GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Dufil Prima Foods PLC

Nigeria Corporate Analysis **August 2020**

Rating class	Rating scale	Rating	Rating Outlook	Expiry date
Long term	National	A-(NG)	Stable	June 2021
Short term	National	A2(NG)		
N10bn Series 1 Fixed Rate Bond	National	A-(NG)	Stable	June 2021

Financial data:

(USD'm comparative)

	31/12/18	31/12/19
N/USD (avg.)	305.6	306.3
N/USD (close)	306.5	306.9
Total assets	438.1	498
Total debt	274.9	271.1
Total capital	99.8	114.2
Cash & equiv.	7.3	60.4
Turnover	674.6	678.1
EBITDA	79.2	78.1
NPAT	43.6	29.2
Op. cash flow	(5.9)	102.3

Estimated market share: noodles (83%), cooking oil (15%)

Market cap. n.a

Dufil Prima Foods Plc ("Dufil" or "the Group")

Rating history:

Initial rating (June 2016)

Long term: A-(NG)
Short term: A2(NG)
Rating Outlook: Stable
N10bn Series 1 Bond (Oct. 2017): A-(NG)
Rating Outlook: Positive

Last rating (July 2019)

Long term: A-(NG)
Short term: A2(NG)
N10bn Series 1 Bond: A-(NG)
Rating Outlook: Stable

Rating methodologies/research

Global Master Criteria for rating Corporate entities (updated February, 2018)
Dufil Prima Foods PLC Issuer Rating Report: 2016-19.
Glossary of terms/ratios, February 2018.

GCR contacts:

Primary Analyst:
Biyi Baruwa
biyi@gcrratings.com

Committee Chairperson:
Dave King

Analyst location: Lagos, Nigeria
+23 41 904 9462

www.globalratings.com.ng

Summary rating rationale

- Dufil maintains a leading position in the Nigerian noodles (and general non-discretionary FMCG) industry, underpinned by a long operational track record, continuous capacity expansion and significant assets and relationships across the value chain. Strong shareholder support provides access to leading technologies and operational processes.
- The Group has sustained revenue growth over the review period, albeit that revenue significantly underperformed budget in FY19 due to competitive pressures and shortage of raw materials caused by foreign exchange unavailability. While the economic headwinds arising from the COVID-19 pandemic may damper short-term performance, Global Credit Rating Company Limited ("GCR") considers the favourable demographics and the non-discretionary nature of Dufil's products supportive of long-term growth.
- Significant margin pressure has been evidenced since FY18, largely due to higher cost of imported raw materials and other capital/operating expenses, a fallout of the devaluation of the Naira. Tentative stability was demonstrated in the EBITDA and operating margins in 1Q FY20, but the full FY20 position is expected to remain low relative to historical levels given the heighted uncertainties in the market.
- Discretionary cash flows peaked in FY19 due to substantial working capital release, reversing several years of large absorptions. Nevertheless, GCR expects cash flow pressure to remain due to the ongoing expansion of operations.
- Strong operating cash flows, along with a disposal, allowed Dufil to reduce net debt to N64.7bn at FY19 and N68.5bn at 1Q FY20. Accordingly, net debt to EBITDA moderated to 270% at FY19 and 222% at 1Q FY20, reflecting an intermediate level of gearing. Higher debt utilisation combined with the weaker earnings, translated into low net interest coverage of 1.8x at FY19 (FY18: 2.5x), but this improved to 2.8x in 1Q FY20 following the reduction of debt and better interest rate management. GCR expects credit protection metrics to moderate for the rest of FY20.
- Refinancing has improved Dufil's debt maturity profile, with 78% of debt being long term at 1Q FY20, compared to 25% at FY18. Moreover, the group evidences strong access to capital, with unutilised overdraft facilities of c.N24bn secured from more than 8 local banks. This provides an important liquidity buffer in light of the group's increased utilisation of Commercial Paper ("CP") due to the favourable interest rates available.

