HOW HONEYWELL FLOUR MOVED FROM LOSS TO PROFITABILITY

Nigeria officially nosedived into recession in 2016 and like most other companies in the same market segment, Honeywell Flour Mills (Honeywell Flour Mills) Plc’s performance was not favourable that year. OLATUNDE DODONAWA writes on how the management embraced cost strategies to leap into profitability.

Introduction

The year 2016 was a difficult year for businesses in Nigeria and despite the tough economic environment, Honeywell Flour Mills (Honeywell Flour Mills) Plc was able to weather the storm and grew its revenue from N50.88 billion in the year 2016 to N53.27 billion in the year 2017, representing a five percent increase year-on-year.

The company attributed its profitability to its practice of relentless innovation, improved efficiency and cost management strategies, aiding it to wade through the turbulent business climate of Nigeria’s hard biting recession period of 2016 and 2017.

Financial performance

According to the audited results, Honeywell Flour Mills recorded a revenue of N53.2 billion in 2017, showing an increase of five per cent from N50.9 billion recorded in 2016. This increase in revenue was achieved despite the general decline in consumer spend due to macroeconomic headwinds experienced nationwide in 2016.

Due to some forward-looking strategies aimed at input cost management and efficiencies in the overall supply chain management process adopted by the company, cost of sales fell by 13 percent. Specifically, cost of sales declined from N46.5 billion to N40.5 billion.

Other income improved from N157.9 million in 2016 to N1.2 billion in 2017. Selling and distribution expenses fell by 23 percent from N4.45 billion to N3.42 billion in 2017. This was achieved as a result of management’s execution of tactical initiatives in the company’s supply chain, sales and marketing functions to improve cost-to-serve metrics across modern trade and informal market channels in all business segments of the company.

However, net finance costs jumped from N819 million to N2.8 billion due to increased working capital requirement and the company’s ongoing expansion in Sagamu, Ogun State. But the company said it was considering several strategic options to better manage finance costs going forward.

The increase in the cost of finance notwithstanding, the company ended the year with profit before tax of N5.5 billion, compared to a loss of N2.87 billion previously. Similarly, profit after tax stood at N4.3 billion as against a loss of N3.02 billion in 2016.

Also, shareholder’s funds soared by 219 percent from N16.3 billion to N52.3 billion in 2017. Consequently, the company declared a dividend of six kobo per ordinary share to the shareholders, which was approved at the AGM.

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