ABC Logistics Limited
CREDIT RATING REPORT

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CREDIT RATING REPORT

Date of issue	:	14th April, 2023
Report validity	:	13th April, 2024
Prepared for	:	ABC Logistics Limited
Corporate Address	:	ABC Tower, Plot,XXXX, Ghana Avenue, P.O. Box XXXX, Dar es Salaam, Tanzania.
Rating Type	:	Corporate Rating
Report prepared and published by	:	ICRA RATING AGENCY LIMITED *Office No. 903, 9th Floor, Block Number B, Plot Number 123/50, Road Samora Avenue, Street Main Field, Postal Code 11104, Ward Kisutu, District Ilala Cbd, Region Dar Es Salaam, Tanzania.* info@icrallc.com www.icrallc.com
Credit Analysts	:	**Dushan Perera**, *Credit Risk Analyst* dushanperera@icrallc.com **Imran Jahangir**, *Credit Risk Manager* imranjahangir@icrallc.com
Currency used in this report	:	This report is presented in the Tanzanian Shilling (TZS) unless otherwise noted.

Table 1

ICRA Assigned Rating

AAA	AA	A+	BBB	BB	B	CCC	CC	C	D

(The assigned rating is based on ICRA National Rating Scale for Tanzania)

Table 2

RATING RATIONALE

ICRA has assigned an **"A"** rating (based on the ICRA National Rating Scale for Tanzania) with a **"Positive *(+)*"** outlook to **"ABC Logistics Limited"** on **April 14, 2023**, subject to the absence of any material adverse events that may affect the group's business activities during the validity period.

The assigned rating primarily stems from ABC's strong revenue growth and impressive profitability growth trend. This indicates the successful implementation of the business strategy and a well-managed cost structure for the business. Nevertheless, the company's cash position also recorded a significant growth trend in line with revenue growth. This indicates that the company is not only focusing on profitability but also on the cash generation of the business, which is vital for the long-term sustainability and success of any business. Further, the majority of cash generation in USD terms would provide more comfort to the business in the event of any unexpected currency volatility in the coming period. The know-how and previous experience of the management further backed the ICRA rating opinion for a positive rating. ICRA expects to review the assigned rating after twelve months for a rating upgrade, downgrade, or affirmation of a stable rating based on the performance in the upcoming period.

FACTORS THAT COULD LEAD TO AN UPGRADE

An upgrade to the assigned rating can be reviewed if:

- The company consistently generates healthy profits and maintains strong revenue growth.
- The company has strong and stable cash flow.
- The level of debt continuously reduces, and assets are financed from equity funding.
- The overall outlook of industry and the economic environment remains stable.

FACTORS THAT COULD LEAD TO A DOWNGRADE

The assigned rating could further be downgraded if:

- The company experiences a significant decline in revenue, earnings, or weak cash flow.
- The company is highly leveraged in relation to its assets or earnings.
- The transport and logistics industries face major headwinds.
- Economic conditions in the country do not remain stable, and there is a decline in overall business activity.
- There are significant regulatory issues, such as lawsuits or investigations.

CONTENTS

ICRA RATING APPROACH

SCOPE OF THE REPORT

ICRA provides an assessment of the overall business and evaluates the financial performance before assigning the final rating to the issuer. The report's objective is to offer a thorough assessment of the issuer's creditworthiness, utilizing a range of financial and non-financial elements as well as qualitative and quantitative credit analysis tools and techniques.

SOURCES OF THE INFORMATION

The credit analysis carried out was based mainly on the documents and the information provided by the issuer. Further, ICRA also conducted management interviews to clarify and gain additional information regarding the business. Additionally, publicly accessible data is gathered from reputable online domains, research reports, news flows, and third-party databases. Below are the main categories of information sources:

- KYC documents
- Annual audited financial reports
- Industry research articles
- News articles
- Company/Government press releases
- Third-party data providers (paid/unpaid)
- Management interviews

METHODOLOGY

The credit analysis is carried out based on the *'ICRA methodology for corporate credit rating'* which was designed by the in-house ICRA credit risk department. We continuously review the methodology for improvements in line with industry peers and the latest developments in the rating world.

KEY FACTORS	WEIGHTAGE
1. Rating Source Documents *Completeness and timeliness of the submitted KYC/financial documents and information*	NA
2. Internal Environment Analysis **i. Business Model/Strategy** *Product portfolio, diversification, value preposition, KPI and business risks and competition* **ii. Management Review** *Organisational structure, leadership background, talent management, succession planning, management risks and historical track records, team composition* **iii. Business Outlook** *Future business outlook, expected strategic partnerships, expansion, downsizing plans*	35%
3. External Environment Analysis **i. Industry Review** *Global and domestic industry outlook, direct and indirect impact to the business, industry risks and new trends, global and domestic economic trend* **ii. External Stakeholder Relationships** *Customer and supplier relationships, banking relationships, licensing and government regulations, auditor relationships and other external relationships, adverse news flows on the management and company, corporate social responsibility.*	25%
4. Financial Analysis **i. Financial Statement Analysis** *Profit and loss statement, balance sheet, cash flow statement, audit report, notes to financial statements, ratio analysis, key financial risks, bank credit turnover* **ii. Financial Projections/Forecast Review** *Growth drivers and underlying assumptions, accuracy, reliability and reasonableness of the forecasts, relationship with industry trends and industry averages.*	40%
Total	**100%**

Table 3

ICRA CREDIT RATING SCALE

CATEGORY	SCALE	DEFINITION
Extremely Low Credit Risk	**AAA**	The entity is in an exceptionally stable and strong position to fulfil its financial commitments. There is a zero or minimal risk of being adversely affected by foreseeable events.
Very Low Credit Risk	**AA**	The entity is in a highly stable and strong position to fulfil its financial commitments. There is a low risk of being adversely affected by foreseeable events.
Low Credit Risk	**A**	The entity is in a stable and strong position to fulfil its financial commitments. There is a marginal risk of being adversely affected by foreseeable events.
Moderate Credit Risk	**BBB**	The entity has a controllable risk level to fulfil its financial commitments. There is a moderate risk of being adversely affected by foreseeable events.
Elevated Credit Risk	**BB**	The entity has a considerable risk level to fulfil its financial commitments. There is a considerable risk of being adversely affected by foreseeable events.
Substantial Credit Risk	**B**	The entity has a high-risk level of fulfilling its financial commitments. There is a high risk of being adversely affected by foreseeable events.
Very High Credit Risk	**CCC**	The entity is in a doubtful position to fulfil its financial commitments. There is a significantly high risk of being adversely affected by foreseeable events.
Extremely High Credit Risk	**CC**	The entity is in a highly unlikely position to fulfil its financial commitments. The entity has a high vulnerability to being adversely affected by foreseeable events.
On the Verge of Default	**C**	The entity is incapable of fulfilling its financial commitments and is on the verge of default. The continuity of the business is highly doubtful.
Default Entity	**D**	The entity is already defaulted on or in the process of bankruptcy filing, liquidation, or winding up procedures.
No Rating Assigned	**NRA**	A rating has not been assigned due to insufficient information, legal or regulatory requirements, a lack of reliability of information, or a new or unique entity structure.

(Rating Scales are based on Tanzania national scale)

Outlook: *(+) Positive - Entity's creditworthiness is expected to improve in the near future, potentially leading to rating upgrade.*
( ) Stable - Entity's creditworthiness is expected to remain stable in the near future, with no significant changes anticipated.
(-) Weak - Entity's creditworthiness is expected to deteriorate, potentially leading to rating downgrade.

Table 4

BUSINESS PROFILE

ABC Logistics Limited

CONTACT DETAILS	
Address:	ABC Tower, Plot,XXXX, Ghana Avenue, P.O. Box XXXX, Dar es Salaam, Tanzania.
Key person:	John D
Telephone:	+xxx 393 370 176/7
Website:	www.abclogistics ltd.co.tz
Email:	abclogistics@abclogisticsltd.co.tz
Total employees:	150

Table 5

REGISTRATION DETAILS	
Registration No:	0000 / B3BLR200000xxxx
Date Of Registration:	17-February-2006
Latest License Renewal Date:	27-February-2023
License Expiry Date:	21-February-2024
Legal Structure:	Limited Liability Company
Regulatory Body:	Tanzania Registration Services Bureau (TRSB)
Registered Office:	ABC Tower, Plot,XXXX, Ghana Avenue, P.O. Box XXXX, Dar es Salaam, Tanzania.

