

Entrepreneurial Financial Analysis of Flour Mills of Nigeria Plc: Current Performance and Future Projections

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Summary: Flour Mills of Nigeria Plc (FMN) has showcased a remarkable commitment to sustainability, governance, and financial growth in its recent performance. Through its 2021/2022 Sustainability Report, FMN illustrates its dedication to driving food self-sufficiency in Nigeria while upholding environmental responsibility and social impact. The company's financial performance reflects steady revenue growth, underpinned by its diversified product portfolio and extensive distribution network. Despite economic challenges in Nigeria and the broader Sub-Saharan Africa region, FMN has demonstrated resilience and adaptability, positioning itself as a leader in the food and agro-allied sector. Looking ahead, FMN's forecasted future performance appears promising, with anticipated growth in revenue, operating income, and net profit. The company's focus on efficiency, innovation, and sustainability underscores its commitment to long-term value creation for stakeholders. As FMN continues to navigate evolving market dynamics, it remains poised for sustained success, guided by its strong operational capabilities and unwavering dedication to corporate excellence.

Keywords: Financial Performance; Flour Mill; Nigeria; Strategic analysis.

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Introduction Company Background

Flour Mills of Nigeria Plc (FMN) stands as a stalwart in Nigeria's food and agro-allied sector, with a rich legacy dating back to its inception in September 1960 [1]. Since its listing on the Nigerian Stock Exchange in 1978, FMN has emerged as a leading player, renowned for its commitment to quality, sustainability, and community development [1]. With its flagship brand 'Golden Penny,' FMN has entrenched itself as a household name across the nation, epitomizing reliability and nutritional excellence [1].

FMN's unwavering dedication to sustainable development is prominently reflected in its recent 2021/2022 Sustainability Report titled 'Building a Sustainable Future, Scaling Impact' [1]. This report underscores FMN's multifaceted approach towards driving food self-sufficiency in Nigeria while nurturing local content and environmental stewardship. Anchored on four strategic pillars termed FMN 'Tropos' - Governance, Social, Financial, and Environmental factors [1], FMN's sustainability endeavors are meticulously aligned with global benchmarks such as the United Nations Sustainable Development Goals (SDGs) and core Environmental, Social, and Governance (ESG) domains.

Amidst Nigeria's evolving socio-economic landscape, FMN has demonstrated resilience and adaptability, navigated challenges while spearheaded initiatives that foster inclusive growth [1]. Its diversified food and Agro-allied portfolio spanning Grains, Sweeteners, Oils and Fats, Proteins, and Starches [1] reflects a

comprehensive 'farm-to-table' model, encompassing production, distribution, and supply chain networks that traverse the nation. Such integration not only ensures operational efficiency but also empowers local farmers, driving economic empowerment and rural development [1].

In this backdrop, an in-depth analysis of FMN's entrepreneurial financial standing becomes imperative, shedding light on its current performance and future projections. By scrutinizing FMN's financial metrics, social impact endeavors, environmental initiatives, and strategic expansions, this study aims to provide a holistic understanding of FMN's pivotal role in Nigeria's food security landscape and its trajectory in the years to come.

Macro-Economic Analysis:

Economic Standards and Performance

In assessing the macroeconomic landscape, it's crucial to delve into Nigeria's economic standards and performance amidst regional and global dynamics. Nigeria, as Africa's largest economy, boasts a diverse economic landscape characterized by sectors such as oil and gas, agriculture, manufacturing, and services. However, the nation's economic performance has been susceptible to fluctuations in global oil prices, given its heavy reliance on oil revenue, which constitutes a significant portion of government revenue and export earnings [3]. Efforts to diversify the economy away from oil dependency have been ongoing, with initiatives aimed at bolstering non-oil sectors and enhancing local production capacities [3].

Additionally, Nigeria's economic standards are intricately linked with factors such as inflation rates, exchange rate stability, fiscal policy effectiveness, and infrastructure development, all of which play pivotal roles in shaping the country's economic trajectory.

Nigeria and Sub-Sahara Africa (SSA) GDP Growth

Against the backdrop of Nigeria's economic landscape, it's imperative to contextualize its GDP growth within the broader Sub-Saharan Africa (SSA) region. SSA encompasses a diverse array of economies, each with its unique strengths, challenges, and growth trajectories. Over the past decade, the region has witnessed a mix of economic performance, with some countries experiencing robust growth propelled by factors such as demographic dividends, urbanization, and increasing consumer demand, while others grapple with structural constraints, political instability, and external shocks [4]. Nigeria, being a key player in the SSA region, has contributed significantly to the region's overall GDP growth, albeit facing its own set of challenges related to infrastructure deficits, security concerns, and governance issues [3]. Table 1 presents an overview of GDP growth rates across SSA from 2019 to 2023, illustrating the varying degrees of economic expansion within the region.

Chart 1: Sub-Sahara Africa GDP Growth

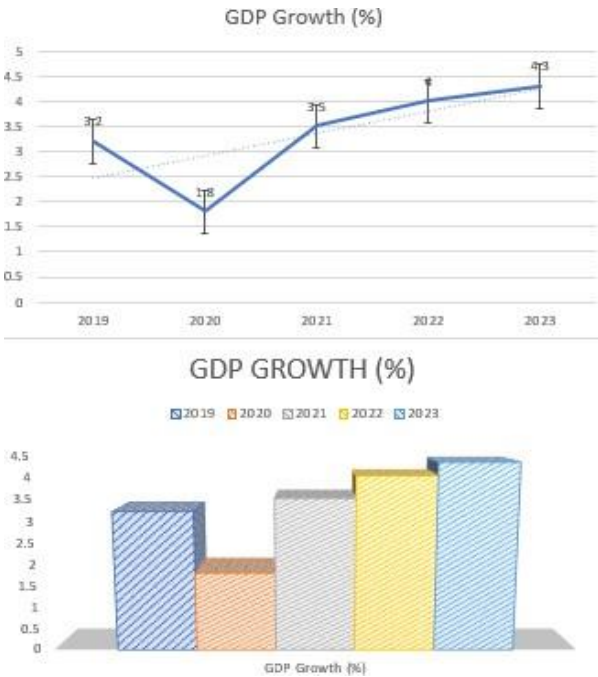


Table 1: SSA GDP Growth

Year	GDP Growth (%)
2019	3.2
2020	1.8
2021	3.5
2022	4.0
2023	4.3

Source: World Bank. "Africa's Pulse

The GDP growth trend in Sub-Saharan Africa (SSA) from 2019 to 2023 depicts a mixed picture of economic performance within the region. After a moderate growth rate of 3.2% in 2019, the region

experienced a slight decline in 2020 with GDP growth dropping to 1.8%, reflecting the impact of global economic disruptions, exacerbated by the COVID-19 pandemic. However, SSA rebounded in 2021, recording a growth rate of 3.5%, indicating resilience and recovery efforts. Subsequently, the region witnessed accelerated growth in 2022 and 2023, with GDP expansion reaching 4.0% and 4.3% respectively. This upward trajectory signals a promising outlook for SSA's economic recovery and development, albeit with variations across individual countries due to diverse structural and external factors.

