

UAC of Nigeria Plc

FY 2018 Results

Fola Aiyesimoju – Group MD / CEO

Ibikunle Oriola – Group Finance Director



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2018 Overview	04
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Financial Review	06
------------------	----

Segmental Performance	10
-----------------------	----

Outlook	14
---------	----

Appendix	16
----------	----

2018 Overview

Fola Aiyesimoju – Group MD/CEO



2018 Overview

2018 Overview

Financial Review

Segmental Performance

Outlook

Appendix

- Annual loss, with EPS¹ for FY'18 of (207k), down from 69k in FY'17
- ROIC declined Y-o-Y to (1.8%) for FY'18 compared to 3.6% in FY'17
- FY'18 Revenue of ₦78.7bn down 11.7% from ₦89.2bn in FY'17
- FY'18 Operating Profit of (₦5.3bn) compared with ₦7.0bn in FY'17
- FY'18 performance significantly impacted by
 - Real Estate: (₦10.2bn) in non-cash impairments and losses on asset sales
 - Animal Feeds: Revenue and EBIT down 23.9% and 60.8% respectively
- Growth recorded in the Paints, Packaged Foods, Logistics and QSR segments
- Negative free cash flow of (₦1.6bn) for FY'18 compared with ₦5.9bn for FY'17
- Net cash of ₦6.1bn as of Dec '18 compared with net debt of (₦11.0bn) as of 31 Dec '17 largely on account of ₦16bn rights issue
- Considerable changes to management and governance at Group and subsidiary levels
- Renewed focus on driving shift from a conglomerate to a lean holding company



¹ Basic and diluted weighted average number of 2,570,476,583 shares in FY'18 and 1,920,864,386 shares in FY'17

Financial Review

Ibikunle Oriola – Group Finance Director



Income Statement

Summary income statement

₦ mn, unless otherwise stated	FY 2018	FY 2017	Δ%
Revenue	78,744	89,178	(11.7%)
Gross Profit	14,044	15,957	(12.0%)
Gross Profit Margin (%)	17.8%	17.9%	(5.8 bps)
Operating Profit	(5,311)	7,031	n/m
Operating Profit Margin (%)	(6.7%)	7.9%	n/m
Net Finance Cost	(2,007)	(4,324)	(53.6%)
<i>Incl. Finance income</i>	2,981	1,861	60.1%
<i>Incl. Finance cost</i>	(4,988)	(6,185)	(19.4%)
Profit Before Tax	(5,512)	3,246	n/m
Basic Earnings per share (Kobo)	(207)	69	n/m
ROIC	(1.8%)	3.6%	n/m

- Decline in revenue primarily on account of the Animal Feeds business
- Operating profit impacted by ₦10.2bn in non-cash impairments and losses on asset disposals at UPDC



2018
Overview

Financial
Review

Segmental
Performance

Outlook

Appendix

Financial Position

Financial Position

₺ bn	Dec 2018	Dec 2017	Δ%
Non current Assets	50.8	56.5	(10)
Current Assets	71.0	60.9	17
Total Assets	131.1	130.6	0.4
Long term debt	4.5	1.3	238.7
Short term debt	19.7	23.8	(17.3)
Other Liabilities	32.7	32.4	1.0
Total Liabilities	56.9	57.5	(1.1)
Net Asset Value	74.2	73.1	1.5

Working Capital

₺ bn	Dec 2018	Dec 2017	Δ%
Inventory	30.5	30.4	0.3
Receivables	10.2	16.3	(37.4)
Trade Payables	15.4	16.2	(4.9)
Net Working Capital	25.3	30.5	(17.0)

Leverage (Dec 2018)

₺ bn	Debt	Cash	Net	Lev. Ratio *
Corporate centre	-	18.8	(18.8)	n/a
Paints	-	4.8	(4.8)	n/a
Packaged Foods	-	3.9	(3.9)	n/a
Real Estate	20.8	0.5	20.2	(2.0)
Animal Feeds & Other Edible	5.6	0.5	5.1	2.7
QSR	-	0.2	(0.2)	n/a
Logistics	-	1.5	(1.5)	n/a
Total	26.4	30.3	(3.9)	1.3

Capex (2018)

₺ bn	CAPEX	Depreciation	CAPEX / Depreciation
Corporate centre	0.24	0.14	1.72
Paints	0.27	0.15	1.76
Packaged Foods	0.48	0.74	0.64
Real Estate	0.03	0.03	0.92
Animal Feeds & Other Edible	1.72	0.69	2.49
QSR	0.04	0.09	0.45
Logistics	0.14	0.29	0.50
Total	2.92	2.14	1.37

