

# Honeywell Flour Mills Plc

## Facts Behind Figures

Presented By

Mr F. B. Odunayo  
Executive Vice Chairman/CEO

Wednesday, 17<sup>th</sup> August, 2011

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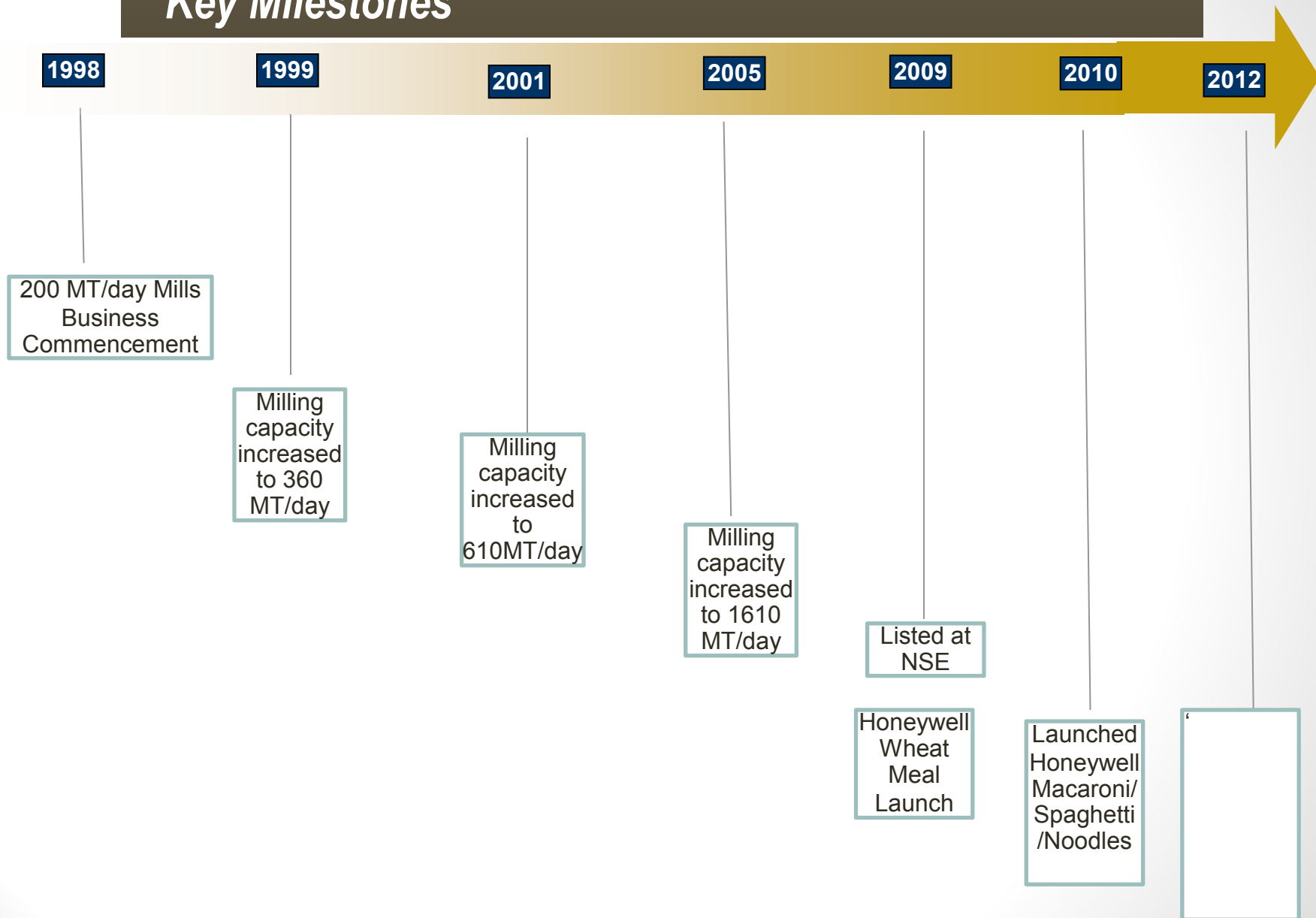
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➤ **CEO of NSE, Management & Staff, Doyen of the Capital Market, Distinguished Stock Brokers & Dealers, Members of the Press, Ladies & Gentlemen.**

