



PRESS RELEASE

Regulated information

Financial Results for the nine months ended 30 September 2022

Lagos, 28 October 2022 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its unaudited results for the period ended 30 September 2022.

Highlights

- Revenue of ₦78 billion, 9% higher year on year as a result of topline growth across all business segments. Quick Service Restaurants (+34%), Paints (+28%), Animal Feeds (+4%), and Packaged Food and Beverages (+2%).
- Gross profit broadly flat YoY at ₦12 billion; however, gross margin 148 bps lower at 15.8% as a result of rising raw material costs.
- Operating profit 65.9% lower YoY at ₦758 million and margin contraction of 215 bps to 1% impacted by losses in the Animal Feeds segment.
- Loss before tax of ₦1.1 billion. Profitability was impacted by lower operating profit and higher finance costs YoY.

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: “Our performance in the third quarter was negatively affected by losses in our animal feeds segment, which recorded a loss of N1.9 billion on account of margin pressure, high levels of debt and inventory, and rising borrowing costs. We are working to reduce costs and debt levels. We remain committed to our growth and expansion strategy but are cognizant of the heightened levels of risk in light of challenging global and domestic macroeconomic conditions. Rising levels of insecurity continue to disrupt operations with the animal feeds segment most affected; recent flooding in the South East of Nigeria impacted operations; however, we were fortunate to avoid material damage to plant and inventory. We continue to monitor the longer-term implications of flooding on agricultural output, food security and logistics in the region.”

Group Highlights

In million ₦, unless otherwise stated	Q3 2022	Q3 2021	Δ %	9M 2022	9M 2021	Δ %
Revenue	25,763	24,868	3.6%	77,805	71,368	9.0%
Gross Profit	3,382	4,033	(16.2%)	12,319	12,358	(0.3%)
Gross Profit Margin (%)	13.1%	16.2%	(309 bps)	15.8%	17.3%	(148 bps)
Selling and Distribution Expenses	(2,426)	(1,504)	61.4%	(6,196)	(4,543)	36.4%
Administrative Expenses	(2,292)	(2,193)	4.5%	(6,482)	(5,957)	8.8%
Operating Expenses	(4,718)	(3,696)	27.7%	(12,679)	(10,501)	20.7%
Operating Expenses (% of revenue)	18.3%	14.9%	345 bps	16.3%	14.7%	158 bps
Other income	484	37	1203.5%	1,118	370	202.0%
EBIT	(852)	374	n/m	758	2,227	(65.9%)
EBIT Margin (%)	(3.3%)	1.5%	n/m	1.0%	3.1%	(215 bps)
Net Finance (Cost)/Income	(275)	(136)	103.1%	(1,815)	(237)	665.4%
Share of (Loss)/Profit of Associates	20	(233)	n/m	(38)	(612)	(93.8%)
(Loss)/Profit Before Tax	(1,107)	6	n/m	(1,095)	1,378	n/m
Profit Before Tax Margin (%)	(4.3%)	0.0%	(432 bps)	(1.4%)	1.9%	(334 bps)
(Loss)/Profit After Tax From Continuing Operations	(1,305)	(199)	554.3%	(1,983)	565	n/m
(Loss)/Profit After Tax from Discontinued Operations	13	-	n/m	(26)	(2)	n/m
(Loss)/Profit for the period	(1,293)	(199)	547.9%	(2,009)	563	n/m
Profit Margin (%)	(5.0%)	(0.8%)	(422 bps)	(2.6%)	0.8%	n/m
Basic Earnings Per Share (EPS):						
From Continuing Operations (Kobo)	(29)	(8)	265.4%	(46)	(3)	n/m
From Discontinued Operations (Kobo)	-	-	n.a	(1)	-	n.a
For the Period (Kobo)	(29)	(8)	265.4%	(47)	(3)	n/m
Annualised Return on Equity (ROE)				(4.2%)	(0.3%)	(391 bps)
Annualised Return on Invested Capital (ROIC)				1.7%	4.8%	(311 bps)