Table 6

CAPITAL DETAILS	
Authorized Capital:	TZS 1,000,000/-
Issued Capital:	TZS 1,000,000/-
Paid-Up Capital:	TZS 1,000,000/-

Table 7

SHAREHOLDING PATTERN

Name of Shareholders	Shareholding
John D	97%
Rose P	03%
Total	**100%**

Table 8

COMPANY BACKGROUND

ABC Logistics Limited, a Tanzania-based company that provides transport and logistics services, is headquartered in Dar es Salaam. The company was incorporated in 2006 as a limited liability company under the registration number xxxx

The company provides various types of services in the transport and logistics vertical, and its main services can be mainly categorised as below:

- Freight Services
- Lifting and Material Handling Services
- Customs Clearing and Forwarding Services
- Storage and warehousing services
- Workshop Services
- Camp Services

The vision of the company is to provide the best transport and freight forwarding services to the East African region in a safe, cost-effective, seamless manner tailored to client needs and ensuring client satisfaction. The business is highly concerned about its ethical and compliance initiatives and has implemented strict policies, compliance codes, and standards to provide excellent services to the highest ethical standards.

The company has been operating in the industry for over 17 years, with 18 branches in the African region, supporting 450,000 cargo turns per year, which spread over:

- Kenya
- Congo
- South Sudan
- Rwanda
- Uganda

ABC Logistics has a total workforce of 150 staff across the region, with a mix of skilled, semi-skilled, and technical people. The company has given high priority to the training and development of the staff in terms of safety training, technical training, and management training in line with the long-term vision of the company aligned with occupational health and safety regulations.

CUSTOMERS

The company has longstanding customer relationships with some of the global leaders in the logistics and freight forwarding industries. Below are a few of the key clients of the business:

- Bollore Transport & Logistics
- DHL Global Forwarding
- East African Crude Oil Pipeline
- Schlumberger
- China Oilfield Services Limited
- Ken Freight
- Al Faris
- SPEDAG Inter-freight

Further, the business has received a government license from the Tanzania Petroleum Authority to become a national supplier for the supply of goods, works, and services in the oil and gas sector in Tanzania. Over the past 17 years, the business has maintained a good track record of customer relationships with high professional standards.

GROUP OF COMPANIES

Name	Relationship	Ownership
ABC Logistics Ltd - Kenya	Subsidiary	100%

Table 9

COMPETITORS

The business is exposed to both direct and indirect competition in the industry. The direct competition is mainly from domestic and regional transportation and logistics companies. The largest international players include Bollore Transport, Spedag, CMA CGM, DHL, etc. However, ABC Logistics has customer relationships with most of the international players in the region. Indirect competition arises from alternative transport services such as air, rail, and marine. However, all these need last-mile transport services, and ABC Logistics has a competitive advantage in that area. Further ABC Logistics long-term experience in the industry, licencing and certification compliance, a strong pipeline with long-term customer contracts, a one-stop logistics hub providing tailor-made solutions, and a competitive pricing model provide a highly competitive advantage over the other players in the region.

LICENSES AND CERTIFICATES

- ISO Certification
- ISO 9001:2015 – Quality Management
- ISO 14001:2015 – Environment Management
- OHASA 45001:2018 – Occupation Health Safety
- NSD License – National Supplier Database from the Petroleum Authority of Tanzania
- Custom clearing licences in Kenya, Uganda, South Sudan
- Customer clearance partnership from Port of Dar es Salaam

MANAGEMENT REVIEW

The management of ABC Logistics has a wealth of collective experience in transport logistics, engineering, and business management. Mr. John D is the managing director of the company, a Tanzanian national, and has more than 20 years of experience in the logistics and freight forwarding industries. He is a bachelor's and master's degree holder and founding member of ABC Logistics, with 97% ownership in the business. Before that, he worked as a country manager for Three Way Shipping Services for eight years. Mr. Roy K, the business development manager of ABC Logistics, who joined the business in 2010, is a BBA holder. Mr. Isaac Q has served as the transport and equipment manager since 2010 and is an engineer by profession. Mr. Paul G, who has a qualified degree in fleet management, serves as the logistics manager and joined the business in 2008.

All the key management personnel of the company have served the company for more than ten years and have a sound management track record over the past years by managing the business in line with the business strategy. Given the high level of training and compliance implementation in the business, it further supports the growth strategy of the business and its long-term vision.

KEY MANAGEMENT		
Name	**Designation**	**Appointment Date**
John D	Managing Director	2006
DrakRoy K	Business Development	2010
Isaac Q	Transport & Equipment Manager	2010
Paul G	Logistics Manager	2008

Table 10

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK REVIEW

Tanzania is the largest country in East Africa, encompassing the islands of Zanzibar, Pemba, and Mafia. It is bordered by the Indian Ocean and shares its boundaries with eight neighbouring nations, namely Kenya, Uganda, Rwanda, Burundi, the Democratic Republic of the Congo, Zambia, Malawi, and Mozambique. The estimated population of the country stands at approximately 67m (September 2023), with the official local currency being the Tanzanian Shilling (TZS). Dar es Salaam serves as the administrative capital of Tanzania, while Dodoma has been designated as the legislative capital of the nation.

The serving President of Tanzania is Samia Suluhu Hassan (September 2023), who holds the distinction of being the sixth president of the nation and its DFCU female president. She was the former vice president and was sworn in as president following the death of Mr. John Magufuli in March 2021. Her policies and initiatives have geared up the growth of the economy and the development of the country, and as a result, she is expected to remain president until 2025, and there is a high chance she will be voted back for the Stanbic term if the success story of the country continues. The president serves as both the head of the country and the chief of the armed services. General elections are conducted once every five years to elect the country's leadership. Further, the shape of the political outlook of Tanzania is changing as opposition parties (CHADEMA and ACT) are collaborating with the main leading party (CCM) to continue the growth trajectory of the country, indicating that Tanzania is one of the most politically stable countries in the region.

Tanzania is currently listed under the "Grey List" by the Financial Action Task Force (FATF), often referred to as "Jurisdictions under Increased Monitoring." This designation signifies that Tanzania is actively collaborating with the FATF to rectify strategic deficiencies in its frameworks for countering money laundering (ML), terrorist financing (TF), and proliferation financing (PF). In October 2022, the Tanzanian government made a significant high-level political commitment in partnership with the FATF and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) to enhance the effectiveness of its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. Consequently, Tanzania has instituted institutional structures and enacted various laws to address the issues of money laundering and terrorism financing. Furthermore, the government is dedicated to bolstering the implementation and enforcement of a comprehensive anti-corruption strategy and legislation. The National Anti-Corruption Strategy and Action Plan 2023-28 (NACSAP) represents a key initiative in pursuit of this goal.

According to the World Bank, Tanzania's Gross Domestic Product (GDP) reached USD 75.1bn in FY22, representing approximately 0.03% of the global economy. In a recent update from Fitch in June 2023, Tanzania's real GDP is expected to grow by 5.7% y/y in FY23, compared to the 5.3% y/y growth observed in FY22. This growth is being driven by accelerated investments in large-scale infrastructure projects, resulting in higher wages and increased consumer spending, all of which are positive indicators of a thriving economy. Furthermore, it is anticipated that inflation will decrease to 3.7% by FY23, down from a higher level of 4.9% recorded in January 2023. This reduction in inflation is expected to enhance consumer purchasing power and instil confidence in both businesses and investors. Foreign-financed infrastructure projects are also set to play a significant role in Tanzania's economic growth, with a strong pipeline of projects in the works. In April 2023, the government signed joint venture agreements with three Australian firms—Evolution Energy Minerals, Eco Graf Ltd, and Peak Rare Earths Ltd.—with a focus on mineral extraction, processing, and transportation, including the launch of the country's DFCU large-scale graphite mine. This aligns with the government's goal to expand the mining sector to contribute 10% of GDP by 2025. The mining sector is expected to see a 2.4% increase in gold production in FY23, compared to the 1.8% growth observed in FY22, supported by increased investments and growing gold prices due to financial market fluctuations. Additionally, the government has implemented several initiatives to bolster the agricultural sector, including subsidies for fertilizers and seeds as well as increased seed production. Lower lending rates for the agricultural sector have also been introduced. The tourism sector is expected to witness a 33.9% y/y increase in tourist arrivals in FY23, reaching 1.3 million visitors. Investments in Tanzania's port capacity will further facilitate greater transport exports from neighbouring East African countries like Burundi, Rwanda, the Democratic Republic of Congo (DRC), and Uganda. This is projected to result in an 8.8% rise in tonnage through the Port of Dar es Salaam, reaching 24.2 million tonnes in 2023, up from 22.2 million tonnes in 2022.

