



PRESS RELEASE

Regulated information

Financial Results for the Half Year Ended 30 June 2019

Lagos, 30 July 2019 - UAC of Nigeria Plc (“UACN”, or “the Group”) announced its unaudited results for the second quarter and half year ended 30 June 2019.

Group Highlights

In million ₦, unless otherwise stated	Q2 2019	Q2 2018	Δ %	H1 2019	H1 2018	Δ %
Revenue	20,944	18,670	12.2%	41,569	36,982	12.4%
Gross Profit	4,177	3,999	4.4%	8,634	7,565	14.1%
<i>Gross Profit Margin</i>	19.9%	21.4%	(148bps)	20.8%	20.5%	31bps
Selling & Distribution Expenses	1,320	1,401	(5.8%)	2,726	2,443	11.6%
Administrative Expenses	1,510	1,638	(7.8%)	3,055	3,211	(4.9%)
Operating expenses	2,830	3,043	(7.0%)	5,885	5,658	4.0%
<i>Operating Expenses (% of revenue)</i>	13.5%	16.3%	(278bps)	14.2%	15.3%	(114bps)
EBIT	1,480	1,488	(0.5%)	2,971	2,718	9.3%
<i>EBIT Margin</i>	7.1%	8.0%	(90bps)	7.1%	7.3%	(20bps)
Finance Income	715	632	13.0%	1,655	1,335	23.9%
Finance Cost	870	1,263	(31.1%)	1,819	2,412	(24.6%)
Net finance (cost)/income	(155)	(630)	(75.3)	(164)	(1,077)	(84.8%)
Gross Interest Cover Ratio	1.7	1.2	44.4%	1.6	1.1	45.0%
Net Interest Cover Ratio	9.5	2.4	n/m	18.1	2.5	n/m
Profit Before Tax	1,910	1,129	69.2%	3,392	2,102	61.3%
<i>Profit Before Tax Margin</i>	9.1%	6.0%	307bps	8.2%	5.7%	247bps
Tax expense	(513)	(316)	62.3%	(958)	(589)	62.7%
<i>Effective tax rate (%)</i>	26.9%	28.0%	(114bps)	28.2%	28.0%	23bps
Net Profit from cont. ops. attributable to Non-controlling interests	506	323	56.6%	822	596	38.0%
Net Profit from cont. ops. attributable to Equity holders of the parent	1,092	377	189.7%	1,773	695	155.1%
Annualised basic Earnings per share from cont. ops. (Kobo) ¹	123.6	52.4	135.9%	112	64	75.6%
Annualised Return on Equity (ROE)	-	-	-	7.0%	3.0%	405bps
Annualised Return on Invested Capital (ROIC)	-	-	-	4.8%	4.6%	16bps
Working capital/ LTM revenue	-	-	-	32.9%	36.3%	(332bps)
Net Debt / EBITDA	-	-	-	(1.2x)	(0.8x)	48.4%
Free Cash Flow	3,408	1,623	110.0%	4,980	(646)	n/m

	Jun-2019	Dec-2018	Δ
Quick Ratio	1.0x	0.9x	19.3%
Current Ratio	1.8x	1.5x	15.4%
Gearing	23.0%	32.6%	(955bps)
Total Assets / Equity	1.7x	1.8x	(4.1%)

n/m: not meaningful

Figures in this release are subject to rounding differences

¹) UACN share count was stable YoY, at 2,881,296,000 shares



Commenting on the performance, Group Managing Director/Chief Executive Officer, Mr Folasope Aiyesimoju, stated: “We recorded modest top line growth in what were tough economic conditions, driven largely by recovery in our animal feeds and edible oils businesses and, to a lesser extent, our real estate business. Efficiency gains in our packaged foods business contributed to profitability. We continue to focus on building management teams able to drive long-term growth; streamlining our structure and processes; enhancing governance frameworks; and investing for long-term growth.”

Group Performance and Financial Review

Revenue was 12.4% higher YoY, at ₦41.6 billion in H1 2019. The increase resulted primarily from the Animal Feeds & other Edibles segment (+22.8% YoY), following a recovery in market share which had been lost in the prior year, as well as better pricing. Revenue growth in Quick Service Restaurants (+16.7%) and recovery from a low base in Real Estate (+26.0%) made marginal contributions to Group revenue. Logistics (-4.3%) and Paints (-0.5%) were down against the same period last year, whilst Packaged Foods was broadly flat YoY (-0.3%).

