

Honeywell Flour Mills Plc

Facts Behind Figures

Presented By

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Executive Vice Chairman/CEO

Wednesday, 17th August, 2011

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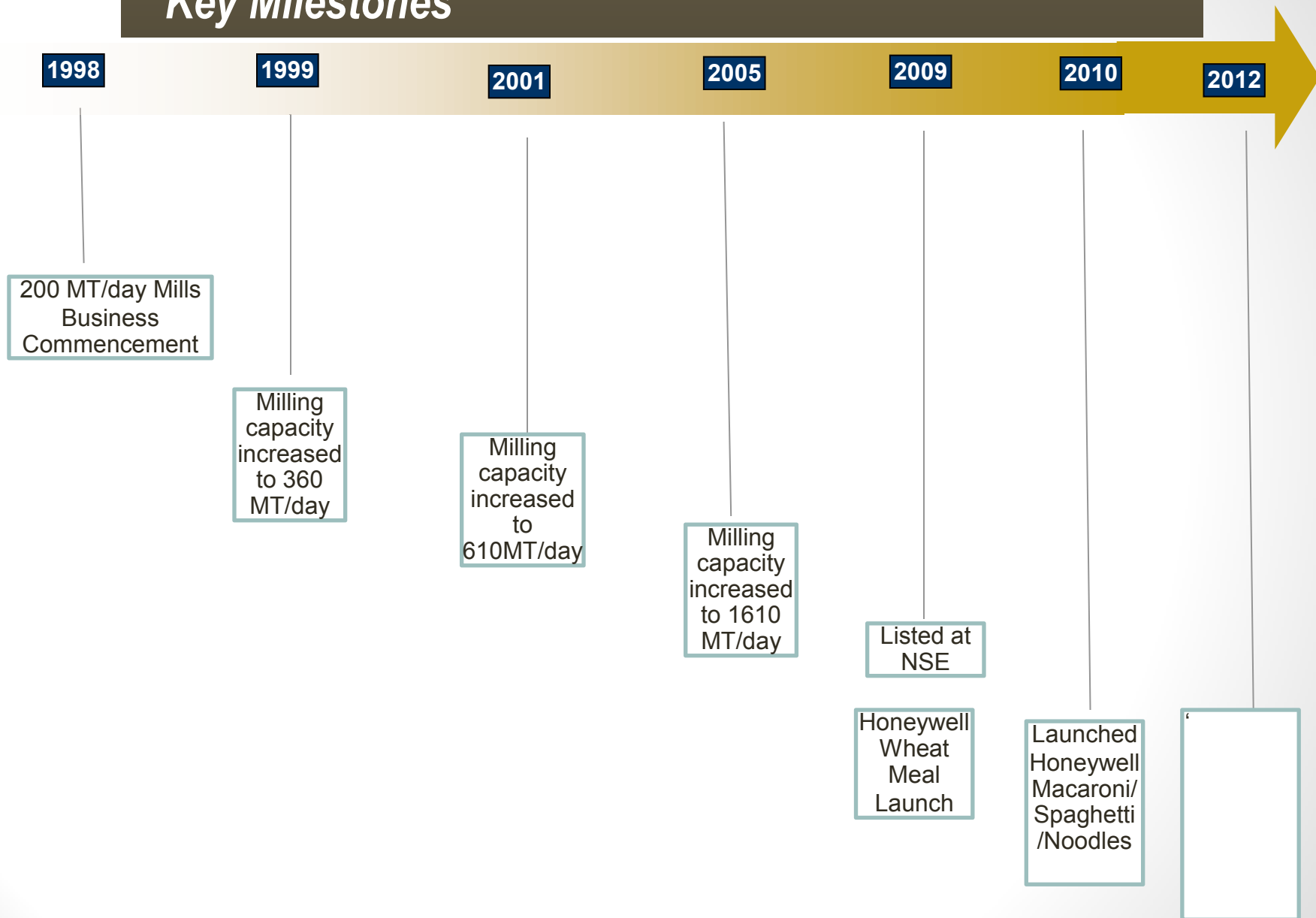
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➤ **CEO of NSE, Management & Staff, Doyen of the Capital Market, Distinguished Stock Brokers & Dealers, Members of the Press, Ladies & Gentlemen.**

- **Presentation of facts behind our financial performance for;**
- **the year ended March 31, 2011 and**
 - **the 1ST Quarter ended June 30, 2011 of the year ending March 31, 2012.**

