

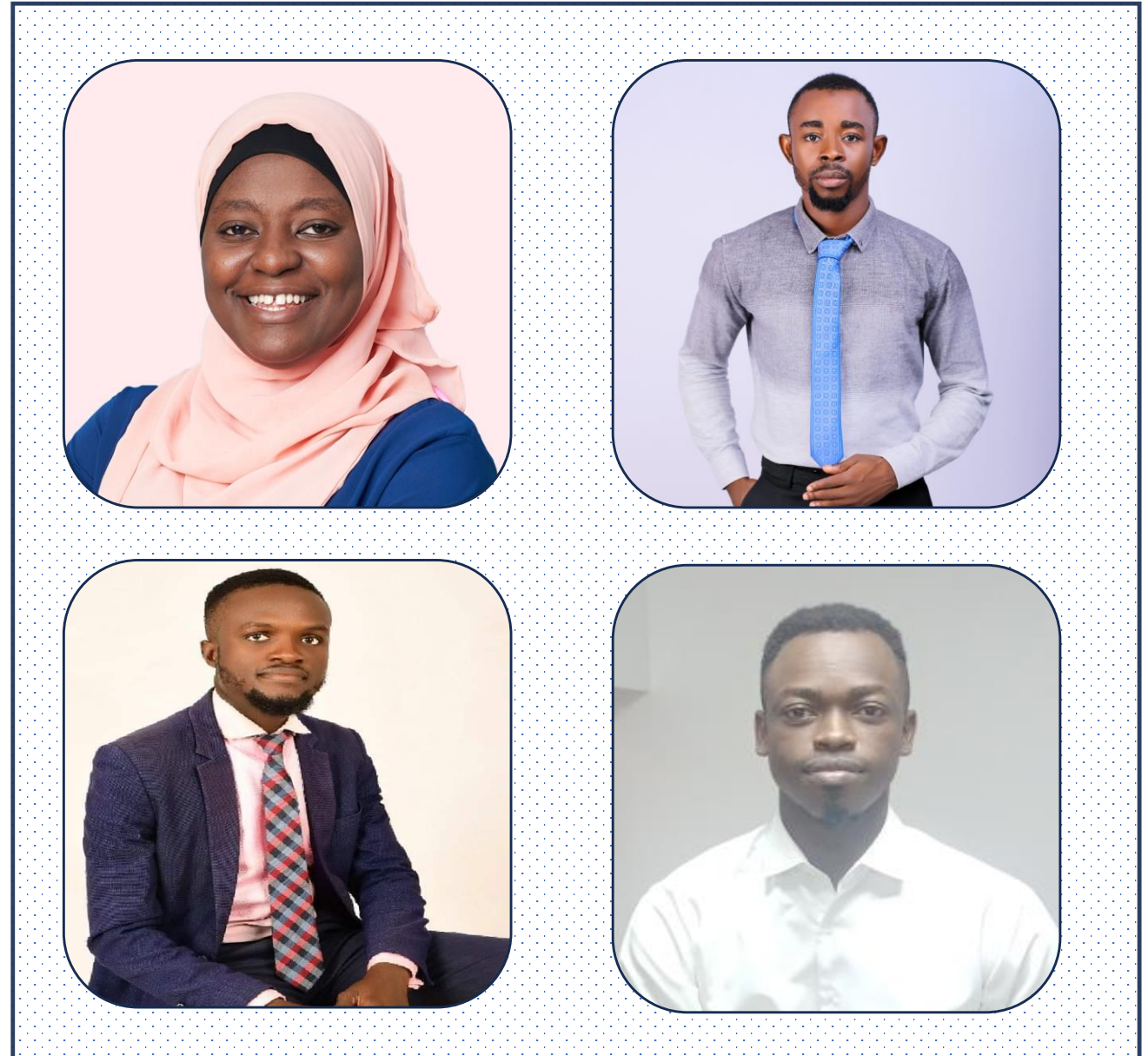
# FlourMills of Nigeria Plc Investment Pitch



G.A Academy Cohort 3.0 (2023)

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# FMN Subsidiaries & Products

## Subsidiaries

Nigerian Bag Manufacturing Company Limited

Northern Nigeria Flour Mills

Niger Mills Company Limited

Golden Shipping Company Limited

Fertilizer Marketing Company Limited

UNICEM

Apapa Bulk Terminal Limited

Golden Transport Company Limited

Premier Feed Mills Company Limited

Honeywell Flour Mills Plc

## Products



# Investment Thesis

- 1 Farm to table model to enhance cost efficiency in production
- 2 Thrives in the expansive manufacturing sector
- 3 Offers an extensive selection of premium quality products.
- 4 Consistent Growth and Resilience
- 5 Robust Management team

Recommendation		BUY
TARGET PRICE	NGN	<b>74.48</b>
UPSIDE	%	115.57%
TICKER		FLOUR MILL
EXCHANGE		NGX
52 WEEKS HIGH	▲	NGN 36
52 WEEKS LOW	▼	NGN 27
INDUSTRY		FOOD/ FMCG
SHARE PRICE	NGN	34.55
SHARE OUTSTANDING	#'b	4.10
MARKET CAP	NGN'B	141.67

# Company Overview

Flour Mills of Nigeria (FMN) Plc. is a highly reputable and leading food processing and agro-allied business in Nigeria, it was incorporated on the 29th of September 1960 as a limited liability company priding the nation's first wheat mill plant. It has massively invested in 17 modern classic manufacturing facilities since its establishment spanning through grain milling, edible oil and sugar refining, agro inputs, and animal nutrition and proteins.

Over the years, it has continually intensified its production capability and portfolio diversification competence of strong quality and affordable food products under its evocative brand of Golden Penny of flour, pasta, semolina, sugar, starch, oil, spreads, and breakfast cereals. FMN Plc also advanced excellently in support services by way of logistics and distribution, packaging, and port operations

## Business Model

1. Food
2. Agro-Allied
3. Sugar
4. Support Services

### Their Four Key Pillars:

1. Continuous product innovation and improvement,
2. Product availability assurance,
3. Creation of good consumer experience, and
4. Strong supply chain support.

**Recent Activity:** It has recently, through a horizontal integration strategy acquired a close competitor, HoneyWell Flour Mills Plc to increase its market share to 42% following the successful completions of its 71.69% stake acquisition in Honeywell Flour Mills Plc.



## MANAGEMENT AND BOARD OF DIRECTORS



**Mr. John G. Coumantaros**  
Chairman



**Mr. Paul Miyonmide Gbededo**  
Vice Chairman



**Mr. Omoboyede Olusanya**  
GMD/CEO



**Mr. Anders Kristiansson**  
Group Chief Finance Officer

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## Key strides made by the Management Team

- Their top 5 shareholders own 64.06% of the company including Excelsior Shipping Company Limited owns
- Their management team is quite diverse and skilled with over 20 years of experience individually.
- Their corporate governance structure is well detailed and transparent.
- It came with no surprise given the experience, expertise and achievement of the board of directors/management team and with FMN Plc positive market competitive positioning, Demonstrating Resilience Amidst Rising Inflation and Strains in the Global Supply Chain we are optimistic that FMN Plc. will continue to maximize shareholders' returns in the days to come.

