



PRESS RELEASE

Regulated information

Financial Results for the three months ended 31 March 2022

Lagos, 29 April 2022 – UAC of Nigeria PLC (“UAC” or the “Group”) announced double digit growth in revenue, operating profit, and earnings per share for the first quarter ended 31 March 2022.

Highlights

- Revenue of ₦27.7 billion, 25.6% increase year on year. Topline growth across all business segments: Animal Feeds and Other Edibles (+18.0%), Paints (+81.2%), Packaged Food and Beverages (+9.9%), and Quick Service Restaurants (+30.1%).
- Gross profit 26.5% higher YoY at ₦5.1 billion; Gross margin of 18.3% is 13 bps higher as price increases and higher sales offset rising raw material costs.
- Operating profit 62.2% higher YoY at ₦1.9 billion, margin expansion of 152 bps to 6.8%, led by the Paints segment. Underlying operating profit of ₦1.5 billion, is 28.6% higher YoY, after adjusting for the profit of ₦386 million recognised on the sale of non-core investment property.
- Profit before tax 4.8% lower than Q1 2021 at ₦979 million. Profitability was impacted by higher finance costs YoY.
- Earnings per share 50.3% higher than Q1 2021 at 18 kobo. The increase reflects the benefit of recognising 100% of UAC Foods Limited’s earnings versus 51% in Q1 2021.

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: “We delivered double-digit growth in revenue, operating profit, and earnings per share for the first quarter and continue to manage escalating raw material and energy costs. Working capital levels and short-term debt are elevated on account of the decision to increase inventory holding in the Animal Feeds and Other Edibles segment to mitigate the risk of supply chain disruptions. We are closely monitoring inventory levels and leverage and expect the negative impact of interest expense to unwind as inventory levels normalise. Earnings per share increased 50% year on year, reflective of the earnings accretive acquisition of the 49% stake in UAC Foods which we did not own in the first quarter of 2021.

For all our businesses, the impact of rising inflation is a key focus and our management teams remain focused on proactive pricing. We are mindful of the recent events in Russia and Ukraine and resultant supply disruptions of key commodity inputs including wheat, vegetable oil, maize and fertilizer. We remain committed to executing our key priorities to simplify our structure and processes, drive profitable growth across our core operating segments, and enhance shareholder value.”

Group Highlights

| In million ₦, unless otherwise stated | Q1 2022 | Q1 2021 | Δ % |
|--|----------------|----------------|---------------|
| Revenue | 27,666 | 22,022 | 25.6% |
| Gross Profit | 5,075 | 4,012 | 26.5% |
| Gross Profit Margin (%) | 18.3% | 18.2% | 13 bps |
| Selling and Distribution Expenses | (1,737) | (1,428) | 21.6% |
| Administrative Expenses | (1,933) | (1,498) | 29.1% |
| Operating Expenses | (3,670) | (2,926) | 25.4% |
| Operating Expenses (% of revenue) | 13.3% | 13.3% | (2 bps) |
| Other income | 462 | 66 | 603.8% |
| EBIT | 1,867 | 1,151 | 62.2% |
| EBIT Margin (%) | 6.8% | 5.2% | 152 bps |
| Net Finance (Cost)/Income | (910) | 95 | n/m |
| Share of (Loss)/Profit of Associates | 21 | (218) | n/m |
| Profit Before Tax | 979 | 1,028 | (4.8%) |
| Profit Before Tax Margin (%) | 3.5% | 4.7% | (113 bps) |
| Profit After Tax From Continuing Operations | 642 | 669 | (4.0%) |
| Loss After Tax from Discontinued Operations | (3) | - | n/m |
| Profit for the period | 639 | 669 | (4.5%) |
| Profit Margin (%) | 2.3% | 3.0% | (73 bps) |
| Basic Earnings Per Share (EPS): | | | |
| From Continuing Operations (Kobo) | 18 | 12 | 50.3% |
| From Discontinued Operations (Kobo) | (0) | - | n/m |
| For the Period (Kobo) | 18 | 12 | 49.4% |

| In million ₦, unless otherwise stated | Q1 2022 | Q1 2021 | Δ % |
|--|---------|---------|---------|
| Annualised Return on Equity (ROE) | 4.4% | 3.0% | 148 bps |
| Annualised Return on Invested Capital (ROIC) | 11.6% | 7.3% | 422 bps |

n/m: not meaningful.

| | Mar-22 | Dec-21 | Δ |
|-----------------------|----------|----------|--------|
| Quick Ratio | 0.4x | 0.5x | (0.1x) |
| Current Ratio | 1.3x | 1.3x | (0.0x) |
| Total Assets / Equity | 2.2x | 1.9x | 0.3x |
| Net Debt / EBITDA | 1.3x | 1.5x | 0.2x |
| Free Cash Flow | (12,083) | (12,526) | 443 |

Significant transactions / new developments

The following transaction in respect of a subsidiary company is responsible for key differences when comparing earnings in Q1 2022 to Q1 2021:

- 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. Consequently, UFL is now a wholly owned subsidiary of UAC and the total profit attributable to equity holders of UFL was recognised by UAC versus Q1 2020 where only 51% of the profit attributable to equity holders of UFL was recognised by UAC.

