

GOLDEN PENNY FOODS LIMITED

2025 Corporate Rating Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

GOLDEN PENNY FOODS LIMITED

Issuer Rating:

A-

A company with good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.

Outlook: Stable

Issue Date: 10 September 2025

Expiry Date: 30 September 2026

Previous Rating: N/A

Industry: Food

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RATING RATIONALE

Agusto & Co. hereby assigns an “A-” rating to Golden Penny Foods Limited (“GPFL”, “GPFL Group” or “the Group”). The assigned rating reflects the Group’s resilient earnings and cash flows despite prevailing macroeconomic headwinds, supported by its strong pricing power and market leadership in the Nigerian Flour Milling Industry. This strong pricing power not only supports the Group’s ability to safeguard profit margins in the wake of rising cost pressures but also underpins its capacity to invest in innovative product offerings that meet the changing consumer preferences. Similarly, the Group’s strong and long-standing relationships with its major customers, suppliers and financial institutions also support its cash flow and liquidity positions, as well as continued access to funding through business economic cycles. The assigned rating also considers the potential revenue and cost synergies to be derived from the recently completed corporate restructuring. Management believes that the restructuring will effectively enable the Group to focus on its core food segment, resulting in increased earnings and cash flows. Notwithstanding, the assigned rating is constrained by GPFL’s lingering short-term funding challenges, precipitated by sustained inventory investments and rising intercompany receivables, as well as concerns over its elevated debt profile. This is in addition to the lingering vulnerability of Golden Penny Foods Limited’s future earnings and cash flows to global commodity price fluctuations amid its continued reliance on imported wheat.

In line with its restructuring efforts, Flour Mills of Nigeria Plc (FMN), previously rated by Agusto & Co., was delisted from the Nigerian Stock Exchange (NGX) on 30 December 2024. Following the delisting, eight different entities within the FMN Group were merged to form Golden Penny Foods Limited. The merged entities include FZE Food Operations (comprising flour milling, pasta, and ball foods businesses of FMN), Honeywell Flour Mills Plc, Northern Nigeria Flour Mills Plc, Port Harcourt Flour Mills Limited, Ecowise Horizon Investments Limited, Premium Edible Oil Products Limited (PEOPL) and Agripalm. Both Honeywell Flour Mills Plc and Northern Nigeria Flour Mills Plc continue to operate as publicly traded entities. Golden Penny Foods Limited is a fully integrated food business and a leading flour miller with an installed capacity of over 3 million metric tonnes per annum. The Group offers different wheat-based foods and edible oils under its Golden Penny brand.

In the financial year ended 31 March 2025 (FYE 2024/25), the Group’s revenue increased by 48% to ₦2.4 trillion, reflecting upward price adjustments and higher sales volume during the year. As a result of the strong top-line growth and economies of scale from the corporate restructuring, the Group’s direct costs-to-revenue ratio remained flat at 85.8% in the review year (2023/24: 85.1%). Therefore, Golden Penny Foods Limited’s gross profit margin remained steady at 14.2% in FYE 2025

(2024: 14.9%). Notwithstanding, the Group's operating profit margin (OPM) fell sharply to 7.4% in FYE 2025 (2024: 11%), primarily due to the one-off ₦61 billion impairment recognised on its undelivered forward contracts of \$94 million with the Central Bank of Nigeria (CBN). During the year, GPFL recorded a substantial increase in other income of ₦56.9 billion from interest income on bank placements, intercompany loans and unrealised foreign exchange gains, which somewhat muted the substantial impairment charge on the undelivered forwards recognised in FYE 2024/25. Buoyed by the sharp increase in other income recorded in the year under review, the Group posted a much higher pre-tax profit margin of 5.1% in FYE 2025 (2024: 0.5%). Overall, the Group's pre-tax pre-interest return on assets (ROA) and pre-tax return on equity (ROE) ratios improved to 16.7% and 60.9%, respectively, in FYE 2025 (2024: 18% and 7.3%), highlighting its good profitability position.

The Group's unaudited accounts for the three months ended 30 June 2025 (Q1'2025/26) showed a total revenue of ₦548 billion (Q1'2024/25: ₦605 billion), highlighting a decline in sales volume. However, GPFL's gross and operating profit margins rose sharply to 17.2% and 11.1%, respectively, in Q1'2025/26 (Q1'2024/25: 12.6% and 8.6%), underscoring economies of scale and GPFL's ability to pass on cost increases to customers. Overall, GPFL's pre-tax profit margin grew to 6.6% during the period (Q1'2024/25: 1.8%), due to the lower borrowing costs. At the same time, Golden Penny Foods Limited's annualised ROA and ROE ratios of 19% and 66%, respectively, in Q1'2025/26 were well above our internal benchmarks, reflecting a healthy profitability. Given the enduring demand for its product offerings, revenue and cost synergies from the restructuring, its key industry position and strong pricing power, we anticipate sustained improvements in the Group's profitability metrics.

During the review year, the Group's operating cash flow (OCF) moderated to ₦106 billion (2024: ₦315 billion), reflecting increased inventory investments and higher intercompany receivables, as well as a sharp decline in suppliers' credit. The OCF in the review year, which represented 4% of the revenue, was insufficient to meet interest payments to lenders and dividends to shareholders of ₦122 billion. Nonetheless, the Group's EBITDA of ₦272 billion in FYE 2024/25 was sufficient to meet the returns to finance providers. Overall, we recognise that the Group has a strong ability to refinance maturing debt obligations, due to long-standing banking relationships and a strong track record in the Nigerian debt capital market. Buoyed by its strong earnings forecast, we expect an improvement in GPFL's cash flow. Nonetheless, we expect the increased inventory levels and higher intercompany receivables to continue straining the Group's cash flow and liquidity in the short term.

