



Flour Mills of Nigeria **FY 2024 Reports:** Strong Segmental Performances Drive **48.84% Revenue Growth.**



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Despite challenging global and local macroeconomic conditions in the 2023/2024 financial year (FYE), Flour Mills of Nigeria Plc, a leader in Nigeria's consumer goods sector, portrayed a positive operating outlook. The company's resilience was projected in its 2023/2024 outlook, affirming that its business model has been 'stress tested' with the group showing agility and profitability.

As 2023/2024 ended, the consumer goods industry witnessed an aggregate revenue amount of N3.5trn and a market capitalisation size of N7.9trn. Flour Mills contributed N0.06trn to market capitalisation, with its revenue nearly doubling from N1.54trn in FY 2023 to N2.29trn in FY 2024, a testament to its growth.

Analysts observed that while revenue grew +48.84% in FY 2024, a 48.16% rise in the cost of sales and a 4,900% rise in foreign exchange losses impaired the company's revenue growth, resulting in post-tax earnings of N3.54bn at the end of FY 2024.

While inflation and exchange rate volatility contributed to the sector's high cost of production and higher cost of finished goods, analysts believe that structural optimisations such as the Honeywell integration at the end of 2023, the full capacity operation of the Kaduna plant, partnerships such as FMAN and product initiation and innovation will remain key drivers of revenue in the forthcoming quarters (see illustration 1).

Illustration 1:

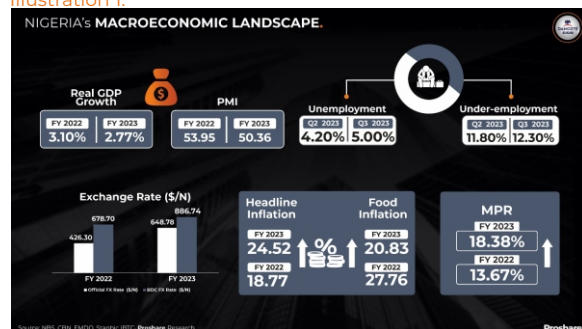


Illustration 2:



Board of **Directors.**

The company's 15-man board of directors will see about 5 directors retire by rotation as their tenure ends. All five boards of directors expected to retire by rotation have indicated interest in seeking re-election at the company's next annual general meeting (see table 1).

Table 1:

FLOUR MILLS FINANCIAL POSITION (N'BN)

Director	Role
Mr John George Coumantaros	Chairman
Mr Paul Milyonmide Cbededo	Vice-Chairman
Mr Omoboyede Oyebolanle olusanya	Group Managing Director
Prof. Jerry Gana	Non Executive Director
Mr Alfonso Garate	Non Executive Director
Alhaji Rabilu M. Gwarzo	Non Executive Director
Mr. Yiannis Katsaounis	Non Executive Director
Mr. Thanassis Mazarakis	Non Executive Director
Mr. Foluso O. Phillips	Non Executive Director
Alhaji Y. Olalekan A. Saliu	Non Executive Director
Mr Folarin R.A. Williams	Non Executive Director
Dr (Mrs.) Salamat Hussaini Sulaiman	Non Executive Director
Mrs. Juliet Anammah	Non Executive Director
Mr. Muhammad K. Ahmad	Independent Executive Director
Ms. Yewande Sadiku	Non Executive Director

Directors Retiring By Rotation	Directors Seeking Re-election
Mr John George Coumantaros	Mr John George Coumantaros
Prof. Jerry Gana	Prof. Jerry Gana
Mr Alfonso Garate	Mr Alfonso Garate
Alhaji Rabilu M. Gwarzo	Alhaji Rabilu M. Gwarzo
Ms. Yewande Sadiku	Ms. Yewande Sadiku

Source: FMN, Proshare Research

Independent **Auditor.**

KPMG Professional Services

Bankers.

FMN operated with 28 principal bankers within the period in review (see illustration 2).

Recapitalizing Tier 1 Banks: The Consequences of Getting Bigger Faster.

A Proshare Report **Out Soon.**

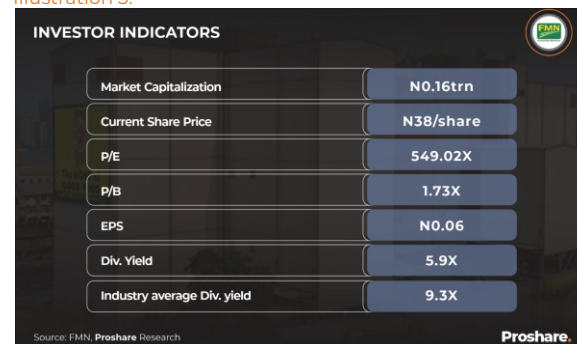
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Tier 1 Banks

