



PRESS RELEASE

Regulated information

Financial Results for the Six months ended 30 June 2022

Lagos, 29 July 2022 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its unaudited results for the half year ended 30 June 2022.

Highlights

- Revenue of ₦52 billion, 11.9% increase year on year. Topline growth recorded across all business segments: Animal Feeds and Other Edibles (+7.6%), Paints (+28.8%), Packaged Food and Beverages (+6.3%), and Quick Service Restaurants (+28.2%).
- Gross profit 7.4% higher YoY at ₦8.9 billion; however, gross margin 73 bps lower at 17.2% on account of rising raw material costs.
- Operating profit 9.4% lower YoY at ₦1.6 billion and margin contraction of 73 bps to 3.1% impacted by losses in the Animal Feeds and Other Edibles segment.
- Profit before tax of ₦12 million impacted by lower operating profit as well as higher finance costs YoY.
- Loss per share of 18 kobo (H1 2021: positive earnings per share of 5 kobo).

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: “Our results for the first half of the year were significantly impacted by underperformance in our animal feeds and edible oils segment where we took significant leverage to fund inventory purchases in anticipation of meaningful volume growth. Challenging market conditions resulted in margin compression in the sector, excess inventory and profitability eroded by finance costs. We have taken steps to address this including cost management, aggressive inventory reduction and initiatives to lower finance cost. Despite very difficult trading conditions, we remain encouraged by performance across the rest of our businesses. The second quarter was particularly challenging with accelerating inflation and slower growth.”

Group Highlights

In million ₦, unless otherwise stated	Q2 2022	Q2 2021	Δ %	H1 2022	H1 2021	Δ %
Revenue	24,376	24,478	(0.4%)	52,042	46,499	11.9%
Gross Profit	3,862	4,313	(10.5%)	8,937	8,324	7.4%
Gross Profit Margin (%)	15.8%	17.6%	(178 bps)	17.2%	17.9%	(73 bps)
Selling and Distribution Expenses	(2,034)	(1,612)	26.2%	(3,770)	(3,040)	24.0%
Administrative Expenses	(2,262)	(2,343)	(3.4%)	(4,190)	(3,840)	9.1%
Operating Expenses	(4,296)	(3,954)	8.6%	(7,961)	(6,880)	15.7%
Operating Expenses (% of revenue)	17.6%	16.2%	147 bps	15.3%	14.8%	50 bps
Other income	177	267	(33.7%)	634	333	90.3%
EBIT	(257)	626	n/m	1,611	1,777	(9.4%)
EBIT Margin (%)	(1.1%)	2.6%	n/m	3.1%	3.8%	(73 bps)
Net Finance (Cost)/Income	(630)	(197)	220.3%	(1,540)	-102	1414.9%
Share of (Loss)/Profit of Associates	(79)	(162)	(50.8%)	(58)	(380)	(84.6%)
Profit Before Tax	(966)	267	n/m	12	1,296	(99.0%)
Profit Before Tax Margin (%)	(4.0%)	1.1%	n/m	0.0%	2.8%	(276 bps)
Profit After Tax From Continuing Operations	(1,320)	96	n/m	(677)	765	n/m
Loss After Tax from Discontinued Operations	(35)	(2)	1572.0%	(39)	(2)	1731.4%
Profit for the period	(1,355)	94	n/m	(716)	763	n/m
Profit Margin (%)	(5.6%)	0.4%	n/m	(1.4%)	1.6%	n/m
Basic Earnings Per Share (EPS):						
From Continuing Operations (Kobo)	(35)	(7)	438.5%	(17)	5	n/m
From Discontinued Operations (Kobo)	(1)	-	n.a	(1)	-	n.a
For the Period (Kobo)	(36)	(7)	454.8%	(18)	5	n/m
Annualised Return on Equity (ROE)				(2.2%)	0.7%	n/m
Annualised Return on Invested Capital (ROIC)				5.4%	5.7%	(25 bps)

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

	Jun-22	Dec-21	Δ
Quick Ratio	0.4x	0.5x	(0.1x)
Current Ratio	1.2x	1.3x	(0.1x)
Total Assets / Equity	2.2x	1.9x	0.3x
Net Debt / EBITDA	5.5x	1.1x	4.4x
Free Cash Flow	(4,546)	(18,906)	14,360

Corporate action: Scrip dividend update

UAC Shareholders approved a scrip dividend and the cancellation of the remaining unissued share capital of the Company at the Company's annual general meeting on 22 June 2022. The Company is in the process of registering the new 44,835,076 ordinary shares, which will be allotted to shareholders who elected for scrip dividend, with the Securities and Exchange Commission.

