



PRESS RELEASE

Regulated information

Financial Results for the fourth quarter and year ended 31 December 2020

“UAC records ₦4.3 billion net income in FY 2020”

Lagos, 29 January 2021 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its unaudited results for the fourth quarter and year ended 31 December 2020.

Commenting on the performance, **Group Managing Director, Fola Aiyesimoju**, stated: “FY 2020 was challenging, with operational disruptions related to COVID-19 and ENDSARS protests. I thank my colleagues across the Group for their courage, sacrifice, and dedication in navigating complexity. We focused on executing our strategy, implementing initiatives relating to UPDC, significantly reducing leverage and increasing cash, strengthening management, and driving profitability. Operating performance for the year was negatively impacted by aforementioned disruptions, as well as, input cost escalation. Our efforts resulted in net income of ₦4.3 billion in 2020. We benefited from ₦1.2 billion in non-recurring gains from investments in associates, MDS Logistics Limited (“MDS Logistics”) and UACN Property Development Company PLC (“UPDC”).

In the fourth quarter, our businesses rebounded and profit after tax increased 136% to ₦2.4 billion (₦1.4 billion, adjusting for non-recurring items) from ₦1.0 billion in 2019, supported by cost management initiatives that reduced operating expenses by ₦1.4 billion (30%). In December 2020, UAC received 649 million units of UPDC Real Estate Investment Trust (“UPDC REIT”), valued at ₦3.6 billion as part of the partial exit from UPDC. This is in addition to the ₦6.6 billion received in H2 2020 for the sale of a 51% stake in UPDC.”

Group Highlights

In million ₦, unless otherwise stated	Q4 2020	Q4 2019	Δ %	FY 2020	FY 2019	Δ %
Revenue	23,797	22,382	6.3%	81,594	79,202	3.0%
Gross Profit	4,318	4,968	(13.1%)	15,713	16,627	(5.5%)
Gross Profit Margin (%)	18.1%	22.2%	(405 bps)	19.3%	21.0%	(174 bps)
Selling and Distribution Expenses	(1,329)	(2,268)	(41.4%)	(5,791)	(6,453)	(10.3%)
Administrative Expenses	(1,975)	(2,451)	(19.4%)	(7,318)	(6,573)	11.3%
Operating Expenses	(3,303)	(4,719)	(30.0%)	(13,109)	(13,026)	0.6%
Operating Expenses (% of revenue)	13.9%	21.1%	(720 bps)	16.1%	16.4%	(38 bps)
Other Operating Income	706	1,168	(39.6%)	1,124	2,356	(52.3%)
Underlying EBIT	1,625	1,127	44.2%	3,642	4,829	(24.6%)
Underlying EBIT Margin (%)	6.8%	5.0%	179 bps	4.5%	6.1%	(163 bps)
Non-Recurring Income	-	-	n.a	-	631	n.a
Writeback of Statute Barred Unclaimed Dividend	-	-	n.a	-	206	n.a
EBIT	1,625	1,127	44.2%	3,642	5,666	(35.7%)
EBIT Margin (%)	6.8%	5.0%	179 bps	4.5%	7.2%	(269 bps)
Net Finance Income	213	320	(33.5%)	554	1,790	(69.0%)
Share of Profit of Associates and JVs ¹	1,046	-	n.a	1,162	-	n.a
Profit Before Tax	2,884	1,447	99.3%	5,358	7,456	(28.1%)
Profit Before Tax Margin (%)	12.1%	6.5%	565 bps	6.6%	9.4%	(285 bps)
Underlying Profit Before Tax	2,884	1,447	99.3%	5,358	6,619	(19.0%)
Profit After Tax From Continuing Operations	2,408	954	152.3%	3,858	5,345	(27.8%)
Profit/(Loss) After Tax from Discontinued Operations	18	76	(75.6%)	470	(14,602)	(103.2%)
Profit/(Loss) for the period	2,426	1,030	135.5%	4,328	(9,256)	n/m
Profit Margin (%)	10.2%	4.6%	559 bps	5.3%	(11.7%)	n/m
Basic Earnings Per Share (EPS):						
From Continuing Operations (Kobo)	61	13	373%	85	132	(35.6%)
From Discontinued Operations (Kobo)	(3)	17	n/m	21	(315)	n/m
For the Period (Kobo)	58	30	93%	106	(183)	n/m
Annualised Return on Equity (ROE)	13%	7%	603 bps	6%	(10.6%)	1,634 bps
Annualised Return on Invested Capital (ROIC)	11%	5%	566 bps	6%	6.9%	(65 bps)

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

¹ Largely attributable to UPDC, on account of UPDC Real Estate Investment Trust (“UPDC REIT”) unit price appreciation in December 2020; UAC's share of UPDC's ₦2.8 billion fair value gain from UPDC REIT is ₦1.2 billion.

