

Feeding the Nation, Everyday



# Investor Presentation

Flour Mills of Nigeria Plc

# Disclaimer



*This presentation contains forward-looking statements with regard to the financial position and results of the activities of Flour Mills of Nigeria Plc (“FMN Plc”). These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.*

*Many of these risks and uncertainties relate to factors that are beyond FMN Plc’s ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, costs of raw materials, interest rate and foreign exchange fluctuations, change in tax rates, changes in law, changes in pension costs, the actions of government regulators and weather conditions.*

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*Market share estimates contained in this presentation are based on outside sources in combination with management estimates.*

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# 1 FMN Overview in H1'20/21



# Key Messages

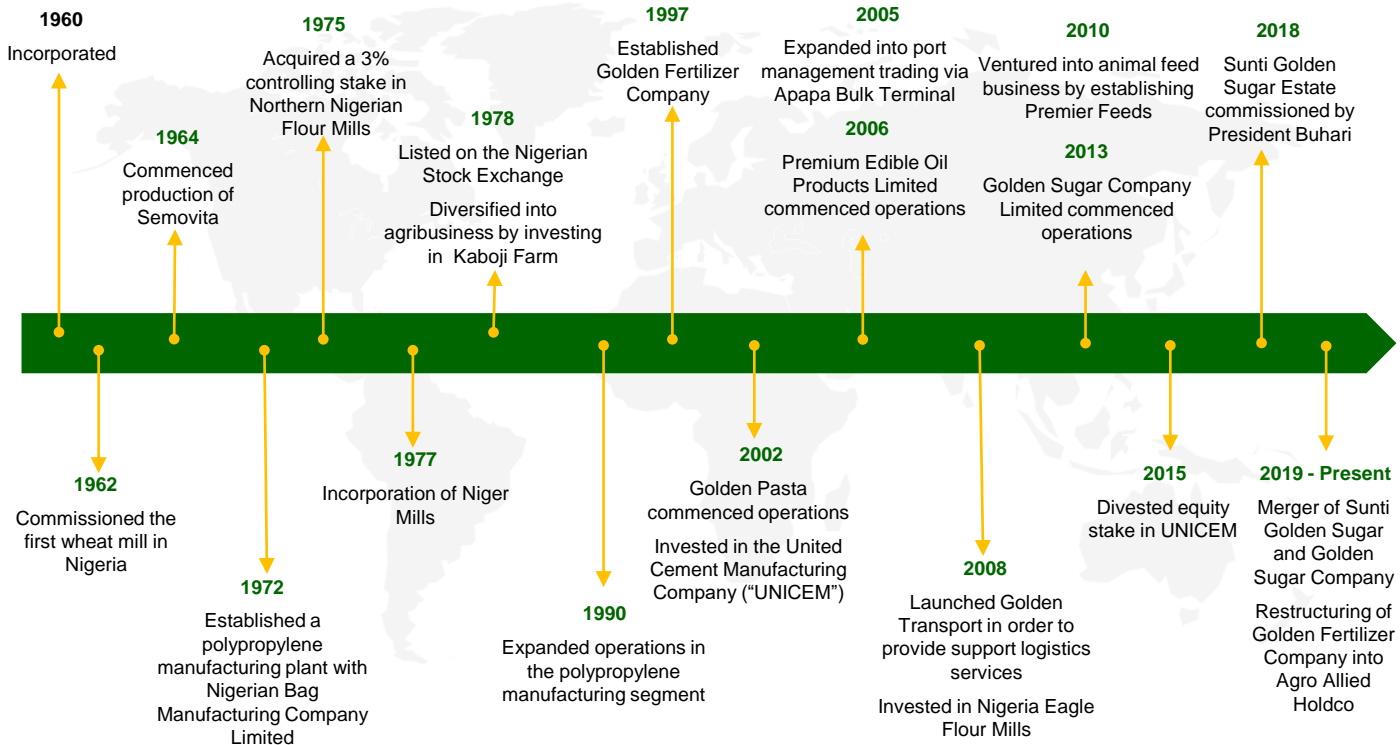


- FMN maintained strong performance in a challenging terrain **increasing PBT by N6.0b (69%) in H1 20/21 vs LY**
- **The profit growth is largely driven by Agro-Allied** which after the investment cycle sees a strong performance in Edible Oils and Proteins supported by Agro-inputs (Fertilizer), Agro-distribution and Aggregation structures
- **Q2 revenues up by 47%** led by Agro-Allied with solid a growth in the other segments as well and continued focus on the B2C segment
- **Cash from operations up by 93%** compared to the previous year
- While operating environment remains challenging, **we have been able to operate efficiently, Feeding the Nation**
- Business continues to **optimize cost structure** while investing into product development and route to market
- Credit rating improved from **BBB to A-**