Significant transactions / new developments

The following transaction in respect of a subsidiary company is responsible for key differences when comparing performance in H1 2022 compared to H1 2021:

1. 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 H1 2021 where only 51% of the profit attributable to equity holders of UFL was recognised by UAC.

Group Performance and Financial Review: H1 2022

Revenue in H1 2022 increased 11.9% YoY to ₦52 billion supported by sales growth across all operating segments. Animal Feeds and Other Edibles segment (+7.6% YoY) driven by price increases to offset rising raw material costs. Paints segment (+28.8% YoY) on account of price increases and retail footprint expansion. Packaged Food and Beverages segment (+6.3% YoY) driven by price increase in the snack category, improvement in production efficiency in the water category and improved distribution in the dairies category; and the Quick Service Restaurants segment (+28.2% YoY) driven by additions to company-owned restaurants (corporate stores) and growth in logistics sales.

Gross profit in H1 2022 increased by 7.4% YoY to ₦8.9 billion, however gross profit margin contracted by 73 basis points to 17.2%. Margin contraction was largely on account of input cost escalation across all businesses.

Operating profit was ₦1.6 billion in H1 2022, 9.4% lower than the ₦1.8 billion recorded in H1 2021. The decrease is attributable to the poor performance in our Animal Feeds and Other Edibles businesses. Operating profit margin also contracted 73 bps to 3.1%. **Operating expenses** as a percentage of sales increased 50 bps YoY to 15.3%.

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, ₦338 million of finance cost represents impact of net foreign exchange loss on cash and financial securities held in foreign currencies. **Finance income** decreased 29% YoY due to a lower interest yield on investments.

Share of loss from associate companies was ₦58million, compared to the share of loss from associate companies of ₦380 million in H1 2021. **Profit before tax** was ₦12 million, 99% lower than the ₦1.3 billion recorded in H1 2021. **Loss after tax from continuing operations** was ₦677 million compared to a profit after tax of ₦765 million in H1 2021. **Total loss for the period** was ₦716 million in H1 2022 impacted by a ₦39 million expense incurred as part of the voluntary winding up process of UNICO CPFA Limited, a discontinued operation.

Loss per share was 18 kobo, compared to an earnings per share of 5 kobo per share in H1 2021.

Free Cash Flow for the period was negative ₦4.5 billion in H1 2022, compared with negative ₦18.9 billion in 2021, due to lower cash outflow from operating expenses and capital expenditure in H1 2022.

Leverage (net debt to EBITDA) of 5.5x at 30 June 2022 compared to 1.1x in 31 December 2021 as a result of ₦9.7 billion net increase in third-party borrowings, 49% higher than December 2021. Increase in borrowings due to short term borrowings in the Animal Feeds and Other Edibles segment.

Annualised Return on Invested Capital (ROIC) was 25 basis points lower at 5.4% (H1 2021: 5.7%).

Group Performance and Financial Review: Q2 2022

Revenue in Q2 2022 was flat at ₦24.4 billion. The Packaged Food and Beverages segment grew marginally (+3%) and the Quick Service Restaurant segment (+27%) recorded strong growth. Revenue growth in the Packaged Food and Beverages segment was driven by growth in the dairies and water categories, and revenue growth in the Quick Service Restaurant segment was driven by the addition of company owned stores.

Gross profit in Q2 2022 decreased by 10.5% QoQ to ₦3.9 billion on account of input cost escalation across all businesses. Gross profit margin also contracted by 178 bps.

Operating loss was ₦257 million in Q2 2022, compared to an operating profit of ₦626 million in Q2 2021, driven by gross profit under performance, particularly in the Animal Feeds and Other Edibles segment, and increase in selling and distribution expenses. Operating loss margin was –1.1%, compared to an operating profit margin of 2.6% in Q2 2021.

Operating expenses as a percentage of sales increased 147 bps QoQ to 17.6%.

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. **Finance income** decreased 17% QoQ due to lower yield on treasury investments.

