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Flour Mills of Nigeria ...positioned for future growth

Recently, the management team of Flour Mills of Nigeria (FMN) plc was at the Nigerian Stock Exchange (NSE) where they outlined the company's growth strategy to capital market stakeholders, with the assurance that the organisation would continue to deliver superior returns to its shareholders.

With a related portfolio of vertically-integrated activities, FMN has been a household name in Nigeria since independence (1960). Today, the group is publicly-listed with a market capitalisation of about N186 billion (about \$1.2 billion) as at year ended March 31, 2014, and revenue of N332 billion (about \$2.1 billion).

Speaking during the Facts Behind the Figures presentation, Paul Gbededo, group managing director, Flour Mills of Nigeria plc, noted that the company recently embarked on group restructuring, strategic business acquisitions and investment in its core food business and backward-integration programmes.

These, according to him, were in furtherance of the group's long-term business model and growth strategy.

Flour Mills is leveraging on Nigeria's growing population at 2.5 percent per year. Nigeria is the most populous country in Africa (174 million). 41 percent of the population is below the age of 14, while 55 percent of the population is between the ages of 14 and 64.

Also helping the company's growth is Nigeria's GDP. Nigeria recorded GDP growth of 7.3 percent in 2013. Consumers have begun to move up market into value-added flour products like pasta, snacks, and cereals; and rapid urbanisation which is already underway.

There is currently a shift in consumer patterns and increasing disposable income - which also affects the company's growth trend. This is in addition to the changing consumption habits of consumers which point to potential growth in demand for FMN products.

The company operates in an economy with an increasingly dynamic private sector consisting of local and multi-national companies which are FMN's current and prospective clients.

FMN continues to strategically invest in large-scale commercial farming to support its food processing units with locally-produced raw materials. The company is refocusing and making significant investments in backward-integrated programmes which centre

on value chains that have strategic links with its existing business (sugar, livestock feeds, cassava, edible oil and rice). This includes Sunti, a Golden Sugar estate, where cultivation of 10,000 hectares of sugarcane is progressing to feed the company's sugar refinery. Another is Kaboji Farms Limited, additional development of land on its Niger State grain and cassava farms. The maize and soybean provide raw material supply to the feed milling operations and the cassava provides critical mass for production of high quality cassava flour.

Thirdly is the company's Agro Allied Syrups Limited, which is a project to grow 5,000 hectares of cassava on land purchased at Shao, Kwara State, to feed Thai Farm's Cassava Mill in Oso. Again, there is Agri Palm Limited, a 3,000-hectare oil palm plantation in Edo State which supports the group's edible oil refineries at ROM Oil Mill. In addition, there is the Agro Allied Farms Sunti Limited, a 4,500-hectare rice farm along the Niger River basin. This project is expected to add to the rice production at Sunti Farm to complement the backward integration of FMN rice milling operations.

"We have been able to maintain margins of all our product categories despite increased competition. The company has growing history of dividend payout. It has uninterrupted dividend payment over the past 23 years. 2013/14 is a year of transition and

steady progress as expected," Gbededo said.

"Golden Sugar Company Limited and our packaging business are well positioned for future progress. The group is generating strong cash-flows from operating activities and is comfortably positioned for future growth," he added.

The company's underlying results show that its revenue grew 10 percent to N332.142 billion in 2013/2014 financial year compared to N301.94 billion in 2012/2013 financial year. The company's gross profit rose by 15.2 percent to N43.656 billion against N37.898 billion in the corresponding year. Its profit before tax was down by 24.4 percent from N10.876 billion to N8.227 billion; while profit after tax dropped by 28.8 percent from N7.539 billion to N5.367 billion.

Earlier in his welcome remarks, Oscar Onyema, chief executive officer, Nigerian Stock Exchange, said the Exchange was encouraged that Flour Mills came forward to provide the market with more information about the strategic and financial developments within the organisation.

"The Exchange continues to place corporate governance on the front burner as one of the basic elements for ensuring a sound investment environment and maximising shareholder returns," Onyema said.

Iheanyi Nwachukwu

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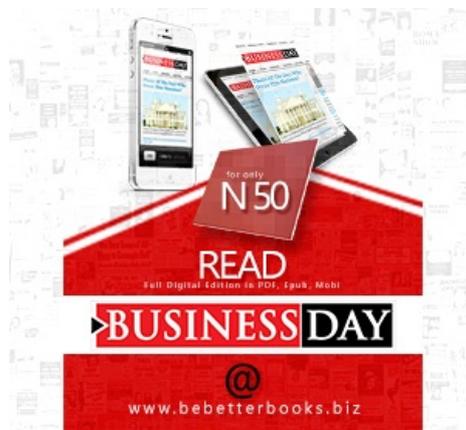
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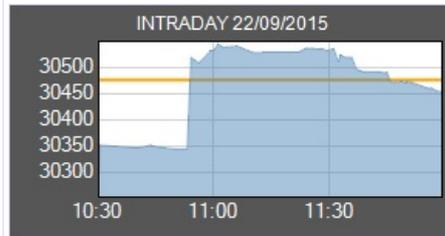
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