



PRESS RELEASE

Regulated information

Financial Results for the Nine Months ended 30 September 2021

Lagos, 28 October 2021 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its unaudited results for the 9 months ended 30 September 2021.

Highlights

- Revenue 23% ahead of 9M 2020 at ₦71.4 billion, with growth recorded in all business segments.
- Gross profit 8% higher than 9M 2020 at ₦12.4 billion; Gross margin 240 bps lower due to rising raw material costs and supply chain disruptions, particularly in the Paints segment.
- Operating profit 6% higher at ₦2.1 billion, supported by revenue growth.
- Profit before tax of ₦1.4 billion, 44% lower on account of higher finance costs and losses from associate companies.
- In 9M 2020, UAC recorded ₦451 million profit from discontinued operations which impacts year on year comparison.
- **Subsidiary company highlights**
 - Completed merger of Chemical and Allied Products PLC and Portland Paints and Products Nigeria PLC.
 - Completed acquisition of Tiger Brands Limited’s minority shareholding (49%) in UAC Foods Limited.
- **Corporate actions**
 - Received shareholder approval to unbundle 649 million units in the UPDC Real Estate Investment Trust (UPDC REIT), valued at ₦3.6 billion, to UAC shareholders. Completion is subject to final regulatory approval.

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: *“The Group recorded meaningful revenue growth of 23% year on year and a 6% increase in operating profit. The operating environment remains challenging on account of rising inflation and raw material cost escalation which remains an ongoing concern and as such we are carefully assessing pricing of key products across our portfolio. Net income was negatively impacted by higher finance costs and losses from our associate companies UPDC PLC and MDS Logistics Limited.”*

Group Highlights

In million ₦, unless otherwise stated	Q3 2021	Q3 2020	Δ %	9M 2021	9M 2020	Δ %
Revenue	24,868	21,164	17.5%	71,368	57,798	23.5%
Gross Profit	4,033	4,402	(8.4%)	12,358	11,395	8.4%
Gross Profit Margin (%)	16.2%	20.8%	(458 bps)	17.3%	19.7%	(240 bps)
Selling and Distribution Expenses	(1,504)	(1,505)	(0.1%)	(4,543)	(4,462)	1.8%
Administrative Expenses	(2,127)	(1,808)	17.6%	(6,050)	(5,254)	15.2%
Operating Expenses	(3,631)	(3,313)	9.6%	(10,594)	(9,716)	9.0%
Operating Expenses (% of revenue)	14.6%	15.7%	(105 bps)	14.8%	16.8%	(197 bps)
Other income	35	99	(64.8%)	374	338	10.5%
EBIT	437	1,189	(63.2%)	2,138	2,017	6.0%
EBIT Margin (%)	1.8%	5.6%	(386 bps)	3.0%	3.5%	(49 bps)
Net Finance (Cost)/Income	(123)	205	(160.0%)	(148)	341	(143.3%)
Share of (Loss)/Profit of Associates	(233)	46	n/m	(612)	115	n/m
Profit Before Tax	82	1,440	(94.3%)	1,378	2,474	(44.3%)
Profit Before Tax Margin (%)	0.3%	6.8%	n/m	1.9%	4.3%	(235 bps)
Profit/(Loss) After Tax From Continuing Operations	(199)	1,236	n/m	565	1,451	(61.0%)
Profit/(Loss) After Tax from Discontinued Operations	-	(493)	n/m	(2)	451	n/m
(Loss)/Profit for the period	(199)	743	n/m	563	1,902	(70.4%)
Profit Margin (%)	(0.8%)	3.5%	n/m	0.8%	3.3%	(250 bps)
Basic Earnings Per Share (EPS):						
From Continuing Operations (Kobo)	(9)	31	n/m	(3)	24	n/m
From Discontinued Operations (Kobo)	-	(16)	n/m	(0)	23	n/m
For the Period (Kobo)	(9)	15	n/m	(3)	47	n/m
Annualised Return on Equity (ROE)				(0.3%)	3.5%	(381 bps)
Annualised Return on Invested Capital (ROIC)				4.6%	3.6%	106 bps

n.a: not applicable n/m: not meaningful.

