



TANBREED

TANBREED POULTRY LIMITED

3 Year Business Plan

2023-2026

Tanbreed Business Plan

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1- EXECUTIVE SUMMARY

- There is huge interest being shown by large poultry (and feed) companies in Africa. Some South African but also Middle East, Far East & Europe. If APDL position is going to be consolidated the development agenda needs to be agreed and expedited with urgency, including the feed mill aspect.
- Opportunity exists. Recent historical performance of both poultry industry and the national economy at large point to sustained growth into the foreseeable future.
- World food production will have to double in the next 25 years to feed the growing population. Within the next few years chicken will be the most consumed meat in the world due to its affordability and availability.
- In Western economies only 6% of household income is spent on basic food; 94% is available for other goods and services in the economy which fuels economic growth. Higher disposable incomes result in an increase in meat protein consumption and demand for higher value products.
- Our model, leaving aside growth predictions is conservative.

2 – MARKET OPPORTUNITIES AND CHALLENGES

A- Opportunities

- **Macro-economic trends:**

GDP growth for the next five years is forecasted to be around 5.4%.

The Government is planning to spend \$14.2 billion over the next 5 years on infrastructure development namely building a 2,561 km rail network, oil pipeline from Uganda and upgrading ports and roads to serve the growing economies in the region.

Closer economic integration within the EAC will also drive expansion. Growth is expected to remain robust, at an annual average rate of 6%, helped by a sustained expansion in banking and telecommunications, growth of the middle class (est. 15% y/y growth), urbanization, EAC integration, structural reforms, and investment in infrastructure (including a standard gauge railway line). Key potential upside could be the start of oil production towards the end of the forecast period.

- **High long-term market growth prospects, supported by changing buying patterns:**

The population is anticipated to grow by 3% year on year (2022: 54 Million; 2025: 63 Million). With the expected y/y growth of 10%, approximately 20% of population will be middle class by 2024. Middle class per capita consumption of broiler chicken meat remains low (~1.1-1.3kg/ person) in Tanzania compared to more developed countries, for example

South Africa at ~45-50kg/ person) **However with the Government Livestock Master plan focusing on white meat, this figure is likely to rise**

- **Growth of fast foods** – Fast foods segment will continue to contribute significantly to Tanbreed’s growth. It is expected that demand in this segment will grow exponentially between 2022 and 2025, moving from 42t/week to 56t/ week, driven by rapid expansion of current key international franchises (Marry Brown, KFC etc) and expected entry of new ones.
- **Opportunity for mass market exploitation** – there exists a huge potential at the bottom segment, estimated at 85% of the population, which can be exploited by low end chicken and value add products (smoked sausages, burgers and other chicken products)
- **Food security (meat protein)** – the ‘**meat of Choice**’ of the future will be chicken because it will be relatively cheaper as compared to beef and fish. There is a strong likelihood that fish and beef will be more intensively farmed, hence will become more expensive.
- **Opportunities for differentiation to protect and grow chicken business:**
 - To better meet basic customer/ market needs, focus will be on availability/proximity, quality/consistency, price/margins/credit
 - To better meet specific segment’s needs: Retail, fast foods, catering, bottom of the pyramid
 - Leveraging on the ‘Kuku culture’ in Tanzania to drive more chicken consumption.
- **Growth of Local Farmers**

Tanbreed will encourage local farmers to grow soya to supply feed industry and replace imported soya. This will make local feed cheaper and meant more cost effective. The income into the local farmers pockets will increase their spending power with the resultant multiplier effect in the local economy.