Group Performance and Financial Review: Q1 2022

Revenue in 2022 increased 25.6% YoY to ₦27.7 billion supported by sales growth across all operating segments. Animal Feeds and Other Edibles segment (+18.0% YoY) driven by price increases to offset rising raw material costs. Paints segment (+81.2% YoY) on account of double-digit volume growth and price increases. Packaged Food and Beverages segment (+9.9% YoY) driven by volume growth in the water, and dairy categories and price increases across all categories; and the Quick Service Restaurants segment (+30.1% YoY) driven by additions to company-owned restaurants (corporate stores) and improved performance of existing stores.

Gross profit in 2022 increased by 26.5% YoY to ₦5.1 billion and the gross profit margin improved 13 basis points to 18.3%. Margin expansion was largely on account of improved sales in excess of input cost escalation.

Operating profit was ₦1.9 billion in 2022, 62.2% higher than the ₦1.2 billion recorded in 2021. The increase is attributable to improved gross profit on account of revenue growth across all segments as well as profit on the sale of investment properties (₦386 million). Operating profit margin expanded 152 bps in the first quarter, led by the Paints segment which delivered 623bps of operating margin expansion. **Operating expenses** as a percentage of sales remained flat YoY at 13.3%.

The Group recorded higher **finance costs** on account of increased short-term borrowings in the Animal Feeds and Other Edibles segment to support efforts to build inventory. In addition, ₦336 million of finance cost represents impact of non-cash mark-to-market losses on financial instruments. **Finance income** decreased 30.5% YoY due to a lower amount of cash available for investment.

Share of profit from associate companies was ₦21 million compared to the share of loss from associate companies of ₦218 million recorded in Q1 2021. **Profit before tax** was ₦979 million, 4.8% lower than the ₦1.0 billion recorded in Q1 2021. **Profit after Tax from continuing operations** was ₦642 million compared to ₦669 million in Q1 2021. **Total profit for the period** was ₦639 million in 2022 impacted by a ₦3 million expense incurred as part of the voluntary winding up process of UNICO CPFA Limited, a discontinued operation.

Earnings per share was 18 kobo, 50.3% higher than 12 kobo recorded in Q1 2021. UAC’s purchase of Tiger Brands’ 49% stake in UAC Foods Limited in September 2021, was earnings accretive as UAC now recognises 100% of UAC Foods’ earnings versus 51% in Q1 2021.

Free Cash Flow for the period was negative ₦12.1 billion in 2022, compared with negative ₦12.5 billion in 2021. Free cashflow was impacted by the strategy to increase inventory levels in the Animal Feeds & Other Edibles and Paints segments.

Leverage (net debt to LTM EBITDA) of 1.3x at 31 March 2022, compared to 1.5x in 31 December 2021 as a result of ₦1.9 billion net increase in long-term third-party borrowings. Increase in short term borrowings was primarily to support working capital and to mitigate escalating raw materials prices in the Animal Feeds & Other Edibles segment.

Annualised Return on Equity from continuing operations at the end of March 2022 was 4.4%, compared to 3.0% in Q1 2021. **Annualised Return on Invested Capital (ROIC)** was 422 basis points higher at 11.6% (Q1 2021: 7.3%).

Segment Performance¹

| Revenue (% and ₦m) | Q1 2022 | Q1 2021 | Δ % |
|--|---------|---------|----------|
| Animal Feeds and Other Edibles | 16,544 | 14,016 | 18.0% |
| Paints | 4,656 | 2,569 | 81.2% |
| Packaged Food and Beverages | 6,486 | 5,901 | 9.9% |
| Quick Service Restaurants | 591 | 455 | 30.1% |
| Earnings /(Loss) before Interest & Tax – EBIT (₦m) | Q1 2022 | Q1 2021 | Δ % |
| Animal Feeds and Other Edibles | 637 | 562 | 13.2% |
| Paints | 760 | 255 | 198.5% |
| Packaged Food and Beverages | 433 | 479 | (9.7%) |
| Quick Service Restaurants | (137) | (21) | 556.1% |
| Profit/ (Loss) Before Tax – PBT (₦m) | Q1 2022 | Q1 2021 | Δ % |
| Animal Feeds and Other Edibles | (130) | 350 | (137.1%) |
| Paints | 781 | 321 | 143.4% |
| Packaged Food and Beverages | 338 | 464 | (27.0%) |
| Quick Service Restaurants | (167) | (22) | 658.5% |

Animal Feeds and Other Edibles

Revenue from the Animal Feeds and Other Edibles segment increased 18.0% YoY to ₦16.5 billion in Q1 2022 (Q1 2021: ₦14.0 billion) on account of prices increases across all product categories (poultry, fish feed, oils, and concentrates) in response to escalating costs.

