in Western Europe.
3. Latin America, the Middle East, and Africa: Countries like Brazil and Mexico are significant markets for beer in Latin America, with a strong preference for traditional lagers. However, craft beer is also gaining traction in urban areas. Countries in the Middle East and Africa are experiencing moderate growth, with increasing demand for beer in countries like South Africa, Tanzania, and Nigeria. However, cultural and regulatory challenges in some areas limit market expansion.

Key Players Shaping the Market

The global beer market is dominated by a mix of multinational corporations and smaller craft breweries. Some of the key players include:

Anheuser-Busch InBev: The world's largest brewer, known for brands like Budweiser, Corona, and Stella Artois.

Heineken: A leading global brewer with a strong presence in Europe and emerging markets.

Carlsberg: Known for its premium and craft beer offerings, Carlsberg has a significant market share in Europe and Asia.

Molson Coors: A major player in North America, with brands like Coors Light and Miller Lite.

Asahi Group Holdings: A leading brewer in Japan with a growing presence in Europe and other regions.

Craft Breweries: Smaller, independent breweries like BrewDog, Sierra Nevada, and Boston Beer Company are driving innovation and capturing market share with unique flavors and branding.



Global Beer Brands

Industry Analysis

Competitive Landscape

The beer market is highly competitive, with large multinational companies competing with smaller craft breweries. Key competitive strategies include:

Product Innovation: Companies invest in new flavors, packaging, and brewing techniques to differentiate themselves.

Mergers and Acquisitions: Larger breweries are acquiring craft breweries to expand their portfolios and tap into niche markets.

Sustainability Initiatives: Breweries are focusing on sustainability to attract environmentally conscious consumers.

Geographic Expansion: Companies are entering emerging markets to capitalize on growing demand.

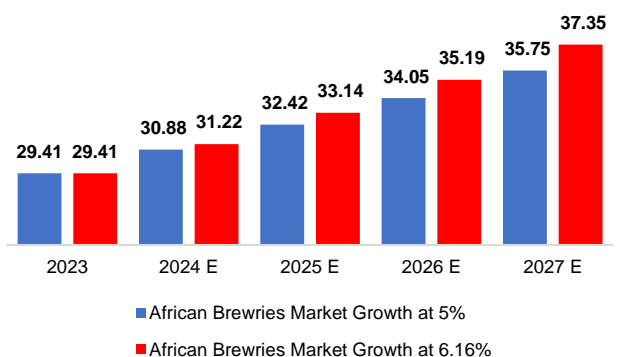
Outlook for the Beer Market

The global beer market is expected to continue its growth trajectory, driven by rising disposable incomes and urbanization in Asia-Pacific, Latin America, and Africa, which will continue to fuel demand. Continued flavors, brewing techniques, and packaging innovation will attract new consumers. The demand for low-alcohol and non-alcoholic beers is expected to grow as health-consciousness increases. Online sales platforms will be crucial in expanding consumer market reach and convenience. Breweries that adopt sustainable practices will gain a competitive edge. However, regulatory restrictions, fluctuating raw material costs, and cultural barriers in certain regions may hinder growth. Overall, the beer market is poised for steady growth, with opportunities for both established players and new entrants to innovate and capture market share.

African Breweries Market Overview

According to Statista, the African Beer Market is estimated to have generated revenues of around USD 29.41 billion in 2023. Despite this sheer size, the African continent is still amongst the lowest beer consumers in the world, mainly due to low disposable income levels compared to other market segments. Nonetheless, with the market's revenue is projected to sustain an annual growth rate between 5% - 6.16% between 2023 – 2027, driven by Africa's growing market size of eligible drinkers and rising disposable incomes.

African Breweries Market Projected Growth



Competition in the African market remains fierce and concentrated amongst a few key players, namely Heineken, Castel, AB InBev, and Diageo, who are estimated to have a combined market share of 93%. From a production standpoint, South Africa leads in beer production with 35.1 million hectoliters produced in 2023, followed by Nigeria with 17.73 million hectoliters and Ethiopia with 12.67 million hectoliters.

Industry Analysis

From an economic standpoint, the sector also contributes a significant proportion of GDP. According to a 2022 paper by Oxford Economics, the gross value added by beer is estimated at USD 13.9 billion to the economy, with a contribution to government revenue standing at USD 6.4 billion, all while creating 2.8 million jobs.

Tanzania Breweries Market Overview

Beer consumption in Tanzania The Tanzanian brewery industry has been dominated by 2 major players, namely Tanzanian Breweries Ltd and Serengeti Breweries Ltd, whose collective market share sits at around 98%. Beer consumption per capita, according to FAOSTAT, has also been rising steadily from a low of 6.62 liters in 2020 due to COVID-19 lockdowns to 8 liters as of 2023, making the country the 57th largest beer consumer per capita globally.