While there may be potential for an increase in the policy rate by the Bank of Tanzania in the latter half of FY23 and early FY24, overall consumer spending is expected to remain positive. The overall economic outlook for Tanzania is optimistic, supported by the factors mentioned above and the government's timely implementation of structural reforms aimed at strengthening the economy's competitiveness, improving the business and investment environment, and reducing the cost of regulatory compliance. The World Bank report also emphasizes that improving the efficiency and effectiveness of fiscal policies has enabled the country to boost revenue collection and increase public expenditure, leading to improved human capital outcomes, inclusive economic growth, and prosperity for its citizens.

As of June 2023, Tanzania's foreign exchange reserves stood at USD 5.28bn, an increase from the USD 5.11bn reported during the same period in 2022, as reported by the Central Bank. This growth in reserves ensures that there is sufficient balance to cover 4.8 months of imports, a figure that aligns with the country's minimum benchmark of 4 months, indicating a healthy level of reserves. Additionally, on the positive side, Tanzania managed to reduce its current account deficit to USD 833.2m during the 2Q 2023 period, compared to a deficit of USD 1.29bn in the same period in 2022. This improvement can be attributed to global commodity price moderation, which has had a favourable impact on the country's trade balance.

Here is a breakdown of Tanzania's imports and exports, categorized by products and partner countries.

Import (Categories)	%	Export (Categories)	%
Mineral fuel, oil, distillation products	25%	Pearls, precious stones, metals, coins	44%
Machinery, nuclear reactors, boilers	11%	Cereals	4%
Vehicles other than railway, tramway	9%	Coffee, tea, mate, and spices	4%
Plastics	6%	Edible fruit, nut, citrus fruit, melons	4%
Electrical, electronic equipment	6%	Mineral fuels, oils, distillation products	4%
Other	43%	Other	40%
Total	**100%**	**Total**	**100%**

Table 11 (Source: Trading Economics/2022 data/ United Nations COMTRADE database on international trade)

Import (Country)	%	Export (Country)	%
China	25%	India	17%
United Arab Emirates	16%	South Africa	14%
India	13%	United Arab Emirates	11%
Saudi Arabia	4%	Kenya	6%
South Africa	4%	Switzerland	5%
Other	38%	Other	47%
Total	**100%**	**Total**	**100%**

Table 12 (Source: Trading Economics/2022 data/ United Nations COMTRADE database on international trade)

Considering the favourable and encouraging factors pertaining to the economic, political, and other macroeconomic drivers, ICRA anticipates that Tanzania is poised to exhibit a moderate level of country risk with greater economic stability and sustainable growth potential especially when compared to its neighbouring peer countries. This assessment is reinforced by the sustained positive economic growth rates and the alleviation of inflationary pressures, despite the global challenges encountered during recent review periods. Nevertheless, it is essential to underscore the inherent challenges faced by the country. These include issues of poverty and inequality, constrained access to quality educational and healthcare facilities, environmental concerns, and limited access to financial resources.

INDUSTRY RISK REVIEW

Freight forwarding is the process of arranging and coordinating shipments of goods from one place to another by connecting with importers and exporters. It involves managing the logistics, documentation, and legal compliance related to the movement of goods in a safe, efficient, and cost-effective way.

The global freight forwarding market will be valued at USD 199bn in 2023, with a y/y growth rate of 4.2%. The market is expected to reach USD 285bn by 2031, with a CAGR of 4.1%. Increased globalization and international trade, post-pandemic economic recovery, the advancement of technology, increased demand for specialized and value-added freight-forwarding related services, an increased focus on environmentally friendly, energy-efficient transportation solutions, and expansion in the e-commerce industry all contributed to the industry's global growth. However, the industry might face headwinds due to economic uncertainties driven by supply chain disruptions, increasing interest rates, rising fuel prices, and the Russia-Ukraine war in the coming years. Another key factor for the sustainability of the industry despite the economic disruptions is the existence of large players and the growth strategies and trends adopted by those companies. Mergers and acquisitions are one of the key trends that have emerged in recent years. The acquisition of Cargo Holland by Global Transport Solution in 2022 to offer a specialized air freight solution at Schiphol Airport is one recent example of that.

When looking at the East African region, where ABC Logistics largely operates, freight forwarding market growth is expected to outperform global rates, backed by increasing demand for logistics in the region. The market is expected to grow by a CAGR of 7.3% during 2021-2028, as per the Market Research Future report. Rapid infrastructure development in the region, implementation of the African Continental Free Trade Area (AfCFTA), growth in last-mile logistics services, and government-friendly initiatives to support businesses are the main supporting factors for the expected outperforming growth. As a result, most of the major players are investing heavily and focusing on the region, which further increases the level of regional competition. Tanzania is one of the key markets in the region, where the government is heavily investing in transportation infrastructure, including roads, airports, and seaports. Further country-regional integration, such as membership in the East African Community (EAC), will widen the growth prospects in the freight forwarding market in the region as well as in the country. Although 'ABC Logistics' operates in a highly competitive regional market, there is significant growth potential and untapped opportunities in the market. Further, we expect low to medium industry risk for the firm to operate in the freight and logistics industry in the East African Region.

ICRA RATING ISO 9001 : 2015

EXTERNAL RELATIONSHIPS

BANKING RELATIONSHIPS

DFCU Bank TZ Limited	**Branch**	Dar es Salaam
	Account Type	Current Account
	Currency	TZS and USD
Stanbic Bank TZ Limited	**Branch**	Dar es Salaam
	Account Type	Current Account
	Currency	TZS and USD

Table 13

EXTERNAL AUDITOR DETAILS

Auditor Name	BBB Certified Public Accountants
Latest Financials	Year ending 31-December-2022
Audit Report Date	10-March-2023
Audit Opinion	Unqualified Audit Opinion

Table 14

CREDIT BUREAU DETAILS

No credit bureau details are available for the company or its directors. Hence, credit bureau details are not applicable for the ABC Logistics rating assessment.

BANK STATEMENT ANALYSIS

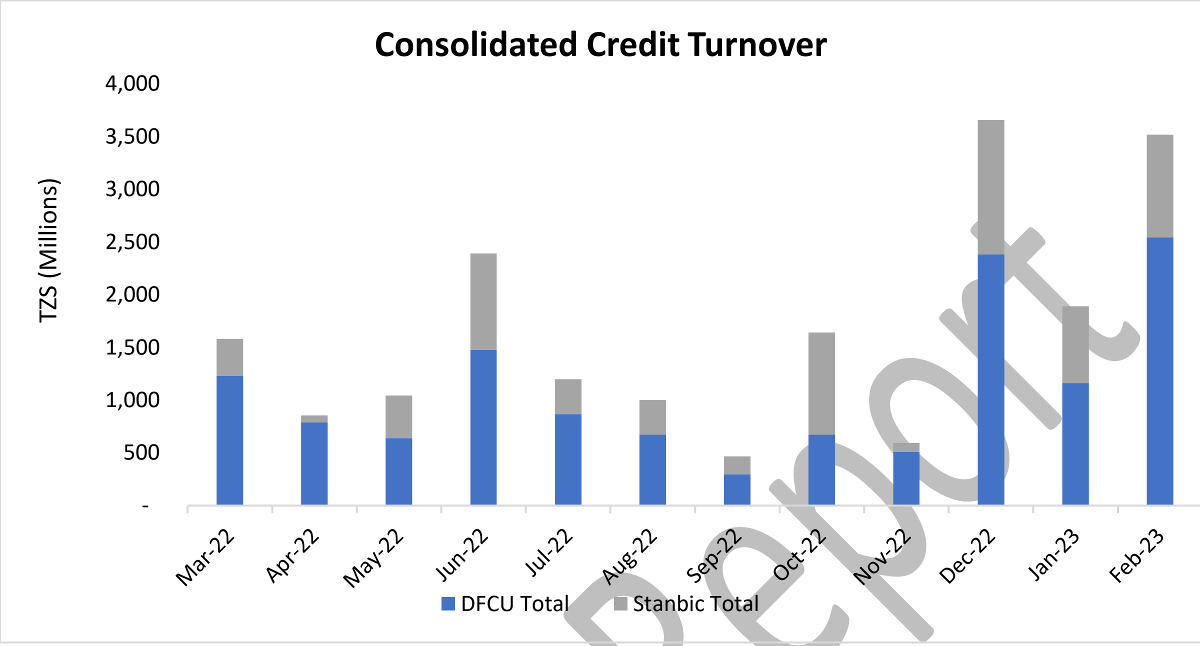


Exhibit 1

The company is banking with two banks, namely DFCU Bank and Stanbic Bank Tanzania, and maintaining USD and TZS currency accounts. For analysis purpose, ICRA converted all the credit transactions into TZS terms, and a currency-wise breakdown will be provided in the latter part of the analysis.