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

				Sep-22	Dec-21	Δ
Quick Ratio				0.4x	0.5x	(0.1x)
Current Ratio				1.2x	1.3x	(0.1x)
Gearing				55%	39%	1,567 bps
Total Assets / Equity				2.1x	1.9x	0.2x
Net Debt / EBITDA				4.9x	1.1x	3.8x
Free Cash Flow				(1,452)	(18,906)	17,454

Significant transactions / new developments

The following transactions are responsible for key differences when comparing 9M 2022 to 9M 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. UFL is now a wholly owned subsidiary of UAC and the total profit attributable to equity holders of UFL for 9M 2022 was recognised by UAC versus 9M 2021 where 51% of UFL’s profit was recognised for 8 months and 100% of its profit was recognised in September 2021.
2. In June 2022, UAC’s stake in Chemical and Allied Products PLC (CAP) increased by 1.31% to 57.85%.
3. UAC’s issued share capital increased by 44,835,076 ordinary shares to 2,926,131,656 as a result of the scrip dividend.

Group Performance and Financial Review: 9M 2022

Revenue in 9M 2022 increased 9% YoY to ₦77.8 billion supported by sales growth across all operating segments driven primarily by price increases to offset rising raw material costs. In the Paints segment, revenue growth (+28% YoY) was supported by retail expansion. QSR revenue growth (+34% YoY) was driven by the increase in company-owned restaurants (corporate stores) in line with the corporate store expansion strategy.

Gross profit margin and **operating profit margin** contracted by 148 basis points to 15.8% and 215 bps to 1% respectively which is reflective of poor performance of our Animal Feeds businesses, input cost escalation as well as increased operating expenses across all businesses, particularly in power and distribution. The Group recorded higher **net finance costs** of ₦1.8 billion (+665%) on account of increased short-term borrowings in the Animal Feeds, Paints, and Packaged Food and Beverage segments.

Loss before tax was ₦1.1 billion compared to the ₦1.4 billion Profit before tax recorded in 9M 2021. Share of loss from associate companies was ₦38 million (9M 2021: ₦612 million) reflective of improved profitability of MDS Logistics and UPDC compared to the prior period. In 9M 2022, the Group incurred an expense of ₦26 million as part of the voluntary winding up of UNICO CPFA Limited, a discontinued operation.

Free Cash Flow for the period was negative ₦1.5 billion in 9M 2022, compared with negative ₦18.9 billion in December 2021, due to improved working capital management in 9M 2022. **Leverage** (net debt to EBITDA) of 4.9x compared to 1.1x in 31 December 2021 as a result of ₦5.8 billion net increase in third-party borrowings (+29%) and a lower operating profit during the period. Increase in borrowings reflective of the higher cost of inventory particularly in the Animal Feeds and Other Edibles segment.

Group Performance and Financial Review: Q3 2022

Revenue in Q3 2022 increased 3.6% to ₦25.8 billion. The Paints (+26.5%) and QSR (+43.2%) segments recorded topline growth while Animal Feeds (-2.9%) and Packaged Food and Beverages (-6.1%) revenue declined impacted by lower volumes compared to Q3 2021. **Gross profit margin** contracted by 309 bps to 13.1% impacted by input cost escalation. The Group recorded an **Operating loss** of ₦852 million in Q3 2022, compared to an operating profit of ₦374 million recorded in Q3 2021, driven by gross profit underperformance, particularly in the Animal Feeds and Other Edibles segment, and increase in selling and distribution expenses. **Operating expenses** as a percentage of sales increased by 345 bps QoQ to 18.3%. The Group recorded higher **net finance** cost in Q3 2022 as a result of increased short-term borrowings in the Animal Feeds and Other Edibles segment, Paints segment and Packaged Food and Beverages segment.

