



UAC of Nigeria – FY 2017 Earnings

Mr Abdul Bello (Group CEO)

Mrs Adeniun Taiwo (CFO)

5 April 2018

This presentation contains 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 as a result of new information, future events or otherwise.



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FY 2017 Highlights



Mr Abdul Bello (Group CEO)



FINANCIAL HIGHLIGHTS

- Weak revenue growth, margin compression and rising finance costs resulting in a 75% decline in earnings per share
- Performance was negatively impacted primarily by Animal Feeds and the Real Estate segments
- Fierce competition in Animal Feeds driving a 261 bps gross margin compression
- Interest expense in the real estate business increased by 100% from ₦ 2.8 bn to ₦ 5.6 bn
- Successful completion of the ₦ 15.4 bn Rights Offering with a 104.5% Subscription

MANAGEMENT CHANGES

- New management team appointed effective 1 January 2018
 - Abdul Bello appointed Group CEO, previously Group CFO
 - Lara Elemide appointed Executive Director Corporate Services, previously Managing Director (MD), CAP Plc
 - Niun Taiwo appointed CFO, previously Finance Director UPDC Plc
- Larry Ettah, UAC's Group Managing Director from 2001 to 2017 retired on 1 January 2018 after 30 year of service with the Company
- Joe Dada, Executive Director Corporate services from 2010 to 2017, retired alongside Larry having spent 35 years with the Company
- Oluwakemi Ogunnubi appointed MD CAP Plc, previously Head Financial Services UACN Plc
- Damola Olusunmade appointed MD Portland Paints and Products Plc
- Solomon Aigbavboa appointed MD Livestock Feeds Plc, previously MD, MDS Logistics
- Mukhtar Yakasai appointed Deputy Managing Director, Grand Cereals Limited, previously MD Portland Paints
- Taiwo Ajibola appointed MD, MDS Logistics, previously GM Operations, MDS Logistics

- **Group revenue** up 8.0% YoY to ₦ 89.2 billion
 - Driven primarily by Animal Feeds (+19.1%) and Decorative Paints (+8%)
- **Gross profit** down 5.8% to ₦ 16.0 billion
 - Largely driven by Livestock feeds and inability to pass on to customers rising input costs
 - Gross profit margin down 261 bps YoY
- **Administrative expenses** up 5.9% to ₦ 6.9 billion
 - 7.7% as a % of sales, compared to 7.9% in 2016.
- **Interest expenses** increased by 112% YoY to ₦ 6.2 billion
 - ₦ 2.8bn, ₦ 0.4bn and ₦ 0.1bn attributable to UPDC, Grand Cereals and Livestock Feeds respectively
 - UPDC's interest expenses attributable to rate hike and inability to capitalise into inventory carried at estimated realisable valuation. UPDC reduced its debt to ₦ 19.3 billion in 2017, down 15% YoY.

Financial Performance

₦89.2b

Reported Sales growth
8.0% YoY

17.9%

Gross Profit Margin,
down 261 bps YoY

7.9%

Operating Profit Margin,
down 258 bps YoY

Cash & Capital

₦10.4b

FY 2017 Free Cash Flow

1%

Return on Invested
Capital, down 535bps YoY

34%

Gearing, down 500 bps
YoY

Shareholder Returns

50k

Earnings per share
(Kobo), down 75% YoY

65k

Proposed dividend per
share (kobo), down 35%
YoY



REFRESHING
NEW LOOK
SAME
GREAT QUALITY

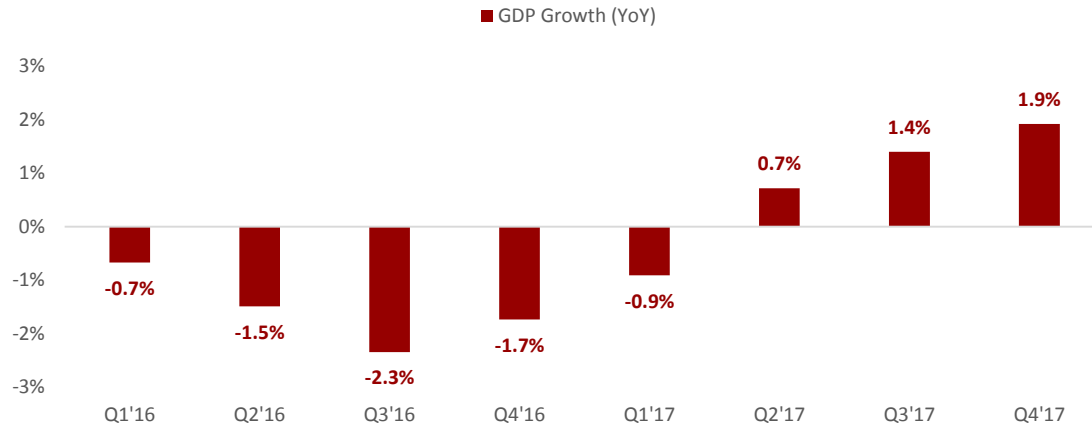
...STAY REFRESHED, STAY NATURAL!

FY 2017 Financial Review

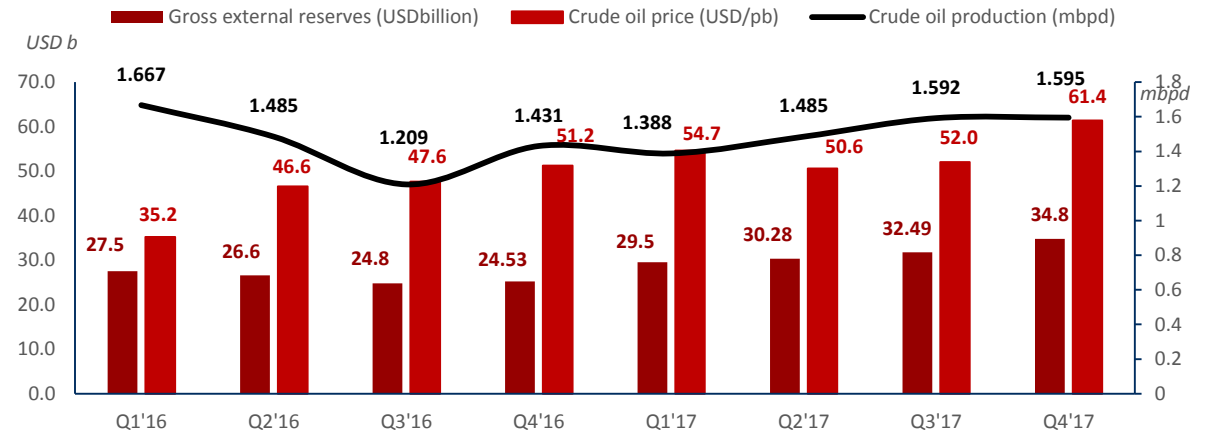


Mrs Adenium Taiwo (CFO)

