
UAC of Nigeria PLC

Investor Presentation

8 March 2021

Fola Aiyesimoju – Group Managing Director

Funke Ijaiya-Oladipo – Group Chief Financial Officer



This presentation contains forward-looking statements which reflect management's expectations regarding UAC of Nigeria PLC's ("UAC", the "Company" or "HoldCo") future growth, results of operations, performance, business prospects, operating markets 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 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 forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. UAC cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in forward-looking statements. These factors should be considered carefully and undue reliance should not be placed on forward-looking statements. For additional information with respect to UAC's financial performance, reference should be made to the Company's periodic filings with the Nigerian Securities and Exchange Commission and The Nigerian Stock Exchange. 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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Overview



Holding company with some of Nigeria's most admired brands

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Brands

Reach/ Monthly Sales

Agro-Allied



- 5 production facilities providing national coverage
- 30 thousand metric tonnes output

Packaged Food and Beverages



- National distribution coverage
- 35 million units of snacks, water and dairy sold

Paints



- 94 retail outlets
- 800 thousand litres of paint

Quick Service Restaurants

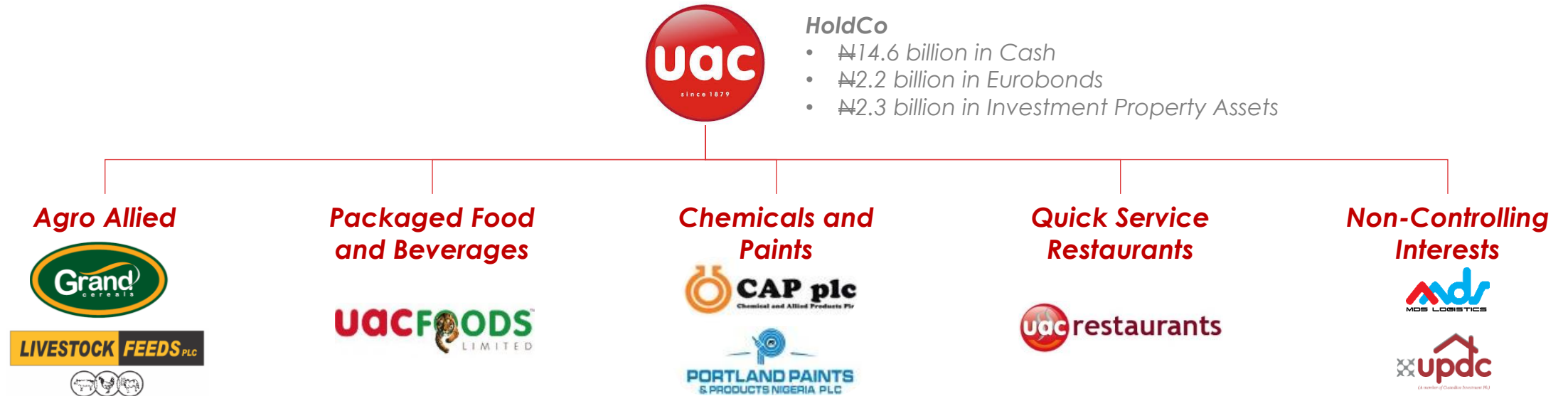


- 56 restaurants across Nigeria
- 450 thousand unique transactions

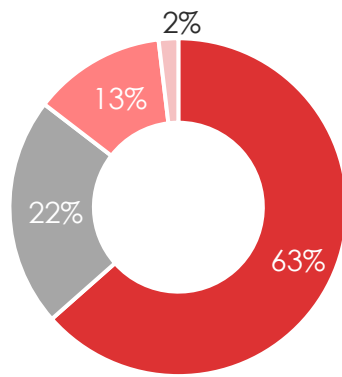


Organized around 4 key verticals

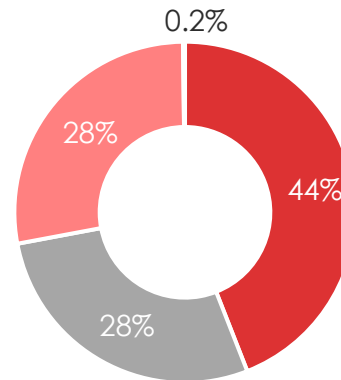
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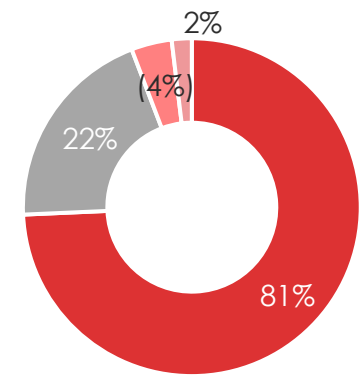
FY 2020 Revenue Breakdown¹