As at FYE 2025, Golden Penny Foods Limited recorded an overall working capital deficiency of ₦27 billion, underscoring sustained investments in trading assets (inventory and higher intercompany receivables). Given Management's plan to introduce additional funding into GPFL's capital structure, via a corporate bond issuance before the end of the current financial year, coupled with the prospect of increased profit retention stemming from the recently completed corporate restructuring, we expect some improvements in its overall working capital position in the short term.

As at FYE 2025, Golden Penny Foods Limited's total liabilities rose by 21% to ₦1.2 trillion, reflecting incremental borrowings obtained during the review year, increased intercompany payables and an upsurge in other creditors. As at the same date, the Group's total liabilities comprised non-interest-bearing obligations (64%) and interest-bearing liabilities (36%). Although the Group's interest-

bearing liabilities (less cash and equivalents) to equity and net debt (net of cash) to average total asset ratios fell to 116% and 94%, respectively, as at 31 March 2025 (2024: 304% and 96%), these ratios remained above our internal benchmarks, thus underscoring its elevated leverage profile.

Despite the negative impact of higher inflationary pressures on consumer disposable income, we still expect household spending on food and other essential items to remain elevated. Hence, we believe that by adjusting prices and tailoring its product offerings and packaging to align with consumer budgets and preferences, GPFL is well-positioned to navigate the current macroeconomic headwinds and capture growth opportunities in Nigeria's food market.

Based on the above, we hereby attach a **stable** outlook to Golden Penny Foods Limited.

Figure 1: Strengths, Weaknesses, Opportunities and Challenges



PROFILE OF GOLDEN PENNY FOODS LIMITED

Golden Penny Foods Limited (“GP Foods”, “GPFL”, or “the Company”), formerly Flour Mills of Nigeria PLC, is a leading food company in Nigeria. The Company was initially incorporated as a private limited liability company in 1960, but commenced operations two years later with an installed flour milling capacity of 500 metric tonnes per day. The Company became a public limited liability company in 1978, and its shares were listed on the Nigerian Exchange Limited. GP Foods has evolved into one of the largest flour milling companies in Nigeria with an installed capacity of approximately 9,310 metric tonnes per day at its Apapa milling sites located within the Lagos metropolis.

In May 2022, the erstwhile Flour Mills of Nigeria PLC, through its affiliates – Ecowise Horizon Investment Limited and Greywise Investment Solutions Limited, acquired a 76.75% equity stake in Honeywell Flour Mills PLC (“HFMP”), for a cash consideration of ₦4.20 per share. On 30 December 2024, Flour Mills of Nigeria PLC, previously rated by Agusto & Co., executed a corporate restructuring plan, resulting in its delisting from the Nigerian Exchange Group (NGX). Following the delisting, eight different entities were merged with the former Flour Mills of Nigeria PLC to form Golden Penny Foods Limited. These entities include FZE Food Operations (comprising flour milling, pasta, and ball foods businesses of FMN), Honeywell Flour Mills Plc, Northern Nigeria Flour Mills PLC, Port Harcourt Flour Mills Limited, Ecowise Horizon Investments Limited, Premium Edible Oil Products Limited (PEOPL) and Agri Palm Limited. Under the restructuring arrangement, Honeywell Flour Mills PLC and Northern Nigeria Flour Mills PLC will continue to operate as publicly traded entities. We expect this acquisition to further deepen Golden Penny Food Limited’s market share, particularly in the business-to-consumer (B2C) category, where most of the subsidiaries have a competitive advantage.

Golden Penny Foods Limited, through its other subsidiaries, has products in the edible oil & fats, as well as oil palm categories. GPFL has continued to pursue strategic capacity expansion and realignment of its food segment, while advancing its backward integration and local content programmes aimed at minimising reliance on imported grains and exposure to external shocks. This is in addition to the constant modification of its product offerings with the launch of new flavours and the introduction of pack sizes of various price points to address the issue of product affordability. Furthermore, GPFL has continued to restructure its route-to-market channels by increasing investments in its retail distribution channels and transport fleet covering both the B2B and B2C categories.

Golden Penny Foods Limited and its subsidiaries are collectively referred to as Golden Penny Foods Limited Group (“GPFL”, “GPFL Group” or “the Group”). Agusto & Co. has analysed the financial performance of the GPFL Group.

Table 1: List of Subsidiaries as at 31 March 2025

Subsidiaries	GPFL's Equity Stake (%)	Principal Activity
FZE Food Operations	100%	Flour milling, pasta and ball foods
Ecowise Horizon Investment Limited	100%	Investment
Honeywell Flour Mills PLC	78%	Flour Milling
Nigerian Eagle Flour Mills Limited	51%	Flour Milling
Northern Nigeria Flour Mills Plc.	60%	Flour Milling
Port Harcourt Flour Mills Limited	55%	Flour Milling
Premium Edible Oil Products Limited	99%	Edible Oil & Fats
Agri Palm Limited	99%	Oil Palm

Source: Golden Penny Foods Limited's Management Presentation

Golden Penny Foods Limited prioritises health, safety and environmental protection (HSE) in line with international best practices. The Company is a recipient of ISO 9001:2009 and ISO 27001:2013 certifications in Quality Management Systems and Information Security Management, respectively, thus demonstrating its unwavering compliance with safety, health, environmental and information security standards.