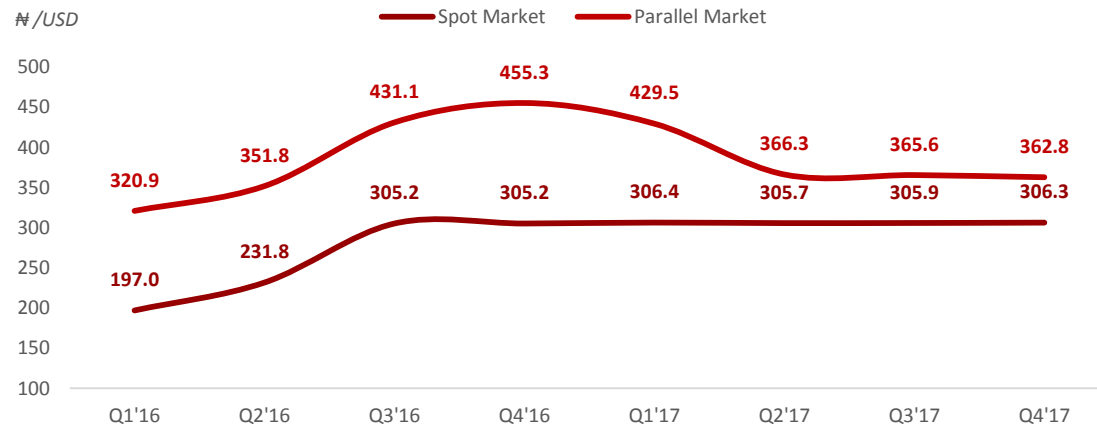
GDP momentum thanks to higher oil revenues



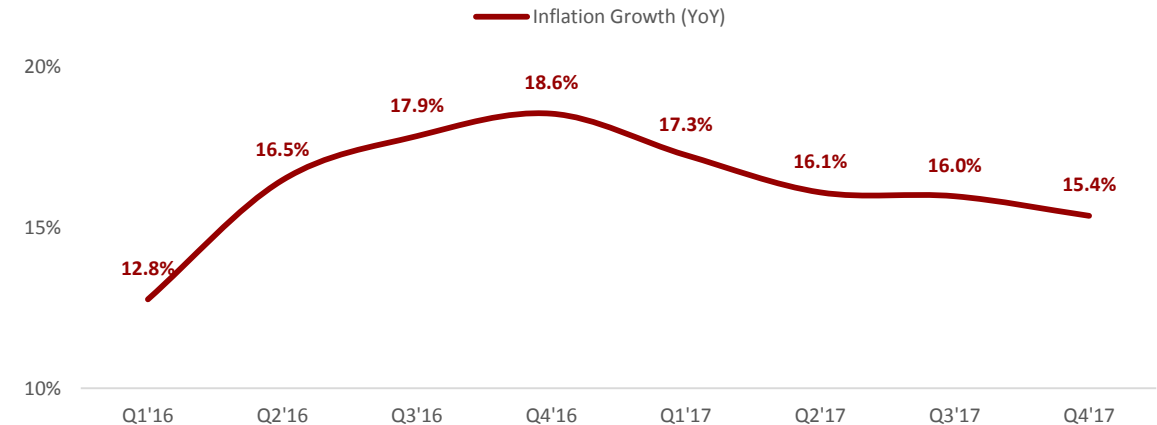
Steadily climbing oil output boosted foreign-currency reserves



Exchange-rate convergence and Naira stability



Increased availability of FX kept inflation at bay



- 8.0% **revenue growth** driven by price increase and volume growth from Animal Feeds and Decorative Paints
- **Gross profit** reduction of 5.8% on account of inability to pass increase in input costs to consumers as a result of competitive activities
- **8% Administrative expenses** as a percentage of sales, flat YOY on account of cost containment efforts
- **EBIT** contracted by 18.6% as a result of Gross Margin Compression and 8% increase net operating costs
- 112% increase in **group finance cost** from ₦ 2.9bn (2016) to ₦ 6.2bn (2017), caused by high interest rates from 13.6% to 18.81%.
 - UPDC accounted for 80% (₦ 5bn) due to increase in average interest from 15.2% (2016) to 23.5% (2017).
 - The remaining 20% is attributable to working capital in GCL 11% and LSF 8%
- 75% **EPS** decline mainly due to increase in finance cost and margin compression

Continuing Operations

Revenue

Cost of sales

Gross profit

Selling and distribution expenses

Administrative expenses

Other gains

Other losses

Operating profit

Net finance cost

Share of profit of equity accounted associate

Profit before taxation

Taxation

Profit from continuing operations

Loss from discontinued Operations

Profit for the period

Profit attributable to Parent

Profit attributable to NCI

	2017	2016	Var
Revenue	89,178	82,572	8.0%
Cost of sales	(73,222)	(65,640)	11.6%
Gross profit	15,957	16,932	(5.8%)
Selling and distribution expenses	(4,596)	(3,156)	45.6%
Administrative expenses	(6,899)	(6,511)	5.9%
Other gains	3,528	3,818	(7.6%)
Other losses	(959)	(2,444)	(60.7%)
Operating profit	7,031	8,640	(18.6%)
Net finance cost	(4,324)	(1,361)	N/M
Share of profit of equity accounted associate	539	1,090	(50.5%)
Profit before taxation	3,246	8,368	(61.2%)
Taxation	(1,922)	(2,074)	(7.4%)
Profit from continuing operations	1,324	6,294	(79.0%)
Loss from discontinued Operations	(362)	(627)	(42.3%)
Profit for the period	963	5,666	(83.0%)
Profit attributable to Parent	956	3,750	(74.5%)
Profit attributable to NCI	7	1,916	(99.6%)

- Steady working capital management increased by 6% from 9.9bn (2016) to ₦ 10.5bn (2017)
- 36% increase in Cash & Short-term deposits caused by disposal of investment property, debt recovery and refund of unclaimed dividend
- Net Borrowings reduced by 16% from ₦ 29.8bn to ₦ 25bn due to concerted efforts to deleverage