FY 2020 EBIT Breakdown¹



FY 2020 Invested Capital Breakdown²



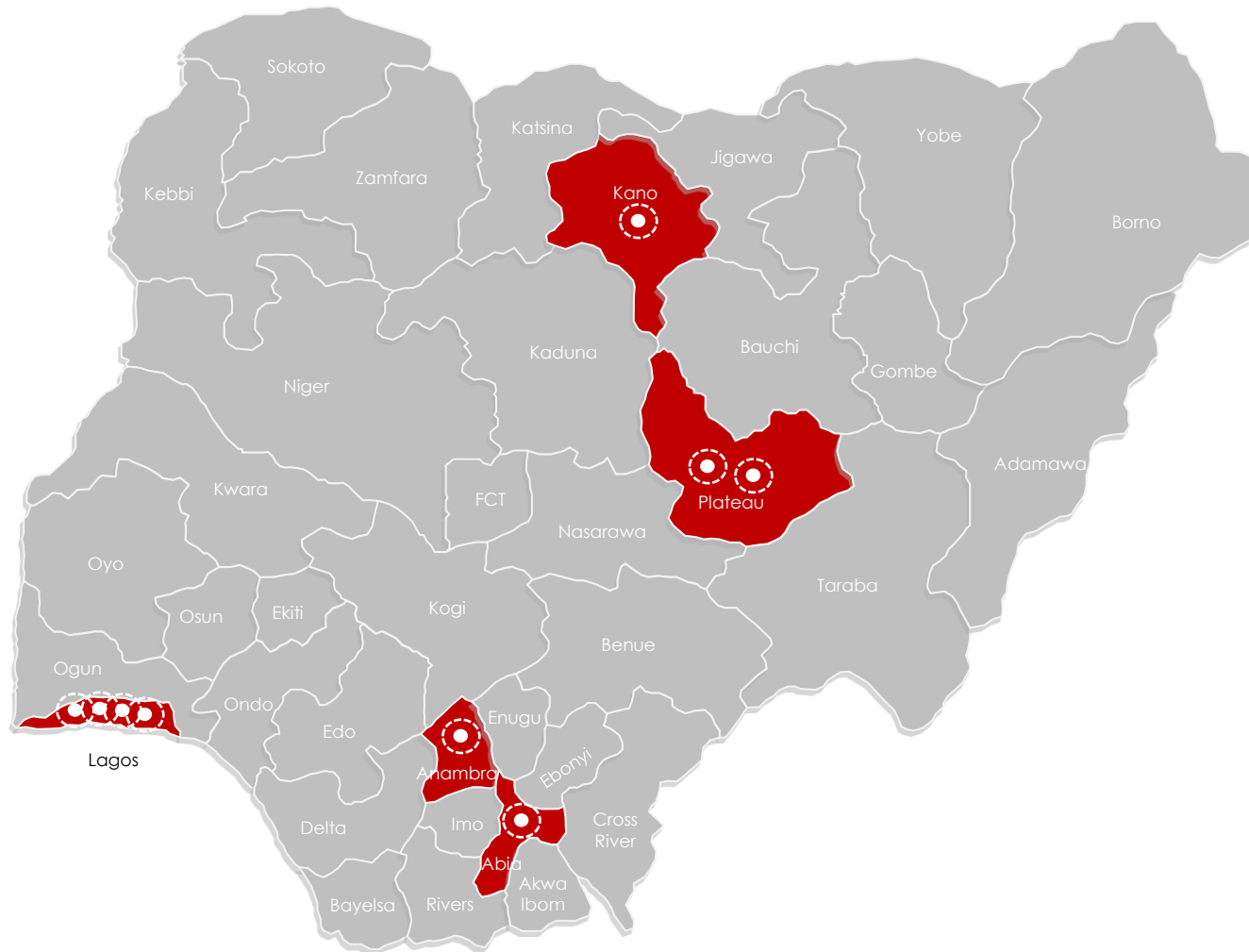
● Animal Feeds and Other Edibles
 ● Packaged Food and Beverages
 ● Paints
 ● QSR

1. Results from the real estate and logistics segments are not consolidated
 2. Invested capital excludes cash and cash equivalents



Meaningful domestic manufacturing presence...