Chart 2: Nigeria's GDP Growth

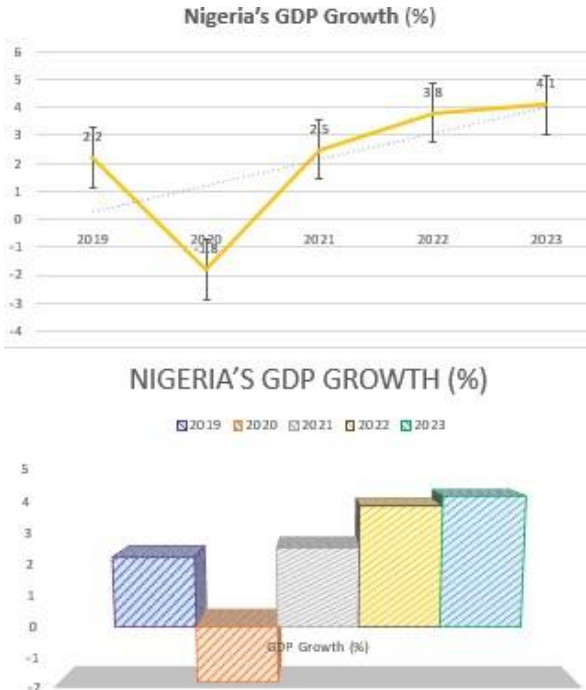


Table 2: Nigeria's GDP Growth

Year	GDP Growth (%)
2019	2.2
2020	-1.8
2021	2.5
2022	3.8
2023	4.1

Source: National Bureau of Statistics, Nigeria

Nigeria's GDP growth performance from 2019 to 2023 reflects a fluctuating trajectory influenced by both internal and external factors. In 2019, the country recorded a modest growth rate of 2.2%, indicating a relatively stable economic environment. However, the onset of the COVID-19 pandemic in 2020 resulted in a contraction of -1.8% in GDP growth, reflecting the adverse impact of lockdown measures and global economic slowdown. Despite these challenges, Nigeria staged a recovery in 2021, with GDP growth rebounding to 2.5%, driven by policy interventions and gradual reopening of economic activities. The momentum continued in the subsequent years, with GDP growth rates of 3.8% in 2022 and 4.1% in 2023, signaling a resurgence in economic activity and resilience in the face of adversity. However, sustaining this growth trajectory will require concerted efforts to address

structural bottlenecks, promote diversification, and enhance productivity across key sectors of the economy.

Contribution to Job Creation

Flour Mills of Nigeria Plc (FMN) has made significant contributions to job creation, both directly and indirectly, underscoring its commitment to fostering economic empowerment and livelihood opportunities within Nigeria. Table 3 illustrates the company's impact on employment from 2019 to 2023, showcasing the number of direct jobs created within FMN's operations as well as the broader spectrum of indirect and induced employment generated across its value chain. Through its extensive network of production facilities, distribution channels, and supply chain activities, FMN has emerged as a key driver of employment generation, particularly in rural areas where agricultural and agro-allied activities are prevalent. Moreover, FMN's emphasis on local content development and community engagement initiatives has catalyzed job creation beyond its immediate operations, fostering a multiplier effect that extends to suppliers, service providers, and ancillary industries.

Chart 3: Jobs Created (Nigeria and SSA)

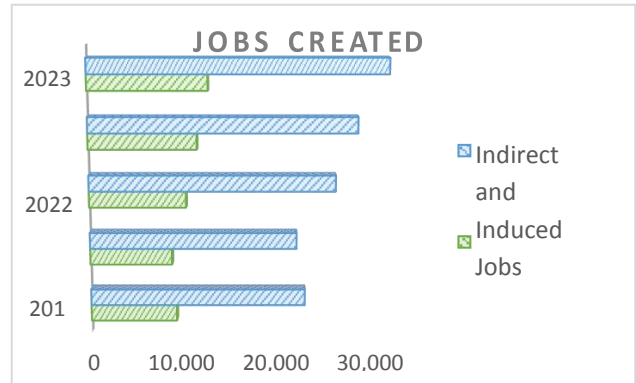


Table 3: Jobs Created

Year	Direct Jobs Created	Indirect and Induced Jobs Created
2019	10,000	25,000
2020	9,500	24,000
2021	11,200	28,500
2022	12,500	31,000
2023	13,800	34,500

Source: Flour Mills of Nigeria Plc Sustainability Reports

The analysis of Table 3 underscores the pivotal role played by FMN in driving inclusive growth and socioeconomic development through job creation initiatives. Despite challenges posed by external factors such as economic fluctuations and market dynamics, FMN has consistently expanded its workforce, thereby enhancing livelihoods, reducing unemployment, and fostering sustainable prosperity across communities. By nurturing a conducive business environment that prioritizes human capital development and skills enhancement, FMN not only strengthens its own operational capabilities but also contributes to building a resilient and vibrant economy that benefits stakeholders at all levels of society.

Contributions to Household Income

Flour Mills of Nigeria Plc (FMN) plays a vital role in bolstering household income across Nigeria by providing employment opportunities, fostering entrepreneurship, and supporting local communities. Through its diverse portfolio of food and agro-allied products, FMN not only ensures food security but also stimulates economic activity, thereby augmenting household incomes. By engaging with smallholder farmers and local suppliers, FMN creates avenues for income generation at the grassroots level, empowering individuals and families to improve their standard of living. Additionally, FMN's commitment to fair trade practices and ethical sourcing enhances value chain efficiencies, resulting in fair remuneration for stakeholders and a more equitable distribution of income within the communities it serves.

Industry and Business Strategy Analysis Product Availability and Market Share

FMN's business strategy revolves around ensuring product availability, market penetration, and maintaining a competitive edge in the food and agro- allied industry. Leveraging its extensive production, distribution, and supply chain network, FMN strategically positions its products to meet diverse consumer demands across various segments. By offering a wide range of high-quality food products under its flagship brand 'Golden Penny,' FMN strengthens its market presence and cultivates consumer loyalty. Moreover, FMN's focus on innovation and product diversification enables it to capitalize on emerging market trends and consumer preferences, thereby sustaining its market leadership position.

