

MARCH 2023

**ANALYST'S NOTES ON
TBL's UNAUDITED RESULTS FOR THE FOURTH
QUARTER ENDED 31 DECEMBER 2022**

ORBIT SECURITIES
COMPANY LIMITED



PERFORMANCE OVERVIEW

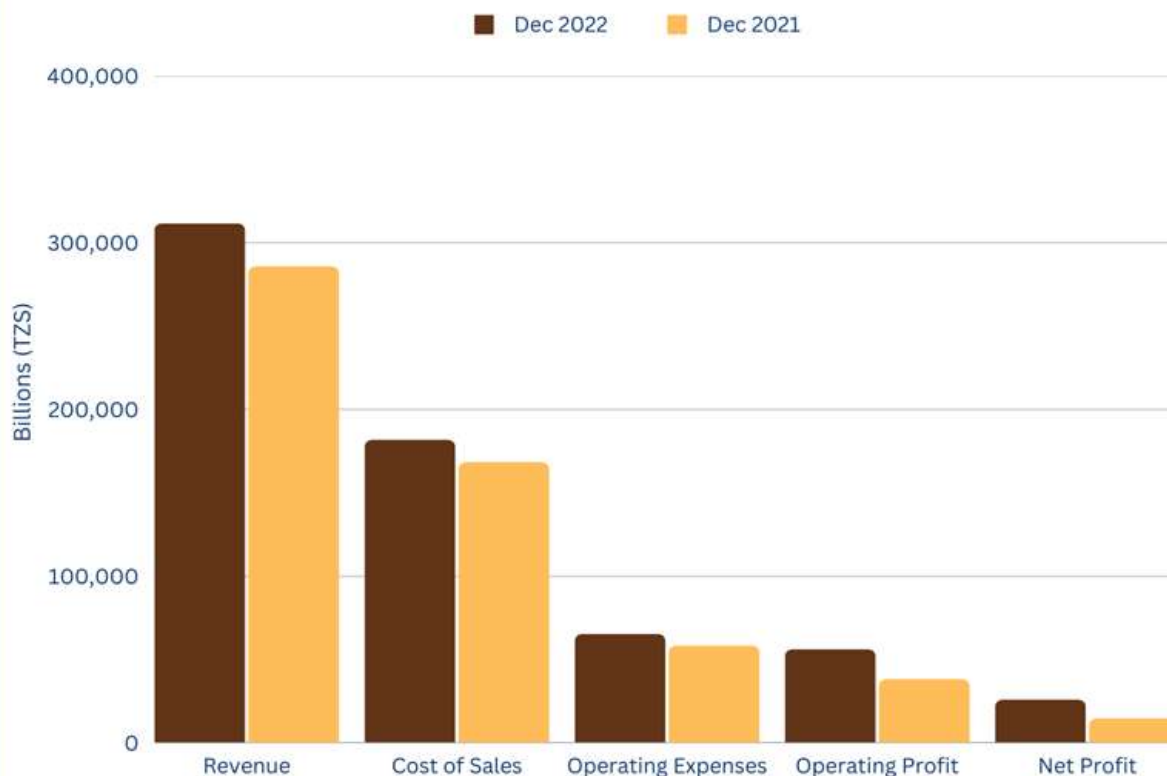
After a five-year rough patch, the company is finally showing hints of recovery and continues to dominate the beer industry, boasting an impressive 70% market share.

As of the 4th quarter of 2022, TBL recorded revenues of TZS 311 billion, representing a 9% increase from the corresponding quarter in December 2021 when it reported revenue of TZS 285 billion.

It's worth noting that the revenue growth coincided with an increase in the costs of generating revenue, also known as the costs of sales, which grew by 8% year on year from TZS 168 billion in the 4th quarter of 2021 to TZS 181 billion in the 4th quarter of 2022.