# FMN celebrates 60 years



A well-diversified manufacturing business evolving over the years




# FMN celebrates 60 years



A well-diversified manufacturing business with wide geographical footprints


## Key Milestones and Notable Facts


 **Over 60 years** leadership in the industry

 **13.9 million MT** milling capacity


 **Strong Management Team** with a combination of global and local experience

 **> 15,000** staff

 Largest protein business in Sub-Saharan Africa

 **Over 28 products**

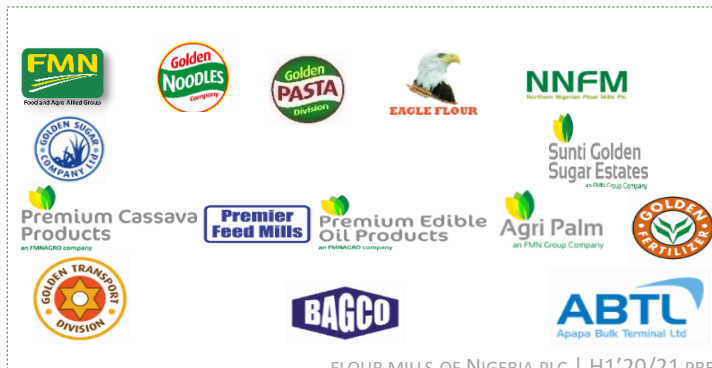
 Robust distribution network

 Over **N2 billion** towards COVID-19 relief

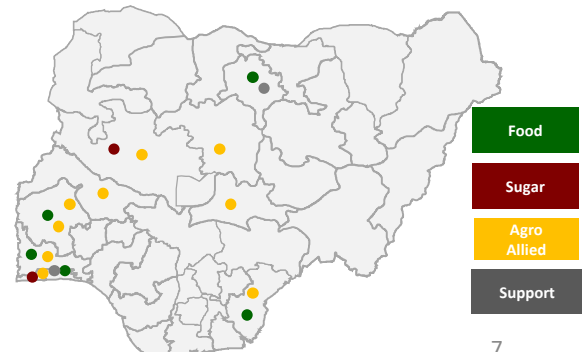
## Select Awards and Accolades

- 2019** SON Performance Award & Certification
- 2019** Sustainability, Enterprise & Responsibility Awards (SERAS)
- 2019** Global Food Safety Initiative Awards
- 2018** Lagos Vision Zero Awards
- 2018** Most recognized animal feeds brand

## Key Subsidiaries



## Nationwide Presence



# Product Offerings

Robust product portfolio targeting diverse range of consumers



Grains	Proteins	Oils & Fats	Starches	Sweeteners	Support
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Companies					
<ul style="list-style-type: none"> <li>• FMN Plc</li> <li>• NNFM</li> <li>• NEFM</li> </ul> <p> Value brands</p>	<ul style="list-style-type: none"> <li>• PFM</li> <li>• EPFM</li> </ul>	<ul style="list-style-type: none"> <li>• PEOP</li> <li>• Agri Palm</li> </ul>	<ul style="list-style-type: none"> <li>• PCPL</li> <li>• Shao Golden Farm</li> </ul>	<ul style="list-style-type: none"> <li>• Golden Sugar Company</li> <li>• Golden Sugar Company – Sunti Division</li> </ul>	<ul style="list-style-type: none"> <li>• FMN Plc-Bagco Division</li> <li>• ABTL</li> <li>• GTC</li> <li>• Golden Fertilizer</li> <li>• GAIL</li> </ul>

