



LAGOS, NIGERIA

MONDAY, 3 AUGUST 2020

CUSTODIAN INVESTMENT PLC SIGNS BINDING AGREEMENT WITH UAC OF NIGERIA PLC TO PURCHASE 51% OF UACN PROPERTY DEVELOPMENT COMPANY PLC

The board of directors of UAC of Nigeria PLC ("**UAC**") is pleased to announce that a binding agreement has been signed with Custodian Investment PLC ("**Custodian**") for Custodian to purchase a 51 percent equity interest in UACN Property Development Company PLC ("**UPDC**") from UAC (the "**Transaction**").

This agreement marks the beginning of a partnership between Custodian and UAC that will achieve both companies' respective objectives in the real estate industry. It also marks a significant milestone aligned with UAC's strategy to focus on its core businesses.

DEAL HIGHLIGHTS

- Sale of 9,465,584,668 UPDC ordinary shares ("**Sale Shares**") held by UAC, representing 51% of UPDC's issued share capital, to Custodian.
- Sale Shares will be sold in two tranches:
 - Initial sale of 946,558,467 shares, representing 5.10% of the issued share capital of UPDC, on execution of binding transaction agreements.
 - Subsequent sale of 8,519,026,201 shares, representing 45.90% of the issued share capital of UPDC upon receipt of requisite approvals.
- Completion of the sale is subject to regulatory approvals from The Nigerian Stock Exchange and the Federal Competition and Consumer Protection Commission.

uac of nigeria plc RC 341

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Directors: Dan Agbor (Chairman); Folasope Aiyesimoju (GMD/CEO); Dr. Vitus Ezinwa (ED); Ibikunle Oriola (ED); Dr. Umaru Alka; Mrs. Suzanne Iroche; Babatunde Kasali; Dr. Okechukwu Mbonu; Karl Olutokun Toriola; Bolaji Odunsi; Peter Mombaur (German) Alternate to Bolaji Odunsi.

Commenting on the partnership, **Wole Oshin, Group Managing Director of Custodian Investment PLC**, said:

“We at Custodian are excited about the possibilities arising from this partnership with UAC which provides multiple levers for value creation. The rationale for the Transaction is that Custodian and UAC share the view that their ambitions for capturing opportunity in the real estate industry will be better achieved working in partnership.

*UPDC is one of Nigeria's leading real estate development companies, having completed several landmark residential and commercial developments over the past twenty years. This Transaction will provide Custodian with a platform to capture arising real estate opportunities. It also immediately provides recurring cash flow visibility and attractive yields as a result of its direct exposure to Nigeria's leading real estate investment trust (“**UPDC REIT**”) with a track record of profitability and annual dividend distribution which offers a good compliment for our product portfolio.*

We are confident that the recent recapitalisation of UPDC, significant reduction in finance costs, and recently reconstituted leadership have repositioned the company to operate sustainably and capture growth opportunities aimed at increasing stakeholder value going forward.”

Folasope Aiyesimoju, Group Managing Director of UAC, said:

“The Transaction is a significant step in achieving our objectives for UPDC.

In 2018, the Board and management of UAC embarked on a strategic review to evaluate the performance of the company and its subsidiaries. The objective was to achieve sustainable positive financial performance from our existing operations and enable management focus on businesses that align with our strategy. In reviewing UPDC, the Board weighed the long-term opportunities in the Nigerian real estate sector against the fundamental differences between the cash flow profile and capital needs of UPDC and those of the other entities in UAC's portfolio. Following its review, the Board concluded that it would be in the best interest of UAC to exit its interest in the real estate sector, allowing UPDC to operate as a standalone legal entity, free to source appropriately structured capital and to unlock value for its shareholders.

