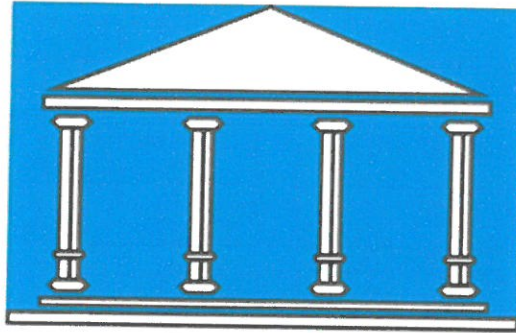


TANZANIA INVESTMENT CENTRE  
**RECEIVED**  
27 NOV 2020  
P. O. Box 938  
DAR-ES-SALAAM

**CTM AND ALLMUSS TANZANIA  
BUSINESS PROGRESS UPDATE**



**ALLMUSS  
PROPERTIES**



0738-945052 - CATHERINE KAROKOLA -

## **1 Executive Summary**

The Italtile Group's strategy includes the expansion of operations in East Africa, particularly Kenya and Tanzania where economic prospects are promising and attractive. To expand its Tanzanian presence, the Group has acquired the CTM franchise business and planned on opening at least 6 stores over five year period (over and above the three stores acquired from the franchise business).

CTM Tanzania aspires to become the market leader providing its customers with the best value and quality products, and at the same time providing them with a means to have beautiful homes.

Central to the achievement of this goal is the ownership of property from which the CTM stores trade in Tanzania (via a property investment company called Allmuss Properties Tanzania Limited). The property investment was envisaged to be in the region of TZS48 billion by 2021 (USD21 million), although to date the company has acquired property for a cost of USD3 million (Plot 562, 563 & 564 in Sinza Kwa Remmy, Kawe, Dar Es Salaam), with a potential purchase of property at 115 Nyerere Road, Dar es Salaam being abandoned (seller no longer interested in selling in favour of property development). Other opportunities for investment continue to be investigated.

We continue to believe that Tanzania as a country will benefit from the proposed strategy in various ways, including:

- Expansion of goods and services;
- Employment creation and skills development;
- Local wealth creation;
- Linkage benefits to other industries;
- Technology skills transfer;
- Community upliftment; and
- Tax revenue generation.

## **2 Update on Business Activities**

### **2.1 Conversion of Franchise Business**

The CTM franchise had been in operation in Tanzania for 15 years, run by CTM (East Africa) Limited. During the 2016 calendar year, an in-principle agreement was reached with the franchisee to sell the business to the Italtile Group, which would allow the CTM operation to gain access to the Group's strong balance sheet and thus capital to allow for expansion.

The transaction to acquire the franchise business was concluded in December 2018.

### **2.2 Property Holding Company**

A property holding company, Allmuss Properties Tanzania Limited, was incorporated in Tanzania in July 2016. This company currently leases all property from which the CTM stores trade (besides CTM Kawe per detail below) but in accordance with the Group strategy will look to acquire property if it is determined that the market in which the CTM store is located is sustainable and/or growing.

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The CTM stores currently trade at the following locations, with the related properties being leased by Allmuss Properties Tanzania Limited:

Store	Address	Lessor
CTM Kawe	Plot 562, 563 and 564, Sinza Kwa Remmy, Kawe, Dar Es Salaam	Korosho Village Limited
CTM Airport	115 Nyerere Road, Dar Es Salaam	Coastal Steel Industries Limited
CTM Arusha	RSA Business Park, off Njiro Road	Rajinder Motors Limited
CTM Mwanza	21, Block W, Igogo Industrial Area	Patel Trading Co. (1961) Limited

The CTM Mwanza store was opened in February 2019 (after acquisition of the CTM franchise business in Tanzania in November 2018) and the transaction to purchase the property in CTM Kawe was concluded recently (in accordance with regulatory approvals received). The proposed purchase of the CTM Airport property was abandoned as the owner has considered development of the property as a more viable option to sale.