	Dec-20	Dec-19	Δ
Quick Ratio	1.2x	1.1x	0.1x
Current Ratio	2.0x	1.7x	0.2x
Gearing	0.1x	0.1x	(334.6x)
Total Assets / Equity	1.5x	1.8x	(0.3x)
Net Debt / EBITDA	(3.2x)	(2.2x)	(1.0x)
Free Cash Flow	(3,250)	(5,219)	n/m

Accounting Changes

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

1. The divestment of control in MDS Logistics and UPDC. UAC now accounts for MDS Logistics and UPDC as “investments in associates” in the Statement of Financial Position (“SOFPI”). UAC’s share of profit from both entities is reported under “Share of Profit of Associates and JVs” in the Group Statement of Profit or Loss (“P or L”) for the year ended 31 December 2020.

Group Performance and Financial Review: Q4 2020

Revenue in Q4 2020 increased 6.3% to ₦23.8 billion from ₦22.4 billion in Q4 2019 as a result of revenue growth in the Animal Feeds & Other Edibles (+7.2%), Packaged Food and Beverages (+10.7%), and Quick Service Restaurants (+14.0%) segments of the group. The Paint segment, categorised as “non-essential” was most impacted by COVID-19 related restrictions and as such, revenue declined slightly by 1.2%.

Volume growth, particularly in the fish feed and cereals categories, as well as, price increases across major categories contributed to top line growth in the Animal Feeds & Other Edibles segment. The Packaged Food and Beverages segment achieved volume growth in snacks, dairy, and water categories. Quick Service Restaurants revenue growth was primarily driven by sales from recently launched company-owned restaurants.

Gross profit declined 13.1% YoY to ₦4.3 billion in Q4 2020, with gross profit margin declining by 405 bps to 18.1%. Margin contraction was largely on account of input cost escalation, particularly in the Packaged Food and Beverages and Paints segments.

Operating profit increased 44.2% to ₦1.6 billion in Q4 2020. A key contributor to the improvement in underlying EBIT was the 30% YoY decrease in operating expenses in Q4 2020. Animal Feeds & Other Edibles, Packaged Foods and Beverages, and Quick Service Restaurants segments experienced a decline in operating expenses by 27.8%, 45.7% and 20.0% respectively in Q4 2020; a direct result of cost management initiatives.

Profit before Tax in Q4 2020 increased 99.3% YoY to ₦2.9 billion. A key contributor to this increase is the ₦1.05 billion share of profit of associates recognised from MDS and UPDC in Q4 2020. Profit before Tax, adjusted for a non-recurring fair value gain from UPDC REIT units arising from UPDC was ₦1.8 billion, a 24.3% increase YoY.

Profit after Tax from continuing operations in Q4 2020 rose to ₦2.4 billion, up 152.3% YoY against ₦954 million in Q4 2019. An ₦18 million **profit from discontinued operations** was recognised in Q4 2020 attributable to UPDC prior to the divestment of control, versus the ₦76 million profit recorded in Q4 2019.

As a result, UAC’s **Total profit for the period** was ₦2.4 billion in Q4 2020, 136% higher than the ₦1.03 billion profit recorded in Q4 2019. **Earnings per share** for the period was 58 kobo, up 93% from 30 kobo in Q4 2019.

Free Cash Flow for the period was negative ₦4.6 billion in Q4 2020, compared with positive ₦5.6 billion in Q4 2019 due to higher working capital outflows in Q4 2020.

Group Performance and Financial Review: FY 2020

Revenue in FY 2020 increased 3.0% YoY to ₦81.6 billion supported by sales growth in the Animal Feeds & Other Edibles segment (+4.6% YoY), the Packaged Food & Beverages segment (1.8%) and the Quick Service Restaurant Segment (1.9%). These segments were deemed essential services during the period of stringent restrictions to movement of people and goods to curtail the spread of COVID-19.

