



CONFIDENTIAL AND PROPRIETARY

TAMGO Tanzania Limited

Business Plan/Feasibility study

December 2022

Table of Contents

1.	Introduction.....	2
2.	Project Objectives.....	3
2.1	Introduction and project concepts	3
2.2	Services to be provided.....	4
2.3	Location and project coverage	4
3.	Investor Profile.....	4
3.1	TAMGO International	5
3.2	Blackwood Hodge Kenya Limited.....	5
4.	Details of investment costs (foreign and local expected capital expenditures).....	5
5.	Project financial and economic analysis	5
6.	Financial Projections for the next five years	7
7.	Capital Investment Ratio	7
8.	Market Study	8
9.	Environmental Impact Assessment.....	9
10.	Expected Employment Generation	9
11.	Proposed Implementation Schedule	11
12.	Annexes.....	12

1. Introduction

This business plan and feasibility study (the **Business Plan**) is submitted by TAMGO Tanzania Limited (**TAMGO Tanzania**) in support of its application for a certificate of incentives under the Tanzania Investment Act, 1997. It has been prepared exclusively for the benefit and internal use of the Tanzania Investment Centre (**TIC**) to whom it is directly addressed and delivered in order to assist the TIC in evaluating TAMGO Tanzania's application. This Business Plan contains information that is confidential and proprietary to TAMGO Tanzania and its shareholders. Accordingly, neither this document nor any of its contents may be disclosed or used for any other purpose without the prior written consent of TAMGO Tanzania.

TAMGO Tanzania is a limited liability company incorporated under the laws of Tanzania under registration number 142746182. TAMGO Tanzania is a newly incorporated entity and a wholly owned subsidiary of TAMGO International Limited, a company incorporated in the United Arab Emirates with incorporation number 197821.

TAMGO Tanzania's business relates to the supply, installation, service and maintenance of power generators, water treatment equipment, pumps and solar power systems sectors in Tanzania. In addition, as part of the first two years plan, TAMGO Tanzania intends to carry on business relating to distributing and offering aftersales support of diesel power generators.

TAMGO Tanzania is a company, established in 2020 to engage in business related to the supply, installation, service and maintenance of power generators, water treatment equipment, pumps and solar power systems sectors in Tanzania. The company was formed in advance of the signing of an agreement with Merrywater AG Limited's (**Merrywater AG**) to acquire Merrywater AG's business as a going concern including sale assets and real properties. The value of the initial investment is expected to be approximately USD 4,000,000.

1. Ownership of TAMGO Tanzania: 99% by TAMGO International Limited (**TAMGO International**) of the United Arab Emirates and 1% by Blackwood Hodge Kenya Limited (**Blackwood Hodge Kenya**) of Kenya.
2. Services Provided: Installation and maintenance of water pumps, diesel generator, solar systems and accessories as well as providing total utility solutions including tailored and fully equipped plants in the power, water and solar energy sectors in Tanzania.
3. Customers: By acquiring the ongoing business of Merrywater AG, Tamgo Tanzania took over the current customers list of merry water within the following sectors, (Commercial - Industrial – Health – Hospitality & Tourism – Domestic & residential – telecommunication – private sector development)
4. Employees: Expected 53 full-time.
5. Commencement of operations: May 2022.

TAMGO Tanzania will bring the following benefits to Tanzania:

1. Foreign investment to improve installation and maintenance of water pumps, diesel generator, solar systems and accessories as well as providing total utility solutions including tailored and fully equipped plants in the power, water and solar energy sectors in Tanzania.

2. Employment and employee training.
3. A responsible company operating to the highest levels of integrity, governance and compliance.
4. Significant environmental benefits.
 - a) Implementing and enforcing rules and regulation laid down in with all types of waste handling; and
 - b) Adhering to Occupational Health and Safety Authority (OSHA) regulations and procedures, providing all necessary safety equipment for protection of employees.
5. Significant economic benefits:
 - a) competition in the installation and maintenance of water pumps, diesel generators, solar systems and accessories as well as providing total utility solutions including tailored and fully equipped plants in the power, water and solar energy sectors in Tanzania;
 - b) building substantial expertise and continuously update of knowledge and that of the technicians, application engineers, and sales consultants so that the served sectors benefit from the latest technology innovations in sectors such as mining, infrastructure, telecom, and industrial in Tanzania; and
 - c) provision of full range of flexible service solutions, customized according to the specific needs of each operation/served sector, to ensure reduced downtime, lower operating costs, longer useful life, and higher resale/residual value for the offered equipment.