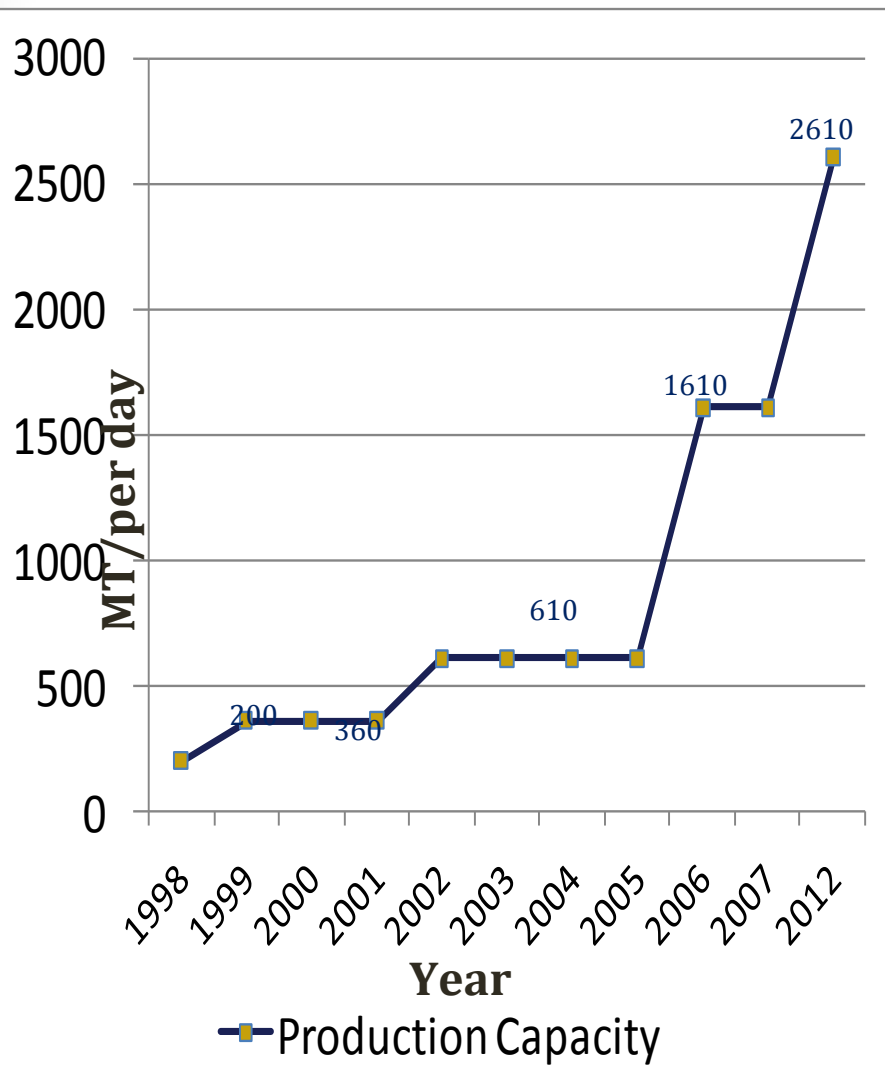
THE COMPANY PROFILE:

Key Milestones



THE COMPANY PROFILE

Key Milestones



➤ **HFMPIC has consistently expanded its production capacity in an effort to meet the increasing demand for its quality products.**

➤ **Production capacity is up 700% over 1998, and in 2012 capacity will be 1,200% up against the 1998 start-up capacity**

THE COMPANY PROFILE:

Governance and Financial Reporting

- **The Company is committed to complying with the international standards in corporate governance.**
- **The Board of Directors consists of 8 members; the Non-Executive Chairman, 5 Non-Executive Directors and 2 Executive Directors. The Board meets quarterly.**
- **The Chairman is a non-executive Director**

THE COMPANY PROFILE:

Governance and Financial Reporting

- **Experienced , trusted and committed Board of Directors under the chairmanship of Dr. Oba Otudeko, former President of the Nigerian Stock Exchange.**
- **The Management is well respected and highly regarded in the flour milling industry as well as in Africa and the Middle East.**
- **The CEO is:**
 - **The Vice Chairman, Flour Milling Association of Nigeria**
 - **A member of the Leadership Council , International Association of Operative Millers, Middle East/Africa.**

THE COMPANY PROFILE:

