



# Flour Mills of Nigeria Plc

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## Facts Behind The Figures

A Presentation on the Floor of Nigerian Stock Exchange – Lagos

August 27, 2014



# Flour Mills of Nigeria Plc

Presentation of Results for the year ended 31<sup>st</sup> March 2014



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# Executive Summary

- One of the largest and most successful industrial companies in Nigeria focusing on:
  - Food
  - Agro-allied
  - Infrastructure
  - Support businesses
  
- “Golden Penny”, a highly respected brand, remains the best known and preferred choice amongst the nation’s bakers, consumers, biscuit manufacturers and makers of confectioneries.
  
- Market leader in virtually all its business lines, with growing market share.
  
- Customer centric culture, supported by efficient marketing and strong distribution network.
  
- Top-notch and stable management team and skillful labor force.
  
- Vibrant Board of Directors.
  
- Expanding and integrated portfolio of activities creating synergies along the value chains.
  
- Going stronger at 53 plus .....
  
- Listed on the Nigerian Stock Exchange (NSE) since 1978: won numerous awards and accolades including the NSE Annual Merit Award for the Food & Beverages sector in 1999 and 2006.

Food	Agro-allied
<ul style="list-style-type: none"> <li>● Branded consumer goods:               <ul style="list-style-type: none"> <li>– Flour</li> <li>– Pasta</li> <li>– Noodles</li> <li>– Semovita</li> <li>– Goldenvita</li> <li>– Sugar</li> <li>– Rice</li> <li>– Edible oils</li> <li>– Snacks</li> </ul> </li> <li>● Branded intermediate products:               <ul style="list-style-type: none"> <li>– Bread flour</li> <li>– Biscuit flour</li> <li>– Noodles flour</li> <li>– Confectionery flour</li> <li>– Sugar</li> <li>– Edible oils</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Fertilizer blending/distribution</li> <li>● Cultivation of:               <ul style="list-style-type: none"> <li>– Cassava</li> <li>– Sugarcane</li> <li>– Soybean</li> <li>– Maize</li> <li>– Rice</li> <li>– Oil Palm</li> </ul> </li> <li>● Processing of               <ul style="list-style-type: none"> <li>– Cassava</li> <li>– Sugarcane</li> <li>– Soybean</li> <li>– Maize</li> <li>– Rice</li> <li>– Oil Palm</li> </ul> </li> <li>● Animal feeds</li> </ul>
Others	
<ul style="list-style-type: none"> <li>● Bagging</li> </ul>	<ul style="list-style-type: none"> <li>● Support infrastructure:               <ul style="list-style-type: none"> <li>– Transport and Haulage</li> <li>– Port</li> <li>– Power</li> </ul> </li> </ul>

A related portfolio of vertically integrated activities, FMN has been a household name in Nigeria since independence (1960). Today, the Group is publicly-listed with a market capitalization of about ₦186 billion (~\$1.2 billion) as at year ended 31<sup>st</sup> March, 2014 and Revenue of ₦ 332 billion (~\$2.1 billion)