The beer industry in Tanzania plays a significant role in the country's economy, contributing substantially to GDP, employment, and tax revenues. In 2019, the sector supported a total gross value added (GVA) contribution of TSh. 2.2 trillion to GDP, equivalent to 1.6% of the economy, and provided 473,000 jobs, or 1 in every 53 jobs in the country. The industry also generated TSh. 890 billion in tax revenues, with a large portion coming from sales tax and excise duties. Brewers, in particular, are highly productive, with employees generating nearly 69 times the GVA of the average Tanzanian worker. The sector's impact extends beyond brewing to include downstream activities like distribution and retail, which further stimulate economic activity and job creation. Overall, the beer industry is a vital component of Tanzania's economic landscape, supporting livelihoods and government revenues.

Competitive Analysis

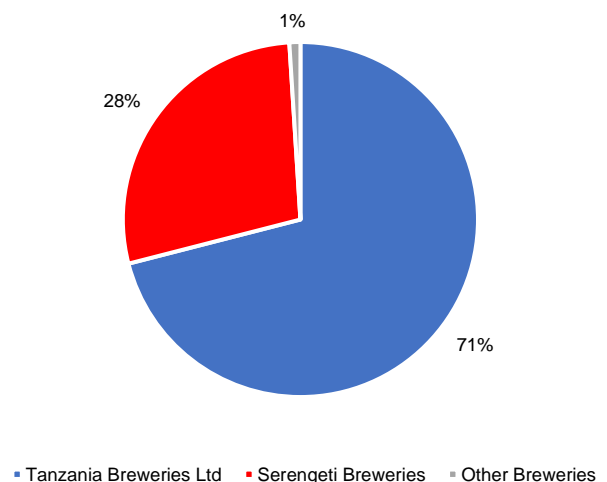
Despite commanding approximately 71% of the beer market share TBL faces direct competitors who are detailed further below:

Direct Competitors:

Serengeti Breweries Ltd

Tanzania's second largest breweries manufacturing company with an estimated 28% market share as of 2021. The company holds a collection of 32 brands across the Beer, Whiskey, Gin, Vodka, Tequila, and RTDs segments. During the year ending June 2024, the company recorded net revenue of KES 17.37 billion (approx. TZS 353.36 billion) and a loss of KES 891.73 million (TZS 18.14 billion), according to its parent company's 2024 annual report.

Tanzania Breweries Market Share



Qingdao-Sino Tanzanian Breweries, Crafty Dee's Brewing Company Ltd, U'R Industries Ltd/Twiga Brew.

These micro-breweries specialize in the creation of craft beer that is meant to meet the unique tastes and preferences of niche localized markets. Together, these three breweries make up around 1% of Tanzania's breweries market share.

SWOT Analysis

Strengths:

- 1. Market Leadership:** TBL commands approximately 70% of the Tanzanian beer market, supported by a strong portfolio of popular brands like Safari Lager and Konyagi.
- 2. Diverse Product Range:** The company offers a wide variety of alcoholic and non-alcoholic beverages, catering to different consumer preferences, including low-alcohol and craft beer options.
- 3. Sustainability Initiatives:** TBL's commitment to ESG principles, such as water conservation, carbon emissions reduction, and sustainable packaging, enhances its reputation and operational efficiency.
- 4. Strong Parent Company:** As part of the AB InBev Group, TBL benefits from global expertise, resources, and best practices in the brewing industry.

Weaknesses:

- 1. Stagnant Profitability:** Net profits have shown a -2.69% CAGR over the past five years, reflecting challenges in cost containment and rising production expenses.
- 2. Heavy Reliance on Local Market:** 98% of TBL's revenue comes from local sales, making it vulnerable to domestic economic fluctuations and regulatory changes.
- 3. High Excise Duties:** Rising excise duties on alcoholic products have increased production costs, squeezing profit margins.
- 4. Limited Geographic Diversification:** TBL's operations are primarily concentrated in Tanzania, limiting its exposure to faster-growing international markets.

Opportunities:

- 1. Growing Demand for Low-Alcohol and Non-Alcoholic Beverages:** Increasing health consciousness among consumers presents an opportunity for TBL to expand its product offerings in this segment.
- 2. Digital Transformation:** Investments in digital platforms like BEES can improve distribution efficiency and customer engagement, driving sales growth.
- 3. Sustainability Trends:** TBL's focus on sustainable practices aligns with global trends, potentially attracting environmentally conscious consumers and investors.
- 4. Agricultural Development:** The new Kilimanjaro Malting Plant can reduce reliance on imported raw materials, lowering costs and supporting local farming communities.

