FACTS BEHIND THE FIGURES
A presentation to the Nigerian Stock Exchange (NSE)

8th SEPTEMBER, 2017
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“Our Story”
Our Directional Beacons

Mission Statement

“To produce consistently good quality flour and other wheat based products for the complete satisfaction of our highly valued customers, through the commitment of our well-motivated workforce”

Vision

“To be the most admired African company in terms of our successes, practices and people”

Core Values

- Responsibility beyond ourselves
- Integrity
- Courage
- Excellence
- Respect for the individual
In the last 20 years, Honeywell Flour Mills Plc. (HFMP) has fulfilled the nourishment needs of millions of Nigerians through branded consumer food products.

We are one of the largest manufacturers of shelf stable food products in Nigeria.
We operate from two locations in Lagos State, while a third location is currently in development in Sagamu, Ogun State.

HFMP, Apapa Lagos

HFMP, Ikeja Lagos

HFMP, Foods and Agro & Allied Industrial Complex, Sagamu, Ogun State

- 6 Flour Mills
  - Flour
  - Ball Foods

- 4 Noodles Lines
  - Instant Noodles
  - Pasta

- 2 Pasta Lines

Over 3,000 indirect employees

1,500 direct employees

3 Locations

2 States
We produce food staples that are both quality and market leaders in their various categories:

- **Flour**
  - 3 Brands
  - Leader in terms of quality
  - Top 5 market position

- **Ball Foods**
  - Two Brands
  - Leader in terms of quality
  - Top 2 market position

- **Pasta**
  - Two Brands
  - Top 3 market position

- **Instant Noodles**
  - One Brand
  - Well recognised
Our Board members are very experienced with diverse backgrounds.
“Our ‘Managing for Value’ Strategy”
We continue to pursue our business objectives using a clear strategy for sustainable growth.

Achieve a 20% share of the primary flour market by 2020 and expand into non-wheat categories.

1. Drive demand for primary flour
2. Deepen participation in ball foods
3. Transform our FMCG offer at retail
4. Become an advantaged low-cost producer
5. Attract and retain talent

Grow shareholder value over the long term

HFMP - Facts Behind the Figures
September 2017
Our day to day activities are centered around three business drivers: GROWTH, EFFICIENCY and CAPABILITY.

- **Leadership**
- **Strategy**
- **Brands**
- **Innovation**
- **Marketing**
- **Sales**

- **Finance**
- **Human Capital**
- **Technology**
- **Business Processes**

- **Manufacturing Assets & Capabilities**
- **Supply Chain Assets & Capabilities**
- **Continuous Improvement**

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**HFMP - Facts Behind the Figures**
September 2017
“Our Financial Results”
THE FACTS: Over the last 10 years, we grew our top line at a compounded annual rate of 13% while PBT also grew at CAGR 24%
THE FACTS: This growth was achieved through investments in people; product quality & innovation; property and; manufacturing plants.

Honeywell Flour Mills Plc. 10 Year Growth Trend

- FY2007: Total Assets = 10.92 N'Billion, Net Assets = 3.58 N'Billion
- FY2009: Total Assets = 23.55 N'Billion, Net Assets = 5.41 N'Billion
- FY2011: Total Assets = 29.50 N'Billion, Net Assets = 15.31 N'Billion
- FY2013: Total Assets = 55.44 N'Billion, Net Assets = 18.55 N'Billion
- FY2015: Total Assets = 67.94 N'Billion, Net Assets = 20.32 N'Billion
- FY2017: Total Assets = 113.15 N'Billion, Net Assets = 52.33 N'Billion
In FY2016/17, we achieved growth in both top line and bottom line indices despite a particularly difficult operating environment.

<table>
<thead>
<tr>
<th>In millions of ₦</th>
<th>FY 15/16</th>
<th>FY 16/17</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>50,884</td>
<td>53,228</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td><strong>4,361</strong></td>
<td><strong>12,713</strong></td>
<td><strong>192%</strong></td>
</tr>
<tr>
<td><strong>Gross Profit Margin</strong></td>
<td><strong>9%</strong></td>
<td><strong>24%</strong></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(6,569)</td>
<td>(5,662)</td>
<td>-14%</td>
</tr>
<tr>
<td><strong>Operating Profit/(loss)</strong></td>
<td><strong>(2,049)</strong></td>
<td><strong>8,263</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Profit Margin</strong></td>
<td><strong>-4%</strong></td>
<td><strong>16%</strong></td>
<td></td>
</tr>
<tr>
<td>Net Finance Charges</td>
<td>(820)</td>
<td>(2,793)</td>
<td>241%</td>
</tr>
<tr>
<td><strong>Profit/(loss) before Tax (PBT)</strong></td>
<td><strong>(2,869)</strong></td>
<td><strong>5,470</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PBT Margin</strong></td>
<td><strong>-6%</strong></td>
<td><strong>10%</strong></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>(155)</td>
<td>(1,165)</td>
<td>652%</td>
</tr>
<tr>
<td><strong>Profit/(loss) after Tax (PAT)</strong></td>
<td><strong>(3,024)</strong></td>
<td><strong>4,305</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PAT Margin</strong></td>
<td><strong>-6%</strong></td>
<td><strong>8%</strong></td>
<td></td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>(38.13)</td>
<td>54.29</td>
<td></td>
</tr>
</tbody>
</table>