11 factories across Nigeria

**6**

Factories

South West

- Food
- Chemicals
- Agro Allied

2

Factories

South East

- Agro Allied

2

Factories

North Central

- Water
- Agro Allied

1

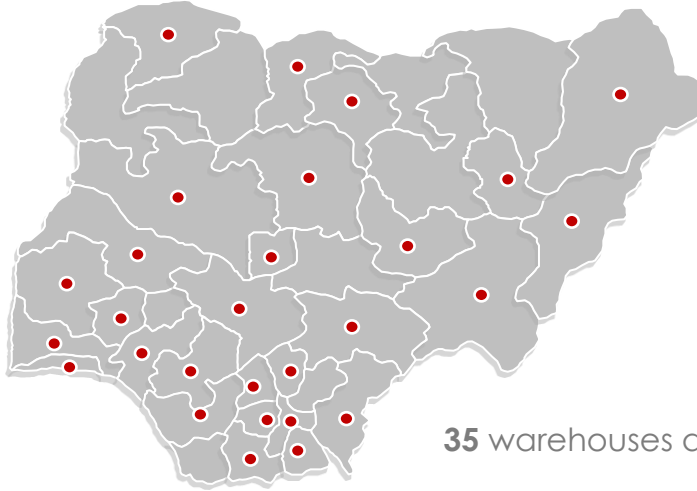
Factory

North West

- Agro Allied

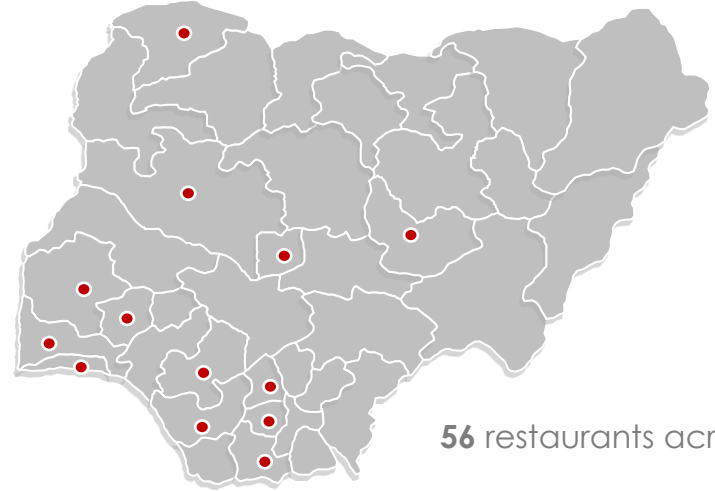
... supporting nationwide distribution

Logistics – Warehouse Footprint



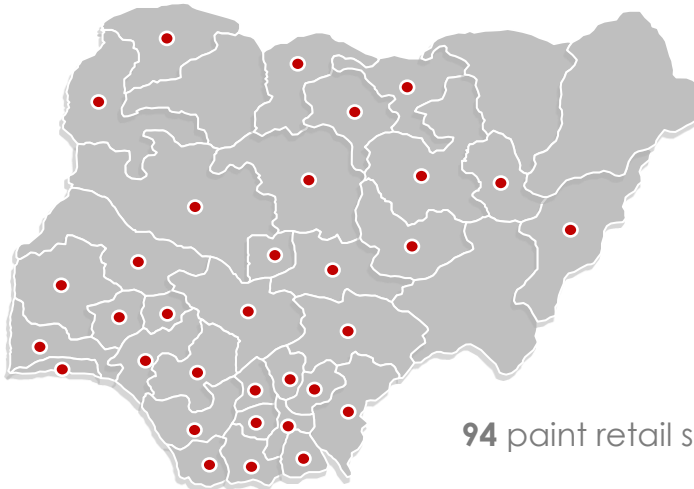
35 warehouses across 29 states

Quick Service Restaurants (QSR) Outlets



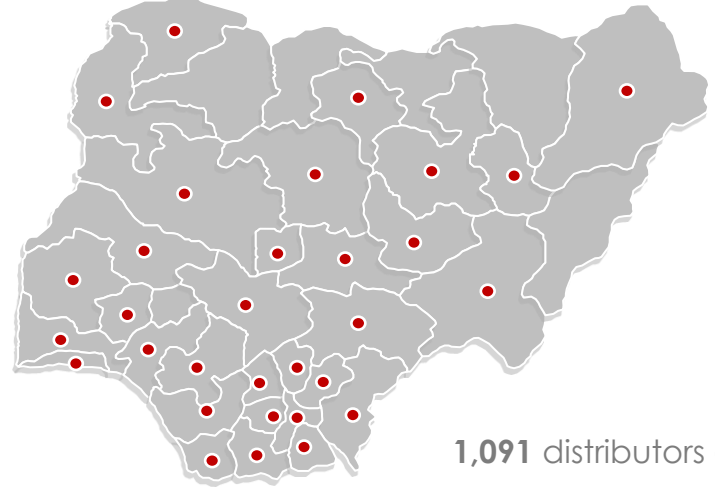
56 restaurants across 13 states

Paint Retail Stores



94 paint retail stores across 33 states

Food and Agro-Allied Distributors



1,091 distributors across 32 states

HoldCo management focused on value creation

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Fola Aiyesimoju
Group Managing Director

- Experienced finance professional and investor with prior roles at KKR and Standard Bank
- Founder of Themis Capital, an active investment company
- Earned the right to use CFA designation in 2006



Funke Ijaiya-Oladipo
Group Chief Financial Officer

- Experienced finance professional with prior roles at Stanbic IBTC and Goldman Sachs
- BSc. Economics; MSc. Project & Enterprise Mgmt from University College London (UCL)
- CFA charterholder



Vitus Ezinwa
Group Chief Operating Officer

- Experienced business executive and HR professional with prior leadership roles at TGI, Promasidor, Coca-Cola and British American Tobacco
- Doctorate in Business Administration from Swiss Business School (Zurich)



Nkem Agboti
Company Secretary and General Counsel

- Regulatory compliance expert and accredited mediator with prior roles at Aluko & Oyeboode, Olaniwun Ajayi and British American Tobacco
- LL.B, University of Lagos



Peter Mombaur
Senior Investment Executive

- Prior leadership roles at Tana Africa and McKinsey
- Considerable FMCG experience with Promasidor
- Chairman, UAC Foods



Bolarin Okunowo
Investment Executive

- Responsible for the Industrials and Services portfolio
- Prior roles at Stanbic IBTC, ARM and PwC Nigeria
- MSc. Information Systems from London School of Economics (LSE)



Debola Badejo
Investment Executive

- Responsible for the Food and Beverages portfolio
- Prior roles at Standard Bank, Morgan Stanley and Citadel Securities
- Master of Business Administration (MBA) from Columbia Business School

...and key operating segments

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Mr. Alex Goma
MD, Grand Cereals Limited

- Seasoned business executive with significant FMCG experience
- Prior leadership roles at PZ Cussons, Guinness Nigeria, British American Tobacco and Procter & Gamble
- Fellow of the National Institute of Marketing of Nigeria with a B.Sc. in Biochemistry from the University of Port-Harcourt



Mr. Gboye Adedeji
MD, Livestock Feeds PLC

- Seasoned executive with over 20 years experience across various disciplines in different sectors
- Prior roles include GM sales & operations, Regional sales Manager (Grand Cereals), UAC Restaurants, UAC Foods
- B.Sc. in Geography from Obafemi Awolowo University, Ile-Ife; MBA from University of Roehampton UK



Dr. Dele Ajayi
MD, UAC Foods Limited

- Experienced business executive with over 30 years of experience in FMCG
- Prior roles include MD Heineken, Central & East Africa; MD Heineken Hungary; Commercial Director, Nigerian Breweries
- PhD in Mechanical and Process Engineering, University of Strathclyde



Mr. David Wright
MD, CAP PLC

- Experienced manufacturing and operations executive with competence in lean manufacturing
- Prior leadership roles at Kansai Paints, Akzo Nobel, Blackfriar-Glaxo and Hempel
- B.Sc. in Chemical Engineering from the University of Bradford, UK



Mrs. Joan Ihekweba
MD, UAC Restaurants Limited

- Experienced professional with over 30 years' experience in brand management, sales and marketing
- Joined UAC in 1987 and has played several key roles across the group
- M.Sc. in Microbiology from the University of Lagos, MBA from Enugu State University of Science and Technology

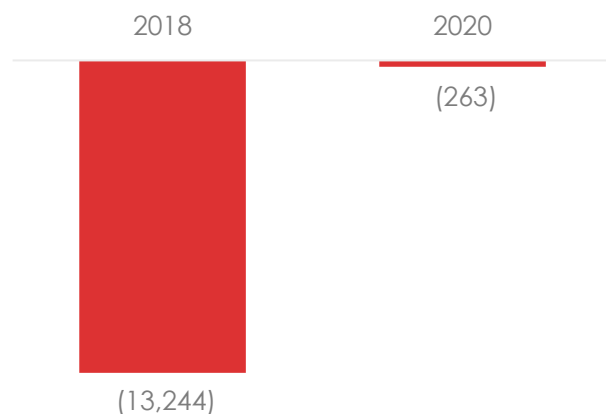
FY 2020 highlights



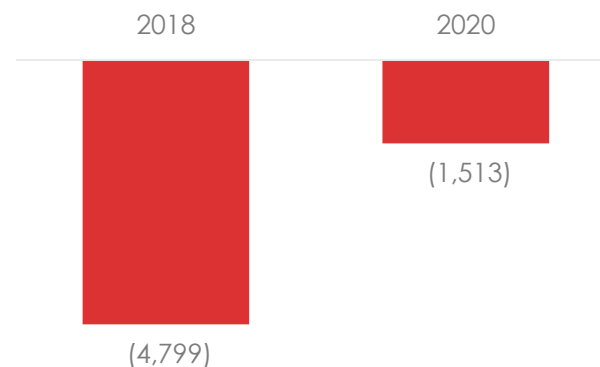
Revamped and exited UPDC

12

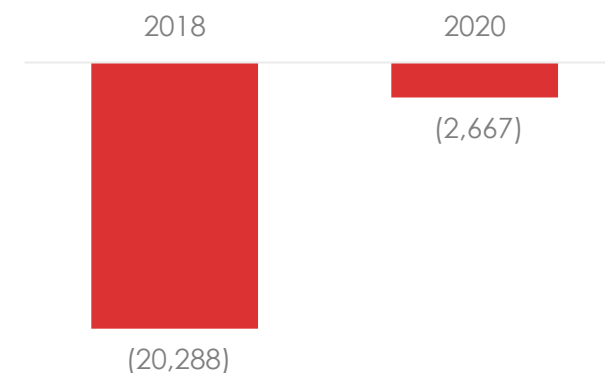
Loss Before Tax (₦ mn)



