



## PRESS RELEASE

### UAC of Nigeria Plc Reports 25% Reduction in Revenue in Q1 2018 as Restructuring Efforts Continue

Lagos, 3 May 2018 - UAC of Nigeria Plc (“UACN”) announced its (unaudited) results for the first quarter ended 31 March 2018.

#### Group Highlights<sup>1</sup>

In million ₦, unless otherwise stated	Q1 2018	Q1 2017	Var %
Revenue	18,312	24,384	-24.9%
Gross Profit	3,566	4,005	-11.0%
Gross Profit Margin	19.5%	16.4%	+304 bps
Operating Expenses	(2,615)	(2,287)	14.4%
Operating Expenses (% of revenue)	14.3%	9.4%	+490 bps
Operating Profit	1,230	1,893	-35.0%
Operating Profit Margin	6.7%	7.8%	-104 bps
Net Finance (Cost)/Income	(446)	(1,234)	-63.8%
Gross Interest cover ratio	1.07x	1.06x	n/m
Net Interest cover ratio	2.76x	1.53x	n/m
Profit Before Tax	974	945	3.0%
Profit Before Tax Margin	5.3%	3.9%	+140 bps
Net Profit from cont. ops. attributable to UAC shareholders	344	550	-37.5%
Annualised basic Earnings per share from cont. ops. (Kobo) <sup>2</sup>	51	264	-54.5%
LTM Return on Equity	1.1%	6.4%	-500 bps
Working capital / LTM revenue (%)	31.8%	12.1%	200 bps
Free Cash Flow	(2,270)	(5,120)	n/m
	<b>Mar-2018</b>	<b>Dec-2017</b>	<b>Var %</b>
Quick Ratio	0.85x	0.61x	n/m
Current Ratio	1.57x	1.21x	n/m
Gearing	25.4%	34.3%	-898 bps
Total Assets / Equity	1.60x	1.79x	n/m

n/m: not meaningful

Figures in this release are subject to rounding discrepancies

Commenting on the performance for the quarter, Mr. Abdul Bello, Group CEO, stated:

*“Q1 2018 results were disappointing, continuing a trend from Q4 2017 in which results were negatively impacted by weak performance in the Animal Feeds & other Edibles segment, coupled with sustained challenges with the real estate business.*

*“The decline in revenue, combined with planned OPEX investments in marketing and distribution to support market penetration, led to year-on-year operating margin dilution in Q1 2018. We are implementing several initiatives to address weak underlying performance and expect to report positive results within the financial year.*

1) 2017 comparative figures have been adjusted to reflect the classification of UPDC Hotel Ltd as held-for-sale by UPDC

2) Based on a basic and diluted weighted average number of 2,570,476,583 shares in Q1 2018 and 1,920,864,386 shares in Q1 2017



*“Unlike the Animal Feeds & other Edibles segment<sup>3</sup>, the Paints and Packaged Foods segments recorded growth in revenue and profitability on account of strategic initiatives around products and route to market. We will build on the performance of these segments over the course of the year.*

*“We expect further increase in operating expenses over the course of 2018, as we execute the decisions made under the strategic review of our businesses. The strategic review, aimed at positioning the Group to deliver sustainable shareholder value, is progressing and the outcome will be communicated in July 2018.*

*“Finally, we are saddened by the recent demise of our colleague, Mr Layi Oyatoki, Managing Director of Grand Cereals Ltd, following a protracted illness. Effective January 2018, Mr Mukhtar Yakasai was appointed Deputy Managing Director of Grand Cereals Ltd. Further announcements will be made in due course.”*

## Group Performance and Financial Review

**Revenue** was down 24.9% Y-o-Y to ₦18.3 billion, mainly due to a decline in sales in the Animal Feeds & other Edibles segment, which was only partially offset by a positive performance in the Paints and Packaged Foods segments.