Threats:

- 1. Regulatory Risks:** Fluctuating excise duties and potential regulatory changes in Tanzania could increase operational costs and impact profitability.
- 2. Intense Competition:** TBL faces strong competition from Serengeti Breweries and emerging craft breweries, which could erode market share.
- 3. Foreign Currency Risks:** The implications of a TZS weakening against hard currencies expose TBL to an expansion in foreign liabilities financing and increased importation costs.
- 4. Supply Chain Disruptions:** Rising raw material costs (e.g., barley) and potential supply chain disruptions could impact production and profitability.

ESG & Sustainability

Tanzania Breweries Limited (TBL) demonstrates a strong commitment to Environmental, Social, and Governance (ESG) principles, as outlined in its Annual Reports. The company integrates ESG considerations into its core operations, aligning with global sustainability goals and local community needs.

1. Environmental Commitments

TBL has made significant strides in reducing its environmental footprint and promoting sustainable practices. Key initiatives include:

Water Conservation: TBL has implemented a Water Security Project in collaboration with the World Wildlife Fund (WWF) to protect water sources along the Msimbazi, Kizinga, and Ruvu rivers. In 2023, the company planted 4,000 water-friendly trees and installed 800 reinforced concrete beacons to demarcate riparian zones, covering approximately 240 hectares. TBL achieved a water use efficiency ratio of 2.72 hectoliters per hectoliter of production, a 16.82% improvement from the 2017 baseline.

Carbon Emissions Reduction: TBL is actively working to reduce its carbon emissions. In 2023, the company increased its renewable electricity usage to 25% and is exploring further renewable energy options. However, carbon emissions increased by 23.3% due to higher production volumes. TBL is committed to decarbonizing its operations and has initiated tree-planting programs to offset carbon emissions.

Circular Economy: TBL is working towards AB InBev's global goal of ensuring 100% of its packaging is either returnable or made from majority recycled content by 2025. In 2023, TBL achieved a returnability rate of 94.07% and increased the recycled content in its glass bottles to 33%.

Waste Management: TBL is focused on reducing waste and improving recycling. The company aims to achieve near-zero landfill production waste in its brewing operations and is exploring ways to recycle non-returnable glass bottles and cans.

2. Social Commitments

TBL is deeply committed to social responsibility, particularly in the areas of community engagement, responsible drinking, and employee welfare. **Responsible Drinking:** TBL launched the "Enjoy Kama Boss" campaign to promote responsible drinking among Tanzanian youth. The campaign aligns with TBL's global Smart Drinking goal of reducing harmful alcohol consumption by 10% by 2025. Additionally, TBL introduced a Smart Drinking Guidance Label to educate consumers about responsible alcohol consumption.

Community Engagement: TBL's "Brewing Better Communities" program supports local businesses and promotes economic development. The company partners with local farmers to source raw materials, with 74% of its raw materials procured locally, supporting over a million jobs in the supply chain. TBL also invests in agricultural development, such as the Kilimanjaro Malting Plant, which will process locally grown barley, benefiting farming communities.

Employee Welfare: TBL is committed to creating a safe and inclusive work environment. The company provides comprehensive training programs, medical assistance, and financial support to its employees. In 2023, TBL spent TZS 284 million on staff training and implemented strong occupational health and safety protocols, resulting in an injury-free year across all sites.

ESG & Sustainability

Gender Parity: TBL is working towards gender equality in its workforce. In 2023, female representation on the board increased from one to four members, and 30% of internal promotions were female. The company also recruits graduates from technical colleges and partners with the Tanzania Employment Services Agency (TAESA) to provide employment opportunities.

3. Governance Commitments

TBL maintains high standards of corporate governance, ensuring transparency, accountability, and ethical business practices.

Board Composition and Diversity: TBL's board of directors is composed of experienced professionals, with a focus on gender diversity. In 2023, the board welcomed new members, increasing female representation to four out of ten directors. The board oversees risk management, compliance, and strategic decision-making.

Risk Management: TBL has a robust risk management framework, overseen by the Board Audit and Risk Committee. The company regularly assesses operational, financial, and compliance risks, ensuring that adequate controls are in place to mitigate these risks.

Tax Compliance: TBL is one of Tanzania's largest taxpayers, contributing TZS 586 billion in taxes in 2023. The company works closely with the Tanzania Revenue Authority (TRA) to ensure compliance with tax regulations and resolve any outstanding tax matters.

Ethical Business Practices: TBL adheres to the principles of integrity, transparency, and accountability. The company has a zero-tolerance policy for corruption and ensures that all business practices align with its corporate values.

4. Alignment with Global Goals

TBL's ESG initiatives align with several United Nations Sustainable Development Goals (SDGs), including:

SDG 6 (Clean Water and Sanitation): Through its Water Security Project and water conservation efforts, TBL contributes to ensuring the availability and sustainable management of water resources.

SDG 8 (Decent Work and Economic Growth): TBL's local agriculture and community development investments support economic growth and job creation in Tanzania.

SDG 12 (Responsible Consumption and Production): TBL's focus on sustainable packaging, waste reduction, and responsible drinking aligns with promoting sustainable consumption and production patterns.

