



## PRESS RELEASE

Regulated information

### Financial Results for the Period Ended 31 March 2020

**Lagos, 30 April 2020** – UAC of Nigeria Plc (“UAC”, or “the Group”) announced its unaudited results for the quarter ended 31 March 2020.

Results for UACN Property Development Company PLC (“UPDC”), which has been classified as a discontinued operation, are accounted for separately in UAC’s Q1 2020 financial statements (in accordance with the provisions of IFRS 5). All figures for Q1 2019 have been restated for discontinued operations.

Following the divestment of control in MDS, UAC’s share of profits from MDS’ operations has been reported under “Share of Profit/(Loss) of Associates and JVs” in Q1 2020 while MDS results are consolidated in Q1 2019<sup>1</sup>.

### Group Highlights

In million ₦, unless otherwise stated	Q1 2020	Q1 2019	Δ
<b>Revenue</b>	<b>19,549</b>	<b>20,141</b>	<b>(2.9%)</b>
<b>Gross Profit</b>	<b>4,234</b>	<b>4,429</b>	<b>(4.4%)</b>
<i>Gross Profit Margin (%)</i>	21.7%	22.0%	(33 bps)
Selling & Distribution Expenses	(1,615)	(1,390)	16.2%
Administrative Expenses	(1,562)	(1,398)	11.7%
<b>Operating Expenses</b>	<b>(3,177)</b>	<b>(2,788)</b>	<b>(14.0%)</b>
<i>Operating Expenses (% of revenue)</i>	16.3%	13.8%	241 bps
Other Operating Income	85	198	(56.8%)
Other Operating Losses	(13)	(116)	88.5%
<b>EBIT</b>	<b>1,128</b>	<b>1,723</b>	<b>(34.5%)</b>
<i>EBIT Margin (% of revenue)</i>	5.8%	8.6%	(278 bps)
Finance Income	704	940	(25.1%)
Finance Cost	(234)	(262)	(10.6%)
<b>Net Finance (Cost)/Income</b>	<b>470</b>	<b>678</b>	<b>(30.7%)</b>
Interest Cover Ratio	4.8x	6.6x	(26.7%)
Share of Profit/(Loss) of Associates and JVs <sup>1</sup>	71	-	n/m
<b>Profit/(Loss) Before Tax</b>	<b>1,669</b>	<b>2,400</b>	<b>(30.5%)</b>
<i>Profit Before Tax Margin (% of revenue)</i>	8.5%	11.9%	(338 bps)
Tax Expense	(522)	(435)	(19.9%)
<i>Effective Tax Rate (% of PBT)</i>	31.3%	18.1%	1,314 bps
<b>Profit/(Loss) After Tax From Continuing Operations</b>	<b>1,147</b>	<b>1,965</b>	<b>(41.6%)</b>
<i>Profit/(Loss) After Tax from Discontinued Operations</i>	717	(969)	n/m
<b>Profit/(Loss) for the period</b>	<b>1,864</b>	<b>996</b>	<b>87.1%</b>
Basic Earnings Per Share:			
From Continuing Operations (Kobo)	27	44	(38.7%)
From Discontinued Operations (Kobo)	58	(21)	n/m
For the Period (Kobo)	85	23	268.7%

	Mar-20	Dec-19	Δ
Quick Ratio	1.0x	1.1x	(0.1x)
Current Ratio	1.7x	1.7x	(0.0x)
Gearing	10.2%	9.6%	54 bps
Total Assets / Equity	1.7x	1.8x	(0.1x)
Net Debt / EBITDA	(1.8x)	(2.2x)	0.4x
Free Cash Flow	(5,618)	(5,219)	(7.6%)

n/m: not meaningful; Figures in this release are subject to rounding differences

<sup>1</sup> Q1 2019 Pro Forma included in the Appendix



Commenting on the performance, Group Managing Director, Mr. Folasope Aiyesimoju, stated:

*“Nigeria, along with the rest of the world continues to struggle with the impact of the COVID-19 Pandemic, which is first and foremost a healthcare and humanitarian disaster. We at UAC have assessed the Pandemic’s impact on our people, our businesses and our communities, taking urgent action to protect the health and safety of our employees and stakeholders. We have instituted business continuity plans to ensure operations run smoothly and we monitor these daily. We are also contributing towards alleviating the impact of the Pandemic on our society.*

*For our Q1 2020 performance, we recorded modest top line growth, after adjusting for the reclassification of MDS Logistics. Investments in branding, selling and distribution, as well as talent offset gross profit gains resulting in lower operating profits and margin compression. We believe these investments to be critical to drive sustainable growth and profitability over the long-term.*

*We will continue to monitor the effects of the Pandemic and will take strategic and operational decisions to improve the resilience of our businesses and capture opportunities as they arise.”*

### Accounting Changes

The following transactions in respect of equity interests in subsidiaries are responsible for key accounting changes in the Q1 2020 period compared to Q1 2019:

1. The divestment of control in MDS through the sale of 8% of UAC’s equity interest to Imperial Capital Limited. UAC now owns 43% of MDS and accounts for the company as an “investment in associate” in the Statement of Financial Position (“SOF”), and UAC’s share of MDS’ profit is reported under “Share of Profit/(Loss) of Associates and JVs” in the Group consolidated Statement of Profit or Loss (“PorL”) in Q1 2020.
2. The recapitalisation of UPDC and the proposed unbundling of UAC’s equity interest in UPDC to the shareholders of UAC.