N'Million

	2017	2016
PPE	21,538	35,271
Investment property	13,486	19,870
Investments in associates	19,110	19,696
Trade and other receivables	16,359	15,187
Cash and short-term deposits	14,126	9,546
Inventory	30,392	36,805
Other Assets	15,606	1,855
Total Assets	130,617	138,230
Long-term borrowings	1,329	5,275
Short-term borrowings	23,780	24,521
Trade and other payables	16,239	17,919
Current income tax liabilities	5,377	4,886
Other liabilities	10,765	9,163
Total Liabilities	57,490	61,764
Equity - Parent	51,729	46,419
NCI	21,397	30,047
Total Equity	73,126	76,466

- N7.3bn generated from operating cash flow mainly due to reduction in inventory by 17% from N36.8bn (2016) to N30.4bn (2017)
- 191% increase in cash flow used from investing activities from N2.7bn to N7.9b largely due to proceeds from disposal of investment properties by UPDC
- Cash generated from investing activities were largely used to pay down borrowings. Net Borrowings reduced by 16% from N29.8bn to N25bn

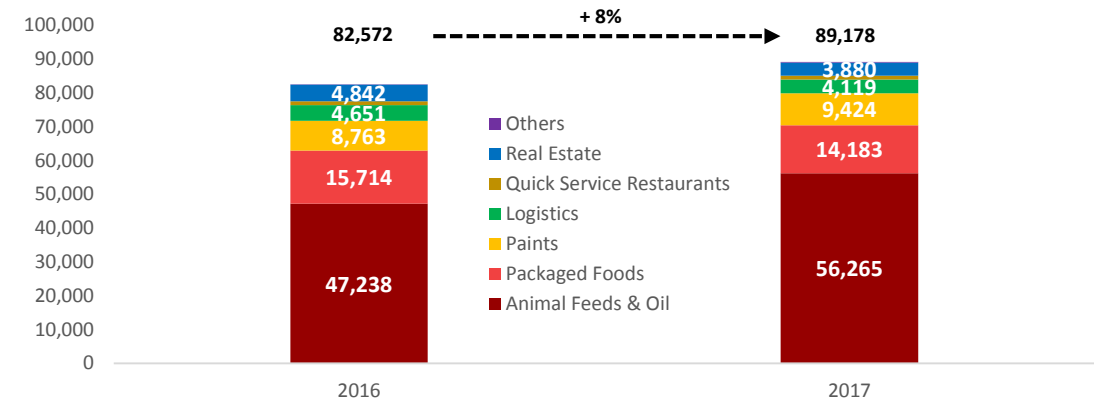
N'Million

	2017	2016
Net cash flow generated from/(used in) operating activities	7,319	(1,914)
Net cash generated from investing activities	7,874	2,710
Net cash flow used in financing activities	(8,935)	(1,869)
Cash & cash equivalents at the end of the period after adjusting for bank overdraft	11,141	4,896

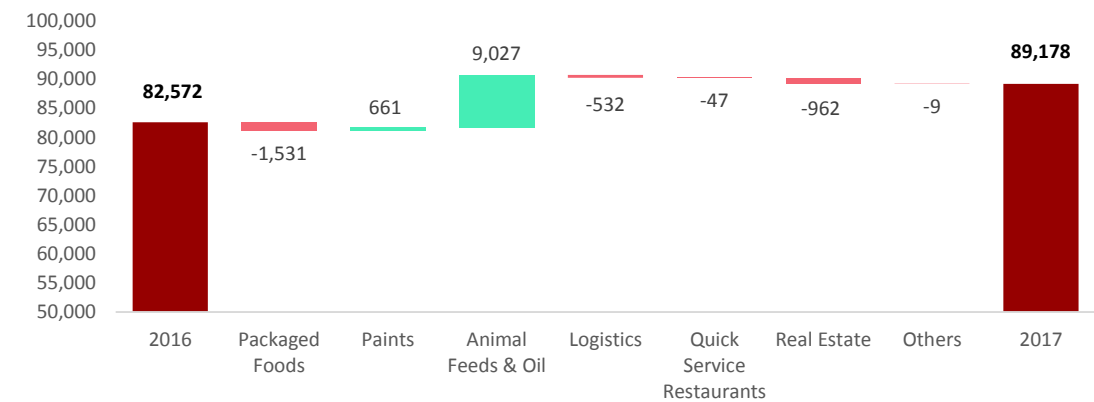
Breakdown of Revenue Dynamics

- Real Estate declined by 20% mainly due to reduction in housing inventory sales/collections
- Logistics dropped by 11% mainly due to reduction of client volume as a result of recessionary pressure
- Paints increased by 8% mainly on account of price increase in premium paints
- Packaged Foods tapered by 9% on account of slow recovery of volumes due to increase in gala price point
- Animal Feeds grew by 19% on account of volume and price increase

Revenue (₹m)

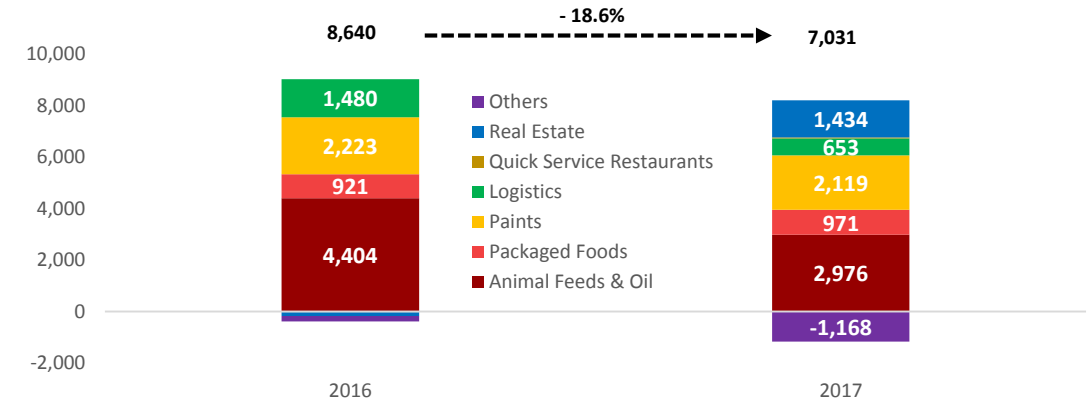


Revenue Evolution (₹m)

