



## PRESS RELEASE

- **Flame Tree Group pre-tax profit up 115%**
- **Profits for FY2019 up by KES48.3M**
- **Gross margin up 8% from 31% to 34%**

**April 29<sup>th</sup> 2020, Nairobi** - Flame Tree Group Holdings (FTGH: NSE) the diversified manufacturer and distributor of plastic tanks, cosmetics, snacks, spices and playground equipment, has announced a 115% increase in pre-tax profit up to KES90.5 million for the FY 2019 from KES42 million posted the previous year.

The Nairobi Securities Exchange (NSE) Listed firm confirmed that all profit ratios showed major improvements; the gross margin grew by 8% from 31% to 34%, this was able to offset comfortably the slight decrease of sales (-2.6%) caused by the disruption of sales due to moving of the company in Ethiopia to its self-owned new tailor-made factory site.

Overall expenses remained stable, despite strong investments in marketing initiatives of over USD 1MM (including TV campaigns and launching of new products).

According to Mr. Heril Bangera, CEO Flame Tree Group, "The significant investments done in fixed assets of industrial machinery, vehicles and new factory in Ethiopia, led to increased use of funding facilities which translated to a +15.4% increase in finance costs. However our Net Debt/EBITDA ratio remained low, under x3."

"Our working capital management has also improved significantly, especially in the area of accounts receivables with a new credit control team in place, which allowed reduction in the DSO ratio by 20.65 days," said Mr Bangera.

A revaluation of assets by an independent valuer increased the overall asset value by KES229.7 million. Net assets of the company grew by 30% boosted by positive results and higher asset value.

## Business Outlook

As a result of the Covid-19 we are living the most unprecedented event in our lifetime.

FTG is financially strong and our Management is confident it will be able to weather this storm. Being a regional group, it is however subject to the measures taken by each government in each jurisdiction to fight the pandemic which is outside the control of the Company.

The Company has undertaken several key initiatives to preserve the financial sustainability of the company, preserve employment and be ready to resume operations as soon as allowed. This includes a moratorium of several months agreed with our main bankers.

### **Positive Short-Term Effects of Covid 19**

During the first Quarter of 2020 we have experienced:

- increase in sales of hand-washing stations
- increase in sales of hand sanitizers
- decrease of the price of plastic raw materials in the international market, following the drastic drop of fuel prices.

Looking ahead FTGH should continue to increase sales in markets outside Kenya, both through its companies in Rwanda, Ethiopia and Mozambique, and by increasing significantly the value of its exports to other African countries, especially in the cosmetics Division.

### **Dividend**

The board of directors do not recommend the payment of a dividend for the year ended 31 Dec 2019.

### **Annual General Meeting**

The 6th Annual General Meeting of the members will be held on 19<sup>th</sup> June 2020 at 11 am via Virtual Media. We await further direction from CMA as is mandated and will update on any changes that arise. Formal notice of the AGM will follow.

For a copy of Flame Tree Group's financial statements, please visit [www.flametreegroup.com](http://www.flametreegroup.com)

### **About Flame Tree Group**

Flame Tree Group is listed under the Growth and Enterprise Market Segment (GEMS) on the Nairobi Securities Exchange (NSE) as NSE: FTGH. Flame Tree Group is a world-class corporation in the heart of Africa that manufactures and distributes quality and affordable brands. Its strategy is to build a diversified portfolio of African-manufactured brands for African consumers, covering plastics, cosmetics and food in multiple markets and verticals.

The Group has operations in Kenya, Rwanda, Ethiopia, Mauritius, Mozambique and UAE. The company was founded in 1989 and now employs over 1,000 people, who are focused on delivering quality, value and innovation to improve customer's lives.

