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# UAC of Nigeria PLC

## H1 2021 Results

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August 2021

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*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 ("SEC") and The Nigerian Exchange Limited ("NGX"). 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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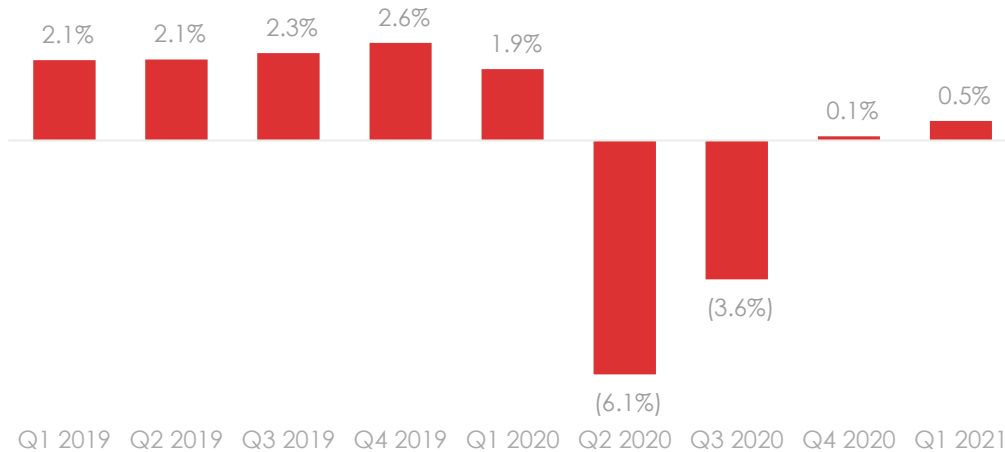
# Operating context



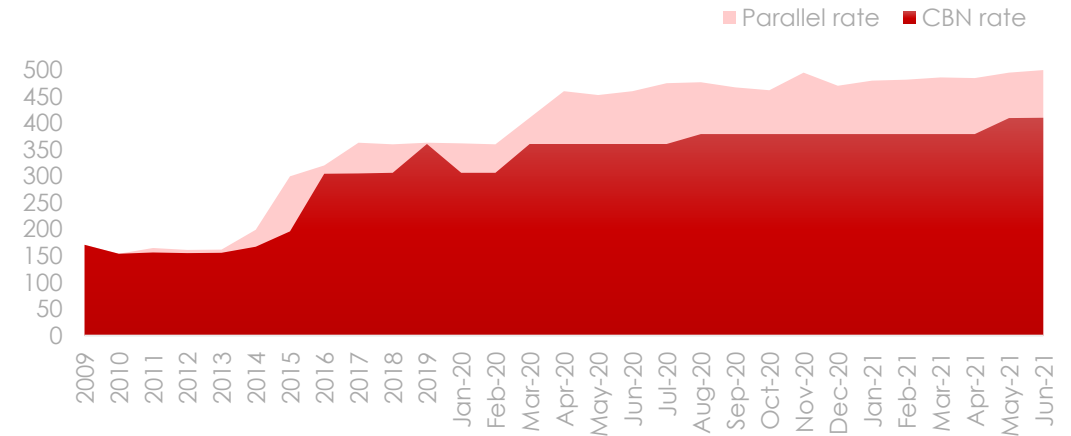
# Low growth, rising inflation, and currency under pressure...

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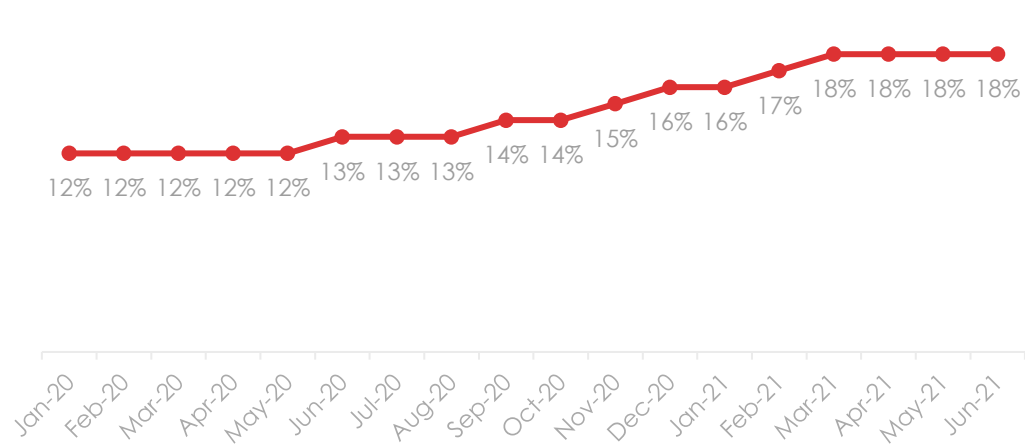
## Real GDP Growth (%)