Gross profit in FY 2020 declined 5.5% YoY to ₦15.7 billion as a result of limited sales during the strictest phase of the lockdown (April and May), higher input costs, and distribution expenses.

Operating Profit was ₦3.6 billion in FY 2020 compared to ₦5.7 billion in the previous year. Adjusting for non-recurring income in 2019 from the sale of non-core real estate assets (₦631 million) and the writeback of statute barred unclaimed dividend (₦206 million), underlying FY 2020 EBIT declined 24.6% YoY to ₦3.6 billion in 2020 versus ₦4.8 billion in 2019. The decline was on account of reduced sales in April and May, input cost escalation partly attributable to foreign exchange devaluation, supply chain disruptions, and rising employee costs on account of initiatives to strengthen management teams across the Group.

Underlying Profit before Tax was 19% lower YoY at ₦5.4 billion in FY 2020 on account of lower operating profit and steep decline in net finance income (-69.0% YoY) because of lower investment income yields compared to the prior year. The decline in net finance income was offset by the share of profit of associates of ₦1.2 billion earned from MDS and UPDC, largely attributable to a non-cash, mark to market increase in the fair value of UPDC REIT.

Profit after Tax from continuing operations was ₦3.8 billion, down 27.8% YoY against ₦5.3 billion in FY 2019. **Total profit for the period** was ₦4.3 billion in FY 2020, a reversal from the ₦9.3 billion loss reported in FY 2019. **Earnings per share** for FY 2020 was 106 kobo, up from negative 183 kobo in FY 2019.

Free Cash Flow for the period was negative ₦3.3 billion in FY 2020, compared with negative ₦5.2 billion in FY 2019. Free cash flow in FY 2020 improved significantly on account of the ₦4.2 billion gain from the change in net assets of disposal group held for sale, as a result of the sale of controlling stake in MDS and UPDC. Free cash flow was also impacted by higher net capital expenditure YoY (+63% increase to ₦4.4 billion in FY 2020) from investments in production capacity and cold chain distribution for the Packaged Food and Beverages segment.

Return on Equity (ROE) from continuing operations at the end of December 2020 was 5.7%, a reversal from negative 10.6% as at the same period last year. **Return on Invested Capital (ROIC)** was 65bps lower at 6.3% (6.9% in FY2019).

Segment Performance¹

Revenue (% and ₦m)	Q4 2020	Q4 2019	Δ %	FY 2020	FY 2019	Δ %
Animal Feeds and Other Edibles	15,712	14,661	7.2%	54,224	51,818	4.6%
Paints	3,210	3,248	(1.2%)	10,428	11,021	(5.4%)
Packaged Food and Beverages	5,069	4,577	10.7%	17,853	17,545	1.8%
Quick Service Restaurants	469	411	14.0%	1,529	1,501	1.9%
Earnings /(Loss) before Interest & Tax – EBIT (₦m)	Q4 2020	Q4 2019	Δ %	FY 2020	FY 2019	Δ %
Animal Feeds and Other Edibles	914	839	8.9%	2,084	1,771	17.7%
Paints	246	625	(60.6%)	1,314	2,240	(41.4%)
Packaged Food and Beverages	662	81	713.8%	1,324	1,193	11.0%
Quick Service Restaurants	38	(6)	n/m	9	(36)	n/m
Profit/ (Loss) Before Tax – PBT (₦m)	Q4 2020	Q4 2019	Δ %	FY 2020	FY 2019	Δ %
Animal Feeds and Other Edibles	891	939	(5.1%)	1,746	990	76.4%
Paints	296	726	(59.3%)	1,553	2,673	(41.9%)
Packaged Food and Beverages	688	68	915.4%	1,374	1,561	(12.0%)
Quick Service Restaurants	26	(19)	n/m	(28)	(75)	(63.1%)

1) Performance of the corporate head office not included in the table as it is not allocated to any segment.

Animal Feeds and Other Edibles

Revenue from the Animal Feeds and Other Edibles segment increased 4.6% YoY to ₦54.2 billion in FY 2020. Price increases, as well as volume growth, across major categories to offset higher input costs primarily contributed to the 17.7% increase in YoY EBIT to ₦2.1 billion (FY 2019: ₦1.8 billion). The segment recorded a ₦1.7 billion Profit before Tax in FY 2020, against a ₦990 million Profit before Tax in FY 2019.

