

FrieslandCampina WAMCO Nigeria Plc.



Security Performance as at Q3, 2016.

Company Review
NASD RESEARCH
October, 2016

FrieslandCampina WAMCO Nigeria Plc is a multinational manufacturing company. It is a subsidiary of Royal FrieslandCampina of The Netherlands.

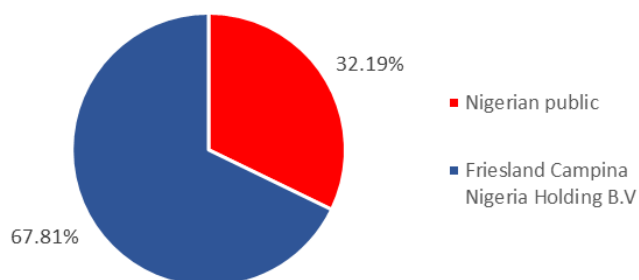
The Company operates an extensive distribution network across Nigeria's 36 states and the Federal Capital Territory. The company currently employs about one thousand permanent staff deployed in various locations around Nigeria.

The Company generated revenue of ₦120.72 billion for the year ended December, 2015. This represents a relatively stable performance as compared to the previous year

Relatively flat top line is as a result of weak consumer demand and general decline in business activities which has been reflected in the contraction of the Nigerian GDP in Q1 2016.

Profit before Tax (PBT) however increased by 13% to ₦18.60 billion as a result of a significant reduction in the cost of sales despite increased operating and finance costs.

Shareholding Structure FY-15



Gbeminiyi Onikute

Research Analyst.

gonikute@nasdng.com

+234 (0) 8020513877

Security	SDFCWAMCO
Admission Date	15-Jul-13
Last AGM	12-May-16
Shares Outstanding	976,335
% Dematerialized	20.05%
Current Price	₦140.09
EPS	13.67
DPS	13.67
NAVPS	15.20
P/E	10.25
P/S	1.13
P/B	9.21
P/CF	15.99
ROE	90%
ROCE	80%
52 Week High	₦265.00
52 Week Low	₦102.00
Average Price	₦140.25

Introduced by: **Capital Bancorp Plc.**

Company Profile

FrieslandCampina WAMCO Nigeria PLC was incorporated as a private limited liability company on 17 April 1973 and became a public limited liability company in 1990.

The Company is principally engaged in the manufacturing and marketing of evaporated milk, instant milk powder and other dairy products. The Company's registered office is Plot 7b Acme road, Ikeja Industrial Estate, Ogba, Lagos.

FrieslandCampina Nigeria Holding B.V is the largest shareholder in WAMCO with a shareholding of 67.81%, while the remaining 32.19% is held by other international and local investors.

Products

1. Evaporated Milk:

WAMCO produces evaporated milk in two brands, Peak Milk and Three Crowns Milk. The evaporated milk is produced in small tins and larger packs.

2. Powdered Milk:

WAMCO began production of powdered milk in 1999, with the opening of its first factory in the country. In 2006, the company added a second factory in Ota, Ogun State as a response to increased demand of the powdered milk sachets. The milk powder, Peak and Peak Chocolate are sold in sachets with size range of 20g-25g, and tins and pouches ranging from 400g-900g.



Board and Management

The Company is directed by an eight-member Board of Directors containing six non-executive directors. The Board of Directors is steered by Mr. Jacob Moyo Ajekigbe, a position he has held since 2010 after his appointment to the Board in 2008. He also serves as Chairman of Keystone Bank Limited. He held the position of Managing Director of First Bank, Nigeria from 2002 to 2008.

Current Directors as at 31 December, 2015

Mr. Jacob Moyo Ajekigbe	Chairman
Mr. Rahul Colaco	Managing Director
Rev. Isaac Ade Agoye	Non-Executive Director
Mrs. Oyinkan Ade-Ajayi	Non-Executive Director
Engineer Mustafa Bello	Non-Executive Director
Mr. Peter Eshikena	Non-Executive Director
Mr. Gregory Sklikas	Non-Executive Director
Mr. Robert Steetskamp	Non-Executive Director

The management team is led by Mr. Rahul Colaco who serves as the Managing Director. Prior to this, he held the position of Managing Director, Dutch Lady Milk Industries, Malaysia. He holds a Bachelor of Commerce degree, Chartered Accountancy professional qualification and a MBA degree with a distinction in leadership.