	Sep-21	Dec-20	Δ
Quick Ratio	0.7x	1.3x	(0.6x)
Current Ratio	1.5x	2.1x	(0.6x)
Gearing	20%	7%	1,318 bps
Total Assets / Equity	1.8x	1.5x	0.3x
Net Debt / EBITDA	(0.6x)	(3.3x)	2.7x
Free Cash Flow	(8,367)	(3,044)	(5,323)

Accounting Changes

The following transactions in respect of subsidiary and associate companies are responsible for key accounting changes in 9M 2021 compared to 9M 2020:

1. UAC disposed significant interest in UPDC PLC (UPDC) in Q4 2020, consequently UPDC, which was previously accounted for as a discontinued operation in the Group's Statement of Profit or Loss (PoL) for the 9M 2020, became an associate company in Q4 2020. The 9M 2021 results include UAC Group's share of 9M loss from UPDC as well as MDS Logistics Limited (MDS) whereas the 9M 2020 share of profit from associate relates only to the Group's share of 9M profit from MDS.
2. The merger between Chemical and Allied Products PLC (CAP) and Portland Paints and Products Nigeria PLC (PPNP) became effective on 1 July 2021. UAC's shareholding in the enlarged, post-merger, CAP is 56.54%.
3. In September 2021, UAC's shareholders approved the distribution of 649,392,661 UPDC REIT units held by the Group to shareholders on a pro rata basis. Consequently, the fair value of UPDC REIT units (₦3.64 billion) has been reclassified from "equity" to "liability" in UAC's Statement of Financial Position (SOPF) in accordance with IFRIC 17 (Distributions of non-cash asset to owners).
4. In September 2021, UAC acquired Tiger Brands Limited's minority shareholding (49%) in UAC Foods Limited (UFL) for a cash consideration of ₦3.92 billion. UFL is now a wholly owned subsidiary of UAC.

Corporate Action Update: Proposed Unbundling of UPDC REIT Units

Background: On 31 March 2021, UAC's Board of Directors announced the decision to unbundle the Company's 649,392,661 units in UPDC REIT to UAC's shareholders via 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 "Scheme"). Under the terms and conditions of the Scheme and based on the allocation ratio of 0.2254 detailed therein, UAC shareholders will receive 226 UPDC REIT units for every 1,000 UAC shares owned. This will provide UAC shareholders with a capital return of ₦1.27 per share or 12.3% based on the respective market prices of UAC and UPDC REIT as at 30 September 2021.

Update: UAC's shareholders approved the proposed unbundling at a court ordered meeting on 20 September 2021. Completion is subject to receipt of final regulatory approvals. Shareholders are advised to exercise caution when dealing in the securities of UAC and UPDC REIT. Further updates will be communicated as they arise.

Group Performance and Financial Review: 9M 2021

Revenue in 9M 2021 increased 23.5% YoY to ₦71.4 billion supported by growth across all operating segments. Animal Feeds and Other Edibles segment (+13.7% YoY) driven by price increases to offset rising raw material costs. Paints segment (+41.3% YoY) on account of higher volumes compared to 2020 which was impacted by limited sales due to the restrictions in the movement of people and goods in Q2 2020. Packaged Food and Beverages segment (+39.4% YoY) driven by volume growth in the snacks, water and dairy categories and price increases in the snacks and water categories; and the Quick Service Restaurants segment (+51.2% YoY) driven by additions to company-owned restaurants (corporate stores) and improved volumes and performance of existing stores.

Gross profit in 9M 2021 increased by 8.4% YoY to ₦12.4 billion and gross profit margin declined 240 basis points to 17.3%. Margin compression was largely on account of input cost escalation across all businesses.