Governance and Financial Reporting

- **The Company is converting its financial reporting system to comply with the International Financial Reporting Standards (IFRS).**
- **The company is on track to meet the March 2012 deadline set by Securities and Exchange Commission(SEC) for IFRS adoption.**

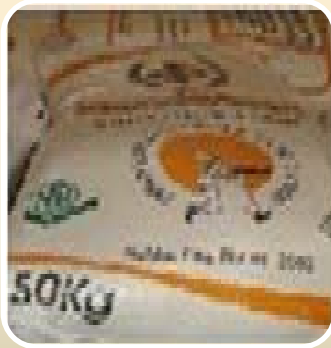
COMPANY PRODUCTS :

Quality Products, Strong Brands

- **The Company is a market leader in flour and wheat-based products ,and is renowned for its quality.**
- **Our consumer products can now be found in African stores in many parts of the UK and the USA.**

COMPANY PRODUCTS :

Quality Products, Strong Brands



Honeywell Superfine Flour

Bakers' preference for baking bread, cakes, biscuits, pastries and other confectioneries.



Honeywell Semolina

Introduced in June 2006. Positioned in the market as a ready alternative to local ball foods. The leading Semolina brand in terms of quality

COMPANY PRODUCTS : *Quality Products, Strong Brands*



Honeywell Whole Wheat Meal

*Introduced in June 2009. A healthier alternative to local ball foods.

*Maintained its distant number one position in the market.



Honeywell Brown Flour

*Used in baking 'whole wheat' bread. A healthier alternative to regular flour

COMPANY PRODUCTS : *Quality Products, Strong Brands*



Honeywell Noodles

Launched in November 2009 and noted for distinct and attractive packaging, superior quality and taste.



Honeywell Spaghetti and Macaroni

Launched in 2010.

Attractively packed and preferred by consumers for superior quality. Most sought after amongst all brands.

FINANCIAL HIGHLIGHTS :-

Financial Year Ended (12-Months)

(Nb)	March 2011	March 2010	Change
Turnover (Nb)	34.06	33.53	↑ 2%
PBT(Nb)	3.51	2.33	↑ 51%
Taxation (Nb)	1.02	1.15	
PAT (Nb)	2.49	1.18	↑ 112%
Dividend (Nb)	1.03	0.87	↑ 18%
EPS (kobo)	31.43	14.83	↑ 112%
Dividend Yield	3%	1%	↑
Earnings Yield	7%	2%	↑

Strong Year-end results and a significant improvement in PAT by 112%

FINANCIAL HIGHLIGHTS:-

First Quarter Ended 30TH June 2011 (3-Months)

(Nb)	June 30, 2011	June 30, 2010	Change
Turnover (Nb)	9.32	9.16	↑ 2%
PBT (Nb)	0.16	0.88	
Taxation (Nb)	0.07	0.37	
PAT (Nb)	0.09	0.50	

THE FACTS:-

Earnings

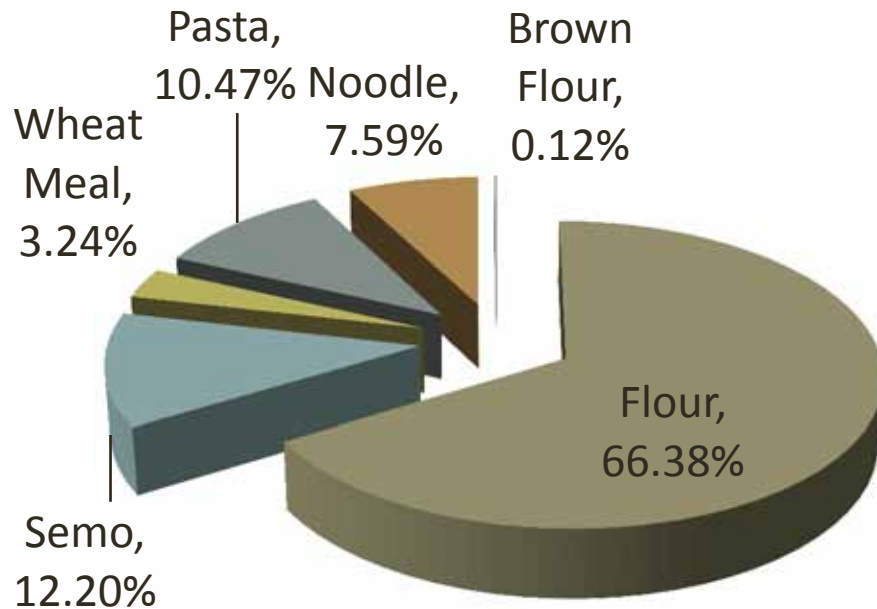
- **First quarter Earnings were affected by the lost selling days during the election season, heavy rains and bad roads, and traffic congestion in Apapa.**
- **Delivery Trucks had great difficulty accessing factory facility.**

