Tiger Brands' Nigeria business widens losses

By Nick Hedley

4 Feb 2015

Tiger Brands' Nigerian flour business reported a widened loss of 2.92-billion naira (about R176m) for its first quarter ended December, as currency weakness in the local market offset a 27.5% surge in sales.

Dangote Flour Mills (DFM), which is 65.7% held by Tiger, said its total comprehensive loss widened 4.1% as the Nigeria-listed company included a currency devaluation charge of 1.29-billion naira. Tiger's acquisition of DFM two years ago has so far proved a major drag on the group's earnings, with impairments and losses from Nigeria featuring prominently in Tiger's results since.

Of its initial R1.5bn investment for the stake in DFM, Tiger has had to write off the entire R849m premium paid for the business and a further R105m against the value of the firm's assets. The investment was made to build scale in Nigeria and to create a platform for other opportunities.

In a regulatory filing on the Nigerian Stock Exchange, DFM said "the business has achieved positive volume momentum and operating leverage due to tight cost control and improved efficiencies in line with its stated recovery plan".

"However, pricing competition remains intense notwithstanding the impact of the recent currency devaluation and the ongoing volatility and constrained liquidity in the foreign exchange market, which has resulted in a significant increase in the cost of raw materials."

DFM's cost of sales rose 20.2% over the prior year.

"The volatility is expected to remain for the rest of the year, due to the collapse of the oil price and political uncertainty in the buildup to Nigeria's general election in February," DFM said. "A further devaluation of the naira will impact negatively on the outlook for the current financial year."

Source: I-NET Bridge via Business Day