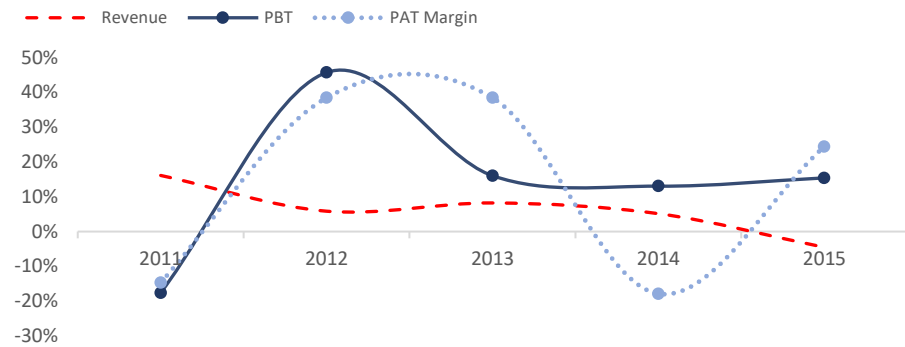
Senior Management Team as at 31 December, 2015

Mr. Rahul Colaco	Managing Director
Mr. Adewale Arikawe	Sales Director
Mr. Doyin Ashiru	Operations Director
Mrs. Ore Famurewa	Corporate Affairs Director
Mrs. Ilona Fulop	Finance Director
Mr. Taranta Gupta	Marketing Director
Mr. Tominiyi Oni	Human Resources Director

Financial Condition

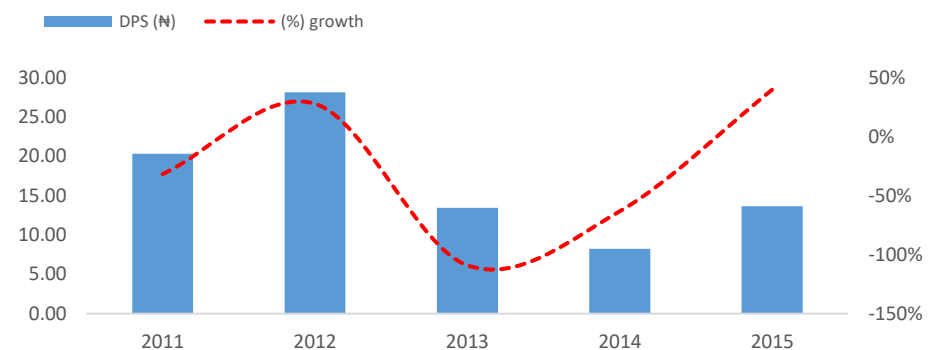
WAMCO has maintained a relatively stable financial condition over the period covered in this report. Revenue has grown at a CAGR of 3.5% from ₦104.98 billion in 2011 to ₦120.72 billion in 2015.

Exhibit 1: Profitability Indicators



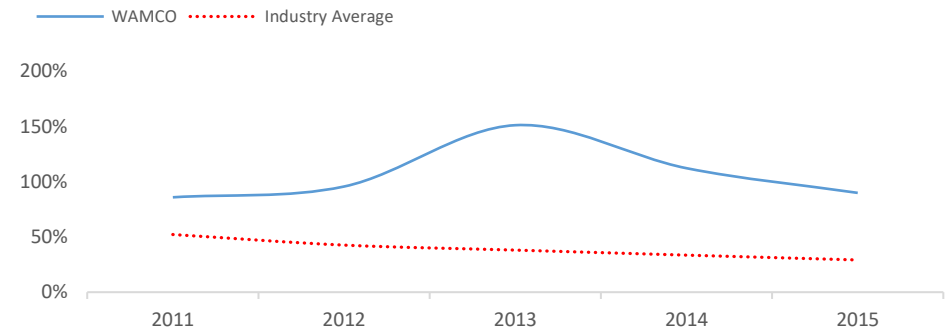
(Source: Company Data, NASD Research)