## 2 Financial Review

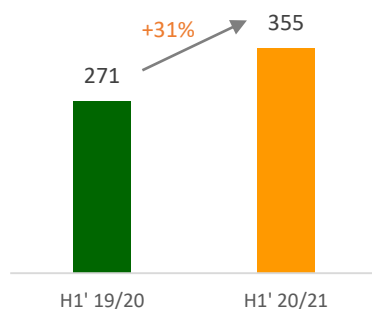


# H1'20/21 Overview

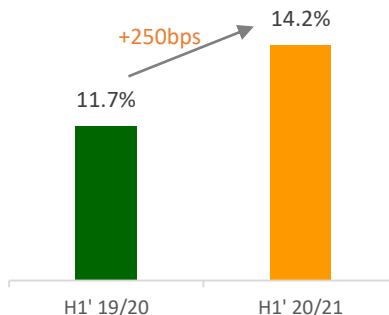


Robust EPS growth of over 50% primarily led by Agro-Allied

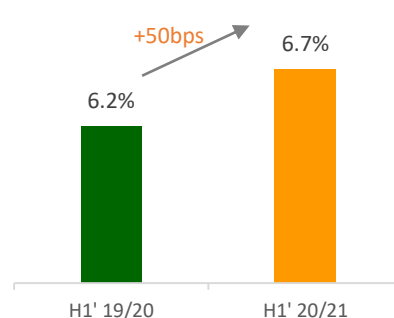
## Revenue



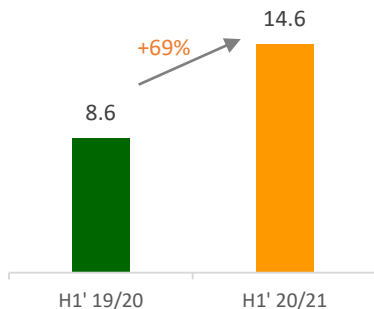
## Gross Profit Margin



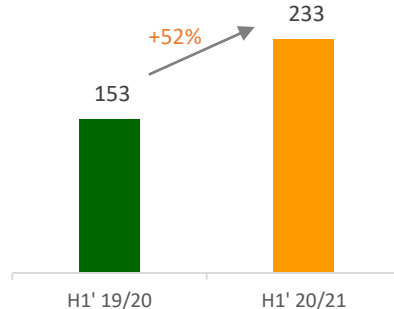
## Operating Profit Margin



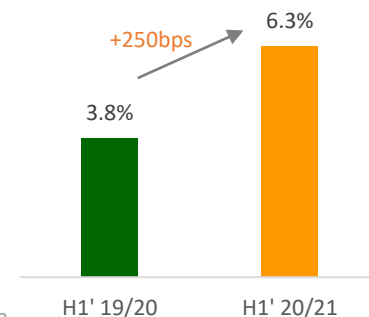
## Profit Before Tax



## Earnings Per Share



## Return On Equity



# Financial Performance



Resilient performance with PAT up 68%

## CONSOLIDATED STATEMENT OF PROFIT & LOSS (N'B)

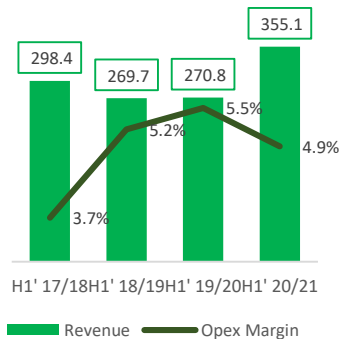
	H1'20/21	H1'19/20	%	Q2'20/21	Q2'19/20	%
Revenue	355.1	270.8	31	200.5	136.0	47
Cost of sales	(304.8)	(239.0)	28	(175.8)	(120.7)	46
<b>Gross profit</b>	<b>50.3</b>	<b>31.8</b>	58	<b>24.7</b>	<b>15.3</b>	62
Operating expenses	(17.4)	(15.0)	16	(10.5)	(8.3)	27
Net operating gains and (losses)	(9.1)	0.0	-	(1.5)	(0.1)	
<b>Operating profit</b>	<b>23.7</b>	<b>16.8</b>	41	<b>12.7</b>	<b>6.9</b>	84
Investment income	0.8	0.7	27	0.5	0.5	2
Finance costs	(10.0)	(8.8)	13	(5.1)	(4.3)	19
<b>Profit before taxation</b>	<b>14.6</b>	<b>8.6</b>	69	<b>8.2</b>	<b>3.1</b>	160
Taxation	(4.7)	(2.7)	71	(3.2)	(1.5)	118
<b>Profit for the year</b>	<b>9.9</b>	<b>5.9</b>	68	<b>5.0</b>	<b>1.7</b>	198
Earnings Per Share (K)	233	153	52	125	50	150