Share of loss from associate companies was improved QoQ at ₦79 million, compared to the share of loss from associate companies of ₦162 million in Q2 2021. **Loss before tax** was ₦966 million, compared to a profit before tax of ₦267 million in Q2 2021. **Loss after tax from continuing operations** was ₦1.3 billion compared to a profit after tax of ₦96 million in Q2 2021. **Total loss for the period** was ₦1.4 billion. In Q2 2022, the Group incurred an expense of ₦35 million as part of the voluntary winding up process of UNICO CPFA Limited, a discontinued operation.

Loss per share was 36 kobo compared to the loss per share of 7 kobo in Q2 2021.

Segment Performance

Revenue (₦m)	Q2 2022	Q2 2021	Δ %	H1 2022	H1 2021	Δ %
Animal Feeds and Other Edibles	13,859	14,244	(2.7%)	30,403	28,260	7.6%
Paints	4,089	4,219	(3.1%)	8,745	6,789	28.8%
Packaged Food and Beverages	6,172	6,002	2.8%	12,658	11,903	6.3%
Quick Service Restaurants	708	559	26.7%	1,299	1,013	28.2%
Earnings / (Loss) before Interest & Tax – EBIT (₦m)	Q2 2022	Q2 2021	Δ %	H1 2022	H1 2021	Δ %
Animal Feeds and Other Edibles	(773)	585	n/m	(136)	1,148	n/m
Paints	560	394	42.2%	1,320	649	103.5%
Packaged Food and Beverages	200	301	(33.4%)	633	780	(18.8%)
Quick Service Restaurants	(136)	(28)	391.2%	(273)	(48)	462.2%
Profit/ (Loss) Before Tax – PBT (₦m)	Q2 2022	Q2 2021	Δ %	H1 2022	H1 2021	Δ %
Animal Feeds and Other Edibles	(1,370)	171	n/m	(1,500)	521	n/m
Paints	548	442	24.1%	1,329	763	74.3%
Packaged Food and Beverages	196	296	(33.8%)	534	759	(29.7%)
Quick Service Restaurants	(168)	(34)	393.4%	(334)	(56)	497.5%

Animal Feeds and Other Edibles

Recent developments: Dr. Vitus Ezinwa, Chief Operating Officer of UAC, was appointed Managing Director of Grand Cereals Limited effective 6 July 2022 following the resignation of the former Managing Director, Mr. Alex Goma.

Financial review:

H1 2022

Revenue from the Animal Feeds and Other Edibles segment increased 7.6% YoY to ₦30.4 billion in H1 2022 (H1 2021: ₦28.3 billion) on account of price increases across all product categories (poultry, fish feed, oils, and concentrates) in response to escalating costs.

Operating loss was ₦136 million (H1 2021: operating profit of ₦1.1 billion), on account of lower gross profit margins and higher operating expenses. Margin contraction was the direct result of rising raw material costs such as maize and soya beans. The segment recorded a ₦1.5 billion loss before tax in H1 2022 compared to a ₦521 million profit before tax in H1 2021, impacted by higher finance costs to support inventory purchases during the buying season.

Q2 2022

Revenue from the Animal Feeds and Other Edibles segment decreased 2.7% in Q2 2022 to ₦13.9 billion (Q1 2021: ₦14.2 billion) on account of lower volumes in the poultry feed and cereals product categories which were not sufficiently offset by price increases in those categories.

Operating loss was ₦773 million (Q1 2021: operating profit of ₦585 million), driven by topline underperformance as well as lower gross profit margins and higher operating expenses. Margin contraction was the direct result of rising raw material costs such as maize and soya beans. The segment recorded a ₦1.4 billion loss before tax in Q2 2022 compared to a ₦171 million profit before tax in H1 2021, impacted by higher finance costs.

Paints

Recent developments: Chemical and Allied Products PLC (“CAP”) allotted 26,487,980 ordinary shares to shareholders who elected for scrip dividend. UAC elected for new ordinary shares in lieu of cash dividend and received 25,647,472 CAP shares in June 2022, resulting in an increase in UAC’s shareholding of CAP by 1.31%, from 56.54% to 57.85%.

Financial review:

H1 2022

The Paints segment recorded 28.8% revenue growth YoY to ₦8.7 billion in H1 2022 (H1 2021: ₦6.8 billion) supported by price increases across all product categories. Operating profit was 103.5% higher at ₦1.3 billion as pricing initiatives partially offset higher raw material and other operating expenses. Profit before tax was ₦1.3 billion in H1 2022, 74.3% higher than the ₦763 million recorded in H1 2021. PBT margin expanded 397 bps to 15.2% in H1 2022 from 11.2% in H1 2021.