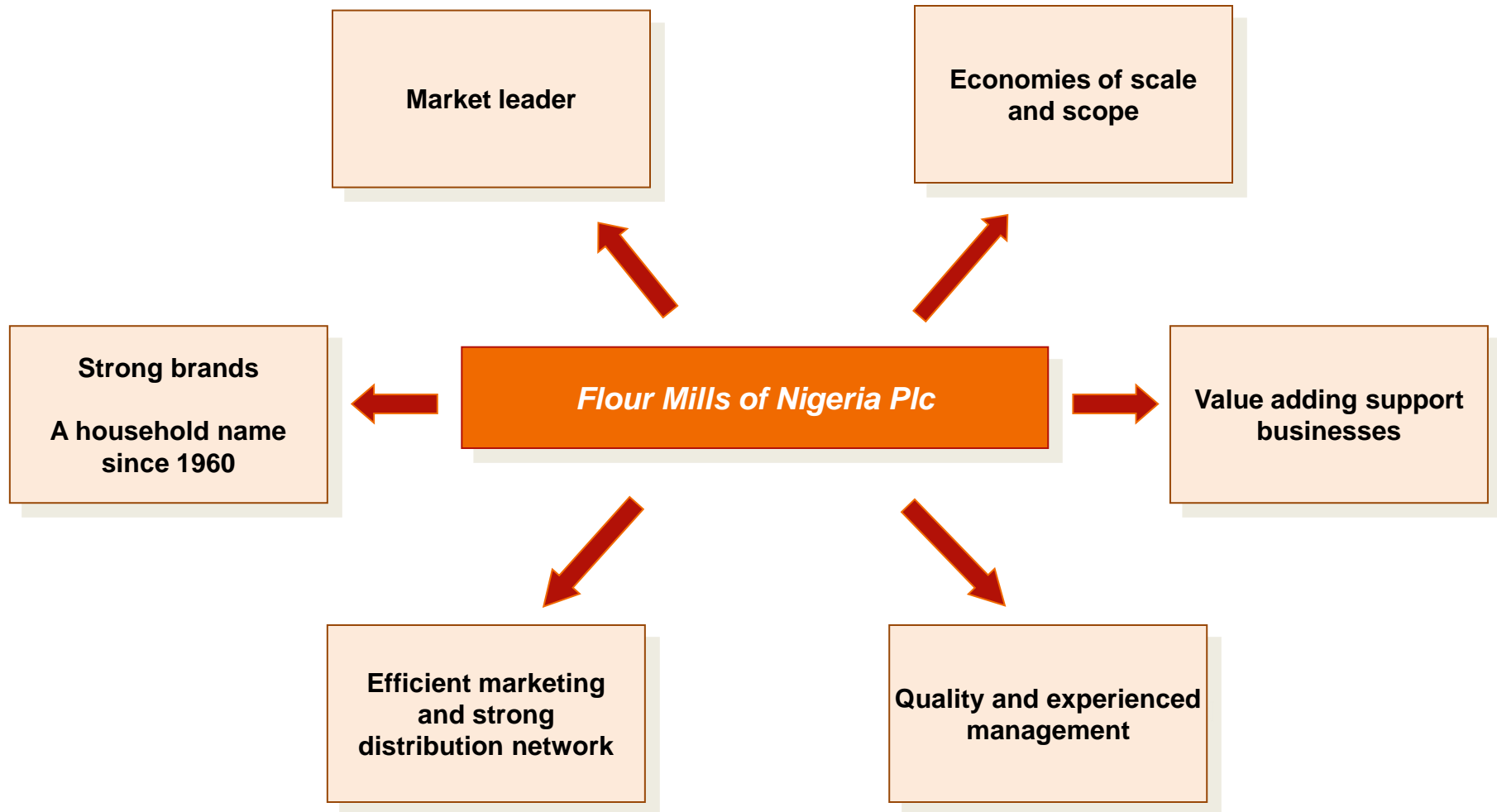
### Growth Factors for FMN

- **Population growing at 2.5% per year**
  - Most populous country in Africa (174 million )
  - 41% of the population is below the age of 14
  - 55% of the population is between 14 and 64
- **Growing GDP per capita**
  - GDP growth of 7.3% for Nigeria in 2013
  - Consumers begin to move up-market into value-added flour products like pasta, snacks, and cereals
  - Rapid urbanization already underway
- **Continuous increase in demand for food**
  - Shift in consumer patterns and increasing disposable income
  - Changing consumption habits point to potential growth in demand for FMN products
  - Growing middle class
- **Increasingly dynamic private sector** consisting of local and multi-national companies which are FMN’s current and prospective clients

# FMN VALUE CHAINS

- ❖ **FMN continues to strategically invest in large scale commercial farming to support its food processing units with locally produced raw materials.**
- ❖ **Refocusing and significant investments in backward integrated programmes which center on value chains that have strategic links with our existing business (Sugar, Live Stock feeds, Cassava, Edible oil and Rice):**
  - 1. Sunti Golden Sugar Estate: Where cultivation of 10,000 hectares of sugar cane is progressing to feed the Company's Sugar Refinery.**
  - 2. Kaboji Farms Ltd: Additional development of land on our Niger State grain and cassava farms. The maize and soybean provide raw material supply to the feed milling operations and the cassava provides critical mass for production of High Quality Cassava Flour.**
  - 3. Agro Allied Syrups Ltd: A project to grow 5,000 hectares of cassava on land purchased at Shao, Kwara State to feed Thai Farm's Cassava Mill in Ososa.**
  - 4. Agri Palm Ltd: A 3,000 hectare oil palm plantation in Edo State to support the Group's edible oil refineries at ROM Oil Mill.**
  - 5. Agro Allied Farms Sunti Ltd: A 4,500 hectare rice farm along the Niger River basin. This project will add to the rice production at Sunti Farm to complement the backward integration of our rice milling operations.**