OWNERSHIP, GOVERNANCE, MANAGEMENT AND STAFF

As at 31 March 2025, Golden Penny Foods Limited’s authorised share capital stood at approximately ₦2.1 billion, comprising 4,100,395,606 ordinary shares at 50 kobo each. As at the same date, Excelsior African Investments Limited held 72% of GPFL’s shares, up from 63.34%, after acquiring minority shares following the delisting of the erstwhile Flour Mills of Nigeria PLC from the NGX. Greywise Investment Solutions Limited (a wholly owned subsidiary of Excelsior African Investments Limited) held the remaining 28% of the Company’s shares. Consequently, Augusto & Co. considers Golden Penny Foods Limited’s ownership structure to be highly concentrated.

As at 31 March 2025, GPFL had a ten-member Board of Directors (“the Board”), comprising two executive directors and eight non-executive directors. Mr. John Coumantaros leads the Board as the Chairman, while Mr. Omoboyede Olusanya holds the position of Group Chief Executive Officer. We recognise that GPFL has retained the Board structure and composition of FMN before the restructuring. The Board’s oversight functions are performed through the following committees: the Audit and Risk Management Committee¹; the Remuneration/Governance Committee²; the Local Content Committee³; and the Partnerships Committee⁴. We acknowledge that the composition of these committees complies with the principles of good corporate governance as enshrined in the Nigerian Code of Corporate Governance. We also note that the Board comprise highly qualified individuals whose expertise and experience are vital for effective decision-making, highlighting GPFL’s robust corporate governance framework. Also, the Board’s composition, with a majority of Non-Executive Directors, aligns with corporate governance best practices, ensuring independent oversight.

Table 2: Golden Penny Foods Limited’s Board of Directors

Name	Designation
Mr. John G. Coumantaros	Chairman
Mr. Paul M. Gbededo	Vice Chairman
Mr. Omoboyede O. Olusanya	Group Chief Executive Officer
Mr. Devlin Hainsworth	Managing Director
Mr. Alfonso Garate	Non-Executive Director
Mr. Ioannis Katsaounis	Non-Executive Director
Mr. Thanassis Mazarakis	Non-Executive Director
Mr. Foluso O. Phillips	Non-Executive Director
Mrs Juliet Anammah	Non-Executive Director
Ms. Yewande Sadiku	Non-Executive Director

Source: Golden Penny Foods Limited Management Presentation

¹ The Audit & Risk Management Committee is chaired by Mr Thanassis Mazarakis

² The Remuneration Committee is chaired by Mr Foluso Phillips

³ The Local Content Committee is chaired by Mr Paul Miyonmide Gbededo

⁴ The Partnerships Committee is chaired by Ms Yewande Sadiku

MANAGEMENT TEAM

The Group's Chief Executive Officer is supported by a team of eight professionals responsible for overseeing the various business segments and core functions, including Finance, Supply Chain, Strategy and Human Resources. The management team has an average of over 25 years of relevant industry expertise. Thus, Augusto & Co. believes that Golden Penny Foods Limited's management team is suitably qualified and experienced.

Mr. Oyebolanle Omoboyede Olusanya is the Group Chief Executive Officer of the Flour Mills of Nigeria Group. He has over 30 years of diverse experience spanning structural engineering, information technology and telecommunications. Before joining Flour Mills of Nigeria PLC, he held several senior executive roles, including Operating Partner at Helios Investment Partners, Chief Executive Officer at 9mobile, Partner at GA Capital Limited, Chief Transformation Officer at Dangote Industries Limited, Managing Director at Dancom Technologies Limited, Deputy Chief Executive Officer at Vee Networks and Acting Chief Executive Officer at ECONET Wireless. Mr Olusanya holds a Bachelor's Degree in Civil Engineering from the University of Lagos, a Master of Science in Computer Science from the University of Manchester and a Master of Science in Environmental Civil Engineering from the University of Liverpool. Mr. Oyebolanle Olusanya is also a member of the Institute of Highways and Transportation as well as the Internet Society. He joined Flour Mills of Nigeria PLC as Group Chief Operating Officer on March 1, 2020.

Mr. Devlin Hainsworth is the Managing Director of Golden Penny Foods Limited and has over three decades of work experience across several countries. He began his career in 1987 at IDV Group, United Kingdom, before joining Dalgety Spillers as a Brand Manager in 1990. He also worked as a Category Manager at H.J. Heinz for three years, from 1992, before joining SmithKline Beecham as a Marketing Director from 1995 to 1999. Thereafter, he joined Diageo in October 1999 and held various positions across the Group, including Managing Director, Guinness Ghana Breweries Limited, Africa Business Transformation Leader, Managing Director, Guinness Nigeria Limited and Group Managing Director of East Breweries Limited. After leaving Diageo in June 2013, he joined Dashen Brewery Share Company in Ethiopia as Chief Executive Officer. He joined the Flour Mills Group in June 2018 as the Managing Director of the Food Business. Mr Hainsworth holds a Bachelor's Degree in History from the University of Cambridge, Trinity College.

Table 3: Other Members of Golden Penny Foods Limited's Management Team

Name	Designation
Mr. Nassib Raffoul	Managing Director, Honeywell Flour Mills PLC
Mr. Chen Hung Stoney Su	Managing Director, Agro-Allied Division
Mr. Anders Kristiansson	Group Chief Financial Officer
Mr. Sadiq Usman	Group Director, Strategy and Stakeholder Relations
Mr. Bola Adeeko	Group Director, Special Projects
Mr. Cephas Afebuameh	Group Director, Supply Chain
Mrs. Uchenna Ajo	Group Human Resources and Services Director

Source: Golden Penny Foods Limited

As at 31 March 2025, the Group's total staff strength stood at 3,744 employees (2024: 3,103 employees). As at the same date, GPFL's average cost per employee increased by 9% to ₦16.2 million, reflecting inflation-induced salary reviews completed during the year. Golden Penny Foods Limited's average contribution per employee (measured as operating profit adjusted for staff costs) stood at ₦70 million in FYE 2025 (2024: ₦73 million) and was sufficient to cover the average costs per employee 4.3x, thus depicting a good staff productivity level.