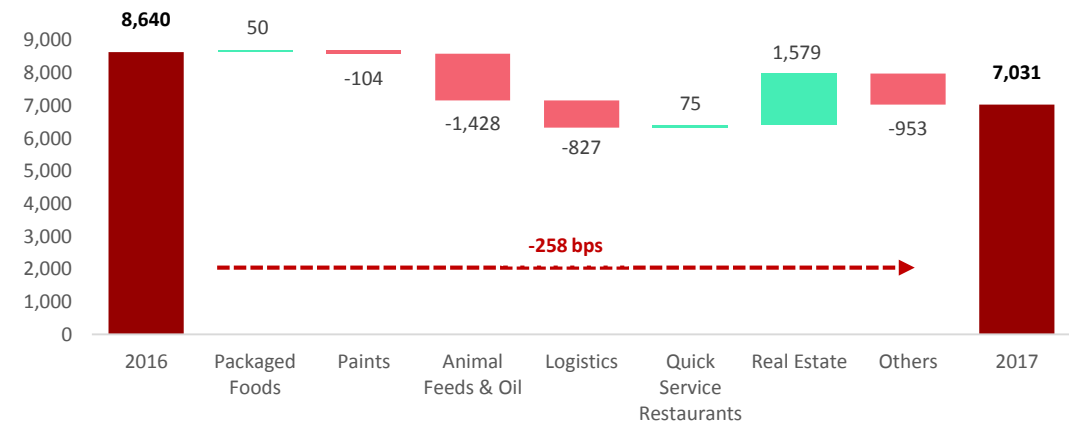


- Packaged foods increased largely due to cost efficiencies
- Paints dropped on account of input costs
- Animal feeds dropped mainly on inability to pass input cost increase to customers as well as in hike in haulage costs
- Logistics dropped due to non-recurring items
- QSR improved on account of cost efficiencies
- Real Estate improved on account of profit on disposal of investment properties

EBIT (₹m)



EBIT Evolution (₹m)

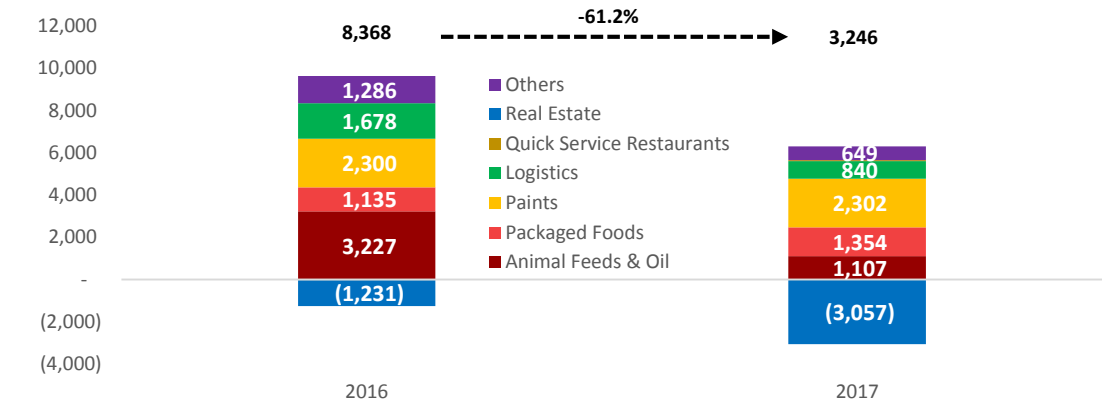


Breakdown of PBT Dynamics

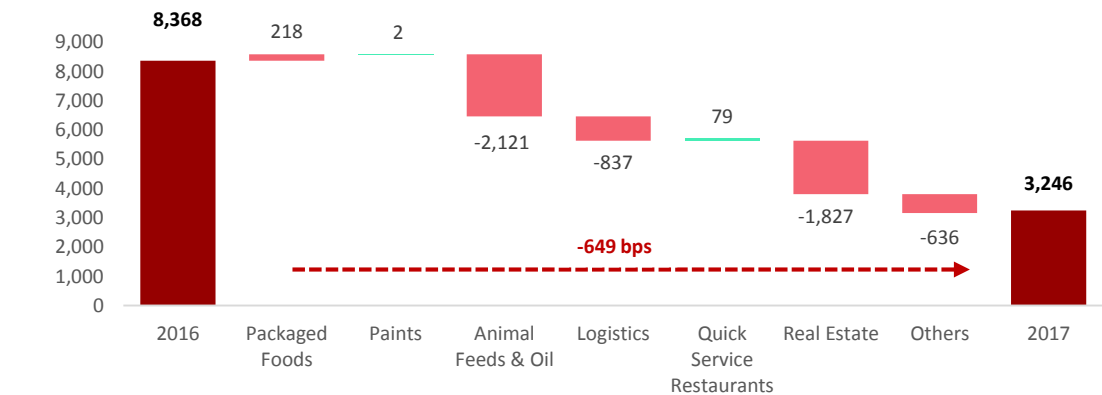


- Logistics down 50% mainly due to 2016 one-off items
- Paints performance is flat yoy
- Packaged Foods increased by 19% due to controlled costs and improved working capital management
- Animal Feeds by 66% on account of inability to pass increased input costs to customers, competitive activities and rise in interest rate

PBT (₹m)

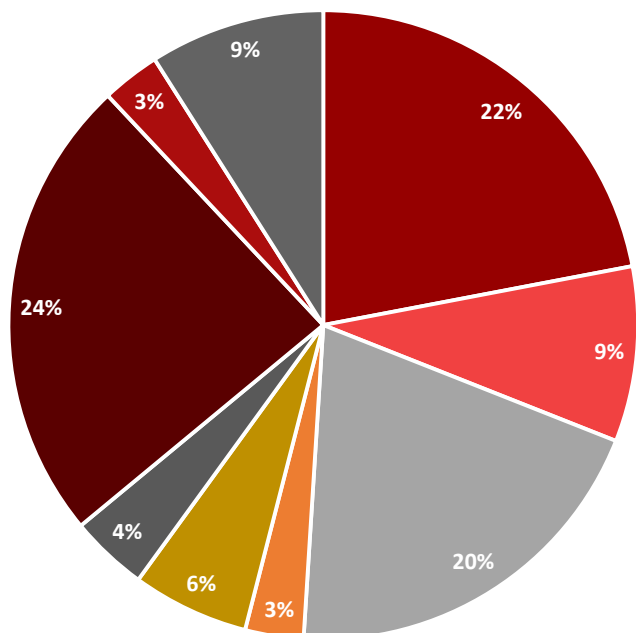


PBT Evolution (₹m)



