
UAC of Nigeria PLC

FY 2020 Results

1 April 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

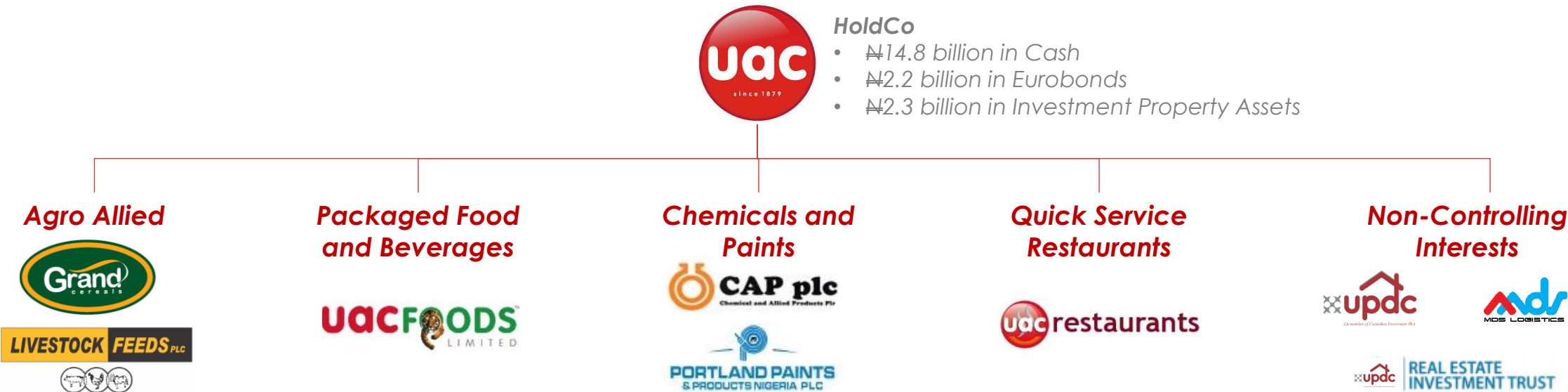
Quick Service Restaurants



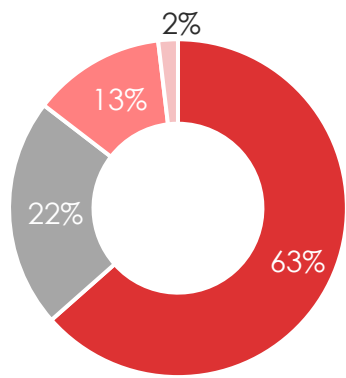
- 56 restaurants across Nigeria
- 450 thousand unique transactions



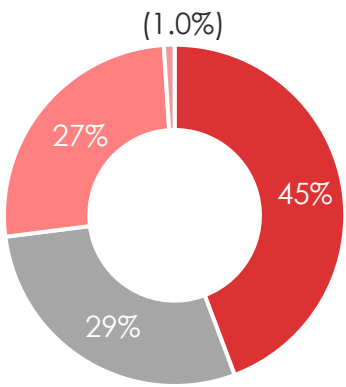
We are presently organized around 4 key verticals