Operating profit increased 13.2% to ₦637 million (2021: ₦562 million) supported by price increases and management efforts to improve operational efficiency in production however operating profit margin contracted 16 bps to 3.8%. Margin contraction was the direct result of rising raw material costs such as maize and soya beans. The segment recorded a ₦130 million loss before tax in Q1 2022 compared to a ₦350 million profit before tax in Q1 2021, impacted by higher finance costs to support inventory purchases during the buying season.

Board changes: Mr. Peter Mombaur was appointed as a Non-Executive Director on the board of Livestock Feeds PLC with effect from 22 April 2022 to replace Mrs. Bolarin Okunowo who resigned from the board effective 1 March 2022.

Paints

The Paints segment reported revenue growth of 81.2% YoY to ₦4.7 billion in Q1 2022 (Q1 2021: ₦2.6 billion). Revenue growth was supported by strong volume growth (+44% YoY) driven by retail footprint expansion through opening new stores as well as price increases. Operating profit was 198.5% higher at ₦760 million as pricing initiatives partially offset higher raw material and other operating expenses. Profit before Tax was ₦781 million in 2022, 143.4% higher than the ₦321 million recorded in 2021. PBT margin expanded 429 bps to 16.8% in Q1 2022 from 12.5% in Q1 2021.

Board changes: Mrs. Ifeoma Chuks-Adizue, Chief Commercial Officer, and Mr. Yomi Adenson, Chief Financial Officer, were appointed as Executive Directors responsible for Commercial and Finance & Risk functions respectively with effect from 1 April 2022.

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

Packaged Food and Beverages

The Packaged Food and Beverages segment recorded 9.9% YoY revenue growth to ₦6.5 billion in Q1 2022 (Q1 2021: ₦5.9 billion) as a result of volume increases in the water and dairies categories and price increases across snacks, water, and dairies. Snacks and water revenue (+3% and +15% YoY respectively) were supported by price increases, to offset rising input costs, and improved distribution. Investments in cold chain infrastructure to deepen distribution, refreshed branding as well as the introduction of a new ice-cream bowl across all SKUs for Supreme ice-cream further supported dairies volume growth YoY. Operating profit declined by 9.7% in 2022 to ₦433 million (2021: ₦479 million) impacted by higher input costs and increased operating expenses such as increase in haulage rates and energy prices. Profit before Tax decreased by 27.0% to ₦338 million (2021: ₦464 million).

In 2022, the Packaged Food and Beverages management aims to prioritise initiatives to protect margins as well as capital expenditure to meet the critical growth and investment needs of the business. The snacks segment is nearing capacity utilisation and the business is in the process of detailed design for a new factory. Also, investments have been made to treble water production capacity.

Quick Service Restaurants

Revenue from the Quick Service Restaurants segment (QSR) increased 30.1% YoY to ₦591 million in Q1 2022 (Q1 2021: ₦455 million) driven by growth in sales of company-owned restaurants (corporate stores) and improved performance of existing stores. The segment recorded a ₦137 million operating loss in Q1 2022 (Q1 2021: ₦21 million loss) impacted by the high-cost environment and investments in talent to drive the company's growth ambitions, resulting in higher cost of sales and operating expenses. The QSR segment recorded a ₦167 million Loss before Tax in Q1 2022, against a ₦22 million Loss before Tax in Q1 2021.

In 2022, QSR management aims to expand the corporate store network with the objective of rolling out attractively located stores with excellent operations and good unit economics which is expected to ultimately drive profitability of the segment in the medium term.

Associate: Real Estate (UPDC - 43% ownership)

UPDC's Q1 2022 revenue was ₦781 million compared to the ₦72 million recorded in Q1 2021. Of the Q1 2022 revenue, ₦564 million is attributable to property sales compared to the same period last year where no sales were recorded as well as higher project and facilities management fees in Q1 2022.

UPDC recorded an operating profit of ₦263 million in Q1 2022 (Q1 2021: ₦213 million operating loss). Net finance costs decreased by ₦79 million (-40% YoY) to ₦119 million following deleveraging and refinancing initiatives such as repayment of the Company's 5-year bond (16% interest rate) with shareholder loan with lower average interest rate in 2021.

After 6 consecutive years of losses, UPDC returned to profitability and recorded Profit before Tax for Q1 2022 of ₦146 million compared to the ₦409 million Loss before Tax recorded in Q1 2021.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 8.4% YoY to ₦2.2 billion in Q1 2022 from ₦2.0 billion in Q1 2021, driven by increases in pharma logistics and haulage services. Operating profit was 2.1% higher YoY at ₦40 million (2021: ₦39 million) on account of increase in gross profit which offset the +29% YoY increase in operating expenses. MDS Logistics recorded a Loss before Tax of ₦55 million in Q1 2022 compared to a Loss before Tax of ₦89 million in Q1 2021.

For more information, please contact

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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.

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.

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 leading property development and management company quoted on NGX.

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.