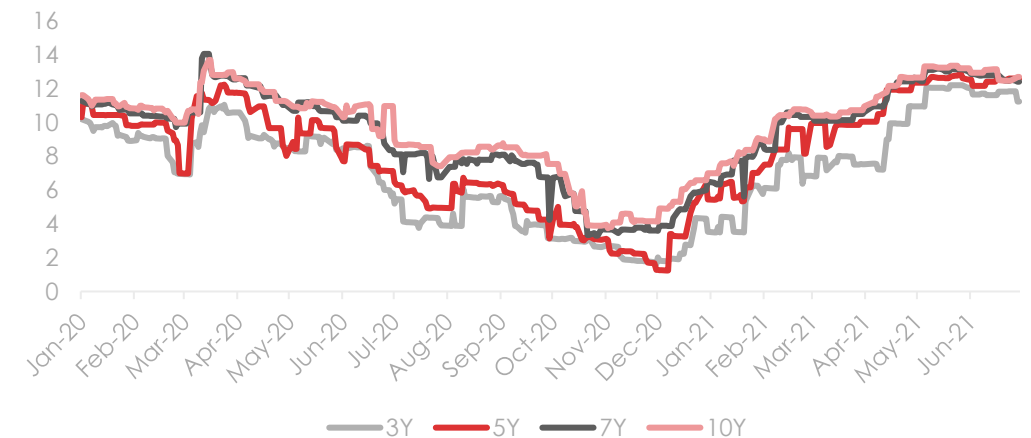
## Exchange Rate ₦:\$



## Inflation (%)

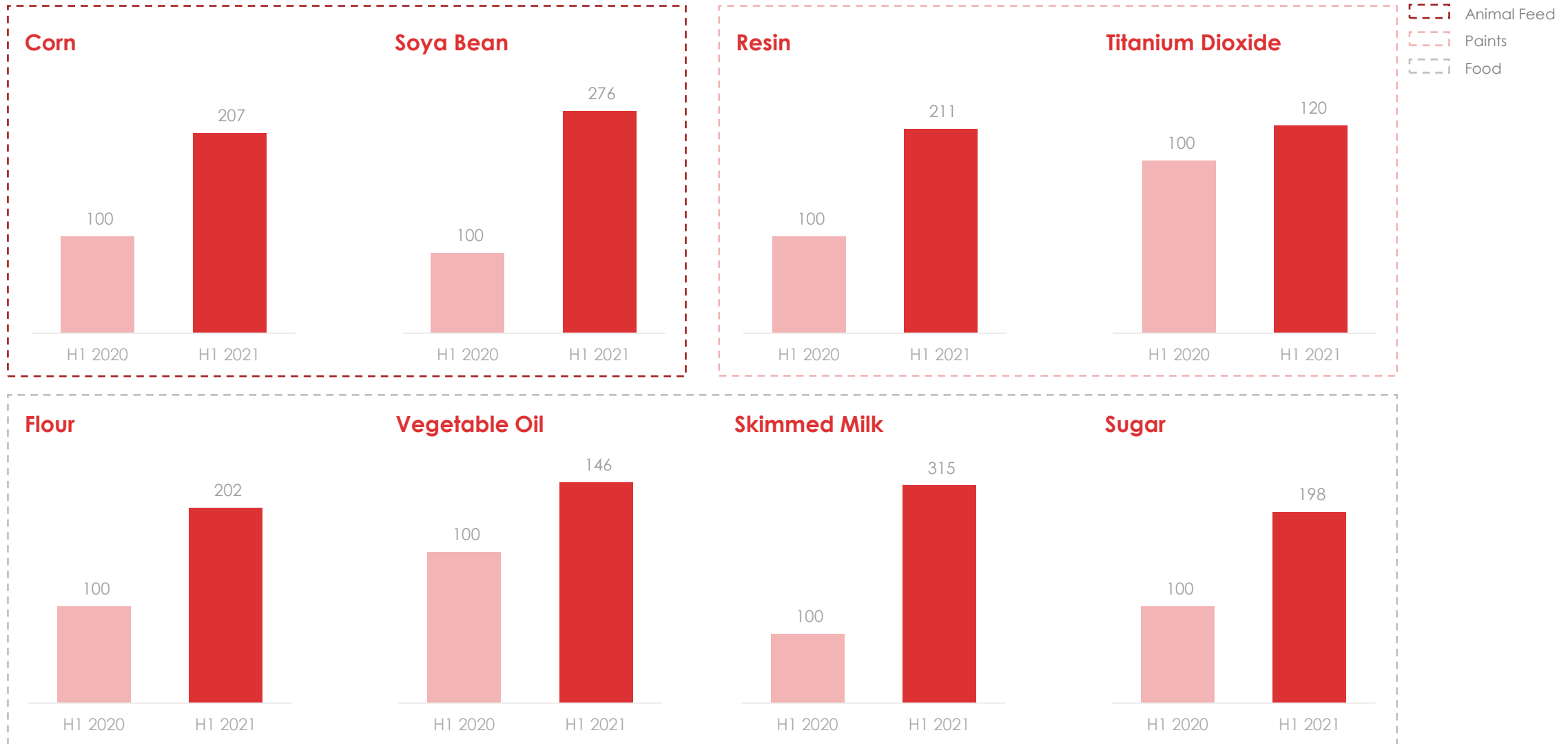


## Secondary Market Bond Yields (%)



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

# ....with escalation of key production input costs





## Performance highlights



# H1 2020 versus H1 2021: Key reporting changes

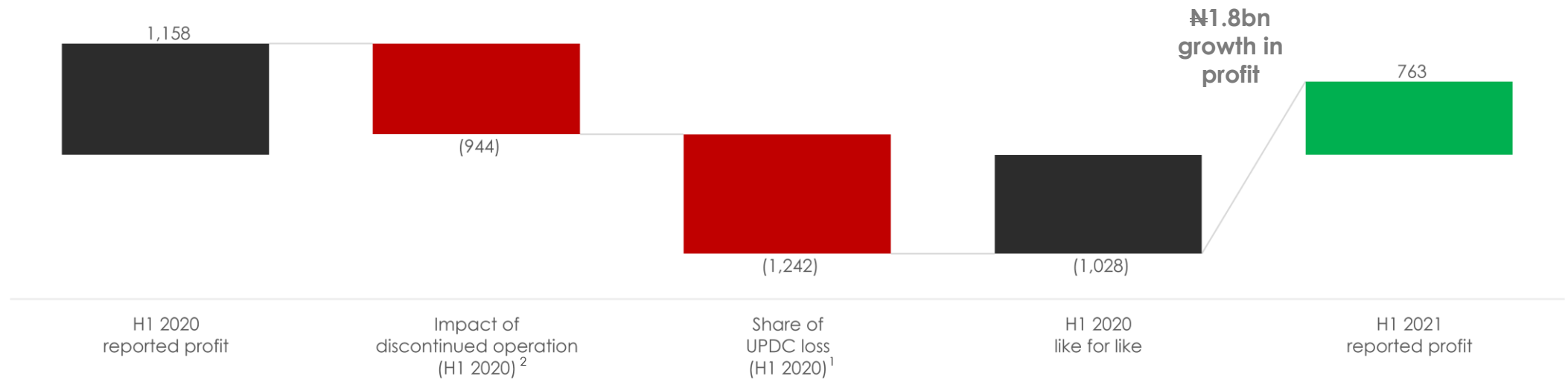
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## Overview

- There are two key reporting differences from H1 2020 to H1 2021
- UAC recorded a ₦944 million profit from discontinued operations with no comparable event for H1 2021
  - Corporate action relating to MDS Logistics Limited (sale of 8% stake) resulted in a ₦3.12 billion gain from discontinued operations in H1 2020
  - UPDC was held as a discontinued operation on account of the proposed unbundling. UPDC recorded a ₦2.2 billion loss in H1 2020 which offset the gain from the MDS sale
- For H1 2021, UAC's share of UPDC's ₦608 million loss is included as share of loss from associates with a ₦278 million impact

## Profit bridge

In Naira millions



1. Share of UPDC H1 2020 loss, on the assumption that UPDC was an associate company as at H1 2020  
2. Sum of ₦3.15bn gain on disposal of MDS stake and H1 2020 loss from UPDC in H1 2020 profit from discontinued operations