Factors that could trigger a rating action may include

Positive change: Significant diversification of earnings base into new product lines and/or new customers and geographies would enhance stability of earnings. Further moderation in debt and gearing profile would be positively considered.

Negative change: The persistence of margin pressure could reduce earnings and the cash flows available for debt service, particularly amid the persistently high dividend pay-outs.

GLOBAL CREDIT RATING CO.

Background and recent developments[1]

Dufil commenced business as a manufacturer of instant noodles in 1996 and became incorporated in 2001. It has since evolved into a key player in Nigeria's packaged food subsector with a moderately diversified portfolio of products. Upon conversion to a public limited company in 2008, the Company adopted a holding company structure with two business subsidiaries. Dufil now controls seven wholly-owned business subsidiaries (including two foreign) which are engaged in manufacturing and marketing of noodles, seasoning, pasta, wheat flour, packaging material, snacks and oil. Dufil currently operates from factory locations in Lagos, Ogun, Rivers and Kaduna States, with its corporate head office situated in Lagos.

Table 1:		Dufil Prima Foods PLC		
S/N	**Subsidiary**	**Established**	**Products**	**Factory/Location**
1	De United Foods Industries Limited	1996	Seasoning, Noodles	Ogun and Lagos
2	Insignia Print Technology LFTZ Enterprise	2008	Packaging materials	Lekki FTZ, Lagos
3	Pure Flour Mills Limited	2011	Flour, Snack, Pasta	Rivers
4	Raffles Oil LFTZ Enterprise	2013	Vegetable oil	Lekki FTZ, Lagos
5	Northern Noodles Limited	2011	Noodles	Kaduna
6	De United Foods Industries Ghana Limited*	2013	Noodles and Pasta	Accra, Ghana
7	Enriched Pte. Limited*	2017	Procurement	Singapore

* Foreign subsidiaries

Some of Dufil's subsidiaries were established as part of backward integration initiatives adopted by the company with a view of securing the supply chain and hence reducing the company's exposure to adverse changes in the operating environment for its flagship product-*indomie noodles*. Consequently, many of the inputs for *indomie noodles* are now sourced from within the group. The Singapore based subsidiary is expected to mainly serve as a procurement arm for imports. This will reduce foreign exchange risks prevalent in Nigeria. In addition, operating lease agreements are in force with Standards Flour Mills Limited (Apapa, Lagos State) and Valluembra Flour Mills Limited (Aba, Abia State) for the use of their production facilities to augment production and supply of flour for internal use.

Dufil's strategy is to maintain its dominant brand in the noodles' segment of the food business, with a current market share of over 80%. This is being driven by capacity expansion, acquisition of small competitors, aggressive marketing and an efficient distribution system.

Major developments within the last one year include:

- Completion of the Ghana noodles factory, with two lines already installed and in full operation (April 2019). A third line is expected to be completed by end-July.
- Dufil has invested c.USD8m in cassava processing plant in order to complement the use of wheat and partly mitigate foreign exchange volatility on importation. The milling plant is due for completion by September, 2020.

Shareholding and corporate governance

Dufil's corporate governance structure complies with the requirements of Companies and Allied Matter Act and Securities and Exchange Commission. Dufil's Board of Directors retains a well-rounded directorship, with members contributing varied professional experience across key economic sectors from different countries. Some of the directors also hold other directorships in other companies.

Oversight functions are carried out through the Board Committees listed in Table 2, while two management committees cover the important aspects of the day-to-day business.

Table 2: Corporate governance summary	
Directors	2 executive 5 non-executive, including an independent director and the Chairman
Frequency of meetings	At least once per annum
Separation of Chairman	Yes
Board committee	Executive Management, Audit Committee
Internal control and compliance	Yes, reports to the audit committee
External auditor	Deloitte and Touche (issued unqualified clean audited opinion)

The key change to the composition of the Board of Directors related to Mr Adhi S. Narto replacing Mr Deepak Singhal as Chief Executive Officer, upon resignation of the latter.