We have received 12 months of bank transaction history for the period March 2022 to February 2023. During the period, the firm received a total of TZS 19,838m credit inflows, of which approximately 70% were from a DFCU Bank account. Average monthly credit turnover remained at TZS 1,653m, and total turnover and the average turnover were in line with the annual revenue behaviour. The credit turnover had been volatile during the review period, with notable improvement recorded in the last three months of the review period. The highest credit turnover was recorded in December 2022, with TZS 3,657m, and the lowest was in September 2022, with TZS 468m.

When looking at the credit turnover behaviour based on the currencies, the majority of the inflows received were in USD, which accounts for approximately 80% of total inflows. This is a positive indication for the business, as it will reduce the company's exposure to currency exchange risks. The company can expect positive foreign exchange gains in terms of local currency depreciation against the USD. Despite the volatility of the credit turnover, the company was able to maintain a sound level of credit inflows during the review period, and the same behaviour can be expected in the coming period as the business has shown a growth trend during the last three months of the review period. Hence, no major risk factors were noticed in the bank statements or credit turnover of the business.

Below is a graphical breakdown of credit turnover based on USD and TZS.

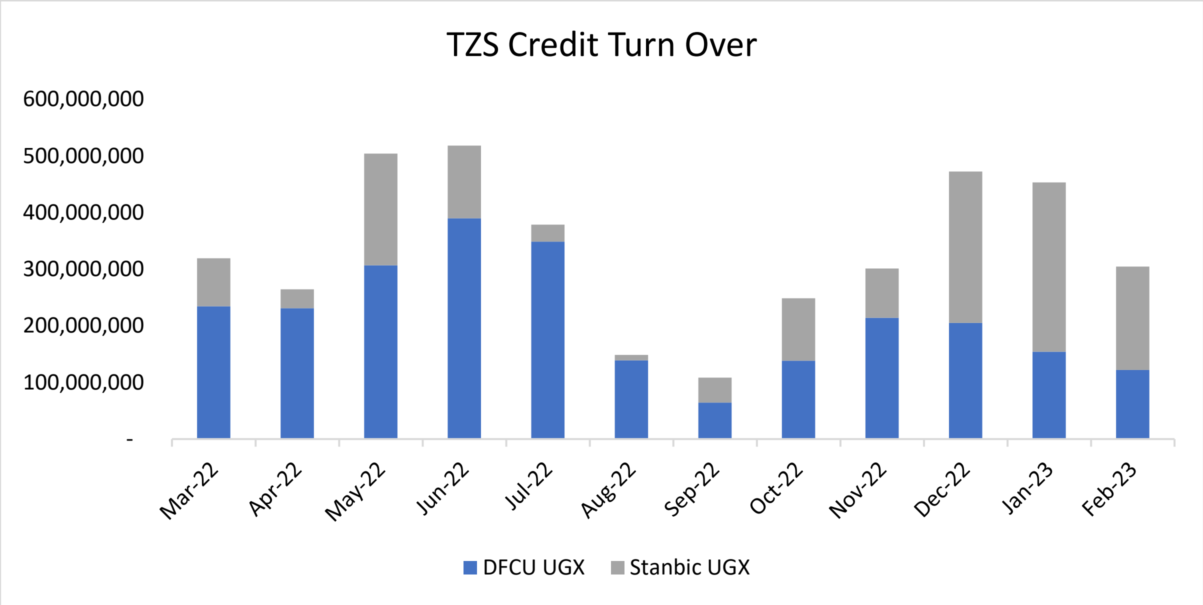


Exhibit 2

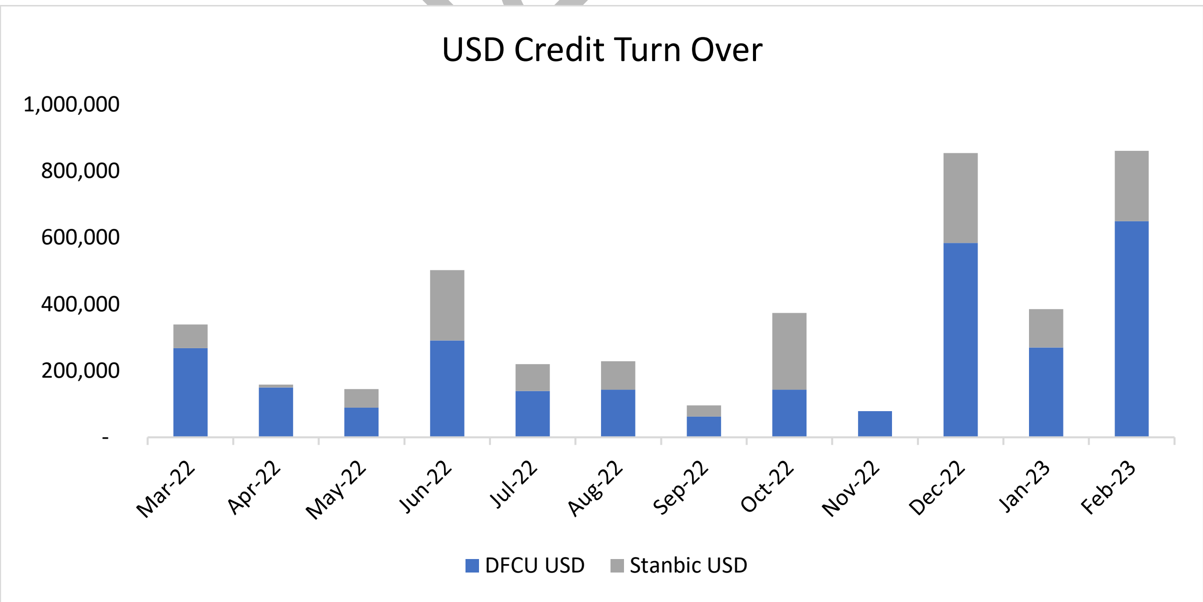


Exhibit 3

FINANCIAL ANALYSIS

PROFIT AND LOSS ANALYSIS

Performance Analysis			
TZS (millions)	**Dec-20**	**Dec-21**	**Dec-22**
Revenue	9,556	8,874	15,826
Gross Profit	2,938	3,876	8,326
OPEX	3,279	2,665	3,240
EBIT	(341)	1,211	5,086
Net Profit	638	1,314	3,317

Table 15

The company's revenue has grown by 78% y/y to TZS 15,826m in FY22, mainly supported by the significant improvement in transport income. The revenue composition of the company mainly consisted of 3 segments, namely: (i) transport income (92.9% of total revenue in FY21), (ii) storage income (6.8%), and (iii) agency fee (0.1%). However, FY22 revenues are 100% generated from the transportation segment as the primary client in storage income and agency fee segments ceased to use ABC Logistics facilities in light of re-organizing their operations. Subsequently, the gross profit has increased by 115% y/y to TZS 8,326m despite a 50% y/y increase in the cost of sales. Although during FY21 the business's revenue declined by 7% y/y, was able to achieve 32% y/y growth in gross profit, supported by 24% savings in cost of sales.

Operating profit (EBIT) has grown significantly by 320% y/y in FY22 to TZS 5,086m in light of impressive revenue performance and a lower OPEX growth rate than revenue. The OPEX of the company stood at TZS 3,240m during FY22, with y/y growth of 22%. The largest OPEX component is depreciation and amortization (D&A), which accounts for 46% of total OPEX. However, D&A expenses have declined 13.5% y/y to TZS 1,507m amid a reduced net book value of the fixed assets. The company was able to maintain its positive operating profit trend, going from an operating loss of TZS 341m in FY20 to an operating profit of TZS 3,240m in FY22.