In accordance with the expansion strategy in Tanzania, properties will likely be leased in the following areas prior to acquisition (opportunities are being actively investigated):

- Morogoro
- Dodoma
- Mbeya
- Arusha (second store)
- Kigoma or Moshi

Current lease payments cost between TZS13.8 million and TZS19 million per month per location. Anticipated capital costs to acquire properties are currently projected as follows per financial year:

Store	2021/2022 (TZS billion)
CTM Mwanza	2.2
CTM Dodoma	2.3

The capital and running costs requirements of Allmuss Properties Tanzania Limited has initially been funded by the Italtile Group via equity contributions from its holding company Italtile Foreign Holdings Proprietary Limited. Further funding will be via interest bearing loans from other Group companies, However, as the CTM business grows, the property company will collect increased rentals (rentals are based on a fixed percentage of turnover) and it will eventually become self-funding with regards to property leases, maintenance, expansion and purchases.

All properties acquired by the Italtile Group and held on a long term basis (i.e. properties within the Group are not and will not be actively traded).

### **2.3 Implementation of SAP**

The Italtile Group strives to provide relevant, cost effective IT solutions to enable an optimal user experience within the Group's retail stores. This is tailor made to accommodate its online and supply chain, by ensuring simplicity in functionality for the end-user and maintenance of data integrity and finally minimizing down time.

The use of SAP and sophisticated hardware has been implemented across all stores to ensure that all customers' needs, both internal and external, are fulfilled including the management of supply chain.

As all SAP instances run off the Group's datacenter based in Tswane, South Africa, the Group's management has real-time access to business information which enables the effective and efficient review of operations.

### **2.4 Tanzania Webstore**

The Italtile Group strives to provide a fully functional online shopping experience enabling customers to transact and receive delivery of listed products from the Group's CTM stores. This ambition to offer a "total" retail solution to customers continues to be realised with the opening of the CTM Tanzania webstore in April 2017. Customers in Tanzania have since been able to:

- Purchase online or via any omni-channel option of their choice from any store in the country and receive delivery at their premises; and
- Utilise a "click and collect" service whereby merchandise can be purchased online and the products will be sourced, packed and made available for collection at the branch of the customer's choosing.

The omni-channel shopping experience provides a vital strategic advantage in the rapidly evolving retail and technological environments. In this regard, continual innovation and best practice benchmarking will be prioritised, while further investment will be made in software and hardware enhancements, content, and contact centre solutions.

The webstore address is [www.ctm.co.tz](http://www.ctm.co.tz). Since its launch in April 2017, sales by the webstore have grown from an average of TZS4 million a month to over TZS70 million a month.

### **2.5 Store Rollout/Opening**

The tile and sanitaryware industry in Tanzania is estimated to generate sales of roughly USD60 million a year, consisting of formal and informal businesses trading across the country. It is estimated that CTM Tanzania has less than a 10% share in the market. By contrast, CTM in South Africa is estimated to have over a 30% market share, indicating significant potential to grow market share in Tanzania, specifically as CTM only has a presence in Dar Es Salaam, Arusha and Mwanza, while competitors are located throughout the country.

Tanzania is amongst the fastest growing economies in sub-Sahara Africa over the past decade.

The above present opportunities for CTM to expand its footprint and contribute towards the success of the country. The Group has plans in place to venture into various regions of Tanzania, as noted in the following table:

Location	Year	Population
Morogoro	2021/2022	+ 2.2m
Dodoma	2021/2022	+ 2.2m
Mbeya	2021/2022	+ 2.8m
Arusha (second store)	2023	+ 1.6m
Kigoma or Moshi	2024	+ 2.1m

## 2.6 People Development

The Group's focus on recruiting, developing and retaining suitable personnel is centered on ensuring the business is optimally staffed to achieve the Group's growth objectives and to deliver a superior shopping experience for our customers.

The Group understands well that its success is underpinned by the people it employs, and will continue to invest in their training and development. This is particularly important in areas where store expansion is planned as all new stores are to be staffed with well trained and competent employees. Training of staff occurs via electronic channels (such as web based learning), physically in country (such as by SAP staff from South Africa travelling to Tanzania to provide training) or at the Group's tiling and plumbing academy in Boksburg, South Africa or its retail operations in neighbouring Kenya.