*In September 2019, the Boards of Directors of UAC and UPDC jointly announced three significant strategic initiatives aimed at strengthening UPDC and positioning the company to operate as a standalone entity. This included a rights issue to recapitalise the business, plans for UAC to transfer UAC's equity interest in UPDC pro-rata to UAC's shareholders (“**UPDC Unbundling**”), and plans for UPDC to unbundle the UPDC REIT to its shareholders (“**UPDC REIT Unbundling**”). The ₦16 billion UPDC rights issue was successfully completed in April 2020, proceeds of which were used to reduce borrowing costs and significantly improve UPDC's capital position.*

In the process of progressing the unbundling initiatives, UAC received a credible offer from Custodian. The terms of the offer compelled the Board to re-evaluate the planned approach to deconsolidate UPDC and influenced the Board's decision to proceed with the sale of a portion of UAC's interest in UPDC to Custodian, effectively putting an end to the UPDC Unbundling.

We are delighted about the positive impact that a strong anchor shareholder like Custodian will have on UPDC and are focused on ensuring a smooth transition."

Custodian's expected benefits

1. Custodian Investment PLC is a leading investment company providing a wide range of financial products and services through its subsidiaries in Nigeria. The company offers Pension, Life, General Insurance and Trusteeship products across the financial services sector with potential for significant scale. Custodian views the Real Estate sector, in spite of its recent challenges, as complimentary to its product offering.

Although UPDC has faced certain challenges in recent times, an investment in the company is expected to provide the following opportunities:

- a. Attractive valuations relative to replacement cost and market values: UPDC and UPDC REIT trade at attractive valuations relative to the market values of their underlying assets.
 - b. Recurring cash flows visibility: The UPDC REIT is highly cash generative with recurring income streams. It has distributed an average of ₦1.4 billion p.a. over the last five years. Rental income from UPDC REIT is underpinned by leases with first tier tenants. This presents a good match for Custodian's business.
 - c. UPDC has ₦10 billion of assets for sale which the management team will focus on realising to provide shareholders with liquidity.
 - d. Leveraging more than two decades of UPDC's strong track record as a leading developer to drive its core property development business.
 - e. A profitable and scalable facilities management business.
2. The recent rights issue to recapitalise the company has stabilised UPDC thus creating a foundation for growth.
 3. UAC's continued ownership of a minority interest in UPDC will facilitate a smooth transition.

UAC's expected benefits

1. Deconsolidation of a business (i.e UPDC) that has a different cash flow profile and capital needs from the rest of UAC's portfolio. Upon completion of the sale, UPDC will cease to be a subsidiary of UAC and will operate as a standalone entity, separate from UAC.

2. Increased management focus on businesses in sectors that align with UAC's core strategy.
3. Having Custodian as a strong anchor shareholder in UPDC strengthens UPDC strategically.

Shareholders are advised to exercise caution when dealing in the securities of Custodian, UAC, and UPDC until requisite approvals are obtained. Further updates will be communicated accordingly.



Folasope Aiyesimoju
Group Managing Director
UAC of Nigeria PLC

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For more information, please contact

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About Custodian Investment PLC

Custodian Investment PLC, through its subsidiaries, provides various financial services products in Nigeria. The company operates through Non-Life Insurance Business, Life Insurance Business, Pension Administration, and Trustees and others segments. The company, incorporated in 1991, was formerly known as Custodian and Allied Insurance Limited and is based in Lagos, Nigeria.

About UAC of Nigeria PLC

UAC of Nigeria PLC is a holding company with subsidiary and associate companies operating in the Animal Feeds and Other Edibles, Paints, Packaged Food and Beverages, Quick Service Restaurants, Logistics and Real Estate segments. UAC has played a prominent role in the development of Nigeria for over a century and is focused on building its subsidiaries into undisputed leaders in their chosen segments. UAC's portfolio includes leading brands such as Gala Sausage Roll, SWAN Natural Spring Water, Dulux Paint, Sandtex Paint, Grand Soya Oil, Vital Feeds, Binggo Dog Food, Livestock Feeds, and Mr. Bigg's.