# Income statement

# mn, unless otherwise stated	Q2 2021 <sup>2</sup>	Q2 2020 <sup>1</sup>	Δ%	H1 2021 <sup>2</sup>	H1 2020 <sup>1</sup>	Δ%	FY 2020 <sup>3</sup>	FY 2019 <sup>3</sup>	Δ%
Revenue	24,478	17,085	43.3%	46,499	36,633	26.9%	81,358	79,202	2.7%
Gross Profit	4,313	2,759	56.3%	8,324	6,993	19.0%	15,990	16,627	(3.8%)
Gross Profit Margin (%)	17.6%	16.2%	147 bps	17.9%	19.1%	(119 bps)	19.7%	21.0%	(134 bps)
Operating Profit	563	(300)	n/m	1,700	828	105.4%	3,597	5,666	(36.5%)
Operating Profit Margin (%)	2.3%	(1.8%)	406 bps	3.7%	2.3%	140 bps	4.4%	7.2%	(273 bps)
Net Finance Income	(133)	38	n/m	(25)	137	n/m	550	1,790	(69.3%)
Share of Profit/(Loss) of Associates	(162)	(2)	n/m	(380)	69	(650.9%)	973	-	-
<b>Profit Before Tax</b>	<b>267</b>	<b>(264)</b>	<b>n/m</b>	<b>1,296</b>	<b>1,034</b>	<b>25.3%</b>	<b>5,121</b>	<b>7,456</b>	<b>(31.3%)</b>
Tax expense	(171)	(298)	(42.5%)	(531)	(820)	(35.2%)	(1,663)	(2,111)	(21.2%)
<b>Profit After Tax from Continuing Operations</b>	<b>96</b>	<b>(562)</b>	<b>n/m</b>	<b>765</b>	<b>214</b>	<b>257.6%</b>	<b>3,458</b>	<b>5,345</b>	<b>(35.3%)</b>
Profit/ (Loss) After Tax from Discontinued Operations	(2)	(122)	(98.3%)	(2)	944	(100.2%)	470	(14,602)	n/m
<b>Profit/ (Loss) for the period</b>	<b>94</b>	<b>(684)</b>	<b>n/m</b>	<b>763</b>	<b>1,158</b>	<b>(34.1%)</b>	<b>3,928</b>	<b>(9,256)</b>	<b>n/m</b>
Basic Earnings Per Share From Continuing Operations (Kobo)	(6)	(34)	(81.3%)	5	(7)	n/m	71	132	(45.8%)
Basic Earnings Per Share From Discontinued Operations (Kobo)	(0)	(19)	(99.7%)	(0)	39	(100.2%)	21	(315)	(106.5%)
Basic Earnings Per Share For the Period	(6)	(53)	(87.9%)	5	32	(83.1%)	92	(183)	n/m
ROIC	3.4% <sup>4</sup>	-	(246 bps) <sup>5</sup>	5.2% <sup>4</sup>	-	(71 bps) <sup>5</sup>	5.9%	6.9%	(103 bps)

n/m: Not meaningful



1. H1 2020 and Q2 2020 classify UPDC as a discontinued operation
2. H1 2021 and Q2 2021 have UPDC as an investment in associate
3. FY 2020 and FY 2019 have UPDC and MDS as discontinued operations

4. Annualised ROIC
5. Q2 2021/H1 2021 vs FY 2020 ROIC

# Performance Snapshot – H1 2021

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## Revenue

N mn	H1 2021	H1 2020	Δ%
Animal Feeds & Other Edibles	28,260	24,922	13%
Paints	6,789	4,259	59%
Packaged Food & Beverages	11,903	8,180	46%
QSR	1,013	625	62%

## Operating Margins

N mn	H1 2021	H1 2020	Δ
Animal Feeds & Other Edibles	4%	1%	294 bps
Paints	10%	16%	(684 bps)
Packaged Food & Beverages	7%	6%	73 bps
QSR	(5%)	(7%)	245 bps

## Profit Before Tax

N mn	H1 2021	H1 2020	Δ%
Animal Feeds & Other Edibles	521	(10)	n/m
Paints	763	826	(8%)
Packaged Food & Beverages	759	501	52%
QSR	(56)	(61)	(8%)

## Annualised Return on Invested Capital<sup>1</sup>

N mn	H1 2021	H1 2020	Δ
Animal Feeds & Other Edibles	7%	2%	492 bps
Paints	556%	(1,480%)	n/m
Packaged Food & Beverages	18%	14%	429 bps
QSR	(15%)	(14%)	(54 bps)

1. Invested capital = Total assets minus current liabilities, cash and cash equivalents and debt securities
2. n/m: Not meaningful



# Performance Snapshot – Q2 2021

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## Revenue

N mn	Q2 2021	Q2 2020	Δ%
Animal Feeds & Other Edibles	14,244	12,489	14%
Paints	4,219	1,556	171%
Packaged Food & Beverages	6,002	3,464	73%
QSR	559	249	124%

## Operating Margins

N mn	Q2 2021	Q2 2020	Δ
Animal Feeds & Other Edibles	4%	1%	352 bps
Paints	9%	3%	588 bps
Packaged Food & Beverages	5%	(0%)	523 bps
QSR	(5%)	(7%)	201 bps

## Profit Before Tax

N mn	Q2 2021	Q2 2020	Δ%
Animal Feeds & Other Edibles	171	(22)	n/m
Paints	442	194	127%
Packaged Food & Beverages	296	1	n/m
QSR	(34)	(45)	(25%)

## Annualised Return on Invested Capital<sup>1, 2</sup>

N mn	Q2 2021	Q2 2020	Δ
Animal Feeds & Other Edibles	7%	1%	598 bps
Paints	667%	(598%)	n/m
Packaged Food & Beverages	14%	(1%)	n/m
QSR	(16%)	(24%)	752 bps