# Financial Performance

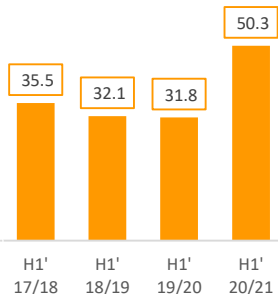


Year on Year profit improvements; Agro-Allied grows into solid profit

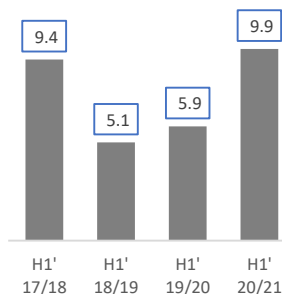
## Revenue and Opex Margin



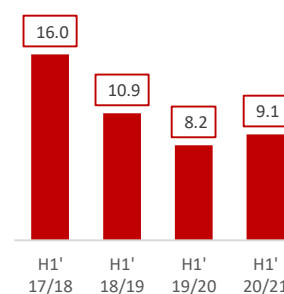
## Gross Profit



## Profit After Tax



## Net Finance costs



- Solid revenue growth over the past three years with CAGR of 6%.
- Year on year growth of 31% largely driven by sustained demand in the Food and Sugar businesses and volume growth in the Edible Oils and Animal Feed businesses.
- Higher PAT compared to previous period with Agro-Allied in a solid profit position.
- Net finance costs increased by N0.9b (11%) compared to previous year primarily due to lease costs (new IFRS 16) accounting adjustment of N0.8b for this year.

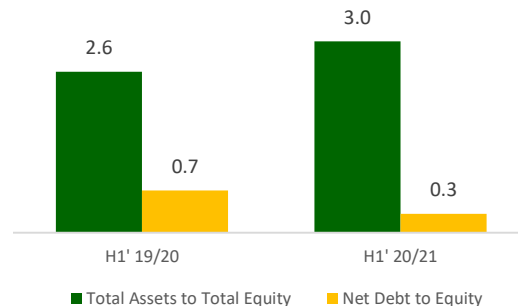
# Financial Position



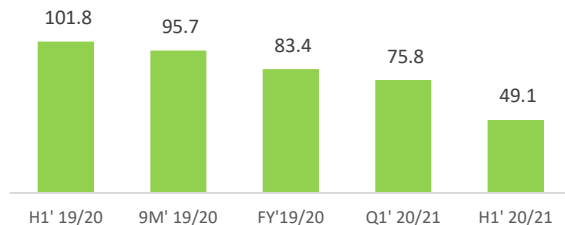
Balance sheet continues to strengthen as leverage ratios improve

Summary Balance Sheet			
All figures in N'b	H1'20/21	H1'19/20	%
Non-current assets	238.4	242.7	(2)
Current assets	258.0	189.7	36
<b>Total assets</b>	<b>496.5</b>	<b>432.5</b>	<b>15</b>
Long term debt	75.8	80.7	(6)
Short term debt	53.4	28.9	85
Other liabilities	207.2	167.1	24
<b>Total Liabilities</b>	<b>336.5</b>	<b>276.7</b>	<b>22</b>
<b>Net Asset Value</b>	<b>160.0</b>	<b>155.8</b>	<b>3</b>

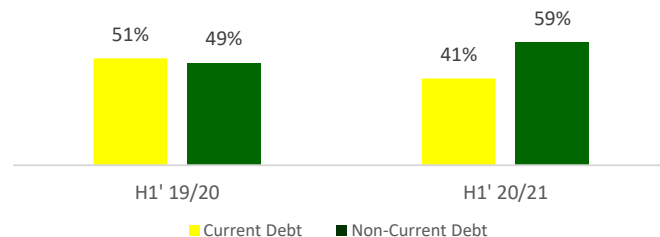
## Leverage Ratios (x)