**Gross profit** was down 11.0% Y-o-Y to ₦3.6 billion. The decline in revenue was partly mitigated by a more significant decrease in cost of sales, due to lower input prices in the Animal Feeds & other Edibles segment. This resulted in a **gross profit margin** of 19.5%, up 304 bps Y-o-Y.

**Operating profit** declined by 35.0% to ₦1.2 billion, on the back of lower revenue and a 14.4% increase in operating expenses, which represented 14.3% of revenue in Q1 2018 against 9.4% in Q1 2017. The increase in operating expenses was driven by higher selling and distribution expenses and, to a lesser extent, an increase in administrative expenses. The increase in selling and distribution expenses was primarily due to the Packaged Foods segment. In Q1 2018, **operating profit margin** was 6.7%, down 104 bps Y-o-Y.

**Profit before tax** was up 3.0% Y-o-Y on the back of lower net finance costs (-63.8% Y-o-Y). Finance costs decreased by 35.6% Y-o-Y, driven by a reduction in average interest rates (from 18.2% in Q1 2017 to 17.3% in Q1 2018) and by debt repayments, as Management focused efforts on alleviating the negative impact of higher interest rates. In addition, finance income increased by 27.7% Y-o-Y, due to increased interest income on the cash proceeds from the recently completed ₦15.4 billion rights issue. As a result, **profit before tax margin rose 140 bps YoY to 5.3%**.

A one-off increase in the effective tax rate led to a 1.8% Y-o-Y decrease in **net profit from continuing operations** to ₦709 million. Given the latter and the increase in UAC's share count Y-o-Y<sup>4</sup>, annualised **basic EPS from continuing operations** decreased by 80.6% to 51 kobo.

**Net profit attributable to group shareholders** declined by 37.5% to ₦344 million. This is due to UAC of Nigeria only owning 51% and 50.1% of UAC Foods Ltd and CAP Plc, respectively, which were the better performing subsidiaries this quarter.

**Free cash flow** was a negative ₦2.3 billion in Q1 2018, compared to a negative ₦5.1 billion in Q1 2017. The Y-o-Y reduction in the cash outflow resulted primarily from a lower outflow from working capital (-₦1.2 billion in Q1 2018, against -₦5.2 billion in Q1 2017). The negative impact of the movement in trade and other receivables reduced Y-o-Y (-₦0.1 billion in Q1 2018, against -₦3.3 billion in Q2 2018), due to a reduction in sales, whilst trade and other payables led to a cash inflow in Q1 2018 (₦2 billion) as opposed to a cash outflow in Q1 2017 (-₦1.3 billion), from Animal Feeds & other Edibles and Packaged Foods. These positive developments were offset by an increase in the cash outflow from inventories Y-o-Y (-₦3.2 billion in Q1 2018, against -₦0.6 billion in Q1 2017) from Animal Feeds & other Edibles.

<sup>3</sup>) Segment previously referred to as “Animal Feeds”.

<sup>4</sup>) Basic and diluted weighted average number of 2,570,476,583 shares in Q1 2018 and 1,920,864,386 shares in Q1 2017

As a result of the recent initiatives we have undertaken, including the Rights Issue and the repayment of certain borrowings, the capital structure of the Group improved Y-o-Y. Those initiatives led to a reduction in **gearing** to 25.4% at end March 2018 from 34.3% at end December 2017, and by extension, to an increase in the **net interest cover ratio**, to 2.76x in Q1 2018 from 1.53x in Q1 2017.