SDG 13 (Climate Action): TBL's efforts to reduce carbon emissions and transition to renewable energy contribute to combating climate change.

ESG & Sustainability

5. Future Commitments

Looking ahead, TBL plans to continue its ESG journey by: Expanding its renewable energy initiatives to further reduce carbon emissions. Increase the percentage of recycled content in its packaging and explore new recycling solutions. Enhancing its Smart Drinking campaigns to promote responsible alcohol consumption. Strengthening its partnerships with local communities and farmers to drive sustainable agricultural practices.

Leadership & Corporate Governance

Leadership and Corporate Governance:

TBL's leadership is structured around a Board of Directors and an Operating Board, which oversees the day-to-day management of the company. The Board of Directors is composed of ten members, including the Chairman, Leonard Mususa, and the Managing Director, Michelle Kilpin. The board includes a mix of local and international expertise, with a focus on maintaining high standards of corporate governance. The company has established sub-committees, such as the Audit and Risk Committee and the Remuneration Committee, to ensure effective oversight and risk management.

TBL's corporate governance framework is designed to promote transparency, accountability, and ethical business practices. The company adheres to international financial reporting standards and has a robust internal control system in place. The board meets quarterly to review performance, assess risks, and make strategic decisions. Additionally, TBL has implemented a digital transformation strategy, including the BEES platform, which has improved operational efficiency and customer engagement.

Effectiveness of Corporate Governance:

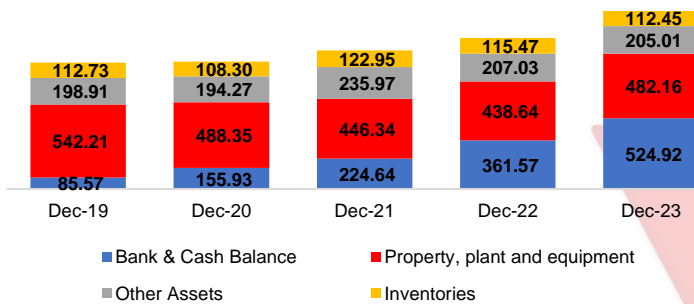
TBL's corporate governance structure appears to be effective, with clear roles and responsibilities defined for both the Board of Directors and the Operating Board. The presence of independent directors and the establishment of specialized committees contribute to a balanced decision-making process. The company's commitment to sustainability and community engagement, as evidenced by its ESG initiatives, further underscores its dedication to responsible corporate governance. However, like any large organization, TBL faces challenges, particularly in managing tax-related uncertainties and supply chain disruptions. Overall, TBL's governance framework is well-positioned to support its long-term growth and sustainability goals.

Financial Analysis

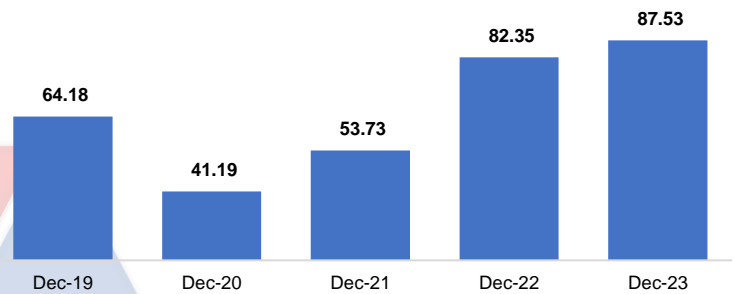
Total Assets

TBL's total assets grew at a C.A.G.R of 8.97% YoY from TZS 939.43 billion in 2019 to TZS 1.32 trillion in Dec 2023. The growth was mainly driven by a 57.38% C.A.G.R in the banks' cash and cash equivalents due to a reduction in dividend payouts in the years following 2019 and the seizure of dividend payments in 2023 as the company opted to increase its Capital Expenditure spend to open its recently issued Malting Plant in Kilimanjaro

Total Assets in Billions TZS



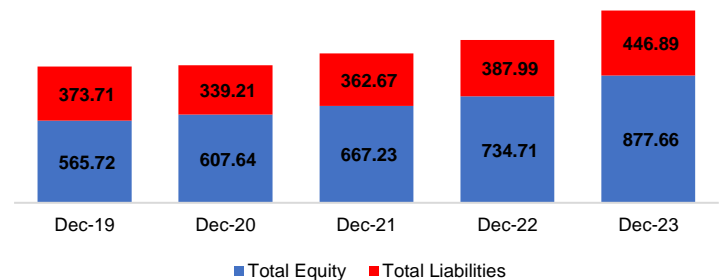
CapEx in Billions TZS



Funding Mix

TBL's balance sheet has mainly been financed by company Equity growth, which has grown at a C.A.G.R of 11.60% YoY from TZS 565.72 billion in 2019 to TZS 877.66 billion as of 2023. This growth is mainly due to the company's use of retained earnings, which have made up 74.64% of the company's equity for the past five years. For the years between 2019 and 2023, the company's equity has, on average, made up 65% of the company's total assets.