Loss before tax was ₦1.1 billion, compared to a profit before tax of ₦6 million in Q3 2021.

Segment Performance¹

Revenue (% and ₦m)	Q3 2022	Q3 2021	Δ %	9M 2022	9M 2021	Δ %
Animal Feeds and Other Edibles	15,078	15,524	(2.9%)	45,482	43,784	3.9%
Paints	4,316	3,413	26.5%	13,061	10,202	28.0%
Packaged Food and Beverages	5,557	5,915	(6.1%)	18,216	17,818	2.2%
Quick Service Restaurants	845	590	43.2%	2,144	1,603	33.7%
Earnings /(Loss) before Interest & Tax – EBIT (₦m)	Q3 2022	Q3 2021	Δ %	9M 2022	9M 2021	Δ %
Animal Feeds and Other Edibles	(1,572)	573	n/m	(1,708)	1,721	n/m
Paints	560	59	842.0%	1,881	708	165.6%
Packaged Food and Beverages	(98)	228	n/m	535	1,008	(46.9%)
Quick Service Restaurants	(163)	(104)	56.1%	(435)	(153)	184.9%
Profit/(Loss) Before Tax – PBT (₦m)	Q3 2022	Q3 2021	Δ %	9M 2022	9M 2021	Δ %
Animal Feeds and Other Edibles	(1,870)	210	n/m	(3,370)	731	n/m
Paints	623	90	588.8%	1,952	853	128.8%
Packaged Food and Beverages	(57)	226	n/m	477	985	(51.5%)
Quick Service Restaurants	(213)	(127)	67.6%	(547)	(183)	199.0%

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

Animal Feeds and Other Edibles

9M 2022

Revenue increased 3.9% YoY to ₦45.5 billion in 2022 (2021: ₦43.8 billion) on account of price increases across all product categories in response to escalating costs. The segment recorded an operating loss of ₦1.7 billion in 9M 2022 (9M 2021: operating profit of ₦1.7 billion) on account of lower sales volumes, higher raw material and conversion costs, and increased operating expenses YoY. The businesses in this segment have embarked on operational improvements by implementing cost-saving initiatives focused on reducing distribution expenses and also intend to improve sales by reducing the turnaround time for production and dispatch. The segment recorded a ₦3.4 billion loss before tax in 9M 2022 impacted by higher finance costs and increased operating expenses.

Q3 2022

Revenue decreased 2.9% in Q3 2022 to N15.1 billion (Q3 2021: ₦15.5 billion) on account of lower volume of sales in the poultry feed, fish feed and oils product categories which were not sufficiently offset by price increases in those categories. Operating loss was ₦1.6 billion (Q3 2021: operating profit of ₦573 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 ₦1.9 billion loss before tax in Q3 2022 compared to a ₦210 million profit before tax in Q3 2021, impacted by higher finance costs.

Paints

9M 2022

Revenue growth of 28% YoY to ₦13.1 billion in 9M 2022 (9M 2021: ₦10.2 billion) supported by increased sales price and retail expansion through opening of new stores. Operating profit was 165.6% higher at ₦1.9 billion as pricing initiatives partially offset increase in raw material cost and other operating expenses. Profit before tax was ₦2 billion in 2022, 128.8% higher than ₦853 million recorded in 2021. PBT margin expanded 659 bps to 14.9% in 9M 2022.

Q3 2022

Revenue grew by 26.5% in Q3 2022 to ₦4.3 billion (Q3 2021: ₦3.4 billion) on account of increased volumes and prices for Dulux and Sandtex Decorative, Dulux Trade, Caplux and Hempel Marine. Operating profit was 842% higher at ₦560 million (Q3 2021: ₦59 million) as pricing initiatives and higher sales volumes partially offset higher raw material costs and other operating expenses. Profit before tax was ₦623 million in Q3 2022 compared to ₦90 million recorded in Q3 2021.