## Operating Segment Performance

Revenue ( ₦'m)	Q1 2018	Q1 2017	Var %
Animal Feeds & other Edibles (51% of Group Revenue)	9,337	15,668	-40.4%
Paints (14% of Group Revenue)	2,578	2,277	13.2%
Packaged Foods (23% of Group Revenue)	4,247	3,453	23.0%
Quick Service Restaurants (2% of Group Revenue)	291	291	-
Logistics (7% of Group Revenue)	1,239	1,143	8.4%
Real Estate (3% of Group Revenue)	576	1,511	-61.9%
Operating Profit/(Loss) ( ₦'m)	Q1 2018	Q1 2017	Var %
Animal Feeds & other Edibles	400	1,074	-62.8%
Paints	644	523	23.2%
Packaged Foods	323	289	11.9%
Quick Service Restaurants	(2)	(8)	-81.5%
Logistics	202	201	0.3%
Real Estate	(38)	(22)	69.8%
Profit/ (Loss) Before Tax ( ₦'m)	Q1 2018	Q1 2017	Var %
Animal Feeds & other Edibles	(27)	463	-105.8%
Paints	714	586	21.7%
Packaged Foods	443	377	17.7%
Quick Service Restaurants	(1)	(7)	-92.3%
Logistics	222	256	-13.1%
Real Estate	(745)	(1,059)	-29.6%

### Animal Feeds & other Edibles

Revenue from the Animal Feeds & other Edibles segment (51% of Q1 2018 Group Revenue) declined by 40.4% Y-o-Y. The decline was due to intense competition and reduced bird population leading to a negative impact on poultry and fish feed volumes, underscored by challenging economics in the underlying egg and fish producing sectors which delayed restocking by farmers. Moreover, we lost market share Y-o-Y as new entrants adopted a more aggressive pricing strategy and extended more favourable terms of trade. Management is focused on regaining lost market share, and optimising route to market strategies, which have already begun to yield results. In addition, there will be concerted efforts to grow the other Edibles business, which represent around 30% of the segment.

Operating profit declined to ₦400 million (Q1 2017: ₦1.1 billion), resulting in an operating margin of 4.3%, down 257 bps Y-o-Y. The segment posted a ₦27 million loss before tax in Q1 2018, against a ₦463 million profit before tax in Q1 2017, resulting in a slightly negative profit before tax margin. To support margins, Management will continue to drive efficiencies across this segment, as well as pursue attractive growth areas which offer procurement and manufacturing synergies with existing business lines.

The Animal Feeds & other Edibles segment comprises Grand Cereals Ltd and Livestock Feeds Plc.

### Grand Cereals Limited (71.4% ownership)

Grand Cereals' revenue declined by 38% Y-o-Y to ₦7.7 billion, on lower sales volumes. Profit before tax was down 82% Y-o-Y to ₦79 million, (₦440m Q1 2017).

### **Livestock Feeds Plc (73.0% ownership)**

Livestock Feeds' revenue was down 48% Y-o-Y to ₦1.6bn, due to lower sales volume. Livestock Feeds generated a loss before tax of ₦105 million in Q1 2018 (₦24 million profit before tax in Q1 2017).

### **Paints**

Revenue from the Paints segment (14% of Q1 2018 Group Revenue) was 13.2% higher Y-o-Y. Management's efforts to improve and extend sales channels, coupled with enhancing internal efficiencies, are bearing fruit with increased volumes and margins recorded in Q1 2018, despite increased competition from value brands, as well as from new international entrants in the premium space. However, continued pressure on consumer spending and depressed levels of real estate activity negatively impacted volume growth for the entire sector.

Operating Profit increased by 23.2% Y-o-Y to ₦644 million, resulting in a 25.0% margin, up 203 bps Y-o-Y. Profit before tax was up 21.7% Y-o-Y to ₦714 million, leading to a 27.7% margin, up 193 bps Y-o-Y.

This segment comprises CAP Plc and Portland Paints Plc.

### **CAP Plc (50.2% ownership)**

Revenue was up 13% Y-o-Y to ₦1.9 billion mainly due to increased volumes. Profit before tax was ₦680 million, up 18% Y-o-Y due to revenue growth and internal efficiencies. This resulted in profit before tax margin of 34.8% (+155 bps Y-o-Y) in Q1 2018.