Proshare

Investor **Indicator.**

Illustration 3:



Key Financial **Highlights.**

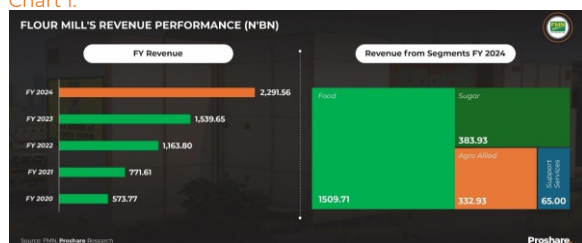
- Flour Mills Nigeria's revenue grew by +48.84% to N2,291.56bn in FY 2024 from N1,539.65bn in FY 2023, and this was driven by the sales of food which contributed 65.58% to revenue.
- Cost of sales grew by +48.16% to N2,018.81bn in FY 2024 from N1,362.55bn in FY 2023.
- Flour Mills Nigeria's gross earnings stood at N272.75bn in FY 2024, rising +54.01% from N177.10bn in FY 2023.
- The company's pre-tax and post-tax profits declined for the first time in five years by -90.76% and -87.99% to (N3.95bn) and (N3.54bn) in FY 2024, respectively.
- Total assets grew by +36.00% to N1,492.49bn in FY 2024 from N1,097.40bn in FY 2023.
- Total borrowings grew by +18.56 to N397.91bn in FY 2024 from N367.37bn in FY 2023.
- Inventories increased by +75.55% to N590.50bn in FY 2024 from N336.37bn in FY 2023.
- The company's finance income increased to N4.64bn in FY 2024 from N0.72bn in FY 2023.
- Finance costs rose by +139.44% to N208.82bn in FY 2024, driven by the soaring FX loss, which grew by +4900.11% to N20.66bn in FY 2024 from N0.41bn in FY 2023.

- Retained earnings fell by -4.54% to N126.64bn in FY 2024 from N132.67bn in FY 2023.
- The company's cash and cash equivalents grew by +79.98% to N175.84bn in FY 2024 from N97.70bn in FY 2023.
- Earnings per share (eps) fell to N0.06k in FY 2024 from N7.25k in FY 2023.

Revenue.

Flour Mills of Nigeria Plc's (FMN's) revenue grew by 48.84% in FY 2024 higher than its five-year average revenue growth of 41.61%. The consumer goods giant saw revenue rise to N2,291.56bn in FY 2024 from N1,539.65bn recorded in FY 2023. (see *chart 1*).

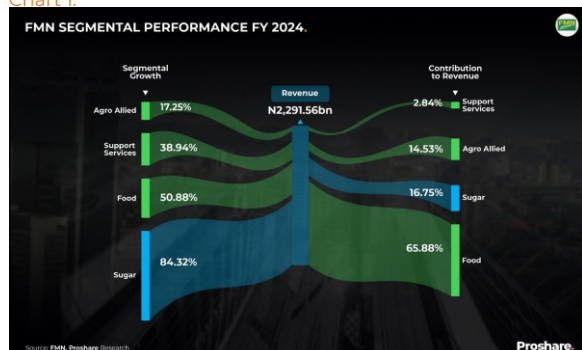
Chart 1:



Segmental Performance.

Revenue growth during this period was mainly driven by the food, sugar, and agro-allied segments, which accounted for roughly 97% of the company's revenue. FX volatility, climate challenges affecting harvest, and high global prices of raw imported sugar were major constraints to the sugar business; however, strong demand from the Northern market and Saunti Sugar's increased operations saw the sugar division stand out as the highest business growth segment for the year (see *illustration 4*).

Chart 1:

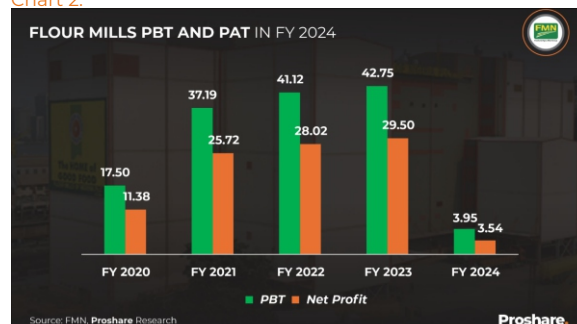


Profitability.