THE GOOD NEWS: Better road conditions, earnings have been ramped up in the second quarter

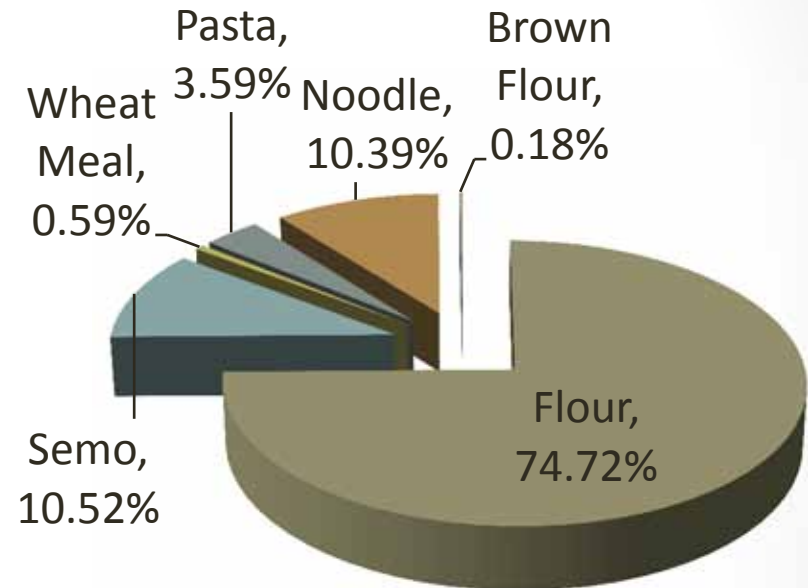
THE FACTS:-

Earnings Contribution Analysis- (12months)