Balance Sheet Funding Mix in Billions TZS



Conversely, liabilities grew at a C.A.G.R of 4.57% from TZS 373.71 billion in 2019 to TZS 446.89 billion in 2023. The liabilities are mainly made up of trade and other payables, which on average, make up 83.47% of the company's total liabilities

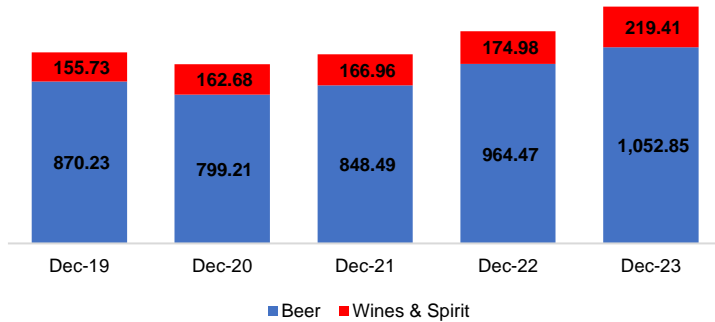
Revenue

TBL's revenue has grown at a C.A.G.R of 5.53% from TZS 1.03 trillion in 2019 to TZS 1.27 trillion in 2023. Wines and Spirits have spearheaded that growth, growing at an 8.95% C.A.G.R from TZS 155.73 billion in 2019 to TZS 219.41 billion in 2023, while Beer registered a 4.88% growth during the same period from TZS 870.23 billion to TZS 1.05 billion. Sales growth has been driven by factors such as increased digital sales via the BEES platform, efficient marketing, and investments into distribution systems coupled with stable disposable incomes from customers. Local Sales continue to dominate as TBL's largest revenue streams as for the past 5 years this segment has made up 98.03% of total revenue

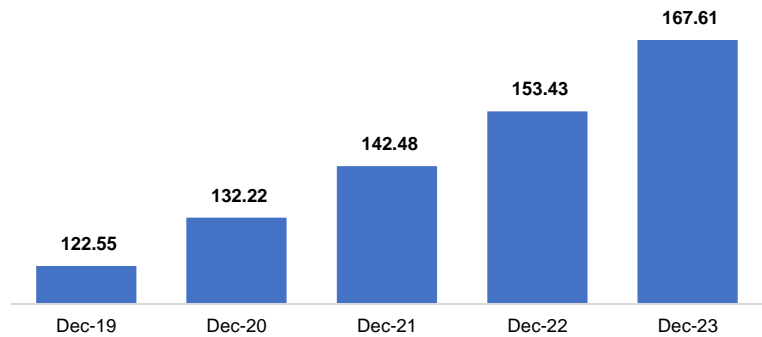
Financial Analysis

Revenue (Cont.)

TBL Revenue Breakdown in Billions TZS



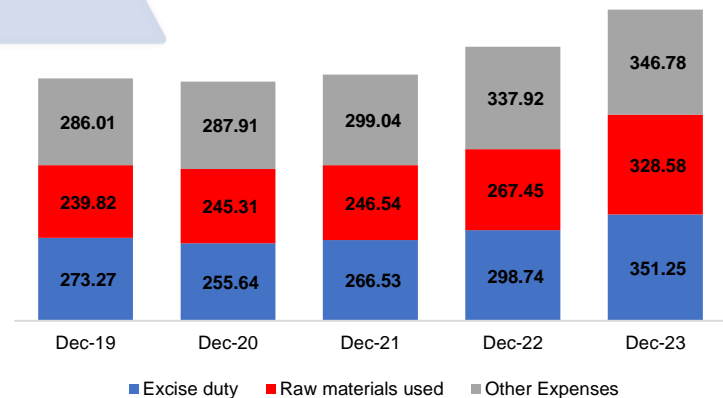
Gross National Income in Trillions TZS



Production & Operating Expenses

TBL's Production and Operating Expenses grew at a C.A.G.R of 6.46% YoY from TZS 799 billion as of 2019 to TZS 1.03 trillion as of 2023. The bulk of these expenses stems from Excise duties and Raw Materials, both of which have recorded 6.48% and 8.19% C.A.G.R during the same period due to an upward revision of excise duties on alcoholic products, rising barley prices (a crucial raw material) and overall increased production volumes. Other notable expenses that weigh in on TBL's profitability include Employee expenses and Depreciation of containers.