## Net Debt (N 'b)



## Debt Mix



# Financial Performance



Cash from operations up 93%

CONSOLIDATED STATEMENT CASH FLOWS (N'B)						
	H1'20/21	H1'19/20	%	Q2'20/21	Q2'19/20	%
<b>Cash from Operating activities</b>	<b>55.9</b>	<b>29.0</b>	<b>93</b>	<b>39.2</b>	<b>23.3</b>	<b>68</b>
Capex	(5.9)	(8.7)	(33)	(2.8)	(5.8)	(52)
Other Investing Activities	0.9	1.4	(36)	0.5	(0.3)	(267)
<b>Cash from Investing Activities</b>	<b>(5.0)</b>	<b>(7.3)</b>	<b>(32)</b>	<b>(2.4)</b>	<b>(6.1)</b>	<b>(61)</b>
Net borrowings	20.2	5.2	292	(7.5)	4.9	(253)
<b>Cash from Financing Activities</b>	<b>8.4</b>	<b>(8.5)</b>	<b>(201)</b>	<b>(14.6)</b>	<b>(12.8)</b>	<b>14</b>
Net cash flow for the period	59.5	13.1	354	22.2	12.9	72
Cash at beginning of the period	20.7	7.6	172	58.0	7.7	653
<b>Cash at the end of the period</b>	<b>80.1</b>	<b>20.7</b>	<b>287</b>	<b>80.1</b>	<b>20.7</b>	<b>287</b>

- Improved cash from operations largely due to growth and improved working capital
- Lower capex due to delays following COVID-19; to accelerate in H2 2021
- Increase in cash from financing activities following issue of N30bn commercial papers earlier in the year

# 3 Segment Performance



# Segment Performance



Agro-Allied profitability continues to grow at an increasing pace

	Segment Revenue (N'B)						Segment Profit before Tax (N'B)					
	H1'20/21	H1'19/20	%	Q2'20/21	Q2'19/20	%	H1'20/21	H1'19/20	%	Q2'20/21	Q2'19/20	%
Food	215.9	170.0	27	124.9	88.4	41	5.6	4.7	20	1.9	1.5	29
Agro-allied	72.1	49.4	46	38.9	23.8	64	6.3	(0.1)	-	4.2	0.1	-
Sugar	58.2	44.9	29	31.2	20.8	50	4.3	3.5	20	2.0	0.9	109
Support	9.0	6.4	41	5.6	2.9	94	(1.6)	0.6	-	0.0	0.6	-
<b>Total</b>	<b>355.1</b>	<b>270.8</b>	<b>31</b>	<b>200.5</b>	<b>136.0</b>	<b>47</b>	<b>14.6</b>	<b>8.6</b>	<b>69</b>	<b>8.1</b>	<b>3.0</b>	<b>167</b>

- Turn around by Agro-Allied - key driver behind performance
- Solid performance in other segments with growth continued focus on B2C
- Profit decline in Support segment due to revalued future USD denominated Port payments for lease in ABTL as per IFRS 16 - pure timing impact

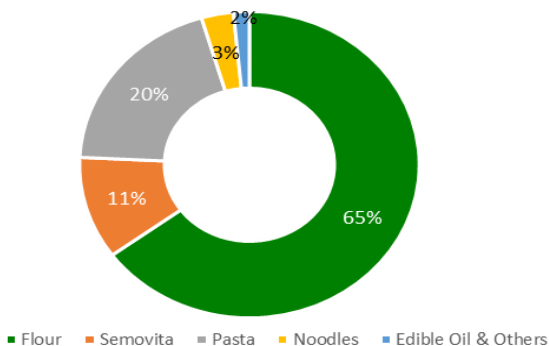
# Food Segment



High margin B2C products drive strong profit growth

FOOD SEGMENT (N'B)				
	H1'20/21	H1'19/20	Q2'20/21	Q2'19/20
Revenue	215.9	170.0	124.9	88.4
Profit before Tax	5.6	4.7	1.9	1.5

Volume Mix per category – H1'20/21



- Strong 10% volume growth driven by B2C.
- Expanding our reach to consumers – deployed 40 trucks to key distributors, appointed 5 seal teams to support new point of sales development in both the urban and rural areas. Improved rural market penetration particularly as our value brands gain traction in the market.
- Improved efficiency in the distribution network – establishing redistribution centres across the country (Magboro, Ibadan, Abuja, Kano and Port Harcourt).
- Value Pasta and Semovita SKUs continue to drive B2C sales and gain shares.