The net profit stood at TZS 3,317m in FY22 cf. TZS 1,314m in FY21 as a result of revenue growth. This was further supported by an increase in other income of 53% y/y to TZS 454m as a result of improved other income and reimbursements. However, the interest expenses of the company increased to TZS 588m in FY22 cf. TZS 88m in FY21 as a result of the resumption of debt repayment and interest charging protocols as usual, driven by the economy, is fully opened after COVID-19.

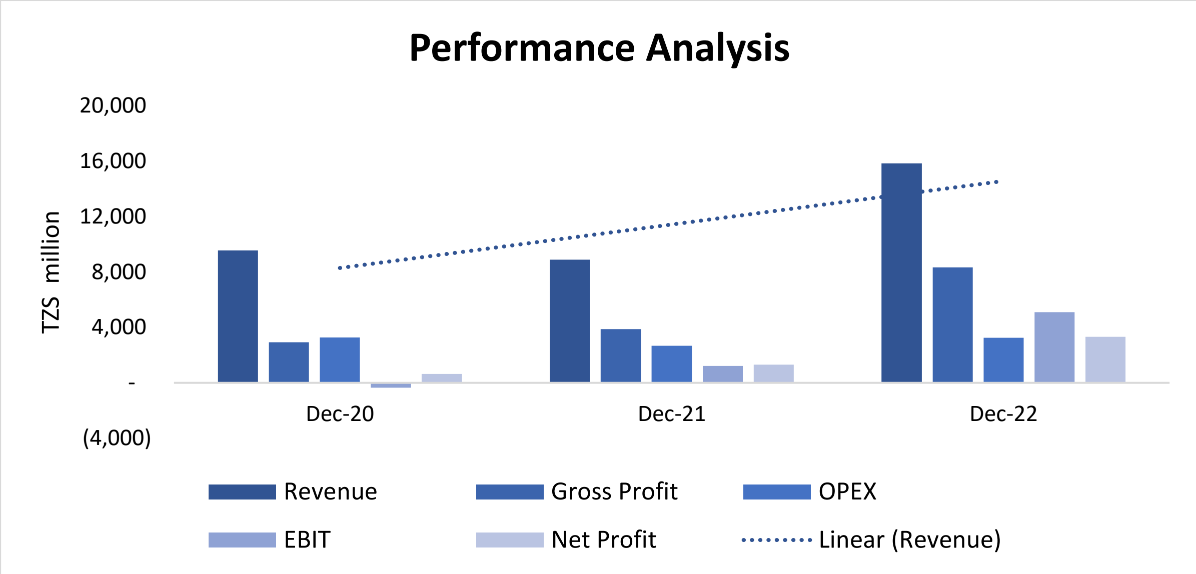


Exhibit 4

Revenue Breakdown			
TZS (millions)	**Dec-20**	**Dec-21**	**Dec-22**
Transport Income	8,801	8,248	15,826
Agency Fees	183	12	-
Storage Income	572	615	-
Total Revenue	9,556	8,874	15,826

Table 16

BALANCE SHEET ANALYSIS

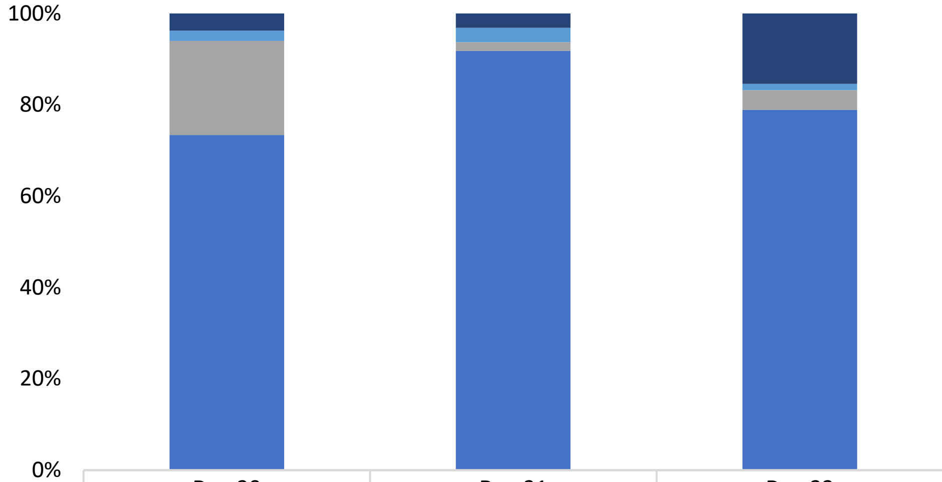
Balance Sheet Analysis			
TZS (millions)	Dec-20	Dec-21	Dec-22
Total Non-Current Assets	11,659	10,256	9,188
Total Current Assets	5,832	4,143	9,632
Cash & Cash Equivalent	219	131	1,486
Net Worth	3,968	5,083	8,403
Total Non-Current Liabilities	7,337	6,696	5,325
Long Term Borrowing	7,054	6,696	5,325
Total Current Liabilities	6,186	2,620	5,092
Short Term Borrowing	2,285	1,661	1,201

Table 17

The total assets of the company stood at TZS 18,820m as of FY22, of which 49% represented fixed assets and 51% represented current assets. Total fixed assets recorded at TZS 9,181m in FY22 cf. TZS 10,249m in FY21. PPE accounted for 99% of the total fixed assets, and a declining trend can be noticed in the company's PPE total net book balance despite the capital expenditure. The current assets of the company increased by 132% y/y to TZS 9,632m in FY22, mainly fortified by the improved trade receivables (by 100% y/y to TZS 7,599m) and improved cash and cash equivalents (by 1038% y/y to TZS 1,486m) as a result of improved performance.

The company's capital structure consists of 45% equity funding and 55% debt funding. The long-term liabilities stood at TZS 5,325m which contains TZS 5,325m of finance lease from Stanbic Bank and TZS 32m of interest premium financing from Exim Bank. The aforementioned long-term finance lease is expected to mature within 5 years. The current liabilities of TZS 5,092m mainly consist of trade payables (44% of current liabilities) and short-term liabilities. Trade payables have increased by 165% y/y to TZS 2,256m in FY22, while short-term borrowing has declined by 28% y/y to TZS 1,201 in light of lower lease and loan capital payments during the year. The net worth of the company stood at TZS 8,403m with paid capital being TZS 3,000m and net retained earnings being TZS 5,403m.

Current Assets Composition

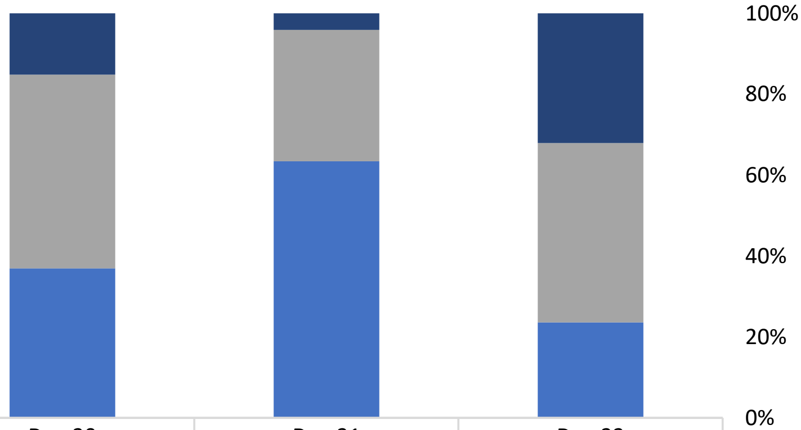


	Dec-20	Dec-21	Dec-22
Cash & Cash Equivalent	219	131	1,486
Marketable Securities	130	130	130
Other Current Assets	1,201	79	417
Trade Receivables	4,281	3,803	7,599

Trade Receivables ■ Other Current Assets ■ Marketable Securities ■ Cash & Cash Equivalent

Exhibit 5

Current Liabilities Composition



	Dec-20	Dec-21	Dec-22
Other current Liabilities	940	107	1,635
Trade Payables	2,960	851	2,256
Short Term Borrowing	2,285	1,661	1,201

Short Term Borrowing ■ Trade Payables ■ Other current Liabilities

Exhibit 6

CASH FLOW ANALYSIS

Cash Flow Analysis			
TZS (millions)	**Dec-20**	**Dec-21**	**Dec-22**
Net Operating Cash Flow	(4,049)	1,071	3,461
CAPEX	(183)	(821)	(439)
Net Investing Cash flows	1,203	(821)	(439)
Borrowings	819	706	-
Debt Repayments	-	(1,050)	(1,666)
Net Financing Cash Flow	2,839	(339)	(1,666)

Table 18

The company generated net operating cash flow of TZS 3,461m during FY22, which is 223% y/y growth cf. FY21. Further, during FY20, the company suffered a net operating cash burn of TZS 4,4049m, and it is notable that the company is maintaining its positive cash trend during FY21 and FY22. The impressive operating cash flow in FY22 was mainly supported by the accelerated performance of the year and partially offset by unfavourable working capital movements during the period due to increased trade receivables during the year.