Gross profit was up 14.1% YoY to ₦8.6 billion in H1 2019, leading to a 31 basis points gross profit margin accretion to 20.8% in H1 2019. This was led by double digit revenue growth in the period, whilst input costs growth was partly offset primarily by efficiency gains in production.

EBIT increased by 9.3% to ₦3.0 billion in H1 2019, but **EBIT Margin** declined 20 basis points YoY to 7.1%. 2018 EBIT was positively impacted by a one-off gain of ₦476.3 million from UPDC. On an adjusted basis, 2018 EBIT margin was 7.3%. Group EBIT improved YoY on account of higher revenue from Animal Feeds & other Edibles (EBIT up 24.1% YoY) and QSR (+13.2%), and due to operational efficiency improvements in Packaged Foods (+47.2%). Management kept Group operating expenses under control (+4.0% YoY), as **selling and distribution expenses** increased by 11.6% whilst **administrative expenses** declined by 4.9% YoY. As a result, OPEX represented 14.2% of revenue in H1 2019, against 15.3% in H1 2018.

The revenue and operating margin impacts, coupled with an 84.8% decline in net finance costs, resulted in a **Profit Before Tax** increase of 61.3% YoY to ₦3.4 billion in H1 2019. Finance costs decreased by 24.6% YoY, driven by the repayment of short-term loans and lower average interest rates and finance income increased by 23.9% YoY due to a higher amount of cash available for investment at better yields.

In line with the increase in Profit before Tax YoY, the H1 2019 **tax expense** was up 62.7% YoY to ₦957.5 million, resulting in an effective tax rate of 28.2%, similar to H1 2018. Consequently, **the Profit after Tax from continuing operations** rose to ₦2.4 billion, up 60.8% YoY against ₦1.5 billion in H1 2018, whilst **Total Profit**, including **profit from discontinued operations**², was ₦2.6 billion in H1 2019 against ₦1.3 billion in H1 2018. Total earnings per share was 62 kobo in H1 2019, compared with 24 kobo in H1 2018³.

Free cash flow was a positive ₦5.0 billion in H1 2019, against a negative ₦0.6 billion in H1 2018. The YoY improvement was driven by a ₦6.0 billion **net cash inflow from operating activities**, which was offset by a ₦0.4 billion increase in **net CAPEX**. The improvement in net cash from operating activities was largely driven YoY by a ₦1.3 billion increase in **Profit before Tax** to ₦3.4 billion. In addition, **changes in working capital** represented a ₦3.1 billion inflow in H1 2019, up by ₦4.2 billion YoY. This was driven primarily by longer payable days (+₦2.7 billion positive impact) linked to better trade terms with suppliers, and by improved inventory management (+₦1.8 billion).

Deleveraging initiatives initiated for the Real Estate improved the Group’s financial structure in H1 2019. As such, gearing reduced to 23.0% in June 2019, against 32.6% in December 2018, whilst financial leverage declined to 1.69x in June 2019, against 1.77x in December 2018. Annualised **Return on Equity** increased from 3.0% at the end of June 2018 to 7.0% at the end of June 2019, whilst the **Return on Invested Capital (annualised)** increased by 16 basis points to 4.8% (4.6% in H1 2018).

² Including a ₦135.3 million Loss Before Tax from discontinued operations of UPDC Hotels and a ₦295.6 million profit on disposal of Warm Spring Waters Nigeria Ltd in H1 2019, against a net loss of ₦223.0 million in H1 2018 (from UPDC Hotels and Unico CPFA).

³ UACN share count was stable YoY, at 2,881,296,000 shares.