### **Portland Paints Plc (85.5% ownership)**

Revenue increased to ₦624 million, up 13% Y-o-Y, due to a combination of price and volume growth. Profit before tax was up by 174% to ₦34 million, mainly driven by improved sales mix and reduced finance charges. This resulted in a Profit before Tax margin of 5.4% in Q1 2018 (+318 bps Y-o-Y).

### **Packaged Foods**

The Packaged Foods segment (23% of Group Revenue) recorded revenue growth of 23.0% Y-o-Y to ₦4.2 billion. Operating profit was up 11.9% Y-o-Y to ₦323 million, while operating margin was down 75 bps Y-o-Y, on the back of investments in market penetration and brand building. Profit before tax was up 17.7% Y-o-Y, while the corresponding margin was 47 bps lower than in Q1 2017.

This segment comprises UAC Foods Limited.

### **UAC Foods Limited (51.0% ownership)**

Revenue increased to ₦4.2 billion, up 23.0% Y-o-Y, due to volume growth in snacks sales and strong growth in water volumes, while the challenges faced by the dairy business remained. UAC is currently undertaking a strategic review of the dairy business.

Profit before tax was ₦443 million, up 18% Y-o-Y, due to revenue growth and higher finance income earned on the cash generated by efficient working capital management.

The CEO of UAC Foods, Mr. Chidi Okoro, resigned in Q1 2018. UAC and the joint venture partner Tiger Brands are close to appointing a new leader for the business.

### **Quick Service Restaurants**

Revenue from the Quick Service Restaurants segment (2% of Group Revenue) was flat Y-o-Y in Q1 2018, at ₦291 million. The operating loss and the loss before tax both reduced, to -₦2 million and -₦1 million in Q1 2018, respectively.

This segment comprises UAC Restaurants Limited.

#### **UAC Restaurants Limited (51.0% ownership)**

Revenue from UAC Restaurants Limited was N291 million, flat Y-o-Y. The segment achieved a reduction in its loss before tax from ₦7 million in Q1 2017 to ₦1 million in Q1 2018, owing to increased cost efficiencies.

### **Logistics**

The Logistics segment (7% of Group Revenue) recorded revenue growth of 8.4% Y-o-Y. Operating Profit was broadly stable. Profit Before Tax declined by 13.1%.

This segment comprises MDS Logistics Ltd

#### **MDS logistics (51.0% ownership)**

Revenue was ₦1.2 billion, up 8.4% Y-o-Y (₦1.1 billion March 2017). Revenue growth was largely driven by new customer acquisition, which offset lower activity levels from FMCG clients.

Profit before Tax was ₦222 million, down 13.1% (₦256 million March 2017) mainly due to cost increases not recovered from clients. Management is implementing initiatives to reverse this trend as well as improving internal efficiencies.

### **Real Estate**

The Real Estate segment (3% of Group Revenue) recorded a revenue decline of 61.9% in Q1 2018 Y-o-Y to ₦576 million. The operating loss increased to -₦38million (-₦22 million in Q1 2017), while the loss before tax of the segment reduced to N745 million in Q1 2018 (-₦1.06 billion Q1 2017).

This segment comprises UPDC Plc.

#### **UPDC Plc (64.2% ownership)**

Revenue was ₦576 million, down 61.9% Y-o-Y (₦1.51 billion March 2017). The decline primarily resulted from a reduction in housing inventory sales and collections, as capital constraints and challenging market conditions restricted further investments. The business generated a ₦745 million loss before tax, lower than Q1 2017 (₦1.06 billion in Q1 2017) on the back of debt repayments and lower interest rates.

The C.E.O. of the business, Mr. Hakeem Ogunniran, is retiring from the Company. UPDC's board is exploring options to strengthen the Company's leadership.

As a reminder, In Q3 2017, UPDC Plc classified UPDC hotels Ltd as “held for sale”, in line with applicable accounting standards and as part of UPDC's repositioning. The relevant sections of the Q1 2017 financial statements have been adjusted to reflect this reclassification. The sale process is currently ongoing.