### **For media enquiries, please contact:**

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**Group**

	<b>2019 Shs</b>	<b>2018 Shs</b>
Revenue	2,424,753,503	2,488,610,130
Cost of sales	<u>(1,602,069,716)</u>	<u>(1,727,327,066)</u>
<b>Gross profit</b>	822,683,787	761,283,064
Other operating income	6,682,401	15,164,548
Other operating Gains	1,615,351	1,539,014
Selling and distribution expenses	(305,048,681)	(314,158,970)
Administrative expenses	(302,703,249)	(295,652,238)
Other Operating Expenses	<u>(57,485,492)</u>	<u>(60,856,703)</u>
<b>Operating profit</b>	165,744,117	107,318,715
Finance expenses	<u>(75,213,959)</u>	<u>(65,171,402)</u>
<b>Profit before tax</b>	90,530,158	42,147,313
Current Tax	(30,415,764)	-
Deferred Tax	<u>(15,178,149)</u>	<u>(8,362,241)</u>
<b>Profit for the year</b>	44,936,245	33,785,071
<b>Other comprehensive income:</b>		
<b>Items that that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	(6,020,710)	(12,847,892)
Gain on property valuation	229,670,444	202,755,759
Income tax relating to items that will not be reclassified	(45,145,397)	(60,826,728)
<b>Total comprehensive income for the year</b>	<u>223,440,582.00</u>	<u>162,866,210.00</u>
Earnings per share-Profit for the Year	<b>0.26</b>	<b>0.19</b>
Earnings per share-Total comprehensive income for the year	<b>1.26</b>	<b>0.91</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Group

	2019 Shs	2018 Shs
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,043,842,107	529,073,548
Goodwill	71,851,809	71,851,809
Intangible assets	86,145,049	83,516,629
Investment at Fair Value	-	-
Deferred tax	-	21,678,721
	<u>1,201,838,965</u>	<u>706,120,707</u>
<b>Current assets</b>		
Inventory	341,685,344	338,906,948
Trade and other receivables	641,869,090	735,813,098
Current tax receivable	7,033,454	-
Cash and cash equivalents	88,741,088	58,431,055
	<u>1,079,328,976</u>	<u>1,133,151,101</u>
<b>Total assets</b>	<u>2,281,167,941</u>	<u>1,839,271,807</u>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Share capital	146,894,092	146,894,092
Share premium	152,450,453	152,450,453
Revaluation reserve	347,121,399	141,929,031
Legal reserves	3,665,461	3,665,461
Translation reserves	(10,163,406)	(4,142,696)
Retained earnings	412,560,635	372,238,133
	<u>1,052,528,634</u>	<u>813,034,474</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	284,947,082	35,334,216
Deferred tax	48,905,214	-
	<u>333,852,296</u>	<u>35,334,216</u>
<b>Current liabilities</b>		
Trade and other payables	545,435,763	596,249,416
Borrowings	314,246,832	227,981,920
Bank overdraft	22,321,819	159,979,772
Current tax payable	12,782,597	6,692,010
	<u>894,787,011</u>	<u>990,903,118</u>
<b>Total Liabilities</b>	<u>1,228,639,307</u>	<u>1,026,237,334</u>
<b>Total Equity and Liabilities</b>	<u>2,281,167,941</u>	<u>1,839,271,808</u>

**CONSOLIDATED CASH FLOW**

**Group**

	2019 Shs	2018 Shs
<b>Cash (Used in) Generated From Operations</b>		
Profi (Loss) before taxation	90,530,158	42,147,311
<b>Adjustments for:</b>		
Depreciation and armotization	30,386,297	51,349,124
Losses (gains) on disposals	6,020,710	(1,539,014)
Gains on foreign exchange	(1,615,351)	(17,237,191)
Interest Income	-	(83,969)
Finance costs	75,213,959	59,144,691
<b>Change in working capital</b>		
Inventories	(2,778,396)	(68,396,332)
Trade and other receivables	93,944,008	(18,261,763)
Trade and other payables	(50,813,653)	71,321,218
	<b>240,887,732</b>	<b>118,444,075</b>
<b>Cash Flow from operating activites</b>		
Cash generated from operations	240,887,732	118,444,075
Interest income	-	83,969
Finance costs	(75,213,959)	(59,144,691)
Tax paid	(32,442,236)	(36,286,675)
Net cash from operating activities	<b>133,231,537</b>	<b>23,096,678</b>
<b>Cash Flow from investing activities</b>		
Purchase of property, plant and equipment	(253,163,591)	(63,236,163)
Sale of property, plant and equipment	2,758,621	1,829,490
Purchase of subsidiaries	-	-
Purchase of intangible assets	(2,707,420)	-
Net Cash From investing activities	<b>(253,112,390)</b>	<b>(61,406,673)</b>
<b>Cash Flows fro Financing activities</b>		
Repayment of Borrowings	287,848,789	190,263,231
	<b>287,848,789</b>	<b>190,263,231</b>
<b>Total cash Movement for the year</b>	<b>167,967,936</b>	<b>151,953,236</b>
Cash at the beginning of the year	(101,548,667)	(253,501,903)
<b>Total cash at end of the year</b>	<b>66,419,269</b>	<b>(101,548,667)</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
ATTRIBUTABLE TO OWNERS OF THE COMPANY**