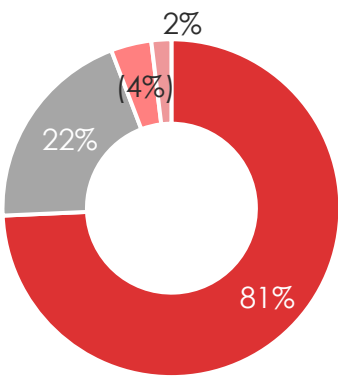
FY 2020 Revenue Breakdown¹



FY 2020 EBIT Breakdown¹



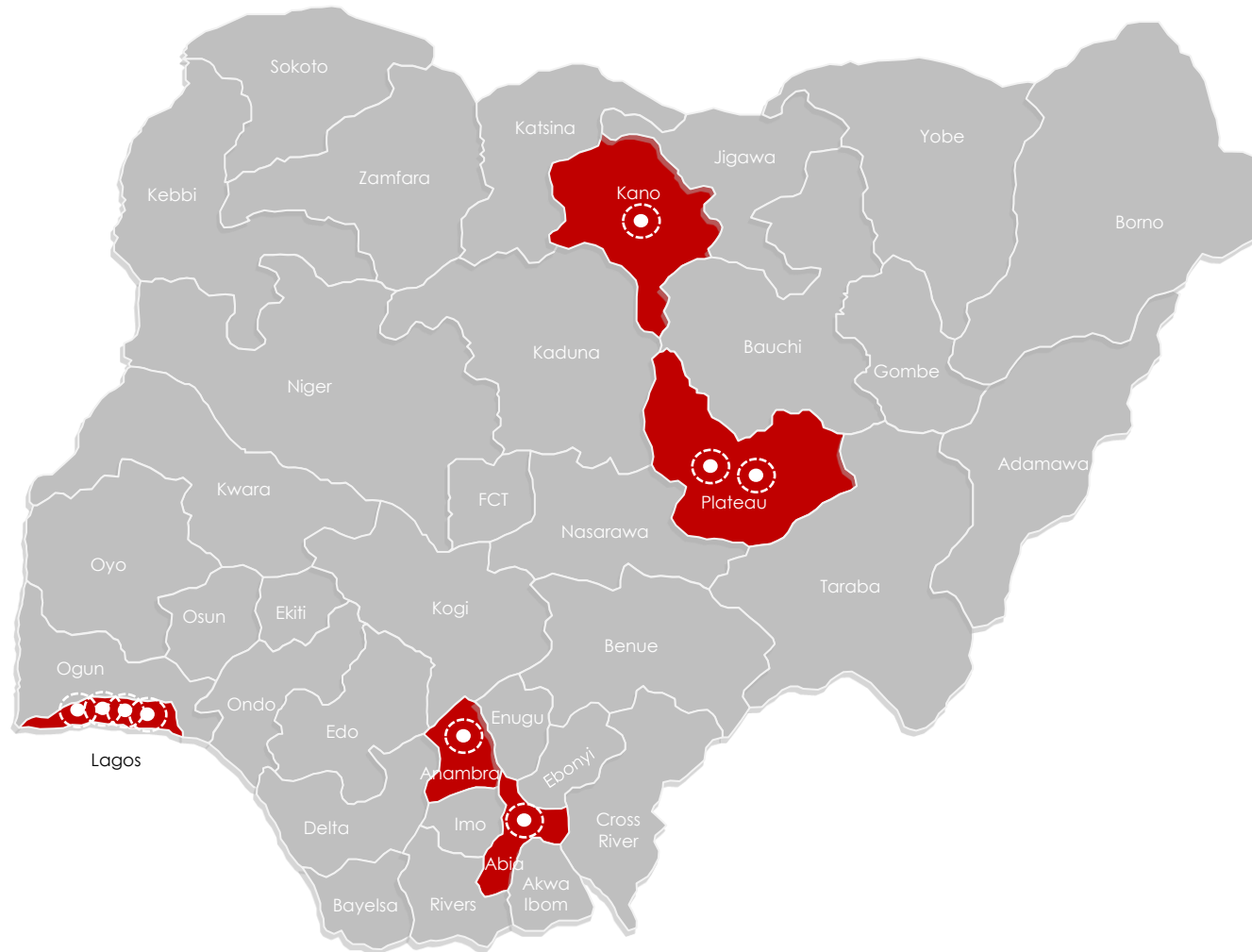
FY 2020 Invested Capital Breakdown²



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

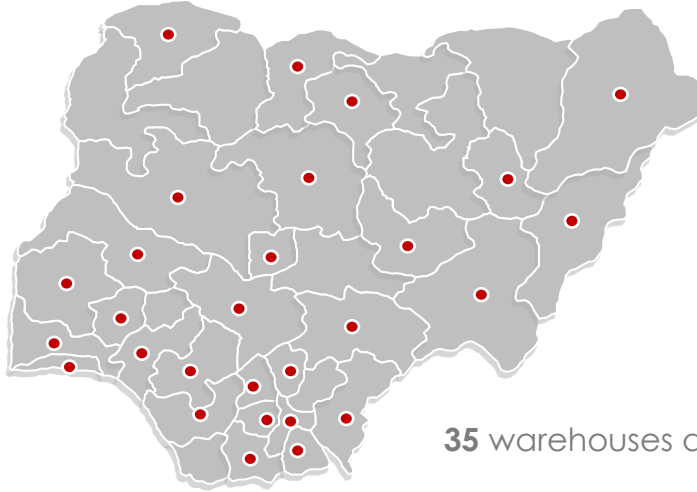
Factory

North West

- Agro Allied

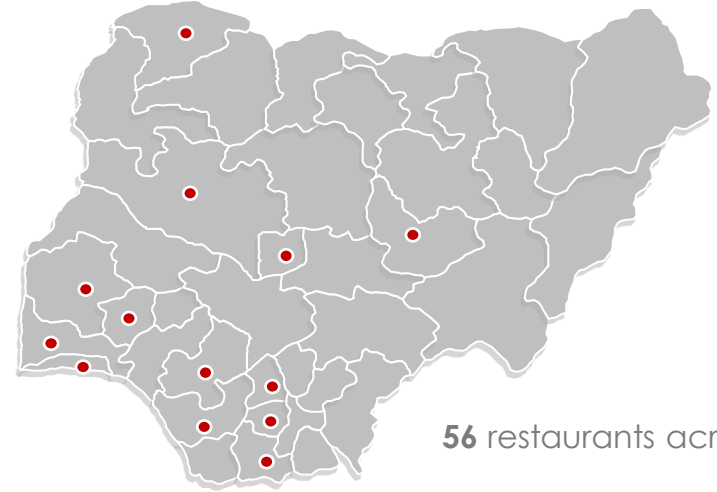
... supporting nationwide distribution

Logistics – Warehouse Footprint



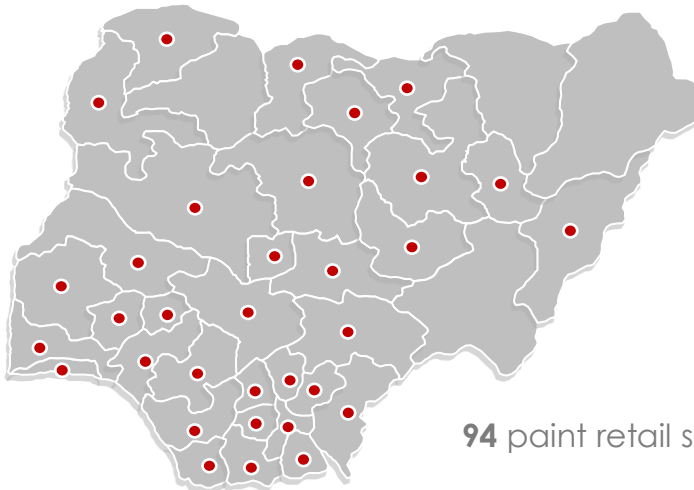
35 warehouses across 29 states

Quick Service Restaurants (QSR) Outlets



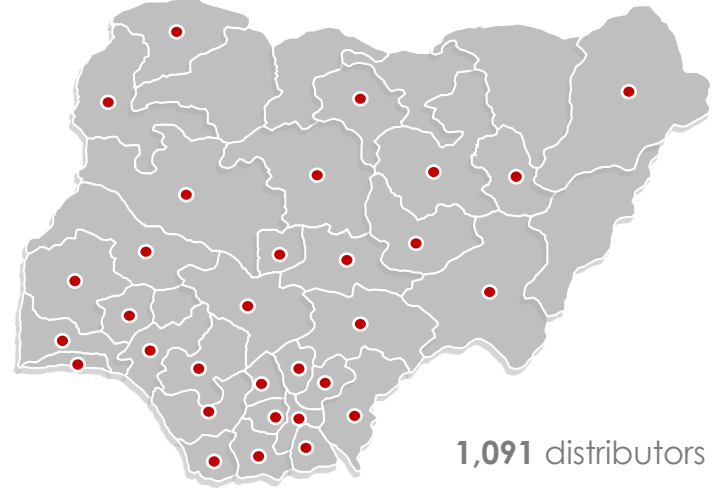
56 restaurants across 13 states

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
- Prior roles at KKR and Standard Bank
- Founder of Themis Capital, an active investment company
- Earned the right to use CFA designation in 2006



Vitus Ezinwa
Chief Operating Officer

- Experienced executive and HR professional
- Responsible for Operations, Corporate Communications, IT and HR
- 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 & Oyeboade, Olaniwun Ajayi and British American Tobacco
- LL.B, University of Lagos



