



PRESS RELEASE

- **Flame Tree Group sales increased by +19% up to 4.026 million Ksh.**
- **Gross margin dropped 9,6 p.p down to 24.2% (LY was 33.8%) due to exorbitant increased costs of raw material and devaluation of Ksh.**
- **Net loss FY2022 was 214.9 million Ksh.**
- **Net assets increased by +8%.**
- **Working capital management showed positive performance.**

April 29th 2023, Nairobi - FTG Holdings (FTGH: NSE) the diversified manufacturer and distributor of plastic tanks, packaging, cosmetics, snacks, spices and playground equipment, has announced a net loss of 214.9 million due to the sharp increase of costs of raw materials, and reported higher short-term debt required to fund them. Sales increased by +19%, showing YoY growth continuously for the last 5 years.

The Nairobi Securities Exchange (NSE) Listed firm explained that the loss of over 9 p.p of margin eroded 386 million of gross profit, forcing the company to increase LC and working capital lines exclusively to fund the purchase of raw materials. This has translated to exceptionally high levels of short-term debt and finance costs (172.7 million interest). However, all business lines continued to show good growth rates: plastics +11% (despite drop of sales in Ethiopia), and FMCG lines +32.6%.

Net assets increased by +8%, including +30% in fixed assets that was offset partially by the impact of a devaluation reserve.

Overheads increased by +10%, mainly driven by sales team expenses, promotion & marketing actions, that allowed the company to achieve higher market shares.

According to Mr. Heril Bangera, CEO Flame Tree Group, “We continue to put a lot of effort and attention in our working capital management, and after a very bumpy year on the side of stock and purchases, we managed to achieve 74 days of inventory (improvement of 4 days vs LY), 62 days of payables and 48 days of receivables thanks to tight control of customer credit,” said Mr. Bangera.

Net assets of the company showed an accumulated growth in the last 4 years of 58.1%.

Business Outlook

When you look at our 2022 results specifically, there's no question that the operating environment was challenging, prices of coal, diesel and gas rose to sky-high levels, manufacturing companies battled with high operating cost, mainly driven by the haulage and freight cost on the back of the global supply disruptions and this coupled with foreign exchange fluctuation exerted pressure on operating cost affected volume growth and margins.

Inflation has moved past the peak, following the sharp decline in wholesale energy prices. Despite the confluence of multiple shocks such as COVID-19 and Russia's invasion of Ukraine, growth across all five African regions was positive in 2022 – and the outlook for 2023–2024 is projected to be resilient and stable.

“The prospect for our business remains bright as we continue to innovate new ways to deliver quality products to our customers across East Africa” says Mr. Bangerera.

In FTGH we remain committed to our vision of Creating World Class African Brands for our customers in the countries where we currently operate and beyond. We shall continue to grow our business lines and strive to be market leaders. The new machinery we have acquired in the past 2 years has given us additional manufacturing capacity and enables the company to produce new product ranges with high growth potential in our plastic division. The company is committed to reduce the exceptional debt levels required in 2022 and keep a financially sound balance, and we believe the performance in the last 4 years will give confidence to our stakeholders and investors.

We continue to strategize towards compensating all negative impacts as we keep working to achieve higher levels of efficiency in all areas and to gain new customers and diversify our product portfolio.

In FTG we continue to show our commitment to our communities and environment with many different initiatives (water tank donations, tree planting campaigns, solar energy project, the much internationally awarded Lesso Lessons project) all will be part of our newly created ESG report 2022.

Dividend

The board of directors do not recommend the payment of a dividend for the year ended 31 Dec 2022.

Annual General Meeting

The 9th Annual General Meeting of the members will be held on 30th June 2023 at 10 am in Nairobi via Virtual Media as mandated by the CMA. Formal notice of the AGM will follow.

For a copy of Flame Tree Group's financial statements, please visit 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 1,200 people, who are focused on delivering quality, value and innovation to improve customer's lives.

For media enquiries, please contact:

Beatriz Meijide - Group CFO, Email: beatriz.meijide@flametreegroup.com

Rina Hicks – Authorized Representative, Email: rina.hicks@fib.co.ke

Consolidated and separate statements of profit or loss and other comprehensive income

	The Group		The Company	
	2022 Shs	2021 Shs	2022 Shs	2021 Shs
Revenue	4,026,016,240	3,383,108,288	-	-
Cost of sales	(3,049,836,629)	(2,238,383,462)	-	-
Gross profit	976,179,611	1,144,724,826	-	-
Other operating income	-	-	30,081,525	30,288,284
Selling and distribution expenses	(368,186,988)	(318,257,055)	(251,383)	(337,280)
Administrative expenses	(557,890,785)	(481,092,145)	(36,822,521)	(29,929,071)
Other operating expenses	(89,452,471)	(82,592,293)	(1,594,890)	(1,395,833)
Operating (loss)/profit	(39,350,633)	262,783,333	(8,587,269)	(1,373,900)
Finance costs	(226,378,397)	(150,489,329)	(4,435,431)	(2,952,832)
(Loss)/profit before taxation	(265,729,030)	112,294,004	(13,022,700)	(4,326,732)
Current tax	(4,892,818)	(27,170,843)	-	-
Deferred tax	55,649,952	17,420,563	-	-
(Loss)/profit for the year	(214,971,896)	102,543,724	(13,022,700)	(4,326,732)
Other comprehensive income:				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Gains on property revaluation	368,268,769	-	-	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(57,644,579)	2,585,982	-	-
Other comprehensive income for the year net of tax	310,624,190	2,585,982	-	-
Total comprehensive income/(loss) for the year	95,652,294	105,129,706	(13,022,700)	(4,326,732)
Basic earnings per share				
Earnings per share – On total (loss)/profit for the year	(1.21)	0.58	(0.07)	(0.02)
Earnings per share – On total comprehensive income/(loss) for the year	0.54	0.59	(0.07)	(0.02)