FINANCIAL CONDITION

ANALYSTS' COMMENT

Golden Penny Foods Limited and its subsidiaries are collectively referred to as the Golden Penny Group ("the Golden Penny Group", "GPFL" or "the Group"). We have analysed the audited financial statements of the Group for the three years ended 31 March 2025 and its management account for the three months ended 30 June 2025.

PROFITABILITY

Flour Mills of Nigeria PLC completed a business restructuring exercise in 2024 as part of its efforts to streamline operations and capitalise on growth opportunities in the food-based products value chain, resulting in the divestment of non-food-related businesses. Thus, entities under the newly reconstituted business structure (Golden Penny Foods Limited and its subsidiaries) operate within various segments of the food value chain, generating revenue from the sale of flour, pasta, ball foods, noodles, as well as edible fats and oils under the Golden Penny Foods brand. The Group adopts both the business-to-business (B2B) and business-to-consumer (B2C) models in distributing its products.

In the financial year ended (FYE) 31 March 2025, the Group generated a total revenue of ₦2.4 trillion, up 48% from the prior year, reflecting a 26% upward pricing adjustment implemented during the year and a favourable product mix on sales volume⁵. A breakdown of the Group's FYE 2024/25 revenue revealed that the sale of flour accounted for 54%, closely followed by pasta at 21%, while the remaining 25% represented contributions from ball foods, noodles, as well as edible fats and oils. A further delineation of the Group's FYE 2024/25 revenue showed that the B2B segment constituted 63% of the topline, while the remaining 37% was generated from the B2C business. Management plans to sustain revenue growth over the short term by introducing smaller, more affordable pack sizes to better align with consumers' budgets. Similarly, the Group has indicated plans to complement this strategy by deepening the market penetration of recently launched products in the B2C segment to meet evolving consumer tastes and preferences. Backed by its expanding distribution network, efficient route-to-market strategy and competitive pricing, we believe the Group's revenue will maintain an upward trend in the near term. Agusto & Co. also expects the economies of scale benefits stemming from a streamlined food business to support revenue growth in the short to medium term.

Despite the increase in raw material costs due to depreciation of the Naira and the negative impact of rising prices on other direct expenses, the Group's cost of sales to revenue ratio remained stable at 85.8% in 2024/25 (2023/24: 85.1%), primarily supported by economies of scale from streamlined operations. Thus, the Group's gross profit margin remained steady at 14.2% during the year, compared to 14.9% achieved in the previous year. GPFL aims to sustain its gross margin in the short to medium term by improving its wheat blending strategies, while also maintaining its local sourcing policy. Similarly, GPFL plans to continue its strategy of gradually increasing prices to prevent sudden shocks to consumer spending and sales volume, while also safeguarding profit margins. Although we anticipate that cost synergies from a more efficient food business will support the Group's gross profit margin in the near term, GPFL remains vulnerable to currency risks, especially if the Naira depreciates further, given its reliance on imported wheat.

The Group's operating expense (OPEX) to revenue ratio soared to 6.8% in FYE 2024/25 (2023/24: 3.9%), amid higher advertising and distribution costs, as well as one-off ₦61 billion impairment associated with outstanding forwards of \$94 million due from the apex bank, resulting in a lower operating profit margin (OPM) of 7.4% in 2024/25 (2023/24: 11%). Nonetheless, if we adjust for the one-off impairment, the Group would have reported an OPM of 10%, which we

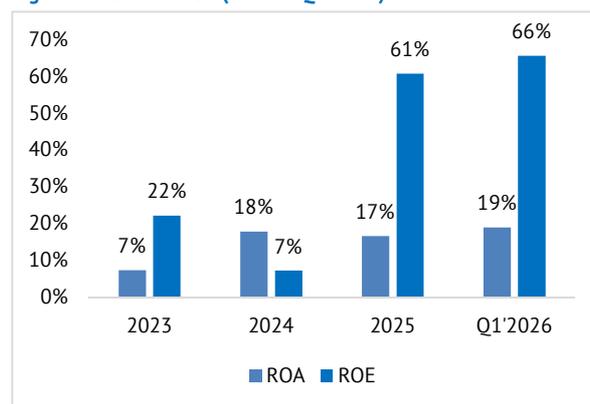
⁵ According to management representation, sales volume increased to 1.9 million metric tonnes in 2025 (2024: 1.7 million metric tonnes).

consider acceptable for a fast-moving consumer goods (FMCG) business. In 2024/25, GPFL's other income, comprising interest income on short-term investments and loans to related parties, as well as unrealised foreign exchange (FX) gains, stood at ₦56.9 billion, representing 2.3% of revenue (2024: 1.2%). The Group recorded a significant FX gain of ₦21.9 billion in 2024/25 (2023/24: FX losses of ₦136 billion), primarily driven by the strategic decision to settle some outstanding trade payables of \$70 million and relative Naira stability during the review year. In 2024/25, the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) margin moderated to 9% (2024: 21%), reflecting higher operating cost pressures and impairment loss recognised in the year. Notwithstanding, Golden Penny Food Limited's normalised EBITDA margin (after adjusting for the ₦61 billion impairment and foreign exchange gains) of 11% is satisfactory. Moving forward, we believe the Group has sufficient capacity to further expand its operating profit and EBITDA margins in the near term, premised on its diversified product portfolio and strong brand acceptance.