2016

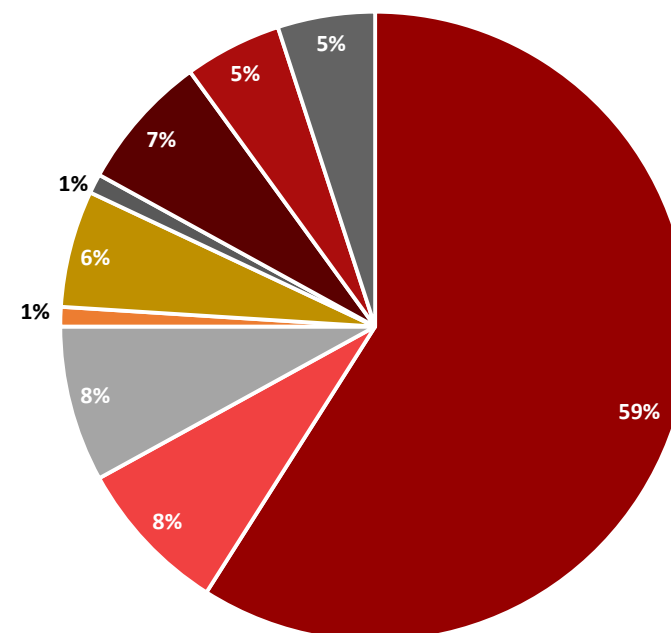
(Total Capex: ₦ 3.54 billion)



- Grand Cereals
- United Foods
- CAP
- MDS Logistics
- CC
- Livestock Feeds
- UAC Restaurants
- Portland Paints
- UPDC

2017

(Total Capex: ₦ 2.36 billion)



- Grand Cereals
- United Foods
- CAP
- MDS Logistics
- CC
- Livestock Feeds
- UAC Restaurants
- Portland Paints
- UPDC

Make Your Dog
Feel Special



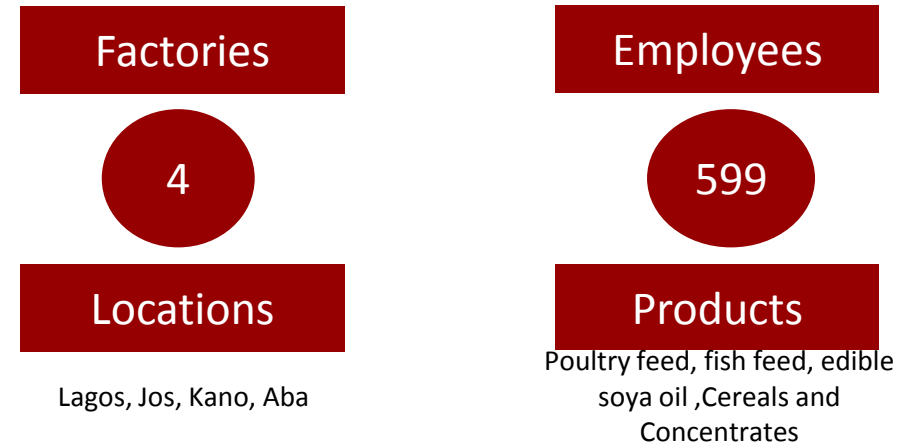
FY 2017 Operational Review - Abdul Bello



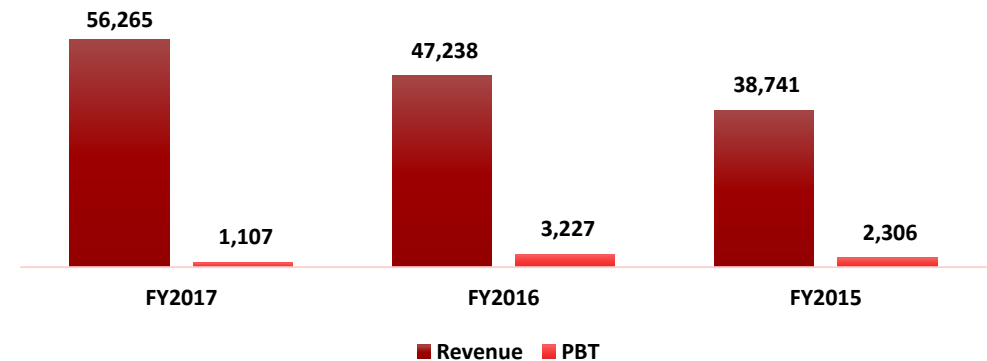
- Highly competitive market; competitive intensity heightened by aggressive new entrants
- In the near term the industry suffers from excess capacity on account of recent investment and decline in farm activities due to margin erosion
- Long-term growth supported by low levels of protein consumption and increasing domestic product

UAC will focus on maintaining market share and aggressively driving efficiencies. The Group will seek out higher margin niches within the space