Operating Profit was ₦2.1 billion in 9M 2021, 6% higher than the ₦2 billion recorded in 9M 2020. Operating expenses as a percentage of sales improved by 197 basis points to 14.8%. The group recognised higher finance costs on account of increased short-term borrowings in the Animal Feeds and Other Edibles segment to support deliberate efforts to build inventory as well as rising interest rates. Performance was negatively impacted by the loss from associate companies (UPDC and MDS) in 9M 2021 versus a profit from associates in 9M 2020. As a result, **Profit before tax** was ₦1.4 billion, a decrease of 44.3% YoY against ₦2.5 billion in 9M 2020. **Profit after Tax from continuing operations** was ₦565 million compared to ₦1.45 billion in 9M 2020.

Total profit for the period was ₦563 million in 9M 2021 compared to ₦1.9 billion reported in 9M 2020. UAC recorded ₦451 million profit from discontinued operations in 9M 2020 which impacts year on year comparison.

Loss per share from continuing operations for 9M 2021 was 3 kobo, compared to the earnings per share from continuing operations of 24 kobo in 9M 2020.

Free Cash Flow for the period was negative ₦8.4 billion in 9M 2021, compared with positive ₦1.4 billion in 9M 2020. Free cashflow was impacted by a deliberate strategy to increase in inventory levels in the Animal Feeds and Other Edibles segment and the Paints segments, advance payments to suppliers in the Animal Feeds and Other Edibles segment, settlement of short term obligations across all segments, and the shareholder loan disbursed to UPDC PLC to refinance its corporate bond.

Annualised Return on Invested Capital (ROIC) was 106 basis points higher at 4.6% (9M 2020: 3.6%).

Group Performance and Financial Review: Q3 2021

Revenue increased 17.5% to ₦24.9 billion in Q3 2021. Sales growth across all operating segments supported by price increases in the Animal Feeds and Other Edibles Segment, as well as price increases and volume growth in Paints (+15.3% YoY), Quick Service Restaurants (+35.6% YoY), Packaged Food and Beverages (+28.5% YoY), and Quick Service Restaurants (+35.6% YoY).

Gross profit decreased by 8.4% YoY to ₦4.0 billion, and gross profit margin contracted 458 basis points to 16.2%. Margin contraction was largely on account of rising raw material costs across all the business segments.

Operating Profit decreased by 63.2% to ₦437 million in Q3 2021, with operating profit margin contracting by 386 basis points to 1.8%. In spite of the higher cost environment, operating expenses as a percentage of sales decreased 105 basis points to 14.6%, a direct result of operational efficiency initiatives particularly in selling and distribution.

Loss after Tax from continuing operations was ₦199 million in Q3 2021 compared to a ₦1.2 billion profit in Q3 2020. **Total loss for the period** was ₦199 million in Q3 2021 compared to a profit of ₦744 million in Q3 2020. **Loss per share from continuing operations** for Q3 2021 was 9 kobo (Q3 2020: earnings per share of 31 kobo).

Segment Performance¹

Revenue (% and ₦m)	Q3 2021	Q3 2020	Δ %	9M 2021	9M 2020	Δ %
Animal Feeds and Other Edibles	15,524	13,589	14.2%	43,784	38,512	13.7%
Paints	3,413	2,959	15.3%	10,202	7,218	41.3%
Packaged Food and Beverages	5,915	4,605	28.5%	17,818	12,785	39.4%
Quick Service Restaurants	590	435	35.6%	1,603	1,061	51.2%
Earnings /(Loss) before Interest & Tax – EBIT (₦m)	Q3 2021	Q3 2020	Δ %	9M 2021	9M 2020	Δ %
Animal Feeds and Other Edibles	573	891	(35.8%)	1,721	1,170	47.0%
Paints	59	369	(83.9%)	708	1,067	(33.7%)
Packaged Food and Beverages	228	187	22.0%	1,008	663	52.0%
Quick Service Restaurants	(106)	15	n/m	(153)	(29)	426.3%
Profit/ (Loss) Before Tax – PBT (₦m)	Q3 2021	Q3 2020	Δ %	9M 2021	9M 2020	Δ %
Animal Feeds and Other Edibles	210	866	(75.7%)	731	855	(14.6%)
Paints	90	431	(79.0%)	853	1,257	(32.1%)
Packaged Food and Beverages	226	186	21.7%	985	686	43.5%
Quick Service Restaurants	(127)	7	n/m	(183)	(54)	238.0%

Animal Feeds and Other Edibles

9M 2021

Revenue from the Animal Feeds and Other Edibles segment increased 13.7% YoY to ₦43.8 billion in 9M 2021 (9M 2020: ₦38.5 billion) on account of higher YoY sales, driven by prices increases across all product categories (poultry, fish feed, oils, and concentrates). The fish feed category continues to benefit from customers migrating from imported brands to locally produced brands.