# Industry Analysis

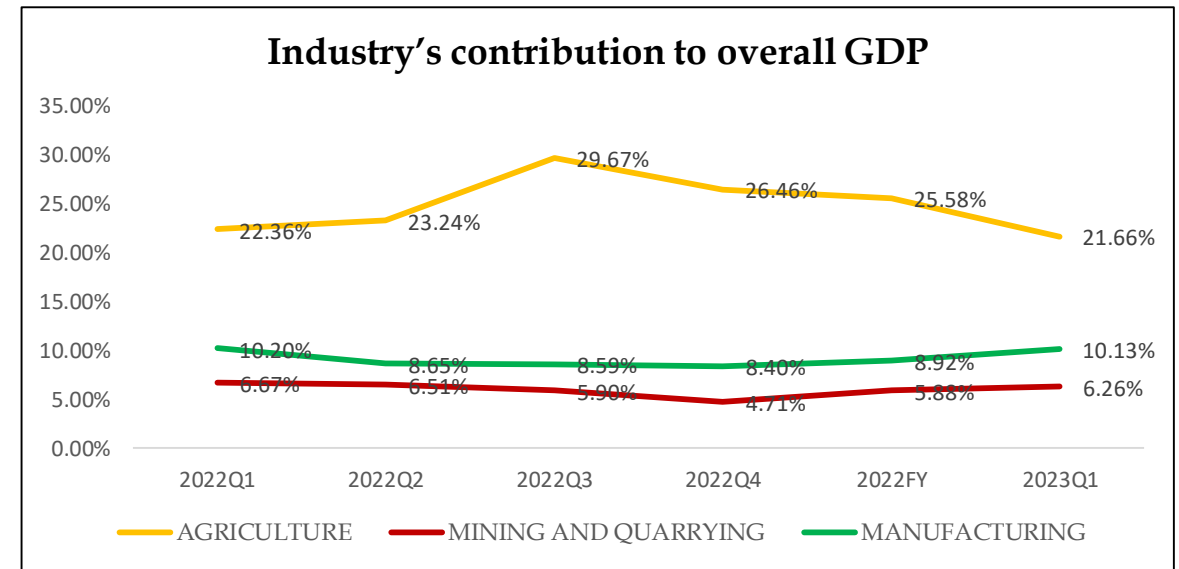
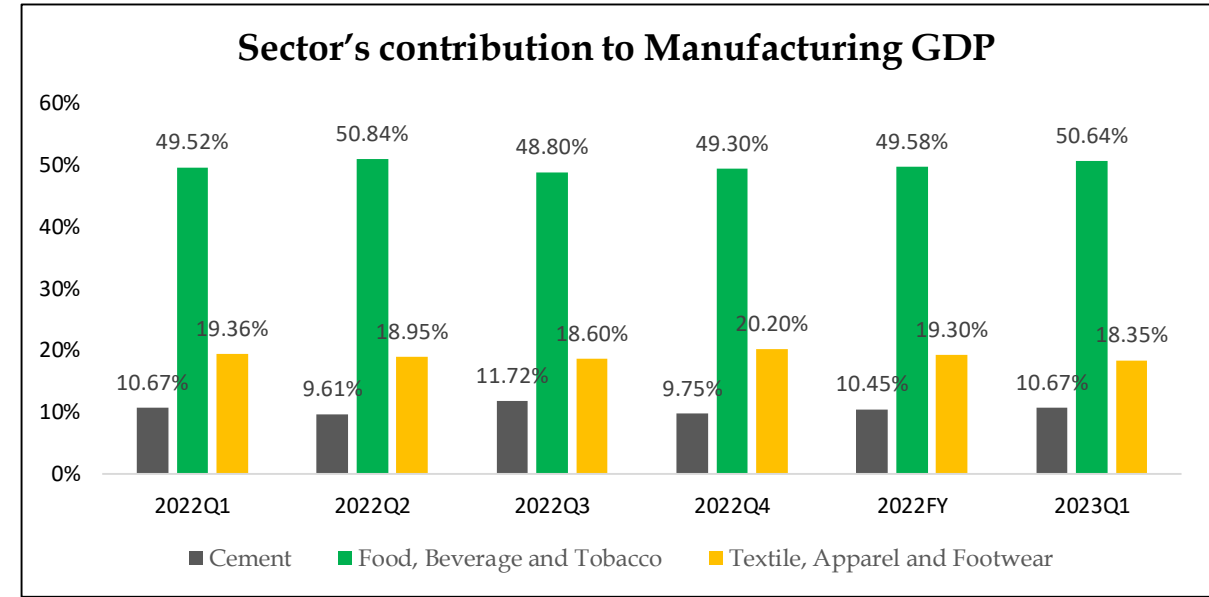
Nigeria's consumer products industry makes a significant contribution to the national economy. The FMCG sector is the fourth-largest sector of the economy, contributing significantly to GDP and employing more than three million people. The numerous consumer goods companies in Nigeria are classified into three general categories: Personal care, Food and Beverages, and Household Care.

## MARKET SIZE AND GROWTH

FMCG industry has experienced significant growth in e-commerce sales in recent years.

The Consumer Goods Sector is the largest part of the Manufacturing Industry in Nigeria, with Food, Beverage and Tobacco sub-sectors accounting for 49.58% of Manufacturing GDP and 4.42% of the overall GDP in 2022FY.

## KEY PLAYERS



# Macroeconomic Overview

Exchange Rate on (I&E Window) N664.04/\$

Inflation 22.41%

GDP 2.31%

With high inflation, low GDP growth attributed to low oil impact, the ongoing Russian-Ukraine war and ban on export ban on wheat, which have created pressure on energy demand, rising in cost of raw material especially in consumer goods industry.

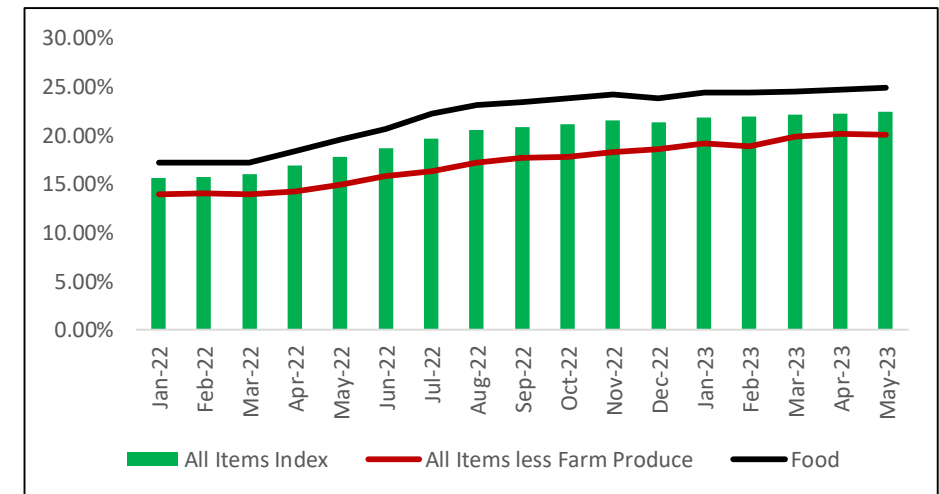
## Key factors facing the sector

- Nigeria's real GDP grew by 2.31% y/y in Q1 - 2023.
- Headline inflation increased to hit a high of 22.41% in May 2023 vs 22.22% April 2023 figures.
- The removal of Fuel subsidy on operating expenses.
- Russian - Ukraine War on commodity prices
- Foreign exchange rate - I & E Window liberated on cost of raw materials importation.

## 2023 Expectations

- Increase in investors confidence and more foreign capital inflows (FPI).
- Nigeria's economy is expected to grow slightly around 3.2% in 2023, driven by the non-oil sector according to IMF.
- With the Russian - Ukraine conflict, rising food prices, increase in diesel and gas prices, the central bank may keep raising interest rates to curb inflation.