Operational Highlights



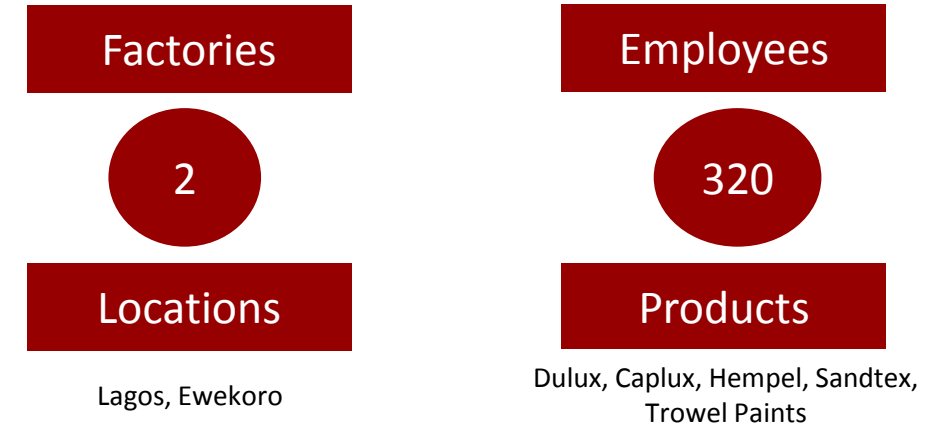
Financial Highlights



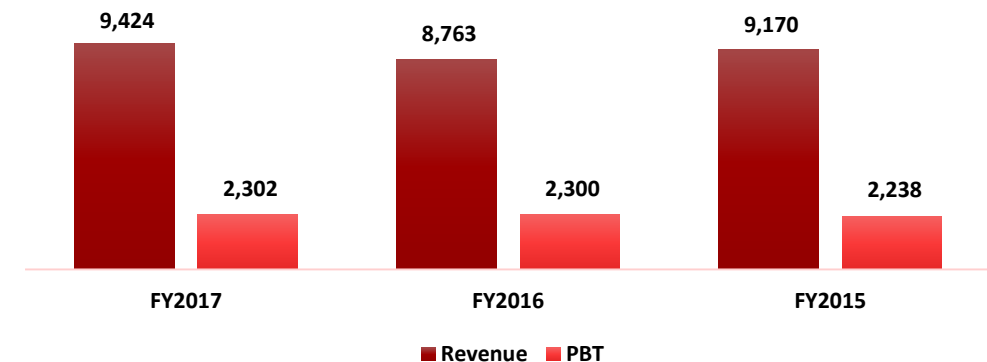
- UAC will focus on maintaining market share and aggressively driving efficiencies
- Declining purchasing power leading to market contraction
- Entry of international players heightening competition
- Downturn in the real estate sectors dampened result
- Long-term growth supported by huge housing deficit

UAC will invest behind the brands and expand distribution network

Operational Highlights



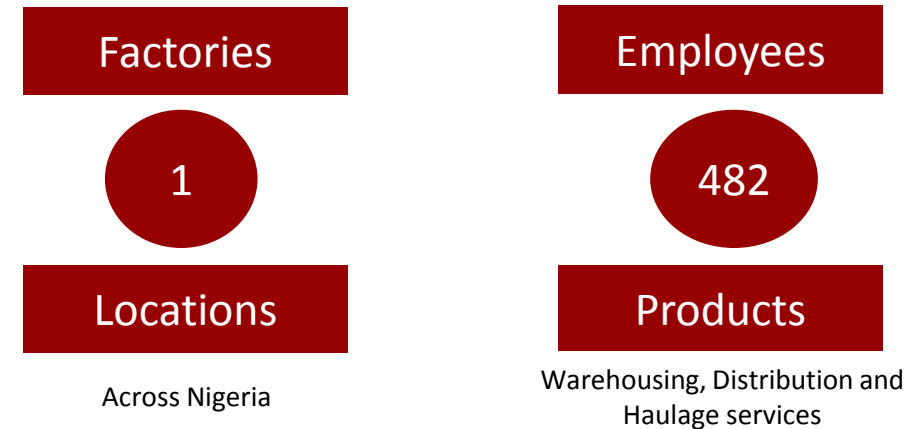
Financial Highlights



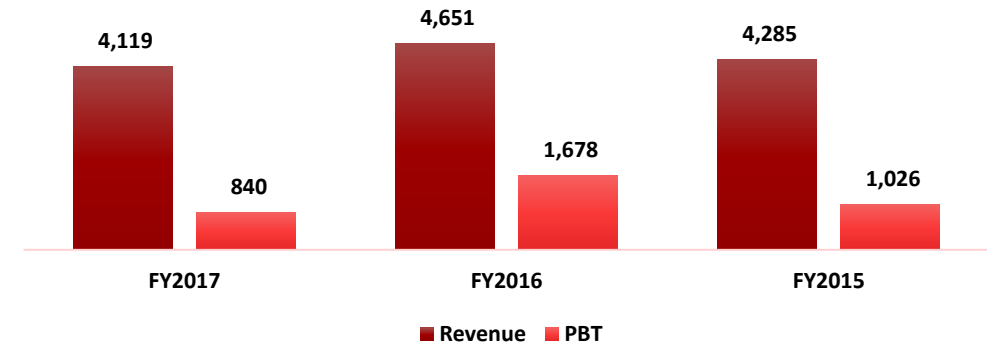
- Leading provider of integrated supply chain solutions to manufacturers, importers and service providers
- Recessionary pressures impacted volume throughput from certain clients
- Low truck availability resulting from poor road conditions

UAC will focus on expanding its position in providing niche outbound supply chain services and optimise operations to grow profit

Operational Highlights



Financial Highlights



- Highly competitive operating environment resulting from aggressive new entrants with value-based offerings
- Resistance to price increase of Gala Sausage roll
- Long-term growth supported by demographics and urban migration

The business is focusing on driving brand building activities, entrenching its Route to Market through retail penetration and developing new products

Operational Highlights

Factories

1

Locations

Lagos

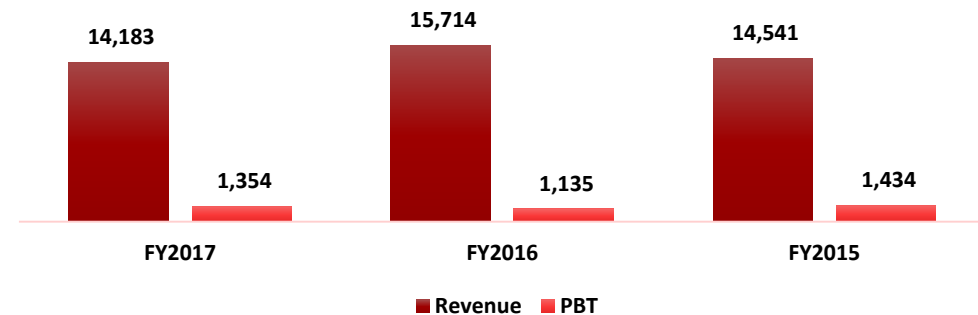
Employees

489

Products

Gala(meat rolls), Funtime (coconut chips and cupcakes), Swan Spring Water and Supreme(ice cream)