Operating profit increased 47% to ₦1.7 billion (9M 2020: ₦1.2 billion) on account of price increases to offset higher raw material costs, as well as lower operating expenses YoY. Since the outbreak of COVID-19, Grand Cereals Limited and Livestock Feeds PLC have embarked on operational improvements in power consumption and initiatives focused on reducing distribution expenses.

The segment recorded a ₦731 million Profit before Tax in 9M 2021, against a ₦855 million Profit before Tax in 9M 2020, on account of higher finance costs to support deliberate efforts to build inventory.

Q3 2021

The Animal Feeds and Other Edibles segment recorded revenue of ₦15.5 billion in Q3 2021, a 14.2% increase from Q3 2020 (₦13.6 billion) on account of price increases across all categories to offset high cost all raw materials. Operating profit decreased by 35.8% from ₦891 million in Q3 2020 to ₦573 million in Q3 2021. Profit before Tax was ₦210 million in Q3 2021 (Q3 2020: ₦866 million) impacted by higher finance costs in Q3 2021.

Paints

Corporate action update: The merger between Chemical and Allied Products PLC (CAP) and Portland Paints and Products Nigeria PLC (Portland Paints) was completed on 1 July 2021 with CAP being the surviving entity. As a result, CAP and Portland Paints now operate as one legal entity.

Financial review:

9M 2021

The Paints segment reported revenue growth of 41.3% YoY to ₦10.2 billion in 9M 2021. Revenue growth, which was recorded in all categories except the industrial category, was on account of price and volume increases. Performance in 9M 2020, being the comparative period last year, was impacted by COVID-19 related restrictions that limited sales in Q2 2020. Operating profit was 33.7% lower at ₦708 million as a result of lower gross margin and increased operating expenses and non-recurring merger restructuring costs in the period totalling ₦121 million. Profit before Tax was ₦853 million in 9M 2021, 32.1% lower than the ₦1.3 billion recorded in 9M 2020.

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

Q3 2021

The Paints segment reported revenue growth of 15.3% to ₦3.4 billion in Q3 2021 (Q3 2020: ₦3 billion), on account of price increases to offset rising raw material costs. Operating profit decreased 83.9% to ₦59 million on account of increased operating expenses in comparison with Q3 2020. Profit before Tax was ₦90 million, 79% lower than ₦431 million recorded in Q3 2020.

Packaged Food and Beverages

Recent development: UAC acquired Tiger Brands Limited’s minority shareholding (49%) in UAC Foods Limited (UFL) for a cash consideration of ₦3.92 billion. UFL is now a wholly owned subsidiary of UAC.

9M 2021

The Packaged Food and Beverages segment recorded 39.4% YoY revenue growth to ₦17.8 billion in 9M 2021 (9M 2020: ₦12.8 billion) as a result of double-digit volume growth across all categories (snacks, spring water, and ice cream). Volume growth was supported by improved distribution in Southern Nigeria, improved product mix with greater contribution from the recently introduced larger 100g Gala SKU, as well as additional spring water capacity. Operating profit increased by 52.0% in 9M 2021 to ₦1.0 billion (9M 2020: ₦663 million) supported by revenue growth. Profit before Tax increased by 43.5% to ₦985 million (9M 2020: ₦686 million).