### **Preliminary Financial Calendar**

2018 AGM	20 June 2018
Q2 2018 results	31 July 2018
Q3 2018 results	25 October 2018

### **For further information, please contact:**

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## Q1 2018 Income statement

In million ₦, unless otherwise stated	31 Mar 18	31 Mar 17	%
<b>Continuing operations</b>			
<b>Revenue</b>	<b>18,312</b>	<b>24,384</b>	<b>-24.9%</b>
Cost of sales	(14,746)	(20,379)	-27.6%
<b>Gross profit</b>	<b>3,566</b>	<b>4,005</b>	<b>-11.0%</b>
Other operating income	280	178	57.6%
Selling and distribution expenses	(1,042)	(778)	33.9%
Administrative expenses	(1,574)	(1,509)	4.3%
Other operating losses	-	(3,369)	-100.0%
<b>Operating profit</b>	<b>1,230</b>	<b>1,893</b>	<b>-35.0%</b>
Finance income	703	550	27.7%
Finance cost	(1,149)	(1,784)	-35.6%
<b>Net finance (cost) / income</b>	<b>(446)</b>	<b>(1,234)</b>	<b>-63.8%</b>
Share of profit of associates and joint venture using the	190	286	-33.7%
<b>Profit before tax</b>	<b>974</b>	<b>945</b>	<b>3.0%</b>
Income Tax Expense	(265)	(223)	18.4%
<b>Profit after tax for the year from continuing operations</b>	<b>709</b>	<b>722</b>	<b>-1.8%</b>
<b>Discontinued operations</b>			
Loss after tax for the year from discontinued operations	(111)	(116)	-4.7%
<b>Profit for the year</b>	<b>598</b>	<b>606</b>	<b>-1.2%</b>
<b>Profit attributable to:</b>			
Equity holders of the parent	344	550	-37.5%
Non-controlling interests	255	56	n/m
<b>Basic /Diluted Earnings Per Share (Kobo)</b>			
From continuing operations	16	35	-54.5%
From discontinued operations	(4)	(6)	-36.5%
<b>From profit for the year</b>	<b>12</b>	<b>29</b>	<b>-58.3%</b>

## Balance sheet as at end March 2018 and end December 2017

In million ₦, unless otherwise stated	31 Mar 18	31 Dec 17
Property, plant and equipment	21,256	21,538
Intangible assets and goodwill	1,570	1,606
Investment property	13,423	13,486
Investments in associates and joint ventures	19,052	19,110
Available-for-sale financial assets	26	26
Prepayment	10	3
Deferred tax asset	712	712
<b>Non-current assets</b>	<b>56,049</b>	<b>56,481</b>
Inventories	33,555	30,392
Trade and other receivables	16,445	16,359
Cash and Cash equivalents	23,178	14,126
<b>Current assets</b>	<b>73,179</b>	<b>60,877</b>
<b>Assets of disposal group classified as held for sale/distribution to owners</b>	<b>13,123</b>	<b>13,259</b>
<b>Total assets</b>	<b>142,350</b>	<b>130,617</b>
Ordinary share capital	1,441	960,432
Share premium	18,509	3,934,536
Contingency reserve	29	28,575
Available-for-sale reserve	(2)	(2)
Retained earnings	47,171	46,827
<b>Equity attributable to equity holders of the Company</b>	<b>67,147</b>	<b>51,749</b>
<b>Non-controlling interests</b>	<b>21,632</b>	<b>21,377</b>
<b>Total equity</b>	<b>88,779</b>	<b>73,126</b>
Borrowings	1,007	1,329
Deferred tax liabilities	4,910	4,890
Deferred revenue	3	3
Provisions	16	17
<b>Non-current liabilities</b>	<b>5,936</b>	<b>6,240</b>
Trade and other payables	14,936	16,239
Current income tax liabilities	5,261	5,377
Bank overdrafts and current portion of borrowings	21,507	23,780
Dividend payable	4,655	4,655
Government grant	6	9
Deferred revenue	297	213
Provisions	92	92
<b>Current liabilities</b>	<b>46,754</b>	<b>50,367</b>
<b>Liabilities of disposal group classified as held for sale/distribution to owners</b>	<b>881</b>	<b>885</b>
<b>Total liabilities</b>	<b>53,571</b>	<b>57,491</b>
<b>Total equity and liabilities</b>	<b>142,350</b>	<b>130,617</b>