Since acquisition of the CTM franchise business in Tanzania in November 2018, TZS 15,455,856/40 has been spent on training of 16 staff members.

## 2.7 Financial performance

Since acquisition of the franchise business in November 2018, retail sales of CTM Tanzania have increased from TZS6.7 billion per annum to TZS8.5 billion in the last financial year.

### 3 Benefits to Tanzanian Industry and Economy

The Italtile Group remains to be excited by its prospects in Tanzania – it provides significant financial potential for growth, but also provides an opportunity to contribute to the development of the people, industry and economics in Tanzania. Examples of potential benefits to Tanzania are:

- Expansion of goods and services in the market
- Employment creation and skills development
- Local partnerships
- Linkage benefits for other industries
- Technology skills transfer
- Community upliftment
- Tax revenue generation

4. Updated information on the following aspects:

S/No.	Information	Description	Current Project Status
1.	Shareholder's Information	Current Shareholders names, nationality and percentage of ownership	Italtile Foreign Holdings (Pty) Ltd.  <ul style="list-style-type: none"> <li>• South African Company</li> <li>• 99%</li> <li>• Brandon Wood</li> <li>• South African + 1%</li> </ul>
2.	Company Communication Information	Email address	airportbm@ctm.co.tz
		Mobile number	+255 785 500286
		Landline Telephone Number	022 2863916
		Physical Address (Plot No., Block No, Street, District and Region)	Plot 115, Nyerere Road, Dar es salaam, Tanzania.
3.	Contact Person	Name	Shiraz Satchu
		Position	Director
		Communication Details (Email, Mobile and Telephone)	As per Company details above
4.	Incorporation	Certificate of Incorporation No.	127620
5.	TIN Information	TIN Certificate No.	136-917-498

6.	Project Objective	Project Core Activity	Investment in Property
7.	Capacity	Project Capacity per year	
8.	Direct Employment	Foreign-Men	NIL
		Foreign-Women	NIL
		Local-Men	44
		Local-Women	25
9.	Indirect Employment	Estimated Total No.	48
		Type/areas of Indirect Employment	DELIVERY AND TILERS

5. Project Financial Expenditure to date (USD):

	Foreign (USD)	Local (USD)	Total (USD)
Land and Building	%0	\$3,160,680	\$3,160,680
Plant and machinery	-	-	-
Vehicles/Aircrafts	-	-	-
Furniture	-	-	-
Office equipment	-	-	-
Insurance Cover	\$0	\$2,787.75	\$2,787.75
Pre-operational expenses	\$0	\$3,563.90	\$3,563.90
Working sub-total capital			
<b>GRAND TOTAL</b>	<b>\$0</b>	<b>\$3,167,031.65</b>	<b>\$3,167,031.65</b>

## 6. Project Financing

Explain how the project is being financed e.g. equity, loans, sources of loans, conditions, etc. See table below.

	Amount (USD)	Source Country
Local Equity	NIL	Tanzania
Local Loans	NIL	Tanzania
Foreign Equity	\$3,000,000	South Africa
Foreign Loans	NIL	
<b>Total Investment</b>	<b>\$3,000,000</b>	

## 7. Problems and Solution

Staff remain our biggest success but also our biggest challenge with regards to the amount of training needed to ensure they are on par with the group standards. We have a very flat structure and require all staff to carry business knowledge and share in the responsibility of trading decisions. This is a very time-consuming process to ensure the correct staff is employed and then developed. We then also need to start training future staff, in our current stores, to be moved to the new stores as and when they open. This all is a very costly exercise. The solution we use to limit these expenses is thru online learning and training staff thru the neighboring country, Kenya.

Some of the other problems we face are long delays on conclusion of property purchases as well as delays on the imports of our trading products. We do not yet have solutions for the last 2 mentioned problems.

**8. Future Plans**

We will continue to search for an additional property to be acquired over the next 6 month and the financial commitments will depend on if it would be a vacant land purchase or land and building. This could vary from \$200k to \$800k.

We will also continue to revamp our current stores to offer a better shopping experience for our customers. Planned spending would amount to another \$500k.

**9. Recommendations and any other comments**

N/A