Funke Ijaiya-Oladipo
Group Chief Financial Officer

- Experienced finance professional
- Responsible for executing finance strategy and investor relations
- Prior roles at Stanbic IBTC and Goldman Sachs
- BSc. Economics; MSc. Project & Enterprise Mgmt from University College London (UCL)
- CFA charterholder



Peter Mombaur
Investment Executive

- Investment professional experienced across finance, private equity, and consultancy
- Prior leadership roles at Tana Africa, McKinsey
- Considerable FMCG experience with Promasidor
- Chairman, UAC Foods
- Degrees in Engineering, Economics and Law



Bolarin Okunowo
Investment Executive

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

...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



Mr. Debola Badejo
MD, UAC Restaurants Limited

- Investment professional experienced in strategy, corporate finance, and investments
- Prior roles at UAC (Investment Executive), Standard Bank, Morgan Stanley
- B.Sc in Systems Engineering, University of Virginia; MBA degrees from Columbia Business School and London Business School

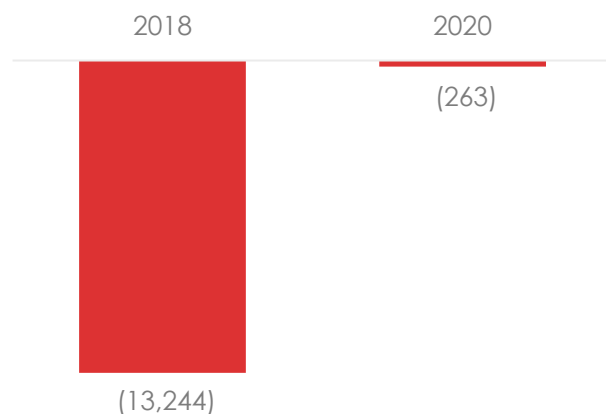
FY 2020 highlights



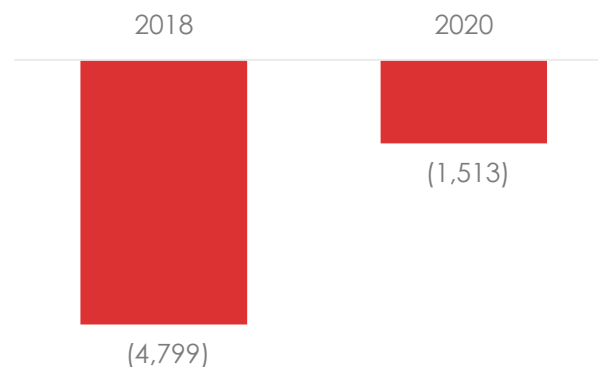
Revamped and exited UPDC

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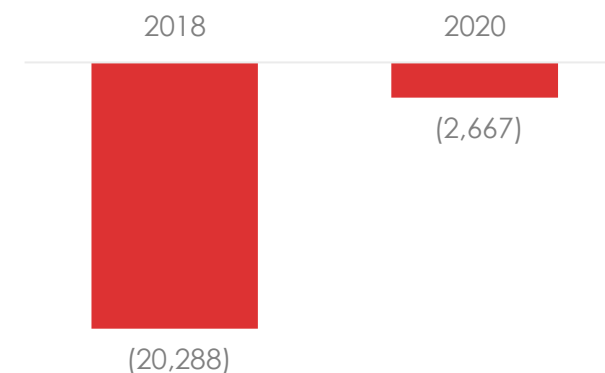
Loss Before Tax (₦ mn)



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 ₦6.7bn²



1. Based on market price as at 31 December 2020
2. Based on market price as at 29 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

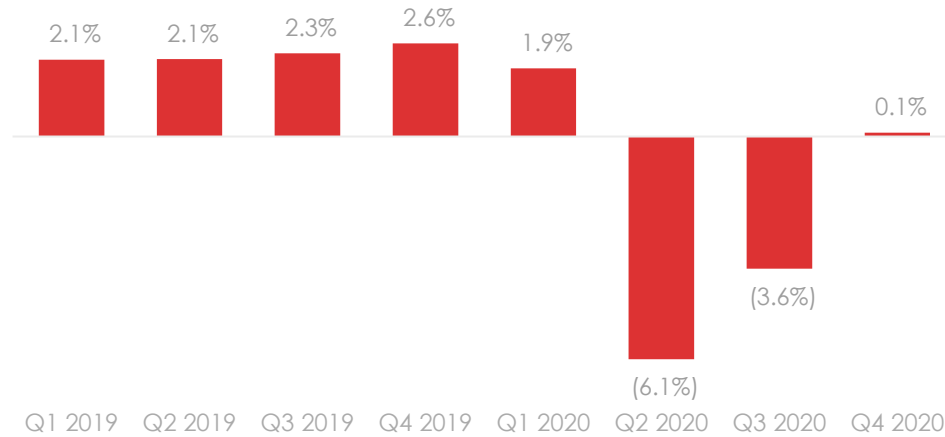
- Preliminary approval obtained from regulators (Securities and Exchange Commission, Federal Competition and Consumer Protection Commission, and Federal Inland Revenue Service)
- Approvals from minority shareholders obtained at CAP and Portland Paints shareholder meetings on 18 February 2021
- Final regulatory approvals received in March 2021
- Merger completion is expected in Q2 2021, subject to sanction of the Federal High Court