FMN saw its first decline in pre- and post-tax earnings over the last five years in FY 2024 as macroeconomic headwinds took a slice off the

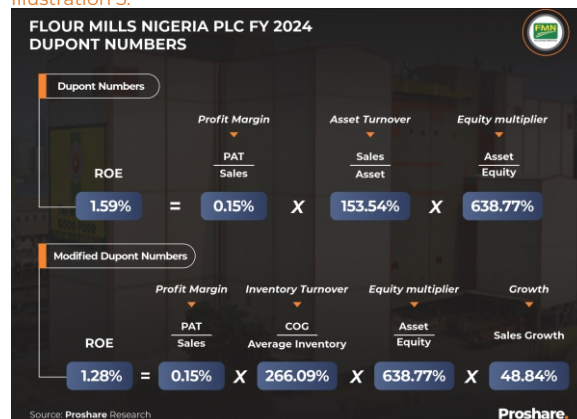
company's earnings. The company's cost of sales of N2.01trn in FY 2024 from N1.36trn in FY 2023 hacked away at revenue, resulting in net earnings falling as finance cost grew by 139.44% from N208.82bn in FY 2024 from N87.21bn in FY 2023 (see *chart 2*).

Chart 2:



Improved stability and efficiency did not fully translate into superior returns for shareholders in FY 2024. The company aimed to reduce financial risk by reducing its reliance on borrowings and FX exposures in FY 2024, as confirmed by the company. FMN increased stability as it financed most of its assets through equity. FMN also witnessed efficiency in asset utilisation to increase turnover. However, the decline of pre-tax earnings by -87.99% from N29.50bn in FY 2023 to N3.54bn in FY 2024 left the company with a low return-on-equity position (see *Illustration 5*).

Illustration 5:



Financial Position.

Trade receivables (64.47%), cash and cash equivalents (79.98%), and biological assets (livestock, cassava, sugar cane, and oil palm) (102.41%) growth were major drivers of asset growth. Trade payables (138.42%), dividend payable and lease liabilities (38.06%) growth drove liability increases in FY 2023 (see *table 2*).

Table 2:

	FY 2023	FY 2024	Change
Assets	1,097.40	1,492.49	36.00%
Liabilities	872.17	1,258.84	44.33%
Total Borrowings	349.69	397.91	13.79%
Share Capital	2.05	2.05	--
Retained Earnings	132.67	126.64	-4.54%
Shareholder's Equity	225.22	233.65	3.7%

Source: FMN, Proshare Research

Cash Flow.

Net cash from the company's operations rose by **+62.52%** from N98.93bn in FY 2024 to N160.78bn in FY 2023. Net cash received from investment activities stood at (N25.40bn) obtained in FY 2024 from (N185.13bn) in FY 2023. The company ended the year with a strong cash position as cash and cash equivalent rose to N168bn in FY 2024 from N64.90bn in FY 2023 (see table 3).

Table 3:

	FY 2023	FY 2024
Net cash generated from operating activities	98.93	160.78
Net cash flows from investing activities	-185.13	-25.40
Net cash generated from financing activities	129.23	-32.81
Cash and cash equivalent	64.90	168.00

Source: FMN, Proshare Research

Ratios.

FMN could comfortably meet its immediate obligations, with a current ratio of 1.09 in FY 2024 compared to 1.34 in FY 2023. However, its ability to meet its short-term obligations adjusted for inventories declined, given an acid test ratio of 0.48 in FY 2024 compared to 0.64 in FY 2023. The decline in gross and net earnings in FY 2024 caused the profit margins to fall to the lowest the company has recorded in the past five years (see table 4).

Table 4:

	FY 2023	FY 2024
Gearing Ratio	1.34	1.15
Current Ratio	1.22	1.09
Gross profit margin	11.50%	11.90%
Net profit margin	1.92%	0.15%
Inventory turnover ratio	2.85	2.66
Acid test ratio	0.64	0.48

Source: FMN, Proshare Research

Flour Mills of Nigeria's Share Price Movement.

FMN's share price averaged N32.94 in FY 2024, rising from N32 on March 1, 2023, to N39 on March 28, 2024. The company's share traded above the average price line for the period between January 2024 and March 2024 (see chart 3).

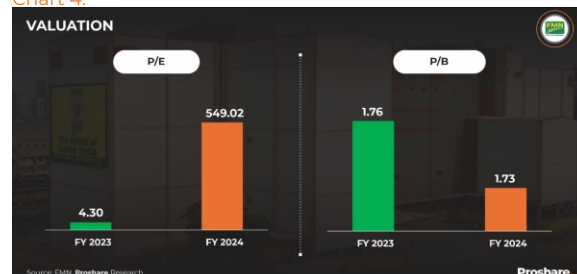
Chart 3:



Valuation.

Given the fall in earnings in FY 2024 and earnings-per-share (EPS) of N0.06 in FY 2024 to N7.25 in FY 2023, the valuation matrices obtained in FY 2024 may be an indication that the company's shares are overweight (see chart 4).