Operating Segments Performance

Revenue (% ⁴ and ₦m)	Q2 2019	Q2 2018	Δ %	H1 2019	H1 2018	Δ %
Animal Feeds & other Edibles (56.0%)	11,920	9,624	23.9%	23,284	18,961	22.8%
Paints (12.6%)	2,340	2,684	(12.8%)	5,235	5,262	(0.5%)
Packaged Foods (20.0%)	4,084	4,098	(0.3%)	8,323	8,345	(0.3%)
Quick Service Restaurants (1.7%)	377	320	17.7%	713	611	16.7%
Logistics (5.9%)	1,199	1,318	(9.1%)	2,446	2,557	(4.3%)
Real Estate (3.5%)	972	581	67.5%	1,457	1,156	26.0%
Earnings / (Loss) before Interest & Tax - EBIT (₦m)	Q2 2019	Q2 2018	Δ %	H1 2019	H1 2018	Δ %
Animal Feeds & other Edibles	317	251	26.3%	808	651	24.1%
Paints	419	665	(37.0%)	1,128	1,309	(13.8%)
Packaged Foods	420	280	49.9%	888	603	47.2%
Quick Service Restaurants	4	5	(28.7%)	4	4	13.2%
Logistics	177	329	(46.1%)	436	531	(17.7%)
Real Estate	187	266	(29.7%)	(45)	228	n/m
Profit/ (Loss) Before Tax - PBT (₦m)	Q2 2019	Q2 2018	Δ %	H1 2019	H1 2018	Δ %
Animal Feeds & other Edibles	(1)	(46)	(98.8%)	121	(73)	n/m
Paints	540	764	(29.4%)	1,370	1,478	(7.3%)
Packaged Foods	568	408	39.4%	1,173	851	37.8%
Quick Service Restaurants	(16)	7	n/m	(12)	6	n/m
Logistics	142	353	(59.8%)	438	575	(23.8%)
Real Estate	(65)	(780)	(91.7%)	(1,032)	(1,525)	(32.3%)

n/a: not applicable
n/m: not meaningful

Animal Feeds & other Edibles

The Animal Feeds & other Edibles segment comprises Grand Cereals Ltd (“GCL”) and Livestock Feeds Plc (“LSF”). UACN owns 67.2% of GCL and 73.0% of LSF.

Revenue from the Animal Feeds & other Edibles segment (56.0% of H1 2019 Group Revenue) increased by 22.8% YoY to ₦23.3 billion in H1 2019, on the back of the recovery of market share previously lost, increased capacity and deepened direct engagement with farmers. Whilst industry dynamics remained challenging, sustained engagement with the distribution value chain, competitive pricing as well as better trade terms altogether led to significant volume growth in poultry and fish feeds YoY.

EBIT was up by 24.1% to ₦808.2 million in H1 2019 (H1 2018: ₦651.1 million), resulting in an EBIT margin of 3.5%, up 36 basis points YoY. The segment also posted a ₦121.2 million profit before tax in H1 2019, against a ₦72.8 million loss in H1 2018.

GCL is in the final stages of engaging a preferred candidate for the vacant MD/CEO role. In the meantime, the board of GCL saw the appointment of Mrs Omolara Elemide as Non-Executive Director and of Mrs. Clara Botmang as Director, Human Resources, whilst Mr. Daniel Obaseki had joined the board of GCL in Q1 2019.

Despite emerging threats to demand from egg glut and excess capacity, the segment delivered in H1 2019. Management remains focused on its objectives of maintaining product quality and consistency, raw material procurement efficiency and deepening route to market.

Paints

This segment comprises Chemical and Allied Paints Plc (“CAP”) and Portland Paints and Products Nigeria Plc (“PPP”). UACN owns 51.6% of CAP and 85.5% of PPP.

4) Expressed as a percentage of H1 2019 Group revenue. Revenue generated by Head Office, management service fee and rental income, is not included in the table as it is not allocated to any segment.

Revenue from the Paints segment (12.6% of H1 2019 Group Revenue) was broadly flat YoY in H1 2019 at ₦5.2 billion (-0.5%). Whilst CAP delivered slight revenue growth, low activity in the Oil and Gas sector in Q2 2019 led to reduced volumes in the marine segment of PPPN.

EBIT declined by 13.8% YoY to ₦1.1 billion, against ₦1.3 billion in H1 2018 as a result of flat revenue and higher SG&A investments YoY. This decline was offset by higher net finance income YoY, leading to a 7.3% YoY decline in Profit before Tax to ₦1.4 billion. This resulted in a 26.2% PBT margin in H1 2019, down 193 basis points YoY.

The Group completed the search for a new CEO for CAP Plc, with the appointment of Mr David Wright, whilst Mrs. Awuneba Ajumogobia, Mrs. Bolarin Okunowo and Mrs. Udo Okonjo were appointed to the Board of Directors of the Company, therefore strengthening the Company's governance. Board appointments were also made at Portland Paints, as Mrs Esosa Balogun joined as Non-Executive Director and Chairman of the Board while Mrs. Bolarin Okunowo joined as a Non-Executive Director.

Packaged Foods - UAC Foods Limited (51% ownership)

The Packaged Foods segment (20.0% of H1 2019 Group Revenue) delivered broadly stable revenue YoY (-0.3%) at ₦8.3 billion in H1 2019.