Interest Expense (₦ mn)



Net Debt (₦ mn)



Background

- In 2018, UAC prioritized addressing the challenges with UACN Property Development Company PLC ("UPDC")
- UPDC's challenges included
 - ₦21bn in debt with interest rates between 16% and 24%; ₦16bn of which was short term. UAC potential exposure of up to ₦15.4bn in intra-group loans, actual and potential guarantees
 - Limited investment in future income generation; strategic drift
- UAC drove initiatives including revamping board and management, recapitalizing the business, cutting costs and focusing strategy
- In 2020, UAC received ₦10.2bn in initial proceeds from the partial exit of UPDC; ₦6.6bn in cash from the sale of 51% to a strategic investor and ₦3.6bn¹ in units in the UPDC Real Estate Investment Trust ("UPDC REIT")
- In addition, UAC has a 43% stake in UPDC which can be exited over time and is presently valued at ₦6bn²



1. Based on market price as at 31 December 2020
2. Based on market price as at 4 March 2021

Progressed merger of CAP and Portland Paints

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1

Transaction Highlights

- 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 proposed merger is another milestone aligned with UAC’s strategy to simplify its portfolio

Expected benefits

- CAP and Portland Paints currently rank No. 2 and No. 4 in the Nigerian paints market. Post completion of the merger, the enlarged CAP will become the largest player in the Nigerian paints market by market share
- Consolidating the two companies has the potential to increase the combined ROIC of UAC’s paints portfolio through the elimination of duplicate costs and rationalization of excess capacity

Consideration

- Portland Paints’ shareholders will receive either:
 - cash consideration of ₦2.90 for every share held in Portland Paints; or
 - share consideration of 1 share in CAP for every 8 shares held in Portland Paints

2

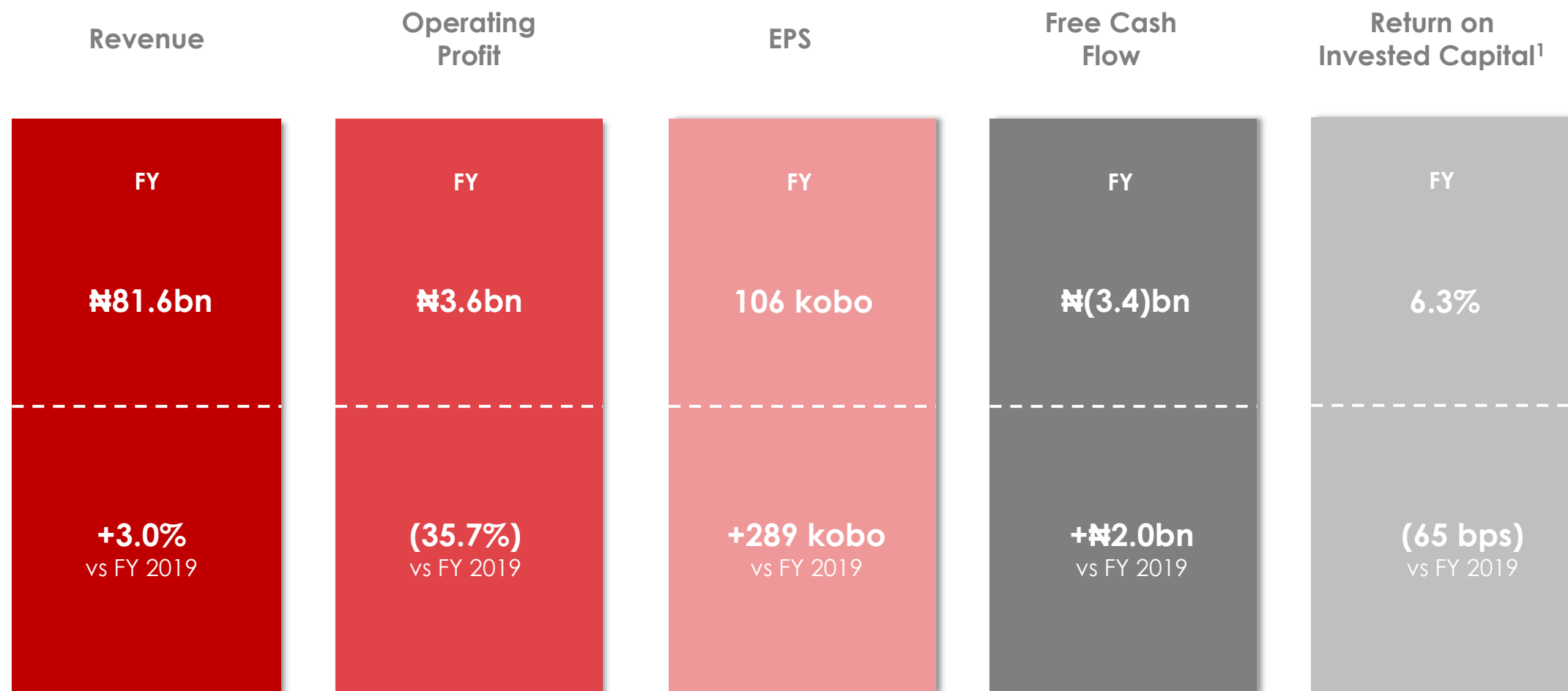
Current Status

- Preliminary approval obtained from regulators (Securities and Exchange Commission, Federal Competition and Consumer Protection Commission, and Federal Inland Revenue Service)
- Approvals from minority shareholders obtained at CAP and Portland Paints shareholder meetings on 18 February 2021
- Merger completion is expected in Q1 2021, subject to final regulatory approvals and sanction of the Federal High Court