UPDC has been re-classified as “held for distribution to owners” in UAC’s SOFP and as “a discontinued operation” by the Group in the PorL in accordance with IFRS 5. Consequently, for Q1 2020 the assets and liabilities of UPDC have been derecognised from the Group accounts and reported separately under “assets of the group held for sale/distribution” in the SOFP, whilst UPDC’s after tax net result are reported under “discontinued operations” in the Group consolidated PorL for Q1 2020 and restated for Q1 2019.

### Financial Review

**Revenue** declined 2.9% YoY to ₦19.5 billion in Q1 2020, driven primarily by the re-classification of MDS as an associate. Adjusting for MDS in Q1 2019, revenue increased 4.7% YoY driven by growth in the Packaged Food & Beverages (+9.8% YoY) from improved product availability, and Animal Feeds & Other Edibles segment (+2.4% YoY) from volume growth in poultry feeds.

**Gross profit** declined 4.4% YoY to ₦4.2 billion in Q1 2020, with gross margin declining marginally by 33 basis points to 21.7%. Gross profit increased 5.5% YoY after adjusting for MDS in Q1 2019 with margins down 15 basis points. Packaged Food & Beverages (+312 bps) and Paints (+269 bps) reported margin improvements on account of raw material cost savings and reduced material losses.

**EBIT** declined 34.5% to ₦1.1 billion in Q1 2020 with EBIT margin falling 278 basis points YoY to 5.8%. EBIT declined 22.9% and margins compressed 207 basis points after adjusting for MDS in Q1 2019. EBIT impacted by investments made in marketing and distribution in the Animal Feeds & Other Edibles and Packaged Food & Beverages and Paints. Increased investments were also made to strengthen management teams across portfolio companies.

The decline in operating profit, coupled with a 30.7% decline in net finance income, resulted in a **Profit Before Tax** decline of 30.5% YoY to ₦1.7 billion in Q1 2020, with **Profit Before Tax Margin** declining 338 basis points to 8.5%.

**Finance income** decreased by 25.1% account of lower investment income yields compared to prior year. Whilst **finance costs** declined by 10.8%, driven by lower average interest rates. **Share of profit of Associate** following reclassification of the Logistics business (MDS) as an associate was ₦71 million.

Q1 2020 **tax expense** was up 19.9% to ₦0.52 billion, resulting in an effective tax rate of 31.3%, 1,314 basis points higher YoY due to lower interim tax provisions in the prior year.

**Profit after Tax from continuing operations** declined 41.6% YoY to ₦1.1 billion. Earnings per share from continuing operations was 27 kobo, down 38.7% from 44 kobo in Q1 2019. **Profit from discontinued operations** of ₦0.72 billion due to a ₦3.1 billion fair value gain on recognition of MDS as an investment in associate which offset a ₦2.6 billion loss from UPDC. Loss from UPDC was on account of impairment of its investment in the UPDC REIT.

**Total profit for the period** was **₦1.9 billion** in Q1 2020, an 87.1% improvement from ₦996 million reported in Q1 2019. Earnings per share for the period was 85 kobo, up 268.7% from 23 kobo in Q1 2019.

Free Cash Flow for the period was a negative ~~₦~~5.6 billion in Q1 2020, compared with negative ~~₦~~5.2 billion in FY 2019. Free Cash Flow in Q1 2020 was impacted by CAPEX of ₦2.0 billion from the Packaged Food & Beverages segment and inventory purchases in the Animal Feeds & Other Edibles segment. Gearing increased 54 bps from FY 2019 to 10.2% at the end of the quarter on account of increased short-term debt funding in the Animal Feeds & Other Edibles segment.

### Investor Conference Call

UAC of Nigeria Plc will have a teleconference call on Thursday, May 7 at 3pm WAT with its senior management to jointly discuss the Group's unaudited results for the quarter ended 31 March 2020 and audited results for the year ended 31 December, 2019. Management will take questions from investors and analysts at the end of the call.

The presentation will be uploaded to UACN's website for review ahead of the conference call.

Conference call details will also be made available on our website ([www.uacnplc.com](http://www.uacnplc.com)).

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### Q1 2019 Pro Forma

	Q1 2020 Actual	Q1 2019 Pro Forma	Δ%
Revenue	19,549	18,665	4.7%
<b>Gross Profit</b>	<b>4,234</b>	<b>4,014</b>	<b>5.5%</b>
<i>GP margin</i>	21.7%	21.5%	15 bps
Selling & Distribution Expenses	(1,615)	(1,374)	(17.5%)
Administrative Expenses	(1,562)	(1,187)	(31.6%)
<b>Operating Expenses</b>	<b>(3,177)</b>	<b>(2,561)</b>	<b>(24.1%)</b>
<i>Operating Expenses (% of revenue)</i>	16.3%	13.7%	253 bps
Other Operating Income	85	81	5.1%
Other operating losses	(13)	(70)	81.0%
<b>EBIT</b>	<b>1,128</b>	<b>1,464</b>	<b>(22.9%)</b>
<i>EBIT Margin (% of revenue)</i>	5.8%	7.8%	(207 bps)

Note: This is simply for illustrative purposes and is not required by International Financial Reporting Standards (IFRS).

## 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.
- 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
- 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 subsidiary of 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.

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 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.