The segment's EBIT was up 47.2% YoY to ₦888.5 million, leading to a 10.7% EBIT margin (+344 bps YoY). Profit before tax was up 37.8% YoY, leading to a 14.1% margin (+390 basis points YoY). The strong margin accretion resulted from management's efforts to improve operational efficiency, as well as from higher interest income.

Following the appointment of Mr Peter Mombaur as Chairman of UAC Foods Limited, the management team of the Company was strengthened in Q2 2019 with the appointment of Mr David Anazia as Finance Director. As indicated previously, the new management team remains focused on quality and availability of products, and the implementation of initiatives designed to improve manufacturing practices is ongoing.

Quick Service Restaurants - UAC Restaurants Limited (51% ownership)

Revenue from the Quick Service Restaurants segment (1.7% of H1 2019 Group Revenue) was up 16.7% YoY to ₦713.2 million in H1 2019, from ₦611.0 million in H1 2018, on volume growth and higher average prices.

EBIT increased 13.2% to ₦4.2 million in H1 2019, against ₦3.7 million in H1 2018 primarily on the back of the revenue performance described above. The segment recorded a loss before tax of ₦12.5 million in H1 2019 primarily due to higher finance costs from the implementation of IFRS 16, against a ₦6.4 million profit before tax in H1 2018.

Logistics - MDS logistics (51% ownership)

Revenue from the Logistics segment (5.9% of H1 2019 Group Revenue) declined by 4.3% YoY to ₦2.4 billion in H1 2019, primarily on the back of lower volumes.

Despite OPEX savings, EBIT declined by 17.7% YoY to ₦436.5 million (margin at 17.8% vs. 20.8% in H1 2018) due to lower revenue and higher cost of sales in Q2 2019.

The above, combined with lower net finance income YoY, resulted in a 23.8% decline in Profit before Tax to ₦438.3 million (17.9% margin vs. 22.5% H1 2018).

Real Estate - UPDC (64.2% ownership)

Revenue from the Real Estate segment (3.5% of H1 2019 Group Revenue) increased by 26.0% YoY to ₦1.5 billion in H1 2019, due to higher sales of properties and plots of land in Q2 2019.

Faced with persistently challenging market conditions, the segment incurred a ₦45.5 million operating loss in H1 2019, against a ₦227.7 million profit in H1 2018. Deleveraging initiatives, around the sale of non-core assets, helped ameliorate UPDC's financial structure and led to a 32.3% decline in the segment's loss before tax to ₦1.0 billion in H1 2019. This was achieved primarily on the back of the repayment of interest-bearing loans and lower borrowing costs.

As indicated previously, a plan for the business is expected to be communicated before the end of 2019. In the meantime, management will maintain its efforts to address the UPDC's capital structure.

For further information, please contact:

Ibikunle Oriola
Group Finance Director
ioriola@uacnplc.com
+2348035350719

Femi Ajaja
Group Finance
fajaja@uacnplc.com
+2348035431939

Q2 & H1 2019 Income statement

In million ₦, unless otherwise stated	Q2 2019	Q2 2018	Var %	H1 2019	H1 2018	Var %
Continuing operations						
Revenue	20,944	18,670	12.2%	41,569	36,982	12.4%
Cost of sales	(16,767)	(14,671)	14.3%	(32,935)	(29,417)	12.0%
Gross profit	4,177	3,999	4.4%	8,634	7,565	14.1%
Other operating income	134	531	(74.8%)	222	811	(72.6%)
Selling and distribution expenses	(1,320)	(1,401)	(5.8%)	(2,726)	(2,443)	11.6%
Administrative expenses	(1,510)	1,638	(7.8%)	(3,055)	(3,211)	(4.9%)
Other operating losses	-	(4)	-	(104)	(4)	n/m
EBIT	1,480	1,488	(0.5%)	2,971	2,718	9.3%
Finance income	715	632	13.0%	1,655	1,335	23.9%
Finance cost	(870)	(1,263)	(31.1%)	(1,819)	(2,412)	(24.6%)
Net finance (cost) / income	(155)	(630)	(75.3%)	(164)	(1,077)	(84.8%)
Share of profit of associates and joint venture using the equity method ⁵	585	271	115.5%	585	461	26.8%
Profit before tax	1,910	1,129	69.2%	3,392	2,102	61.3%
Income Tax Expense	(513)	(316)	62.3%	(958)	(589)	62.7%
Profit after tax for the year from continuing operations	1,397	813	71.8%	2,434	1,514	60.8%
Discontinued operations						
Loss after tax for the year from discontinued operations	202	(112)	n/m	160	(223)	n/m
Loss/Profit for the year	1,599	701	n/m	2,594	1,291	n/m
Profit attributable to:						
Equity holders of the parent	1,092	377	189.5%	1,773	695	155.0%
Non-controlling interests	506	323	56.6%	822	596	38.0%
Basic /Diluted Earnings Per Share (Kobo)						
From continuing operations	31	17	81.9%	56	32	75.6%
From discontinued operations	7	(4)	n/m	6	(8)	n/m
From profit for the year	38	13	n/m	62	24	n/m