All items Index vs All items less farm produce vs food 2023

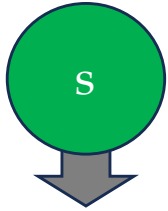


# Pestle Analysis

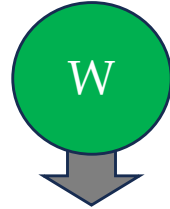
Category	Political	Economic	Social	Technological	Legal	Environment
<b>Possible Factors</b>	The flour mill industry in Nigeria is influenced by the government policies and regulations regarding food security, quality standards, import tariffs, subsidies, taxation, and trade agreements. The 15% levy on wheat imports to protect local farmers and millers was imposed in 2020 by the government.	The industry is affected by the macroeconomic conditions such as GDP growth, inflation, exchange rate, interest rate, consumer spending, income distribution and poverty level. For instance, in 2021, Nigeria faced a recession due to the COVID-19 pandemic and the decline in oil prices.	The industry being influenced by the social and cultural factors such as population growth, urbanization, dietary preferences, health awareness, education level and social media.	Innovation, automation, digitalization, research and development and e-commerce has impacted the industry.	The flour mill industry in Nigeria is subject to the legal factors such as laws and regulations regarding food safety, quality standards.	Factors like climate change, natural disasters, pollution, and waste management. For instance, climate change poses a threat to wheat production and supply chain.
<b>Business impact</b>	Tax increment and trade policies will affect the cash outflow, import and export of wheat and other grains.	Lower consumer demand, higher production costs, lower profitability, and reduced investment in the flour mill industry.	It affects market demand for wheat flour.	Advances in technology affect and improve efficiency and reduce costs.	New regulations may require flour millers to implement new food safety measures.	Droughts, floods, pests, and diseases that reduce the yield and quality of wheat.
<b>Type of impact</b>	Threat	Threat	Opportunity	Opportunity		Threat



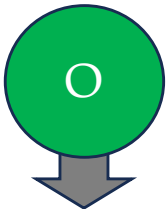
# Competitive Analysis



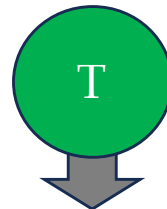
- Impressive diversified Portfolio
- Leading market position with strong distribution network and loyal customer base.
- Backward integration & Expansion capacity strategy



- Dependence on imported raw materials.



- Increase in global food consumption
- Favorable government policies for agricultural produce
- Rapid population growth with estimated 429 Million people in Nig. By 2060.



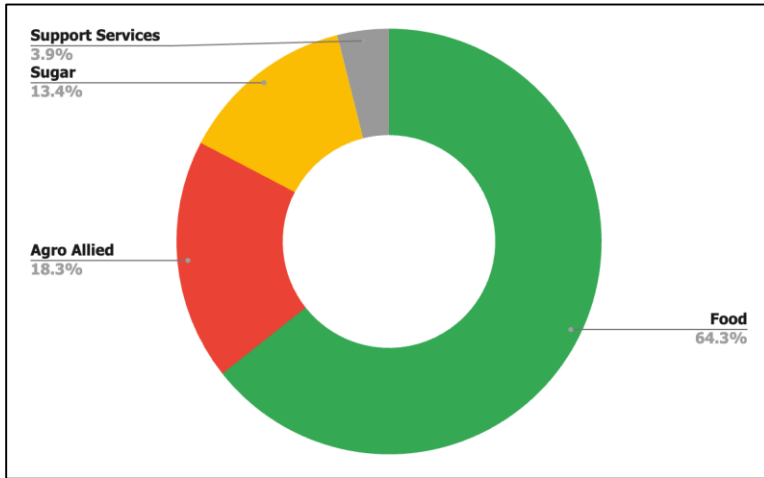
- Intense Competition
- Changing consumer preferences
- Trade barriers

## Porter's 5 forces analysis

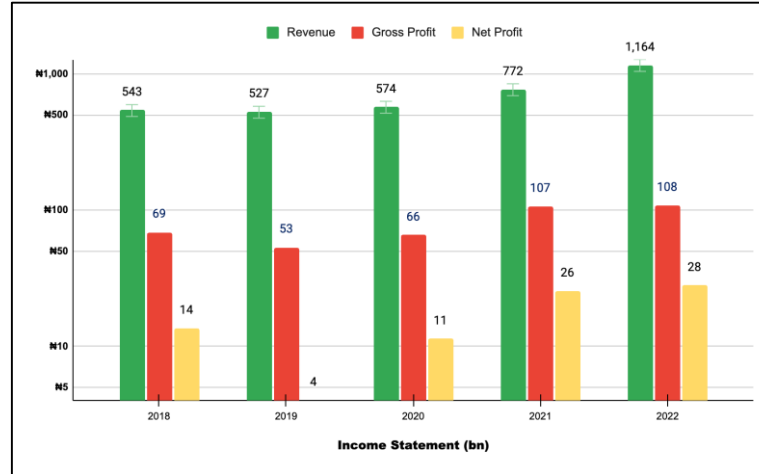
- Threat of new entrants is **low** to moderate due to capital intensity, regulatory compliance and brand recognition.
- Threat of substitute is moderate to **high** due to many substitute products in the market.
- Bargaining power of suppliers is low to **moderate** as there are many sources of raw materials for corn, millet, wheat and so on.
- Bargaining power of buyers is **high** as buyer has more power due to price sensitivity

# Financial Analysis

Revenue by Segment



Revenue vs Gross Profit vs Net Profit

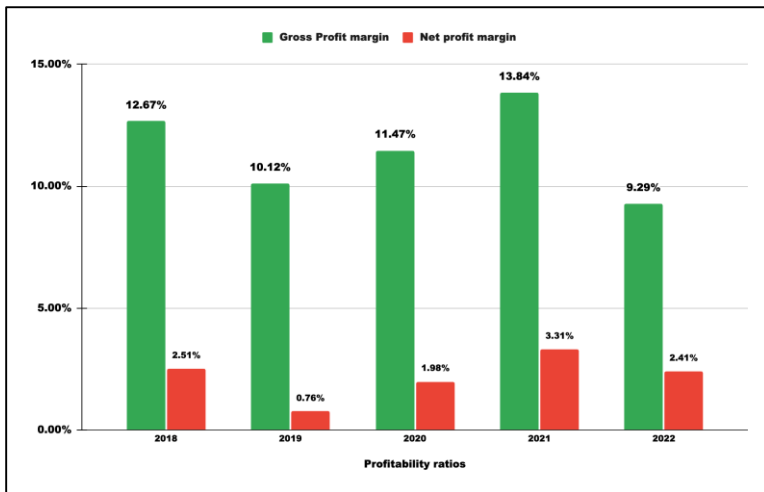


## Positives

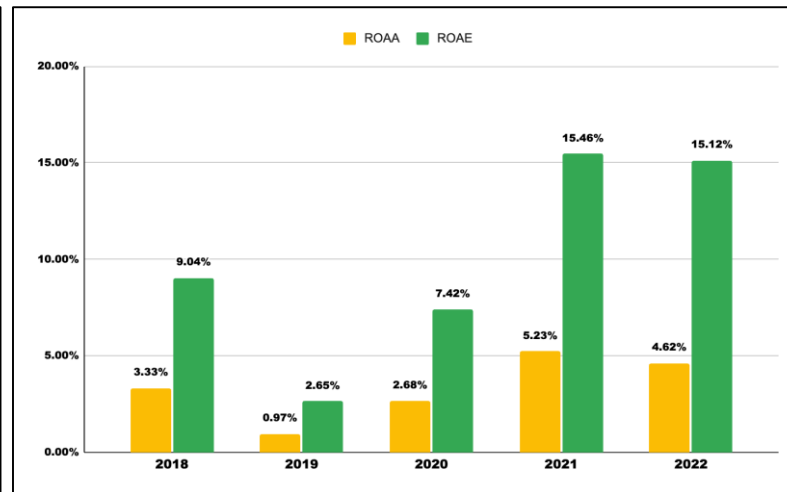
**Impressive Revenue Growth:** FMN has consistently experienced strong revenue growth over the past five years, with an annual growth rate of 16.48%. Notably, the company reached a significant milestone in 2022, surpassing the trillion-naira mark with NGN 1.16 trillion in revenue. This can also be attributed to their merger with Honeywell Flour Plc

**Diversified Revenue Streams:** The Food segment remains the primary revenue driver, contributing 64% of the company's total revenue. Additionally, the Agro Allied, Sugar, and Support Services sectors contribute 18%, 13%, and 3% respectively, further strengthening the company's revenue base.

**Sustained Financial Ratios:** FMN's financial ratios demonstrate stability and resilience. Despite a slight decline, the company's return on average assets (ROAA) and return on average equity (ROAE) remained within a healthy range.