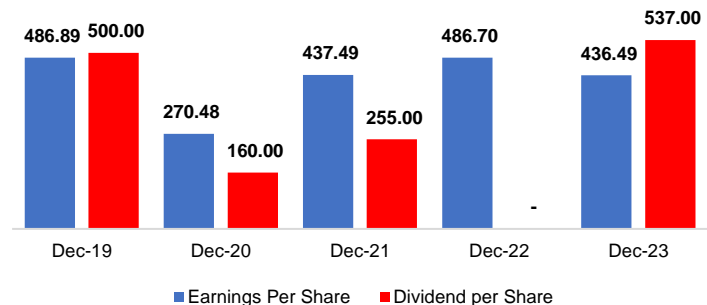
Production & Operating Expenses in Billions TZS



Earnings and Dividend per Share

Following TBL's inefficient cost containment strategies and slower sales growth, TBL's net profits during the 5-year period stagnated between TZS 89.09 billion – and TZS 153.37 billion, with net profit growth compounding at -2.69% annually during the 5-year period. Dividend payouts during this period stagnated around 68.63%

TBL Earning & Dividend Per Share



Financial Analysis

12-Months Ending	TBL FINANCIAL RATIOS				
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Margins:					
Gross Profit Margin	38.76%	37.92%	38.30%	39.36%	34.26%
Operating Profit Margin	21.45%	16.99%	17.64%	18.88%	17.61%
Net Profit Margin	14.64%	9.26%	13.27%	13.46%	11.28%
Returns:					
Return on Equity	26.55%	26.55%	14.66%	20.20%	20.87%
Return on Assets	15.99%	9.41%	13.08%	13.66%	10.83%
Return on Capital Employed	24.70%	13.60%	19.44%	20.59%	16.08%
Liquidity:					
Current Ratio	1.02	1.35	1.53	1.64	1.79
Quick Ratio	0.68	0.98	1.16	1.33	1.53
Cash Ratio	0.26	0.53	0.67	0.96	1.21
Leverage:					
Debt to Assets Ratio	39.78%	35.83%	35.21%	34.56%	33.74%
Debt to Equity Ratio	66.06%	55.82%	54.35%	52.81%	50.92%
Shareholder Ratios:					
Dividend Yield	5.43%	4.59%	1.47%	2.34%	0.00%
Dividend Payout	163.34%	102.69%	59.15%	58.29%	0.00%
Sustainable Growth Rate	-16.82%	-0.71%	5.99%	8.42%	20.87%

Valuation

Assumptions:

Sales are projected to grow at a C.A.G.R of 5.96% from TZS 1.27 trillion in 2023 to TZS 1.69 trillion in 2028, driven by customer-increased disposable income and continued utilization of digital platforms as an avenue for distributing products more conveniently.

Production and Operating Expenses are projected to grow at a C.A.G.R of 5.88% from TZS 1.02 trillion in 2023 to TZS 1.37 trillion in 2028 following increased local barley production amongst farmers on the basis on a steady local market following the operations of the new Kilimanjaro Malting Plant, thus further reducing TBL's raw material importation costs, more efficient marketing costs, and increased employee productivity.

Following our anticipation of increased sales and improved cost efficiency, profits after tax are projected to grow at a C.A.G.R of 7.37% from TZS 143.46 billion in 2023 to TZS 204.74 billion in 2028

Valuation

Total Assets are projected to grow at a C.A.G.R of 4.67% from TZS 1.32 trillion as of 2023 to TZS 1.67 trillion as of 2028, mainly due to increased cash and cash equivalents from improved profitability and inventories following increased production activities, as well as increased property, plant, and equipment and right-of-use assets due to investments in the new malting plant and a more reliable distribution system.

To finance this growth, we project that TBL will continue to rely on retained earnings, resulting in a 6.90% C.A.G.R from TZS 877.66 billion to TZS 1.23 trillion in 2028 conversely, liabilities are anticipated to contract marginally by 0.34% C.A.G.R from TZS 446.89 billion in 2023 to TZS 439.38 billion in 2028 due to a contraction in trade and other payables

12-Months Ending	TBL PROJECTED FINANCIAL RATIOS				
	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28
Margins:					
Gross Profit Margin	32.47%	32.88%	33.53%	34.01%	34.48%
Operating Profit Margin	14.99%	16.14%	16.98%	17.63%	18.35%
Net Profit Margin	10.36%	11.06%	11.51%	11.77%	12.05%
Returns:					
Return on Equity	16.35%	16.26%	16.48%	16.70%	16.68%
Return on Assets	10.59%	11.28%	11.74%	12.01%	12.30%
Return on Capital Employed	15.99%	16.22%	16.46%	16.45%	16.49%
Liquidity:					
Current Ratio	1.75	2.00	2.20	2.40	2.60
Quick Ratio	1.48	1.71	1.91	2.10	2.30
Cash Ratio	1.16	1.38	1.58	1.76	1.97
Leverage:					
Debt to Assets Ratio	34.89%	31.56%	29.67%	28.04%	26.40%
Debt to Equity Ratio	53.59%	46.10%	42.18%	38.96%	35.87%
Shareholder Ratios:					
Dividend Payout	123.03%	60.00%	60.00%	60.00%	60.00%
Sustainable Growth Rate	-3.76%	6.50%	6.59%	6.68%	6.67%