In Q4 2020, revenue increased 7.2% to ₦15.7 billion. EBIT of ₦914 million was 8.9% higher (FY 2019: ₦839 million) as a result of increased sales of higher margin categories, as well as, price increases. However, the segment recorded a 5.1% decline in Profit before Tax to ₦891 million in Q4 2020 from ₦939 million in Q4 2019.

Paints

Corporate Action: On 26 October 2020, Chemical and Allied Products PLC (CAP) and Portland Paints and Products Nigeria PLC (Portland Paints) announced their intention to merge their respective businesses. The boards and management of CAP and Portland Paints expect the proposed merger to be value accretive to stakeholders of both companies. Completion is subject to regulatory approvals, as well as, shareholder approvals at court-ordered meetings for the respective companies on 18 February 2021.

Financial review: Due to the challenging operating environment, the Paints segment reported revenue contraction of 5.4% YoY to ₦10.4 billion in FY 2020. The decline in revenue was largely a result of lower sales as this segment was categorised as “non-essential” and was impacted by COVID-19 related restrictions particularly in April and May 2020. Operating profit was 41.4% lower at ₦1.3 billion as a result of higher cost of sales and operating costs. Profit before Tax of ₦1.6 billion in FY 2020, 41.9% lower than FY 2019.

Revenue from the Paints segment declined 1.2% to ₦3.2 billion in Q4 2020. Sales were partially impacted by the protests in October. Q4 2020 EBIT of ₦246 million was 60.6% lower than in Q4 2019; higher cost of sales as a result of supply chain disruptions, as well as, non-recurring expenses (asset impairments of ₦107 million and additional provisions of ₦99 million) contributed to the contraction in EBIT. Adjusting for these non-recurring items, EBIT declined by 27.7%. Profit before Tax was ₦296 million in Q4 2020, a 59.3% decline from Q4 2019.

Packaged Food and Beverages

The Packaged Food and Beverages segment grew by 1.8% YoY in FY 2020 with revenues of ₦17.9 billion (FY 2019: ₦17.5 billion). Lower volumes in the snacks category on account of movement restrictions and the partial shutdown of markets to curtail the spread of COVID-19 in previous quarters, were offset by higher volumes in water and dairy categories, as well as increase sales in the snacks category in Q4 due to increased sales and marketing efforts. Operating profit increased to ₦1.3 billion (FY 2019: ₦1.2 billion) due to lower operating costs. Profit before Tax declined by 12.0% to ₦1.4 billion.

Q4 2020 revenue of ₦5.1 billion was up 10.7% compared to Q4 2019 driven by revenue growth across all categories. EBIT of ₦662 million was 713.8% higher than ₦81 million recorded in Q4 2019, on account of a significant decrease in operating expenses. Profit before Tax increased 915.4% to ₦688 million.

Quick Service Restaurants

Revenue from the Quick Service Restaurants segment grew 1.9% YoY to ₦1.53 billion in FY 2020 from ₦1.50 billion in FY 2019 on account of an increase in the number of company-owned restaurants (corporate stores). The segment recorded a ₦9 million operating profit in FY 2020 which was a reversal from the loss of ₦36 million in FY 2019, and a direct result of cost optimisation initiatives. UAC Restaurants recorded a ₦28 million Loss before Tax in FY 2020, against a ₦75 million Loss before Tax in FY 2019.

In Q4 2020, revenue increased 14% to ₦469 million from ₦411 million in Q4 2019, driven by increased sales from the central kitchen and the recently launched corporate stores. Increase in raw material costs (+18.5%) was offset by lower conversion costs in the quarter. Operating profit was ₦38 million compared to an operating loss of ₦6 million in the previous year, a direct result of topline growth and aggressive cost management efforts. As a result, the segment recorded ₦26 million Profit before Tax in Q4 2020 compared to a Loss after Tax of ₦19 million in Q4 2019.

Associate: Real Estate (UPDC - 43% ownership)

Corporate Action:

Sale of 51% stake: On 3 August 2020, UAC entered into a binding agreement with Custodian Investment PLC regarding the acquisition of a 51% stake in UPDC to be completed in two tranches. The first tranche, representing a 5.1% stake was completed in September 2020. The sale of the second tranche of UPDC shares representing a 45.9% stake was concluded on 17 November 2020. UAC received ₦6.6 billion in cash proceeds and now owns a 42.85% stake in UPDC.