Chart 4:



Competitors Analysis:

Competitors in the consumer goods industry saw strong revenue growth, with Nascon Allied posting the least growth, 37.5%. The companies show a reduced reliance on debt, while improved cash positions by the consumer goods companies show grit in their ability to meet immediate obligations. However, FMN lagged behind its peers in converting inventory to sales (see chart 5).

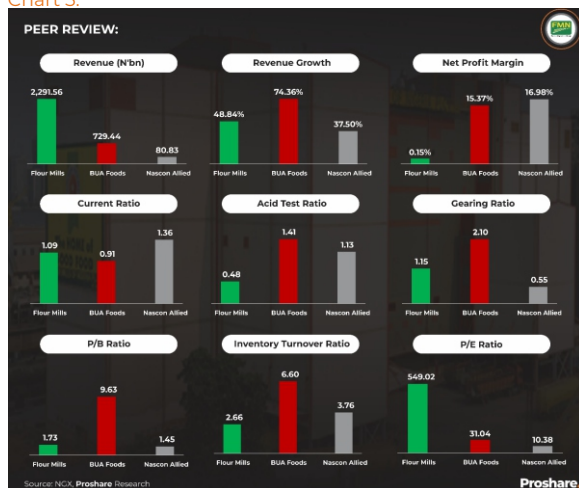
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Chart 5:



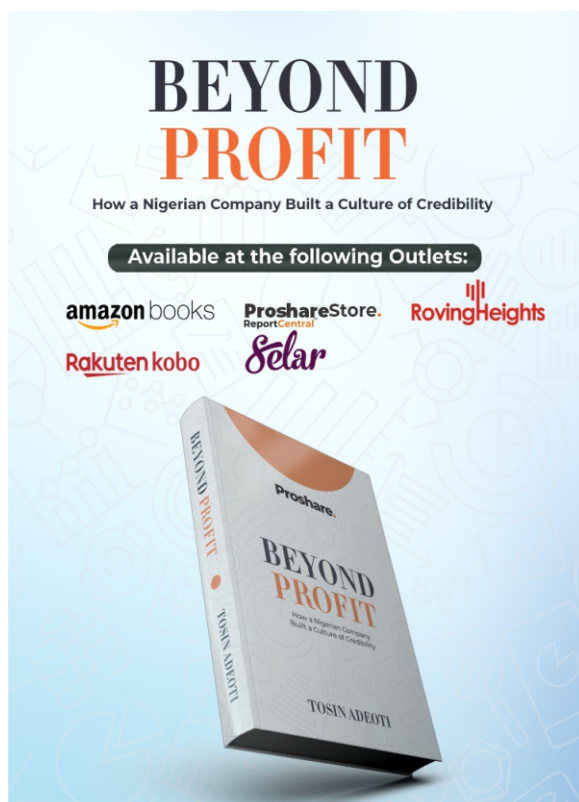
Closing thoughts: Outlook for Q1 2025.

Proshare analysts describe the 2023/2024 financial year as a valley of declining business years, which reflected challenges beyond the company's immediate control. The analysts believe the challenges will persist in the few quarters ahead. However, FMN may use its strength as a market giant in the sector while leveraging the lessons learned over the period.

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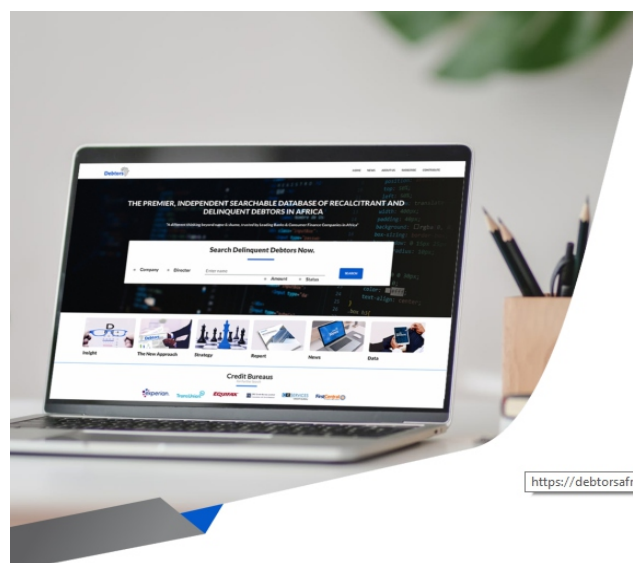
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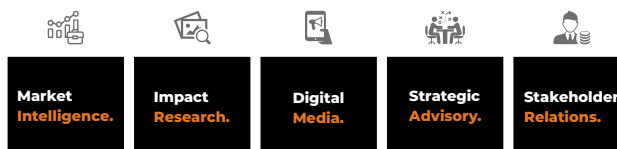


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