B- Challenges

- **Raw materials:** Tanzania is still depending on Soya import from neighboring Zambia and Malawi. The import of soya attracts VAT on entry which is an additional cost to farm inputs.
- **Liberalization:** risk of cheap imports due to Africa trade liberalization could affect existing local players. Flow of product from advanced economies such as South America, USA and South Africa could pose challenges, given the economies of scale enjoyed by big players

3- Industry and competitive environment:

Tanbreed in collaboration with its sister companies is the dominant player in the processed chicken market (>57% market share), Day Old Chicks (DOC) (>55% market share) and

Poultry Feed (>20% market share). Recently, there has been renewed direct competition from small scale farmers who are producing and selling processed chicken contrary to the norms of selling live birds. Kuku Poa, Matuli and Frostan are the key competitors in the formal processed chicken market while Tanzania Poultry, Kibo, Euro Poultry and Silverlands remain the main competitors for DOC. In Poultry feed, Hill Feeds, Falcon and Silverlands remain the biggest player in the market

Evolution of competitive landscape:

- Matuli will continue growing and offering chicken products for both frozen and fresh products
- Kuku Poa whose production facility based in Mwanza city has been stagnant in the market, being on and off in Dar es Salam market.
- Frostan is likely to continue growing through their business model of which they engaged contract farmers. However, Frostan does not have a formal processing facility.
- Tanzania Poultry which is believed to be the second largest player in DOC market is expected to continue its growth particularly in Arusha region
- Irvines Tanzania Ltd is a new entrant in the market expecting to launch its first product in August 2018. Their main focus will be day old chicks and is expected to pose a direct competition to Tanbreed.

4 - FINANCIAL PROJECTIONS

The financial statements are attached



Financial
Ambaitions.xlsx

5- STRATEGIC EXPANSION

A. EXPANSION OF BREEDER HOUSES

i. Present Situation

We currently have 3 farms in operations in Siha District, Sanya Juu North 8 Houses (completed) Sanya Juu West 6 houses (remaining 2 houses to complete) and Sanya Juu South 3 Houses (Remaining 5 to complete) with current PS Placement capacity of 158,950 female broilers

ii. Proposed Change

We are proposing to build poultry houses to align with our expected sales. On average it will be 3 houses per annum over the next 5 years to make a total of 15 poultry houses. This will increase our PS placement by 140,250 broiler females to make a total of 299,200 (91% increase).

This is the best option and aligns with our strategic objectives. 70% of the cost will be attributed to building, the remaining 30% to equipment. We will expand Sanya Juu farm by approx. 3 houses per annum. Expansion will be completed by 2028. Project will be financed by internally generated funds

Equipment cost	\$ 5,283,760
Tax/Vat	\$Incl
Other Costs or Savings (support)	\$
Other Costs or Savings	\$
Other Costs or Savings	\$
Total Purchase/Expense Price	\$ 5,283,760
Investment Type	
Economical Life of Purchase (# of years)	+ 5 years

B. HATCHERY EXPANSION

i. Present Situation

Current hatchery has reached full capacity and, in order to meet market demand, we will need to increase our setting capacity by 78,600 eggs per week by July 2023. Thereafter capacity will need to be increase every two years by 78,600 weekly egg set capacity over the 5 year period.

ii. Proposed Change

We propose to build a new hatchery to accommodate an egg set capacity increase of 230,400 over the next 5 years. Given current projection this increase will allow us to increase our market share. This project costing has been done on the assumption we would buy new equipment

Management is also looking at option of leasing a warehouse and purchasing secondhand equipment which would lower overall capex costs.

iii. Basis for Costs

	TOTAL	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Civil Works	\$ 277,719	\$ 236,069	\$ 41,650	\$ -	\$ -	\$ -	\$ -
Transformer	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -
Building permits / Fees	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -
Crane Hire	\$ 22,500	\$ 22,500	\$ -	\$ -	\$ -	\$ -	\$ -
PANEL BUILDING							
NTD Insulated Building	\$ 299,239	\$ 299,239	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hatchery equipment	\$ 1,045,934	\$ 331,252	\$ 27,981	\$ -	\$ 327,961	\$ -	\$ 358,740
Air exchange units	\$ 144,523	\$ 132,528	\$ 11,995	\$ -	\$ -	\$ -	\$ -
PROJECT MANAGEMENT	\$ 23,953	\$ -	\$ 23,953	\$ -	\$ -	\$ -	\$ -
GRAND TOTAL	\$ 1,978,869	\$ 1,186,588	\$ 105,579	\$ -	\$ 327,961	\$ -	\$ 358,740

iv. Return On Investment (ROI)