# Food Segment

## Innovation in local content at exploratory stage with grains



- Increasing local content e.g. cassava, soya, maize and local wheat in our existing portfolio and innovations in line with our long-term strategy to increase local content.
- Currently including a ratio of cassava starch and local wheat in some of our flour products.
- Working very closely with the Flour Millers Association of Nigeria (FMAN) on improving quality, scale and cost of production of local wheat.

# Sugar Segment

Impressive growth in sweeteners - PBT up by 23%

SUGAR SEGMENT (N'B)				
	H1'20/21	H1'19/20	Q2'20/21	Q2'19/20
Revenue	58.2	44.9	31.2	20.8
Profit before Tax	4.3	3.5	2.0	0.9



- Local sugar volume doubled vs last year in first HY and overall revenues increase by 30%.
- Continuous improvement in operational efficiency through Golden Sugar operational excellence program, energy conservation projects and trainings on quality management system.
- High inflows in the downstream Niger river following long and intensive rainfalls caused flooding at the Sunti plantation by the end of September 2020. The floodwater has subsided, and impact is being assessed but is not expected to significantly impact performance of the business.

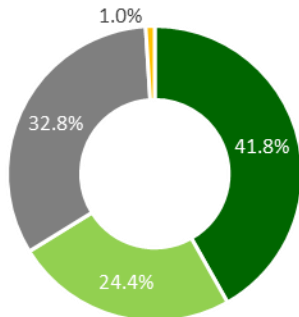
# Agro-Allied Segment

Improved efficiency causes PBT growth to surpass strong revenue growth

AGRO-ALLIED SEGMENT (N'B)				
	H1'20/21	H1'19/20	Q2'20/21	Q2'19/20
Revenue	72.1	49.4	38.9	23.8
Profit before Tax	6.3	(0.1)	4.2	0.1

- 46% revenue growth, largely driven by higher volumes and favorable mix across the Agro Allied businesses, primarily in the Oils and fats, Proteins and Starch value chains.
- Volumes in the Protein value chain increased by 18% vs last year. Top Feeds Omega launched in Q1 to target the toll millers' market, which currently accounts for 25% of the aqua feed sales.
- Starch value chain saw YoY volume increase of 31%. Installation of 350KVA capacitor bank reduced power cost YoY by 20%.

Volume Mix per category H1'20/21



■ Premier Feed ■ Premium Edible Oil Ltd ■ Golden Fertilizer Ltd ■ Farms

# Agro-Allied Segment

Value chains continue to make strategic improvements



- Out-grower and in-grower programs for the starch value chain set to commence this financial year to ensure Cassava tubers available due to dry weather and Covid-19 restrictions.
- The oils and fats value chain saw a 32% increase in volume and turned a solid profit in the first HY0.
- Export sales in oil and fats value chain continue to grow. Continued focus on export expansion is planned to improve profitability and mitigate FX exposures.
- Adopted an aggregation program for the procurement of local palm kernel and soya bean meal.

# Support Segment

Strong improvement in revenue; profitability impacted following IFRS 16 revaluation

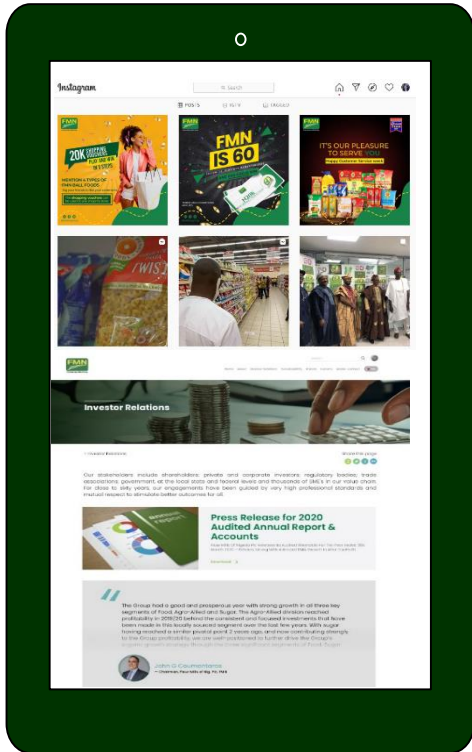
SUPPORT SEGMENT (N'B)				
	H1'20/21	H1'19/20	Q2'20/21	Q2'19/20
Revenue	9.0	6.4	5.6	2.9
Profit before Tax	(1.6)	0.6	0.0	0.6

- Revenue growth of 41%, primarily due to BagCo which has seen a strong volume growth vs large year with less imported bags.
- Profit decline fully driven by the impact of the IFRS16 revaluation of the USD denominated port concession and future lease payments, which is a timing difference with the impact being recognized upfront.
- Improved gross profit margin in BAGCO, following a YoY increase in volumes. This shows the resilience and the ability to meet local demand in a highly competitive market.
- The bagging business is well positioned to take advantage of local inputs, focusing more on content and quality delivery.