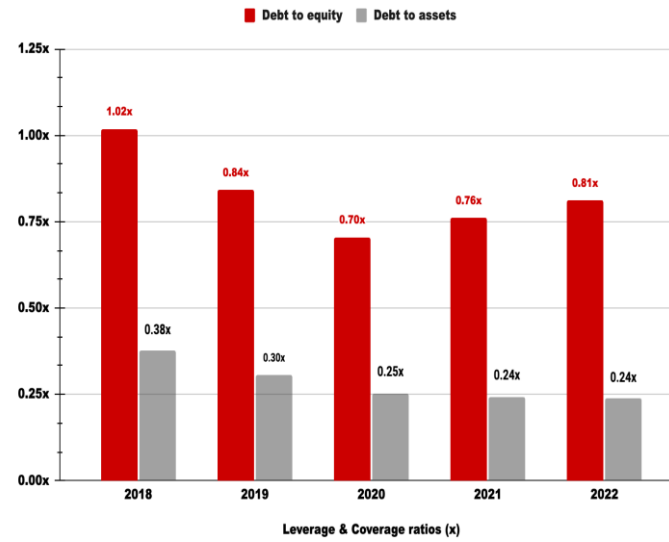
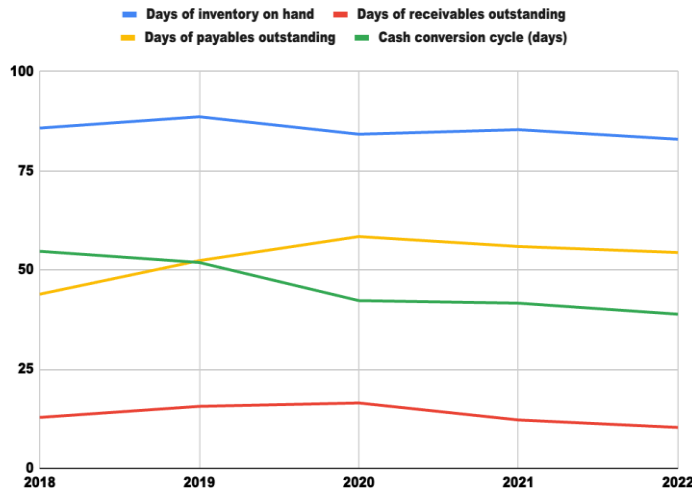


Gross profit margin vs Net Profit margin



ROAA vs ROAE

# Financial Analysis

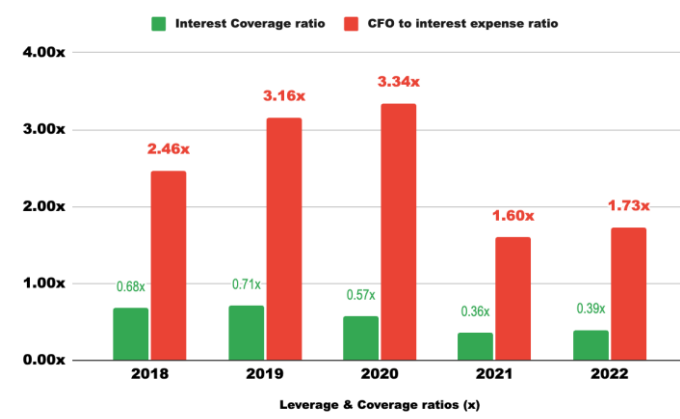
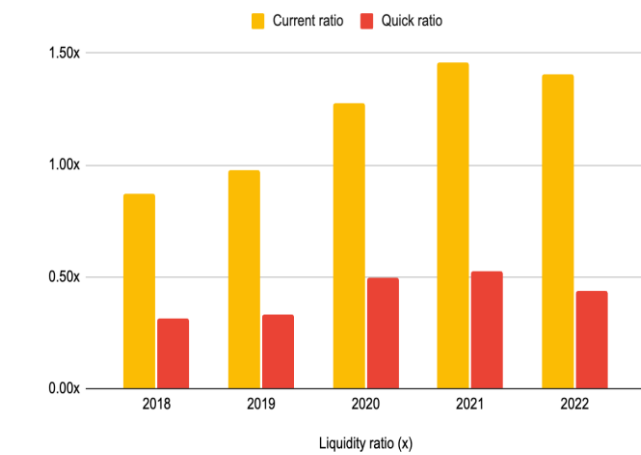


**Enhanced Interest Coverage:** FMN has improved its interest coverage ratio, reaching 0.39x in 2022 from the previous 0.36x in 2021 indicating their improved ability to meet interest payment obligations and manage debt.

**Improved Efficiency Metrics:** they made notable strides in optimizing their operations and achieved a significant improvement in inventory turnover, reaching its highest level in the past five years at 4.40x. Additionally, the cash conversion cycle reduced from 42 days to 39 days in 2022 indicating enhanced efficiency in converting inventory into cash.

## Negatives

**Rising Cost of Sales in Agribusiness:** they experienced a significant increase in the cost of sales, reaching the trillion-naira mark at NGN 1.055 trillion. This elevated cost of sales has put pressure on the company's gross profit margin, resulting in a decrease to NGN 108 billion. The majority of the cost of sales, approximately 90%, can be attributed to expenses related to raw materials, packing materials, labour, employee benefits, and depreciation & amortization.

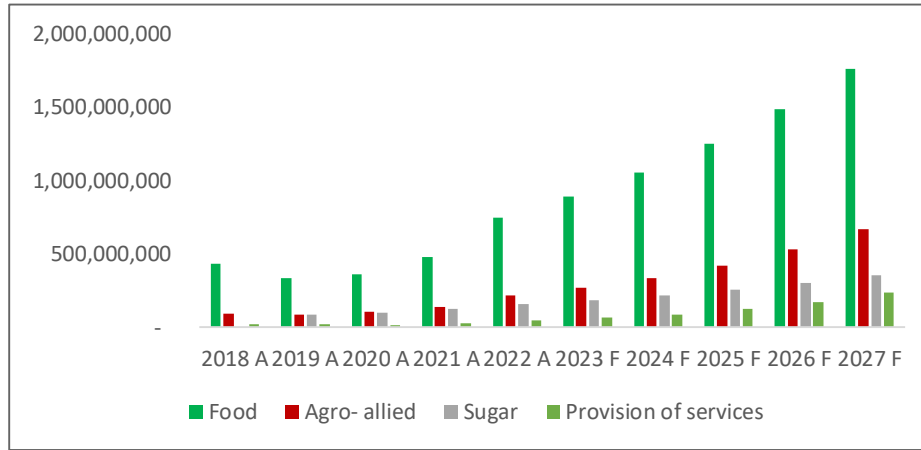


**Increased Debt-to-Equity Ratio:** FMN's debt-to-equity ratio witnessed a slight uptick, rising from 0.76x in 2021 to 0.81x in 2022. This increase can be attributed to heightened borrowing activities.