Dufil is controlled by two major shareholders, *Tolaram and Salim Groups*, each holding a 49% stake. The remainder is held by a number of local investors. The 50% acquisition of Tolaram Africa by Kellogg's (an American multinational food-manufacturing company) in 2018 brought further diversification to Dufil's ultimate shareholder base and may provide access to market leading technologies and operational processes.

Operating environment

The Nigerian economy registered annual real GDP growth of 2.27% (2018: 1.91%). The growth was largely underpinned by relative stability within the oil producing areas and the foreign exchange market, declining farmers-herders clashes, favourable climatic conditions and increased monitoring within the land borders. However, the economy is witnessing a sharp slowdown due to the COVID-19 pandemic, as well as weak crude oil prices and demand. Oil prices declined below USD20/barrel as of mid-April 2020, and recovered to USD40/barrel in June 2020 against an average price of USD64/barrel in 2019, and are unlikely to recover meaningfully in the short-term.

The inflation rate registered at 12.56% in June 2020, representing a tenth consecutive month-on-month increase. While the CBN has maintained the monetary policy rate at 13.5%, it has recently implemented certain

[1] Readers are advised to refer to previous rating reports for a more detailed background.

policy measures to cushion the adverse impact of the COVID-19 outbreak, including a reduction in interest rates on all CBN applicable intervention facilities from 9% to 5%. While the apex bank has increased focus on maintaining relative stability across all segments of the foreign exchange market, foreign reserves remain under pressure, declining from USD43bn in January 2019 to a low of USD36bn in June 2020. Given that the oil sector accounts for at least 90% of foreign exchange earnings and over 60% of government budgetary revenues, the weak crude oil prices are a major concern.

Overall, GCR expects a recession in 2020, with the continuing slowdown in economic activities expected to have a significant impact on most sectors.

Industry overview

Many factors have led to sustained upward growth in the Fast Moving Consumer Goods ("FMCG"). On the supply side, efficient marketing and distribution strategies, product innovation, restrictions on the importation of certain food products have all contributed to expanded local production. Nevertheless, the primary long-term driver of growth remains favourable demographics, with Nigeria benefiting from a young and increasingly urban population.

Benefits from local production are partly counteracted by the significant portion of imported raw materials. Notwithstanding increasing flour milling capacity (over 30,000 MT per day), the growing demand for wheat far outweighs its local production. The Nigerian Government is investing efforts to improve local wheat production, while CBN provides some funding support to local producers. Nevertheless, local production is forecast to remain less than 10% of demand in the medium term. Given the high import requirements, the industry is susceptible to spikes in international prices, which raise import credit costs and depress margins.

Table 3: Key Comparatives FY18 (N'm)	**Dufil Dec. 2019**	**Honeywell Dec. 2019***	**FMN Dec. 2019***
Revenue	*208,113.0*	*77,640.0*	*564,638.5*
EBITDA	**23,983.6**	**7,493.3**	*35,349.4*
Op. profit	19,444.9	4,490.7	*32,908.3*
Net finance cost	(10,906.5)	(5,661.3)	*(17,490.0)*
NPBT	9,148.0	(1,170.7)	*16,389.2*
Total debt	**83,196.4**	**73,653.3**	*152,399.5*
Cash	*(18,541.4)*	*(14,222.7)*	*(22,418.5)*
Net debt	**64,655.0**	**59,430.7**	**129,981.0**
Equity	35,045.9	55,706.0	*203,877.1*
Key ratios (%):			
Gross margin	18.0	17.8	7.6
Op. margin	9.3	5.8	5.8
Net int coverage (x)	1.8	0.8	1.9
Net debt: EBITDA	269.6	793.1	367.7
Net debt: equity	184.5	106.7	63.8

*Annualised 9 months figures

Notwithstanding the massive infrastructural deficit (which serves as a drawback to accelerated growth), the FMCG packaged-food sector remains highly competitive with major players implementing various strategies to maintain market share amidst declining margins. Large locally based companies, include; Dufil, Honeywell, Flour Mills, WAMCO, Promasidor and Yale, while major international companies are represented by Cadburys, Nestle and Unilever. Other foreign owned brands maintain their presence through alliances with Nigerian companies to repackage and/or market their products in the country, thus lowering the risk of market entry.