# Marketing Strategy

## Increased use of digital tools to build brand awareness



### Customer Touchpoints

- Store locator features on the company's website
- Addition of Contact us forms
- Live chat feature
- Engagement Microsites
- Recipe Database



### Social Media

- Media platform to grow brand awareness for key consumer good categories.
- Recruiting new users through online campaigns



@TheFMNgroup



@thefmngroup



@FMNGroup



### Website Redesign

Launched the new webpage in September 2020



### Brand Ambassadors

Growing brand ambassadors/loyalists

# 4 Credit Rating



# Credit Rating

Agusto & Co upgraded Credit Rating from Bbb to A-

**Bbb+** → **A-**

- Following its impressive 2020 financial performance, FMN's credit rating was upgraded from Bbb to A- with a stable outlook by Agusto & Co
- The revised rating by Agusto & Co highlighted FMN as “a company with good financial condition and strong capacity to repay obligations on a timely basis”
- In arriving at the assigned rating, Agusto & Co highlighted the following positives from FMN:
  - Improvement in leverage metrics
  - Good cashflow
  - Satisfactory working capital management
  - Good profitability compared to industry average

Description	New Rating
Issue Date	10 September 2020
Outlook:	Stable
Credit Ratings Indices:	
Leverage Metrics	↑
Cashflow	↑
Working Capital	↑
Profitability	↑
Long term funding mismatch	↑
Management team	↑
Strong Brand / Market Leadership	↑
Business Model / Fundamentals	→
Macroeconomic conditions	↓
Consumer Wallets	↓

- ↑ Improved compared to previous year
- Same as previous year
- ↓ Worsened compared to previous year

# 5 FMN Bond Transaction Overview



# Transaction overview

## Indicative Terms of the Offer



Terms	Details	
Issuer	Flour Mills of Nigeria Plc	
Programme Size	₦70,000,000,000	
Issue Date / Timing	[Month] 2020	
Issue Size	₦30,000,000,000	
Series (Tenor)	<b>Series 1 (5 years)</b>	<b>Series 2 (7 years)</b>
Redemption / Payment Basis	Bullet	Bullet
Maturity Date	2025	2027
Issue Price	At par ₦1,000 for each unit of the Bond	
Coupon Basis	Fixed, semi-annual	
Use of Proceeds	Repayment of debt and financing of working capital	
Method of Distribution	Book building	
Listing(s)	FMDQ OTC PLC and / or The Nigerian Stock Exchange	
Lead Issuing house/Bookrunner	FCMB Capital Markets Limited	
Joint Issuing Houses/Bookrunners	ARM Securities Limited, CardinalStone Partners Limited, Coronation Merchant Bank Limited, FBN Quest Merchant Bank Limited, Quantum Zenith Capital & Investments and Stanbic IBTC Capital Limited	

# 6 Business Outlook



# Business Outlook



- Continue to 'Feed the Nation Everyday' through our 5 core value chains – Grains, Oils and Fats, Proteins, Sweeteners and Starches by executing our overall long-term strategy and staying focused on local content and value add
- Continue the execution of the Agro-Allied strategy with the aim of ensuring profitability and improving local content in the group's product portfolio
- Accelerate expansion in B2C segment with multiple product offerings across the group and continued focus on expanding our reach with our road to market strategy
- Remain focused on increasing operational efficiency with accelerated plans for cost optimizations across the group to ensure profitability in the new operating environment
- Continue to assess portfolio and growth drivers



Food and Agro-Allied Group

# Feeding the Nation, Everyday



FLOUR MILLS OF NIGERIA PLC | H1'20/21 PRESENTATION TO  
ANALYSTS & INVESTORS