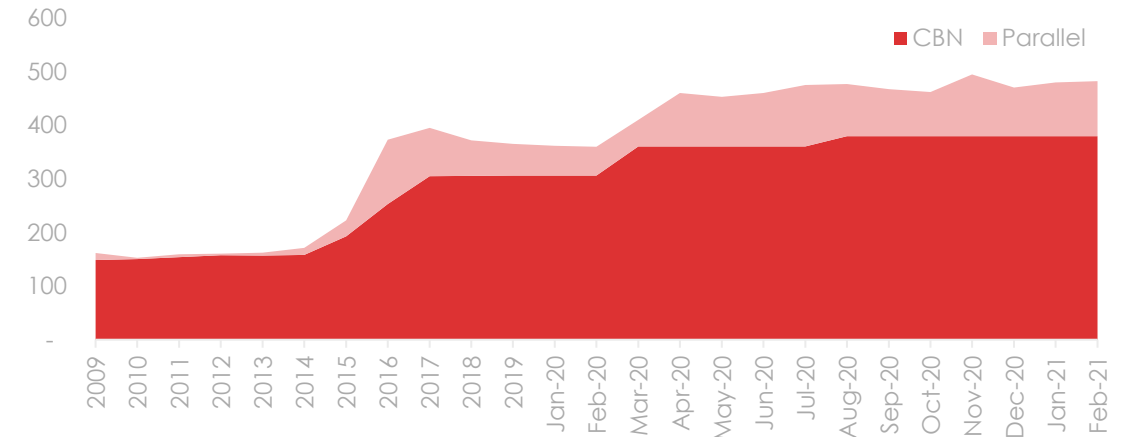
Macroeconomic review

14

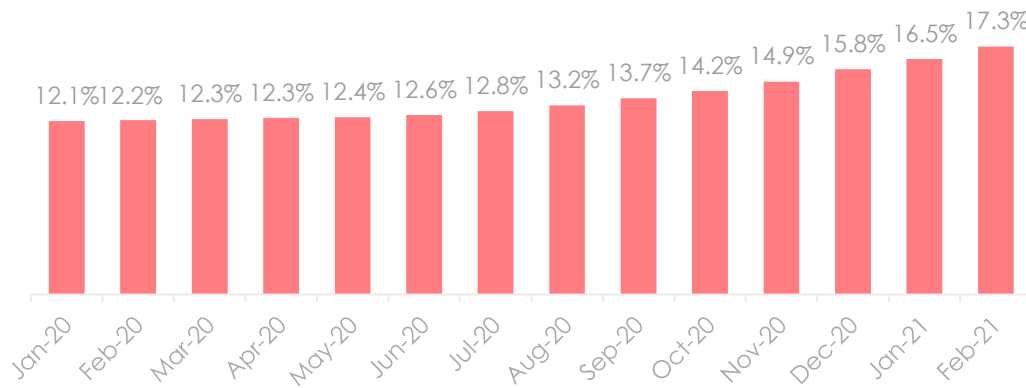
Real GDP Growth (%)



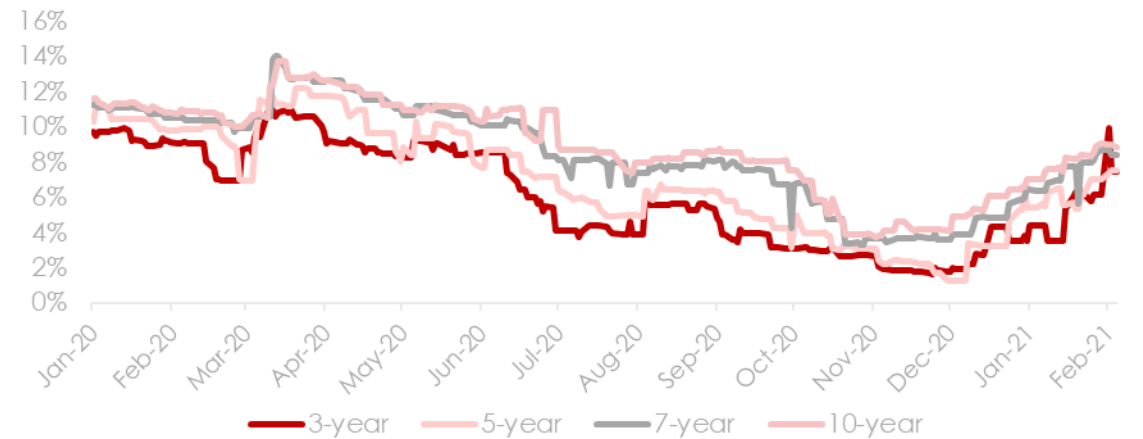
Exchange Rate ₦:\$



Inflation (%)



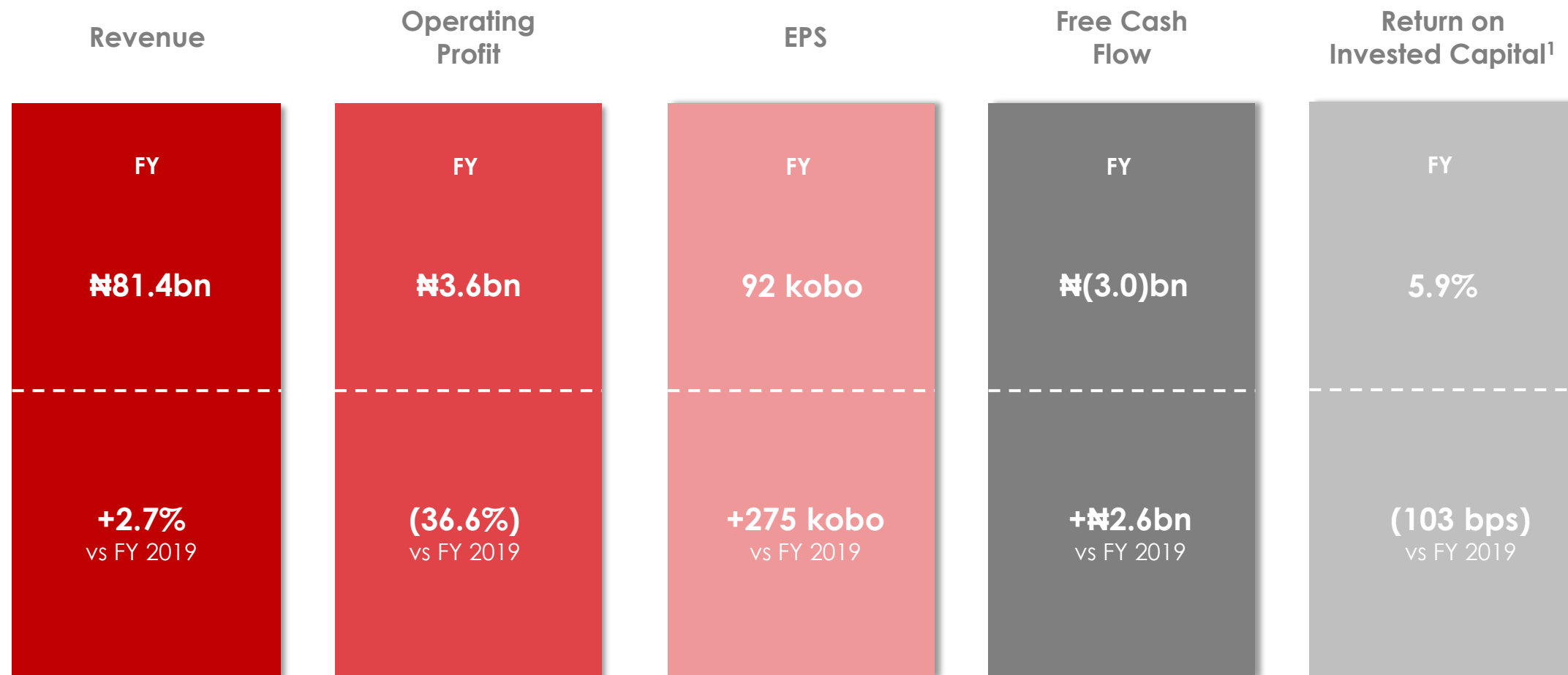
Secondary Market Bond Yields (%)