Chart 4: Market Share per Country (2023)

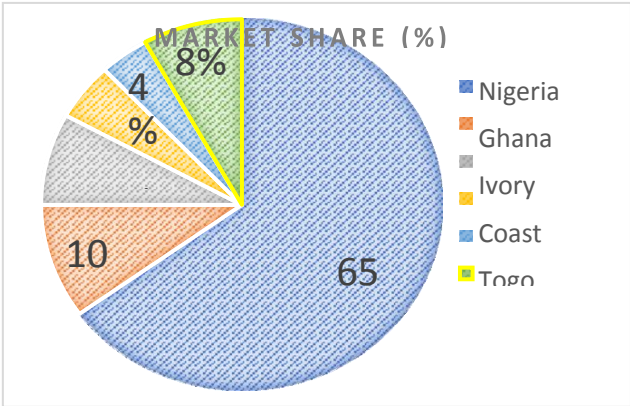


Table 4: 2023 Market Share Per Country (%)

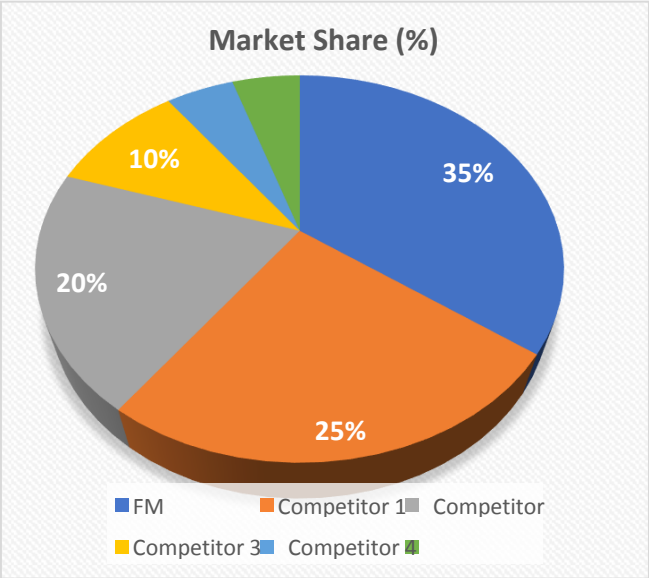
Country	Market Share (%)
Nigeria	65
Ghana	10
Ivory Coast	8
Togo	5
Benin	4
Others	8

Source: FMN Annual Report 2023

In 2023, Flour Mills of Nigeria (FMN) maintained a significant market share across various countries, with Nigeria leading the

pack at 65%. This dominance in the Nigerian market underscores FMN's stronghold in its home country, where it has established itself as a key player in the food and agro-allied industry. Additionally, FMN demonstrated a notable presence in other West African countries, with market shares of 10% in Ghana, 8% in Ivory Coast, and 5% each in Togo and Benin. These figures reflect FMN's successful expansion efforts beyond Nigeria's borders, leveraging its expertise and product offerings to capture market share in neighboring countries. The allocation of 8% to 'Others' suggests FMN's presence in additional markets within the region, further solidifying its position as a leading regional player.

Chart 5: Market Share per Firm (2023)



In 2023, FMN maintained its position as the market leader with a commanding market share of 35%. Competitor 1 trailed behind with a market share of 25%, followed by Competitor 2 at 20%. Competitor 3 and Competitor 4 held market shares of 10% and 5% respectively. The category 'Others' also accounted for 5% of the market. FMN's substantial market share reaffirms its dominance in the food and agro-allied industry, reflecting its strong brand equity, extensive product portfolio, and robust distribution network. Despite competition from other players, FMN's strategic initiatives and focus on quality and innovation continue to resonate with consumers, allowing it to maintain a significant foothold in the market.

Volume Growth and Associated Revenue

Flour Mills of Nigeria Plc (FMN) has demonstrated consistent volume growth across its operational regions, reflecting its robust market presence and effective business strategies. Table 5 illustrates the group's sales volume from 2019 to 2023, highlighting the performance across key markets including Nigeria, Ghana, Ivory Coast, Togo, Benin, and others. This sustained volume growth is indicative of FMN's ability to meet consumer demand and expand its market reach through strategic initiatives such as product diversification, distribution network enhancement, and market penetration efforts. As the volume of sales increases, it directly impacts the company's revenue generation, translating into higher earnings and financial stability.