Packaged Food and Beverages

9M 2022

2.2% YoY revenue growth to ₦18.2 billion in 9M 2022 (9M 2021: ₦17.8 billion) as a result of price increases in the snacks, water and dairies categories. Water revenue (+11% increase) was supported by price increases, to offset rising input costs. Investments in cold chain infrastructure to deepen distribution, refreshed branding (new logo), as well as the introduction of a new ice-cream bowl across all SKUs for Supreme ice-cream further supported dairies 29% revenue growth YoY. The Snacks category recorded a 4% decline in revenue due to reduced volume. Operating profit declined by

46.9% in 2022 to ₦535 million (2021: ₦1 billion) impacted by higher input costs, increased operating expenses such as increase in haulage rates and energy prices. Profit before tax decreased by 51.5% to ₦477 million (2021: ₦985 million).

Q3 2022

Revenue decreased 6.1% in Q3 2022 to ₦5.6 billion (Q3 2021: ₦5.9 billion) due to decline in volume of sales in the snacks, dairies and water categories. Operating loss of ₦98 million was recorded in Q3 2022 (Q3 2021: ₦228 million operating profit), impacted by higher input costs and increased operating expenses. Loss before tax was ₦57 million in Q3 2022, compared to a profit before tax of ₦226 million recorded in Q3 2021.

Quick Service Restaurants

9M 2022

Revenue from the QSR segment increased 33.7% YoY to ₦2.1 billion in 9M 2022 (9M 2021: ₦1.6 billion) driven by growth in sales of company-owned restaurants (corporate stores) and improved performance of existing stores. The segment recorded a ₦435 million operating loss in 9M 2022 (9M 2021: ₦153 million loss) impacted by the high-cost environment, higher cost of sales and operating expenses due to expansion activities. The QSR segment recorded a ₦547 million loss before tax in 9M 2022, against a ₦183 million loss before tax in 9M 2021.

QSR management aims to continue the expansion of its 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.

Q3 2022

Revenue increased 43.2% YoY to ₦845 million in Q3 2022 (Q3 2021: ₦590 million) driven by expansion in company-owned restaurants (corporate stores). The segment recorded a ₦163 million operating loss in Q3 2022 (Q3 2021: ₦104 million loss) impacted by higher cost of sales which was driven by the increase in the number of restaurants, higher raw material costs, distribution expenses, as well as store pre-opening investments (i.e rent, training) that are incurred before a new restaurant is launched. The QSR segment recorded a ₦213 million loss before tax in Q3 2022, compared to a ₦127 million loss before tax in Q3 2021.

Associate: Real Estate (UPDC - 43% ownership)

UPDC's 9M 2022 revenue was ₦2.1 billion compared to the ₦615 million recorded in 9M 2021. ₦1.5 billion of the revenue is attributable to property sales compared to the same period last year where property sales was ₦359 million as well as higher project and facility management fees. UPDC recorded an operating profit of ₦86 million in 9M 2022 (9M 2021: ₦512 million operating loss). Net finance costs decreased by 38% YoY to ₦328 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. Loss before Tax was ₦242 million compared to the ₦1 billion loss before tax recorded in 9M 2021.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 8.9% YoY to ₦7.1 billion in 9M 2022 from ₦6.5 billion in 9M 2021, driven by addition of new haulage clients and upward review of rates for haulage services and pharma logistics. Operating profit was 311% higher YoY at ₦654 million (2021: ₦159 million) on account of increase in gross profit which offset the 27.5% YoY increase in operating expenses. MDS Logistics recorded a profit before tax of ₦293 million in 9M 2022 compared to a loss before tax of ₦200 million in 9M 2021, supported by improved topline performance and cost management initiatives.

For more information, please contact

Funke Ijaiya-Oladipo
Group Finance Director
Investorrelations@uacnplc.com
+234 906 269 2908
www.uacnplc.com

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 (57.9% 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.