Earnings diversification

Table 4: Revenue diversification	**2017**		**2018**		**2019**	
	N'm	**%**	**N'm**	**%**	**N'm**	**%**
Noodles	117,242	68.3	131,079	63.6	135,872	65.3
Palm oil	31,872	18.6	55,410	26.9	48,293	23.2
Flour	6,878	4.0	3,371	1.6	3,805	1.8
Pasta	6,632	3.9	7,124	3.5	9,156	4.4
Snacks	7,859	4.6	7,433	3.6	8,204	3.9
Packaging	1,269	0.7	1,756	0.9	2,784	1.3
Total	**171,752**	**100**	**206,173**	**100**	**208,113**	**100.0**

Noodles continues to dominate Dufil's revenue, accounting for between 60%-70% over the review period. Growth in noodles revenue, however, slowed in FY19 due to a new entrants into the market. The cooking oil segment recorded a steeper decline of 13% in FY19 due to the inability to access foreign exchange for importation of inputs. While marginal growth was reported in most other product lines (on the back of increased demand and improved marketing), their contribution remains low.

In Ghana, the production line established in April 2019 is operating at full capacity. The group has also made an acquisition offer for its sole competitor (the Blow Group), to be 25% funded through equity and the remainder through local currency debt. Given the new production facility, Ghana revenue increased c.8% to c.N17bn in FY19.

GCR takes a negative view of the high reliance Dufil has on a single contract, Multipro Consumer Products Limited ("MCPL"), to carry out its product distribution. Concerns are somewhat mitigated by the common shareholdings both companies have through Tolaram Group. Dufil also benefits substantially from MCPL's extensive distribution network. Nevertheless, the risk remains that a material adverse change in the operating environment (as experienced in FY17) or other internal and/or exogenous factors could constrain MCPL's capacity to distribute Dufil's products or make timely payments, which would substantially impact Dufil's viability. GCR would expect Dufil to demonstrate a clear and workable back up strategy, to mitigate possible shocks that may arise if MCPL becomes unable to perform.

Financial performance

A five-year financial synopsis is reflected at the end of this report, and commentary follows hereafter. Dufil's financial statements were compiled in line with International Financial Reporting Standards ("IFRS"), as well as the requirements of CAMA and Financial Reporting Council of Nigeria. The Auditors, Deloitte and Touche issued unqualified opinions for each of the five years of audited financial statements.

Table 5: Income statement (N'm)	FY17	FY18	FY19		% achvd
			Actual	Budget	
Revenue	*171,752*	*206,173*	*208,113*	*241,190*	86
Gross profit	51,363	39,533	37,439	47,530	79
EBITDA	**34,747**	**24,194**	**23,570**	**28,970**	**81**
Depreciation	(2,694)	(3,519)	(4,539)	(4,510)	101
Op. profit	**32,053**	**20,675**	**19,032**	**24,460**	**78**
Net interest	(9,700)	(8,349)	(10,906)	(8,150)	134
Forex loss	(326)	-	-	-	n.a
Other op. inc./(exp.)	1,139	1,412	1,022	-	n.a
NPBT	**23,166**	**13,738**	**9,148**	**16,310**	**56**
Key ratios (%)					
Gross margin	29.9	19.2	18.0	19.7	-
EBITDA margin	20.2	11.7	11.3	12.0	-
Op. margin	18.7	10.0	9.1	10.1	-
EBITDA: net int. (x)	3.6	2.9	2.2	3.6	-

Although Dufil's revenue increased marginally in FY19, it underperformed budget by 14% owing to competitive pressures and shortage of raw materials caused by foreign exchange unavailability. Revenue remained flat YoY in 1Q FY20 and management expect stronger growth through the remainder of the year, but the group is still likely to underperform budget. GCR expects the ongoing COVID-19 pandemic to impact the performance of the broader FMCG sector, while non-discretionary consumer goods will see some resilience in FY20.

