



TP Label Limited  
Business Plan 2017-2019

# Overview of MCC

- Multi-Color Corporation (MCC) is one of the largest label companies in the world. Our mission is to deliver the world's best label solutions to enable our customers to build their brands and to add value to our associates, shareholders, and the communities in which we operate.
- MCC currently specialises in the following key market segments: Home & Personal Care, Wine & Spirits, Food & Beverage, Healthcare and Specialty Consumer Products.
- MCC currently operates 47 manufacturing facilities servicing over 20 countries with over 5,300 employees.
- The company was established in 1916 and headquartered near Cincinnati, Ohio, USA. It has since grown to become one of the world's largest and most awarded label printers today supporting the world's most prominent brands.
- MCC serves international brand owners in North, Central and South America, Europe, Southeast Asia, Australia, New Zealand, South Africa and China with a comprehensive range of the latest label technologies.

# Acquisition Business Model

- MCC, through its wholly owned subsidiaries, Collotype Labels International (RSA) Pty Ltd and MCC Label Paarl South Africa Limited, intends to acquire TP Label Limited (TP Label) and expand its African footprint.
- The acquisition will enable MCC to strengthen relationships with existing customers currently operating in Africa and also identify opportunities in new markets.
- MCC will continue the current business model employed by TP Label to ensure there is minimum disruption to current operations.
- Capital expenditure will be allocated over time to enhance corporate reporting and facilitate growth.

# TP Label's Overview

- TP Label has contracted to acquire the label printing assets of Tanzania Printers Limited, a family owned company established in 1964.
- Tanzania Printers Limited commenced supplying beer labels to Tanzania Brewers Limited in 2005 and currently supplies some of the most prestigious names in the market, including: Coca Cola, Heineken, Diageo and AB Inbev.
- Tanzania Printers Limited has invested approximately TZS 22bn in machinery and equipment to increase its capacity in the label market.
- In 2009 Tanzania Printers Limited established an office/warehouse in Nairobi to service the Kenyan market which will be acquired by MCC.
- Exports account for 45% of the sales with labels exported to Kenya, Uganda, Burundi, Rwanda, Ethiopia, Nigeria and the DRC.

# TP Label's Operations

- TP Label operates from two sites in Tanzania, both sites are situated in the port city of Dar es Salaam.
- The first site concentrates on paper labels, predominately for the beer industry and the second focuses on flexible packaging and high-end spirit labels.
- State-of-the-art machinery is used at both sites in purpose built, air-conditioned environments.
- TP Label employs two designers for creation of artwork and concept designs. One designer is based in Tanzania and the other in Nairobi, Kenya.
- During the last five years the business has invested approximately 1% of annual turnover on research and development, resulting in successful contracts competing against European suppliers.

# Key Assumptions

- There is a sufficient customer base, within Eastern Africa, for a company to supply quality labels; although there are many label companies already existing in the EAC only a handful have the capability and infrastructure to supply global customers with the quality product and service they require.
- TP Label, in its present form, has a proven track record of providing quality and service to global customers, at a competitive price. With MCC's support, TP Label will strengthen its position in the market.
- A growing middle class in the EAC, with an estimated combined population of over 170m, provides for significant growth in the label and packaging sector.
- Dar es Salaam is the perfect location for exporting to the region as it borders eight countries, all accessible by road, as well as having trade links with SADC.

# Income Statement Projection (TZS' millions)

Projected income statement - Label Division								
TZS Million	Actual FY2015	Actual FY2016	Estimate FY2017	Forecast FY2018	Forecast FY2019	Forecast FY2020	Forecast FY2021	Forecast FY2022
Revenue	16,215	24,084	23,226	24,851	26,591	28,452	30,302	32,120
Cost of sales (excl depreciation)	-10,498	-15,348	-14,782	-16,153	-17,284	-18,494	-19,696	-20,878
<b>Gross profit (excl depreciation)</b>	<b>5,717</b>	<b>8,736</b>	<b>8,444</b>	<b>8,698</b>	<b>9,307</b>	<b>9,958</b>	<b>10,606</b>	<b>11,242</b>
Depreciation (factory)	-1,329	-1,195	-1,046	-994	-1,197	-1,280	-1,364	-1,445
<b>Gross profit</b>	<b>4,388</b>	<b>7,541</b>	<b>7,398</b>	<b>7,704</b>	<b>8,110</b>	<b>8,678</b>	<b>9,242</b>	<b>9,797</b>
Operating expenses								
Selling and distribution	-123	-143	-111	-189	-195	-201	-207	-212
Admin expenses	-1,827	-2,876	-2,507	-2,883	-3,258	-3,616	-3,869	-4,102
Depreciation (admin)	-8	-7	-6	-6	-5	-4	-4	-3
Total operating expenses	-1,959	-3,027	-2,624	-3,078	-3,458	-3,822	-4,080	-4,317
<b>Operating profit</b>	<b>2,429</b>	<b>4,514</b>	<b>4,774</b>	<b>4,626</b>	<b>4,653</b>	<b>4,856</b>	<b>5,162</b>	<b>5,480</b>
Finance cost (incl forex gains/losses)	-397	125	-70	-26	0	0	0	0
<b>Profit (loss) before taxation</b>	<b>2,032</b>	<b>4,639</b>	<b>4,703</b>	<b>4,600</b>	<b>4,653</b>	<b>4,856</b>	<b>5,162</b>	<b>5,480</b>
Taxation	-609	-1,392	-1,411	-1,380	-1,396	-1,457	-1,549	-1,644
<b>Profit after tax</b>	<b>1,422</b>	<b>3,247</b>	<b>3,292</b>	<b>3,220</b>	<b>3,257</b>	<b>3,399</b>	<b>3,614</b>	<b>3,836</b>
<b>Key performance indicators</b>								
Revenue growth		49%	-4%	7%	7%	7%	6%	6%
Gross margins (exc depreciation)	35%	36%	36%	35%	35%	35%	35%	35%
Gross margins	27%	31%	32%	31%	31%	31%	31%	31%
Opex to revenue	12%	13%	11%	12%	13%	13%	13%	13%
Operating margin	15%	19%	21%	19%	17%	17%	17%	17%
Pre tax margin	13%	19%	20%	19%	17%	17%	17%	17%
After tax margin	9%	13%	14%	13%	12%	12%	12%	12%

Source: TPL's Management

## Income Statement Projection Assumptions:

- 1 Sales projection based on information supplied by TP Label Management and 7% estimated annual growth per GDP.
- 2 TP Label will be debt free following the acquisition by MCC.

## Balance Sheet Projections (TZS' millions)

	Year ended	Mar'18	Mar'19	Mar'20
<b>Balance Sheet Projections</b>				
Inventory		6,900	6,900	6,900
Accounts Receivable		5,600	6,000	6,300
Accounts Payable		(4,500)	(4,700)	(5,000)
<b>Working Capital</b>		<b>8,000</b>	<b>8,200</b>	<b>8,200</b>
Plant & Equipment		7,500	7,500	7,500
<b>Projected Operating Assets</b>		<b>15,500</b>	<b>15,700</b>	<b>15,700</b>

### Balance Sheet Projection Assumptions:

- 1 TP Label will be debt free following the acquisition by MCC.
- 2 Rate of investment is equivalent to depreciation.

## Concluding remarks

Global companies think globally and increasingly act locally. With global customers under increased pressure to buy locally, this is the perfect time for MCC and TP Label to join forces. TP Label has grown as much as it can as a stand alone business. With MCC's support, the company will have increased opportunities and resources to capitalise on growth in the region.