



PRESS RELEASE

Regulated information

“UAC releases Audited Financial Results for the year ended 31 December 2020, announces ₦ 7.1 billion capital return to shareholders”

Lagos, 31 March 2021 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its audited results for the year ended 31 December 2020.

Highlights

- Revenue 3% ahead of FY 2019, despite COVID-19 related disruptions.
- Gross margin 134bps lower due to limited sales during the Q2 2020 restrictions to the movement of people and goods, as well as, higher input costs.
- Underlying operating profit 26% lower at ₦3.6 billion, largely on account of the Paints segment.
- Total profit for the period was ₦3.9 billion, a reversal from the ₦9.3 billion loss reported in FY 2019.
- Earnings per share was 92 kobo, up from negative 183 kobo in FY 2019.
- Total dividend of 120 kobo per share (₦3.5 billion) comprised of an ordinary dividend of 65 kobo and a special dividend of 55 kobo per share. This translates to a dividend yield of 13.8%.
- **Subsidiary and associate company highlights**
 - Completed partial exit from UACN Property Development Company PLC (“UPDC”). Received ₦6.6 billion cash proceeds and 649,392,661 UPDC Real Estate Investment Trust (“UPDC REIT”) units valued at ₦3.6 billion. UPDC and UPDC REIT are now classified as investments in associates.
 - Divested an 8% stake in MDS Logistics Limited (“MDS Logistics”) to our joint venture partner, Imperial Logistics. This reduced UAC’s ownership from 51% to 43%. MDS Logistics is now classified as an investment in associate.
 - Chemical and Allied Products PLC (“CAP”) and Portland Paints and Products Nigeria PLC (“Portland Paints”) announced plans to merge.
- **Proposed corporate actions**
 - Unbundling of UPDC REIT units, valued at ₦3.6 billion, to UAC shareholders was approved by the Board of Directors. Completion is subject to regulatory and shareholder approvals as well as the sanction of the court.

Commenting on the results and corporate actions, **Group Managing Director, Fola Aiyesimoju**, stated: “UAC’s objective is to generate attractive long-term, risk-adjusted returns for our shareholders. I am delighted that the Board approved ₦7.1 billion in capital returns to shareholders via a mix of dividends and REIT units totalling ₦2.47 per share or a 28.3% return at current market values.

Over the last 12 months, we faced a recession, civil unrest, and significant changes to the way we work due to the COVID-19 pandemic. In spite of these headwinds, we executed our key priorities, implemented initiatives relating to UPDC, strengthened management, and returned the Group to profitability.

As part of the partial exit from UPDC, we received ₦6.6 billion net cash proceeds and 649 million UPDC REIT units valued at ₦3.6 billion. I am excited that we are unlocking value for our shareholders via a special dividend, as well as, the unbundling of UPDC REIT units which, if approved by regulators, shareholders and sanctioned by the court, will see UAC’s shareholders become direct holders of units in UPDC REIT.

Going forward, our focus remains on creating shareholder value and we continue to prioritise growth, scale, and simplicity to achieve this. We will explore acquisitions as an avenue to accelerate growth.”

Corporate Action: Proposed Unbundling of UPDC REIT Units

Consistent with our commitment to create sustainable shareholder value, the Board of Directors is pleased to announce its decision to unbundle its 24.34% interest in UPDC Real Estate Investment Trust (649 million units valued at ₦3.6 billion) to UAC shareholders. Following the unbundling, UAC will no longer own any UPDC REIT units, and UAC’s shareholders will become direct holders of UPDC REIT units. The allocation ratio of 0.2254 will see UAC shareholders receive 226 UPDC REIT units for every 1,000 UAC shares owned, providing UAC shareholders with a capital return of ₦1.27 per share or 14.5% based on the respective market prices of UAC and UPDC REIT as at 29 March 2021. The proposed initiative will provide shareholders with direct exposure to UPDC REIT and its diverse portfolio of income generating assets, ensuring that shareholders directly benefit from future potential dividend distributions from the UPDC REIT.