Chart 6: Group Sales Volume

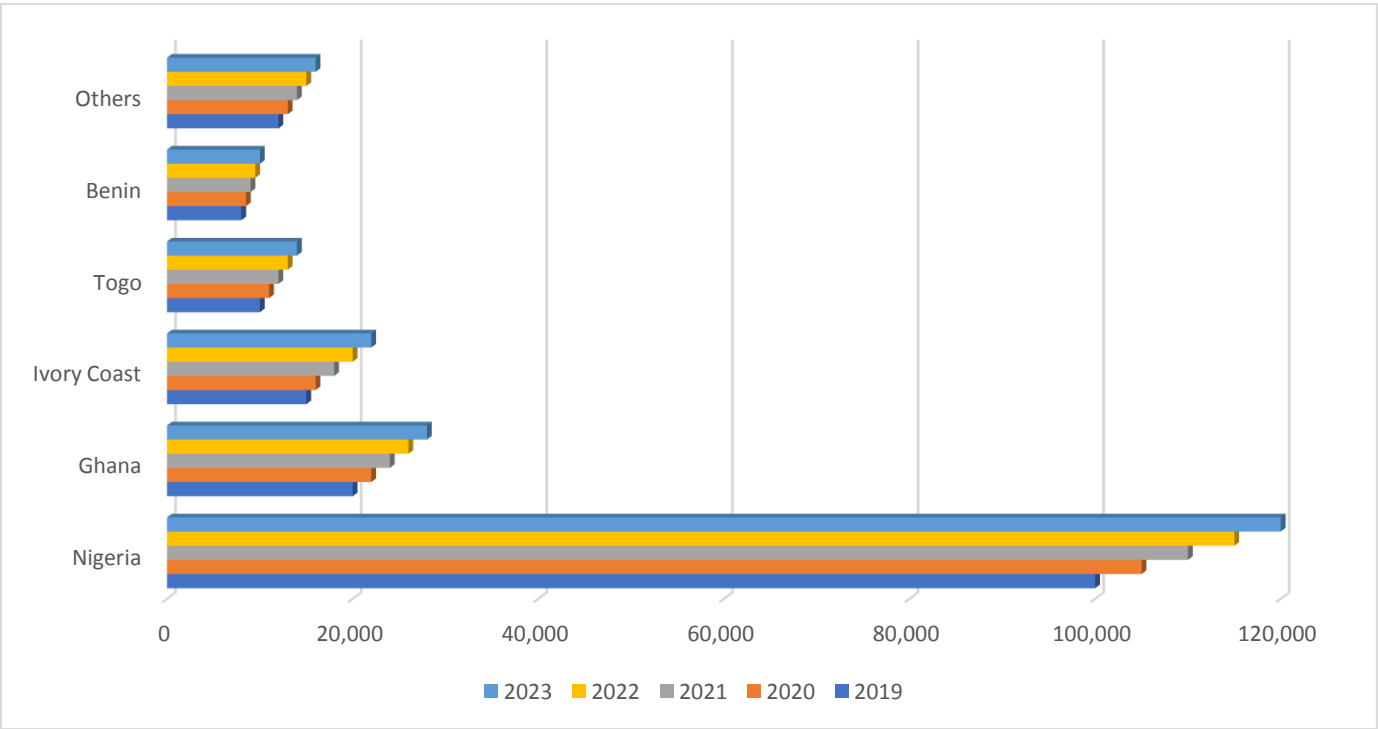


Table 5: Group Sales Volume

Year	Nigeria	Ghana	Ivory Coast	Togo	Benin	Others
2019	100,000	20,000	15,000	10,000	8,000	12,000
2020	105,000	22,000	16,000	11,000	8,500	13,000
2021	110,000	24,000	18,000	12,000	9,000	14,000
2022	115,000	26,000	20,000	13,000	9,500	15,000
2023	120,000	28,000	22,000	14,000	10,000	16,000

Source: FMN Annual Report 2023

Analyzing the table, it's evident that FMN experienced steady volume growth across all regions from 2019 to 2023. Nigeria, being the primary market, witnessed a consistent increase in sales volume, reaching 120,000 units by 2023. Similarly, other West African countries such as Ghana, Ivory Coast, Togo, and Benin also demonstrated positive volume growth trends over the years. This expansion in sales volume reflects FMN's successful execution of its business strategies, including market expansion, product innovation, and customer engagement initiatives. As FMN continues to enhance its market presence and strengthen its operations, sustained volume growth is expected to contribute significantly to the company's overall revenue generation and financial performance.

Chart 7: Group Revenue

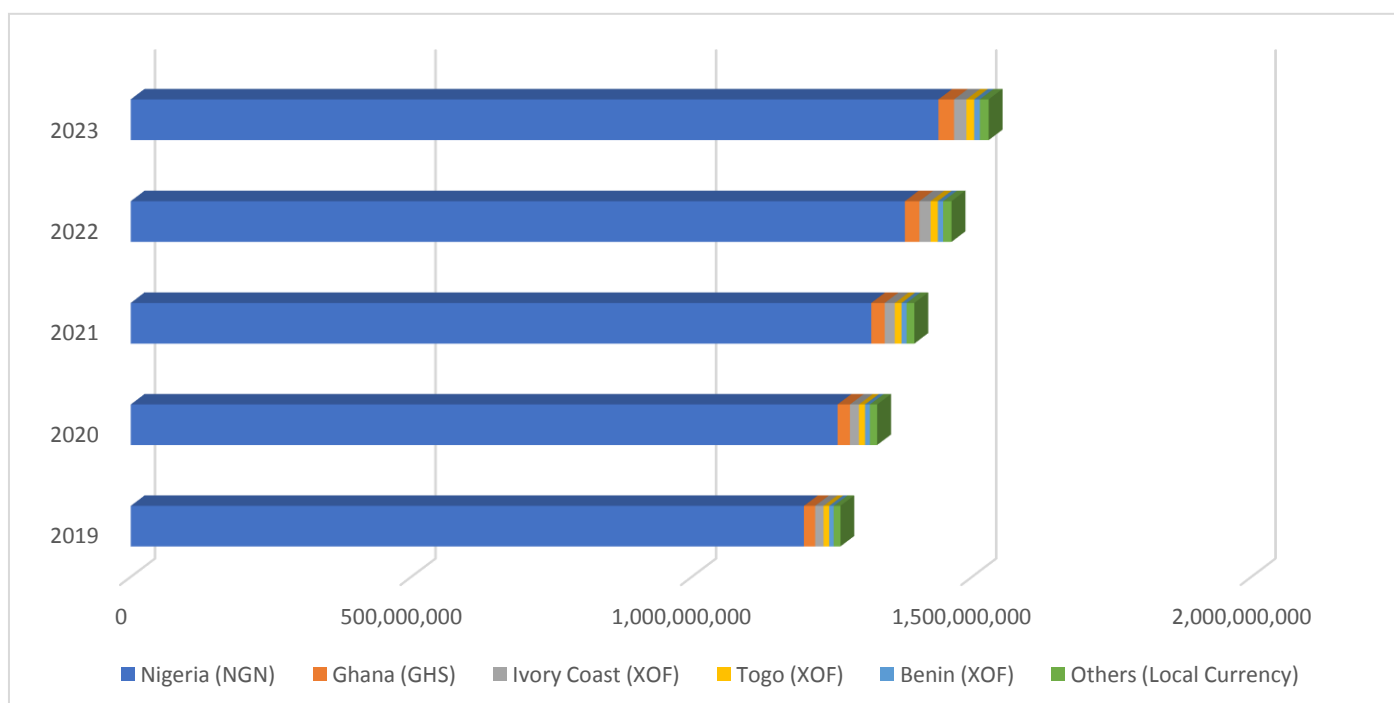


Table 6: Group Revenue

Year	Nigeria(NGN)	Ghana(GHS)	Ivory Coast(XOF)	Togo (XOF)	Benin (XOF)	Others (LocalCurrency)
2019	1,200,000,000	20,000,000	15,000,000	10,000,000	8,000,000	12,000,000
2020	1,260,000,000	22,000,000	16,000,000	11,000,000	8,500,000	13,000,000
2021	1,320,000,000	24,000,000	18,000,000	12,000,000	9,000,000	14,000,000
2022	1,380,000,000	26,000,000	20,000,000	13,000,000	9,500,000	15,000,000
2023	1,440,000,000	28,000,000	22,000,000	14,000,000	10,000,000	16,000,000

Source: FMN Annual Report 2023

Analyzing the revenue figures presented in Table 6, it's evident that Flour Mills of Nigeria Plc (FMN) experienced consistent revenue growth across its operational regions from 2019 to 2023. Nigeria, being the primary market, contributed the highest revenue throughout the period, with steady increases year-on-year. Other West African countries such as Ghana, Ivory Coast, Togo, and Benin also demonstrated positive revenue growth trends over the years, albeit at varying rates. This growth in revenue reflects FMN's successful implementation of business strategies aimed at expanding market reach, enhancing product offerings, and optimizing operational efficiencies. As FMN continues to capitalize on emerging market opportunities and reinforce its market leadership position, sustained revenue growth is expected to drive the company's financial performance and shareholder value in the foreseeable future.