**The Facts**

- Revenue growth of 5% was limited by acute raw material shortages due to the FX crisis.
- 192% increase in gross profit due to relentless focus on lower cost sourcing for raw materials and foreign exchange and increased efficiency in manufacturing.
- Operating expenses were influenced by:
  - High inflation environment
  - Strategic focus on below-the-line marketing
  - Lower volumes on constrained supply
- Our net finance costs rose significantly due to several factors including:
  - Increased working capital needs (occasioned by the Naira devaluation)
  - Need for cash-backing of all LCs
  - Higher bank charges on Import Finance Facilities
- We achieved above industry average profitability ratios from the gross level (24%) to the PBT level (10%)
In Q1 of our current FY, we demonstrated strong market share recovery

<table>
<thead>
<tr>
<th>In millions of ₦</th>
<th>Q1 FY 16/17</th>
<th>Q1 FY 17/18</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>9,980</td>
<td>18,270</td>
<td>83%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>2,384</td>
<td>3,837</td>
<td>61%</td>
</tr>
<tr>
<td>Gross Profit Margin</td>
<td>24%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>(1,386)</td>
<td>(1,798)</td>
<td>30%</td>
</tr>
<tr>
<td>Operating Profit/(loss)</td>
<td>1,014</td>
<td>2,105</td>
<td>108%</td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>10%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Net Finance Charges</td>
<td>(890)</td>
<td>(1,301)</td>
<td>46%</td>
</tr>
<tr>
<td>Profit/(loss) before Tax (PBT)</td>
<td>124</td>
<td>804</td>
<td>548%</td>
</tr>
<tr>
<td>PBT Margin</td>
<td>1%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>(23)</td>
<td>(161)</td>
<td>600%</td>
</tr>
<tr>
<td>Profit/(loss) after Tax (PAT)</td>
<td>101</td>
<td>643</td>
<td>537%</td>
</tr>
<tr>
<td>PAT Margin</td>
<td>1%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>1.27</td>
<td>8.11</td>
<td>539%</td>
</tr>
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The Facts

- Top line growth of 83% on the back of improved supply situation due to FX stability
- Y-o-Y Gross Margin decline as a result of higher input costs
- Opex increase in line with higher volumes sold
- Improvement in net finance cost to sales ratio from 9% to 7% on the back of improved trading
- The business is back on the trajectory of growth ... remarkable improvement in profit margins
- Traffic gridlock in Apapa continues to impact service delivery. We are implementing several initiatives to manage the situation and make our customers happy
“Our Future Outlook”
We have redesigned our Masterbrand logo to better communicate our new beginnings in outlook and performance.
Our new product packaging designs are able to confidently cut through the clutter of brands and reach our consumers in a deeply engaging manner.
In addition we are expanding our products and brands portfolio to meet the needs of segments of the consumer base that we had hitherto underserved.

**NEW HONEYWELL B2B FLOUR RANGE**
Nigeria’s growing population and the increasing demand for convenience foods is the spring board for the growth of our business

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<tr>
<th>Opportunities</th>
<th>Our Response</th>
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| Rising Population | ▪ Leverage 3%p.a population growth (200 million mouths to feed) by 2020  
  o New births p.a. = population of Denmark  
  o increased demand for staples like bread and ball foods in Nigeria  
▪ Leverage growth in per capita consumption of wheat  
  o Currently 23kg and low compared to countries like Egypt (207kg) or South Africa (62kg)  
▪ Growing and diversifying our product portfolio to meet future food needs in volume, quality and variety |
| Increased Preference for Convenience Foods | ▪ Increasingly busy lifestyles and global oriented youths leading to strong demand for fast flour based foods and quick-to-make meals e.g. Pasta and Noodles  
▪ Our packaged ball foods like Semolina and Wheat Meal provide credible options to other traditional ball foods |
We are going beyond wheat, working with Nigerian farmers, to make nutritious and fortified food more available and affordable in our country.

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| **Local Input Sourcing/Need for Affordability** | - Using locally available inputs would help in conserving foreign exchange and diversifying our product base  
  o Nigerian Wheat  
  o Sorghum and other grains  
- We will make more of our products available in smaller servings to drive affordability |
| **The Honeywell Brand**           | - Leverage the Honeywell Brand to create a basket of fast moving consumer goods in the medium to long term  
  o Renowned for quality  
  o Trusted by consumers  
  o Well recognized |
| **Government Support**            | - Work with the Federal Government to ensure:  
  o Adequate industry protection policy  
  o Incentives for backward integration  
  o Incentives for manufacturing investments  
  o Incentives for job creation |
Our ongoing and near term investments are geared towards Capacity Expansion, Route-to-Market enhancements and Backward Integration (I)

Development of the Honeywell Foods & Agro-allied Industrial Complex, Sagamu

1. Completion of Pasta Plant - Q1, 2018
2. Commence construction of Swing Mill – 2018

B2C Route to Market Expansion – 2017/18

Backward Integration: Farm to Factory Supply Chain Capabilities - Ongoing
Our ongoing and near term investments are geared towards Capacity Expansion, Route-to-Market enhancements and Backward Integration (II)
Our ongoing and near term investments are geared towards Capacity Expansion, Route-to-Market enhancements and Backward Integration (III)

Honeywell Foods & Agro-allied Industrial Complex, Sagamu: Phase 1
Over the long term, as we meet the needs of our consumers, we will increasingly create more value for our shareholders in a sustainable manner.
THANK YOU

HONEYWELL FLOUR MILLS PLC

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Apapa, Lagos

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Q & A