Implementation framework: The transfer of UPDC REIT units to UAC’s shareholders will be implemented through a Scheme of Arrangement under Section 715 of the Companies and Allied Matters, Act, 2020 as amended (“CAMA”), incorporating a reduction in share capital under Section 131 of CAMA. The effect of the scheme will be that UPDC REIT units owned by UAC will be transferred to UAC’s shareholders, pro-rata to their shareholding in UAC. If the Scheme is approved and implemented, UAC’s shareholders will hold UPDC REIT units in addition to their existing shares in UAC. UAC will cease to be a unitholder in UPDC REIT.

The announced plan is subject to the review and approval of regulators, UAC shareholders at a court-ordered meeting, as well as the sanction of the court. Accordingly, shareholders and the investing public are advised to exercise caution when dealing in the securities of UAC and UPDC REIT. Further updates will be communicated accordingly.

Group Highlights

In million ₦, unless otherwise stated	FY 2020	FY 2019	Δ %
Revenue	81,358	79,202	3%
Gross Profit	15,990	16,627	(4%)
<i>Gross Profit Margin (%)</i>	20%	21%	(134 bps)
Operating Expenses	(13,490)	(13,026)	4%
<i>Operating Expenses (% of revenue)</i>	17%	16%	14 bps
Other Losses	(141)	(297)	(53%)
Other Income	1,238	2,362	(48%)
EBIT	3,597	5,666	(37%)
<i>EBIT Margin (%)</i>	4%	7%	(273 bps)
Underlying EBIT	3,587	4,829	(26%)
<i>Underlying EBIT Margin (%)</i>	4%	6%	(169 bps)
Net Finance Income	550	1,790	(69%)
Share of Profit of Associates and JVs ¹	973	-	n.a
Profit Before Tax	5,121	7,456	(31%)
<i>Profit Before Tax Margin (%)</i>	6%	9%	(312 bps)
Underlying Profit Before Tax	5,110	6,619	(23%)
Profit After Tax From Continuing Operations	3,458	5,345	(35.3%)
<i>Profit/(Loss) After Tax from Discontinued Operations</i>	470	(14,602)	(103%)
Profit/(Loss) for the period	3,928	(9,256)	n/m
<i>Profit Margin (%)</i>	5%	(12%)	n/m
Basic Earnings Per Share (EPS):			
<i>From Continuing Operations (Kobo)</i>	71	132	(46%)
<i>From Discontinued Operations (Kobo)</i>	21	(315)	n/m
<i>For the Period (Kobo)</i>	92	(183)	n/m
Return on Equity (ROE)	5%	(11%)	1,564 bps
Return on Invested Capital (ROIC)	5.9%	6.9%	(103 bps)

¹Attributable to share of profit from MDS Logistics and UPDC where UAC holds 43% and 42.85% of the respective company’s shares.

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 (“SOPF”). 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 year ended 31 December 2020.

Group Performance and Financial Review: FY 2020

Revenue in FY 2020 increased 2.7% YoY to ₦81.4 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 (1.8%). These segments were deemed essential services during the period of stringent restrictions to the movement of people and goods to curtail the spread of COVID-19.

Gross profit in FY 2020 declined 3.8% YoY to ₦16.0 billion as a result of limited sales during the strictest phase of the restrictions to the movement of people and goods (April and May), and higher input costs.

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 25.8% YoY to ₦3.6 billion in 2020 versus ₦4.8 billion in 2019. The decline was largely attributable to the Paints segment which was categorised as “non-essential” and was impacted by reduced sales in April and May, as well as input cost escalation partly attributable to foreign exchange devaluation, supply chain disruptions which impacted raw material sourcing, and rising employee costs on account of initiatives to strengthen management teams across the Group.

Underlying Profit before Tax was 23% lower YoY at ₦5.1 billion in FY 2020 on account of lower operating profit and steep decline in net finance income (-69.0% YoY) on account 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 ₦973 million 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 ₦3.5 billion, down 35.3% YoY against ₦5.3 billion in FY 2019. **Total profit for the period** was ₦3.9 billion in FY 2020, a reversal from the ₦9.3 billion loss reported in FY 2019. **Earnings per share** for FY 2020 was 92 kobo, up from negative 183 kobo in FY 2019.

Free Cash Flow for the period was negative ₦3.0 billion in FY 2020, compared with negative ₦5.6 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 (+71% 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%, a reversal from negative 10.6% as at the same period last year. **Return on Invested Capital (ROIC)** was 103bps lower at 5.9% (6.9% in FY2019).

