



PRESS RELEASE

Regulated information

Financial Results for the three months ended 31 March 2021

Lagos, 29 April 2021 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its unaudited results for the quarter ended 31 March 2021.

Highlights

- Revenue 13% ahead of Q1 2020 at ₦22.0 billion, driven by sales growth in the Animal Feeds & Other Edibles segment and the Packaged Food & Beverages segment.
- Gross margin 344 bps lower due to rising raw material prices and supply chain disruptions.
- Operating profit 1% higher at ₦1.1 billion, supported by revenue growth and cost management efforts.
- Net finance income 77% lower at ₦109 million on account of lower average yields year on year.
- Profit after tax from continuing operations was ₦669 million, down 42% from ₦1.1 billion in Q1 2020.
- Earnings per share from continuing operations was 12 kobo, 56% lower than 27 kobo recorded in Q1 2020.
- In Q1 2020, UAC recorded ₦717 million from discontinued operations which impacts quarter on quarter comparison.

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: *“Growth across our operating platforms translated to 13% revenue growth. Operational improvement initiatives resulted in a 6% reduction in operating expenses which supported marginal operating profit growth in spite of a 5% decline in gross profit. Raw material cost escalation remains a key concern and as such we are carefully assessing pricing. Our Paints business suffered production disruptions which impacted performance and our interest income declined materially in light of the low interest rate environment. These together with losses from our associates UPDC and MDS resulted in a 42% decline in profit from continuing operations. Performance in Q1 2020, being the comparative quarter last year, benefited from ₦717 million in exceptional income from discontinued operations relating to net gains from the divestment of a stake in MDS which impacts quarter on quarter comparisons.”*

Group Highlights

In million ₦, unless otherwise stated	Q1 2021	Q1 2020	Δ %
Revenue	22,022	19,549	12.7%
Gross Profit	4,012	4,234	(5.2%)
Gross Profit Margin (%)	18.2%	21.7%	344 bps
Selling and Distribution Expenses	(1,428)	(1,615)	(11.6%)
Administrative Expenses	(1,555)	(1,562)	(0.4%)
Operating Expenses	(2,984)	(3,177)	(6.1%)
Operating Expenses (% of revenue)	13.5%	16.3%	270 bps
Other Operating Income	164	85	92.6%
Other losses	(55)	(13)	308.3%
EBIT	1,138	1,128	0.8%
EBIT Margin (%)	5.2%	5.8%	60 bps
Net Finance Income	109	470	(76.9%)
Share of (Loss)/Profit of Associates	(218)	71	n/m
Profit Before Tax	1,028	1,669	(38.4%)
Profit Before Tax Margin (%)	4.7%	8.5%	(387 bps)
Profit After Tax from Continuing Operations	669	1,147	(41.7%)
Profit/(Loss) After Tax from Discontinued Operations	-	717	(100.0%)
Profit/(Loss) for the period	669	1,864	(64.1%)
Profit Margin (%)	3.0%	9.5%	(650 bps)
Basic Earnings Per Share (EPS):			
From Continuing Operations (Kobo)	12	27	(56.0%)
From Discontinued Operations (Kobo)	-	58	n/m
For the Period (Kobo)	12	85	(86.0%)
Annualised Return on Equity (ROE)	2.6%	5.9%	(332 bps)
Annualised Return on Invested Capital (ROIC)	7.4%	5.6%	180 bps

n/m – not meaningful.

Accounting Changes

The following transactions in respect of associate companies are responsible for key accounting changes in Q1 2021 compared to Q1 2020:

1. Following the corporate action announced on 31 March 2021, UPDC Real Estate Investment Trust (UPDC REIT) has been classified as “held for distribution” in UAC’s Statement of Financial Position (SOFPI). Consequently, the share of profit or loss from the associate was not recognised in the Group’s Statement of Profit or Loss (PorL) in accordance with IFRS 5.
2. UAC disposed significant interest in UACN Property Development Company PLC (UPDC) in Q4 2020, consequently UPDC, which was previously accounted for as a discontinued operation in the PorL for Q1 2020, became an associate company in Q4 2020. The Q1 2021 results include UAC group’s share of Q1 loss from UPDC and MDS Logistics Limited (MDS) while Q1 2020 share of profit from associate relates to the group’s share of Q1 profit from MDS.
 - a. The proforma financial result in the appendix of this earnings release shows the impact on the Q1 2020 results if UPDC was an associate company in Q1 2020.