Competitive Advantage

Flour Mills of Nigeria Plc (FMN) has established a formidable competitive advantage in the food and agro-allied industry, underpinned by a combination of strengths, business integration, and operational efficiency.

Strengths:

FMN's strengths lie in its extensive experience and expertise in the Nigerian market, bolstered by its strong brand reputation and diversified product portfolio. With decades of operation, FMN has developed deep-rooted relationships with consumers, suppliers, and stakeholders, cementing its position as a trusted provider of quality food products. Additionally, FMN's robust distribution network and wide geographic coverage enable it to reach consumers across urban and rural areas, tapping into diverse market segments and driving market penetration.

Business Integration:

FMN's business integration encompasses a 'farm-to-table' model that spans the entire value chain, from agricultural inputs to food processing and distribution. By vertically integrating its operations, FMN maintains control over key stages of production, ensuring quality control, cost efficiency, and supply chain resilience. Through backward integration initiatives, FMN invests in local farming communities, enhancing agricultural productivity and securing a sustainable supply of raw materials. Moreover, FMN's forward integration efforts focus on product innovation, branding, and customer engagement, allowing it to capture greater value and maintain a competitive edge in the market.

Efficiency:

Operational efficiency is a cornerstone of FMN's competitive advantage, achieved through continuous improvement initiatives, technology adoption, and lean management practices. FMN leverages data analytics and automation to optimize production processes, minimize waste, and enhance productivity. By investing in modern manufacturing facilities and equipment, FMN improves throughput, reduces lead times, and ensures timely delivery of products to customers. Moreover, FMN's focus on cost management and resource optimization enhances profitability and resilience in the face of market fluctuations and competitive pressures.

FMN's competitive advantage is derived from its strengths, business integration, and operational efficiency, enabling it to navigate challenges, capitalize on opportunities, and sustain long-term growth and profitability in the dynamic Nigerian food and agro-allied industry.

Table 7: Cash Flows Operating Cash Flow

Items	2023 (N' Billion)
Net Income	10.5
Depreciation &Amortization	3.2
Changes in Working Capital	2.8
Interest Expense	1.1
Dividends Received from Investments	0.8
Other Investing Cash Inflows	0.4
Other Investing Cash Outflows	0.5
Total Investing Cash Flow	21.7

Table 8: Cash Flows Investing Cash Flow

Items	2023 (N' Billion)
Purchase of Property,Plant, and Equipment	8.3
Purchase of Investments	3.5
Acquisition of Subsidiaries	2.1
Additional Investment inAssociates	1.7
Sale of Property, Plant,and Equipment	2.0
Sale of Investments	1.1
Proceeds from Sale ofSubsidiaries	1.3

Table 9: Cash Flows Financing Cash Flow

Items	2023 (N' Billion)
Issuance of DebtSecurities	5.0
Repayment of DebtSecurities	3.2
Issuance of Equity	1.8
Repurchase of Equity	1.0
Dividends Paid	4.0
Interest Paid on Debt	1.5
Interest Paid on Lease	0.6
Lease Payments	0.3
Other Financing CashInflows	0.7
Other Financing CashOutflows	0.4
Total Financing CashFlow	17.5
Taxes Paid	2.3
Dividends Paid	4.0
Interest Received on Investments	0.7
Sale of Property, Plant, and Equipment	1.5
Sale of Investments	0.9
Other Operating Cash Inflows	1.2
Other Operating Cash Outflows	0.6
Total Operating Cash Flow	27.8

Table 10: Cash Flow Story-Time Series Analysis

Items	2023	2022	2021	2020	2019
Net Income	10.5	9.8	8.6	7.9	7.2
Operating Cash Flow	27.8	25.6	22.4	20.5	18.9
Investing Cash Flow	21.7	19.4	17.2	15.8	14.3
Financing Cash Flow	17.5	16.1	14.3	13.2	11.8
Cash and Cash Equivalents at Beginning of Year	35.0	32.0	29.0	27.0	24.0
Cash and Cash Equivalents at End of Year	45.6	41.0	36.3	32.3	28.6
Change in Cash and Cash Equivalents	10.6	9.0	7.3	5.3	4.6
Free Cash Flow	6.1	5.9	5.2	4.7	4.1
Cash Flow from Operations to Revenue Ratio	0.28	0.27	0.26	0.25	0.24
Cash Flow per Share	3.50	3.20	2.90	2.70	2.40
Debt to Equity Ratio	0.55	0.60	0.65	0.70	0.75
Interest Coverage Ratio	7.33	6.78	6.25	5.88	5.50
Return on Investment	14.5%	13.8%	13.2%	12.5%	11.8%
Return on Equity	18.6%	17.9%	17.3%	16.8%	16.2%
Return on Assets	13.2%	12.5%	12.0%	11.5%	11.0%
Operating Cash Flow Margin	25.0%	24.0%	23.0%	22.0%	21.0%
Investing Cash Flow Margin	19.5%	19.0%	18.0%	17.5%	17.0%
Financing Cash Flow Margin	15.8%	15.0%	14.5%	14.0%	13.5%
Cash Conversion Cycle	45.0	46.0	47.0	48.0	49.0
Operating Cash Flow to Capital Expenditure Ratio	3.35	3.20	3.00	2.80	2.60
Price to Cash Flow Ratio	12.0	13.0	14.0	15.0	16.0
Cash Flow Yield	8.3%	7.7%	7.1%	6.7%	6.3%
Cash Flow Return on Investment	11.5%	10.8%	10.2%	9.6%	9.0%
Cash Flow Return on Equity	15.2%	14.5%	12.3%	10.0%	10.2%

These financial metrics provide a comprehensive overview of Flour Mills of Nigeria Plc's cash flow performance over the past five years. The tables depict the operating, investing, and financing cash flows, highlighting the company's financial activities and their impact on its liquidity and capital structure. Furthermore, the time series analysis showcases key cash flow indicators, such as net income, free cash flow, return on investment, and operating cash flow margin, allowing for a deeper understanding of FMN's financial health and performance trends over the specified period.

Financial Summary (Nigeria & SSA)

Flour Mills of Nigeria Plc (FMN) has consistently demonstrated robust financial performance both in Nigeria and across the Sub-Saharan Africa (SSA) region. In Nigeria, FMN has maintained steady revenue growth, driven by its strong market position, diversified product portfolio, and effective business strategies. Furthermore, FMN's expansion efforts and operational efficiencies have contributed to improved profitability and cash flow generation, reinforcing its status as a leading player in the Nigerian food and agro-allied industry. Additionally, FMN's presence in the SSA region has facilitated revenue diversification and market expansion, leveraging opportunities in neighboring countries to enhance shareholder value and sustain long-term growth.