- Leverage ratio calculated as Net debt / EBITDA; where EBITDA is Operating profit plus depreciation and amortisation
- Net Working Capital calculated as Inventory plus Receivables minus Trade payables
- Debt figure in Group adjusted for intra group transactions



2018
Overview

Financial
Review

Segmental
Performance

Outlook

Appendix

PBT to Free Cash Flow Bridge

₺ mn, unless otherwise stated	FY 2018	FY 2017	Δ%
Profit Before Tax	(5,512)	3,246	n/m
Non cash charges & other	11,538	355	n/m
Change in working capital	(1,334)	6,063	n/m
<i>of which receivables</i>	<i>(1,655)</i>	<i>(1,045)</i>	<i>58.4%</i>
<i>of which inventories</i>	<i>(148)</i>	<i>6,388</i>	<i>(97.7%)</i>
<i>of which payables</i>	<i>468</i>	<i>720</i>	<i>(35.0%)</i>
Cash taxes	(3,397)	(2,611)	30.1%
Net cash flow generated from operating activities	1,294	7,053	(81.7%)
Net CAPEX	(2,840)	(1,154)	146.1%
Free Cash Flow	(1,546)	5,899	(126.2%)

- Cash taxes representing a ₺3.4bn outflow (+30.1% Y-o-Y) due to VAT on sale of investment properties
- Higher CAPEX Y-o-Y driven mainly by expansion of GCL operations – construction of Onitsha plant

Segmental Performance

Fola Aiyesimoju – Group MD/CEO

Keep
Moving with
Gala



...Keeps you going

Key Developments

2018
Overview

Animal Feeds & Other Edibles

54.4% of Group revenue

- Challenging market dynamics, excess industry capacity
- Efforts at improving efficiency began to yield fruits in Q4 2018
- Grand Cereals CEO retired in Jan 2019; Focus on strengthening governance and management
- Outlook remains challenging

Financial
Review

Paints

13.4% of Group revenue

- Delivered modest top line growth
- Focus on broadening product offering and deepening distribution
- CEO of CAP retired in Feb 2019; Focus on strengthening governance and management

Segmental
Performance

Packaged Foods

20.2% of Group revenue

- New CEO appointed in July 2018; has focused on assembling new team
- Delivered growth in very challenging conditions
- Significant investment required, including in plant, people and brand

Outlook

Logistics

7.4% of Group revenue

- Solid performance with revenue growth and margin expansion
- Warehousing remains core, good progress in transportation
- Rationalised unprofitable locations and contracts

Appendix

QSR

1.6% of Group revenue

- A sub-scale business
- Profit boosted by one-off reversal of previously recognised impairment on receivables following adoption of IFRS 9 (₹31.1 mn)



Performance Snapshot

12

Revenue

¥ mn	FY 2018	FY 2017	Δ%
Animal Feeds & Other Edibles	42,809	56,265	(23.9%)
Paints	10,562	9,424	12.1%
Packaged Foods	15,867	14,183	11.9%
QSR	1,278	1,135	12.6%
Logistics	5,826	4,119	41.5%
Real Estate	2,215	3,880	(42.9%)

Operating profit

¥ mn	FY 2018	FY 2017	Δ%
Animal Feeds & Other Edibles	1,167	2,976	(60.8%)
Paints	2,597	2,119	22.6%
Packaged Foods	885	971	(8.8%)
QSR	54	46	17.4%
Logistics	1,042	653	59.6%
Real Estate	(10,288)	1,434	n/m

Operating Margins

%	FY 2018	FY 2017	Δ
Animal Feeds & Other Edibles	2.7%	5.3%	(256.5 bps)
Paints	24.6%	22.5%	210.6 bps
Packaged Foods	5.6%	6.8%	(126.4 bps)
QSR	4.2%	4.1%	17.3 bps
Logistics	17.9%	15.9%	203.8 bps
Real Estate	n/a	37.0%	n/a

Profit before Tax

¥ mn	FY 2018	FY 2017	Δ%
Animal Feeds & Other Edibles	37	1,107	(96.6%)
Paints	2,904	2,302	26.1%
Packaged Foods	1,362	1,354	0.6%
QSR	59	51	15.9%
Logistics	1,220	840	45.2%
Real Estate	(13,244)	(3,057)	n/m

