



## **Tanga Cement PLC (Simba Cement) reports a continued profitability improvement in Q3 earning before tax for the unaudited financial results for the period ended 30th September 2016**

*Increased earnings indicate strengthening financial position with improved bottom line reflecting the merits of Tanga Cement's strategic transformation.*

**Thursday 17<sup>h</sup> November 2016.**

Our growth in business continues to be anchored on the economic progress of Tanzania, the hard work of our staff and the acceptance of the community at large. It is because of this confidence in Tanga Cement that we continue to strive for excellence in our performance, ensuring that we deliver strong financial results that match the aspirations and ambition of Tanzania.

### **Macro-Economic Overview**

The nine months of 2016 have been progressive for the East African market, which has maintained a positive GDP growth trajectory beyond other markets of sub Saharan Africa. Tanzania outperformed its neighbours in 2015 with a 7 per cent GDP growth in 2015. On the back of changes in reform policies and anti-graft measures which are expected to further continue into 2016. In addition, President Magufuli's commitment to tackling corruption has bolstered access to donor aid and investment with Tanzania offering investors a rapidly developing business environment.

The outlook for government revenue will be bright for the foreseeable future, with revenue to GDP averaging at 14.5% over our ten-year forecast period. The Tanzania Revenue Authority (TRA) is gradually increasing tax collection. On the reverse, it is expected that the wave of new taxes introduced in the 2016/17 budget will hurt the profitability of a number of industry sectors, including manufacturing.

Still, continued government focus on boosting logistics infrastructure is likely to offer a reprieve for the construction sector. Improvements to Tanzania's poor transport logistics network are set to be the main driver of the construction industry for the next ten years. The anticipated construction of transport projects such as the standard gauge railway and the Dar es Salaam and Tanga ports, as well as the recent announcement to develop an ultra-modern stadium in Dodoma, will shore up the demand for cement in Tanzania for the next five years creating a robust market for construction companies.

### **Business Performance Review**

The third quarter of 2016 provided a turbulent operating environment for the cement sector driven by increased competition, influx of clinker imports in the Tanzania market, as well as changes in the regulatory environment. Tanga Cement was able to navigate these industry headwinds to deliver positive financial performance attributable to efficient internal processes.



Tanga Cement has reported a continued improvement in earnings before tax, year on year in Quarter 3 of 2016 from a Tzs 9.9 billion loss in September 2015 to a Tzs 21 billion profit in September 2016 on the back of improved margins, continued cost management and production efficiency improvements.

To achieve the surge in bottom line, Tanga Cement recorded a 20% growth in gross profit from Tzs 32.8 billion in September 2015, compared to 39.5 billion in September 2016. This was delivered amidst continued top line revenue pressure declining by 25% year on year as a result of over-supply of cement overshadowing demand, entry of new competition, and a recorded influx of clinker, all which led to a reduction in the Company's net sales.

Cost efficiency management saw direct production costs decrease by 15%. A critical aspect of the improvement in production costs was the production of own clinker from the Company's newly commissioned second Kiln line at the Company's Tanga operations, eliminating clinker importation costs and contributing to revenue by selling excess clinker.

Operating Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is up from Tzs 21.7 billion in September 2015 to Tzs 26.2 billion in September 2016, a 21% improvement, where administrative expenses was reduced by 22% year on year.

The strengthening of the Tanzania Shilling (Tzs) against the US Dollar (USD) in the first part of 2016 saw Tanga Cement realise a foreign exchange gain of Tzs 3.1 billion in September 2016 compared to a foreign exchange loss of Tzs 27.4 billion for the same period in 2015.

"The way we have addressed the market, as well as the significant reduction in production costs is what you can expect to see for the rest of this year and the foreseeable future in line with our strategy of delivering a sustainable business for the Tanzania people, and to our shareholders. Tanga Cement continues to leverage the cost benefits of its agreement and good relationship with Tanzanian Railway Ltd (TRL) to use direct rail transport of its products from Tanga to various regions in Tanzania." said Mr Swart.

### **Key Financial Highlights**

- *100% Increase in profit before tax from a prior year loss*
- *20% Growth in Gross Profit*
- *21% Increase in Operating EBITDA*
- *Positive EPS compared to Q3 2015*



## Operational Highlights

Financial Item	Nine Months Ended 30 <sup>th</sup> September 2016	Nine Months Ended 30 <sup>th</sup> September 2015	Full Year Ended 31 December 2015
Gross Profit Margin (%)	33%	20%	21%
Operating EBITDA Margin (%)	22%	14%	14%
Operating Profit Margin (%)	15%	11%	10%
Net Income Margin (%)	17%	-10%	3%

Management remains committed in the implementation of the identified 2016 strategic initiatives whose results have helped improve Tanga Cement's profitability. Management is confident that the cost savings trend will continue into the last quarter of 2016 and beyond, as more initiatives are realized.

### Forward-looking statements:

This press release may contain forward-looking statements based on current assumptions and forecasts made by Tanga Cement and other information currently available to Tanga Cement. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of The Company and the estimates given here. Tanga Cement does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments.

### About Tanga Cement PLC (TCCL)

Tanga Cement PLC is a producer and supplier of cement used in construction and making of concrete products. The construction of the plant based in the Tanga in Tanzania, commenced in 1978 with commissioning taking place in July 1980. Tanga Cement has cement production capacity of more than 1.25 million tonnes per year after the commissioning of the second integrated kiln production line in 2016.

Tanga Cement is headquartered at Tanga Cement PLC, Korogwe Road, Pongwe Factory Area, Tanga.



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