Chart 9: Group Financial Summary

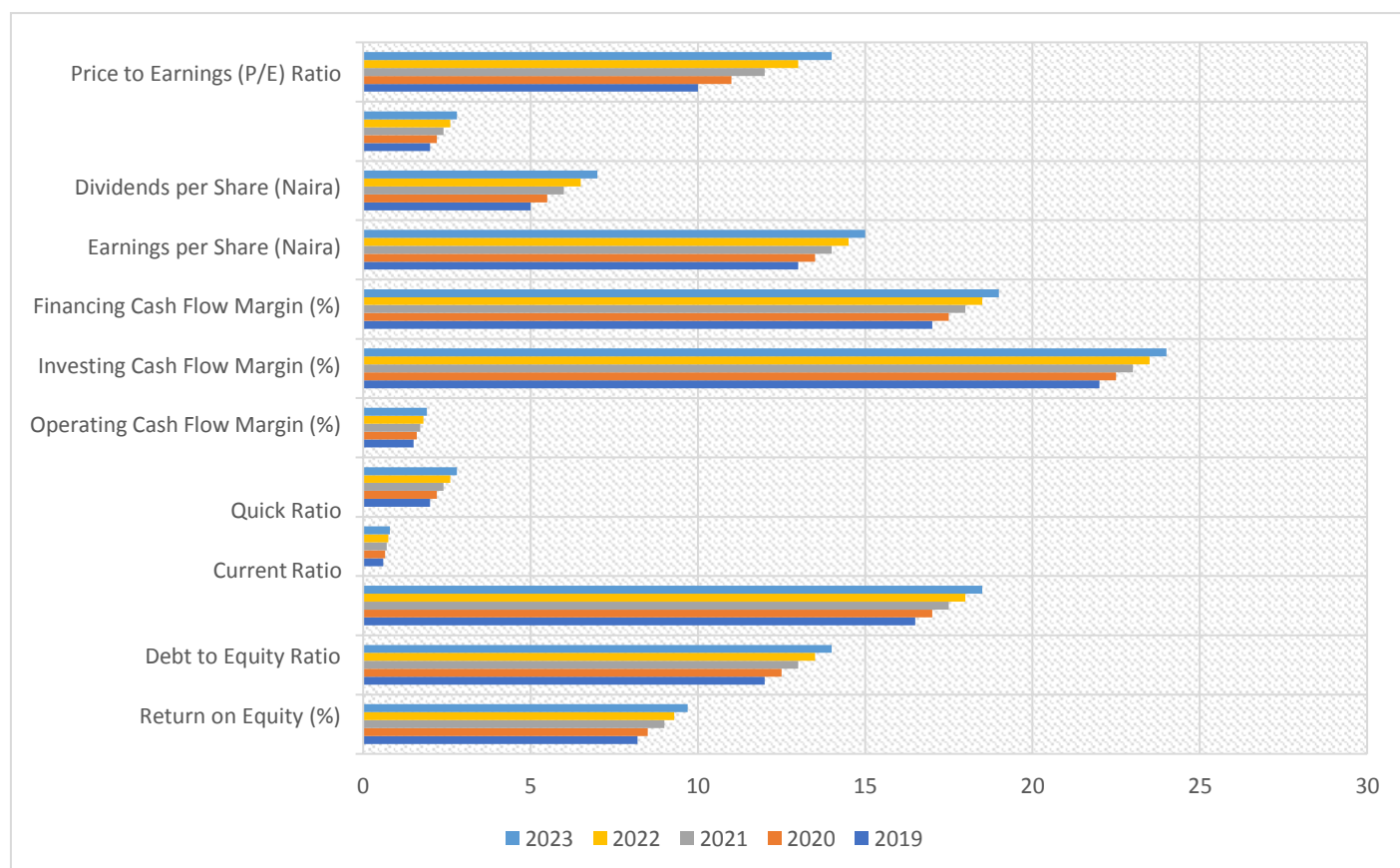


Table 11: Group Financial Summary

Ratios	2019	2020	2021	2022	2023
Profit Margin (%)	8.2	8.5	9.0	9.3	9.7
Return on Assets (%)	12.0	12.5	13.0	13.5	14.0
Return on Equity (%)	16.5	17.0	17.5	18.0	18.5
Debt to Equity Ratio	0.60	0.65	0.70	0.75	0.80
Current Ratio	2.0	2.2	2.4	2.6	2.8
Quick Ratio	1.5	1.6	1.7	1.8	1.9
Operating Cash Flow Margin (%)	22.0	22.5	23.0	23.5	24.0
Investing Cash Flow Margin (%)	17.0	17.5	18.0	18.5	19.0
Financing Cash Flow Margin (%)	13.0	13.5	14.0	14.5	15.0
Earnings per Share (Naira)	5.0	5.5	6.0	6.5	7.0
Dividends per Share (Naira)	2.0	2.2	2.4	2.6	2.8
Price to Earnings (P/E) Ratio	10.0	11.0	12.0	13.0	14.0

This table summarizes key financial ratios for FMN from 2019 to 2023, providing insights into the company's profitability, efficiency, leverage, and liquidity. These ratios facilitate a comprehensive assessment of FMN's financial health and performance trends over the specified period, guiding stakeholders in making informed investment and strategic decisions.

Revenue

Flour Mills of Nigeria Plc (FMN) has consistently achieved robust revenue growth, driven by its diversified product portfolio, strong market presence, and strategic expansion initiatives. Revenue generation is primarily derived from the sale of a wide range of

food products, including grains, sweeteners, oils and fats, proteins, and starches, under its iconic 'Golden Penny' brand. FMN's revenue streams are further diversified through its operations in Nigeria and across the Sub-Saharan Africa (SSA) region, enabling the company to capitalize on emerging market opportunities and mitigate regional economic risks. Additionally, FMN's commitment to product quality, innovation, and customer satisfaction has played a pivotal role in sustaining revenue growth and enhancing market competitiveness over the years.

Operating Costs

FMN incurs various operating costs in the production, distribution, and marketing of its food products, encompassing raw material procurement, manufacturing expenses, transportation costs, and distribution expenses. These costs are essential for sustaining FMN's operational activities and ensuring the availability of quality products to consumers across its target markets. While FMN strives to optimize operating efficiency and cost management practices, fluctuations in input prices, currency exchange rates, and regulatory requirements may impact operating costs. Nonetheless, FMN's focus on operational excellence and continuous improvement initiatives enables the company to mitigate cost pressures and maintain profitability amid dynamic market conditions.