Exhibit 2: Dividend Trend

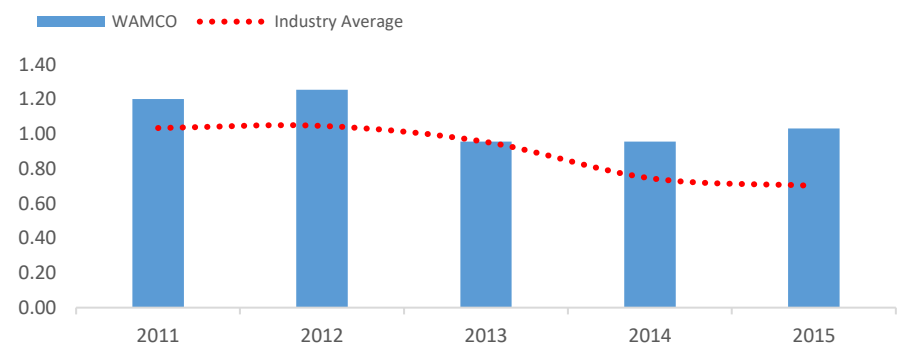


(Source: Company Data, NASD Research)

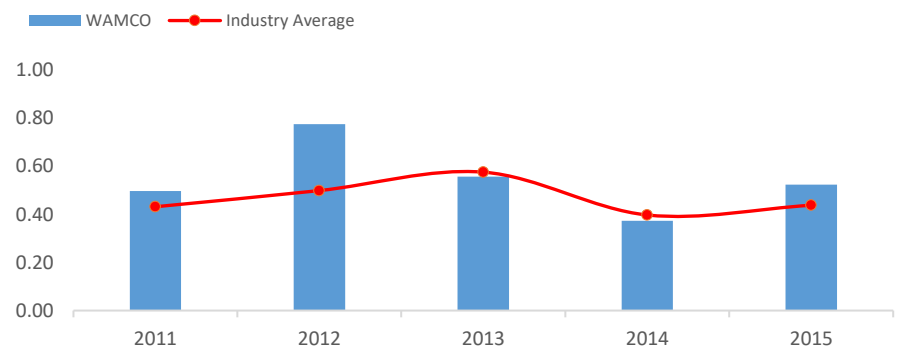
Over the period, WAMCO has maintained a 100% dividend payout ratio. Dividends have been consistent with the operating performance of the company. As a result, dividends have fallen considerably from ₦28.12 per share in 2012 to ₦13.67 in 2015

Exhibit 3: ROE Trend


(Source: Company Data, NASD Research)

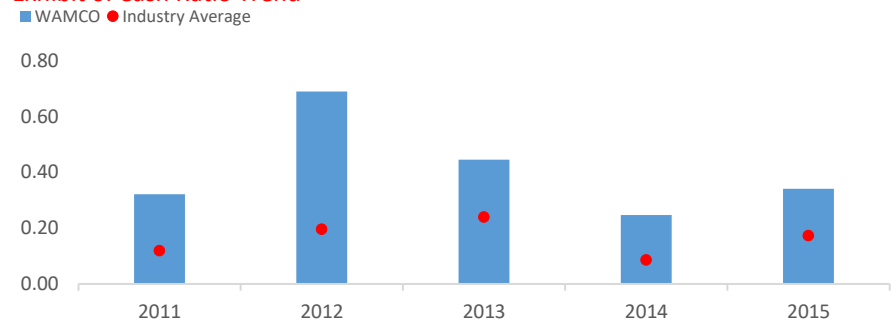
Exhibit 4: Current Ratio Trend


(Source: Company Data, NASD Research)