The combination of higher input and utility costs led to a N4bn increase in cost of sales in FY19, offsetting the benefits from the revenue growth. Consequently, the gross margin tapered to a review period low of 18%, before improving to 20% as of 1Q FY20 (1Q FY19: 15.3%) due to cN3bn reduction in cost of raw materials. The EBITDA and operating margins were further impacted by higher spending on consumer and trade promotions in FY19. To improve profit margins, Dufil intends to raise product prices and implement cost containment measures in that order. However, GCR does not expect the cost saving to offset the cost pressures arising from the ongoing construction projects. Positively, the Ghana plant is also expected to start yielding profit in FY20.

The net interest cost increased by c.N2.6bn to N10.9bn in FY19 due to greater use of short term credit facilities (mostly import finance facility and bank overdraft). This, combined with the weaker earnings, translated into low net interest coverage of 1.8x (FY18: 2.5x). Due to the favourable interest rates, Dufil continues shifting short term borrowings towards Commercial Paper ("CP"). This could result in a meaningful reduction in interest payments if gross debt does not increase.

Overall, NPBT declined by N4.6bn to N9.1bn in FY19, underperforming budget by 44%. Dufil has benefited from very low income tax charges (cumulative of N2.9bn since FY10), on the back of various tax holidays granted. However, as these benefits lapse, management expects the income tax charge to normalise and average N1bn between FY20 and FY22.

Cash flows

As a result of steady decline in core earnings, cash generated by operations weakened by 11% to N25.7bn in FY19. In contrast to previous years, there was a large working capital release. Inventory balances were lower due to the shortage of foreign currency for raw materials imports as well as the reduction in the cost of raw materials (on the back of moderation in the international price of wheat). Dufil also procured more inputs on favourable credit terms. However, trade receivables rose by a further N9.9bn to N35.4bn in FY19. As the main debtor is a related party, Dufil does not foresee any debtor losses, but MPCL exceeding its payment terms does add significantly to Dufil's liquidity pressure.

Discretionary cash flow peaked at N26.9bn due to the improved working capital. This, combined with proceeds of assets disposal (of about N7bn) supported higher expansionary spend of nearly N20bn in FY19 (FY18: N14.7bn), as well as improved cash holdings.

Amid the ongoing expansion and the volatile free cash flow, Dufil continues to pay dividends to its shareholders, with N3.9bn disbursed in FY19 (as against FY18: N7.4bn paid out of FY17's profit). This could constrain the Group's ability to meet credit obligations from internal resources.

Funding profile

As Dufil is in an expansion phase, the Company relies heavily on debt to meet its growing capex (cumulative N33.7bn in FY18-19) and working capital requirements. This notwithstanding, it has been able to curtail escalation in debt with gross debt slightly reducing to N83.2bn in FY19 (FY18: N84.3bn), due to the strong free cash flows in the year. As additional debt draw down occurred near year end, Dufil reports a substantial cash holding in respect of unspent portion of the loans taken, translating to a much lower net debt position in FY19.

Dufil benefits from diverse sources of debt financing (most of which are renewable annually), which includes commercial banks, development institutions and the capital market. While gross debt remained fairly stable at FY19, there was a favourable shift towards longer term facilities, which accounted for a greater 45% (FY18: 1%). Moreover, after accounting for the substantial N18.5bn cash holdings at FY19 (FY18: N2.2bn), net debt was significantly lower at N64.7bn (FY18: N82bn). The cash arose from the disposal of fixed asset amounting to c.N7bn in FY19 as well as the unutilised portions of loans drawn down close to the year end. As the cash was used to repay debt post year-end, gross debt declined to N69.7bn at 1Q FY21. Significantly, long term debt climbed to 77% of the total at 1Q FY20, as Dufil secured loans from six bank/institution, which has been utilised to refinance maturing short term facilities.