The company recorded an investing cash outflow of TZS 439m, mainly on CAPEX, and it is 46% lower than the FY21 CAPEX. During the period, the company has repaid total liabilities of TZS 1,666m as a result of the removal of the bank's repayment waivers during the COVID-19 period.

The total net cash flow recorded an inflow of TZS1,356m in FY22 cf. net outflow of TZS 89m during FY21, which led to a closing cash balance of TZS 1,486m.

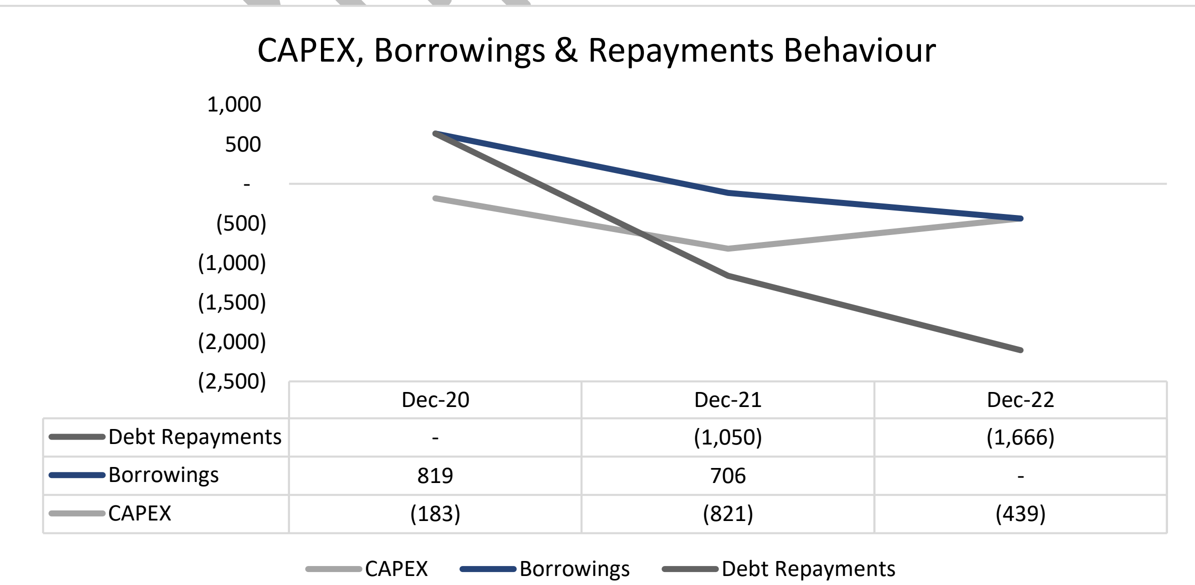


Exhibit 7

RATIO ANALYSIS

PROFITABILITY ANALYSIS

Profitability Ratios			
	Dec-20	Dec-21	Dec-22
Gross Profit	31%	44%	53%
Operating Profit	-4%	14%	32%
Net Profit	7%	15%	21%
Return on Equity (%)	16%	26%	39%
Return on Assets (%)	4%	9%	18%
Return on Capital Employed (%)	-3%	10%	37%
Operating CF Margin (%)	-42%	12%	22%

Table 19

Gross profit margin has seen a growing trend over the last three years. During FY22, the gross profit margin grew by 9ppts y/y to 53% from 44% in FY21. This was mainly driven by revenue improvement coupled with efficiencies in the cost of sales.

Subsequently, the operating profit margin increased by 18ppts y/y to 32% in FY22, further supported by OPEX efficiencies. During FY21, the OPEX to Revenue Ratio stood at 30%, and the company was able to reduce the ratio to 20% in FY22. Since FY20, the company has recorded improving profitability margins, indicating a well-monitored and efficient cost structure for the business. As a result, the company was able to accelerate its net profit margin to 21% in FY22 from 15% in FY21. Based on the current performance and historical trend, we expect the business to maintain its growing profitability in the coming periods.

Despite the growth of its equity, the company was able to accelerate its return on equity to 39% in FY22. This was 13ppts y/y growth compared to FY21 and was largely underpinned by higher growth in profitability compared to equity growth.

A similar trend can be seen in the return on assets, where the ratio improved to 18% in FY22 from 9% in FY21. However, it is noticeable that the company has a declining trend in its fixed assets despite the total asset growth. We urge the business to focus more on fixed assets to eliminate any possible performance capacity issues in the future.

The return on capital employed ratio also improved significantly, to 37% in FY22 from 10% in FY21. This is mainly underpinned by the higher growth percentage recorded in operating profitability compared to the capital employed by the business. This indicates the company generates high profitability for each shilling invested in it.

In addition to profitability growth, the company was able to achieve an impressive cash flow margin of 22% during FY22. This indicates the company is equally performing well in terms of profitability as well as cash generation.

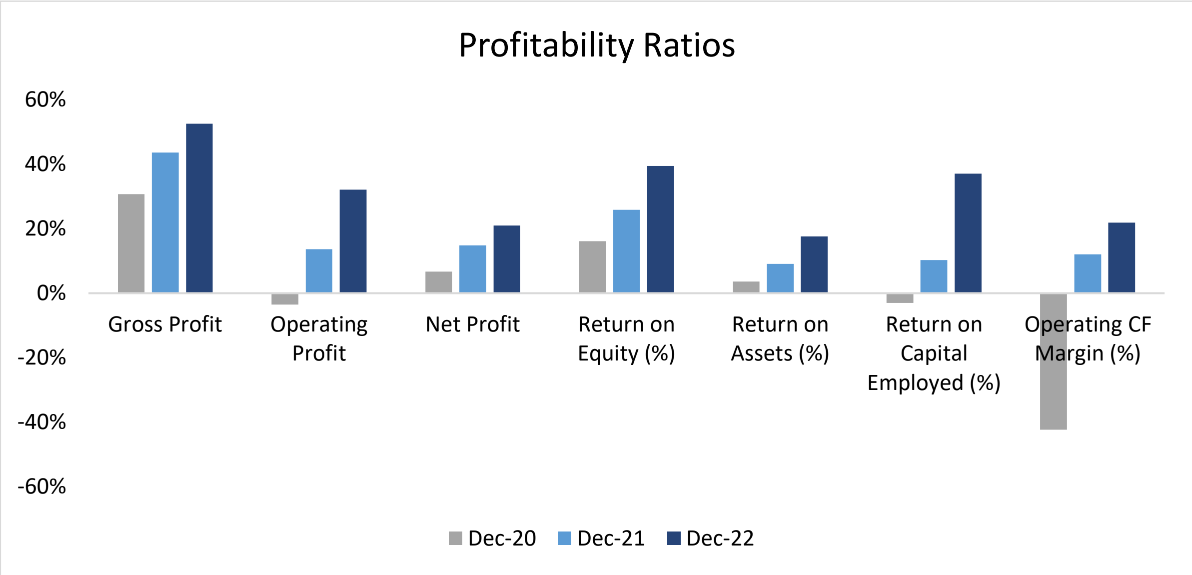


Exhibit 8

LIQUIDITY ANALYSIS

Liquidity Ratios			
	Dec-20	Dec-21	Dec-22
Current Ratio (times)	0.94x	1.58x	1.89x
Quick Ratio (times)	0.75x	1.55x	1.81x
Cash Ratio (times)	0.04x	0.05x	0.29x

Table 20

The current ratio has increased to 1.89x in FY22 from 1.58x in FY21, well supported by an increased cash balance and trade receivables in the current assets. However, this was partially offset by the increased trade payables during the year.