Return on Invested Capital

¥ mn	FY 2018	FY 2017	Δ
Animal Feeds & Other Edibles	4%	13%	(933.3bps)
Paints	45%	38%	637.8bps
Packaged Foods	10%	10%	(67.6bps)
QSR	3%	(1%)	n/m
Logistics	12%	8%	409.5bps
Real Estate	(40%)	4%	n/m

2018
Overview

Financial
Review

Segmental
Performance

Outlook

Appendix



Figures above exclude those of Corporate Centre

UPDC impairment breakdown

2018 Overview	£ mn	2018 Impairment
	Inventory	(1,318)
Financial Review	Receivables	(3,113)
	Investment Property	(1,274)
Segmental Performance	Loss on sale of Investment prop & PPE	(492)
	Assets held for Sale (UHL)	(4,029)
Outlook	Total	(10,226)

Debt Profile

Facility	£ mn	Int. rate (%)	Maturity
Working Capital Facility	2,196	Avg. 17.0%	Revolving
Commercial Paper	13,709	Avg. 13.5%	Jan – May 2019
Liquidity Support Facility	585	19.0%	Revolving
Bond	4,264	16.0%	26 April 2023
Total	20,754		

- Focus on addressing capital structure challenges
- Impairments reflect adjustments to carrying values, based on third party asset valuations in Q4'18 and management judgement
- Largely new management team in place, changes to governance

Outlook

Fola Aiyesimoju – Group MD/CEO



- Focused on continuing the transition from a conglomerate to a lean Holdco
- Key priorities:
 - **UPDC:** Address capital structure challenges. Expect to announce plan within calendar year
 - **People:** Empower and strengthen subsidiary management to effectively compete in respective segments
 - **Structure:** Explore strategic options to ensure adequate scale across the portfolio
 - **Efficiency:** Tackle duplicated/non-value added costs

Appendix



UAC's new senior management team

17

2018
Overview

Financial
Review

Segmental
Performance

Outlook

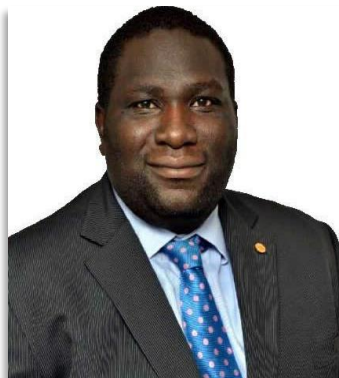
Appendix



Mr Folasope Aiyesimoju
Group MD / CEO

Appointed 1 April 2019

- Previously sitting on UAC's Board of Directors as a non executive director representing Themis Capital, an active investment company he founded
- His experience prior to Themis spans principal investing, corporate finance and private equity
- He most recently worked with the global investment firm Kohlberg Kravis Roberts (KKR), where his focus was on private equity opportunities in Africa
- His experience also includes roles at Ocean and Oil Holdings, a principal investment firm based in Nigeria, and 8 years at Standard Bank, 5 of which were spent leading the M&A advisory business in Nigeria
- Folasope earned the right to use the CFA charter in 2006 and holds a B. Sc (Hons) degree in Estate Management from the University of Lagos



Mr Ibikunle Oriola
Group Finance Director

Appointed 8 March 2019

- Seasoned professional with 17 years in corporate finance, strategy and risk management experience
- Prior roles include Group Chief Finance Officer (CFO) for Asset & Resource Management Holding Company Limited as well as Group CFO for Transnational Corporation of Nigeria Plc. He also previously worked with Kakawa Discount House (Now FBN Merchant Bank)
- Ibikunle has extended corporate finance experience gained as a transaction adviser working with Ecobank Capital and KPMG. He was seconded to KPMG UAE for 15 months in 2007, where he worked on several infrastructure finance projects.
- Ibikunle is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), where he qualified with merits, and holds a BSc degree in Finance from the university of Lagos.



Dr Vitus Ezinwa
Group Human Resources Director

Appointed 1 November 2018

- Experienced business manager and human resources professional, with significant experience gained in leading multinational corporations
- Prior roles include Group Human Resource Director for Tropical General Investments (TGI) Group; Promasidor Africa; Coca-Cola Nigeria & Equatorial Africa; and British American Tobacco
- Vitus is a member of the Advisory Board of Afterschool Graduate Development Centre and of the Institute of Directors, as well as a Fellow of the Chartered Institute of Personnel and Development (CIPD) UK.
- He is a co-founder and Director of HR Network Africa and was until 2014, a member of the Lagos Business School's Advisory Board.
- Vitus holds a Masters in Applied Business Research and a Doctorate in Business Administration, both from Swiss Business School (Zurich)