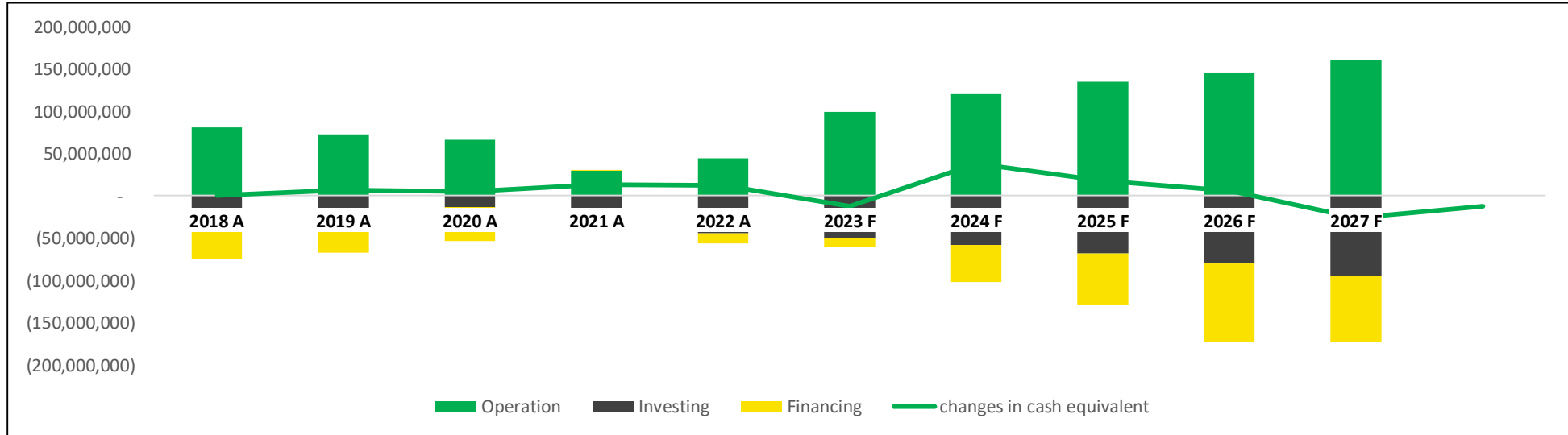
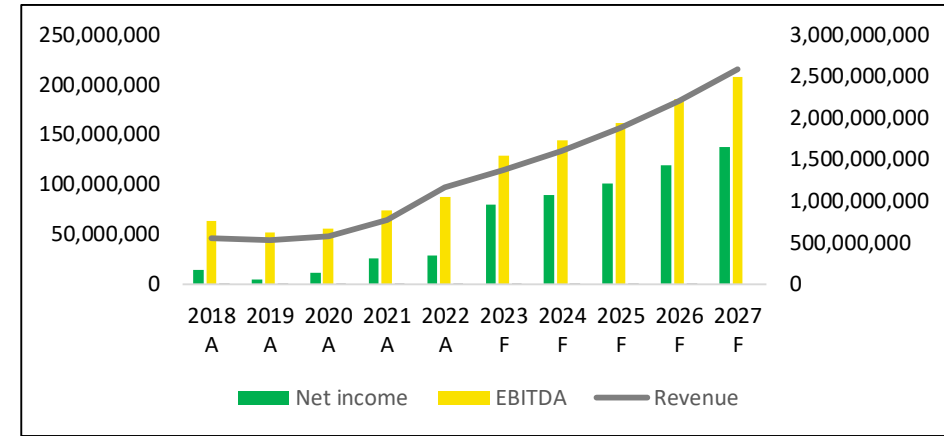
**Liquidity Challenges:** The company experienced a decline in liquidity ratios in 2022. The current ratio decreased from 1.46x in 2021 to 1.40x in 2022, indicating a slight reduction in the company's ability to meet short-term.

# Financial Analysis

Growth in each revenue stream



Revenue, Net Income, EBITDA

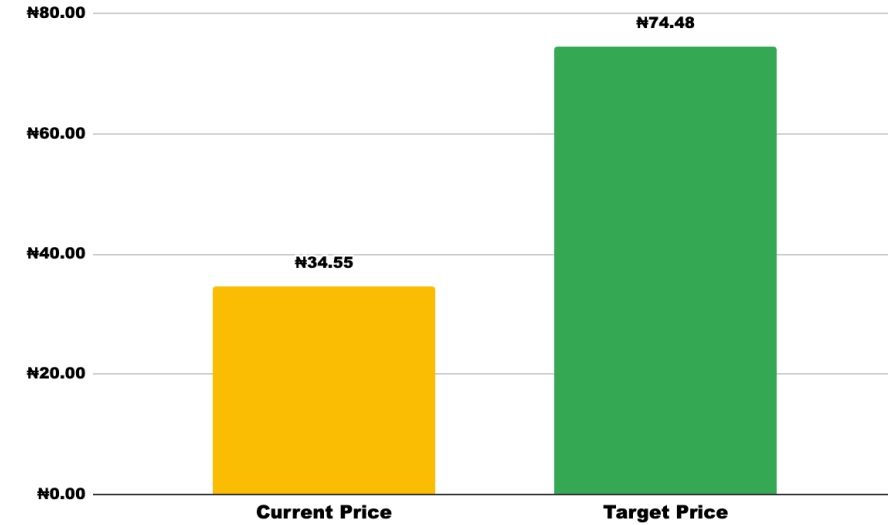


Cashflow movement

Source: FMN Audited Financial statement

# Valuation Metrics

Valuation Methodology	Price
Discounted Free Cash Flow Method	₦71.23
Discounted Dividend Method	₦70.24
Comparable Method	₦83.32
<b>Target price (Harmonic Mean)</b>	<b>₦74.48</b>



<b>DCF - Intrinsic Value</b>	<b>₦ 71.23</b>
Enterprise Value	320,739,685
Plus: Cash	21,683,588
Less: Debt	-158,765,475
Equity Value	183,657,798
<b>Equity Value Per Share</b>	<b>₦ 71.23</b>

<b>DDM - Intrinsic Value</b>	<b>₦70.24</b>
Average Dividend Paid (Forecast) '000	41,706,156
Applied Growth	5.08%
Equity Value	287,990,524
<b>Equity Value/Share</b>	<b>₦70.24</b>

<b>COM</b>	<b>₦83.32</b>
Earnings	28,015,226
Average P/E ratio	12.20x
Equity Value	341,645,681
<b>Equity Value/Share</b>	<b>₦ 83.32</b>

# Valuation Metrics

WACC	
<b>WACC</b>	<b>13.70%</b>
Cost of equity	20.69%
Weight of equity	26%
Cost of debt (pre-tax)	15.11%
Tax rate	30%
Cost of debt (post-tax)	10.58%
Weight of debt	74%

Cost of equity	
Cost of equity	20.69%
Risk free rate	14.90%
Calculated beta	0.3608
Blume adj. Beta	0.5739
Applied beta	0.4673
Calculated risk premium	7.60%
Damodaran	17.16%
Applied risk premium	12.38%

Cost of debt	
Cost of debt	10.58%
Risk free rate (Rf)	14.9%
Corporate risk premium	0.2%
Pre-tax (Kd)	15.11%
Tax rate	30.0%
Post tax rate (Kd)	10.58%

Applied Sustainable growth rate	
Nominal GDP growth rate	13.07%
Calculated growth rate	10.17%
Retention ratio	71.11%
Return on investment	14.30%
Dividend payout	28.89%

# We recommend a BUY

## Basis for recommendation

- Wider range of products to choose from with the acquisition of Honeywell Flour Mills Plc.
- Qualified experience management team
- A- credit rating from Augusto & co. based on their operational resilience
- Improved Profitability despite external shocks from inflation and FX scarcity.
- They now have a larger and more robust balance sheet due to the acquisition of Honeywell Flour Mills Plc.

## Key Drivers

- New administration policies are pro market and are committed to supporting Agro-Allied industry to solve food insecurity in the country.
- Expected and sustained profitability by their increase in local content through their 5 core value chains: Grains, Oils and Fats, Proteins, Sweeteners and Starch

# Major Risks faced by FMN

- **Regulatory and policy risks:** Navigating the flour mills industry in Nigeria involves manoeuvring through a labyrinth of regulations and policies. From importation rules to taxation requirements and industry-specific regulations, Flour Mills of Nigeria must play by the government's tune.
- **Changes in environmental conditions & insecurity** – such as weather and insect invasion has also contributed to risk faced by the company. This is also coupled by inadequate supply of grains due to insecurity in farmers belt.

**Economic downturns:** It seems FMN's destiny is intertwined with Nigeria's economic landscape. The past years witnessed the crushing blow of the Covid-19 pandemic, and just as recovery seemed within reach, the Russia-Ukraine war dealt another heavy blow to the global economy. Inflationary pressures are rampant, and central banks worldwide are resorting to increasing their monetary policy rates to restore stability.

- **Volatility in commodity prices:** The flour mills industry in Nigeria dances to the tune of commodity prices, with an increase in the cost of wheat, corn, and other grains. *Their high cost of sales can also be attributed to increasing inflation and FX scarcity.*
- **Foreign exchange risk:** Flour Mills of Nigeria knows all too well the perils of importing its raw materials, particularly wheat. Currency fluctuations can swiftly swing the cost of these imported inputs, leaving a lasting impact on the company's profitability.