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

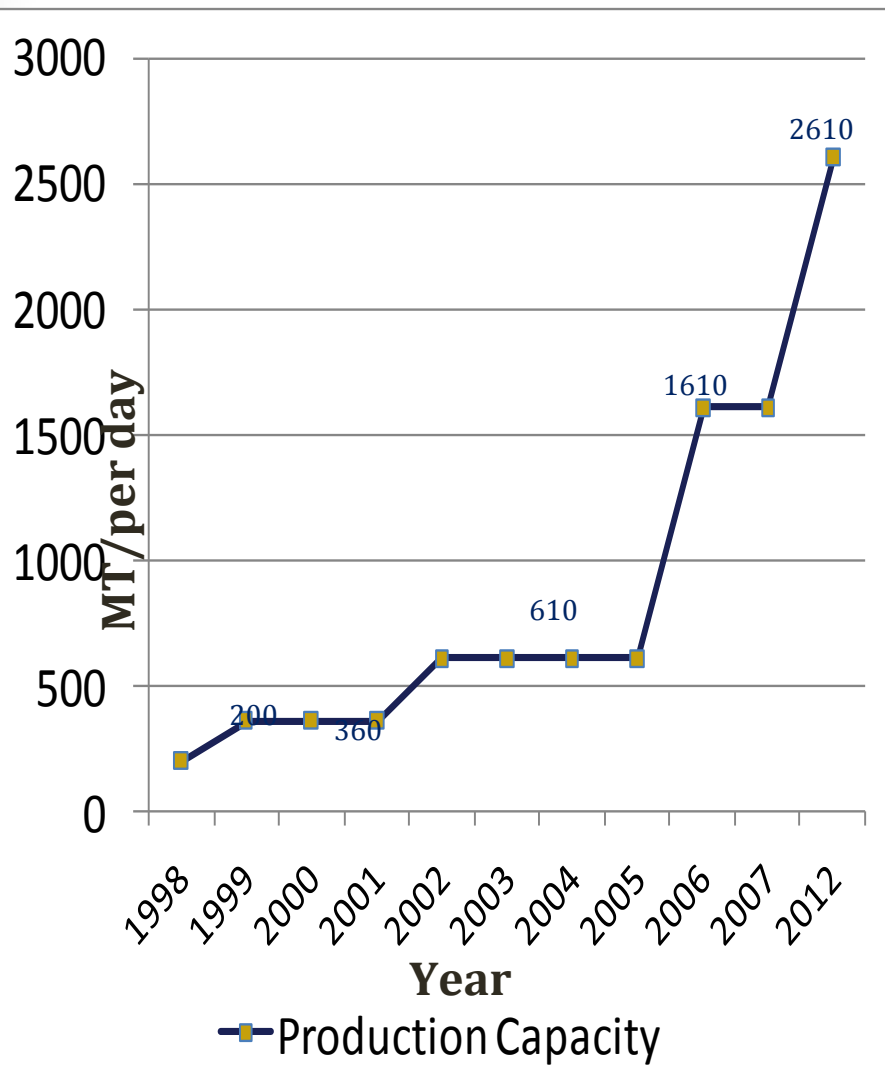
# THE COMPANY PROFILE:

## *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)***

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

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

## FINANCIAL HIGHLIGHTS:-

*First Quarter Ended 30<sup>TH</sup> June 2011 (3-Months)*

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

## 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.**

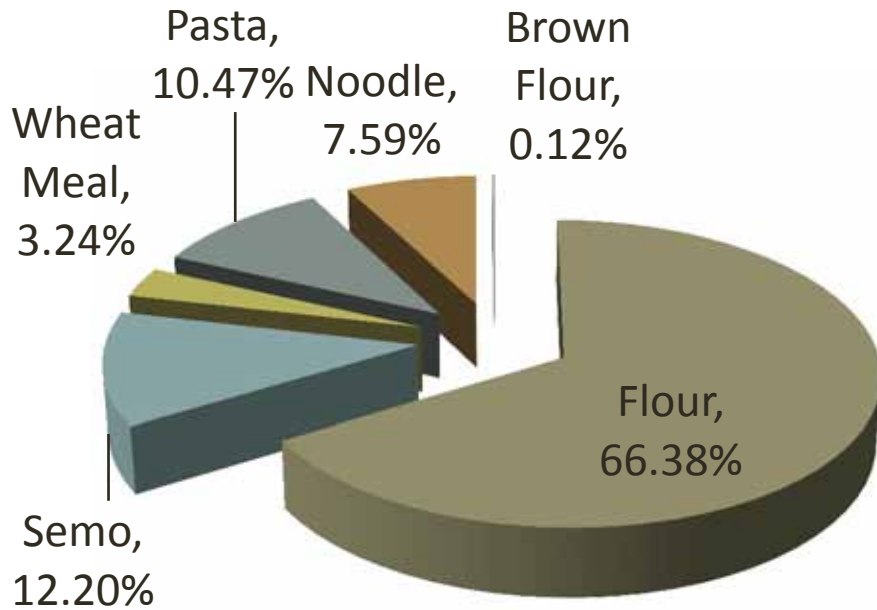
**THE GOOD NEWS: Better road conditions, earnings have been ramped up in the second quarter**