The quick ratio showed the same trend as the current ratio, at 1.81x in FY22 cf. 1.55x in FY21. Both ratios remained healthy levels above the generally accepted level of 1.00x.

The cash ratio also increased to 0.29x in FY22 from 0.05x in FY21. The reason for the lower end of the cash ratio is mainly reinforced by the higher proportion of current assets locked in trade receivables. It is vital for the business to focus on converting these trade receivables into cash to eliminate any possible cash liquidity problems in the future, which would impact the daily operations.

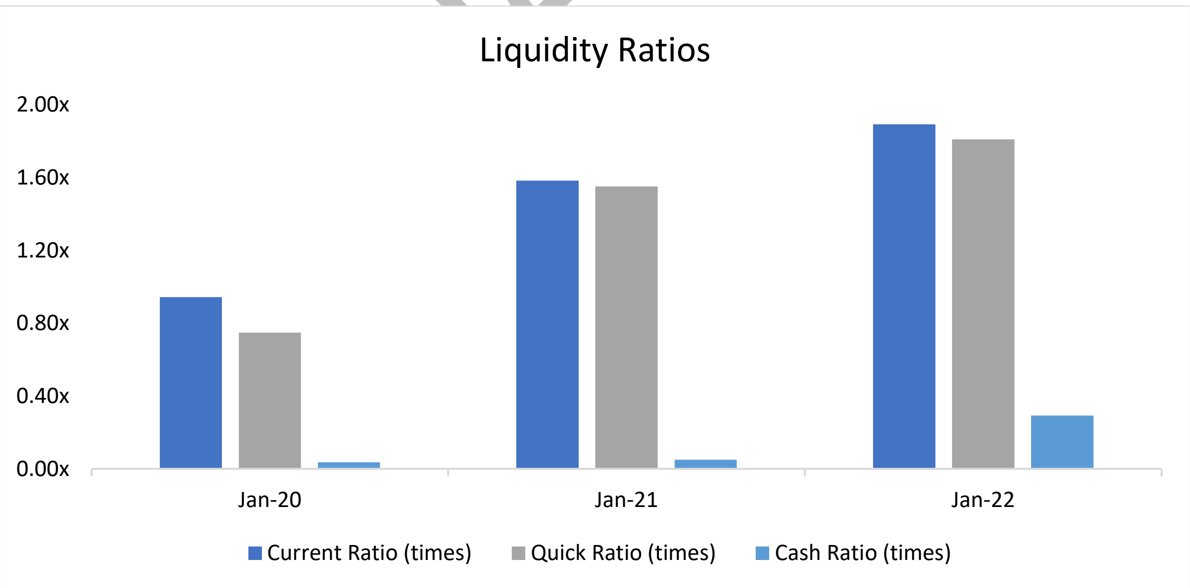


Exhibit 9

EFFICIENCY ANALYSIS

Efficiency Ratios			
	Dec-20	Dec-21	Dec-22
Average Collection Period (Days)	164	156	175
Average Payment Period (Days)	163	62	110
Interest Coverage Ratio (Times)	(0.84x)	13.82x	8.65x

Table 21

The company has a stretched collection period of 175 days in FY22 cf. 156 days in FY21. This is largely underpinned by increased trade receivables during the period. We recommend that the business closely monitor its receivables and focus on early collection to avoid liquidity issues or bad debt losses.

The average payment period also increased to 110 days in FY22 from 62 days in FY21 as a result of increased trade payables. The increasing collection period coupled with the payment period is an early warning sign of possible liquidity issues for the company, which can lead to a longer than expected cash cycle in the business and disrupt daily operations. We urge the business to carefully monitor and evaluate trade receivables and payables management.

The interest coverage ratio remained at 8.65x in FY22, indicating more than sufficient funds to meet its interest funding requirements. However, the coverage has deteriorated from 13.82x as a result of increased interest payments during FY22.

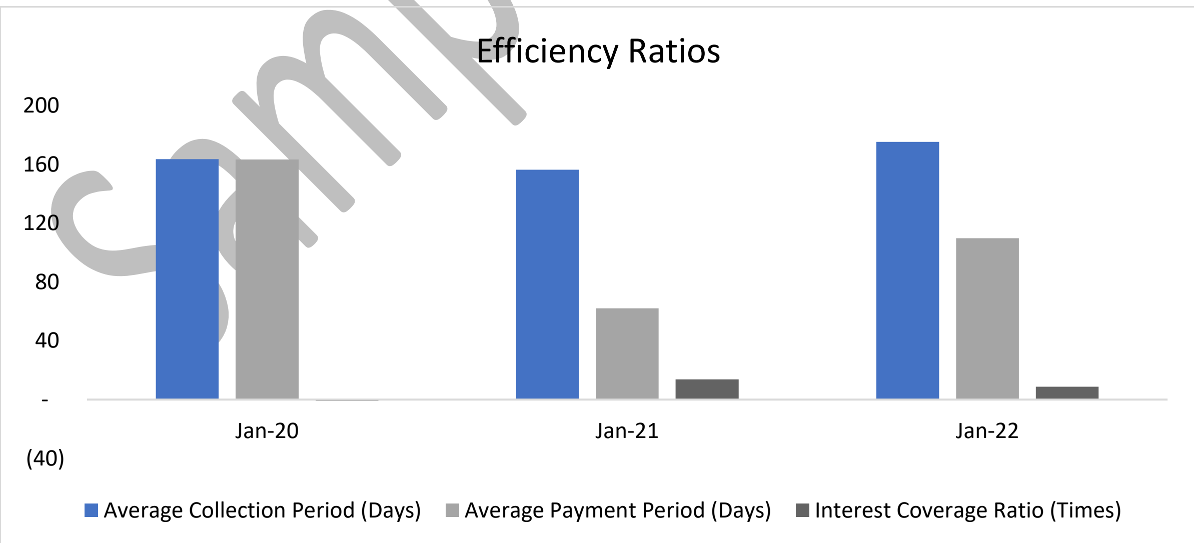


Exhibit 10

LEVERAGE ANALYSIS

Leverage Ratios			
	Dec-20	Dec-21	Dec-22
Debt-to-equity Ratio (times)	3.41x	1.83x	1.24x
Equity Ratio (times)	0.23x	0.35x	0.45x
Debt Ratio (times)	0.53x	0.58x	0.35x
Debt to EBIT (times)	-27.39x	6.90x	1.28x

Table 22

The debt-to-equity ratio has decreased to 1.24x in FY22 from 1.83x in FY22. Further, the company has shown a declining debt-to-equity ratio trend; it was at 3.41x in FY20. This indicates the company is trying to shift from debt funding to equity funding for their business operations.

Subsequently, the equity ratio has shown a growing trend, further reflecting that the business is moving towards equity funding over debt funding. The ratio has improved to 0.45x in FY22 cf. 0.35x in FY21.

The debt ratio also declined to 0.35x in FY22 from 0.58x in FY21, mainly supported by reduced outstanding debt and increased equity during the period. Based on the balance sheet ratio trend, we expect the business to have low leverage and repayment risks.

This can be further tested by the debt-to-EBIT ratio, as the company was able to reduce the debt-to-EBIT ratio significantly to 1.28x in FY22 compared to 6.90x in FY21. We expect the business to maintain a similar capital structure in the coming period with low leverage and repayment risk.

