

PRESS RELEASE

Flame Tree Group Demonstrates Resilience Amid Economic Challenges and Prepares for Future Growth

August 2024, Nairobi – Flame Tree Group (FTGH: NSE), a leading manufacturer and distributor of a diversified portfolio including plastic tanks, packaging, cosmetics, snacks, spices, playground & household equipment, and school furniture, announced its financial results for the first half of 2024. The Group's results reflect its ability to navigate a complex economic environment while laying the groundwork for future growth.

Economic and Operational Context

In the face of significant external pressures such as severe flooding in Nairobi, political unrest, and rising finance costs, Flame Tree Group maintained stable revenues. These results underscore the company's robust market position across Africa's diverse sectors. As part of its broader financial strategy, the Group is currently engaged in a debt restructuring process aimed at optimizing its financial structure and enhancing cash flow flexibility.

Key Financial Highlights

- **Stable Revenue:** FTG reported consistent revenue in H1 2024, despite the challenging economic conditions. This performance highlights the Group's ability to sustain its market presence and operations across multiple sectors.
- **Gross Margin Improvement:** Gross margins increased to 36.5%, up from 34% in H1 2023, driven by favorable raw material prices and the appreciation of the Kenyan Shilling (KES). This improvement reflects FTG's effective cost management strategies in a volatile market environment.
- **EBITDA and Profitability:** EBITDA was KES 164.2 million, an 18% decline from the previous year, mainly due to lower-than-expected sales - hardly affected by floods in 2 factories in Nairobi and political unrest in Kenya - and inflation-driven overhead costs. The Group recorded a pre-tax loss of KES 90.6 million, largely due to high finance costs, which rose by 48% to KES 181 million.

Strategic Focus and Outlook

In 2022, Flame Tree Group had to increase its borrowing significantly to finance raw material purchases, responding to a sharp rise in prices. While this was crucial for maintaining production levels, it also led to higher finance costs, which have constrained cash flow and limited growth opportunities. The ongoing debt restructuring aims to reduce these costs, but the Group continues to focus on other strategic initiatives that will drive future growth across its core business segments.

Mr. Heril Bangera, CEO of Flame Tree Group, commented, "Our efforts to manage the financial challenges from 2022 have been critical in maintaining our operations. As we work through the debt restructuring, we remain focused on optimizing our resources to drive growth and capitalize on new market opportunities."



Segment Performance

- **Plastics, Water, & Sanitation:** This segment experienced robust growth of 13%, due to continued investment in capacity expansion and market penetration has solidified this segment's role as a key revenue driver.
- **FMCG (Cosmetics, Snacks, & Spices):** The FMCG segment faced a decline, contributing 23% to total sales, down from 29% in the previous year. The drop was primarily due to production and export disruptions caused by the floods in Nairobi.

Corporate Social Responsibility (CSR) Initiatives

Flame Tree Group continues to be committed to its CSR initiatives, focusing on environmental sustainability and community engagement. The Group's ongoing tree planting, recycling programs, and educational initiatives are central to its corporate responsibility strategy.

Positive Outlook and Future Plans

Looking ahead, FTG is optimistic about its prospects for the second half of 2024. The Group's strategic investments, combined with improved financial management and favorable market conditions, are expected to enhance profitability and shareholder value. As Kenya continues to establish itself as a key economic hub in Africa, FTG is preparing to leverage its strengthened financial position to pursue significant growth opportunities.

Business Outlook: Flame Tree Group is well-positioned to capitalize on emerging opportunities in the green economy, AI integration, and local manufacturing sectors. The Group is also exploring new partnerships to further scale its operations and enhance its product offerings, ensuring long-term growth and market leadership.