Source: National Bureau of Statistics, Central Bank of Nigeria, Access Bank Rateswatch, FMDQ

2020 Full year results

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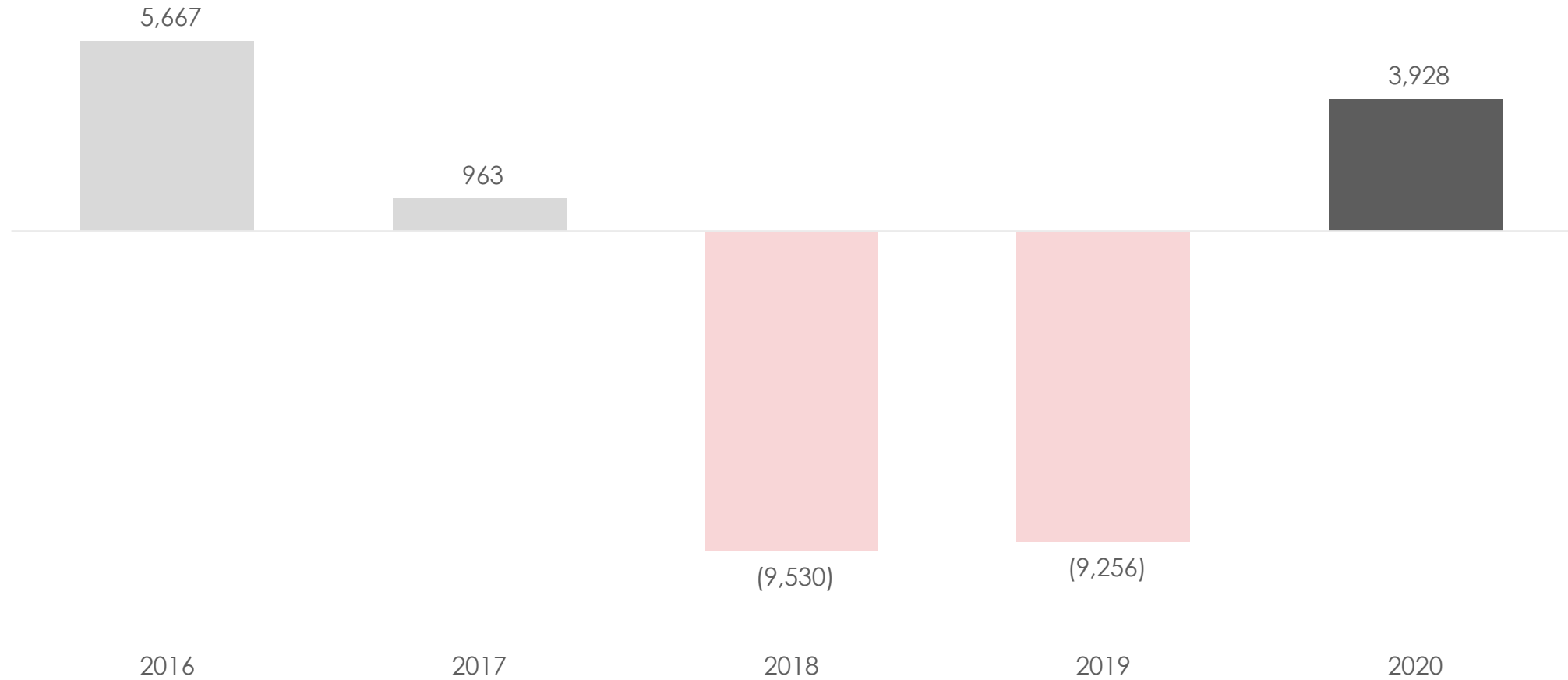


(1) Invested capital used for ROIC calculation excludes cash and cash equivalents, and investment in debt securities

Clear inflection point in Group underlying performance

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Profit for the year, in ₹ mn (FY 2016 to FY 2020)



Segment performance highlights

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Animal Feeds & Other Edibles

45% 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

29% 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

27% 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 and scarcity premium due to global supply chain disruptions. Also impacted by one-off restructuring costs at Portland Paints
- Focus remains on deepening retail penetration and expanding product range

QSR

(1)% 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

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Net Assets

₦61.4bn

+₦0.8bn
vs Dec 2019

Net Cash

₦20bn

+₦2.6bn
vs Dec 2019

Net Capex

(₦4.4bn)