n/m: Not meaningful

⁵ UPDC diversified its portfolio in 2013 through the floating of UPDC Real Estate Investment Trust (REIT). The share of profit recognized in H1 2018 was the UPDC's share of the REIT's profit, after adjusting for revaluation gains on investment properties, whilst the share of profit in Q2 and H1 2019 corresponded to ₦585 million.

Balance sheet as at end June 2019 and end December 2018

In million ₦, unless otherwise stated	30 June 2019	31 Dec 2018
Property, plant and equipment	21,768	21,824
Intangible assets and goodwill	1,474	1,526
Investment property	5,909	7,197
Investments in associates and joint ventures	20,676	20,091
Right of use assets	2,972	-
Equity instrument at fair value through other comprehensive income	48	40
Investment in subsidiaries	-	-
Prepayment	18	9
Deferred tax asset	90	90
Non-current assets	52,954	50,777
Inventories	26,187	30,526
Trade and other receivables	11,158	10,234
Cash and Cash equivalents	26,418	30,275
Right of return assets	7	8
Current assets	63,770	71,042
<i>Assets of disposal group classified as held for sale/distribution to owners⁶</i>	<i>8,407</i>	<i>9,274</i>
Total assets	125,132	131,093
Ordinary share capital	1,441	1,441
Share premium	18,509	18,509
Contingency reserve	29	29
Fair Value/Available-for-sale reserve	15	15
Retained earnings	38,065	38,136
Equity attributable to equity holders of the Company	58,058	58,129
Non-controlling interests	15,773	16,079
Total equity	73,831	74,208
Borrowings	7,840	4,501
Deferred tax liabilities	4,700	4,707
Lease liability	1,497	-
Deferred revenue	1	2
Provisions	11	11
Non-current liabilities	14,049	9,220
Trade and other payables	15,750	15,438
Contract liabilities	13	55
Current income tax liabilities	6,225	6,337
Bank overdrafts and current portion of borrowings	9,162	19,672
Dividend payable	4,900	4,900
Deferred revenue	156	212
Provisions	93	93
Lease liabilities	17	-
Refund liabilities	9	9
Current liabilities	36,325	46,715
<i>Liabilities of disposal group classified as held for sale/distribution to owners</i>	<i>927</i>	<i>949</i>
Total liabilities	51,301	56,885
Total equity and liabilities	125,132	131,093

⁶ Assets of disposal group classified as held for sale/distribution to owners represent assets of UHL (UPDC Hotel) and UNICO as of 30 June 2019, and UHL (UPDC Hotel), UNICO and Warm Spring Waters Nigeria Ltd as of 31 December 2018

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.

EBITDA refers to Earnings before Interest, Tax, Depreciation and Amortisation

EBITDA margin corresponds to EBITDA as a % of Revenue.

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

EBIT Margin corresponds to EBIT as a % of Revenue.

Profit before Tax corresponds to EBIT **plus** 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 (annualised) corresponds to Net Profit reported to average Total Equity.

Earnings Per Share (annualised) 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 plus 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 EBIT reported to net finance costs.

Gross Interest cover ratio is defined as EBIT reported to finance costs.

Return on Invested Capital (annualised) is defined as NOPAT margin multiplied by Invested Capital Turnover

About UAC

UAC of Nigeria PLC (UAC), a holding company, has for over a century played a prominent role in the development of Nigeria. UAC is focused on building a limited set of subsidiaries into undisputed leaders in their chosen segments.

UAC operates through the following subsidiaries:

- Grand Cereals Limited manufactures and markets Grand Soya Oil, Vital Poultry/Fish Feeds, Bingo Dog Food, Grand Maize Meals and Grand Cornflakes.
- 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 AkzoNobel 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 offering Sandtex and Hempel range of decorative and protective coatings

For more information visit 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 several 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.