	Share capital Shs	Share premium Shs	Legal Reserve Shs	Translation Reserve Shs	Revaluation reserve Shs	Retained earnings Shs	Total Shs
<b>Year ended 31 December 2018</b>							
At start of year	146,894,092	152,450,453	3,665,461	8,705,196	-	419,744,981	731,460,183
Revaluation for the year					141,929,031		141,929,031
IFRS 9 adjustments						(81,291,916)	(81,291,916)
Translation reserve movements				(12,847,892)			(12,847,892)
Total comprehensive income for the year						33,785,068	33,785,068
At end of year	<b>146,894,092</b>	<b>152,450,453</b>	<b>3,665,461</b>	<b>(4,142,696)</b>	<b>141,929,031</b>	<b>372,238,133</b>	<b>813,034,474</b>
<b>Year ended 31 December 2019</b>							
At start of year	146,894,092	152,450,453	3,665,461	(4,142,696)	141,929,031	372,238,133	813,034,474
Revaluation for the year					205,192,368		205,192,368
Adjustment						(4,613,743)	(4,613,743)
Translation reserve movements				(6,020,710)			(6,020,710)
Total comprehensive income for the year						44,936,245	44,936,245
At end of year	<b>146,894,092</b>	<b>152,450,453</b>	<b>3,665,461</b>	<b>(10,163,406)</b>	<b>347,121,399</b>	<b>412,560,635</b>	<b>1,052,528,634</b>

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The world is now facing an unprecedented calamity. While it is a time of crisis, it is also an opportunity for each of us to bring out the best in us. It is a unique opportunity to make a positive impact on society. Perhaps never before has this mission been more relevant.

The economic crisis will be dramatic almost everywhere in the world. We need to move and act decisively in order to restart and energize the economy as soon as we can. The resumption in activity is likely to be gradual as different sectors of the economy resume at different stages.

Companies today are being judged by governments and society on their responses to this crisis. We are very aware of our social mission in terms of how we treat our employees and customers, while also engaging in efforts to aid the health response. In Flame Tree Group we are making all efforts to keep employment and support so many families that depend on us, keep our commitments with suppliers and with our investors while providing best services and products to our clients and the society at large.

We have developed specific products targeting the control of this pandemic: sanitizing cabins, hand-washing stations, hand sanitizer, dust bins to separate medical or potentially infectious waste. Further to assist with this pandemic at large we have donated many water tanks, sanitizing cabins, hand sanitizers & hand-washing stations, as we collaborate with the Government in any request and enforce compliance of all recommended measures, contributing to educate our staff and clients in best practices to avoid the spread of the virus.

In these weeks of almost global confinement we are at a defining moment, where leadership is needed, supported by a sense of hope and remaining positive while confronting problems.

With almost all sectors affected by Covid-19, businesses are facing extremely tough situations and like other companies and institutions we had to make critical decisions in a relatively short period of time in order to ensure the viability of our companies: a moratorium of several months agreed with our main bankers, budget cuts and cost control measures, postponement of projects that were to start in Q1 & Q2. We will remain focused on innovation to capture any new market opportunity.

We have experienced during the months of Q1 2020 some positive short-term effects of Covid19: increase of sales of our hand-washing stations, increase of sales of hand sanitizers, decrease of the price of plastic raw materials in the international market, following the drastic drop of fuel prices.

Flame Tree Group is financially strong and Management is confident to be able to weather this storm. Being a Regional Group, it is however subject to the measures taken by each government in each jurisdiction to fight the pandemic which is outside the control of the Company. Nonetheless, we are already in the right path: our performance in 2019 has shown a growth in profit before tax of +118%, with higher margins, lower indirect costs and great improvement in working capital management. Many important investments have been already done in the past 2 years: machines, equipment, vehicles and a new factory in Ethiopia. This will allow us to grow in the future without having any restriction in production capacity. We have a new banking partner, that is supporting us on the achievement of our Strategic Plan and even more so through this pandemic: we are proud of the agreement we signed with SBM, and the confidence they have put in our Group. This has increased our funding capacity by 60%.

Our debt ratios continue to be low and our net assets have grown by 30% in the last year alone, boosted by positive results and higher asset values.

Looking ahead FTGH is focused on innovation and increasing sales in our markets of operation and by increasing significantly the value of our exports to other African countries, especially in the cosmetics Division.

We remain hard at work.

Warm regards and best wishes to all,  
Heril Bangera - CEO