Dufil established a commercial paper issuance programme in March 2020 to refinance its dollar denominated loan due for repayment in May 2020.

Table 6: Debt facility profile	Purpose	Drawdown as at 31-Dec-2019	Unutilised as at 31-Dec-2019	Interest rate	Maturity
IFF	WC	N25,143.0	--		Various
CP				7%	
Term loans	Capex/refin.	N40,053.6	--	LIBOR+5.2 5% to 10%	Various
BOI/NEXIM	Capex/refin.	N17,556.1	--	7-10%	Various
Overdrafts:	Various	N75.3	22,974.7		Various

To date, N15bn in CP has been issued with 270 days tenor out of which N1.5bn is maturing in September 2020 and the remaining N13.5bn is maturing in December 2020. The Group is taking advantage of low interest regime to pay back its existing high interest short term loan. Dufil had planned to refinance it using CP, but because of the inability to access USD when it fell due, the loan was extended. Going forward, Dufil plans to use CP to manage its short-term trading and liquidity requirements, given the current favorable interest rates. This will also minimize currency risk (around USD12.5m), albeit this cannot be eliminated due to the large proportion of raw material inputs that are imported. To manage liquidity risk, Dufil also has around N24bn in unutilized overdraft facilities from more than eight local banks, which could be used to cover CP redemptions if necessary.

Table 7: Funding profile (N'm)	FY18	FY19		1Q FY20
		Actual	Budget	
ST Debt	63,463.2	52,961.5	23,338.2	15,235.8
LT Debt	20,799.0	30,234.9	51,820.1	54,436.9
Total Debt	**84,262.2**	**83,196.4**	**75,158.3**	**69,672.7**
Cash	(2,232.4)	(18,541.4)	(500.0)	(1,150.6)
Net Debt	**82,029.8**	**64,655.0**	**74,658.3**	**68,522.0**
Equity	30,573.4	35,045.9	40,249.0	35,518.7
Key ratios (%):				
Total debt: equity	275.6	237.4	186.7	196.2
Net debt: equity	268.3	184.5	185.5	192.9
Total debt: EBITDA	348.3	346.9	171.2	225.6
Net debt: EBITDA	339.1	269.6	170.1	221.9
EBITDA: net int. (x)	2.9	2.2	3.6	13.5
Op. inc: net interest (x)	2.5	1.8	3.0	2.8

*Annualised EBITDA

The lower net debt at FY19 and 1Q FY20 resulted in some improvement in the gearing metrics, albeit within levels considered to be average/below average. Net debt to EBITDA fell to a new low of 270% in FY19 and further to 222% in 1Q FY20 (FY18: 339%), demonstrating some improvement in the Group's credit worthiness. GCR expects improvement in the gearing metrics in FY20 if the current debt management strategy is sustained and earnings ramped up. This notwithstanding, EBITDA coverage of net interest deteriorated to a lower 2.2x in FY19 (FY18: 2.9x), owing to a combination of higher interest charges and decline in core earnings. With 1Q FY20 EBITDA annualized, the metric improved to 3.5x on the back of debt repayment post year-end.

Update on N10bn Series 1 Bond Issue

In FY17, Dufil registered a N40bn multi-year Bond programme, followed by the successful issuance of N10bn under Series I in August, 2017. The Bond is a senior unsecured obligation, with interest on the bonds accruing from issue date and payable semi-annually in arrears in March and September of every year. The principal will be settled through a bullet repayment upon maturity. The key features of the Bond are detailed in Table 8.

Table 8: Key features of the Bond	
Bond size	N10,000,000,000
Interest rate:	18.25%
Repayment frequency (p.a):	2 (semi-annually)
Tenor:	5years
Next payment date	01-Sept-20
Maturity date	01-Sept-22
Total coupon payment as at 31 March 2020	N4,555,645,792

GCR has reviewed the trustees report dated 7 June 2020 (received from ARM Trustees and Stanbic IBTC trustees), regarding the performance of the bonds. The report indicates that coupon payments were made to bondholders at the respective due dates and that the trustees did not report any breach to covenants or pledges, or changes to the security structure.