31st March,2011



31st March,2010

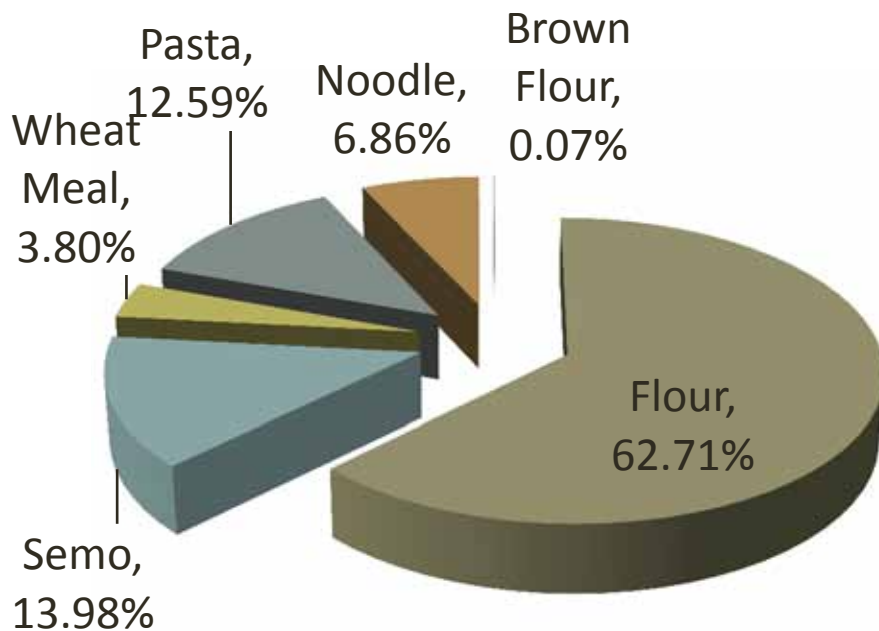


Shift from Flour to higher margin products

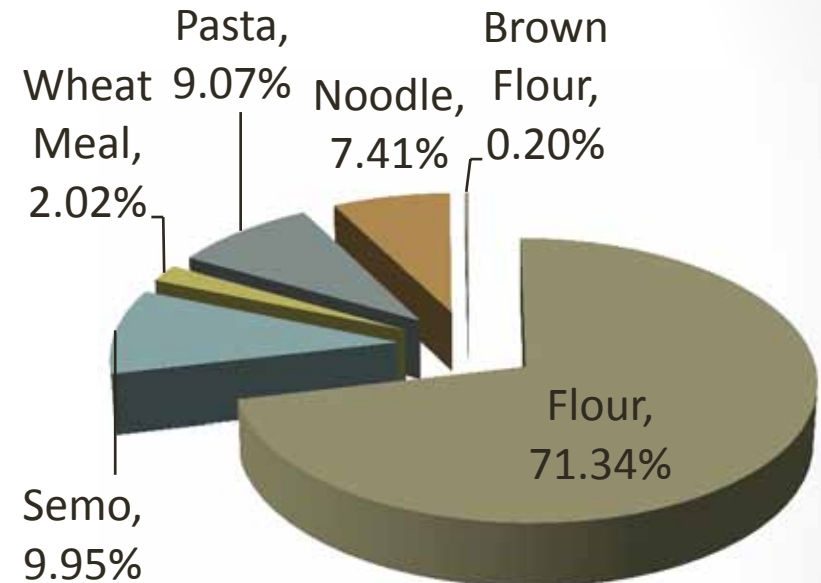
THE FACTS:-

Earnings Contribution Analysis- (3 months)

First Quarter:30th June, 2011



First Quarter:30th June, 2010



Continuous Shift (10 percentage points) from flour to higher margin products.(Margins are rising)

THE FACTS:-

Margins

- **High Wheat price, almost a doubling, was experienced during the first quarter. Effect of the high wheat prices was the reduction in margins of the global flour milling industry.**
- **The flour milling industry was unable to pass all cost increases to the customers.**

THE GOOD NEWS: Price of wheat is coming down and margins are also going up .Second quarter is looking great.

THE FACTS:-

Treasury Performance

- **The performance of FY2011 was positively and materially affected by the improved treasury management .**

	31st March 2011	31st March 2010
	Nm	Nm
Net Interest Income	769	214

- **An even better treasury management outcome is expected in the second quarter.**

THE FACTS:-

Factory Capacity

- **Factory runs at close to full capacity. Industry average is 40%**
- **A factory capacity growth is inevitable. Expansion plans are underway and on track. A 62% capacity increase will take cumulative expansion from 1,610MT to N2,610MT/day.**
- **Factory capacity is 9% of industry capacity but market share is presently 12% .**

THE FACTS:-

Factory Capacity

- **Planned expansion in capacity takes us to 11% of industry capacity and to about 20% of the market share, ceteris paribus.**

GOOD NEWS: 20% market share in a population of N150million is a notable market position.

THE GOOD NEWS:

- **The price of wheat is already coming down. Margins are coming up. Consumer buying potential remains strong. Our products are in high demand.**
- **The company is creating additional milling capacity which will support earnings growth and reduce profit volatility.**

THE GOOD NEWS:

- **An investment of US \$65 million in additional milling plant, storage and packing facilities is being implemented.**

THE GOOD NEWS:

- **The new mills will allow the Company drive production capacity to higher margin products such as Wheat Meal and Semolina.**

THE GOOD NEWS:

- **This strategic move will enhance the Company's ability to withstand the volatility of input costs, such as wheat, by better matching product prices to fluctuating input costs.**

THE GOOD NEWS:

- **The first of the twin mills is expected to be completed and commissioned in the first half of 2012.**

DIVIDEND:-

Our policy:

- **Provide Shareholders with sustainable dividend payout**
- **Maximize Shareholders' value in the long term.**

DIVIDEND:-

- **Consequently, the Board has recommended a dividend of N1.031 billion, representing 13 kobo per share, subject to the approval of shareholders at the AGM on September 26, 2011.**

DIVIDEND:-

- **Dividend will be paid on September 27, 2011, net of appropriate withholding tax.**
- **Proposed dividend payment represents an increase of 18% when compared with 11 kobo for the year ended 31st march,2011.**

FUTURE OUTLOOK

- **Distinguished market operators, Ladies and Gentlemen, the future Outlook is very bright. There is a strong growth potential.**
- **Significant earnings and profit growth are indicated.**
- **The second quarter will show a significant uplift in these parameters, whilst the planned expansion also assures sustainability, as well as growth.**

CONCLUSION

Many thanks for your kind attention

questions?