*Thank You*

## Appendices: Forecast

Statement of Profit or Loss ₦'000		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenue		542,670,409	527,404,567	573,774,356	771,607,880	1,163,802,851	1,403,226,601	1,694,405,345	2,049,321,647	2,482,985,138	3,014,275,677	3,667,044,595
Cost of Sales		(473,895,352)	(474,057,010)	(507,987,179)	(664,850,870)	(1,055,712,728)	(1,221,545,005)	(1,475,189,130)	(1,784,938,080)	(2,170,965,272)	(2,649,835,623)	(3,196,282,756)
Gross Profit		68,775,057	53,347,557	65,787,177	106,757,010	108,090,123	181,681,596	219,216,215	264,383,567	312,019,866	364,440,054	470,761,839
Other Income		-	-	-	-	-	-	-	-	-	-	-
Total Operating Income		<b>68,775,057</b>	<b>53,347,557</b>	<b>65,787,177</b>	<b>106,757,010</b>	<b>108,090,123</b>	<b>181,681,596</b>	<b>219,216,215</b>	<b>264,383,567</b>	<b>312,019,866</b>	<b>364,440,054</b>	<b>470,761,839</b>
Administrative Expenses		(6,180,092)	(8,165,792)	(23,346,202)	(29,045,821)	(31,775,930)	(37,187,432)	(50,025,604)	(66,259,060)	(76,130,473)	(88,210,941)	(108,751,935)
Selling and Distribution cost		(20,115,372)	(19,424,087)	(9,278,394)	(12,079,534)	(11,080,165)	(32,342,531)	(39,053,819)	(47,234,174)	(57,229,548)	(69,475,098)	(84,520,565)
Net operating gains and (losses)		5,943,332	6,211,205	4,905,683	(15,528,451)	(135,885)	(135,885)	(135,885)	(135,885)	(135,885)	(135,885)	(135,885)
(Impairment loss)/write-back on trade and intercompany		-	327,976	(2,988,628)	2,093,523	415,208	-	-	-	-	-	-
EBIT/Operating Profit		<b>48,422,925</b>	<b>32,296,859</b>	<b>35,079,636</b>	<b>52,196,727</b>	<b>65,513,351</b>	<b>112,015,748</b>	<b>130,000,907</b>	<b>150,754,448</b>	<b>178,523,959</b>	<b>206,618,130</b>	<b>277,353,454</b>
Investment Income		816,319	768,592	2,392,649	3,652,138	1,086,420	-	-	-	-	-	-
Financial cost/Interest Expense		(32,697,477)	(22,891,176)	(19,975,470)	(18,655,198)	(25,481,623)	(14,454,885)	(17,125,822)	(17,125,822)	(15,921,472)	(12,036,472)	(9,608,347)
PBT		<b>16,541,767</b>	<b>10,174,275</b>	<b>17,496,815</b>	<b>37,193,667</b>	<b>41,118,148</b>	<b>97,560,863</b>	<b>112,875,084</b>	<b>133,628,626</b>	<b>162,602,486</b>	<b>194,581,658</b>	<b>267,745,107</b>
Minimum tax		-	-	-	91,216	(1,902,530)	-	-	-	-	-	-
Income tax expense		(2,925,993)	(6,174,129)	(6,120,072)	(11,567,960)	(11,200,392)	(14,634,129)	(16,931,263)	(20,044,294)	(24,390,373)	(29,187,249)	(40,161,766)
Profit After Tax		<b>13,615,774</b>	<b>4,000,146</b>	<b>11,376,743</b>	<b>25,716,923</b>	<b>28,015,226</b>	<b>82,926,733</b>	<b>95,943,822</b>	<b>113,584,332</b>	<b>138,212,113</b>	<b>165,394,409</b>	<b>227,583,341</b>

### SUMMARY CHARTS

Income statement											
year	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F	2026 F	2027 F	
<b>Revenue</b>	<b>542,670,409</b>	<b>527,404,567</b>	<b>573,774,356</b>	<b>771,607,880</b>	<b>1,163,802,851</b>	<b>1,403,226,601</b>	<b>1,694,405,345</b>	<b>2,049,321,647</b>	<b>2,482,985,138</b>	<b>3,014,275,677</b>	
<b>EBITDA</b>	<b>63,236,318</b>	<b>51,501,887</b>	<b>55,123,172</b>	<b>73,802,544</b>	<b>86,960,537</b>	<b>132,075,898</b>	<b>152,725,139</b>	<b>176,817,299</b>	<b>208,740,207</b>	<b>241,977,373</b>	
<b>EBITDA margin</b>	<b>11.65%</b>	<b>9.77%</b>	<b>9.61%</b>	<b>9.56%</b>	<b>7.47%</b>	<b>9.41%</b>	<b>9.01%</b>	<b>8.63%</b>	<b>8.41%</b>	<b>8.03%</b>	
Net income	13,615,774	4,000,146	11,376,743	25,716,923	28,015,226	82,926,733	95,943,822	113,584,332	138,212,113	165,394,409	
<b>Net income margin</b>	<b>2.51%</b>	<b>0.76%</b>	<b>1.98%</b>	<b>3.33%</b>	<b>2.41%</b>	<b>5.91%</b>	<b>5.66%</b>	<b>5.54%</b>	<b>5.57%</b>	<b>5.49%</b>	

Cashflow Statement										
Operation	80,585,796	72,239,224	66,680,316	29,851,159	44,036,974	98,358,203	123,130,257	142,003,675	158,476,238	179,295,177
Investing	(17,287,310)	(24,989,240)	(13,793,007)	(18,425,087)	(44,847,962)	(51,310,966)	(61,958,328)	(74,936,345)	(90,793,864)	(110,221,254)
Financing	(56,981,850)	(42,011,798)	(39,841,255)	648,764	(11,378,161)	(12,149,402)	(46,275,146)	(64,034,626)	(97,912,604)	(87,286,037)
Changes in cash equivalent	6,316,636	5,238,186	13,046,054	12,074,836	(12,189,149)	34,897,835	14,896,782	3,032,704	(30,230,230)	(18,212,113)