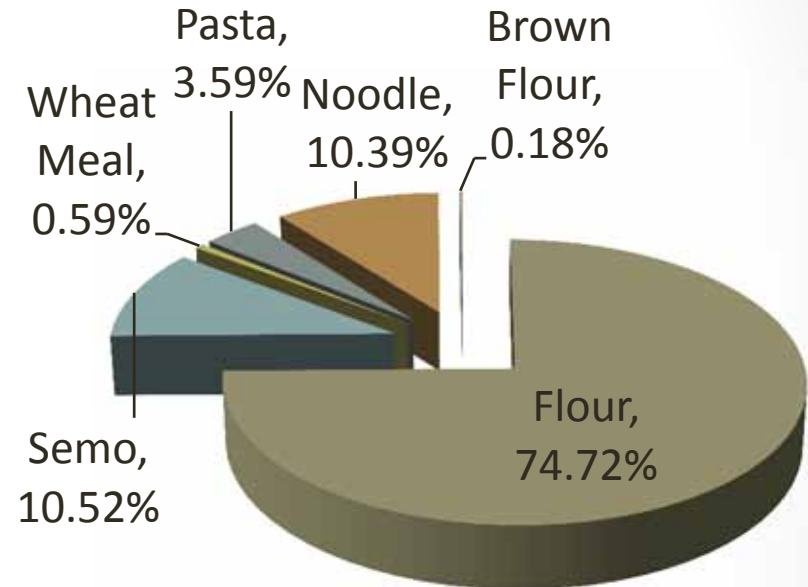
# THE FACTS:-

## *Earnings Contribution Analysis- (12months)*

31<sup>st</sup> March,2011



31<sup>st</sup> March,2010

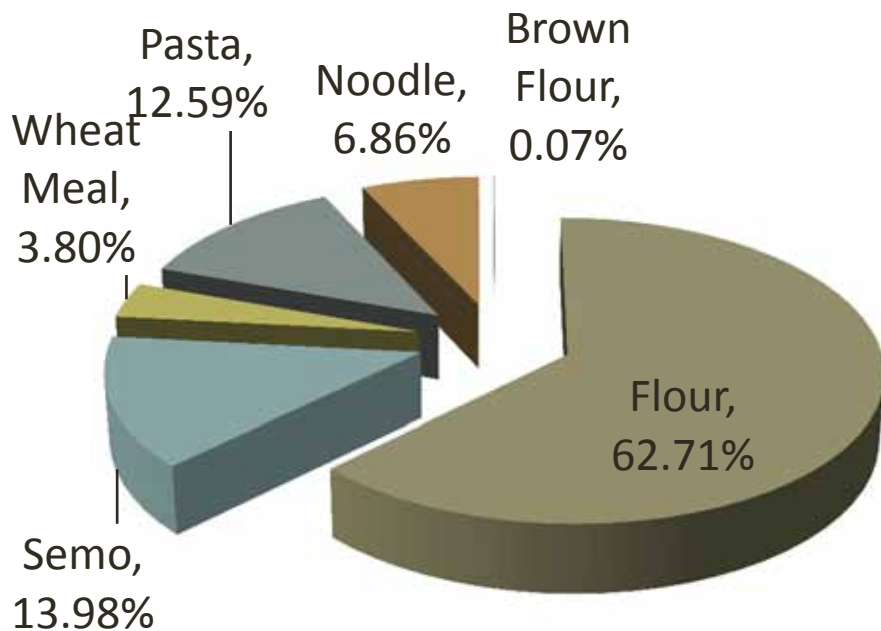


**Shift from Flour to higher margin products**

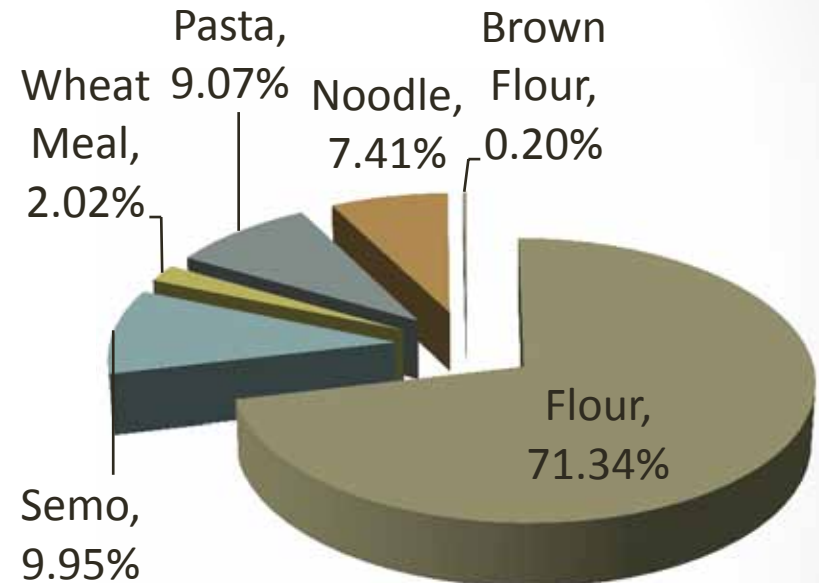
# THE FACTS:-

## *Earnings Contribution Analysis- (3 months)*

First Quarter:30<sup>th</sup> June, 2011



First Quarter:30<sup>th</sup> 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 .

	31 <sup>st</sup> March 2011	31 <sup>st</sup> 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 31<sup>st</sup> 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?