Group overview

18

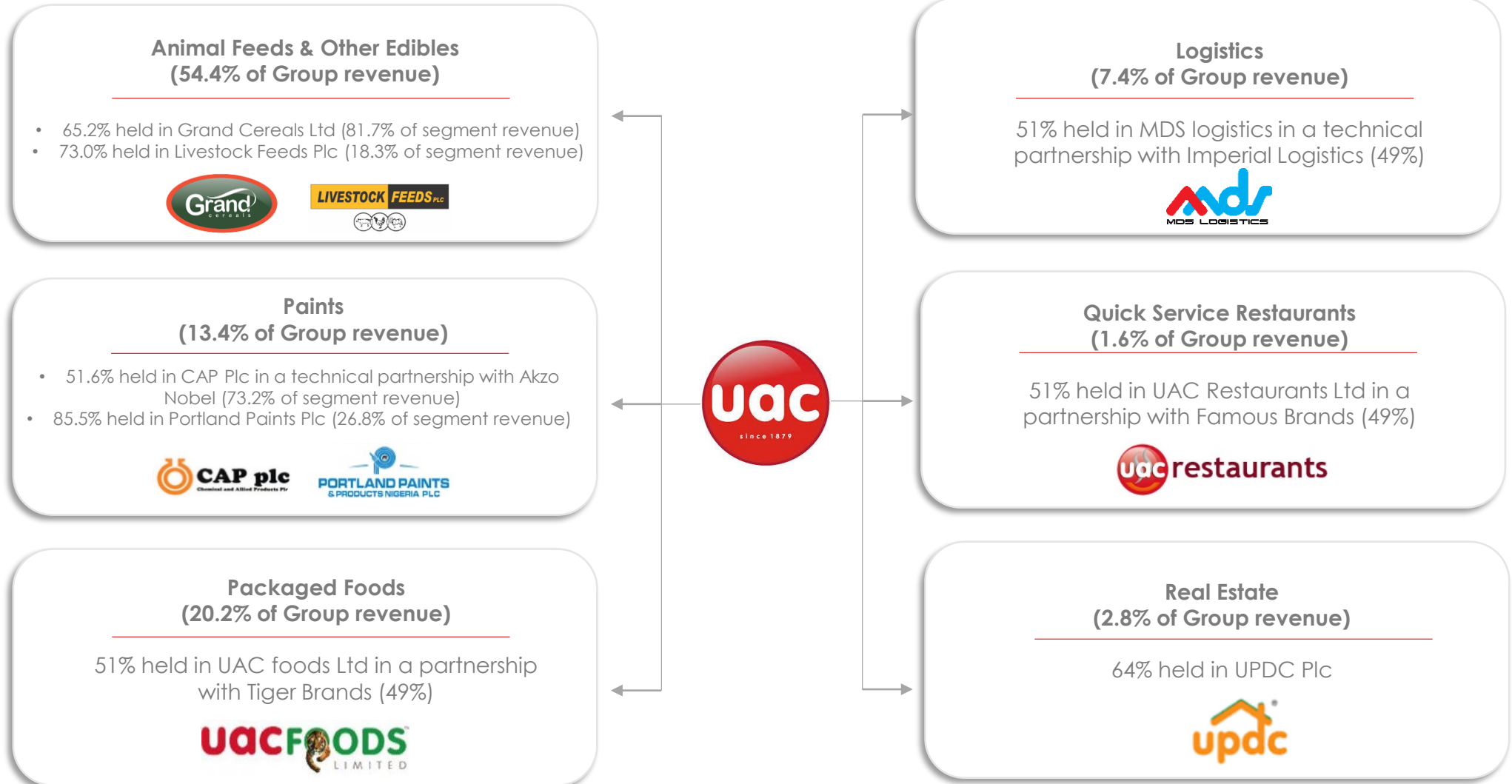
2018
Overview

Financial
Review

Segmental
Performance

Outlook

Appendix



- **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 (EBIT)** refers to Gross Profit minus Operating Expenses plus Other operating income.
- **EBITDA** refers to Operating profit plus depreciation and amortisation
- **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.
- **Earnings Per Share (LTM)** is Profit After Tax from Continuing operations reported to Weighted average number of Shares.
- **Net Working capital** is defined as Inventory plus Receivables minus Trade payables.
- **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..
- **Leverage** is Net debt to EBITDA
- **Total Assets / Equity** is defined as Total Assets reported to Total Equity.
- **Gross Interest cover ratio** is defined as Operating Profit reported to finance costs.
- **Return on Invested Capital** is defined as NOPAT margin multiplied by Invested Capital Turnover