2020 Full year results (unaudited)

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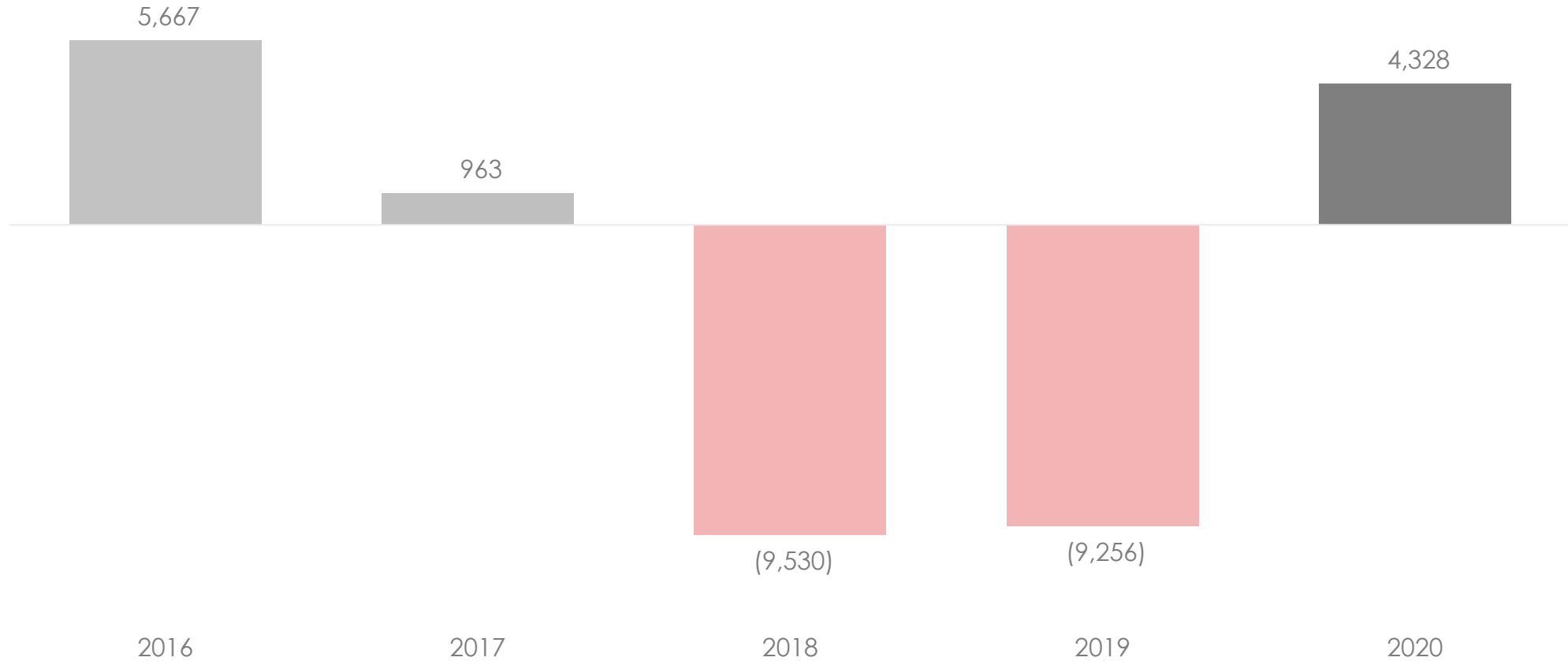


(1) Invested capital used for ROIC calculation excludes cash and cash equivalents, and investment in debt securities

Clear inflection point in Group underlying performance

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Profit for the year, in ₦ mn (FY 2016 to FY 2020¹)



¹ – FY 2020 unaudited results

Segment performance highlights

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Animal Feeds & Other Edibles

44% of Group EBIT

- Classified as “essential” so revenues least impacted by the stringent, COVID-19 related restrictions
- Price increases across major categories to offset input cost escalation
- Focus on rationalising excess capacity, cost reduction initiatives and growing higher margin segments

Packaged Food & Beverages

28% of Group EBIT

- Lower snacks volumes on account of COVID-19 related restrictions which offset higher volumes in water and dairy categories
- Operating margin compression driven by rising raw material costs and investments in people, sales and distribution
- Focus on expanding distribution and improving presence in neighborhood stores. Initiatives underway to grow margin

Paints

28% of Group EBIT

- Significantly impacted during the most stringent phase of physical distancing in April; strong volume growth in Q3 2020
- Margin compression on account of lower revenues, higher raw material costs as a result of currency devaluation, as well as, investments in management talent. Impacted by global supply chain disruptions.
- Focus remains on deepening retail penetration and expanding product range

QSR

0.2% of Group EBIT

- Topline performance impacted by shorter operating hours in light of the pandemic and planned closure of underperforming franchisee stores. Corporate store model supported topline
- Losses mitigated by the implementation of aggressive cost management efforts
- Focus on strengthening delivery capabilities across the chain and rolling out corporate stores

Logistics

Associate

- Revenue driven by increase in demand for haulage services
- Expanding into a full-service logistics provider – freight, warehousing and distribution, last mile logistics