(₦1.8bn)
vs Dec 2019

Cash Cycle

102 days

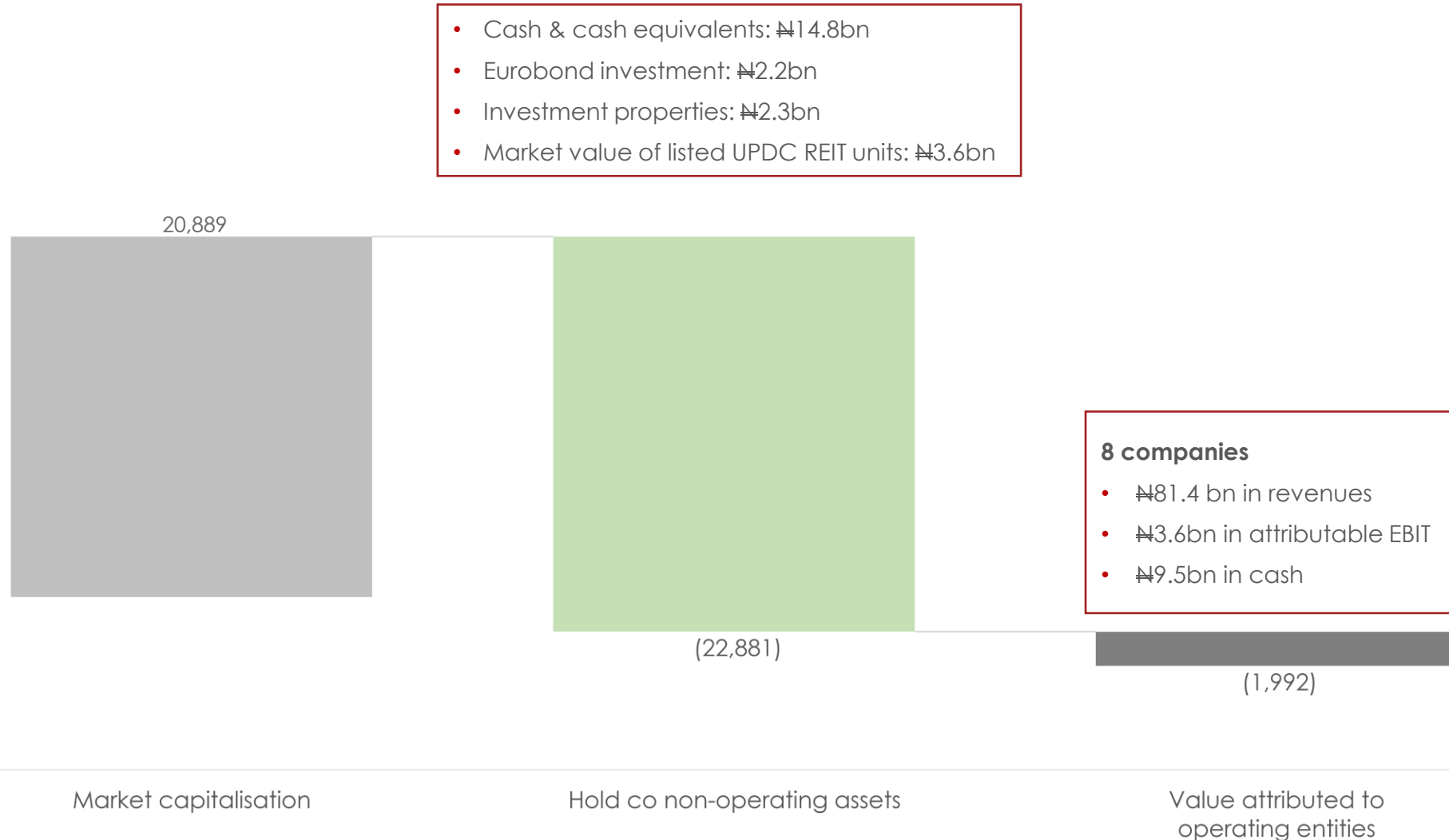
+27 days
vs Dec 2019

Compelling growth outlook



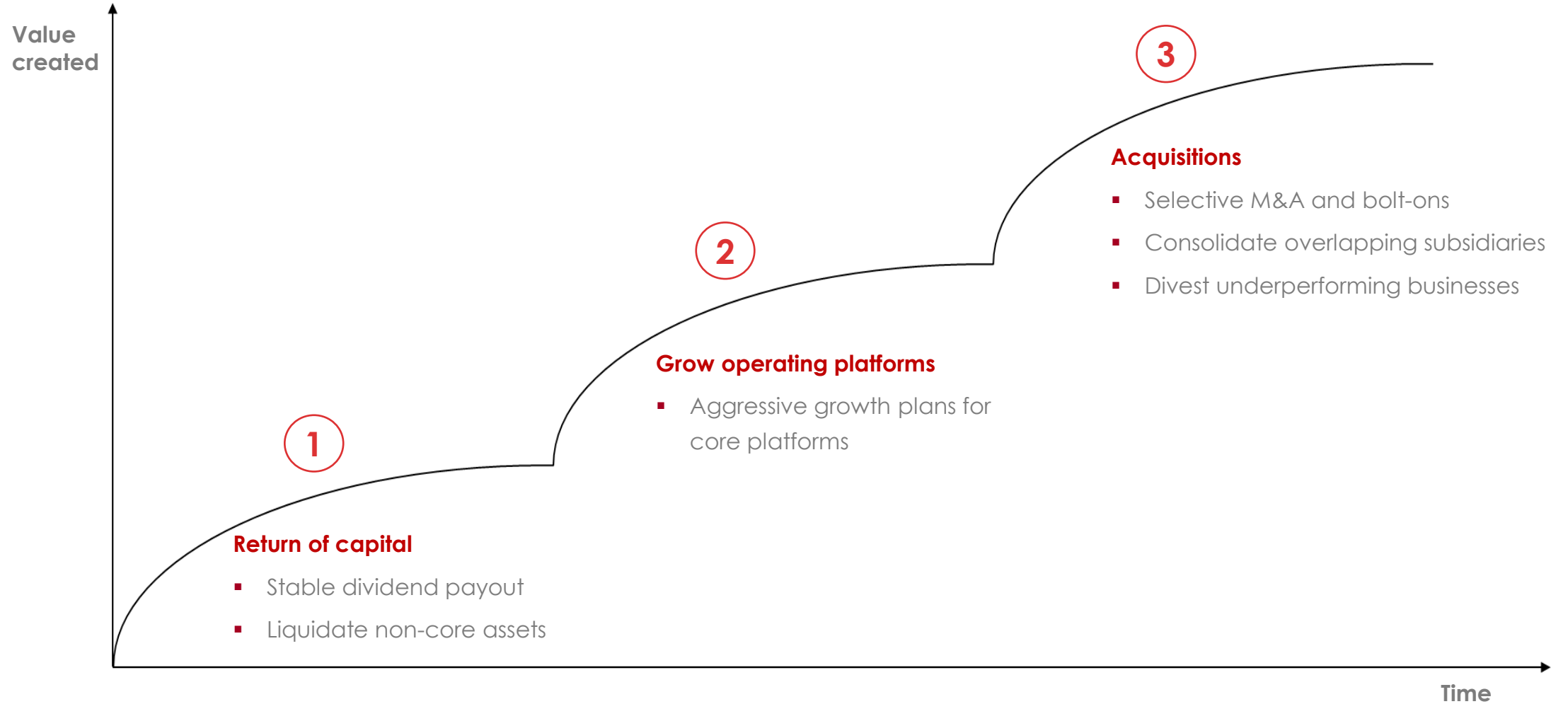
Potential for significant value uplift with negative value attributed to operating platform