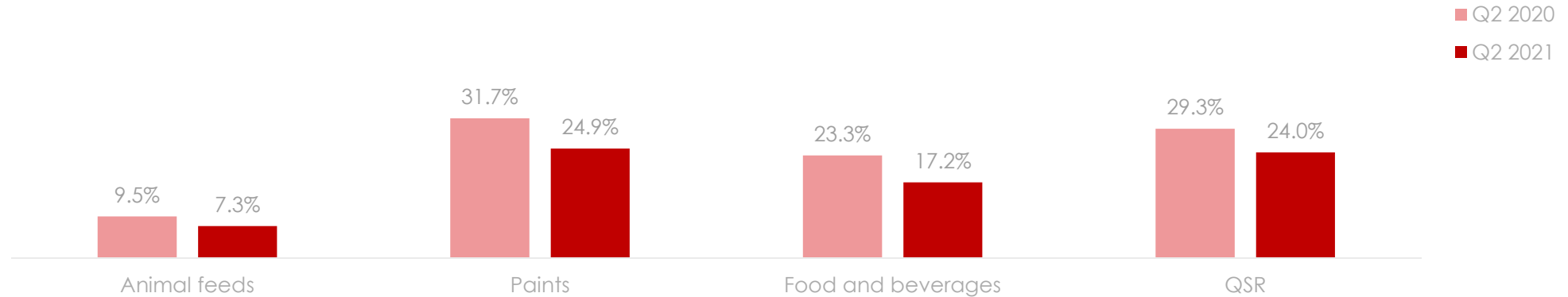


1. H1 2021 and H1 2020 invested capital was used in determining Q2 2021 and Q2 2020 annualized ROIC respectively
2. Invested capital = Total assets minus current liabilities, cash and cash equivalents and debt securities
3. n/m: Not meaningful

# Continued focus on efficiency in spite of cost escalation

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## Q2 Operating Expenses Trend for Operating Segments: Opex / Sales (%)



### Commentary

- Improvement in Opex/Sales across all operating platforms
- Operating expenses impacted by the following
  - ₦200m of expenses recorded in Q2 are on account of timing differences i.e. recorded largely in Q4 in other years
  - ₦100m represents donations to support government initiatives
  - ₦76m relates to impairment of ageing stock at CAP

# Financial Position – 30 June 2021

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## Summary Balance Sheet

N mn	Jun-21	Dec-20	Δ%
Non current Assets	37,768	40,986	(7.9%)
Current Assets	59,537	50,912	16.9%
Other Assets	3,830	269	1,321.8%
<b>Total Assets</b>	<b>101,134</b>	<b>92,167</b>	<b>9.7%</b>
Long term debt	1,543	1,735	(11.1%)
Short term debt	15,772	2,504	530.0%
Other Liabilities	26,057	26,556	(1.9%)
<b>Total Liabilities</b>	<b>43,372</b>	<b>30,795</b>	<b>40.8%</b>
<b>Net Asset Value</b>	<b>57,763</b>	<b>61,372</b>	<b>(5.9%)</b>

## Cash/ Leverage H1 2021

N mn	Cash	Debt <sup>2</sup>	Net Debt/ (Cash)	Lev. Ratio <sup>3</sup>	EBITDA
HoldCo	8,978	-	(8,978)	n/a	490
Animal Feeds & Other Edibles	594	16,217	15,623	10.1	1,546
Paints	4,104	1,072	(3,032)	n/a	767
Packaged Food & Beverages	3,083	-	(3,083)	n/a	1,381
QSR	270	358	88	9.9	9

## Working Capital

N mn	Jun-21	Dec-20	Δ%
Inventory	32,342	20,123	60.7%
Trade Receivables	1,682	2,701	(37.7%)
Trade Payables	3,113	4,082	(23.7%)
<b>Net Working Capital</b>	<b>37,138</b>	<b>26,906</b>	<b>38.0%</b>
Inventory Days	155	113	37.2%
Receivable Days	7	12	(45.7%)
Payable Days	15	23	(34.9%)
<b>Net Working Capital Days<sup>1</sup></b>	<b>146</b>	<b>102</b>	<b>43.5%</b>

## Capex H1 2021

N mn	CAPEX	Depreciation	CAPEX / Depreciation
HoldCo	102	64	0.59x
Animal Feeds & Other Edibles	189	366	(0.48x)
Paints	292	110	1.65x
Packaged Food & Beverages	674	445	0.52x
QSR	87	46	0.91x