Corporate Action Update: Proposed Unbundling of UPDC REIT Units

Background: On 31 March 2021, UAC announced the decision of the Board of Directors to unbundle the Company’s 24.34% interest in UPDC Real Estate Investment Trust (UPDC REIT) to UAC’s shareholders. 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 proposal is subject to the review and approval of regulators, UAC shareholders at a court-ordered meeting, as well as the sanction of the court.

Update: Regulatory review of the proposed unbundling is currently ongoing and further updates will be communicated as they arise. Accordingly, shareholders and the investing public are advised to exercise caution when dealing in the securities of UAC and UPDC REIT.

Group Performance and Financial Review: Q1 2021

Revenue in Q1 2021 increased 12.7% YoY to ₦22.0 billion. Revenue growth was supported by sales growth in all operating segments apart from Paints. Animal Feeds & Other Edibles segment (+12.7% YoY) driven largely by price increases in reaction to rising raw material costs. Packaged Food & Beverages segment (+25.1% YoY) and the Quick Service Restaurant segment (+21.0% YoY). Revenue in the Paints segment was 4.9% lower YoY; lower sales as a result of supply chain disruptions and availability of key raw materials which impacted production in the first quarter of the year.

Gross profit in Q1 2021 declined 5.2% YoY to ₦4.0 billion on account of currency devaluation and supply chain disruptions which resulted in higher raw material prices in the Paint segment, as well as higher raw material prices in the Packaged Food and Beverages segment. Animal Feeds & Other Edibles reported margin improvements on account of price increases in response to the rising price of raw materials, as well as a decrease in operating expenses.

Operating Profit was ₦1.14 billion in Q1 2021, a marginal increase of 0.8% from ₦1.13 billion in Q1 2020. In addition to revenue growth, operating profit was supported by cost management efforts. Operating expenses in Q1 2021 were 6.1% lower than the same period last year.

Profit after Tax from continuing operations was ₦669 million, down 41.7% YoY against ₦1.1 billion in Q1 2020. Decline was attributable to 76.9% decline in net finance income and share of loss from associates (UPDC and MDS) in Q1 2021, a reversal from share of profit from associates in Q1 2020. **Total profit for the period** was ₦669 million in Q1 2021, a 64.1% decline from the ₦1.9 billion reported in Q1 2020. Variance is due to profit from discontinued operations which was recognised in Q1 2020.

Earnings per share from continuing operations for Q1 2021 was 12 kobo, a decline of 56% from 27 kobo in Q1 2020.

Free Cash Flow for the period was negative ₦12.5 billion in Q1 2021, compared with negative ₦5.6 billion in Q1 2020. Decline in free cashflow in Q1 2021 on account of strategy to increase in inventory levels in the Animal Feeds & Other Edibles segment.

Annualised Return on Equity (ROE) from continuing operations in Q1 2021 was 2.6%, 332bps lower than Q1 2020 (5.9%). **Annualised Return on Invested Capital (ROIC)** was 180bps higher at 7.4% (Q1 2020: 5.6%).

Segment Performance¹

Revenue (₦' m)	Q1 2021	Q1 2020	Δ %
Animal Feeds & Other Edibles	14,016	12,434	12.7%
Paints	2,569	2,703	(4.9%)
Packaged Food & Beverages	5,901	4,716	25.1%
Quick Service Restaurants	455	376	21.0%
Earnings/(loss) before interest and tax – EBIT (₦' m)	Q1 2021	Q1 2020	Δ %
Animal Feeds & Other Edibles	562	194	189.4%
Paints	259	557	(53.5%)
Packaged Food & Beverages	479	490	(2.1%)
Quick Service Restaurants	(21)	(7)	190.6%
Profit/(loss) before tax (₦' m)	Q1 2021	Q1 2020	Δ %
Animal Feeds & Other Edibles	350	11	2,956.1%
Paints	321	632	(49.2%)
Packaged Food & Beverages	464	500	(7.2%)
Quick Service Restaurants	(22)	(16)	39.8%

Animal Feeds and Other Edibles

Revenue from the Animal Feeds and Other Edibles segment increased 12.7% YoY to ₦14.0 billion in Q1 2021. All categories recorded revenue growth in Q1 2021 compared to Q1 2020 (poultry +11%, fish feed +52%, and oils +22%). Growth was supported by higher average prices implemented across all categories to offset rising input costs. Operating profit increased 189.4% to ₦562 million (Q1 2020: ₦194 million) on account of gross profit margin expansion as a result of price increases as well as a decrease in operating expenses. The segment recorded a ₦350 million Profit before Tax in Q1 2021, against a ₦11 million Profit before Tax in Q1 2020.