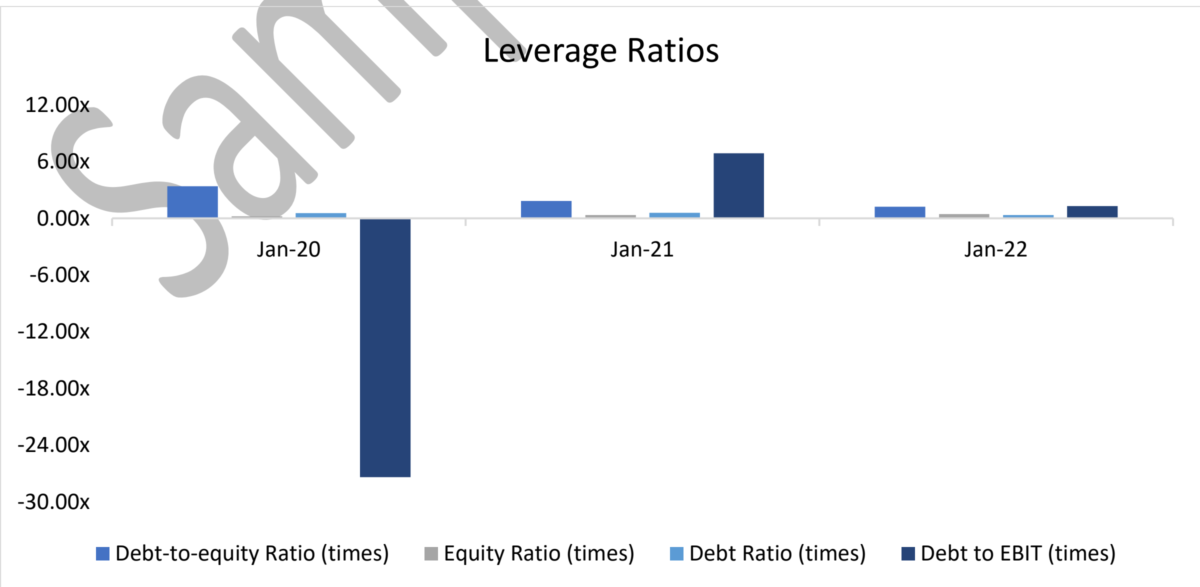


Exhibit 11

FUTURE BUSINESS OUTLOOK

The future outlook of the business is appraised positive. There are multiple key factors that suggest the company is well-positioned for growth and success in the years to come.

DFCU and foremost, the business has a highly talented team in place who are subject matter experts and passionate about delivering the best services to customers.

Additionally, the global economy continues to expand, and international trade is growing at a rapid pace. As a result, there is a huge demand for reliable and efficient freight forwarding services that can help businesses move their goods across borders and around the world.

To meet the growing demand and increase its market share, GTL has provided a future roadmap tha includes an additional fleet of 200 trucks in the next six to twelve months. The firm also intends to complete a 100-man camp in Masindi that will provide accommodation, open and closed storage facilities, and vehicle parking. The company has plans to establish itself as a one-stop logistics solution partner for Main Logistic Partners and any other organization moving goods across the region.

Based on a thorough analysis of the company's financial performance, industry trends, and future growth opportunities, the company is expected to continue delivering strong financial performance, with revenue and earnings growth projected to outpace the broader market. The company's management has outlined a clear strategy for achieving this growth.

ANNEXTURES

PROFIT AND LOSS STATEMENT

TZS millions	Dec-20	Dec-21	Dec-22
Revenue	**9,556**	**8,874**	**15,826**
Cost of Sales	(6,619)	(4,998)	(7,500)
Gross Profit/(Loss)	2,938	3,876	8,326
Operating Expenses			
Sales & Marketing	(13)	(29)	(36)
General & Admin Expenses	(106)	(83)	(94)
Depreciation & Amortization	(1,962)	(1,742)	(1,507)
Other Operating Expenses	(1,198)	(812)	(1,603)
Total Operating Expenses	**(3,279)**	**(2,665)**	**(3,240)**
Operating Profit/(Loss)	**(341)**	**1,211**	**5,086**
Other income	1,384	297	454
Interest Expenses	(405)	(88)	(588)
Profit/(Loss) Before Tax	**638**	**1,421**	**4,952**
Income Tax	-	(107)	(1,635)
Net Profit/(Loss)	**638**	**1,314**	**3,317**

Table 23

BALANCE SHEET

TZS millions	Dec-20	Dec-21	Dec-22
Assets			
Non-Current Assets			
Property, Plant and Equipment	11,653	10,249	9,181
Other Non-Current Assets	7	7	7
Total Non-Current Assets	**11,659**	**10,256**	**9,188**
Current Assets			
Inventories	-	-	-
Trade Receivables	4,281	3,803	7,599
Other Current Assets	1,201	79	417
Marketable Securities	130	130	130
Cash & Cash Equivalent	219	131	1,486
Total Current Assets	**5,832**	**4,143**	**9,632**
Total Assets	**17,491**	**14,399**	**18,820**
Equity			
Share Capital	2,500	3,000	3,000
Retained Earnings	1,468	2,783	6,103
Other equity	-	(700)	(700)
Net Worth	**3,968**	**5,083**	**8,403**
Liabilities			
Non-Current Liabilities			
Long Term Borrowing	7,054	6,696	5,325
Long Term Provision	-	-	-
Other Non-Current Liabilities	283	-	-
Total Non-Current Liabilities	**7,337**	**6,696**	**5,325**
Current Liabilities			
Short Term Borrowing	2,285	1,661	1,201
Trade Payables	2,960	851	2,256
Short Term Provision	-	-	-
Other current Liabilities	940	107	1,635
Total Current Liabilities	**6,186**	**2,620**	**5,092**
Total Liabilities	**13,523**	**9,316**	**10,417**
Total Equity and Liabilities	**17,491**	**14,399**	**18,820**

Table 24

CASH FLOW STATEMENT

TZS millions	Dec-20	Dec-21	Dec-22
Operating Cash Flow			
Profit/(Loss) for the year	638	1,313	3,317
Depreciation & Amortization	1,962	1,728	1,508
Other Adjustments	142	(251)	263
OCF before WC adjustments	**2,742**	**2,790**	**5,088**
Changes in Trade Receivables	(730)	478	(3,796)
Changes in Inventory	-	-	-
Changes in Trade Payables	(4,489)	(2,129)	1,404
Changes in Other	(1,571)	(68)	766
Cash Used in Operations	**(6,791)**	**(1,718)**	**(1,627)**
Net Operating Cash Flow	**(4,049)**	**1,071**	**3,461**
Investing Cash Flow			
Fixed Assets sales	1,386	-	-
Fixed Assets Purchases	(183)	(821)	(439)
Other	-	-	-
Net Investing Cash flows	**1,203**	**(821)**	**(439)**
Financing Cash Flow			
Borrowings	819	706	-
Capital Issuance	2,000	-	-
Share Repurchase	-	-	-
Loan Repayments		(1,050)	(1,666)
Dividends	-	-	-
Other	20	6	-
Net Financing Cash Flow	**2,839**	**(339)**	**(1,666)**
Net +/(-) Cash Flows	**(8)**	**(89)**	**1,356**
Opening Cash Balance	**227**	**219**	**131**
Closing Cash Balance	**219**	**131**	**1,486**

Table 25

GLOSSARY

&	:	*And*
ACCA	:	*Association of Chartered Certified Accountants*
AML	:	*Anti Money Laundering*
ATM	:	*Automated Teller Machine*
BA	:	*Bachelor of Arts*
BAC	:	*Board Audit Committee*
BCC	:	*Board of Credit Committee*
bn	:	*Billions*
BoT	:	*Bank of Tanzania*
BoU	:	*Bank of Uganda*
BSC	:	*Bachelor of Sciences*
CAGR	:	*Compound Annual Growth Rate*
CAPEX	:	*Capital Expenditure*
CAR	:	*Capital Adequacy Ratio*
CEO	:	*Chief Executive Officer*
cf.	:	*Compared to*
CFO	:	*Chief Financial Officer*
CPA	:	*Certified Public Accountant*
CSR	:	*Corporate Social Responsibilities*
D&A	:	*Depreciation and Amortization*
EBIT	:	*Earnings before Interest and Tax*
etc.	:	*Et cetera*
EXCOM	:	*Board Executive Committee*
FI	:	*Financial Institutions*
FYxx	:	*Financial Year ending 31-December-20xx*
GDP	:	*Gross Domestic Product*
ICRA	:	*International Credit Rating Agency*
IMF	:	*International Monetary Fund*
ISO	:	*International Organization for Standardization*
k	:	*Thousands*
KYC	:	*Know Your Customers*
LIBOR	:	*The London interbank offered rate*
LLB	:	*Bachelor of Laws*
LLC	:	*Limited Liability Company*
m	:	*Millions*
MBA	:	*Master of Business Administration*
MFI	:	*Micro-Finance Institutes*
na	:	*Not Applicable*
NGO	:	*Non-governmental organization*
OPEX	:	*Operating Expenses*
PPE	:	*Property, Plant and Equipment*
ppts	:	*Percentages points*
SME	:	*Small and Medium-sized Enterprises*

TRA	:	*Tax Receivable Agreement*
TZS	:	*Tanzanian shilling*
UAE	:	*United Arab Emirates*
USD	:	*United States Dollar*
x	:	*times*
y/y	:	*Year over Year*

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Date: 12th April 2023