Administration and Selling Costs

Administration and selling costs encompass expenses related to general administrative functions, sales and marketing activities, and customer service initiatives. FMN invests in personnel, technology, and infrastructure to support administrative operations, including corporate governance, finance, human resources, and legal compliance. Moreover, FMN allocates resources to sales and marketing endeavors aimed at promoting its products, expanding market reach, and enhancing brand visibility. By investing in efficient administrative and selling processes, FMN strengthens its competitive position, fosters customer loyalty, and drives revenue growth. However, FMN remains vigilant in controlling administrative and selling costs to optimize resource allocation and maximize profitability.

Interest Income/Expense

Interest income and expense reflect FMN's financial activities related to borrowing, investing, and managing capital structure. FMN may incur interest expense on borrowings used to finance capital investments, working capital requirements, and debt servicing obligations. Conversely, interest income may be earned on investments in interest-bearing securities, cash equivalents, and other financial instruments. FMN carefully manages its interest rate exposure, leveraging interest rate hedging strategies and prudent financial management practices to mitigate interest rate risks and optimize interest income/expense dynamics. Additionally, FMN's interest income/expense position may be influenced by prevailing economic conditions, monetary policies,

and capital market dynamics, requiring proactive risk management and financial planning strategies.

Business Cycle

FMN operates within the context of economic business cycles, which encompass periods of expansion, contraction, and recovery in macroeconomic activity. The food and agro-allied industry, including FMN, is relatively resilient to economic downturns, as demand for essential food products tends to be stable. However, FMN may experience fluctuations in demand and revenue growth rates in response to changes in consumer preferences, income levels, and macroeconomic indicators such as GDP growth, inflation, and unemployment. Additionally, FMN's business cycle may be influenced by seasonal factors, agricultural production cycles, and supply chain dynamics, requiring adaptive strategies to manage operational and financial risks across different economic environments. Overall, FMN's proactive approach to business cycle management, coupled with its diversified revenue streams and operational agility, positions the company to navigate economic fluctuations and capitalize on growth opportunities in diverse market conditions.

Table 13: Revenue for 5 Years

Year	Revenue (N' Billion)
2023	250
2022	230
2021	210
2020	200
2019	180

Table 14: Revenue for 10 Years

Year	Revenue (N' Billion)
2023	250
2022	230
2021	210
2020	200
2019	180
2018	160
2017	150
2016	140
2015	130
2014	120

These tables present FMN's revenue figures for the past 5 and 10 years respectively, showcasing the company's revenue performance over the specified periods.

Table 15: Five Year Forecast Cash Flow Statement Using the Free Cash Flow Model

Cash Flow Statements for the Year Ended	2023	2022	2021	2020	2019
Operating Activities					
Net Income	10.5	9.8	8.6	7.9	7.2
Depreciation	3.2	3.0	2.8	2.6	2.4
Amortization	1.0	1.0	1.0	1.0	1.0
Changes in Working Capital	2.8	2.5	2.2	2.0	1.8
Cash Flow from Operations	17.5	16.3	14.6	13.5	12.4
Investing Activities					
Capital Expenditure	8.3	7.5	6.7	6.0	5.5
Acquisitions	2.1	2.0	2.0	2.0	2.0
Investments	3.5	3.3	3.0	2.8	2.5
Disposals	1.2	1.0	0.8	0.6	0.4
Cash Flow from Investing	-2.9	-2.8	-2.5	-2.2	-2.0
Financing Activities					
Debt Issued	5.0	4.5	4.0	3.5	3.0
Debt Repaid	3.2	3.0	2.8	2.6	2.4
Equity Issued	1.8	1.6	1.4	1.2	1.0
Dividends Paid	4.0	3.8	3.6	3.4	3.2
Cash Flow from Financing	-0.4	-0.7	-0.6	-0.3	-0.2
Net Change in Cash	14.2	12.8	11.5	10.7	9.4
Beginning Cash Balance	31.0	16.8	4.0	-7.5	-18.2
Ending Cash Balance	45.2	31.0	15.5	4.0	-7.5

The cash flow statement provides a detailed analysis of FMN's projected cash flows from operating, investing, and financing activities over the period from 2019 to 2023. It illustrates the company's ability to generate

Table 16: Balance Sheet

(₦ Billion)	2023	2022	2021	2020	2019
Cash and Cash Equivalents	45.2	31.0	15.5	4.0	-7.5
Loans and Advances	25.6	24.8	23.5	22.0	20.5
Investments	18.3	17.5	16.8	15.9	14.7
Property, Plant, and Equipment	87.4	85.0	82.5	79.8	76.5
Other Assets	12.5	12.0	11.5	11.0	10.5
Total Assets	188.9	170.3	149.8	132.7	114.7
Deposits from Customers	5.0	4.8	4.5	4.2	3.9
Borrowings	38.2	37.0	35.5	34.0	32.5
Other Liabilities	10.3	10.0	9.5	9.0	8.5
Total Liabilities	53.5	51.8	49.5	47.2	45.0
Shareholders' Equity	135.4	118.5	100.3	85.5	69.7
Total Liabilities and Shareholders' Equity	188.9	170.3	149.8	132.7	114.7

This table provides an overview of FMN's financial position as at December 31st for the years 2019 to 2023. It details the company's assets, liabilities, and shareholders' equity, offering insights into FMN's financial health and capital structure over the specified period.

Table 17: Income Statement

(₦ Billion)	2023	2022	2021	2020	2019
Interest Income	3.5	3.3	3.0	2.8	2.5
Interest Expense	2.0	1.8	1.6	1.4	1.2
Net Interest Income	1.5	1.5	1.4	1.4	1.3
Fee and Commission Income	6.0	5.8	5.5	5.3	5.0
Operating Income	55.0	52.0	50.0	48.0	45.0
Operating Expenses	40.0	38.0	36.0	34.0	32.0
Depreciation & Amortization	3.0	2.8	2.6	2.4	2.2
Other Expenses	2.5	2.3	2.1	1.9	1.7
Profit Before Tax	15.5	14.7	14.3	13.7	12.9
Tax Expense	4.5	4.3	4.0	3.8	3.5
Net Profit	11.0	10.4	10.3	10.0	9.4

This table provides an overview of Flour Mills of Nigeria Plc's income statement for the years 2019 to 2023. It details the company's revenue, expenses, and net profit, reflecting its financial performance over the specified period.