Q2 2022

Revenue declined 3.1% in Q2 2022 to ₦4.1 billion (Q2 2021: ₦4.2 billion) on account of lower sales volumes. Operating profit was 42.2% higher at ₦560 million (Q2 2021: ₦394 million) as pricing initiatives partially offset higher raw material and other operating expenses. Profit before Tax was ₦548 million in Q2 2022, 24.1% higher than the ₦442 million recorded in Q2 2021. PBT margin expanded 293 bps to 13.4% in Q2 2022 from 10.5% in Q2 2021.

Packaged Food and Beverages

H1 2022

The Packaged Food and Beverages segment recorded 6.3% YoY revenue growth to ₦12.7 billion in H1 2022 (H1 2021: ₦11.9 billion) due to volume increases in the water category and price increases across snacks, water, and dairies. Dairies and water revenue (+25% and +16% YoY respectively) were supported by price increases, to offset rising input costs, improvement in production efficiency, 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 revenue growth for dairies. Snacks revenue broadly flat (-1%) supported by price increases. Operating profit declined by 18.8% in H1 2022 to ₦633 million (H1 2021: ₦780 million) impacted by higher input costs and increased operating expenses such as increase in haulage rates and energy prices. Profit before tax decreased by 29.7% to ₦534 million (H1 2021: ₦759 million).

Q2 2022

Revenue increased 2.8% in Q2 2022 to ₦6.2 billion (Q2 2021: ₦6.0 billion) driven by increases in dairies and water volumes. Operating profit was 33.4% lower at ₦200 million (Q2 2021: ₦394 million), impacted by higher input costs and increased operating expenses. Profit before tax was ₦196 million in Q2 2022, 33.8% lower than the ₦296 million recorded in Q2 2021.

Quick Service Restaurants

H1 2022

Revenue from the Quick Service Restaurants segment (QSR) increased 28.2% YoY to ₦1.3 billion in H1 2022 (H1 2021: ₦1.0 billion) driven by addition of company-owned restaurants (6 corporate stores opened across Lagos and Abuja in the six-month period). The segment recorded a ₦273 million operating loss in H1 2022 (H1 2021: ₦48 million loss) impacted by higher input costs, higher operating costs such as electricity and power, as well as investments in talent and capital to drive the corporate store expansion strategy. The QSR segment recorded a ₦334 million loss before tax in H1 2022 compared to a ₦56 million loss before tax in H1 2021.

Q2 2022

Revenue from the Quick Service Restaurants segment (QSR) increased 26.7% YoY to ₦708 million in Q2 2022 (Q2 2021: ₦559 million) driven by growth in company-owned restaurants (corporate stores). The segment recorded a ₦136 million operating loss in Q2 2022 (Q2 2021: ₦28 million loss) impacted by higher cost of sales and operating expenses. The QSR segment recorded a ₦168 million loss before tax in Q2 2022, against a ₦34 million loss before tax in Q2 2021.

Associate: Real Estate (UPDC - 43% ownership)

UPDC's H1 2022 revenue was ₦1.1 billion compared to the ₦316 million recorded in H1 2021 as a result of higher property sales generated from Pinnock Prime Estate as well as higher project and facility management fees. UPDC recorded an operating profit of ₦229 million in H1 2022 (H1 2021: ₦89 million operating loss). Net finance costs decreased by ₦188 million (-44.4% YoY) to ₦235 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. H1 2022 loss before tax was ₦6 million, an improvement compared with ₦511 million loss before tax recorded in H1 2021.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 9.6% YoY to ₦4.5 billion in H1 2022 from ₦4.1 billion in H1 2021, driven by the addition of new clients and upward review of rates for pharma logistics and haulage services. Operating profit was higher YoY at ₦271 million (H1 2021: ₦19 million) on account of increase in gross profit which offset the +25% YoY increase in operating expenses. MDS Logistics recorded a profit before tax of ₦30 million in H1 2022 compared to a loss before tax of ₦238 million in H1 2021 supported by improved operating performance and lower finance costs.

Results Conference Call

Management will host an investor and analyst conference call on Thursday, 4 August 2022 at 3pm WAT to present and discuss the Group results. The presentation and conference call details are available on our website (www.uacnplc.com).

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 (57.85% 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.