Market Capitalisation Bridge, in ₦ mn



With clear value creation plans focused on three levers

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Corporate actions



Corporate actions: ₦7.1 billion distribution to UAC shareholders

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1

FY 2020 Dividend

(₦3.5bn)

- Total dividend of 120 kobo per share (₦3.5 billion) comprised
 - an ordinary dividend of 65 kobo per share; and
 - a special dividend of 55 kobo per share.
- Implied dividend yield of 13.8%
- Qualification date: June 14, 2021
- Register of shareholders will be closed from June 15, 2021 to June 21, 2021 (both days inclusive)
- Annual General Meeting date: 30 June 2021
- Payment date: 1 July 2021

2

UPDC REIT unbundling to UAC shareholders

(₦3.6bn)

- UAC's board of directors approved the unbundling of 649 million UPDC REIT units, valued at ₦3.6 billion, to UAC shareholders
- UAC shareholders will receive 226 UPDC REIT units for every 1,000 UAC shares owned (allocation ratio of 0.2254)
- Capital return of 14.5% or ₦1.27 per ordinary share based on market values as at 29 March 2021
- Completion is subject to regulatory and shareholder approvals as well as court sanction



Appendix 1

Operating segment overview



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

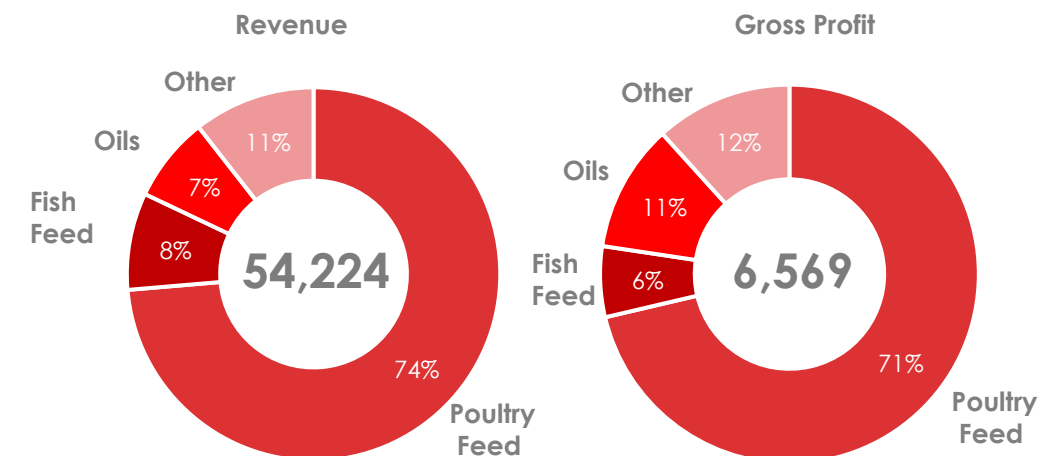
Margins

- 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

26

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

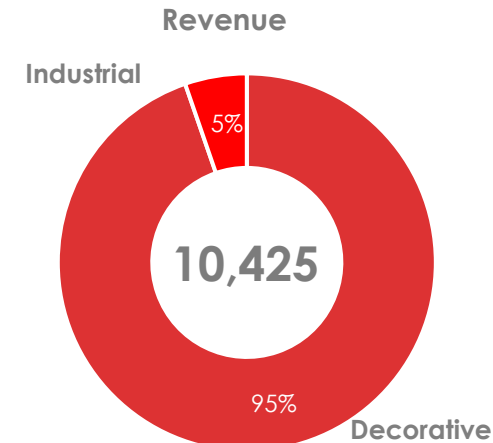
Expand Range

- 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

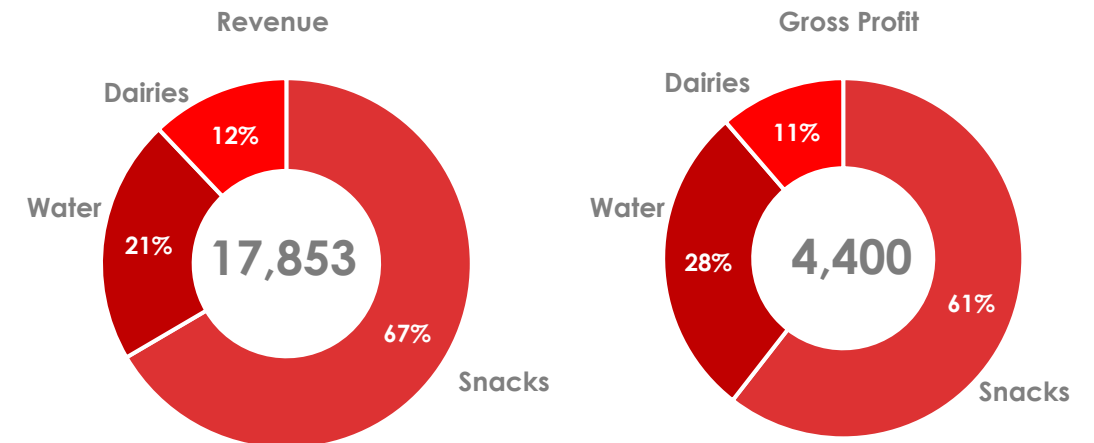
Grow

- 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

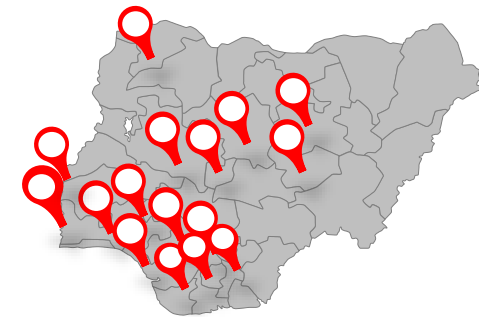
Grow

- 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 3

Additional Financial Information



Income Statement – FY 2020

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Summary Income Statement

₦ mn, unless otherwise stated	FY 2020	FY 2019	Δ%
Revenue	81,358	79,202	2.7%
Gross Profit	15,990	16,627	(3.8%)
Gross Profit Margin (%)	19.7%	21.0%	(134 bps)
Operating Profit	3,597	5,666	(36.5%)
Operating Profit Margin (%)	4.4%	7.2%	(273 bps)
Net Finance Income	550	1,790	(69.3%)
Share of Profit/(Loss) of Associates and JVs	973	-	-
Profit Before Tax	5,121	7,456	(31.3%)
Tax expense	(1,663)	(2,111)	(21.2%)
Profit After Tax from Continuing Operations	3,458	5,345	(35.3%)
Profit/ (Loss) After Tax from Discontinued Operations	470	(14,602)	n/m
Profit/ (Loss) for the period	3,928	(9,256)	(142.4%)
Basic Earnings Per Share From Continuing Operations (Kobo)	71	132	(45.8%)
Basic Earnings Per Share From Discontinued Operations (Kobo)	21	(315)	n/m
Basic Earnings Per Share For the Period	92	(183)	n/m
ROIC ¹	5.9%	6.9%	(103 bps)



1. Invested capital used to determine ROIC excludes cash and cash equivalents and investment in debt securities

Performance Snapshot – FY 2020

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Revenue

N mn	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%
QSR	1,528	1,501	1.8%
HoldCo	758	759	(0.0%)
Associate: Logistics	7,970	5,680	40.3%
Associate: Real Estate	1,662	2,158	(22.9%)

Operating Margins

N mn	FY 2020	FY 2019	Δ%
Animal Feeds & Other Edibles	4%	3%	43 bps
Paints	12%	20%	(858 bps)
Packaged Food & Beverages	8%	7%	77 bps
QSR	(3%)	(2%)	(70 bps)