Unbundling of UPDC REIT units: In 2020, UPDC embarked on a process to unbundle its holdings in UPDC REIT to all its shareholders. This initiative was aimed at maximising returns to all UPDC's shareholders by providing direct access to the steady and regular dividend distributions of UPDC REIT. UAC, as a shareholder of UPDC, received 649 million UPDC REIT units valued at ₦3.6 billion as at 31 December 2020.

Financial review: UPDC's FY 2020 revenue was ₦1.7 billion, 23% lower than FY 2019 as a result of challenging operating environment exacerbated by the ongoing pandemic. Revenue declined on account of lower sales of properties at ₦1.3 billion compared to FY 2019 of ₦1.7 billion (-24.8%), lower rental income and management fees at ₦96 million compared to FY 2019 of ₦167 million (-21.5%). The segment recorded an operating loss of ₦468 million in FY 2020, a slight improvement compared to operating loss of ₦1.3 billion in FY 2019 due to improvement in gross profit from inventory write back.

Net finance costs of ₦1.5 billion (-42.2% lower YoY) and provision for First Festival Mall loan guarantee of ₦990 million contributed to UPDC recording a ₦2.0 billion Loss before Tax in FY 2020, against a ₦3.5 billion Loss before Tax in FY 2019. Loss after tax was ₦169 million in FY 2020, a 99% increase from the ₦15.9 billion loss incurred in FY 2019 on account of the fair value gain recognised on the Company's asset disposal group held for sale.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' FY 2020 revenue increased 40.3% YoY to ₦8 billion from ₦5.7 billion driven by increase in demand for haulage services. Operating profit increased 15.9% YoY to ₦875 million (FY 2019: ₦755 million) resulting in EBIT margin of 11% in FY 2020, a 231bps compression compared to the prior year on account of higher cost of sales. Profit before Tax of ₦388 million in FY 2020 was 44.8% lower than FY 2019 (₦703 million) as a result of increased finance costs incurred on a loan to fund recent capital expenditure to support the haulage business. Profit after Tax was ₦289 million in FY 2020.

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About UAC

UAC of Nigeria PLC (UAC) 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. The company is focused on building its subsidiaries into leaders in their chosen segments.

UAC operates in six segments through the following subsidiary and associate companies:

Animal Feeds and Other Edibles

- Grand Cereals Limited (71.43% ownership) – a leading producer of cereals, edible oils, poultry feed, fish feed, ruminant feed and dog food. The company has production and distribution facilities in Northern and South Eastern Nigeria. It owns a portfolio of strong brands including Grand, Vital, and Best Mate.
- Livestock Feeds PLC (73.00% ownership) – produces and distributes animal feeds, feed concentrates and full fat soya. The company recently expanded its offering to include veterinary drugs. Livestock Feeds' geographic strength is in South West Nigeria. The company is listed on The Nigerian Stock Exchange ("The NSE").

Paints

- Chemical and Allied Products PLC (51.49% ownership) – the leading player in the premium paints segment and the sole technology licensee for AkzoNobel's decorative range in Nigeria. The company benefits from a unique distribution model - franchised retail outlets, which it pioneered in Nigeria's paint industry. CAP is listed on The NSE.
- Portland Paints and Products Nigeria PLC (85.98% ownership) – is a distributor for Hempel's industrial products in Nigeria. It also manufactures and markets decorative and industrial paints under its own brand Sandtex. PPNL is listed on The NSE.

Packaged Food and Beverages

- UAC Foods Limited (51.00% ownership) - a joint venture business with Tiger Brands and leader in snacks, dairy, and spring water categories. It owns iconic brands including Gala, Funtime, Supreme and SWAN Spring Water.

Quick Service Restaurants

- UAC Restaurants Limited (51.00% ownership) - a joint venture with Famous Brands, manages the network of Quick Service Restaurants across Nigeria under the Mr Bigg's and Debonairs Pizza brands.

Logistics

- MDS Logistics Limited (43.00% ownership) - the leading logistics provider in Nigeria, offers the complete suite of outbound logistics and supply chain services including Warehousing, Haulage and Distribution.

Real Estate

- UACN Property Development Company PLC (42.85% ownership) - a foremost property development and management company quoted on The NSE.
- UPDC Real Estate Investment Trust (24.34% ownership) - a close-ended property fund listed on The NSE, with a market capitalisation of ₦14.7 billion as at 31 December 2020.

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 the Securities and Exchange Commission. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.