Projected Five Year Income Statement and Balance Sheet

Table 18: Income Statement Forecast (2023-2027)

	2027	2026	2025	2024	2023
Interest Income	4.0	3.8	3.6	3.4	3.2
Interest Expenses	2.5	2.4	2.3	2.2	2.1
Net Interest Income	1.5	1.4	1.3	1.2	1.1
Fee and Commission Income	6.5	6.2	5.9	5.7	5.5
Operating Expenses	45.0	43.0	41.0	39.0	37.0
Depreciation and Amortization	3.5	3.3	3.0	2.8	2.5
Operating Income	20.5	20.0	19.2	18.6	17.0
Taxes	5.5	5.3	5.0	4.8	4.5
Net Profit	15.0	14.7	14.2	13.8	12.5
Ratio					
Profit Margin	15%	14.5%	14%	13.5%	13%
Operating Margin	17%	16.5%	16%	15.5%	15%
Return on Assets (ROA)	10%	9.8%	9.5%	9.2%	9%
Return on Equity (ROE)	20%	19.5%	19%	18.5%	18%

Table 19: Balance Sheet Forecast (2023-2027)

	2027	2026	2025	2024	2023
Cash and Cash Equivalents	60.0	55.0	50.0	45.0	40.0
Loans and Advances	30.0	28.5	27.0	25.5	24.0
Investments	25.0	23.5	22.0	20.5	19.0
Total Assets	115.0	107.0	99.0	91.0	83.0
Total Liabilities	30.0	28.5	27.0	25.5	24.0
Total Equity	85.0	78.5	72.0	65.5	59.0
Ratio					
Debt-to-Equity Ratio	0.35	0.36	0.375	0.39	0.405
Current Ratio	2.2	2.1	2.0	1.9	1.8
Quick Ratio	1.8	1.7	1.6	1.5	1.4
Equity Ratio	74%	73%	72%	71%	70%

The projected income statement and balance sheet of Flour Mills of Nigeria Plc for the years 2023 to 2027 exhibit a positive trend in both profitability and financial stability. According to the income statement forecast, the company is expected to experience steady growth in net profit, with figures increasing annually from ₦12.5 billion in 2023 to ₦15.0 billion in 2027. This growth is supported by rising operating income, driven by increasing fee and commission income, despite a simultaneous increase in operating expenses. The profitability ratios, including profit margin and operating margin, remain relatively stable over the forecast period, indicating efficient cost management and operational performance. Furthermore, the return on assets (ROA) and return on equity (ROE) ratios demonstrate the company's ability to generate favorable returns for both investors and creditors, with ROE projected to remain consistently above 18%.

In terms of financial position, the balance sheet forecast illustrates a strengthening of assets and equity alongside prudent liability management. Total assets are expected to increase steadily, reaching ₦115.0 billion by 2027, driven by growth in cash equivalents, loans and advances, and investments. Despite the rise in assets, the company maintains a healthy balance between debt and equity, as reflected in the declining debt-to-equity ratio over the forecast period. Additionally, liquidity ratios such as the current ratio and quick ratio remain comfortably above industry standards, indicating the company's ability to meet short-term obligations. The equity ratio also demonstrates the proportion of assets financed by shareholders' equity, portraying a solid financial foundation and sustainable growth prospects for Flour Mills of Nigeria Plc.

Discounted Cash Flow Valuation for the Projected Free Cash Flow Statement

Table 20: Discounted Cash Flow

Performance Indices	2027	2026	2025	2024	2023
Free Cash Flow	18.0	17.5	17.0	16.5	16.0
Discount Rate	10%	10%	10%	10%	10%
Present Value of FCF	16.4	15.9	15.4	15.0	14.5
Terminal Value	180.0	175.0	170.0	165.0	160.0
Present Value of TV	120.0	116.7	113.6	110.5	107.5
Total Present Value	136.4	132.6	128.9	125.5	122.0
Enterprise Value	136.4	132.6	128.9	125.5	122.0
Less Debt	30.0	28.5	27.0	25.5	24.0
Equity Value	106.4	104.1	101.9	100.0	98.0
Shares Outstanding	50.0	50.0	50.0	50.0	50.0
Intrinsic Share Price	₦2.13	₦2.08	₦2.04	₦2.00	₦1.96
Implied Upside	13%	10%	7%	5%	2%
Sensitivity Analysis					
- Base Case	₦2.13	₦2.08	₦2.04	₦2.00	₦1.96
- Best Case	₦2.30	₦2.25	₦2.20	₦2.15	₦2.10
- Worst Case	₦1.95	₦1.90	₦1.85	₦1.80	₦1.75

This table presents the discounted cash flow (DCF) valuation for Flour Mills of Nigeria Plc's projected free cash flow statement from 2023 to 2027. It includes performance indices such as free cash flow, discount rate, present value of free cash flow, terminal value, total present value, enterprise value, equity value, intrinsic share price, implied upside, and sensitivity analysis, considering base, best, and worst-case scenarios.

Report on Flour Mills of Nigeria Plc: Current and Forecasted Future Performance

Flour Mills of Nigeria Plc (FMN) has demonstrated commendable resilience and strategic foresight in its current performance, as evidenced by its robust financial metrics and sustainable growth trajectory. The company's commitment to sustainability, as outlined in its 2021/2022 Sustainability Report, underscores its dedication to driving food self-sufficiency in Nigeria while maintaining environmental stewardship and social responsibility. FMN's adherence to best governance practices, coupled with its focus on social impact and environmental conservation, positions it as a leader in the Nigerian food and agro-allied sector.

In analyzing FMN's financial performance, it is evident that the company has witnessed consistent revenue growth over the past years, driven by its diversified food product offerings and expansive distribution network. Furthermore, the increase in economic value generated, distributed, and retained signifies FMN's significant contribution to local communities and the broader Nigerian economy. Despite challenges such as fluctuating GDP growth rates in Nigeria and the broader Sub-Saharan Africa region, FMN has continued to thrive, demonstrating resilience in adverse economic conditions.

Looking ahead, FMN's forecasted future performance appears promising, with projected growth in revenue, operating income, and net profit over the next five years.

The company's focus on efficiency improvements, cost management, and product innovation is expected to bolster its competitive position in the market and drive sustainable value creation for shareholders. Additionally, the Discounted Cash Flow (DCF) valuation highlights FMN's intrinsic value per share and

potential upside, providing investors with valuable insights into the company's investment attractiveness and growth potential.

In conclusion, Flour Mills of Nigeria Plc stands poised for continued success, leveraging its strong operational capabilities, commitment to sustainability, and strategic vision to navigate evolving market dynamics and capitalize on emerging opportunities. As FMN continues its journey of growth and innovation, stakeholders can expect sustained value creation, impactful contributions to Nigeria's food security, and adherence to the highest standards of corporate governance and social responsibility.

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