Source: FMN Audited Financial statement & our forecast

# Appendices: Forecast

Statement of Cashflow	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>										
Cash (generated from)/used in operating activities	81,141,794	75,279,237	70,323,546	33,291,942	49,719,610	102,354,024	123,751,854	138,277,094	149,715,714	164,037,064
Income tax paid	(1,306,617)	(2,583,747)	(2,562,378)	(2,942,872)	(4,833,346)	(3,230,586)	(3,392,295)	(3,599,775)	(3,764,000)	(3,496,664)
Long service award benefit paid	(191,385)	(291,474)	(140,327)	(165,335)	(248,608)	-	-	-	-	-
Retirement benefit paid	(341,159)	(164,792)	(940,525)	(332,576)	(600,682)	-	-	-	-	-
Realised foreign exchange loss	1,283,163	-	-	-	-	-	-	-	-	-
<b>Net cash (used in)/ generated from operating activities</b>	<b>80,585,796</b>	<b>72,239,224</b>	<b>66,680,316</b>	<b>29,851,159</b>	<b>44,036,974</b>	<b>99,123,438</b>	<b>120,359,558</b>	<b>134,677,319</b>	<b>145,951,713</b>	<b>160,540,400</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES:</b>										
Acquisition of property, plant and equipment	(21,398,545)	(26,223,342)	(16,216,197)	(19,425,792)	(40,652,521)	(48,369,370)	(56,675,591)	(66,474,213)	(78,046,900)	(91,731,136)
Proceeds from sale of PPE	2,790,863	2,223,481	229,340	546,750	123,852	-	-	-	-	-
Acquisition of right of use assets	-	-	(33,095)	(2,293,325)	(1,097,291)	(1,082,430)	(1,268,310)	(1,487,588)	(1,746,566)	(2,052,798)
Acquisition of intangible assets	(13,219)	(330,363)	(2,142)	(19,191)	-	(185,104)	(216,891)	(254,389)	(298,677)	(351,045)
Acquisition of investment property	-	-	-	(4,195)	-	-	-	-	-	-
Proceeds from biological assets sold/harvested	544,670	-	-	-	-	-	-	-	-	-
Purchase of biological assets	(27,398)	(969,873)	(163,562)	(881,472)	(4,309,723)	(179,231)	(210,009)	(246,318)	(289,200)	(339,907)
Net loans received from/(granted to) related companies	-	(457,735)	-	-	1,301	-	-	-	-	-
Finance income	816,319	768,592	2,392,649	3,652,138	1,086,420	-	-	-	-	-
<b>Net Cash used in Investment Activities</b>	<b>(17,287,310)</b>	<b>(24,989,240)</b>	<b>(13,793,007)</b>	<b>(18,425,087)</b>	<b>(44,847,962)</b>	<b>(49,816,135)</b>	<b>(58,370,802)</b>	<b>(68,462,508)</b>	<b>(80,381,343)</b>	<b>(94,474,885)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES:</b>										
Proceeds on share issue	39,302,975	-	-	-	-	-	-	-	-	-
Proceeds from borrowings	300,731,571	362,092,863	126,950,415	88,503,452	39,573,064	40,000,000	-	-	-	-
Repayment of borrowings	(360,013,797)	(378,107,786)	(139,604,896)	(63,292,881)	(16,250,651)	(12,500,000)	-	(12,400,000)	(40,000,000)	(25,000,000)
Repayment of lease liabilities	-	-	(2,541,665)	(1,740,546)	(2,667,114)	-	-	-	-	-
Consideration paid for acquisition of NCI	(1,683,000)	-	-	-	-	-	-	-	-	-
Additional investment by NCI	-	2,030,700	-	-	-	-	-	-	-	-
Dividends paid	(2,838,587)	(5,488,599)	(4,669,639)	(5,453,991)	(8,094,076)	(24,199,839)	(26,896,366)	(30,669,552)	(36,046,163)	(41,765,950)
Unclaimed dividend received	216,465	352,200	-	6,494	-	-	-	-	-	-
Finance costs paid	(32,697,477)	(22,891,176)	(19,975,470)	(17,373,764)	(23,939,384)	(14,454,885)	(17,125,822)	(17,125,822)	(15,921,472)	(12,036,472)
<b>Net Cash from Financing Activities</b>	<b>(56,981,850)</b>	<b>(42,011,798)</b>	<b>(39,841,255)</b>	<b>648,764</b>	<b>(11,378,161)</b>	<b>(11,154,724)</b>	<b>(44,022,188)</b>	<b>(60,195,375)</b>	<b>(91,967,635)</b>	<b>(78,802,423)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,316,636</b>	<b>5,238,186</b>	<b>13,046,054</b>	<b>12,074,836</b>	<b>(12,189,149)</b>	<b>38,152,580</b>	<b>17,966,569</b>	<b>6,019,436</b>	<b>(26,397,265)</b>	<b>(12,736,908)</b>
Cash at the beginning of the year	(4,005,309)	2,311,327	7,554,408	20,668,446	33,162,448	21,683,588	59,836,168	77,802,736	83,822,173	57,424,908
Transfer to Golden Fertilizer Company Limited	-	-	-	-	-	-	-	-	-	-
Effect of exchange difference	-	4,895	67,984	419,166	710,289	-	-	-	-	-
Net cash movement for the year	(2,422,545)	-	-	-	-	-	-	-	-	-
Cash increase through merger	-	-	-	-	-	-	-	-	-	-
<b>Net cash at end of the year</b>	<b>2,311,327</b>	<b>7,554,408</b>	<b>20,668,446</b>	<b>33,162,448</b>	<b>21,683,588</b>	<b>59,836,168</b>	<b>77,802,736</b>	<b>83,822,173</b>	<b>57,424,908</b>	<b>44,688,000</b>
<b>cash and cash equivalents</b>										
Cash	22,245,372	17,205,546	26,210,974	37,163,344	31,621,421	69,774,001	87,740,569	93,760,006	67,362,741	54,625,833
Overdraft	(19,934,045)	(9,651,138)	(5,542,528)	(4,000,896)	(9,937,833)	(9,937,833)	(9,937,833)	(9,937,833)	(9,937,833)	(9,937,833)
	<b>2,311,327</b>	<b>7,554,408</b>	<b>20,668,446</b>	<b>33,162,448</b>	<b>21,683,588</b>	<b>59,836,168</b>	<b>77,802,736</b>	<b>83,822,173</b>	<b>57,424,908</b>	<b>44,688,000</b>