Valuation methods used include the Discounted Free Cash Flow method, Discounted Dividend Model, and Comparable Analysis method, all of which have been assigned a weighting of 1/3. The discount rate used was 22.99%, which was brought about by a 12.41% 5-year bond yield from Bond No 571 issued on 16th Oct 2024, beta of 1.02, and 10.94% equity risk premium, which was sourced from <https://pages.stern.nyu.edu/~adamodar/>

Sustainable growth rate used 5.94% which is the projected economic growth rate of Tanzania

Valuation

Discounted Free Cash Flow Model	2024 F	2025 F	2026 F	2027 F	2028 F
Free Cash flow	162,768	147,393	180,716	191,077	210,393
Discounted FCF	132,347	97,447	97,148	83,520	74,775
Sum of Present Value					746,318
Terminal Value					438,677
Intrinsic Value					1,184,995
Shares Outstanding					295.06
Intrinsic Value per share					4,016.17

**Amounts are in "TZS 000" except per Share figures*

Discounted Dividend Model	2024 F	2025 F	2026 F	2027 F	2028 F
Dividend per Share	254.90	282.23	312.89	341.41	373.77
Present Value of Dividends paid	207.26	186.59	168.20	149.23	132.84
Sum of Present Value					844.13
Terminal Value					779.33
Intrinsic Value					1,623.46

Relative Valuation					
Comparable Companies	Audited FY 23 EPS	Audited FY 23 BVPS	Share Price Dec 31 st 2024	P/E Ratio	P/B Ratio
East Africa Breweries Ltd (Kenya)	10.30	30.05	190	18.45	6.32
Bralirwa (Rwanda)	28.70	2,851.25	270	9.41	0.09
Phoenix Beverages (Mauritius)	66.33	413.93	542	8.17	1.31
Tanzania Breweries (Tanzania)	436.49	2,794.05	10,900	24.97	3.90
Mean				15.28	2.91
Median				13.93	2.61
MKCB Share Price P/E Ratio	6,079.10				
MKCB Share Price P/B Ratio	7,302.89				
Average Relative Valuation	6,691.00				

Valuation Method	Intrinsic Value per Share	Weight	Weighted Intrinsic Value per Share
Discounted Free Cash Flow	1/3	4,016.17	1,338.72
Discounted Dividend Model	1/3	1,623.46	541.15
Comparable Analysis	1/3	6,691.00	2,230.33
Total	1		4,110.21

Income Statement

AMOUNTS IN TZS 000,000 except per share amounts	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28
INCOME STATEMENT										
Revenue	1,025,960	961,886	1,015,447	1,139,448	1,272,254	1,347,935	1,397,534	1,488,706	1,588,813	1,699,105
Cost of Sales	-628,290	-597,121	-626,510	-690,942	-836,419	-910,264	-938,059	-989,507	-1,048,497	-1,113,193
Gross Profits	397,670	364,765	388,937	448,506	435,835	437,671	459,474	499,200	540,316	585,912
Selling and Distribution Expenses	-118,625	-130,669	-114,080	-139,839	-114,580	-124,696	-128,504	-135,551	-143,632	-152,495
Administrative Expenses	-50,258	-61,070	-71,516	-73,322	-75,610	-82,285	-84,798	-89,449	-94,781	-100,630
Other Expenses	-7,623	-9,073	-23,938	-20,419	-20,999	-21,681	-21,681	-21,681	-21,681	-21,681
Impairment of financial assets	-63	-562	-229	206	-562	-7,007	1,125	298	-127	711
Fair value gain/(loss) on derivatives	-1,031	-	-	-	-	-	-	-	-	-
Operating Expenses	-177,600	-201,374	-209,763	-233,374	-211,751	-235,669	-233,858	-246,383	-260,222	-274,094
Operating Profits	220,070	163,391	179,174	215,132	224,084	202,002	225,617	252,816	280,094	311,818
Finance Income	2,777	5,797	2,847	12,668	27,564	28,541	28,832	26,349	22,243	16,687
Finance Costs	-1,349	-4,363	-7,761	-13,286	-32,963	-31,073	-33,592	-34,320	-35,172	-36,015
Profits before income tax	221,498	164,825	174,260	214,514	218,685	199,470	220,857	244,846	267,165	292,489
Income Tax Expense	-71,286	-75,739	-39,503	-61,143	-75,225	-59,841	-66,257	-73,454	-80,150	-87,747
Profit After Tax	150,212	89,087	134,757	153,371	143,461	139,629	154,600	171,392	187,016	204,743
Attributable to:										
Non-controlling interests	6,552	9,280	5,672	9,766	14,670	14,278	15,809	17,526	19,124	20,937
Owners of the parent	143,660	79,806	129,085	143,605	128,790	125,351	138,791	153,866	167,892	183,806
Profit After Tax	150,212	89,086	134,757	153,371	143,460	139,629	154,600	171,392	187,016	204,743
Ordinary Shares Outstanding	295,056,000	295,056,000	295,056,000	295,056,000	295,056,000	295,056,000	295,056,000	295,056,000	295,056,000	295,056,000
Basic Earnings Per Share	486.89	270.48	437.49	486.70	436.49	424.84	470.39	521.48	569.02	622.95
Dividends Per Share	500	160	255	0	537.00	254.90	282.23	312.89	341.41	373.77