This page is intentionally left blank

Dufil Prima Foods PLC

(Naira in Millions except as Noted)

Statement of comprehensive income – Year end: 31 December	2015	2016	2017	2018	2019	1Q FY20
Turnover	103,893.9	120,741.0	171,751.8	206,173.0	208,113.0	51,907.5
EBITDA	**8,012.2**	**21,546.7**	**34,747.3**	**24,194.0**	**23,983.6**	**7,719.8**
Depreciation	(2,430.1)	(2,599.3)	(2,694.4)	(3,519.4)	(4,538.7)	(1,216.1)
Operating income	**5,582.1**	**18,947.4**	**32,052.9**	**20,674.6**	**19,444.9**	**6,503.7**
Net finance charges	(4,457.2)	(7,298.5)	(9,699.7)	(8,349.1)	(10,906.5)	(2,286.9)
Foreign exchange (loss)/gain	(67.9)	(4,084.5)	(325.7)	0.0	0.0	0.0
Other operating income/(expense)	403.6	737.5	1,138.9	1,412.1	609.6	(1,846.8)
NPBT	**1,460.6**	**8,301.9**	**23,166.5**	**13,737.6**	**9,148.0**	**2,369.9**
Taxation paid	(115.3)	(203.8)	(695.8)	(421.8)	(171.7)	(294.0)
Profit from continuing operations	**1,345.4**	**8,098.1**	**22,470.7**	**13,315.8**	**8,976.3**	**2,075.9**
Other comprehensive (loss)/gain	(123.9)	(150.2)	(0.2)	39.5	(587.3)	(354.2)
Interim dividend paid	0.0	0.0	0.0	0.0	0.0	0.0
Total Comprehensive Income	**1,221.4**	**7,947.9**	**22,470.5**	**13,355.3**	**8,389.0**	**1,721.8**
Statement of cash flows						
Cash generated by operations	**10,255.7**	**20,516.8**	**37,163.8**	**28,940.6**	**25,719.1**	**375.0**
Utilised to increase working capital	1,373.0	(14,733.9)	(13,449.7)	(18,471.3)	17,379.0	(2,917.0)
Net interest paid	(4,550.7)	(7,187.8)	(9,622.3)	(8,284.9)	(10,687.4)	0.0
Taxation paid	(1,931.3)	(2,239.7)	(2,316.6)	(3,974.3)	(1,012.0)	0.0
Cash flow from operations	**5,146.8**	**(3,644.6)**	**11,775.1**	**(1,790.0)**	**31,398.7**	**(2,542.0)**
Maintenance capex‡	(2,430.1)	(794.9)	(2,694.4)	(3,519.4)	(4,538.7)	(1,216.1)
Discretionary cash flow from operations	**2,716.7**	**(4,439.5)**	**9,080.7**	**(5,309.4)**	**26,860.0**	**(3,758.1)**
Dividends paid	(67.5)	(67.5)	(15,937.9)	(7,428.7)	(3,917.0)	0.0
Retained cash flow	**2,649.2**	**(4,507.0)**	**(6,857.2)**	**(12,738.1)**	**22,943.0**	**(3,758.1)**
Net expansionary capex	(632.2)	0.0	(8,358.3)	(11,198.0)	(14,455.4)	167.9
Investments and other	3.8	0.2	0.0	0.0	751.7	0.0
Proceeds on sale of assets/investments	45.5	64.1	47.2	848.3	6,848.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0	0.0
Cash movement: (increase)/decrease	(391.2)	(3,707.0)	(496.8)	3,232.9	(16,309.0)	(24,603.0)
Borrowings: increase/(decrease)	(1,675.0)	8,149.8	15,665.1	19,854.9	221.7	28,193.2
Net increase/(decrease) in debt	**(2,066.2)**	**4,442.7**	**15,168.3**	**23,087.8**	**(16,087.3)**	**3,590.2**
Statement of financial position						
Ordinary shareholders interest	10,216.9	18,103.9	24,642.6	30,573.4	35,045.9	35,518.7
Outside shareholders interest	0.0	0.0	0.0	0.0	0.0	0.0
Pref shares and conv debentures	0.0	0.0	0.0	0.0	0.0	0.0