(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

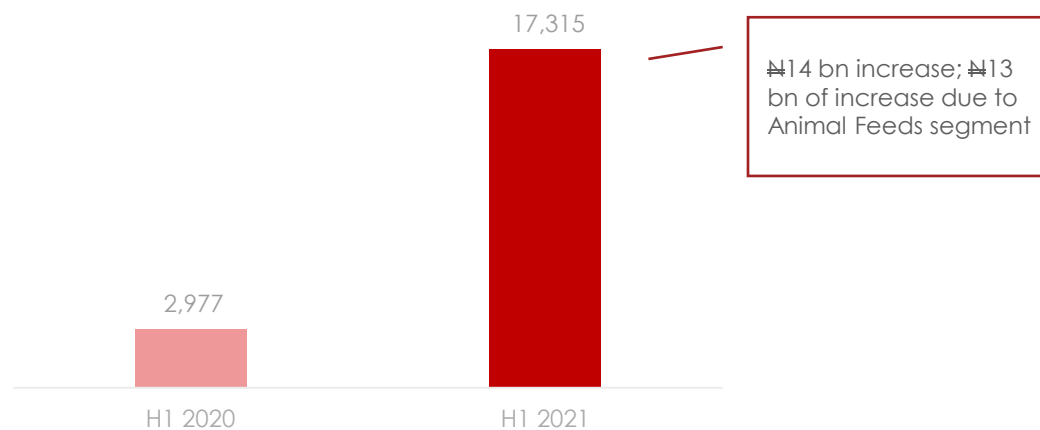


# Increase in debt largely working capital for Animal Feeds segment

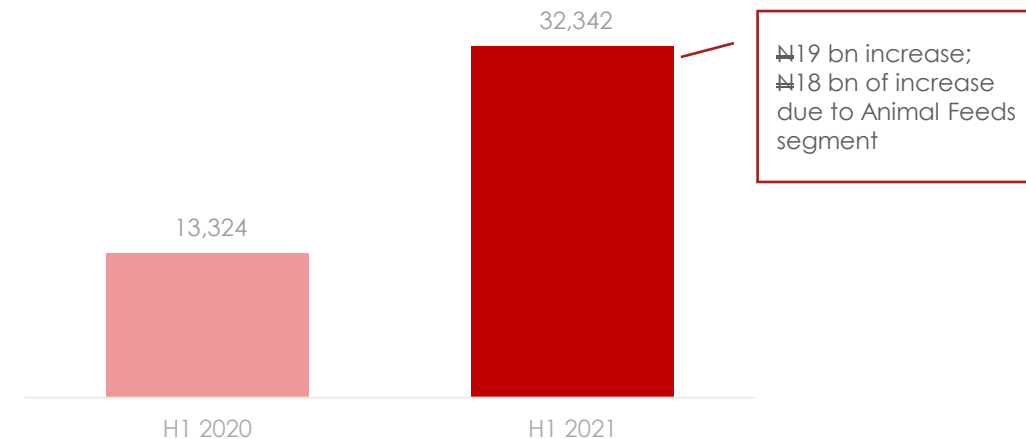
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In Naira millions