# Appendices: Forecast

Statement of financial position	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Property, plant, and equipment	217,901,400	221,465,325	216,890,095	208,721,490	226,840,392	257,254,861	295,405,497	342,893,433	401,715,734	474,368,934	563,982,813
Investment Property	1,841,977	1,737,559	1,633,141	1,532,553	1,427,443	1,427,443	1,427,443	1,427,443	1,427,443	1,427,443	1,427,443
Goodwill	4,148,022	4,148,022	4,148,022	4,148,022	4,148,022	4,148,022	4,148,022	4,148,022	4,148,022	4,148,022	4,148,022
Intangible assets	1,095,317	1,316,670	953,855	646,404	369,182	512,834	677,757	869,905	1,096,509	1,366,447	1,690,708
Investment in Subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Biological assets	37,710	111,784	156,723	30,930	73,474	247,912	436,512	645,697	882,978	1,157,310	1,479,546
Right of use asset	14,933,340	16,511,473	14,933,340	16,511,473	15,720,081	16,238,337	16,968,274	17,952,499	19,243,928	20,908,469	23,028,480
Deferred tax	6,459,761	3,963,819	3,578,421	6,974,435	6,245,238	6,245,238	6,245,238	6,245,238	6,245,238	6,245,238	6,245,238
Other investments	22,440	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000
Long term loans	944,472	1,402,210	358,689	38,852	37,551	37,551	37,551	37,551	37,551	37,551	37,551
Available for sale investments	62,900	41,140	-	27,540	-	-	-	-	-	-	-
Prepayments	1,610,730	2,365,692	47,429	95,971	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>234,102,289</b>	<b>236,552,221</b>	<b>242,722,155</b>	<b>238,727,670</b>	<b>254,895,383</b>	<b>286,146,198</b>	<b>325,380,294</b>	<b>374,253,788</b>	<b>434,831,403</b>	<b>509,693,414</b>	<b>602,073,801</b>
Current assets											
Inventories	111,373,409	118,867,186	115,596,185	195,449,036	284,462,821	285,804,453	344,840,504	414,005,883	504,049,433	614,308,399	743,890,317
Biological assets	179,653	18,498	147,599	376,439	757,085	757,085	757,085	757,085	757,085	757,085	757,085
Trade and other Receivables	19,083,085	26,085,312	25,731,446	25,825,611	39,900,930	51,859,752	63,228,388	74,215,961	85,481,753	104,386,304	131,680,654
Derivatives	-	198,026	3,702,659	621,780	84,480	84,480	84,480	84,480	84,480	84,480	84,480
Prepayments	21,364,109	17,894,815	18,342,824	46,568,933	55,289,689	55,289,689	55,289,689	55,289,689	55,289,689	55,289,689	55,289,689
Cash and cash equivalents	22,245,372	17,205,546	26,210,974	37,163,344	31,621,421	66,519,256	81,416,038	84,448,742	54,218,512	36,006,398	38,393,135
<b>Current assets</b>	<b>174,245,628</b>	<b>180,269,383</b>	<b>189,731,687</b>	<b>306,005,143</b>	<b>412,116,426</b>	<b>460,314,716</b>	<b>545,616,184</b>	<b>628,801,840</b>	<b>699,880,952</b>	<b>810,832,354</b>	<b>970,095,360</b>
<b>Total Assets</b>	<b>408,347,917</b>	<b>416,821,604</b>	<b>432,453,842</b>	<b>544,732,813</b>	<b>667,011,809</b>	<b>746,460,914</b>	<b>870,996,478</b>	<b>1,003,055,628</b>	<b>1,134,712,355</b>	<b>1,320,525,769</b>	<b>1,572,169,161</b>
<b>Equity and Liabilities</b>											
<b>Capital and reserves</b>											
Share capital	2,050,197	2,050,197	2,050,197	2,050,197	2,050,197	2,050,197	2,050,197	2,050,197	2,050,197	2,050,197	2,050,197
Share premium	75,377,444	75,377,444	75,377,444	75,377,444	75,377,444	75,377,444	75,377,444	75,377,444	75,377,444	75,377,444	75,377,444
Fair value reserve	(72,556)	(94,316)	(113,016)	(107,916)	(101,456)	(101,456)	(101,456)	(101,456)	(101,456)	(101,456)	(101,456)
Hedging reserve					(1,281,434)	(1,281,434)	(1,281,434)	(1,281,434)	(1,281,434)	(1,281,434)	(1,281,434)
Retained earnings	67,903,735	66,377,553	71,629,892	90,905,674	111,101,724	168,833,941	235,628,438	314,703,966	410,924,948	526,069,792	684,509,540
<b>Equity attributes to owners of the Company</b>	<b>145,258,820</b>	<b>143,710,878</b>	<b>148,944,517</b>	<b>168,225,399</b>	<b>187,146,475</b>	<b>244,878,692</b>	<b>311,673,189</b>	<b>390,748,717</b>	<b>486,969,699</b>	<b>602,114,543</b>	<b>760,554,291</b>
Non-controlling interests	5,357,888	7,261,317	6,863,254	6,388,551	8,758,216	8,758,216	8,758,216	8,758,216	8,758,216	8,758,216	8,758,216
<b>Total equity</b>	<b>150,616,708</b>	<b>150,972,195</b>	<b>155,807,771</b>	<b>174,613,950</b>	<b>195,904,691</b>	<b>253,636,908</b>	<b>320,431,405</b>	<b>399,506,933</b>	<b>495,727,915</b>	<b>610,872,759</b>	<b>769,312,507</b>
Average Total Equity	150,616,708	150,794,452	153,389,983	165,210,861	185,259,321						
<b>Non-Current Liabilities</b>											
Borrowings	29,376,221	46,231,074	80,675,376	101,764,591	114,810,880	136,025,348	136,025,348	126,459,551	95,602,144	76,316,264	57,030,384
Lease Liabilities			10,702,733	14,789,031	17,654,283	17,654,283	17,654,283	17,654,283	17,654,283	17,654,283	17,654,283
Retirement benefit obligation	5,193,788	5,848,372	7,135,477	10,396,790	10,268,526	10,268,526	10,268,526	10,268,526	10,268,526	10,268,526	10,268,526
Long service award	1,948,287	2,183,131	2,737,787	3,713,272	3,591,011	3,591,011	3,591,011	3,591,011	3,591,011	3,591,011	3,591,011
Deferred tax	12,307,605	10,587,507	11,848,855	16,857,129	15,022,760	15,022,760	15,022,760	15,022,760	15,022,760	15,022,760	15,022,760
Deferred income	9,117,232	16,370,523	14,787,589	12,901,940	16,173,241	16,173,241	16,173,241	16,173,241	16,173,241	16,173,241	16,173,241
<b>Total Non-Current Liabilities</b>	<b>57,943,133</b>	<b>81,220,607</b>	<b>127,887,817</b>	<b>160,422,753</b>	<b>177,520,701</b>	<b>198,735,169</b>	<b>198,735,169</b>	<b>189,169,372</b>	<b>158,311,965</b>	<b>139,026,085</b>	<b>119,740,205</b>
<b>Current liabilities</b>											
Bank Overdraft	19,934,045	9,651,138	5,542,528	4,000,896	9,937,833	9,937,833	9,937,833	9,937,833	9,937,833	9,937,833	9,937,833
Derivative liabilities	-	-	-	97,049	1,898,421	1,898,421	1,898,421	1,898,421	1,898,421	1,898,421	1,898,421
Trade and other payables	56,993,533	79,040,345	83,613,863	120,152,472	194,591,771	177,405,116	221,607,215	270,546,317	325,355,691	395,333,675	476,938,738
Borrowings	103,922,863	71,053,087	23,343,851	26,913,425	34,016,762	40,302,294	40,302,294	37,468,091	28,325,498	22,611,378	16,897,258
Lease Liabilities		2,654,089	1,919,724	-	-	-	-	-	-	-	-
Current tax payable	3,151,317	4,104,046	5,531,160	9,481,685	14,411,961	25,815,505	39,354,472	55,798,991	76,425,363	102,115,948	138,714,530
Deferred income	2,578,896	2,818,229	4,117,580	3,997,200	7,645,503	7,645,503	7,645,503	7,645,503	7,645,503	7,645,503	7,645,503
Dividend payable	2,005,814	2,566,783	3,984,940	4,207,541	2,804,900	2,804,900	2,804,900	2,804,900	2,804,900	2,804,900	2,804,900
Customer deposits	11,201,608	15,395,174	19,970,243	38,926,118	28,279,266	28,279,266	28,279,266	28,279,266	28,279,266	28,279,266	28,279,266
<b>Total Current Liabilities</b>	<b>199,788,076</b>	<b>184,628,802</b>	<b>148,758,254</b>	<b>209,696,110</b>	<b>293,586,417</b>	<b>294,088,838</b>	<b>351,829,905</b>	<b>414,379,322</b>	<b>480,672,476</b>	<b>570,626,924</b>	<b>683,116,449</b>
<b>Total Liabilities</b>	<b>257,731,209</b>	<b>265,849,409</b>	<b>276,646,071</b>	<b>370,118,863</b>	<b>471,107,118</b>	<b>492,824,006</b>	<b>550,565,073</b>	<b>603,548,694</b>	<b>638,984,441</b>	<b>709,653,009</b>	<b>802,856,654</b>
<b>Total equity and liabilities</b>	<b>408,347,917</b>	<b>416,821,604</b>	<b>432,453,842</b>	<b>544,732,813</b>	<b>667,011,809</b>	<b>746,460,914</b>	<b>870,996,478</b>	<b>1,003,055,628</b>	<b>1,134,712,355</b>	<b>1,320,525,769</b>	<b>1,572,169,161</b>
CHECK	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

**Key Financial Highlights for FlourMills of Nigeria Plc**

	2018	2019	2020	2021	2022
<b>Income Statement (mn)</b>					
Revenue	542,670	527,405	573,774	771,608	1,163,803
Gross Profit	68,775	53,348	65,787	106,757	108,090
Profit After Tax	13,616	4,000	11,377	25,534	28,015
<b>Balance Sheet (mn)</b>					
Total Asset	408,348	416,642	432,454	544,733	667,012
Total Liabilities	257,731	265,849	276,646	370,119	471,107
Shareholder's funds	150,617	150,972	155,808	174,614	195,905
<b>Profitability ratio (x)</b>					
Gross Profit margin	12.67%	10.12%	11.47%	13.84%	9.29%
Net profit margin	2.51%	0.76%	1.98%	3.31%	2.41%
ROAA	3.33%	0.97%	2.68%	5.23%	4.62%
ROAE	9.04%	2.65%	7.42%	15.46%	15.12%
<b>Liquidity ratio (x)</b>					
Current ratio	0.87x	0.98x	1.28x	1.46x	1.40x
Quick ratio	0.31x	0.33x	0.50x	0.53x	0.43x
<b>Leverage &amp; Coverage ratios (x)</b>					
Debt to equity	1.02x	0.84x	0.70x	0.76x	0.81x
Debt to assets	0.38x	0.30x	0.25x	0.24x	0.24x
Interest Coverage ratio	0.68x	0.71x	0.57x	0.36x	0.39x
CFO to interest expense ratio	2.46x	3.16x	3.34x	1.60x	1.73x
<b>Efficiency ratios (x)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Inventory Turnover	4.26x	4.12x	4.33x	4.27x	4.40x
Days of inventory on hand	86	89	84	85	83
Days of receivables outstanding	13	16	16	12	10
Days of payables outstanding	44	52	58	56	54
Cash conversion cycle (days)	55	52	42	42	39