Total shareholders' interest	**10,216.9**	**18,103.9**	**24,642.6**	**30,573.4**	**35,045.9**	**35,518.7**
Current debt	35,286.6	41,800.4	44,697.5	63,463.2	52,961.5	15,235.8
Non-current debt	5,449.4	7,632.5	20,576.9	20,799.0	30,234.9	54,436.9
Total interest-bearing debt	**40,735.9**	**49,432.9**	**65,274.5**	**84,262.2**	**83,196.4**	**69,672.7**
Interest-free liabilities	9,162.0	12,786.3	21,250.9	19,439.2	34,608.8	33,071.0
Total liabilities	**60,114.8**	**80,323.1**	**111,168.0**	**134,274.8**	**152,851.1**	**138,262.3**
Property, Plant and Equipment	28,619.2	26,811.0	35,145.6	45,757.0	51,842.6	51,825.7
Investments and other non-current assets	190.8	219.6	175.0	326.1	1,249.9	326.1
Cash and cash equivalent	1,261.4	4,968.4	5,465.2	2,232.4	18,541.4	1,150.6
Other current assets	30,043.4	48,324.1	70,382.1	85,959.4	81,217.2	85,286.0
Total assets	**60,114.8**	**80,323.1**	**111,168.0**	**134,274.8**	**152,851.1**	**138,588.4**
Ratios						
Cash flow:						
Operating cash flow : total debt (%)	12.6	neg	18.0	neg	37.7	neg
Discretionary cash flow : net debt (%)	6.9	neg	15.2	neg	41.5	neg
Profitability:						
Turnover growth (%)	15.8	16.2	42.2	20.0	0.9	20.0
Gross profit margin (%)	17.3	26.9	29.9	19.2	18.0	20.1
EBITDA : revenues (%)	7.7	17.8	20.2	11.7	11.5	14.9
Operating profit margin (%)	5.4	15.7	18.7	10.0	9.3	12.5
EBITDA : average total assets (%)	13.7	32.1	38.4	20.4	18.0	5.7
Return on equity (%)	14.0	57.2	105.1	48.2	27.4	23.5
Coverage:						
Operating income : gross interest (x)	1.2	2.6	3.3	2.4	1.7	2.4
Operating income : net interest (x)	1.3	2.6	3.3	2.5	1.8	2.8
Activity and liquidity:						
Trading assets turnover (x)	4.6	4.4	4.3	3.7	3.7	4.4
Days receivable outstanding (days)	32.6	39.4	50.6	48.8	53.3	194.2
Current ratio (:1)	0.7	1.0	1.2	1.1	1.2	1.8
Capitalisation:						
Net debt : equity (%)	386.4	245.6	242.7	268.3	184.5	192.9
Total debt : equity (%)	398.7	273.1	264.9	275.6	237.4	196.2
Net debt : EBITDA (%)	492.7	206.4	172.1	339.1	269.6	221.9
Total debt : EBITDA (%)	508.4	229.4	187.9	348.3	346.9	225.6

‡ Depreciation used as a proxy for maintenance capex expenditure

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity; d) the ratings are valid until June 2021.

Dufil Prima Foods PLC participated in the rating process via teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to Dufil Prima Foods PLC.

The information received from Dufil to accord the credit rating included;

- 2019 audited annual financial statements (plus four years of comparative numbers),
- 1Q 2020 unaudited management accounts
- industry comparative data and regulatory framework
- five year projections
- a breakdown of facilities available and related counterparties.
- information specific to the rated entity and/or industry was also received.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.