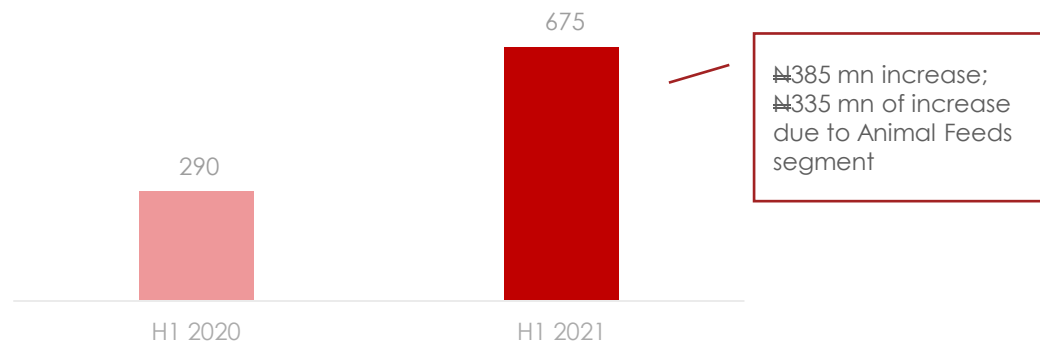
Group debt



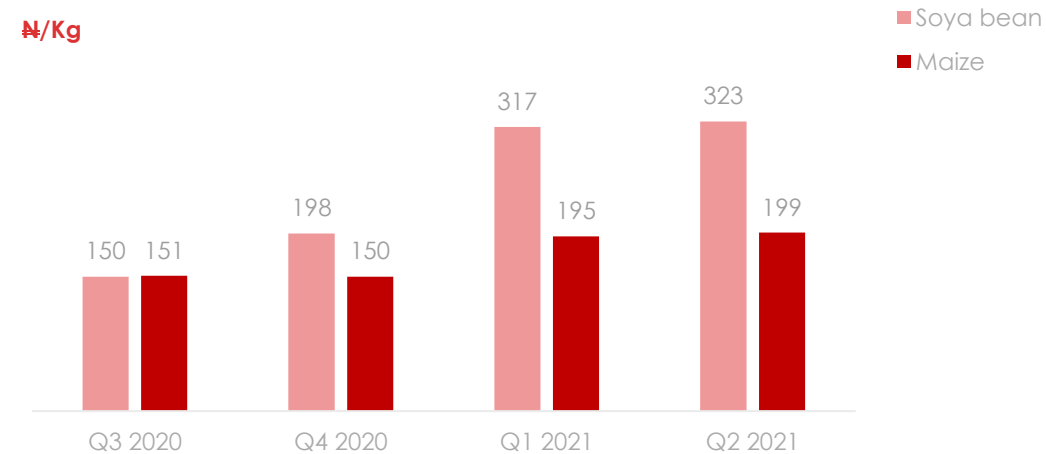
Inventory



Interest expense on bank loans



Commodity prices (Soya and Maize)



# Conclusion



- In H1 2021, UAC recorded 27% revenue growth, 105% increase in operating profit, and 25% increase in profit before tax
- We will continue to focus on driving growth in our core operating platforms
  - Animal Feeds and Edible Oils: Investing in higher margin oil and dog food segments. Driving capacity utilisation
  - Paints: Aggressive colour centre roll out
  - Packaged Food and Beverages: Expand water capacity
  - Quick Service Restaurants: Aggressive corporate store roll out
- We will improve margin through thoughtful pricing strategies and cost control
- ₦13.5 billion in cash and non-core assets provides capital for accretive investments



**Mr Bigg's**  
ALWAYS GOOD

## 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 dog food
- 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 NGX; 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

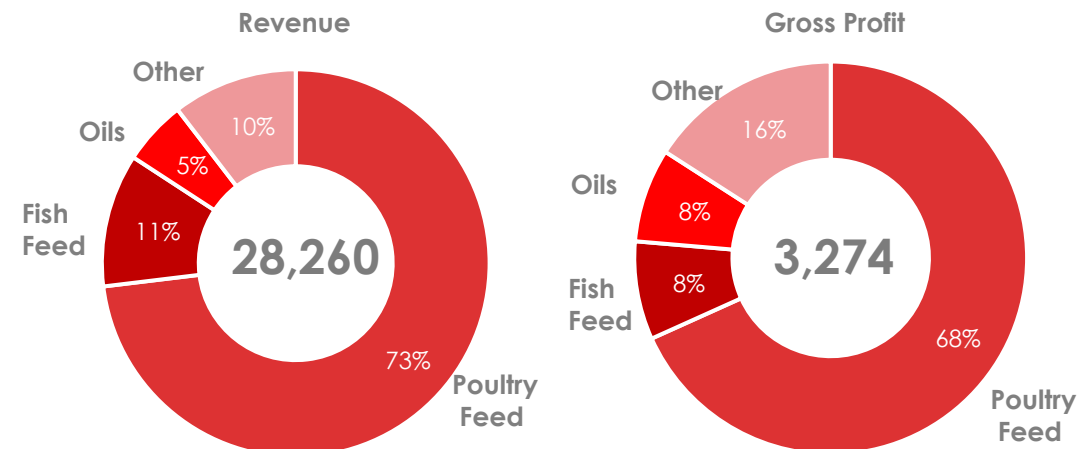
### Margins

- 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

## H1 2021 Key Financial Highlights (in ₦ mn)





# Snapshot of the paints segment

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## Overview

**Chemical and Allied Products PLC**  **CAP plc**  
Chemical and Allied Products Plc

- Public company listed on The NGX; 56.54% ownership
- Recently concluded merger with Portland Paints (1 July 2021)
- Produces decorative paint; sells via dedicated distribution network
- Technology licensee and distributor for AkzoNobel in Nigeria
- Distributor for Hempel's industrial products in Nigeria
- #1 player in the Nigerian paint industry, following merger with Portland Paints