# Flour Mills – Competitive Edge Analysis



# Financial Highlights

- ❖ FMN Group performed in line with objectives - Sales up 10%
  - ❖ Group Profit for the year excluding Golden Sugar Co. Ltd up 22.4%
  - ❖ Strong volume growth in core divisions (Food and Agro-Allied)
  - ❖ Enhanced overhead expenses management positively impacted on bottom line
  - ❖ Improved results from UNICEM
- 
- ❖ Golden Sugar Co. Ltd is performing in line with expectations – volume now at 48% capacity utilisation
  - ❖ Packaging business experienced a challenging environment, and is now well positioned for growth
  - ❖ Port Operations and Others support services subsidiaries both fared well versus last year
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- ❖ Increased investments in R&D, manufacturing capacity, and Agro- Allied in support of food processing businesses
  - ❖ 2013/14 is a year of transition and steady progress from all our businesses
  - ❖ Earnings per share (basic) excluding Golden Sugar grew 29.2% year on year
  - ❖ FMN is well positioned to deliver long term growth



# Underlying Results

Group	2013/14 Naira'000	2012/13 Naira'000	Change %
Revenue	332,142,685	301,941,329	10.0
Gross Profit	43,656,993	37,898,847	15.2
Profit before Tax	8,227,983	10,876,848	-24.4
Profit for the year	5,367,875	7,539,809	-28.8
<b>Ordinary dividend per share*</b>	<b>210 kobo</b>	<b>200 kobo</b>	

<b>Group : Excluding Golden Sugar Co. Ltd</b>	<b>2013/14 Naira'000</b>	<b>2012/13 Naira'000</b>	<b>Change %</b>
Revenue	312,044,939	301,941,329	3.3
Profit for the year	9,412,562	7,688,669	22.4

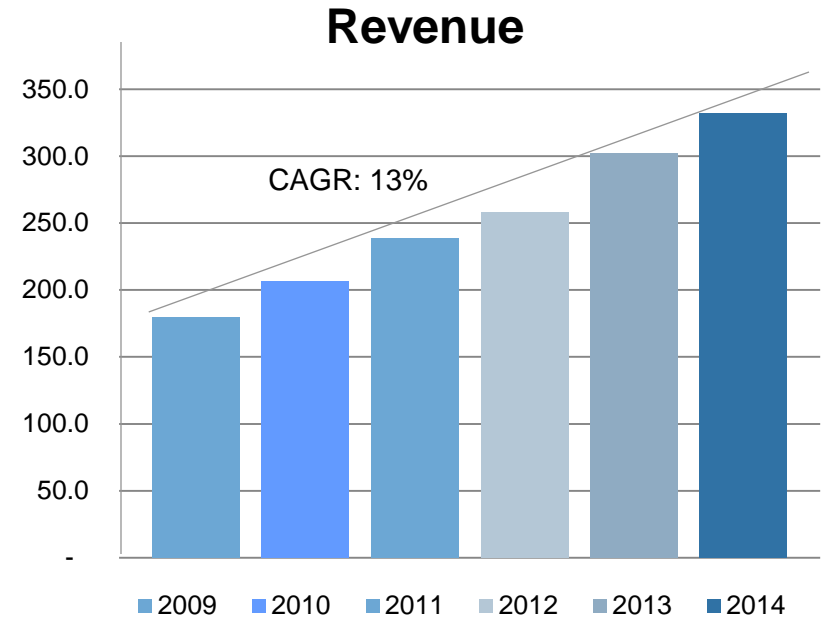
- ❖ Good performances in both Food and Agro-allied divisions were partly offset by low commencement year results of Golden Sugar Co. Ltd.
- ❖ Profit for the year excluding Golden Sugar Co. Ltd grew 22.4%
- ❖ Packaging division result was affected by industry pressure during the year

\*In view of improved results, the Board is recommending a dividend of 210kobo per share, which represents a 5% increase over last year, and 1 for 10 bonus.

Note: Profit for the year exclude actuarial gains and fair value gain on available for sale financial assets, which have both been recognised in other comprehensive income

# Revenues by Segment

Naira'000	2013/14	2012/13	% Change
Food	259,821,156	221,109,191	17.5
Agro-allied	57,554,709	50,852,120	13.2
Packaging	13,594,821	22,456,950	-39.5
Port Operations	619,897	3,513,367	-82.4
Others	552,102	4,009,701	-86.2
<b>TOTAL</b>	<b>332,142,685</b>	<b>301,941,329</b>	<b>10.0</b>



- ❖ Food: Strong growth from both our B2B and B2C businesses (including flour, pasta, noodles, and sugar)
- ❖ Agro-Allied: Excellent growth from fertiliser and animal feed
- ❖ Packaging business experienced a challenging environment, and is now well positioned for growth