TANZANIA OPERATIONS INVESTMENT APPRAISAL								
Total Cost of Expansion			US\$	1,978,869				
Discount rate		9%						
Cost of Investment	Year	Discount Factor	Future Value (US\$)	Net Present Value (US\$)				
	2021	100%	1,186,588	1,186,588				
	2022	92%	105,579	96,861				
	2023	84%	-	-				
	2024	77%	327,961	253,246				
	2025	71%	-	-				
	2026	65%	358,740	233,157				
Total			1,978,869	1,769,853			1,978,869	
Earnings Before Interest, Taxes & Depreciation (EBITDA)	Year	Discount Factor	Total EBITDA (US\$)	Stabilised EBITDA before investment (US\$)	Discounted Total EBITDA (US\$)	Discounted Stabilized EBITDA (US\$)	Discounted EBITDA from Investments (US\$)	
	2022	100%	-	-	-	-	-	
	2023	92%	448,403	-	411,379	-	411,379	
	2024	84%	636,532	-	535,757	-	535,757	
	2025	77%	1,189,728	-	918,688	-	918,688	
	2026	71%	1,225,613	-	868,255	-	868,255	
	2027	65%	1,673,683	-	1,087,779	-	1,087,779	
Total			5,173,959	-	3,821,857	-	3,821,857	
Repayment in years								2.8
Average (ROI) over 6 Years								36.0%

ROI will be 2.8 years and give a return of 36 % over 6 years. A total of 6 setter/hatchers each with a weekly capacity 78,400 will be sufficient to meet our market expansion plans over the next 6 years.

Building cost	\$ 638,412
Equipment cost	\$ 1,340,457
Tax/Vat	\$Incl
Other Costs or Savings (support)	\$
Other Costs or Savings	\$
Other Costs or Savings	\$
Total Purchase/Expense Price	\$ 1,978,869
Investment Type	
Economical Life of Purchase (# of years)	6 years

The projected Capex for the expansion is as the below capital expenditure summary:

1) Current Year 2023

Proposed Capital budget (expansion)	<u>US \$ '000</u>
1) Expansion of Hatchery in Dar es Salaam	1,500
2) Breeder farm expansion Sanya Juu	1,100
3) Process Plant expansions	475
Total	<u>3,057</u>

2) Year 1 2024

Proposed Capital budget (expansion)	<u>US \$ '000</u>
1) Expansion of Hatchery in Dar es Salaam	100
2) Breeder farm expansion Sanya Juu	533
3) Process Plant expansion Dar es Salaam	200
4) Further process plant expansion Dar es Salaam	443
5) Conditioning unit for Animal feeds Sanya Juu	3,535
Total	<u>4,811</u>

3) Year 2 2025

Proposed Capital budget (expansion)	<u>US \$ '000</u>
1) Expansion of Hatchery in Dar es Salaam	436
2) Breeder farm expansion Sanya Juu	2,049
3) Further process plant expansion	121
Total	<u>2,606</u>

4) Year 3 2026

Proposed Capital budget (expansion)	<u>US\$ '000</u>
1) Breeder farm expansion Sanya Juu	769
2) Commence build new processing plant Dar es Salaam region	2,500
Total	<u>3,269</u>

5) Year 4 2027

Proposed Capital budget (expansion)	<u>US\$ '000</u>
1) Expansion of Hatchery in Dar es Salaam	477
2) Build hatchery Northern Tanzania	1,500
3) Breeder farm expansion Sanya Juu	830
4) Build processing plant Dar es Salaam region	3,500
Total	<u>6,307</u>

6) Year 5 2027/28

Proposed Capital budget (expansion)	<u>US\$ '000</u>
1) Build Hatchery Northern Tanzania	2,500
2) Complete processing plant	1,000
Total	<u>3,500</u>

C. RATIONALE FOR EXPANSION

The reasons for expansion include the following:

The Poultry industry in Tanzania and the region is expected to continue growing. Poultry farming will be a key pillar in rural economic development, through Day Old Chicks. Also, Food security for the nation that is in line with government initiatives to promote the consumption of white meat as opposed to red meat. We will provide more technical support to local poultry farmers

This will also contribute towards promoting the local consumption of poultry products such as table eggs and chicken meet which is the cheapest source of protein.