Real Estate

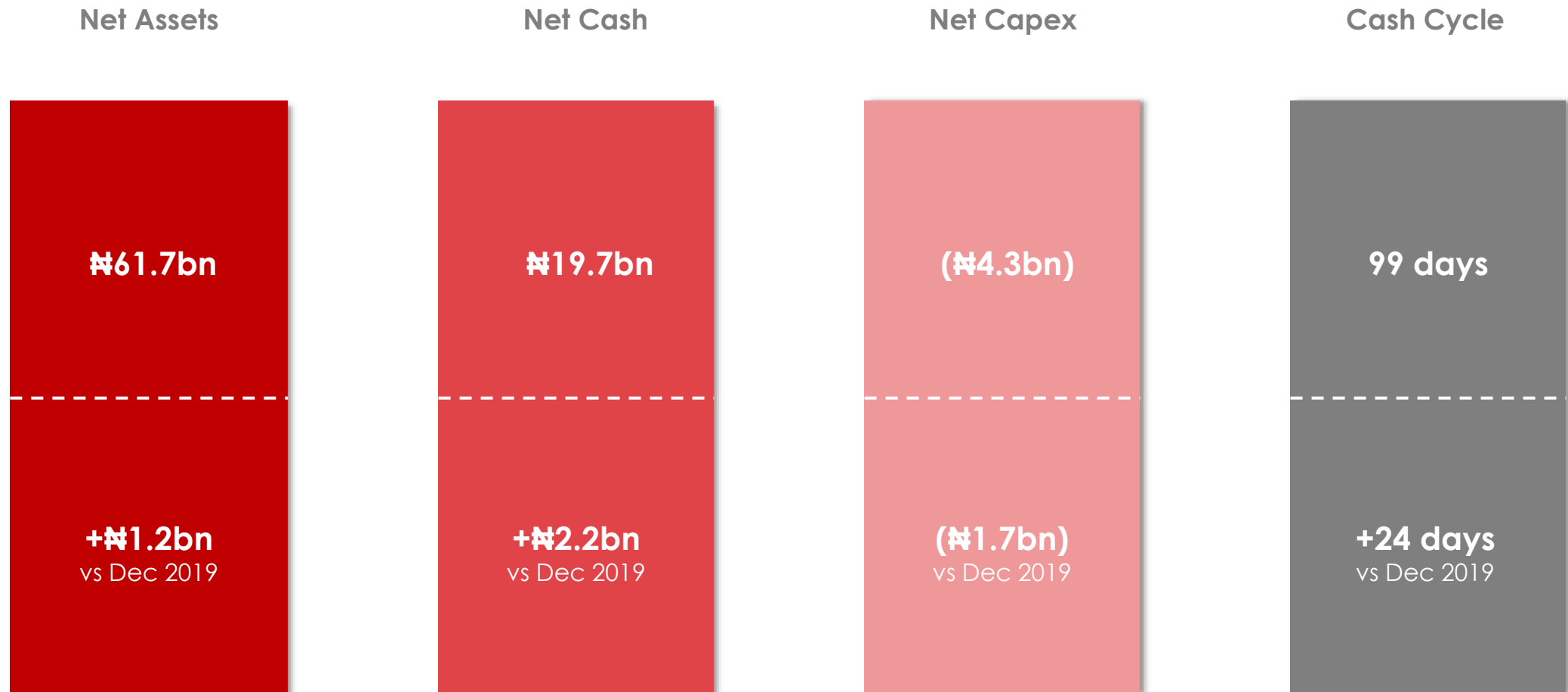
Associate

- Recorded success in improving financial position; UPDC now focused on growth
- Recorded a profit in Q4 2020 as a result of UPDC REIT



Balance sheet and liquidity (unaudited)

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Net cash position (unaudited)

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Net Cash Position as at 31 December 2020 (in ₦ mn)¹

	Cash & Cash Equivalents	Short-Term Debt	Long-Term Debt	Net Cash (excl. Intra-Group)	Intra-Group Receivable / (Payable)	Net Cash (incl. Intra-Group)
UAC Company (Holdco)	14,634	-	-	14,634	581	15,215
Other Operating Segments	9,288	(4,505)	-	4,783	(581)	4,202
Continuing Operations	23,922	(4,505)	-	19,417	-	19,417
Discontinued Operations ²	244	-	-	244	-	244
Total	24,166	(4,505)	-	19,660	-	19,660

Note:

In addition to the ₦14.6bn in cash at the Holdco, UAC holds ₦2.2bn in Eurobonds



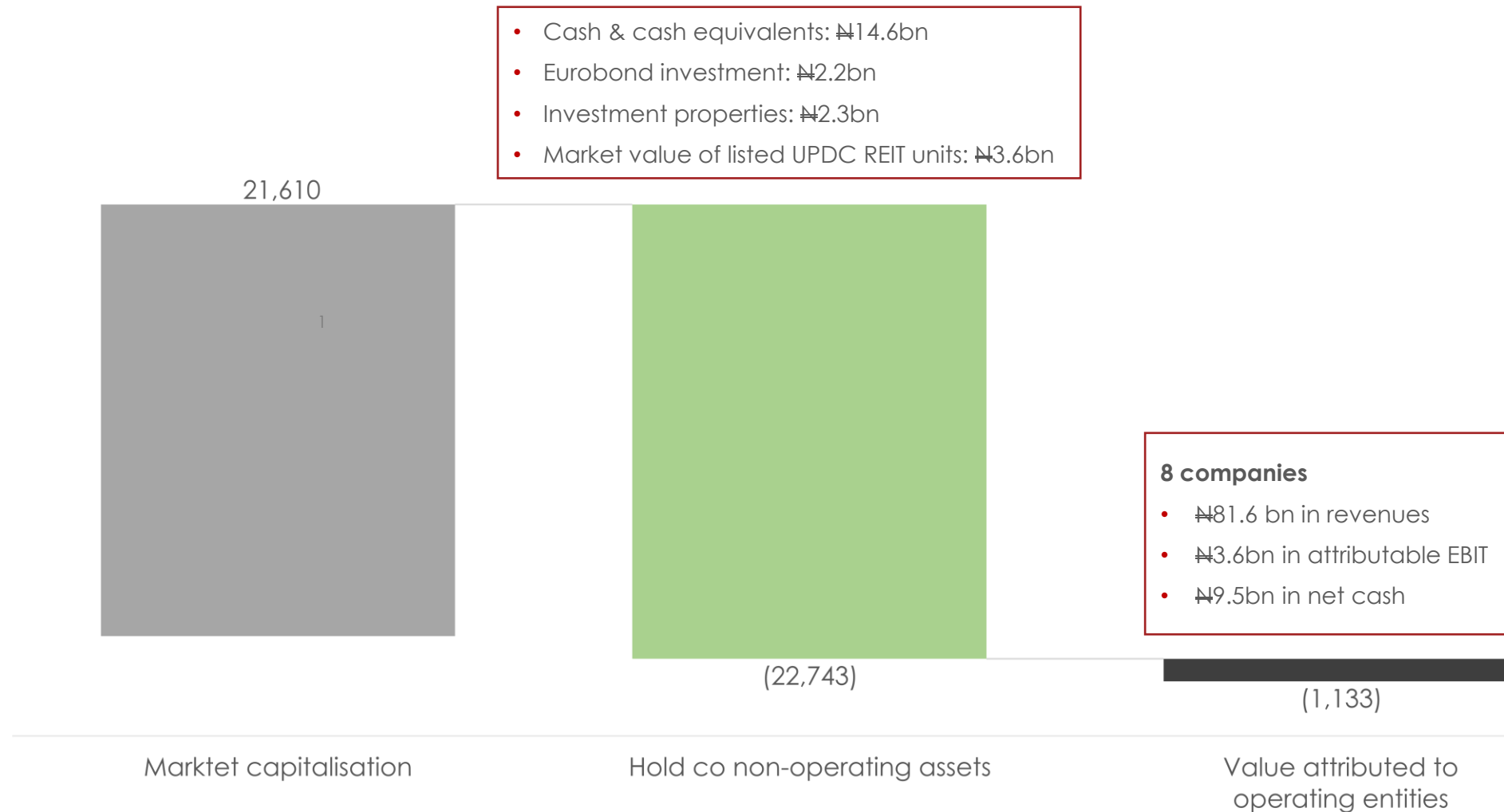
1. Excludes MDS and UPDC
2. UNICO

Compelling growth outlook



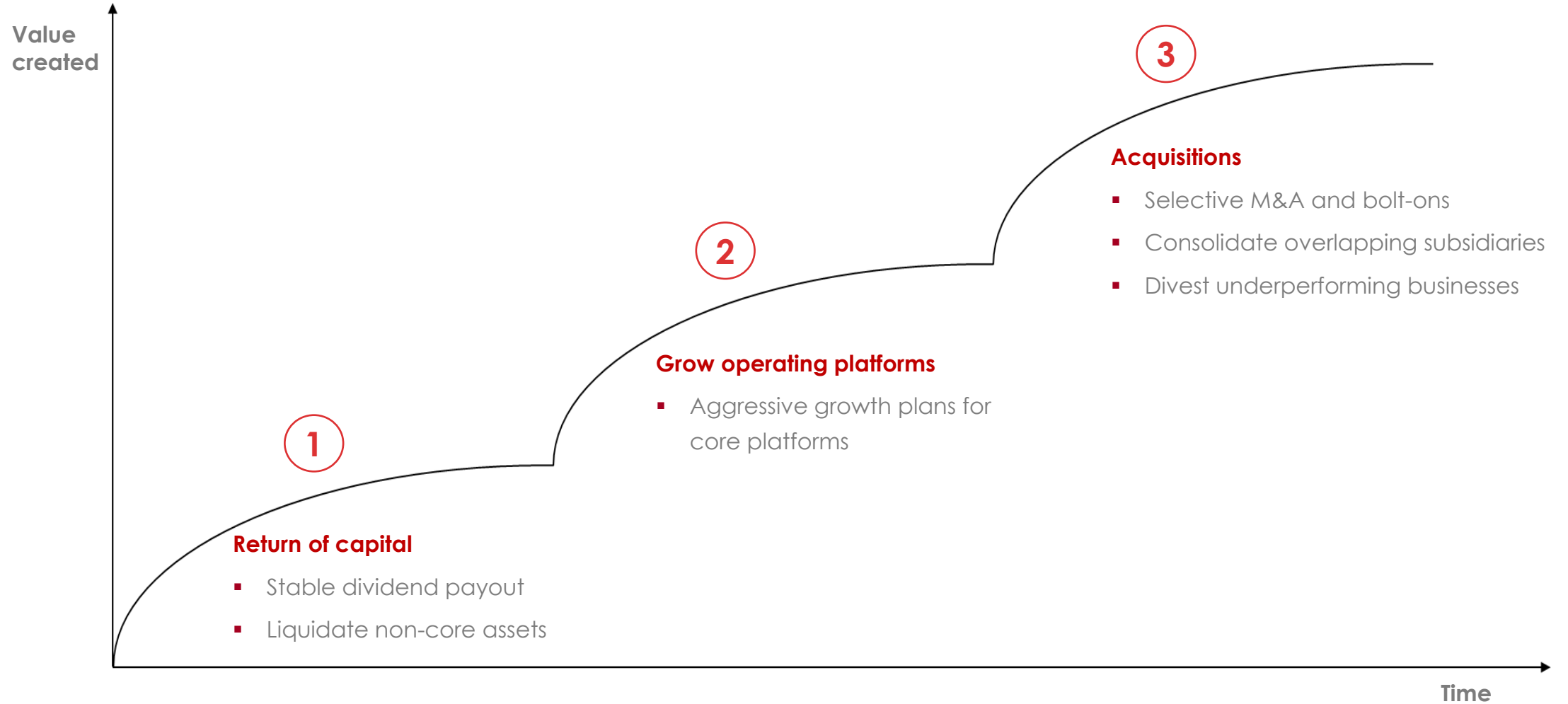
Potential for significant value uplift with negative value attributed to operating platform

Market Capitalisation Bridge, in ₦ mn



With clear value creation plans focused on three levers

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Snapshot of the animal feeds segment

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Overview

Grand Cereals Limited



- Private company; 71% ownership
- Produces animal feed, cereals, oils and dogfood
- Core brands: Vital Feed, BestMate, and Grand
- #2 player in Poultry Feed; #1 player in Fish Feed

Livestock Feeds PLC



- Public company listed on The NSE; 73% ownership
- Produces animal feed and distributes full fats soya
- Core brands: Livestock Feeds and Aquamax
- #7 player in Poultry Feed

Key Products

Poultry Feed

- Sold to commercial broiler and layer farmers

Fish Feed

- Targeted at Nigeria's growing domestic aquaculture market

Other Edibles

- Higher-margin branded edible products such as edible oils, cereals, dog food and cornflakes

Value creation

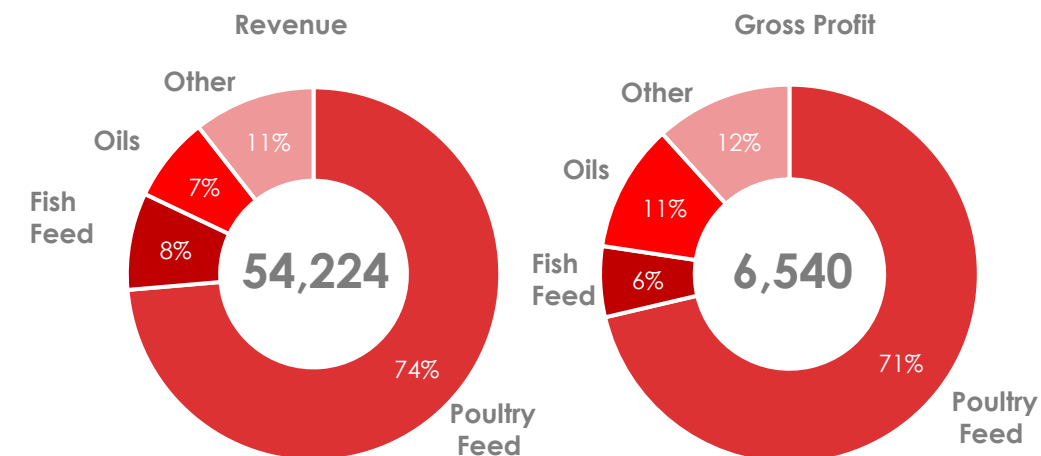
Margins

- Expansion of oil capacity (higher margin product)
- Improve procurement processes to leverage combined scale for direct sourcing

Unlock Capital

- Rationalise excess capacity to free up capital for higher ROIC projects

FY 2020 Key Financial Highlights (in ₦ mn)



Snapshot of the paints segment

Overview

Chemical and Allied Products PLC

- Public company listed on The NSE; 52% ownership
- Produces decorative paint; sells via dedicated distribution network
- Technology licensee and distributor for AkzoNobel in Nigeria
- #2 player by value