Golden Penny Foods Limited's interest expense to sales ratio fell sharply by 700 basis points (bps) to 4.7% in FYE 2025, reflecting stronger revenue performance during the review year. With the higher working capital requirements typically associated with most food businesses, we expect the Group to continue relying on external financing sources, resulting in an elevated interest burden. However, we believe the Group's strong earnings profile will provide a sufficient buffer for its funding costs. Overall, Golden Penny Foods Limited's pre-tax profit margin rose more than tenfold to 5.1% in FYE 2025 (2024: 0.5%), reflecting the lower borrowing costs and other income recorded in the year.

As a result of the improved profit performance in the review year, the Group's pre-tax pre-interest return on assets (ROA) and pre-tax return on equity (ROE) ratios increased to 16.7% and 60.9%, respectively, in FYE 2025 (2024: 18% and 7.3%). We recognise that the Group's ROA and ROE ratios were better than our benchmarks for food-processing entities. Similarly, Agusto & Co. notes that the Group's pre-tax ROE of 60.9% in the review year compared favourably with the average yield on 365-day treasury bills of 20%, reflecting its relatively strong ability to provide adequate returns to its shareholders.

Figure 2: ROA and ROE (2023 – Q1'2026)



In the three months ended 30 June 2025 (Q1'2025/26), the Group's revenue fell to ₦548 billion (Q1'2024/25: ₦605 billion), reflecting a decline in sales volume. Notwithstanding, the Group's gross and operating profit margins rose to 17.2% and 11.1%, respectively, in Q1'2025/26 (Q1'2024/25: 12.6% and 8.6%), highlighting GPFL's ability to leverage economies of scale and effectively transfer cost increases to consumers. Overall, GPFL's pre-tax profit margin rose to 6.6% in Q1'2025/26 (Q1'2024/25: 1.8%), reflecting the lower borrowing costs incurred during the period. Furthermore, the Group's annualised ROA and ROE ratios of 19% and 66%, respectively, in Q1'2025/26 were well above our internal benchmarks, underscoring its strong profitability position.

The Group plans to continue introducing new products to meet changing consumer tastes, while adapting its pricing strategy to offset rising input and operating costs. At the same time, we project that the revenue and cost efficiencies from the completed corporate restructuring will continue to positively impact the Group's overall cost profile and profit margins. Similarly, we expect GPFL's ongoing efforts to diversify its supply chain by using locally sourced inputs to enhance its ability to withstand the macroeconomic pressures of rising inflationary and exchange rate volatility.

In our opinion, Golden Penny Foods Limited's overall profitability is good.

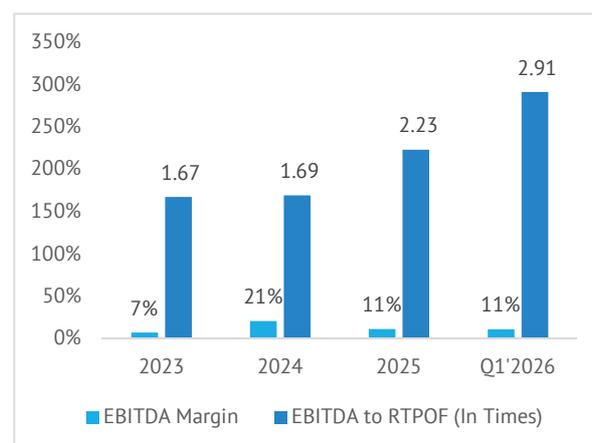
CASH FLOW

Golden Penny Foods Limited generates cash from selling food-based products (including edible oil) to customers through its extensive distribution networks. Although the Group's sales are primarily on a cash or prepayment basis, trade credits of up to 30 days are usually granted to key distributors and well-established clients who meet the credit policy approved by its risk management committee. The Group also minimises customer default risk by obtaining bank guarantees from certain categories of customers as a prerequisite for trade credits, which has helped to limit customer defaults, resulting in a relatively healthy cash flow and liquidity. This is also evidenced by an average trade receivables collection period of 15 days over the last three years (2023 – 2025), which was below the approved credit period.

However, Golden Penny Foods Limited's average collection period from intercompany transactions almost doubled to 59 days in 2024/25 (2023/24: 33 days) amid unsettled trade and non-trade transactions with other members of the Flour Mills Group during the year. Similarly, the Group maintained elevated inventory levels during the year, as part of its stockpiling strategy to mitigate commodity (wheat) price volatilities and continued local currency depreciation on its operations, resulting in significant capital tied up in closing inventory. Although management believes the current inventory holding strategy has helped the Group mitigate stockout risks and maintain steady production, the elevated stock levels, as well as high intercompany receivables, continue to exert pressure on GPFL's cash flow and liquidity.

Due to higher closing inventory and increased intercompany receivables, Golden Penny Foods Limited's operating cash flow (OCF) fell sharply to ₦106 billion in 2024/25 (2023/24: ₦315 billion). The Group's OCF in the review year, which represented a meagre 4% of revenue (2023/24: 19%), was insufficient to meet the returns to providers of financing (RTPOF) comprising interest payments of *circa* ₦114 billion and dividends to shareholders of ₦7 billion. Nonetheless, Golden Penny Foods Limited recorded a normalised EBITDA (after adjusting for the one-off ₦61 billion impairment losses) of ₦272 billion during 2024/25, which was sufficient to meet the returns to finance providers. This translated to an EBITDA to RTPOF ratio of 2.4x, which was still below our internal benchmark of 3x.

Figure 3: EBITDA & EBITDA to RTPOF



Golden Penny Foods Limited recorded an operating cash flow of ₦37.9 billion in the three months ended 30 June 2025 (unaudited), primarily supported by the decline in inventory and intercompany receivables. During the same period, the OCF was more than sufficient to meet interest payments to lenders of ₦19 billion and dividends of ₦1.8 billion, while the operating cash flow-to-revenue ratio improved to 7%. Moving ahead, Agusto & Co. expects the Group to continue generating sufficient cash flows and earnings from its operations to meet debt obligations as and when due. Our opinion is mainly supported by Golden Penny Foods Limited's competitive pricing, efficient route-to-market strategies, continued consumer spending on food and strong brand awareness for its product offerings.