Segment Performance¹

Revenue (₦'m)	FY 2020	FY 2019	Δ %
Animal Feeds & Other Edibles	54,224	51,818	4.6%
Paints	10,425	11,021	(5.4%)
Packaged Food & Beverages	17,853	17,545	1.8%
Quick Service Restaurants	1,528	1,501	1.8%
Earnings/(loss) before interest and tax - EBIT (₦'m)	FY 2020	FY 2019	Δ %
Animal Feeds & Other Edibles	2,086	1,771	17.7%
Paints	1,225	2,240	(45.3%)
Packaged Food & Beverages	1,353	1,193	13.3%
Quick Service Restaurants	(48)	(36)	(31.0%)
Profit/(loss) before tax (₦'m)	FY 2020	FY 2019	Δ %
Animal Feeds & Other Edibles	1,747	990	76.6%
Paints	1,470	2,673	(45.0%)
Packaged Food & Beverages	1,377	1,561	(11.8%)
Quick Service Restaurants	(57)	(75)	24.1%

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.

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. The respective minority shareholders of both companies approved the merger at separate court-ordered meetings on 18 February 2021. Completion is subject to final regulatory approvals and court sanction, expected in Q2 2021.

Financial review: 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 45.3% lower at ₦1.2 billion as a result of losses during the period of no sales, higher royalties, and rising input costs. Profit before Tax of ₦1.5 billion in FY 2020 was 45% lower than FY 2019.

Packaged Food and Beverages

The Packaged Food and Beverages segment recorded revenue growth of 1.8% YoY in FY 2020 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 Q2, were offset by higher volumes in water and ice cream categories, as well as, increased sales in the snacks category in Q4 pls due to sales and marketing efforts. Operating profit increased by 13.3% to ₦1.4 billion (FY 2019: ₦1.2 billion) on account of lower operating costs. Profit before Tax declined by 12.0% to ₦1.4 billion on account of lower finance income.

Quick Service Restaurants

Revenue from the Quick Service Restaurants segment grew 1.8% 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 ₦48 million operating loss in FY 2020 as a result of higher cost of sales and operating costs. UAC Restaurants recorded a ₦57 million Loss before Tax in FY 2020, against a ₦75 million Loss before Tax in FY 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 retains 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 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 649,392,661 UPDC REIT units, representing a 24.34% stake, valued at ₦3.6 billion as at 31 December 2020.

Financial review: UPDC’s FY 2020 revenue was ₦1.7 billion, 22.9% 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 (-42.3%).

The segment recorded an operating loss of ₦713 million in FY 2020, an improvement compared to operating loss of ₦1.3 billion in FY 2019 due to improvement in gross profit from inventory write back. Although the company incurred net finance costs of ₦1.5 billion (-43.4% lower YoY) and provision for First Festival Mall loan guarantee of ₦940 million, the fair value gain of ₦2.9 billion, earned on the Company’s asset disposal group held for sale contributed to UPDC recording a ₦263 million Loss before Tax in FY 2020, an improvement of 98.4% against a ₦16.2 billion Loss before Tax in FY 2019.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' FY 2020 revenue increased 40.3% YoY to ₦8.0 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.

Results Conference Call

Management will host an investor and analyst conference call on Thursday, 1 April 2021 at 3pm WAT to present and discuss the Group results. The presentation and conference call details are available on our website (www.uacnplc.com). Please direct any questions regarding the conference call to UAC Investor Relations, via e-mail, at Investorrelations@uacnplc.com.

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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 Nigeria's development for over a century. The company is focused on building its businesses into leaders in their chosen segments.

1. UAC has four operating platforms

Animal Feeds and Other Edibles

- Grand Cereals Limited (71.4% 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 (73.0% ownership) – produces and distributes poultry feed, 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 (51.5% 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% ownership) - a joint venture business with Tiger Brands and leader in the snacks, ice-cream, and spring water categories. It owns iconic brands including Gala, Funtime, Supreme and SWAN Spring Water.

Quick Service Restaurants

- UAC Restaurants Limited (51% 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.

2. UAC owns minority stakes in Logistics and Real Estate businesses

Logistics

- MDS Logistics Limited (43% ownership) - a 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 (42.9% ownership) - a foremost property development and management company quoted on The NSE.
- UPDC Real Estate Investment Trust (24.3% 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.