## 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

## Brands

AkzoNobel



Hempel

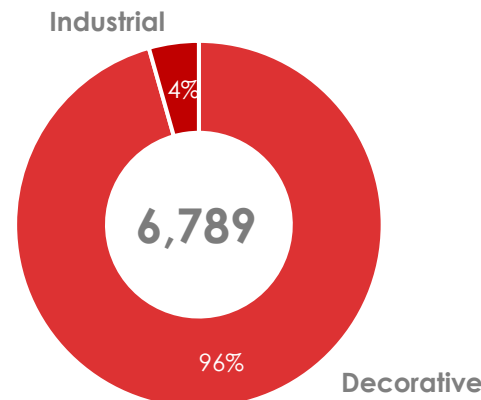


Owned Brands

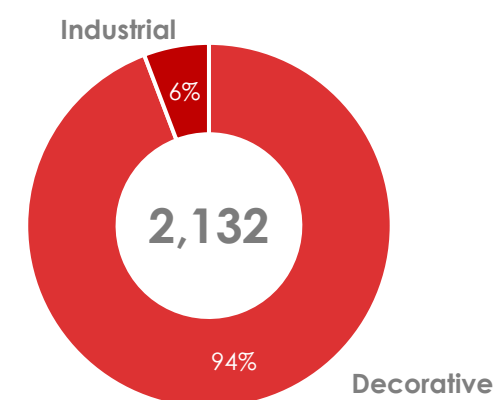


## H1 2021 Key Financial Highlights (in ₦ mn)

### Revenue



### Gross Profit



# 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

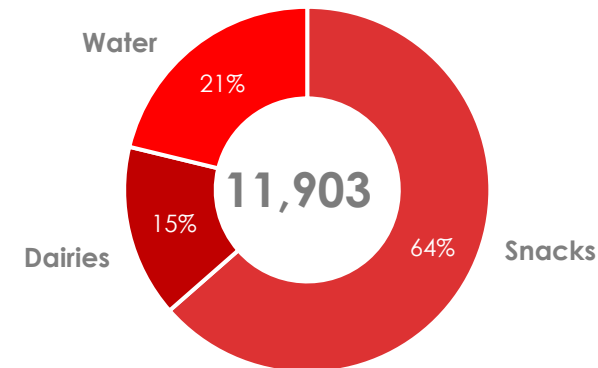
- Invest in greenfield state of the art factory
- Implement plans to optimise snacks margins
- Expand spring water bottling capacity to meet demand, especially in Southern Nigeria

### Optimise

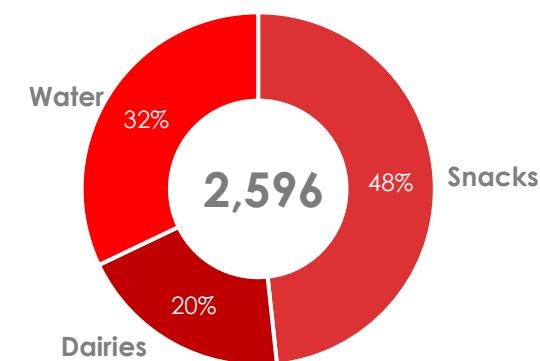
- Supply chain initiatives to reduce input costs
- Leverage technology – SAP refresh

## H1 2021 Key Financial Highlights (in ₦ mn)

### Revenue




### Gross Profit



# 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

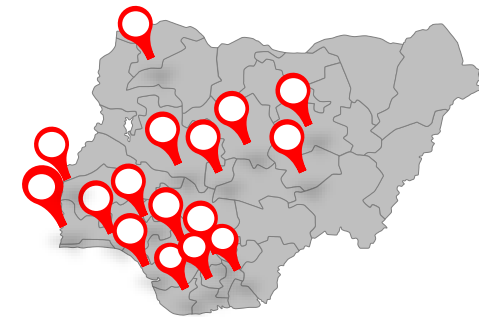
Grow

- 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



58 counters across Nigeria

## Appendix 2

Additional financial information



# Cash Flow

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## PBT to Free Cash Flow

₹ mn, unless otherwise stated	H1 2021	FY 2020	FY 2019 <sup>1</sup>
<b>Profit Before Tax from continuing operations</b>	<b>1,296</b>	<b>5,121</b>	<b>7,456</b>
Profit/ (Loss) before tax from discontinued operations <sup>2</sup>	(2)	544	(14,696)
Non-Cash charges & other	1,432	(1,636)	(1,117)
<b>Changes in working capital</b>	<b>(15,983)</b>	<b>(5,193)</b>	<b>6,929</b>
<i>of which receivables</i>	(3,625)	(1,838)	(2,177)
<i>of which inventory</i>	(12,230)	(3,888)	5,844
<i>of which payables</i>	86	70	2,663
<i>of which other working capital items</i>	(214)	463	600
<b>Net cash from operations - continuing operations</b>	<b>(13,257)</b>	<b>(1,165)</b>	<b>(1,427)</b>
Net cash from operations - discontinued operations	-	4,197	(84)
Cash taxes	(702)	(1,690)	(1,551)
<b>Net cash flow generated from operating activities</b>	<b>(13,960)</b>	<b>1,342</b>	<b>(3,062)</b>
Net CAPEX	(1,316)	(4,377)	(2,553)
<b>Free Cash Flow</b>	<b>(15,275)</b>	<b>(3,035)</b>	<b>(5,615)</b>



1. FY 2019 classifies MDS and UPDC as discontinued operations
2. FY 2020 profit from discontinued operations include N3bn gain on disposal of 8% interest in MDS and loss of UPDC to 31 October 2020