In our view, Golden Penny Foods Limited's overall cash flow profile is satisfactory.

LIQUIDITY PROFILE

As at 31 March 2025, the Group's liquidity position from internal sources (unrestricted cash, marketable securities and liquid inventories⁶) stood at ₦481 billion, translating to a coverage ratio (measured as internally generated liquidity divided by short-term obligations) of 2.3x, which Agusto & Co. considers adequate. The Group also benefits from strong relationships with thirty-one international and local financial institutions (commercial and merchant banks), providing reliable sources of external liquidity support for its operations. The substantial cash balances, contingency funding support from its lenders and its strong track record in the domestic debt capital market, underpin the Group's good liquidity profile and strong ability to refinance maturing debt obligations with ease.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 March 2025, Golden Penny Foods Limited's trading assets stood at ₦919 billion (2024: ₦670 billion), reflecting the increase in intercompany receivables and sustained inventory investments. The major components of the Group's trading assets as at FYE 2024/25 were amounts due from related parties (43%), inventories (42%), other debtors and prepayments (5%), trade receivables (5%) and FX purchased for imports (4%). Moving forward, Agusto & Co. believes the higher intercompany receivables and continued investments in inventory will continue to elevate Golden Penny Foods Limited's trading assets, substantially increasing its short-term funding pressures.

Despite the Group's strategic decision to settle some outstanding trade payables of \$70 million during the review year, to reduce its FX exposure, its spontaneous financing (interest-free liabilities) increased to ₦785 billion (2024: ₦674 billion). This growth reflects the rise in intercompany payables (purchases of goods and services from other Flour Mills Group members), an increase in other accruals, as well as higher non-controlling interests (ownership interests outside of GPFL), classified as interest-free liabilities in line with our rating methodology. The Group's spontaneous financing comprised trade payables (30%), amounts due to related parties (60%), other accruals (4%), taxation payable (4%) and advanced customer deposits (4%). GPFL's spontaneous financing as at FYE 2024/25 was insufficient to fund its trading assets, resulting in a short-term working capital need (STWCN) of ₦134 billion. Considering the high intercompany receivables and rising inventory investments, we believe this trend will persist in the short term.

As at 2024/25, GPFL's long-term assets rose by 13% to ₦321 billion, primarily due to additions to property, plant and equipment, as well as increased non-current investments. The Group's long-term funds, which comprised equity (51%) and long-term borrowings (49%), stood at ₦428 billion as at 2024/25, and were sufficient to meet its long-term assets, resulting in an available working capital of ₦107 billion as at year-end. Notwithstanding, the available working capital was insufficient to cover the STWCN. Consequently, Golden Penny Foods Limited recorded an overall working capital deficiency of ₦27 billion as at FYE 2025, which was funded through short-term borrowings.

The Group recorded an overall working capital deficiency of ₦67 billion as at 30 June 2025 (unaudited), highlighting ongoing investments in inventory and high intercompany receivables. Given the prospect of increased profit retention due to revenue and cost synergies from its streamlined food operations, as well as management's plans to raise new corporate bonds to shore up its long-term funding buffer, we anticipate some improvements in the Group's overall working capital position. Overall, we believe the Group's working capital position requires improvement.

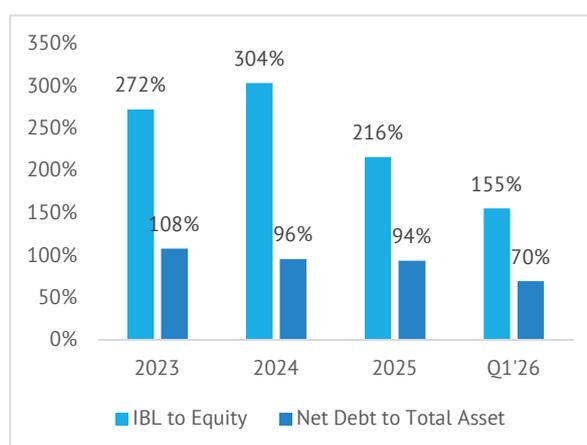
⁶ In arriving at the liquid (inventory) assets, we applied a 10%, 20% and 30% haircuts on the Company's finished goods, work-in-progress and raw materials, respectively.

LEVERAGE

As at 31 March 2025, Golden Penny Foods Limited's total liabilities increased by 21% to ₦1.2 trillion, reflecting the growth in intercompany payables, other accruals and interest-bearing liabilities. As at the same date, the Group's total liabilities comprised non-interest-bearing obligations (64%) and interest-bearing liabilities (36%). The bulk of the Group's interest-free liabilities were payables to suppliers and related entities, as well as other creditors. As at 2024/25, GPFL's interest-bearing obligations represented intervention funds obtained from the apex bank and the Bank of Industry, outstanding corporate bonds, Commercial Papers (CP) Notes and other bank borrowings, including overdraft facilities. The net proceeds from these borrowings were used to support ongoing expansion and meet GPFL's working capital needs. As at 31 March 2025, the Group's total assets were funded by liabilities (85%) and equity (15%), depicting a low equity cushion. We expect the impact of increased profit accretion to be neutralised by the proposed incremental borrowing. Therefore, we do not anticipate any significant improvement in the Group's equity cushion in the near term.

