

- Impressive revenue growth on account of volume growth, price increase and focus on core food business and its value chain
- Growth in gross profit was impressive due to the management of cost of sales
- Impressive EBIT growth in the face of the difficult economic environment indicates that the company's strategies to invest in high profit margin businesses are working
- Exchange rate losses dominated the net operating losses
- High Finance cost depressed earnings
- FMN needs to deleverage its balance sheet to reduce interest expenses
- Short-term liquidity challenges
- Adjusting the previous year's profit for the exceptional item shows that FMN's grew its bottom line in Q3, 2016
- The company intends to raise N40bn equity capital to deleverage its balance sheet
- Flour Mills stocks is considered a defensive stock and should benefit from the changing Nigerian economy
- **We maintain our BUY rating on the stock of FMN at the current price of N18.00.**

N 'Million	Dec-16	Dec-15	Change
Revenue	389,944	263,680	47.89%
Cost of Sales	(336,448)	(235,996)	42.57%
Gross Profit	53,495	27,684	93.24%
Distribution Expenses & Admin Expenses (OPEX)	(14,475)	(12,926)	11.99%
Net Operating Losses	(11,756)	(3,128)	275.85%
Operating Profit (EBIT)	27,264	11,631	134.42%
Interest Expenses	(17,697)	(16,543)	6.97%
Interest Income	726	966	(24.78%)
Net Finance Income	(16,970)	(15,577)	8.94%
Gain on Disposal of Investment	-	23,732	(100.00%)
Profit Before Tax (PBT)	10,294	19,786	(47.97%)
Taxation Charge	(2,893)	(782)	269.82%
Profit After Tax (PAT)	7,401	19,003	(61.05%)
Cash Generated from Core Operations	37,572	22,983	63.47%

Key Performance Ratios			
	Dec-16	Dec-15	Change
Gross Profit Margin	13.72%	10.50%	3.22%
EBIT Margin	6.99%	4.41%	2.58%
PBT Margin	2.64%	7.50%	(4.86%)
PAT Margin	1.90%	7.21%	(5.31%)
Interest Cover	1.54	0.70	83.76%
Income Gearing	64.91%	142.24%	(77.33%)
Cash from Core Operation to Revenue	9.64%	8.72%	0.92%
Net Debt to Equity	168.21%	137.88%*	30.33%
Total Debt to Total Assets	78.86%	72.27%*	6.59%
Basic EPS (N)	2.50***	7.01	(64.34%)
Current Ratio	0.87	0.68*	0.19
Acid Test Ratio	0.49	0.36*	0.13

***Based on profits attributable to shareholders of N6.56bn as at Q3 2016 and ordinary shares of 2.62bn

N'Million	Financial Position			Relative to Total Assets	
	Dec-16	Mar-16	Change	Dec-16	Mar-16
Property Plant & Equipment (PPE)	215,204	213,562	0.77%	45.25%	61.84%
Other Long Term Assets	7,046	7,101	(0.77%)	1.48%	2.06%
Inventory	110,305	58,699	87.92%	23.19%	17.00%
Trade and Other Receivables	11,758	12,735	(7.67%)	2.47%	3.69%
Cash and Other Cash Equivalents	64,523	33,213	94.27%	13.57%	9.62%
Dep for Imp. & Other Current Assets	66,720	20,039	232.95%	14.03%	5.80%
Total Current Assets	253,305	124,686	103.15%	53.27%	36.10%
Total Assets	475,555	345,348	37.70%	100%	100%
				Relative to TL**	
	Dec-16	Mar-16	Change	Dec-16	Mar-16
Long Term Loan and Borrowing	66,127	48,010	37.74%	17.63%	19.24%
Others Long Term Liabilities	18,643	18,534	0.59%	4.97%	7.43%
Total Non-Current Liabilities	84,769	66,543	27.39%	22.60%	26.66%
Short Term Loans and Borrowing	124,630	100,830	23.60%	33.23%	40.40%
Bank Overdraft	42,873	16,413	161.21%	11.43%	6.58%
Trade Payables	77,885	38,494	102.33%	20.77%	15.42%
Other Current Liabilities	44,864	27,301	64.33%	11.96%	10.94%
Total Current Liabilities	290,252	183,039	58.57%	77.40%	73.34%
Total Liabilities	375,021	249,583	50.26%	100.00%	100.00%
Total Equity	100,534	95,766	4.98%		
Net Working Assets	(36,946)	(58,353)	(36.69%)		

Source: FSDH Research & Company Quarterly Results - *As at 31 March 2016 ** TL: Total Liabilities

For enquiries please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street Lagos. Tel: 234-1-2702881-2

Port Harcourt Office: 2nd Floor, Skye Bank Building (Former Mainstreet Bank Building), 5 Trans Amadi Road, Port Harcourt. Tel: 234 - 8024081331

Abuja Office: Leadway House (First Floor), Plot 1061 Herbert Macaulay Way, Central Business District, Abuja-Nigeria. Tel: 234-9-2918821

Website: www.fsdhgroup.com **Email:** research@fsdhgroup.com

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