## Definition of terms

**Gross Profit** refers to Revenue minus Cost of sales.

**Gross Profit Margin** corresponds to Gross Profit as a % of Revenue.

**Operating Expenses** corresponds to Selling and distribution expenses, Administrative expenses and Other operating expenses.

**Operating Profit** refers to Gross Profit minus Operating Expenses plus Other operating income.

**Operating Profit Margin** corresponds to Operating Profit as a % of Revenue.

**Profit before Tax** corresponds to Operating profit minus Net finance (cost)/income and plus share of profit of associates and joint venture using the equity method.

**Profit before Tax Margin** corresponds to Profit before Tax as a % of Revenue.

**Return on Equity** corresponds to Net Profit reported to Total Equity.

**Earnings Per Share (LTM)** is Profit After Tax from Continuing operations reported to Weighted average number of Shares.

**Working capital** is defined as Current Assets minus Current Liabilities

**Quick Ratio** is defined as Current Assets minus Inventories reported to Current liabilities.

**Current Ratio** is defined as Current Assets reported to Current liabilities.

**Free Cash Flow** corresponds to Net cash flow generated from/ (used in) operating activities minus Purchase of property, plant and equipment and Proceeds from sale of property, plant and equipment.

**Gearing** is defined as Total borrowings reported to Total Equity.

**Total Assets / Equity** is defined as Total Assets reported to Total Equity.

**Net Interest cover** ratio is defined as Operating Profit reported to net finance costs.

**Gross Interest cover ratio** is defined as Operating Profit reported to finance costs.



## About UAC

UAC of Nigeria PLC (UAC), a diversified company has for over a century played a prominent role in the development of Nigeria. UAC's growth strategy consists in building strong partnerships with leading regional and international corporations to drive effective business transformation and deliver sustainable growth.

UAC operates through the following subsidiaries:

- Grand Cereals Limited manufactures and markets Grand Soya Oil, Vital Poultry/Fish Feeds, Bingo Dog Feed and Grand Maize Meals.
- Livestock Feeds Plc is an animal feeds operation with mills in Lagos and Aba.
- UAC Foods Limited, a joint venture business with Tiger Brands Limited, offers the award-winning Gala Sausage Roll, Funtime Coconut Chips, Supreme Ice Cream & Swan Bottled Spring Water.
- UAC Restaurants Limited, a joint venture with Famous Brands Limited, manages the network of Quick Service Restaurants across Nigeria under the market leading Mr Biggs' brand, Debonairs Pizza & Steers.
- MDS Logistics Limited, a joint venture with Imperial Logistics, is the leading integrated supply chain solutions provider in Nigeria with distribution centres across Nigeria.
- UACN Property Development Company Plc is a foremost property development and management company quoted on the Nigerian Stock Exchange.
- CAP Plc, the Akzo Nobel technical licensee of Dulux, is the leading decorative paint producer in Nigeria.
- Portland Paints and Products Nigeria Plc is a leading paint manufacturer in Nigeria with a strong brand, broad product range and nationwide distribution network.

For more information visit [www.uacnplc.com](http://www.uacnplc.com)

## Disclaimer

This announcement contains or will contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward- looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. UAC of Nigeria Plc cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Company' s disclosure materials filed from time to time with Securities & Exchange Commission in Nigeria. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.