2. Project Objectives

2.1 Introduction and project concepts

TAMGO Tanzania's mission is to be the leading provider in the business relating to installation and maintenance of water pumps, diesel generators, solar systems and accessories as well as providing total utility solutions including tailored and fully equipped plants in the power, water and solar energy sectors across the country. In addition, as part of the first two years plan, the TAMGO Tanzania intends to carry on business relating to distributing and offering aftersales support of diesel power generators.

TAMGO Tanzania acquired the business and specific assets of the Merrywater AG that were used in importation, selling, installation and provision of solution for power generators, water treatment, pumps and solar equipment (the **Business**). The Business was compatible with TAMGO Tanzania's brand and acquiring it represented the best opportunity for TAMGO Tanzania to enter the Tanzanian market for distribution of power generators and provision of water and solar solutions.

The market dynamics are being driven by the rate of the ongoing industrialization effort in Tanzania, tourist sector and general development of the private sectors. Tanzania is the 9th largest economy in Africa and one of the fastest growing African economies and considered a strategic country for TAMGO Tanzania to begin and expand its operations.

Local production of such products requires greater capital expenditure relative to imports. This is due to lack of local availability of the required raw materials which has to be imported in order to

produce the goods/equipment locally. Since goods/equipment must be imported because there are not locally available, capital expenditure is a requirement for expansion in the market for local production.

The facilities and distribution arrangements are as follows:

- importation is done through the global suppliers of the relevant goods/equipment;
- a purchase order is given to the approved supplier and the shipment documents are given to the logistic partner for clearing shipment; and
- the finished goods/equipment are sold to distributors to sell to the end users.

TAMGO Tanzania intends to establish a best-in-class business for installation and maintenance of water pumps and accessories as well as providing total utility solutions including tailored and fully equipped plants in the power, water and solar energy sectors in Tanzania by meeting the following key objectives:

- acquiring Merrywater AG's Business with the intention of expanding the service to meet customer requirements;
- undergoing a major capital expenditure program to provide full range of flexible service solutions for the customers to enjoy world-class;
- recruit and train a local workforce to operate sites to the highest level of availability for the benefit of customers and end users; and
- the highest standards of:
 - governance and compliance;
 - health, safety and the environment;
- non-discrimination in the provision of its services.

2.2 Services to be provided

TAMGO Tanzania will provide the following services:

- Supply and installation and maintenance of water pumps and accessories;
- providing total utility solutions including tailored and fully equipped plants in the power, water and solar energy sectors; and
- distributing and offering aftersales support of diesel water system, solar system and power generators.

2.3 Location and project coverage

Establish head office in Dar es Salaam to cover the entire republic of Tanzania.

3. Investor Profile

TAMGO Tanzania is owned 99.9% by TAMGO International and 0.1% by Blackwood Hodge Kenya. Please see enclosed shareholding structure.

3.1 TAMGO International

The Machinery Group LLC is a Zahid Group company that was established in 1991 as part of the Group's long-standing commitment to supporting the Kingdom of Saudi Arabia's infrastructural development.

TAMGO provides local and regional customers with a diverse range of best-in-class industrial machinery products and services that fall within five categories: Power Solutions, Construction Machinery, Air Compressors and Compressed Air Solutions, Portable Solutions and Pumps. For more information, please visit <https://www.tamgoksa.com/>

3.2 Blackwood Hodge Kenya Limited

Blackwood Hodge Kenya Limited is a Kenyan company focused on installation, commissioning, support and maintenance of power generators and material handling equipment.

For more information, please visit: <https://www.blackwoodhodge.com/>

4. Details of investment costs (foreign and local expected capital expenditures)

The company has initially invested USD 7 Million as follows:

Investment breakdown	Amount in USD
Land/Building	3,000,000
Plant	13,105
Vehicles	80,000
Furniture and Fittings	125,099
Pre-expenses	82,435
Others	781,796
Working capital	3,000,000
TOTAL	7,000,000

5. Project financial and economic analysis

Economic Analysis

Following two decades of sustained growth, Tanzania reached an important milestone in July 2020, when it formally graduated from low-income country to lower-middle-income country status.