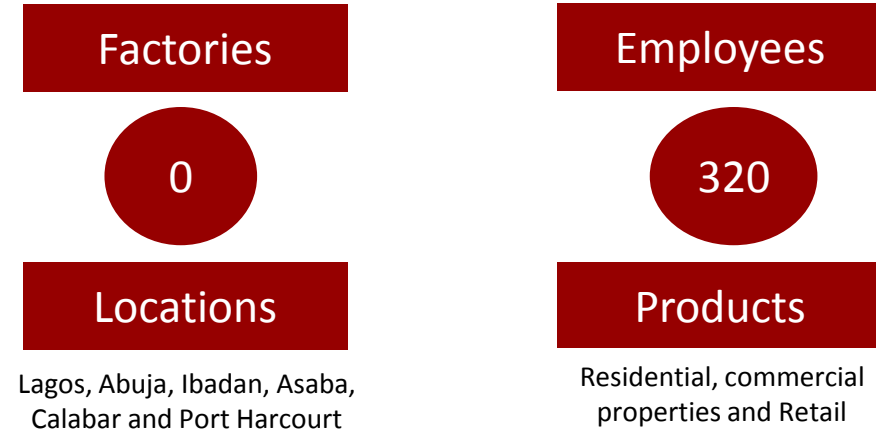
Financial Highlights



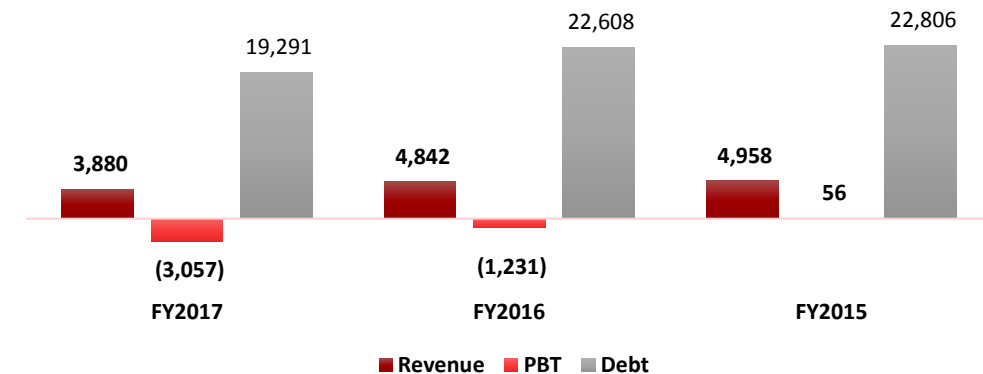
- Persisting harsh macro-economic headwinds
- High interest rate regime discouraging project development
- Oversupply of products leading to glut and vacancies, fuelled by purchasing power decline
- Retail tenants enjoying retention perks from landlords
- Long-term growth supported by huge housing deficit

The business will focus on refinancing of short-term borrowings into a N20 billion Bond, reduction of debt and overall restructuring of the company

Operational Highlights



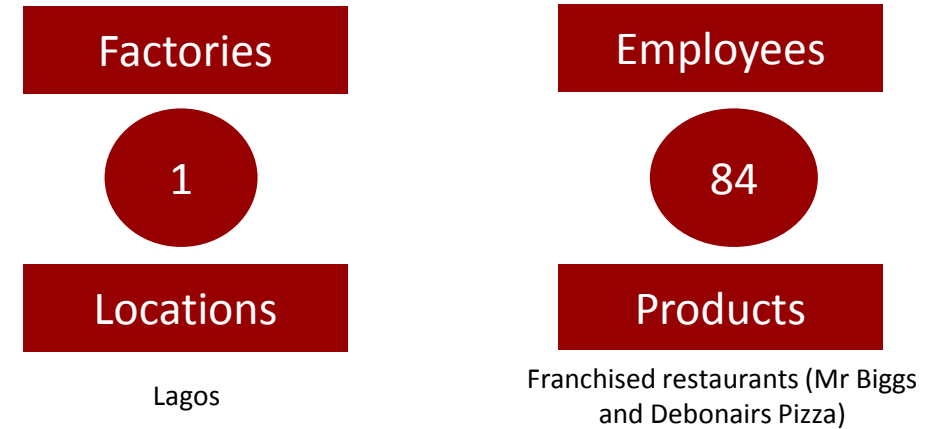
Financial Highlights



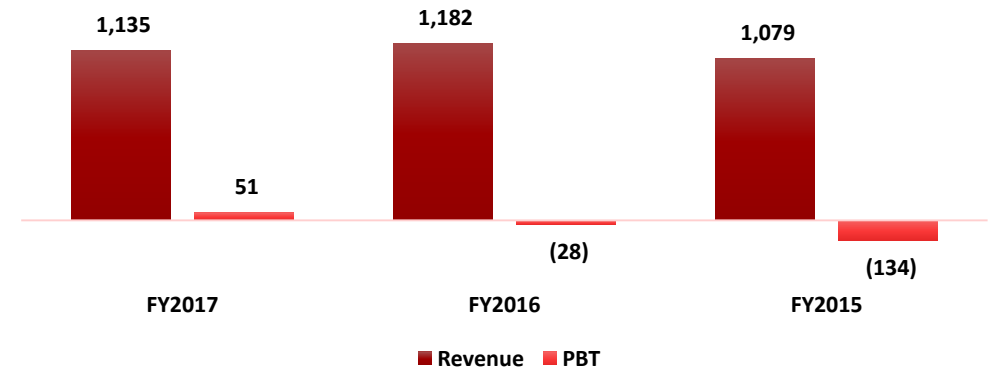
- Highly competitive market impacted by declining purchasing power
- 12 stores closures as a result of non-performing franchisees
- Rising cost of operations relative to declining revenue

UAC will undertake a review of the business with a view to fixing business fundamentals in the short-term

Operational Highlights



Financial Highlights



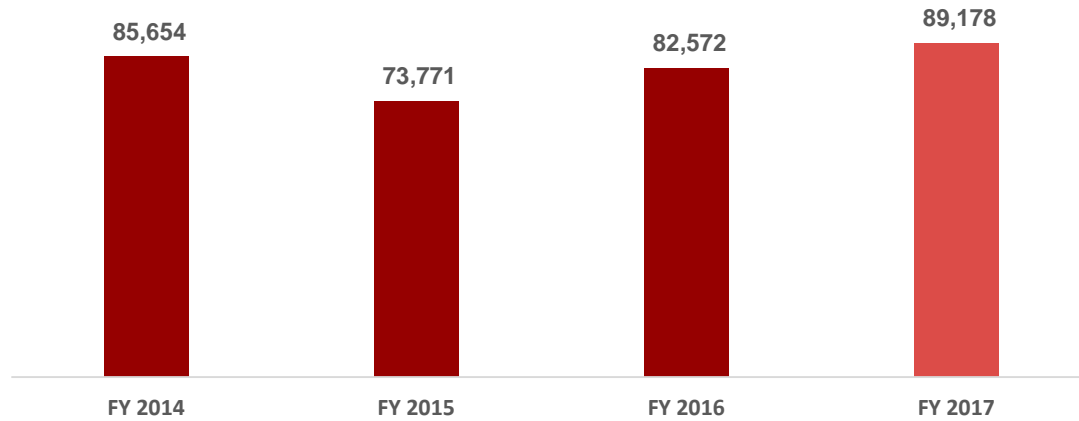
Healthy Alternative...Great Tasting Meals!