Consolidated and separate statements of financial position as at 31 December 2022

	The Group		The Company	
	2022 Shs	2021 Shs	2022 Shs	2021 Shs
Assets				
Non-current assets				
Property, plant and equipment	1,549,264,609	1,189,346,721	35,499	35,259
Right-of-use assets	45,718,029	77,712,162	-	-
Goodwill	71,851,809	71,851,809	-	-
Intangible assets	165,366,931	122,751,662	30,676,826	19,142,656
Investments in subsidiaries	-	-	577,093,954	545,531,392
	1,832,201,378	1,461,662,354	607,806,279	564,709,307
Current assets				
Inventories	793,933,541	685,659,674	-	-
Trade and other receivables	814,999,895	655,906,796	385,089,534	358,042,021
Current tax recoverable	21,864,568	17,255,338	-	-
Cash and cash equivalents	73,330,717	54,325,566	535,044	2,539,348
	1,704,128,721	1,413,147,374	385,624,578	360,581,369
Total Assets	3,536,330,099	2,874,809,728	993,430,857	925,290,676
Equity and Liabilities				
Equity				
Share capital	146,894,092	146,894,092	146,894,092	146,894,092
Share premium	152,450,453	152,450,453	152,450,453	152,450,453
Revaluation reserves	715,390,168	347,121,399	-	-
Legal reserve	3,665,461	3,665,461	-	-
Translation reserve	(107,242,914)	(49,598,335)	-	-
Retained earnings/(accumulated losses)	374,547,534	589,519,430	(106,577,756)	(93,555,056)
	1,285,704,794	1,190,052,500	192,766,789	205,789,489
Liabilities				
Non-current liabilities				
Borrowings	196,258,994	215,428,562	653,813,822	586,538,856
Lease liabilities	51,019,168	82,609,195	-	-
Deferred tax liabilities	53,867,120	38,249,287	-	-
	301,145,282	336,287,044	653,813,822	586,538,856
Current liabilities				
Trade and other payables	762,018,782	632,159,240	12,999,200	8,782,286
Borrowings	843,060,887	412,807,789	25,335,885	30,262,174
Lease liabilities	4,053,773	4,053,773	-	-
Bank overdrafts	340,346,581	299,449,382	108,515,161	93,917,871
	1,949,480,023	1,348,470,184	146,850,246	132,962,331
Total Liabilities	2,250,625,305	1,684,757,228	800,664,068	719,501,187
Total Equity and Liabilities	3,536,330,099	2,874,809,728	993,430,857	925,290,676

Consolidated and separate statements of changes in equity

The Group	Share capital Shs	Share premium Shs	Legal reserve Shs	Translation reserve Shs	Revaluation reserves Shs	Retained earnings Shs	Total equity Shs
As at 01 January 2021	146,894,092	152,450,453	3,665,461	(52,184,317)	347,121,399	486,975,706	1,084,922,794
Translation reserve	-	-	-	2,585,982	-	-	2,585,982
Profit for the year	-	-	-	-	-	102,543,724	102,543,724
As at 31 December 2021	146,894,092	152,450,453	3,665,461	(49,598,335)	347,121,399	589,519,430	1,190,052,500
As at 01 January 2022	146,894,092	152,450,453	3,665,461	(49,598,335)	347,121,399	589,519,430	1,190,052,500
Gain on revaluation	-	-	-	-	368,268,769	-	368,268,769
Translation reserve	-	-	-	(57,644,579)	-	-	(57,644,579)
(Loss) for the year	-	-	-	-	-	(214,971,896)	(214,971,896)
As at 31 December 2022	146,894,092	152,450,453	3,665,461	(107,242,914)	715,390,168	374,547,534	1,285,704,794

Consolidated and separate statement of cash flows

	Group		Company	
	2022 Shs	2021 Shs	2022 Shs	2021 Shs
Cash flows from operating activities				
Cash (absorbed by)/generated from operations	(54,798,871)	242,870,273	(31,418,108)	(304,000,761)
Finance costs	(226,378,397)	(150,489,329)	(4,435,431)	(2,952,832)
Tax paid	(9,502,048)	(75,085,090)	-	-
Net cash (used in)/from operating activities	(290,679,316)	17,295,854	(35,853,539)	(306,953,593)
Cash flows from investing activities				
Purchase of property, plant and equipment	(69,831,030)	(200,722,329)	-	(21,552)
Proceeds from sale of property, plant and equipment	3,749,743	2,758,400	-	-
Purchase of other intangible assets	(42,825,982)	(31,860,649)	(11,534,170)	(11,589,636)
Acquisition of investment in subsidiary	-	-	(31,562,562)	-
Net cash used in investing activities	(108,907,269)	(229,824,578)	(43,096,732)	(11,611,188)
Cash flows from financing activities				
Proceeds from borrowings	411,083,530	174,709,058	62,348,677	307,168,007
Payments of principal portion of the lease liability	(21,850,039)	(14,916,471)	-	-
Net cash from/(used in) financing activities	389,233,491	159,792,587	62,348,677	307,168,007
Net movements in cash and cash equivalents	(10,353,094)	(52,736,137)	(16,601,594)	(11,396,774)
Cash and cash equivalents at the beginning of the year	(245,123,816)	(218,346,914)	(91,378,523)	(79,981,749)
Effects of foreign currency translations	(11,538,954)	25,959,235	-	-
Cash and cash equivalents at end of the year	(267,015,864)	(245,123,816)	(107,980,117)	(91,378,523)