Balance Sheet

STATEMENT OF FINANCIAL POSITION	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
ASSETS:	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Non-Current Assets:										
Property, plant and equipment	542,214	488,349	446,337	438,635	482,163	475,170	469,581	473,219	484,144	497,871
Intangible assets	43,334	43,696	44,745	43,835	42,696	39,689	38,740	37,767	36,830	35,923
Right of Use assets	10,302	12,540	12,051	9,068	12,304	13,440	14,350	15,295	16,816	17,842
Investments	88	88	88	88	88	88	88	88	88	88
Deferred Income Tax Asset	6,419	7,052	11,395	12,240	11,994	11,994	11,994	11,994	11,994	11,994
	602,357	551,725	514,616	503,866	549,245	540,380	534,753	538,363	549,872	563,718
Current assets:										
Derivative financial instruments	32	-	-	-	-	-	-	-	-	-
Inventories	112,726	108,299	122,953	115,469	112,454	120,502	121,731	123,193	124,987	127,129
Trade and other receivables	100,439	92,592	129,395	103,497	99,337	100,697	99,072	100,438	102,904	100,668
Income tax recoverable	-	-	-	-	290	290	290	290	290	290
Restricted bank balance	38,300	38,300	38,300	38,300	38,300	38,300	38,300	38,300	38,300	38,300
Bank & Cash Balance	85,574	155,925	224,635	361,569	524,919	518,931	576,641	658,728	741,447	834,328
	337,071	395,116	515,283	618,835	775,300	778,720	836,034	920,950	1,007,927	1,100,716
TOTAL ASSETS	939,428	946,841	1,029,899	1,122,701	1,324,545	1,319,100	1,370,788	1,459,313	1,557,799	1,664,434
EQUITY AND LIABILITIES:										
Equity attributable to owners of parent:										
Share Capital	29,506	29,506	29,506	29,506	29,506	29,506	29,506	29,506	29,506	29,506
Retained Earnings	410,359	442,991	496,911	554,639	682,906	649,812	713,392	783,983	859,556	942,626
Other reserves	111,989	111,989	111,989	111,989	111,989	111,989	111,989	111,989	111,989	111,989
	551,854	584,486	638,406	696,134	824,401	791,307	854,887	925,478	1,001,051	1,084,121
Non-Controlling Interest	13,867	23,149	28,823	38,579	53,258	67,536	83,345	100,872	119,996	140,932
TOTAL EQUITY	565,721	607,635	667,229	734,713	877,659	858,843	938,232	1,026,350	1,121,046	1,225,054
Non-Current Liabilities:										
Deferred income tax liability	35,705	36,589	15,471	1,501	2,904	2,904	2,904	2,904	2,904	2,904
Lease liabilities	4,900	9,377	8,745	6,247	8,012	8,720	9,238	9,243	10,069	10,845
Pension Fund Liabilities	1,933	1,496	1,630	2,414	3,519	2,539	2,678	2,792	2,957	3,036
	42,538	47,462	25,846	10,162	14,435	14,163	14,820	14,939	15,930	16,785
Current liabilities:										
Provisions	12,862	12,469	26,316	26,405	25,565	27,737	30,243	33,139	36,584	38,296
Trade and other payables	298,367	268,527	297,131	335,791	401,544	411,935	381,324	378,485	377,177	376,789
Current income tax payable	12,915	5,547	7,699	10,967	-	-	-	-	-	-
Lease liabilities	5,811	5,201	5,678	4,663	5,342	6,421	6,169	6,400	7,061	7,510
Borrowings	1,214	-	-	-	-	-	-	-	-	-
	331,169	291,744	336,824	377,826	432,451	446,094	417,735	418,024	420,822	422,595
TOTAL LIABILITIES	373,707	339,206	362,670	387,988	446,886	460,257	432,555	432,963	436,752	439,380
TOTAL EQUITY & LIABILITIES	939,428	946,841	1,029,899	1,122,701	1,324,545	1,319,100	1,370,788	1,459,313	1,557,799	1,664,434

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