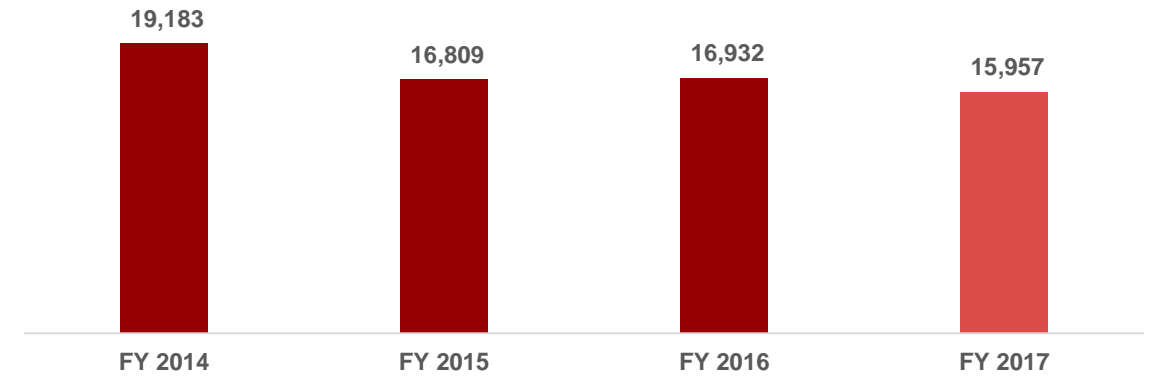
Outlook

Mr Abdul Bello (Group CEO)

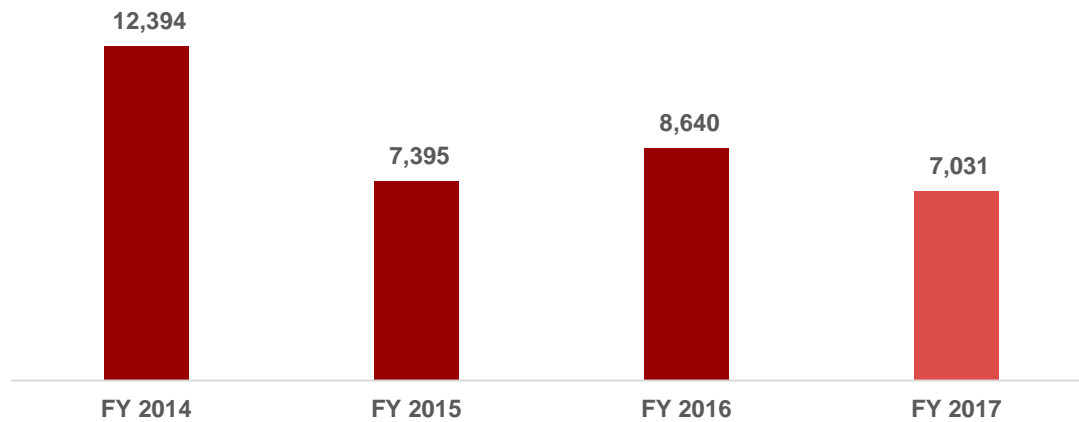
Revenue (₹m)



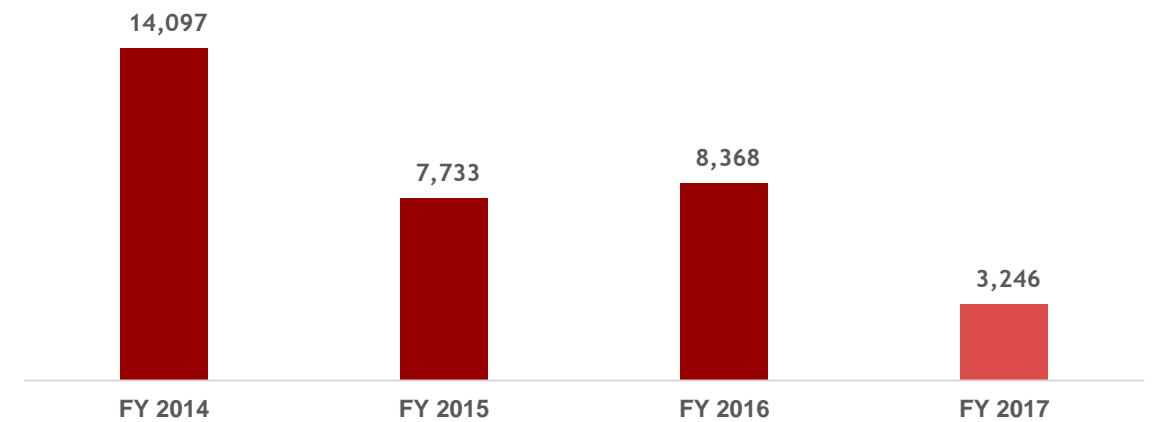
Gross Profit (₹m)



Operating Profit (₹m)



Profit Before Tax (₹m)



Group Positioning

- In spite of recent headwinds, UAC remains convinced of the attractiveness of Nigeria's market – demographics, long term growth prospects

Portfolio Review

- A rigorous review of the portfolio against three primary metrics:
 - Size – both on an absolute basis and on a relative basis
 - Industry attractiveness (underscoring long term fundamentals)
 - Return on invested capital and cash generation

Human Capital & Compensation Review

- Talent infusion
- Enhanced incentive schemes and compensation alignment with long term shareholder value

Operations Review

- Focus on operating subsidiaries and de-emphasis of conglomerate
- Cost optimisation/Efficiencies/Synergy

UAC Culture Review

- Culture of disciplined execution
- Principles around what defines a "UAC" business
- Inculcating a sense of urgency



MAKE EVERY BREAKFAST SPECIAL



LIPSMACKING SPECIALS TO START YOUR DAY







- Yummy boiled yam & egg sauce
- Scrumptious meat & chicken pies
- Delicious baked Irish potatoe & egg
- Tasty boiled plantain with egg sauce
- Many more snacks & meals

Appendix



A Leading Nigerian Diversified Consumer Goods Company



-  Listed on the Nigerian Stock Exchange since 1977 (UACN NL)
-  Market capitalization of ₦32.5 bn*
-  Rich history and legacy dating back to 1879
-  Wide portfolio of historical leading brands
-  ₦89.2 bn in revenue in 2017, 12.4% avg. operating margin (last 5Y)
-  Total assets of ₦130.8 bn* and low leverage

With over a hundred-year history, UACN is one of the most recognized companies in Nigeria