Tanzania's achievement reflects sustained macroeconomic stability that has supported growth, in addition to the country's rich natural endowments and strategic geographic position.

Solar energy investments in Tanzania are still at a small scale. In 2021, about 6 MW of Photovoltaic (PV) solar energy have been installed in Tanzania. The Government of Tanzania supports solar development within the country by removing Value Added Tax and import taxes on the main solar components such as panels, batteries, inverters and regulators.

In 2019, the World Bank signed a grant agreement with the Government of Tanzania amounting to USD 4.5 million to finance the access to a sustainable water supply through improved solar pumping systems in 165 rural Tanzanian villages.

Tanzania's economy has maintained rapid growth over the past decade according to Tanzania Business news and Tanzania Economy in the rise. Major agencies are still optimistic about future economic development forecasts.

Further the Tanzania Five Year Development Plan which aims at unleashing Tanzania's latent growth potential in becoming a middle-income country as envisaged in the Vision 2025. It targets at diversifying the economy from agriculture to semi-industrialization, cultivating the industrial economy, focusing on industrial development, with special emphasis on the importance of infrastructure development for industrialization and economic transformation.

Reflecting strong income growth over the past decade, on July 1, 2020 the World Bank announced that Tanzania's gross national income (GNI) per capita increased from \$1,020 in 2018 to \$1,080 in 2019, exceeding the threshold for lower-middle income status. The country's broad vision of its development goals as a middle-income country in 2025 are set out in the Tanzania Development Vision 2025, characterized by high-quality livelihoods, peace, stability, and unity good governance, a well-educated and learning society, and a competitive economy capable of sustainable growth and shared benefits. Increased GNI per capita is impressive but not enough to reach these goals. Investing in both human development and physical capital is key to achieving these broad goals and improving the quality of life for all Tanzanians.

General Themes

- Growing population, currently 59M
- Annual population growth 2.9%
- GDP: \$ 61Bn
- Low Inflation 3.4%
- Young population: 63% below 25years
- Increasing Urbanization

- 36% Urban population with annual Urbanization rate of 4.9%

Macro Themes

- Strong Government investment in infrastructure development and industrialization strategy - Heavy investment in infrastructure and export-oriented manufacturing as drivers for economic growth.
- New investment in airports/ standard gauge railway/ roads.
- Political environment improving with Crackdown on Tax Evasion and Corruption - Recent Tax reforms to improve transparency.
- Financial Inclusion - Expected to create new opportunities in commerce and supported services.
- Members of East Africa Community are pushing ahead with regional integration plans - Single customer territory

Business Rationale

Tanzania Market Entrance

- Large growing population
- Robust economic growth forecasts
- Better governance and operating environment
- Potential synergies opportunities with TAMGO's Africa operations

Timing of Market Entrance

The company started its operations in May 2022.

6. Financial Projections for the next five years

The below is the summary of the financial projection of TAMGO for the next five years:

Summary of Profit and Loss statement:

All figures in TZS	2023	2024	2025	2026	2027
TOTAL REVENUE	9 600 000	10 800 000	12 000 000	13 200 000	14 400 000
TOTAL COSTS	6 720 000	7 560 000	8 400 000	9 240 000	10 080 000
EBITDA	192 000	417 600	636 000	847 200	1 053 600

Proforma Balance Sheet:

All figures in TZS	2023	2024	2025	2026	2027
Fixed assets	8 255 352	8 100 245	8 036 440	7 890 711	7 742 897
Accounts receivable	480 000	540 000	600 000	660 000	720 000
Cash and equivalents	1 440 000	1 620 000	1 800 000	1 980 000	2 160 000