In the year under review, Golden Penny Foods Limited's interest expense-to-revenue ratio improved to 4.7% (2024: 11.7%), mainly supported by stronger revenue performance during the period, but was almost at par with our 5% maximum threshold. Considering the substantial working capital requirements typically associated with most food-processing businesses, the Group's dependence on external funding, and Nigeria's high interest rate environment, we project that its interest expense will remain high over the medium term. Notwithstanding, Agosto & Co. projects that the incremental earnings from the debt-funded operations will provide an adequate buffer for GPFL's interest burden.

Figure 4: IBL to Equity and Net Debt to Total Asset Ratios



Although the Group's interest-bearing liabilities (less cash and equivalents) to equity and net debt (less cash and equivalents) to average total asset ratios moderated to 116% and 94%, respectively, as at 2024/25 (2023/24: 304% and 96%), these ratios exceeded the upper limits of our internal benchmarks, underscoring its elevated leverage profile. However, we note that the Group's net debt (interest-bearing loans less cash and equivalents) to EBITDA ratio improved to 2.1x in 2024/25 (2023/24: 1x), supported by the better earnings performance and substantial cash balances in the year. Furthermore, Golden Penny Foods Limited's interest coverage ratio (measured as EBITDA to interest expense) in the review year rose to 2.4x (2024: 1.76x), reflecting improved earnings performance.

As at 30 June 2025 (unaudited), GPFL's total liabilities fell sharply to ₦953 billion (2024/25: ₦1.2 trillion), reflecting the repayment of some interest-bearing liabilities and a decline in spontaneous financing. As at the same date, the Group's interest-bearing liabilities to equity and net debt (less cash and cash equivalents) ratios remained high at 155% and 70% respectively, although the interest expense to sales ratio improved further to 3.5%. Given the higher working capital pressures stemming from sustained inventory investments and increased intercompany receivables, we project that the Group will continue to rely on external funding sources, resulting in an elevated leverage profile. Notwithstanding, we do not anticipate any major deterioration in the Group's debt servicing capacity in the short term, primarily due to its robust earnings and cash-generating capacity, upheld by enduring demand for its product offerings

In our opinion, Golden Penny Foods Limited's leverage position is high.

OUTLOOK

Golden Penny Foods Limited, like other domestic flour millers and packaged food producers, continues to face a challenging domestic business environment due to rising input and energy costs, as well as the adverse impact of higher borrowing costs and currency devaluation on its bottom line. Considering Nigeria's heavy dependence on wheat imports and a depreciating Naira, industry operators are particularly vulnerable to foreign currency risks, which further pressurise their financial performance. Similarly, continued insecurity in key food-producing regions, rising input costs, and fragmented farm operations further curb local output and hinder efforts to boost domestic wheat yields. Despite these lingering challenges, we note that food producers continue to benefit from robust demand, especially for bread, pasta and confectionery, driven by Nigeria's accelerating urbanisation and favourable youth demographics. At the same time, we expect the relative stability of the Naira since early 2025, as well as recent government policy interventions such as temporary import duty waivers and subsidies, to ease cost pressures in the near term.

Management believes that the recent corporate restructuring, which established GPFL, underscores its commitment to unlock substantial value across its food operations and enhance its competitive standing in Africa. With the Group's proven track record in past restructuring initiatives, we assess integration risks as low. During the year under review, the Group opened two new retail distribution centres (RDCs) as part of ongoing efforts to enhance its footprint in the B2C space. Similarly, Golden Penny Foods Limited introduced new flour variants to address some of the affordability challenges in the Northern market. The Group also opened a new flour milling factory during the review year and launched a multipurpose flour variant to drive sustained growth in this business segment. Given the Group's innovative product offerings to meet evolving consumer tastes & preferences, distribution channel expansions, strong investment in advertising to drive increased brand awareness, as well as material cost optimisation, we anticipate sustained improvements in its operating profit and EBITDA margins in the short to medium term. Overall, we project that GPFL's effective cost-passing capabilities, robust food demand, as well as revenue and cost synergies from the corporate restructuring will continue to safeguard its profitability against economic cycles and shocks.

Based on the strong earnings forecast and efficient collection strategy, Augusto & Co. expects some improvement in the Group's cash flow profile in the near term. Nonetheless, we expect the additional funding pressure from sustained inventory investments amid devaluation-induced higher purchase prices of raw materials and increased intercompany receivables to continue weighing on GPFL's overall short-term financing structure. As the Group continues to rely on external funding sources to finance expansion efforts and meet increased working capital requirements, we expect its overall leverage indicators to remain elevated in the short to medium term. Nonetheless, we project that the increased profit accretion from its streamlined food business will support its working capital and leverage profile. Overall, buoyed by its expanding production and distribution capacities, we believe that Golden Penny Foods Limited is well-positioned to deepen its food brands in Nigeria and other markets across the African continent.

Based on the above, we attach a **stable** outlook to Golden Penny Foods Limited.

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED	31-MAR-23		31-MAR-24		31-MAR-25		30-JUN-25 UNAUDITED	
	₦'millions		₦'millions		₦'millions		₦'millions	
TURNOVER	1,114,023	100%	1,640,163	100%	2,427,235	100%	556,605	100%
OPERATING PROFIT	53,196	5%	180,169	11%	180,558	7%	61,741	11%
INTEREST EXPENSE	(40,032)	-4%	(192,636)	-12%	(114,296)	-5%	(19,334)	-3%
PROFIT BEFORE TAXATION	26,006	2%	8,003	0%	123,172	5%	36,617	7%
TAX (EXPENSE) BENEFIT	(21,328)	-2%	(6,624)	0%	(13,379)	-1%	0	0%
PROFIT AFTER TAXATION	4,677	0%	1,379	0%	109,793	5%	36,617	7%
NON-RECURRING ITEMS (NET OF TAX)	0	0%	0	0%	0	0%	0	0%
DIVIDEND	(5,059)	0%	(9,226)	-1%	(7,381)	0%	0	0%
PROFIT RETAINED FOR THE YEAR	(381)	0%	(8,875)	-1%	109,793	5%	36,617	7%
OTHER APPROPRIATIONS/ ADJUSTMENTS	(58,706)		1,399		(970)		(8,350)	
PROFIT RETAINED B/FWD	98,619		39,532		32,056		123,597	
PROFIT RETAINED C/FWD	39,532		32,056		123,597		151,864	