# Gross Profit by Segment

(Naira 000)	2013/14	2012/13	% Change
Food	34,197,306	27,834,505	22.1%
Agro-allied	7,528,180	6,401,559	17.6%
Packaging	1,778,208	2,827,011	-37.1
Port Operations	81,083	442,283	-81.7
Others	72,216	393,489	-81.6
<b>TOTAL</b>	<b>43,656,993</b>	<b>37,898,847</b>	15.2

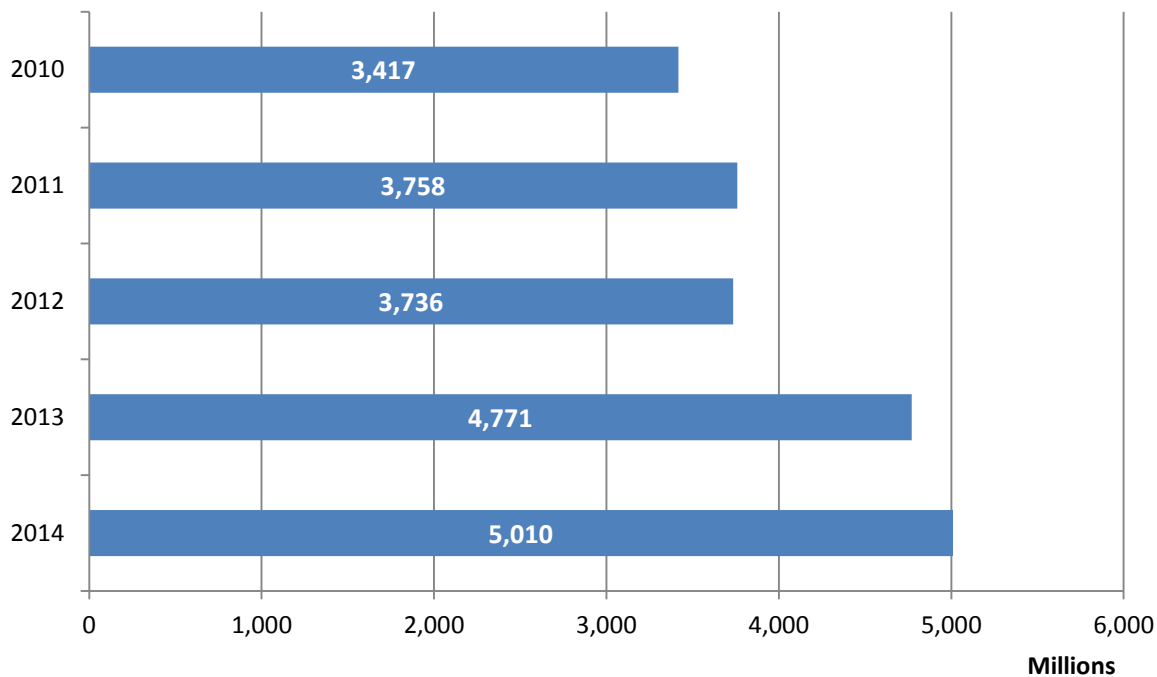
❖ We have been able to maintain margins of all our product categories despite increased competition

(Naira 000)	31.03.14	31.03.13	% Change
Revenue	245,701,366	225,629,747	8.9
Gross Profit	29,279,322	23,183,983	26.3
Profit before Tax	12,457,034	11,626,381	7.1
Profit for the period	10,437,522	8,900,989	17.3

- Company revenue increased by 8.9% y/y, as a result of strong performance in our core Food business.
- Earnings increased by 17.3% y/y .
- 2013/14 is a year of transition but steady progress expected from all our businesses.
- The Company is well positioned for future growth.

# Year ended 31 March : 5-Year Dividend History

## Uninterrupted Dividend payment – 23 years



- Growing dividend payout

■ Dividend declared

# Capital Expenditure

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- ❖ Capex investment of : N40.7b
- ❖ Capex / depreciation ration :5.9 times

Key Food Projects include:

Flour Capacity expansion in Apapa (West Mills)

Completion of Golden Snacks Facility in Agbara

Completion of Golden Sugar Refinery

Establishment of new flour mill in Calabar

Expansion of Pasta & Noodles lines

*Key Agro Allied Projects include:*

Investment in Sunti Golden Sugar Estates

Investment in new animal feed mill

Acquisition of development of large scale commercial farming

FMN is well positioned to deliver long term growth

- ❖ 2013/14 is a year of transition and steady progress as expected.
- ❖ Golden Sugar Co. Ltd and our Packaging business are well positioned for future progress
- ❖ The Group is generating strong cash-flows from operating activities and is comfortably positioned for future growth

**Thank you for your attention**