Q3 2021

Revenue grew by 28.5% to ₦5.9 billion (Q3 2020: ₦4.6 billion) on account of growth across all categories (snacks, spring water and ice cream). Operating profit also improved by 22% to ₦228 million in Q3 2021. Growth in operating profit, despite increasing raw material and operating costs, is attributable to growth in volumes. Profit before Tax also increased 21.7% from ₦186 million in Q3 2020 to ₦226 million in Q3 2021.

Quick Service Restaurants

9M 2021

Revenue from the Quick Service Restaurants segment increased 51.2% YoY to ₦1.6 billion in 9M 2021 (9M 2020: ₦1.1 billion) driven by growth in sales of company-owned restaurants (corporate stores) and improved performance of existing stores vs same period in 2020. The segment recorded a ₦153 million operating loss in 9M 2021 (9M 2020: ₦50 million loss) driven by escalating raw material costs and increased operating expenses. The QSR segment recorded a ₦183 million Loss before Tax in 9M 2021, against a ₦54 million Loss before Tax in 9M 2020.

Q3 2021

Revenue growth of 35.6%, from ₦435 million in Q3 2020 to ₦590 million in Q3 2021 driven largely by corporate store sales. The segment recorded an operating loss of ₦106 million in Q3 2021 (Q3 2020: ₦15 million operating profit) on account of increase in cost of key raw materials (flour, vegetable oil, chicken) as well as operating expenses. Loss before Tax for Q3 2021 was ₦127 million, against the ₦7 million profit recorded in Q3 2020.

Associate: Real Estate (UPDC - 43% ownership)

UPDC’s 9M 2021 revenue was ₦615 million, 34% higher than the ₦458 million recorded in 9M 2020 driven by increased property sales and management surcharge fees. The segment recorded an operating loss of ₦512 million in 9M 2021 (9M 2020: ₦379 million operating loss) on account of increased cost of sales as gains on property disposal and reduction in administrative expenses were partially offset by a one-off credit loss expense. Net finance cost decreased by ₦769 million (-59% YoY) to ₦532 million following the redemption of the bond and refinancing via a shareholder loan in April 2021. Loss before Tax for 9M 2021 was ₦1 billion, an improvement from the ₦2.2 billion Loss before Tax recorded in 9M 2020. Performance in 9M 2020, being the comparative period last year, was impacted by significantly higher finance costs (₦1.2 billion) as well as one-off costs such as a ₦776 million guarantee fee on Festival Mall Limited and impairment loss on assets of disposal group held for sale (₦742 million).

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 11% YoY to ₦6.5 billion in 9M 2021 from ₦5.9 billion in 9M 2020, driven by increase in pharma logistics and haulage services. Operating profit was 81% lower YoY at ₦159 million (9M 2020: ₦836 million) on account of higher cost of sales (+26% YoY) and higher administrative expenses (+54.1% YoY). MDS Logistics recorded a Loss before Tax of ₦200 million in 9M 2021 compared to a Profit before Tax of ₦352 million in 9M 2020 primarily due to higher cost of sales and operating expenses, as well as finance costs incurred on a loan to fund recent capital expenditure to support the haulage business.

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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 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 BestMate.
- Livestock Feeds PLC (73.3% 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 (56.5% ownership) – the leading paints and coatings company in Nigeria with a diversified product range spanning decorative and marine segments. CAP PLC is the sole technology licensee for AkzoNobel's decorative range in Nigeria and is also a distributor for Hempel's industrial products. The company's brand portfolio is comprised of Dulux, Sandtex, Caplux, and Hempel. The company benefits from a unique distribution model - franchised retail outlets, which it pioneered in Nigeria's paint industry. CAP PLC is listed on NGX. The merger of CAP PLC and Portland Paints and Products Nigeria PLC was effective on 1 July 2021.

Packaged Food and Beverages

- UAC Foods Limited (100% ownership) – a leading player in the packaged food and beverages industry with three distinct business segments – snacks, ice-cream, and spring water. It owns iconic brands such as Gala, SWAN Spring Water, Supreme and Funtime. In September 2021, UAC acquired Tiger Brands' minority interest in the company.

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 30 September 2021. UAC is in the process of unbundling its UPDC REIT units to UAC shareholders.

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.