For more details on Flame Tree Group's financial performance, 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. The Group is a leading manufacturer and distributor of a diversified portfolio of products across Africa, with operations in Kenya, Rwanda, Ethiopia, Mauritius, Mozambique, and UAE.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	6 months to 30 June 2024 Shs	12 months to 31 December 2023 Shs	6 months to 30 June 2023 Shs
Revenue	2,097,577,453	4,462,993,507	2,125,943,750
Cost of sales	(1,332,638,904)	(2,915,095,580)	(1,407,687,844)
Gross profit	764,938,550	1,547,897,927	718,255,906
Other operating income	-	-	-
Other operating gains	-	-	-
Selling and distribution expenses	(361,738,529)	(474,895,948)	(316,889,505)
Administrative expenses	(212,780,391)	(565,108,530)	(177,973,936)
Other operating expenses	(99,710,196)	(229,588,131)	(94,095,152)
Operating profit/(loss)	90,709,434	278,305,318	129,297,313
Finance costs	(181,323,418)	(339,743,241)	(122,499,570)
Profit before tax	(90,613,984)	(61,437,923)	6,797,743
Current tax	-	(9,199,710)	-
Deferred tax	-	(4,018,269)	-
Profit for the period/year	(90,613,984)	(74,655,902)	6,797,743
Other comprehensive income:			
- Exchange differences on translation of foreign operations	64,757,362	8,407,028	72,980,433
- Gains on property revaluation	-	90,356,777	-
Transfer to legal reserve	-	637,707	-
	64,757,362	99,401,512	72,980,433
Total comprehensive income for the year	(25,856,622)	24,745,610	79,778,176
Earnings per share - profit for the period/year	(0.51)	(0.42)	0.04
Earnings per share - total comprehensive income for the period/year	(0.15)	0.14	0.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	6 months to 30 June 2024 Shs	12 months to 31 December 2023 Shs	6 months to 30 June 2023 Shs
Assets			
Non-current assets			
Property, plant and equipment	1,596,957,042	1,731,165,113	1,631,994,406
Right-of-use assets	44,125,103	57,155,115	34,900,415
Goodwill	71,851,809	71,851,809	71,851,809
Intangible assets	195,644,517	186,982,768	168,115,781
	1,908,578,472	2,047,154,805	1,906,862,411
Current assets			
Inventories	747,699,142	882,382,994	763,751,722
Trade and other receivables	934,964,792	932,059,403	876,473,373
Unrealized exchange rate from related party	230,434,190		
Cash and cash equivalents	51,664,380	131,927,780	76,797,878
Tax recoverable	13,963,544	17,776,190	20,368,391
	1,978,726,047	1,964,146,367	1,737,391,364
Total assets	3,887,304,519	4,011,301,172	3,644,253,775
Equity and liabilities			
Equity			
Share capital	146,894,092	146,894,092	146,894,092
Share premium	152,450,453	152,450,453	152,450,453
Legal reserves	4,303,168	4,303,168	3,665,461
Revaluation reserve	805,746,945	805,746,945	715,390,168
Retained earnings	211,672,871	302,286,855	381,345,277
Translation reserve	(36,499,530)	(101,256,891)	(34,288,263)
	1,284,568,000	1,310,424,622	1,365,457,188
Liabilities			
Non-current liabilities			
Borrowings	635,250,102	684,080,999	474,710,119
Lease liabilities	46,564,271	61,667,676	39,091,933
Deferred tax	72,043,787	64,890,440	55,250,025
	753,858,160	810,639,115	569,052,077
Current liabilities			
Trade and other payables	753,377,147	854,057,724	799,869,042
Borrowings	660,413,917	547,309,427	470,585,354
Bank overdraft	431,033,522	485,110,329	435,236,340
Lease liabilities	4,053,773	3,759,955	4,053,773
	1,848,878,359	1,890,237,435	1,709,744,509
Total liabilities	2,602,736,519	2,700,876,550	2,278,796,586
Total equity and liabilities	3,887,304,519	4,011,301,172	3,644,253,774

FTG Holdings Ltd

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital Shs	Share premium Shs	Legal reserves Shs	Translation reserve Shs	Revaluation reserve Shs	Retained earnings Shs	Total equity Shs
Year ended 31 December 2023							
At start of year	146,894,092	152,450,453	3,665,461	(107,268,696)	715,390,168	374,547,534	1,285,679,012
Other comprehensive income	-	-	637,707	6,011,805	92,752,000	-	99,401,512
Transfer of realised revaluation reserve	-	-	-	-	(2,395,223)	2,395,223	-
Loss for the year	-	-	-	-	-	(74,655,902)	(74,655,902)
At end of year	<u>146,894,092</u>	<u>152,450,453</u>	<u>4,303,168</u>	<u>(101,256,891)</u>	<u>805,746,945</u>	<u>302,286,855</u>	<u>1,310,424,622</u>
Period ended 30 June 2024							
At start of period	146,894,092	152,450,453	4,303,168	(101,256,891)	805,746,945	302,286,855	1,310,424,622
Revaluation reserve movement							
Translation reserve movement	-	-	-	64,757,362	-	(64,757,362)	-
Loss for the year	-	-	-	-	-	(25,856,622)	(25,856,622)
At end of period	<u>146,894,092</u>	<u>152,450,453</u>	<u>4,303,168</u>	<u>(36,499,530)</u>	<u>805,746,945</u>	<u>211,672,871</u>	<u>1,284,568,000</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 June 2024 Shs	12 months to 31 December 2023 Shs	6 months to 30 June 2023 Shs
Operating activities			
Cash from/(used in) operations	195,288,073	306,383,785	207,882,216
Finance cost	(181,323,418)	(339,743,241)	(122,499,570)
Tax paid	-	(36,477,948)	1,496,177
Net cash from/(used in) operating activities	13,964,655	(69,837,404)	86,878,823
Investing activities			
Purchase of property, plant and equipment	(47,542,458)	(126,741,865)	(45,273,152)
Proceeds from disposal of property, plant and equipment	-	25,593,803	(2,116,563)
Purchase of intangible assets	(14,466,685)	(22,902,970)	775,000
Net cash (used in) investing activities	(62,009,143)	(124,051,032)	(46,614,715)
Financing activities			
(Repayment of)/proceeds from borrowings	44,234,331	192,070,545	(94,024,408)
Payments of principal portion of the lease liability	(16,330,221)	(19,934,934)	(11,927,235)
Net cash from/(used in) financing activities	27,904,110	172,135,611	(105,951,643)
Increase/(decrease) in cash and cash equivalents	(20,140,378)	(21,752,825)	(65,687,535)
Movement in cash and cash equivalents			
At start of period/year	(352,971,836)	(266,805,151)	(267,015,864)
Increase/(decrease)	(20,140,378)	(21,752,825)	(65,687,535)
Effect of exchange rate changes	(6,256,928)	(64,413,860)	(25,735,063)
At end of period/year	(379,369,142)	(352,971,836)	(358,438,462)