Portland Paints & Products Nigeria PLC

- Public company listed on The NSE; 85% ownership
- Acquired in 2013 to establish presence in the industrial segment
- Distributor for Hempel's industrial products in Nigeria
- #4 player by value

Brands

AkzoNobel



Hempel



Owned Brands



Value creation

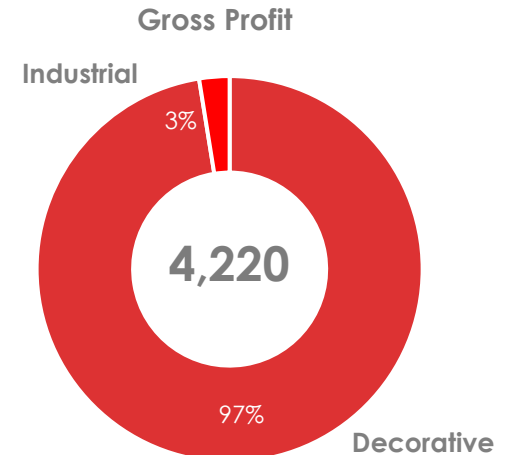
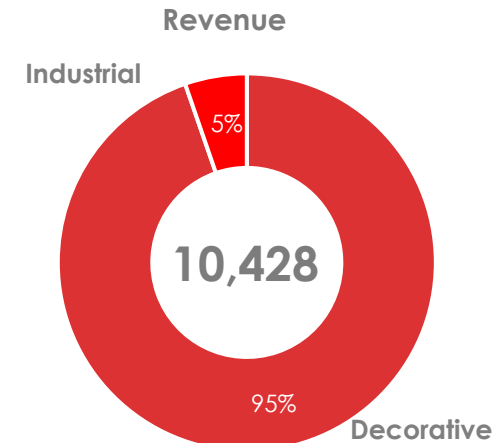
Expand Range

- Aggressive footprint expansion
- Expand mid-tier offering
- Grow industrial category

Deepen Retail Penetration

- Expand franchised distribution network
- Explore owned flagship stores / experience centers

FY 2020 Key Financial Highlights (in ₦ mn)



Snapshot of the packaged food & beverages segment

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Overview

- UAC Foods is a leading packaged food and beverages company
- UAC Foods manages a family of brands across several product categories
 - **Snacks:** Gala and Funtime
 - **Dairy:** Supreme
 - **Water:** Swan
- Owned by UACN (51%) and Tiger Brands (49%)



Leading Product Portfolio

Snacks

- **Gala** was launched in 1962
- **#1 player** in the long-shelf life sausage roll segment

Dairy

- **Supreme**, dates back to 1994, and is the company's dairy brand
- **#2 player** within the mass-market ice cream segment

Water

- **Swan**, was launched in 1983
- Pioneered bottled water in Nigeria. Leading player in the spring water segment.



Value creation

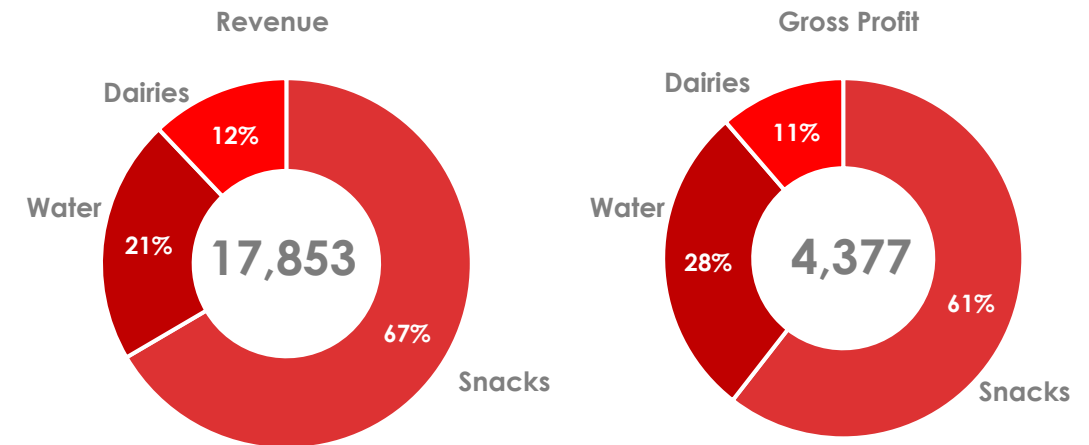
Grow

- Invest in greenfield state of the art factory
- Implement plans to optimise snacks margins
- Expand spring water bottling capacity to meet demand, especially in Southern Nigeria

Optimise

- Supply chain initiatives to reduce input costs
- Leverage technology – SAP refresh


FY 2020 Key Financial Highlights (in ₦ mn)



Snapshot of the restaurants segment

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Overview

- UAC Restaurants (UACR) pioneered QSR in Nigeria with the launch of **Mr Bigg's** in 1986
- In addition to the Mr Bigg's chain, UACR also operates the **Debonairs Pizza** brand in Nigeria
- UACR has historically pursued a franchise-only strategy, but will operate a hybrid model of franchised and company-owned stores going forward
- UACR revenue sources include royalty and food services income from franchised outlets as well as earnings from corporate store sales
- Owned by UACN (51%) and Famous Brands (49%)  famous brands

UACR Operates Two Distinct Brands



- Indigenous Nigerian fast-food chain that serves domestic as well as international cuisine
- Low-cost, family-friendly offerings targeting the mass-market



- High quality offerings targeting discerning pizza lovers
- Ongoing effort to grow footprint



Value Creation

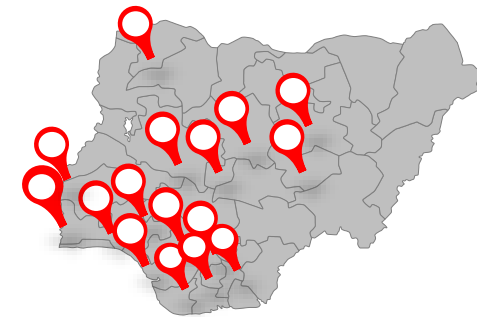
Grow

- Piloted 5 company-owned stores earning annualised ROI of 39% (ahead of plan)
- Now focused on scaling company-owned store count by 10x
- Deep focus on technology and delivery capabilities to augment sales

Optimise

- Optimize store setup costs to limit capital employed
- Continuously innovate to improve on store running cost (e.g. remote monitoring systems)

Truly National Footprint



56 outlets across Nigeria

Appendix



Overview of UAC's portfolio

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