

Quick take: Moderate profit growth despite high finance cost

In its FY 2023 (12M ended 31-March-2023) earnings result, Flour Mills Nigeria Plc's (Flourmills) revenue grew 32.3% y/y to N1.54tn from N1.16tn in FY 2022 (12M ended 31-March-2022). This was boosted by growth in all its revenue segments (food, agro allied, sugar and support services). On a q/q basis, Flourmill's Revenue grew by 8.2% q/q to N425.69bn in Q4 2023 from N393.39bn in Q3 2022.

Cost of Sales increased by 29.1% y/y to N1.36tn in FY 2023 from N1.06tn in FY 2022 while Gross profit was up 63.8% y/y to N177.10bn from N108.09bn in FY 2022. Consequently, the Gross Profit Margin increased to 11.59% (+2.2ppts) in FY 2023 from 9.29% in FY 2022. In the period, the company's Operating Expenses (adjusted for depreciation) held a northward position as its Administrative Expenses (adjusted for depreciation) advanced by 29.8% to N36.46bn in FY 2023 from N28.09bn in FY 2022. Selling & Distribution Expenses (adjusted for depreciation) also increased by 39.7% y/y to N15.48bn in FY 2023 from N11.08bn in FY 2022. Flourmill's Depreciation & Amortisation grew 12.3% to N24.88bn from N22.10bn in FY 2022. The company's Earnings Before Interest and Tax (EBIT) settled at N97.76bn in FY 2023 from N65.51bn in FY 2022.

Flourmill's Net Finance Costs surged by 118.7% y/y to N55.73bn from N25.48bn in FY 2022 driven by an increase in interest paid on loans and borrowings to N48.56bn (+170.4% y/y) from N17.96bn in FY 2022. Despite the increase in finance cost, the company's Profit Before Minimum Tax and Profit Before Tax advanced by 4.0% and 1.4% y/y to N42.75bn and N39.78bn in FY 2023 respectively while its Profit After Tax also increased by 5.3% y/y to N29.5bn from N28.02bn in FY 2022.

The company declared a dividend per share of N2.25/share with a dividend payout ratio of 31.03%.

We have a Buy recommendation on Flourmills with a target price N36.36. Current Price: N33.00/s.

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Flourmill Nigeria Plc., FY 2023

Nm, except where mentioned otherwise	FY 23	FY 22	y/y
Revenue	1,539,655	1,163,803	32.3%
Cost of Sales	(1,362,552)	(1,055,713)	29.1%
Gross Profit	177,103	108,090	63.8%
Administrative expenses	(40,531)	(31,776)	27.6%
Selling and Distribution Expenses	(15,480)	(11,080)	39.7%
Impairment (Loss)/Writeback on trade	(1,510)	415	-463.6%
Net operating gains /(losses)	(21,822)	(136)	15959.0%
Operating Profit	97,760	65,513	49.2%
Other Income	0	0	0.0%
EBIT	97,760	65,513	49.2%
Finance Income	718	1,086	-33.9%
Net (Loss)/Gain on Foreign Exchange	0	0	0.0%
Finance Costs	(55,726)	(25,482)	118.7%
Net Finance Income	(55,008)	(24,395)	125.5%
Profit before minimum tax	42,752	41,118	4.0%
Minimum tax expense	(2,970)	(1,903)	56.1%
Profit before tax	39,783	39,216	1.4%
Tax expense	(10,278)	(11,200)	-8.2%
Profit from continuing operations	29,504	28,015	5.3%
Cashflow hedge	0	0	
Related tax	0	0	
Total comprehensive income	29,504	28,015	
Profit from discontinued operations			0.0%
Net Profit	29,504	28,015	5.3%
Net income attributable to equity holders	29,504	28,015	5.3%
Diluted EPS (kobo)	7.25	6.26	

Source: Company, CSL Research

Important Risk Warnings and Disclaimers

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Nigeria | Consumer Goods | Flour Mill Nigeria Plc.

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