HoldCo	(461%)	(88%)	(37,318 bps)
Associate: Logistics	11%	13%	(231 bps)
Associate: Real Estate	(43%)	(59%)	1,592 bps

Profit Before Tax

N mn	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%)
QSR	(57)	(75)	(24.1%)
HoldCo	(2,062)	1,974	n/m
Associate: Logistics	388	703	(44.8%)
Associate: Real Estate	(263)	(3,556)	(92.6%)

Return on Invested Capital

N mn	FY 2020	FY 2019	Δ%
Animal Feeds & Other Edibles	6.4%	7.1%	(71 bps)
Paints	nm	nm	n.a
Packaged Food & Beverages	15.8%	27.6%	(1,185 bps)
QSR	(11.1%)	(4.9%)	(619 bps)
HoldCo	(11.5%)	(1.5%)	(1,000 bps)
Associate: Logistics	7.1%	8.6%	(149 bps)
Associate: Real Estate	(4.0%)	(14.3%)	1,021 bps



Financial Position – 31 December 2020

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Summary Balance Sheet

N mn	Dec-20	Dec-19	Δ%
Non current Assets	40,986	26,019	57.5%
Current Assets	50,912	45,204	12.6%
Other Assets	269	36,372	(99.3%)
Total Assets	92,167	107,595	(14.3%)
Long term debt	1,735	1,851	(6.2%)
Short term debt	2,504	4,596	(45.5%)
Other Liabilities	26,556	40,607	(34.6%)
Total Liabilities	30,795	47,054	(34.6%)
Net Asset Value	61,372	60,541	1.4%

Cash/ Leverage FY 2020

N mn	Cash	Debt	Net Debt/ (Cash)	Lev. Ratio	EBITDA
HoldCo	14,804	-	(14,804)	n/a	(879)
Animal Feeds & Other Edibles	360	4,164	3,804	1.3	2,959
Paints	6,218	75	(6,143)	n/a	1,431
Packaged Food & Beverages	2,569	-	(2,569)	n/a	2,514
QSR	77	-	(77)	n/a	115
Associate: Logistics	425	2,164	1,739	0.9	1,832
Associate: Real Estate	2,947	5,423	2,475	(3.6)	(694.4)

Working Capital

N mn	Dec-20	Dec-19	Δ%
Inventory	20,124	16,290	23.5%
Trade Receivables	2,701	1,896	42.5%
Trade Payables	4,082	5,003	(18.4%)
Net Working Capital	26,907	23,189	16.0%
Inventory Days	113	95	18.6%
Receivable Days	12	9	39.1%
Payable Days	23	29	(21.7%)
Net Working Capital Days	102	75	36.7%

Capex FY 2020

N mn	CAPEX	Depreciation	CAPEX / Depreciation
HoldCo	361	138	1.60x
Animal Feeds & Other Edibles	288	758	(0.62x)
Paints	121	188	(0.35x)
Packaged Food & Beverages	3,637	855	3.25x
QSR	89	82	0.08x
Associate: Logistics	1,952	766	1.55x
Associate: Real Estate	33	8	2.87x

(1) Net Working Capital calculated as Inventory plus Receivables minus Trade payables; (2) Debt includes intercompany loans;
 (3) Leverage ratio calculated as Net debt / EBITDA; where EBITDA is Operating profit plus depreciation and amortization;



Cash Flow – FY 2020

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PBT to Free Cash Flow

# mn, unless otherwise stated	FY 2020	FY 2019	Δ%
Profit Before Tax from continuing operations	5,121	7,456	(31.3%)
Profit/ (Loss) before tax from discontinued operations	544	(14,696)	(103.7%)
Non-Cash charges & other	(1,636)	(1,117)	46.5%
Changes in working capital	(5,193)	6,929	(174.9%)
<i>of which receivables</i>	(1,838)	(2,177)	(15.6%)
<i>of which inventory</i>	(3,888)	5,844	n/m
<i>of which payables</i>	70	2,663	(97.4%)
<i>of which other working capital items</i>	463	600	(22.8%)
Net cash from operations - continuing operations	(1,165)	(1,427)	(18.4%)
Net cash from operations - discontinued operations	4,197	(84)	n/m
Cash taxes	(1,690)	(1,551)	9.0%
Net cash flow generated from operating activities	1,342	(3,062)	(143.8%)
Net CAPEX	(4,377)	(2,553)	71.4%
Free Cash Flow	(3,035)	(5,615)	(46.0%)



Appendix 3

UAC portfolio overview



Overview of UAC's portfolio

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