STATEMENT OF FINANCIAL POSITION	31-Mar-23		31-Mar-24		31-Mar-25		30-Jun-25 UNAUDITED	
	₦'millions		₦'millions		₦'millions		₦'millions	
ASSETS								
CASH & EQUIVALENTS	81,436	9%	162,674	15%	202,403	14%	178,874	15%
TOTAL TRADING ASSETS	548,867	62%	721,953	65%	995,209	69%	825,306	69%
TOTAL LONG-TERM ASSETS	258,126	29%	232,276	21%	245,044	17%	189,227	16%
TOTAL ASSETS	888,429	100%	1,116,903	100%	1,442,656	100%	1,193,407	100%
<i>Growth</i>	82%		26%		29%		-17%	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	318,433	36%	333,428	30%	437,743	30%	346,014	29.0%
TOTAL NON-INTEREST-BEARING LIABILITIES	453,125	51%	673,644	60%	785,322	54%	607,459	50.9%
TOTAL LIABILITIES	771,558	87%	1,007,072	90%	1,223,065	85%	953,474	79.9%
SHAREHOLDERS' EQUITY	116,872	13%	109,831	10%	219,590	15%	239,933	20.1%
TOTAL LIABILITIES & EQUITY	888,429	100%	1,116,903	100%	1,442,656	100%	1,193,407	100.0%

CASH FLOW STATEMENT	31-Mar-23		31-Mar-24		31-Mar-25		30-Jun-25	
	₦'millions		₦'millions		₦'millions		₦'millions	
OPERATING ACTIVITIES								
POTENTIAL OPERATING CASH FLOW		1,351		216,812		242,960		44,082
WORKING CAPITAL CHANGES:								
CASH FROM (USED BY) SPONTANEOUS FINANCING		237,621		219,273		111,624		(176,046)
CASH FROM (USED BY) TRADING ASSETS		(302,493)		(173,086)		(273,256)		169,904
CASH FROM (USED IN) OPERATING ACTIVITIES		(63,521)		262,999		81,328		37,940
RETURNS TO PROVIDERS OF FINANCING								
INTEREST PAID		(40,032)		(192,636)		(114,296)		(19,334)
DIVIDEND PAID		(7,347)		(7,980)		(7,326)		(1,816)
OCF AFTER PAYMENTS TO PROVIDERS OF FINANCING		(110,900)		62,382		(40,295)		16,790
CASH FROM (USED IN) INVESTING ACTIVITIES		(51,209)		3,860		(41,483)		51,410
CASH FROM (USED IN) FINANCING ACTIVITIES		223,271		14,995		104,315		(91,729)
CHANGE IN CASH INC/(DEC)		61,162		81,237		39,728		(23,529)
OPENING CASH & MARKETABLE SECURITIES		20,274		81,436		162,674		202,403
CLOSING CASH & MARKETABLE SECURITIES		81,436		162,674		202,402		178,874

KEY RATIOS	31-MAR-23	31-MAR-24	31-MAR-25	30-JUN-25 UNAUDITED
PROFITABILITY				
SALES GROWTH	33.8%	47.2%	48.0%	-8.3%*
OPERATING PROFIT MARGIN	4.8%	11.0%	7.4%	11.1%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	7.4%	18.0%	16.7%	19.0%*
RETURN ON EQUITY (PRE-TAX)	22.3%	7.3%	60.9%	65.8%*
CASH FLOW				
EBITDA AS % OF RETURNS TO PROVIDERS OF FINANCING	167.1%	169.3%	223.2%	291.0%
EBITDA AS % OF SALES	7.1%	20.7%	11.2%	11.1%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	31	11	32	143
LEVERAGE				
NET DEBT AS % OF AVERAGE TOTAL ASSETS (EXCLUDING CASH & REVALUATION SURPLUS)	108.3%	93.8%	93.8%	69.8%
EBITDA COVERAGE (TIMES)	2.0	1.8	1.8	3.2
NET ASSETS/(LIABILITIES) IN FCY				
NET EXPOSURE TO CURRENCY RISK (\$'000)		-398,082.057	-83,026.769	-
NET EXPOSURE TO CURRENCY RISK (€'000)		320.760	1.602	-
NET EXPOSURE TO CURRENCY RISK (£'000)		-	59.241	
NET EXPOSURE TO CURRENCY RISK (CHF'000)			467.031	
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (¥MILLION)	34,065	46,168	54,071	54,071
AVERAGE NUMBER OF STAFF	3,839	3,778	3,336	3,336
STAFF COST PER EMPLOYEE (¥MILLION)	8.9	12.2	16.2	4.1
CAPITAL EXPENDITURE (¥MILLION)				
CAPITAL EXPENDITURE (¥MILLION)	129,664	27,919	46,211	-
DEPRECIATION AND AMORTISATION (¥MILLION)	13,854	21,990	28,759	4,405
EBITDA (¥MILLION)	79,151	339,728	271,514	61,554
AUDITORS	KPMG	KPMG	KPMG	N/A
OPINION	CLEAN	CLEAN	CLEAN	N/A

*ANNUALISED GROWTH RATE

RATING DEFINITIONS

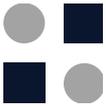
Aaa	A company with the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A company with very good financial condition and a strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A company with good financial condition and a strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A company with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A company with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A company with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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