Paints

Corporate action update: 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. Completion is subject to receipt of court sanction, expected in Q2 2021.

Financial review: The Paints segment reported revenue contraction of 4.9% YoY to ₦2.6 billion in Q1 2021. Supply chain disruptions and limited raw material availability impacted production which ultimately led to lower sales in the first quarter of the year. Operating profit was 53.5% lower at ₦259 million as a result of increase in prices of key raw materials. Profit before Tax was ₦321 million in Q1 2021, 49.2% lower than the ₦632 million recorded in Q1 2020.

Packaged Food and Beverages

The Packaged Food and Beverages segment recorded revenue growth of 25.1% YoY in Q1 2021 of ₦5.9 billion (Q1 2020: ₦4.7 billion) supported by double digit volume growth across all categories (snacks, spring water, and ice cream). Operating profit decreased by 2.1% in Q1 2021 to ₦479 million (Q1 2020: ₦490 million) on account of higher cost of sales which was partly offset by lower operating costs. Profit before Tax declined by 7.2% to ₦464 million (Q1 2020: ₦500 million) on account of lower finance income.

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

Quick Service Restaurants

Key development: Mr. Debola Badejo was appointed Managing Director of UAC Restaurants Limited with effect from 1 April 2021 following the retirement of Mrs. Joan Ihekwaba.

Financial review: Revenue from the Quick Service Restaurants segment grew 21.0% YoY to ₦455 million in Q1 2021 from ₦376 million in Q1 2020 due to growth in sales of existing company-owned restaurants (corporate stores), sales from newly opened corporate stores as well as central kitchen sales. The segment recorded a ₦21 million operating loss in Q1 2021 (Q1 2020: - ₦7 million) as a result of higher cost of sales and operating costs. UAC Restaurants recorded a ₦22 million Loss before Tax in Q1 2021, against a ₦16 million Loss before Tax in Q1 2020.

Associate: Real Estate (UPDC - 43% ownership)

Key development: On 16 April 2021, the Board of Directors of UPDC PLC announced the appointment of Mr. Odunayo Ojo, an experienced real estate professional with two decades of experience, as Chief Executive Officer of the company with effect from 3 May 2021.

Corporate action: UPDC redeemed its ₦4.355 billion Series 1 Bonds on 26 April 2021. The bonds and outstanding debt obligations have been refinanced by UPDC's majority shareholders (Custodian Investment PLC and UAC) via a shareholder loan.

Financial review: UPDC's Q1 2021 revenue was ₦72 million, 69.8% lower than the ₦240 million recorded in Q1 2020. Revenue is primarily attributable to income from UPDC's project and facilities management services as there were no property sales in the first quarter of the year compared to ₦89 million in Q1 2020. In addition, UPDC recorded lower rental income and management fees at ₦8 million compared to ₦35 million in Q1 2020. The segment recorded an operating loss of ₦213 million in Q1 2021 compared to operating loss of ₦39 million in Q1 2020 due to lower sales and increase in operating expenses.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 7.6% YoY to ₦2.0 billion in Q1 2021 from ₦1.9 billion in Q1 2020 driven by increase in haulage services. Operating profit was 87.9% lower YoY at ₦39 million (Q1 2020: ₦326 million) on account of higher cost of sales (+25%) and higher operating expenses (+52%). As a result, EBIT margin compressed from 17.1% in Q1 2020 to 1.9% in Q1 2021. MDS recorded a Loss before Tax of ₦89 million in Q1 2021 compared to a Profit before Tax of ₦243 million in Q1 2020 primarily due to higher finance costs (+55% YoY) incurred on a loan to fund recent capital expenditure to support the haulage business. Loss after Tax was ₦89 million in Q1 2021.

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Q1 2020 Pro forma financial result

In million ₦, unless otherwise stated	Q1 2021 Actual	Q1 2020 Proforma	Δ%
Revenue	22,022	19,549	13%
Gross profit	4,012	4,234	(5%)
Operating profit	1,138	1,128	1%
Net finance income	109	470	(77%)
Share of (loss)/profit from associate	(218)	(1,062)	(79%)
Profit before tax from continuing operations	1,028	535	92%
<i>Tax expense</i>	(360)	(522)	(31%)
Profit after tax from continuing operations	669	14	4828%

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 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 Exchange ("NGX").

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 NGX.
- 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 NGX.

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

- UPDC PLC (42.9% ownership) - a foremost property development and management company quoted on NGX.
- UPDC Real Estate Investment Trust (24.3% ownership) - a close-ended property fund listed on NGX, with a market capitalisation of ₦14.9 billion as at 31 March 2021.

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.