Total assets	10 175 352	10 260 245	10 436 440	10 530 711	10 622 897
Overdraft	-	-	-	-	-
Loan funding	9 600 000	9 600 000	9 600 000	1 200 000	1 200 000
Accounts payable	1 864 078	2 097 087	2 330 097	2 563 107	2 796 117
Income tax payable	57 600	125 280	190 800	254 160	316 080
Net assets/(Liability)	(1 288 726)	(1 436 842)	(1 493 657)	6 767 604	6 626 780
Shareholders' equity	115 000	115 000	115 000	8 515 000	8 515 000

Summary cash flow statement:

All figures in TZS	2023	2024	2025	2026	2027
EBITDA	192 000	417 600	636 000	847 200	1 053 600
Development capex	7 200 000	-	-	-	-
Maintenance capex	240 000	10 000	10 000	15 000	10 000
Other investment capex	-	-	-	-	-
TOTAL CAPEX	7 440 000	10 000	10 000	15 000	10 000
UNLEVERED free cash flow	-	-	-	-	-

7. Capital Investment Ratio

TAMGO Tanzania will be funded by equity contributions (30%) and debt in the form of shareholder loans (70%) from its shareholders.

8. Market Study

As part of the development of the business plan, TAMGO Tanzania conducted an analysis to ascertain the viability of the proposed investment. This included but was not limited to a number of in country visits to meet with the contractors and the regulator. In addition, research was carried out with regards to the environment, population, GDP, investment risks, political stability and other macro and micro considerations.

Details of the key findings are highlighted below:

- Tanzania is one of the largest economies in sub-Saharan Africa and has the 6th largest population;
- GDP growth is averaging 7%+ per annum;
- There was perceived to be a need to create more competition in the sector;
- The opportunity for mobile growth especially for geographic coverage gives excellent potential for new build sites;
- There is a strong contractor base and skilled workforce in Tanzania;

- the opportunity of new and current mining projects growth gives potential for water treatment and power generation projects; and
- The opportunity of the devolvement in the tourism sector gives potential for a lot of new prospects related to water and power generation activities.

9. Environmental Impact Assessment

TAMGO Tanzania will aim to mitigate the impact that its operations have on the environment and there are not expected to be any adverse environmental impacts from the project as follows:

- Implementing and in forcing rules and regulation laid clean in with all types of waste handling; and
- Adhering to OSHA regulations and procedures, providing all necessary safety equipment for protection of employees.

10. Expected Employment Generation

TAMGO Tanzania’s business plan provides for an overall headcount of 53 with at least 48 of the roles being filled by Tanzanian nationals and up to 5 international assignees.

To achieve its objectives, TAMGO Tanzania has deployed a start-up team to work in Tanzania to establish a framework for recruitment and development of Tanzanian employees for most roles within the organization. The start-up team will be in country for a period of approximately six months to a year. The members of the start-up team are all experts in their fields and have been in prior advisory positions with a high success rate of recruitment and skills transfer. The critical objective for each member of the start-up team is to hire local employees and train these new employees to perform the duties of TAMGO Tanzania. The skills transfer will take place through on-the-job training, meetings, on-line training and facilitated sessions.

The TAMGO Tanzania management team of executive officers and department heads are outlined below:

Team of executive officers

Position	Nationality
Country Manager	Egyptian

Department Heads

Position	Nationality
Chief Accountant	Tanzania
Head of Power Division	Tanzanian

Head of Water Division	Tanzanian
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All TAMGO Tanzania employees receive an extensive new-hire learning plan and are provided with access to a variety of facilitated and online training, talent development hub, the Zahid Learning Institute (ZLI), management training programs, mentoring, internships and various other initiatives to develop our team members and the local talent. Managers are also able to assist employees in their development by assigning external training courses and/or appointing training mentors for the employee.

Employees must abide by various compliance policies and procedures along with adherence to the guidelines of the Environmental Health and Safety Plan (EHS Plan).

In addition, TAMGO will also work together with many local suppliers and enterprises, which will bring employment opportunities, and will contribute to promote the development and promotion of local talents, thus promoting the transformation and upgrading of the wider economy in Tanzania.

11. Proposed Implementation Schedule

There are three main phases to the project:

1. Startup phase – early development and establishment of the project
2. Steady state phase – sustainable operation of the core components of project
3. Scaled phase – expansion of the core components of the project

12. Annexes

Annexure A – TAMGO Tanzania Structure