This increase in costs could be attributed to various factors, such as rising input costs, inflation, or an increase in marketing and promotional activities.

| | |
|--------------------------------------|--------------|
| Current Price On-Board (TZS) | 10,900 |
| Current Price Off-Board (TZS) | 6000 |
| Date Established | 1933 |
| Year Listed | 1998 |
| IPO Price | 550 |
| Historical Price Range | 550-18,000 |
| Market Cap (TZS) | 3,216.11 Bln |
| Issued Shares (Mln) | 295 |
| Market Symbol | TBL |
| PE (x) * (Based on off-market price) | 9.8 |
| PB (x) | 4.4 |
| ROE | 3.5% |
| Net Profit Margin | 8.20% |



The costs of operations for the company have risen by 12%, which could potentially impact the company's profit margins.

However, the company has revamped its sales and marketing activities, resulting in a two-fold increase in spending from TZS 18 billion to TZS 37 billion in 2022. On the other hand, administrative expenses have dropped by 30% to TZS 27.9 billion, indicating a successful cost-saving strategy.

A combination of positive revenue growth and a reduction in operating expenses has significantly boosted profit margins for the fourth quarter of 2022. Operating profit has grown by 47% from TZS 37.95 billion in December 2021 to TZS 55.7 billion in December 2022. Year on year profit after tax is up by an impressive 76%, from TZS 14.4 billion to TZS 25.5 billion, highlighting the company's strong financial performance.

Additionally, the company has been consistently paying dividends, with the last payment made on December 20th, 2022, at TZS 290 per share. This is a positive sign for investors who value a stable dividend payout.

The company's strong cash position of TZS 361.2 billion and low gearing ratio indicate that the company is well capitalised and has the financial flexibility to pursue growth opportunities.

MARKET PERFORMANCE

For the 12-month period ending December 2022, TBL traded a total of 3.8 million shares, worth TZS 25.4 billion. The average traded price per share was TZS 6,000, indicating that the majority of TBL transactions happened on the pre-arranged board.

It's interesting to note that despite the majority of shares trading at a discounted price, the counter's official closing price has remained at TZS 10,900 per share for the past two years.

OUTLOOK

TBL's financial performance over the past three years has been negatively impacted by a number of factors, including intense competition from SBL, down trading by customers to more affordable brands, the presence of illicit brewers, and the COVID-19 pandemic. Despite these challenges, the company has managed to maintain profit growth through its effective cost management strategies.

In late 2021, TBL began to see signs of recovery, with some of its product mix, including Castle Lite, showing a 40% revamp in the second half of 2020. Other brands are also beginning to gain momentum and recover from the pandemic's impact.

As part of its restructuring process, the company initially cut down on its marketing budget, but it appears to be taking a more aggressive approach to marketing with a two-fold increase in marketing costs compared to the corresponding quarter in 2021.

TBL's core businesses, beer and spirits, have begun to show signs of recovery, leading to a 5% revenue growth. This is a positive indication that the company is moving toward normal operations with some stability in the market. Furthermore, the increase in marketing costs suggests that the company expects better brand awareness and a positive impact on revenue.

However, TBL still faces pricing competition, particularly with its affordable brands, which are not as popular as its competitors. The company's strength lies in its signature brands, which are not exactly affordable in the local market. To address this issue, TBL may need to develop a strong competitive affordable brand to counter the competition, considering the changes in customer consumption patterns.

HISTORICAL BUSINESS PERFORMANCE

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------|-----------|-----------|-----------|---------|-----------|
| Revenue (TZS Mln) | 1,170,036 | 1,078,770 | 1,025,960 | 961,886 | 1,015,447 |
| Gross margin | 43.00% | 38.00% | 38.80% | 37.90% | 38.36% |
| Operating margin | 22.60% | 19.50% | 21.50% | 17.00% | 19.00% |
| Net margin | 15.50% | 12.30% | 14.60% | 9.30% | 14.7% |
| ROE | 24.50% | 18.70% | 23.60% | 16.00% | 21.93% |
| Capex/Revenue | 9.20% | 10.40% | 6.30% | 4.10% | 5% |

FOR MORE INFORMATION

Website: www.orbit.co.tz

Email: orbit@orbit.co.tz, research@orbit.co.tz

Phone: +255 22 211 1758

Mobile: +255 746 848 301