Exhibit 5: Quick Ratio Trend


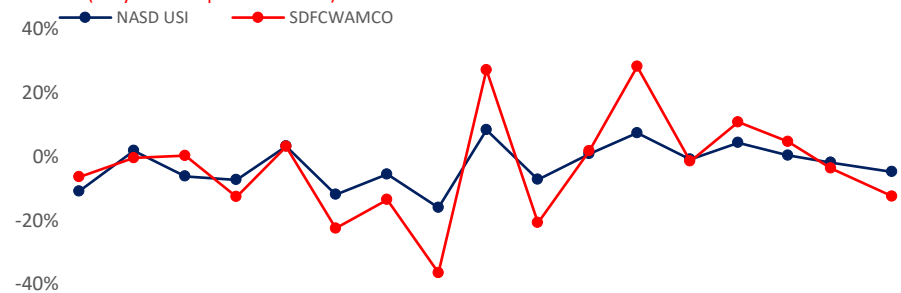
(Source: Company Data, NASD Research)

Exhibit 6: Cash Ratio Trend



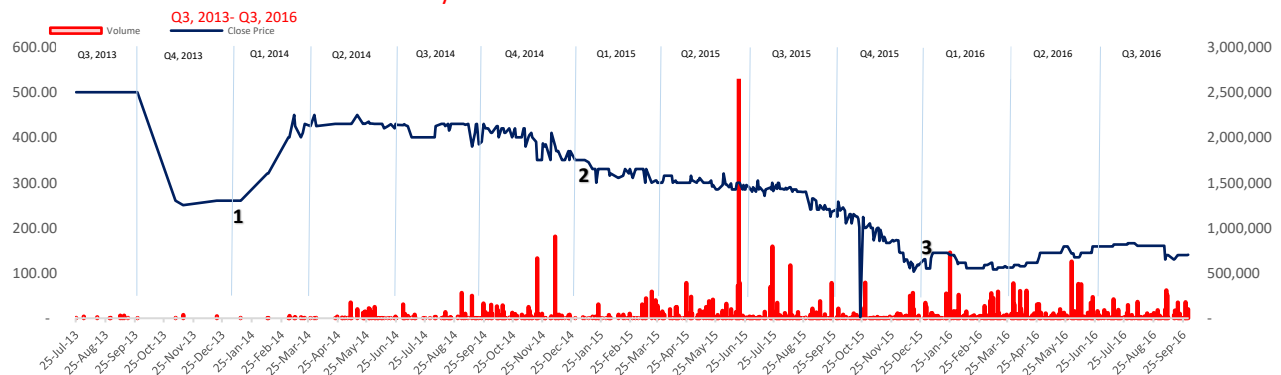
(Source: Company Data, NASD Research)

Exhibit 7: SDFCWAMCO vs. NASD USI (May 2015-September 2016)



(Source: NASD Research)

Exhibit 8: SDFCWAMCO- Market Activity



(Source: NASD Research)

Note:

- 2:1 stock split in October 2013
- Volume is adjusted for an exceptional trade of 120 million shares in June 2015 at \$350 p/share

- | | |
|----------|---|
| 1 | 2014 Open Price - \$260.00, Close Price - \$350.00 |
| 2 | 2015 Open Price- \$350.00, Close Price - \$110.00 |
| 3 | 2016 Open Price- \$110.00, Current Price (7/10/16) - \$142.00 |

Outlook

The Company aims to strengthen its leadership position in the dairy market by investing in its brands and capabilities. It hopes to achieve this by improvement in operational efficiency and leveraging on increasing concern towards health and changing consumer dietary patterns in Nigeria.

The Company recently signed a MoU with the Federal Government to improve dairy production. At the signing, the Company unveiled plans to invest ₦3 billion into the programme. This implies a positive development for FrieslandCampina WAMCO and would indeed facilitate the company's growth.

Analyst Certification

The research analyst principally responsible for the preparation and content of this report is named in bold text in the author block at the front of this report. Material in this report are gotten and interpreted from Company Data and were prepared in an independent manner. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to information provided in this report.

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Exhibit 9: Statement of Profit/Loss

	2015		2014		2013		2012		2011
	₦'000	Growth	₦'000	Growth	₦'000	Growth	₦'000	Growth	₦'000
Sales	120,716,682	-5%	126,436,219	5%	120,256,164	8%	111,120,828	5.85%	104,984,277
Cost of Sales	(84,360,103)		(97,505,943)		(92,364,739)		(82,741,503)		(84,907,230)
Gross Profit	36,356,579	26%	28,930,276	4%	27,891,425	-2%	28,379,325	41%	20,077,047
Other Income	-		-		373,490		-		1,127,555
Selling Expenses	(10,267,505)		(7,571,620)		(6,226,312)		(5,910,039)		(5,321,124)
Admin Expenses	(4,418,148)		(4,063,728)		(3,481,949)		(2,993,838)		(2,562,327)
Operating Profit	21,670,926	25%	17,294,928	-7%	18,556,654	-5%	19,475,448	46%	13,321,151
Finance Income	748,150		917,369	-	1,259,604		915,824		679,113
Finance Costs	(3,803,098)		(1,712,377)		(503,704)		(1,004)		(8,461)
Profit before Tax	18,615,978	12.82%	16,499,920	-15%	19,312,554	-5%	20,390,268	46%	13,991,803
Income Tax	(5,269,175)		(5,768,642)		(6,243,033)		(6,662,286)		(4,077,337)
Profit For The Year	13,346,803	24%	10,731,278	-18%	13,069,521	-5%	13,727,982	38%	9,914,466

Exhibit 10: Statement of Financial Position

	2015		2014		2013		2012		2011
	₦'000		₦'000		₦'000		₦'000		₦'000
Assets									
<i>Non-Current Assets</i>									
PP&E	18,078,368		16,459,377		13,850,434		10,301,017		8,929,593
Intangible Assets	44,293		77,163		101,815		133,142		101,726
Prepayments & Receivables	63,920		148,451		205,610		149,955		179,079
	18,186,581		16,684,991		14,157,859		10,584,114		9,210,398
<i>Current Assets</i>									
Inventories	20,301,876		19,993,070		14,440,448		14333511		18,528,699
Trade and other Receivables	8,620,941		4,388,620		4,143,787		2590750		4,714,684
Prepayments	3,719,153		305,839		360,379		242426		232,848
Cash and Equivalents	16,134,998		8,595,687		16,500,732		20934293		8,572,018
	48,776,968		33,283,216		35,445,346		38,100,980		32,048,249
Total Assets	66,963,549		49,968,207		49,603,205		48,685,094		41,258,647
Liabilities									
<i>Non-Current Liabilities</i>									
Employee Benefit Liabilities	3,011,058		3,965,520		2520881		2,214,939		1,860,435
Deferred Tax Liabilities	1,790,505		1,658,048		1391983		1,762,065		1,160,042
	4,801,563		5,623,568		3,912,864		3,977,004		3,020,477

Current Liabilities								
<i>Current tax liabilities</i>	3,362,616		5,166,154		6053200		6,060,263	3,637,847
Bank overdraft	1,984,722		51,980		-		-	-
Trade and other Payables	23,351,899		19,838,045		30993859		19,179,066	18,141,390
Other Creditors and Accruals	-		-		-		5,120,434	4,918,271
Loans and borrowings	18,618,100		9,729,211		-		-	-
	47,317,337		34,785,390		37,047,059		30,359,763	26,697,508
Equity								
Share capital	488,168		488,168		488,168		488,168	488,168
Share premium	350,211		350,211		350,211		350,211	350,211
Retained earnings	14,006,270		8,720,870		7,804,903		13,362,333	10,554,668
Fixed Assets Revaluation Reserve	-		-		-		147,615	147,615
	14,844,649		9,559,249		8,643,282		14,348,327	11,540,662
Total Equity & Liabilities	66,963,549		49,968,207		49,603,205		48,685,094	41,258,647

Exhibit 11: Key Valuations

Profitability								
Gross Profit Margin	30%		23%		23%		26%	19%
Operating ROA	37%		35%		75%		80%	65%
Return on Capital Employed	80%		81%		148%		106%	91%
Return on Equity	90%		112%		151%		96%	86%
Per Share Data								
EPS	13.67		10.99		13.39		28.12	20.31
DPS	13.67		8.24		13.45		28.12	20.31
NAVPS	15.20		9.79		8.85		29.39	23.64
Price Multiples								
P/E	10.25		31.84		19.42		-	-
P/B	9.21		35.75		29.37		-	-
P/S	1.13		2.70		2.11		-	-