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# UAC of Nigeria PLC

## FY 2022 Results

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06 April 2023

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*This presentation contains forward-looking statements which reflect management's expectations regarding UAC of Nigeria PLC, its subsidiaries and associate businesses ("UAC", the "Company" or "Group") 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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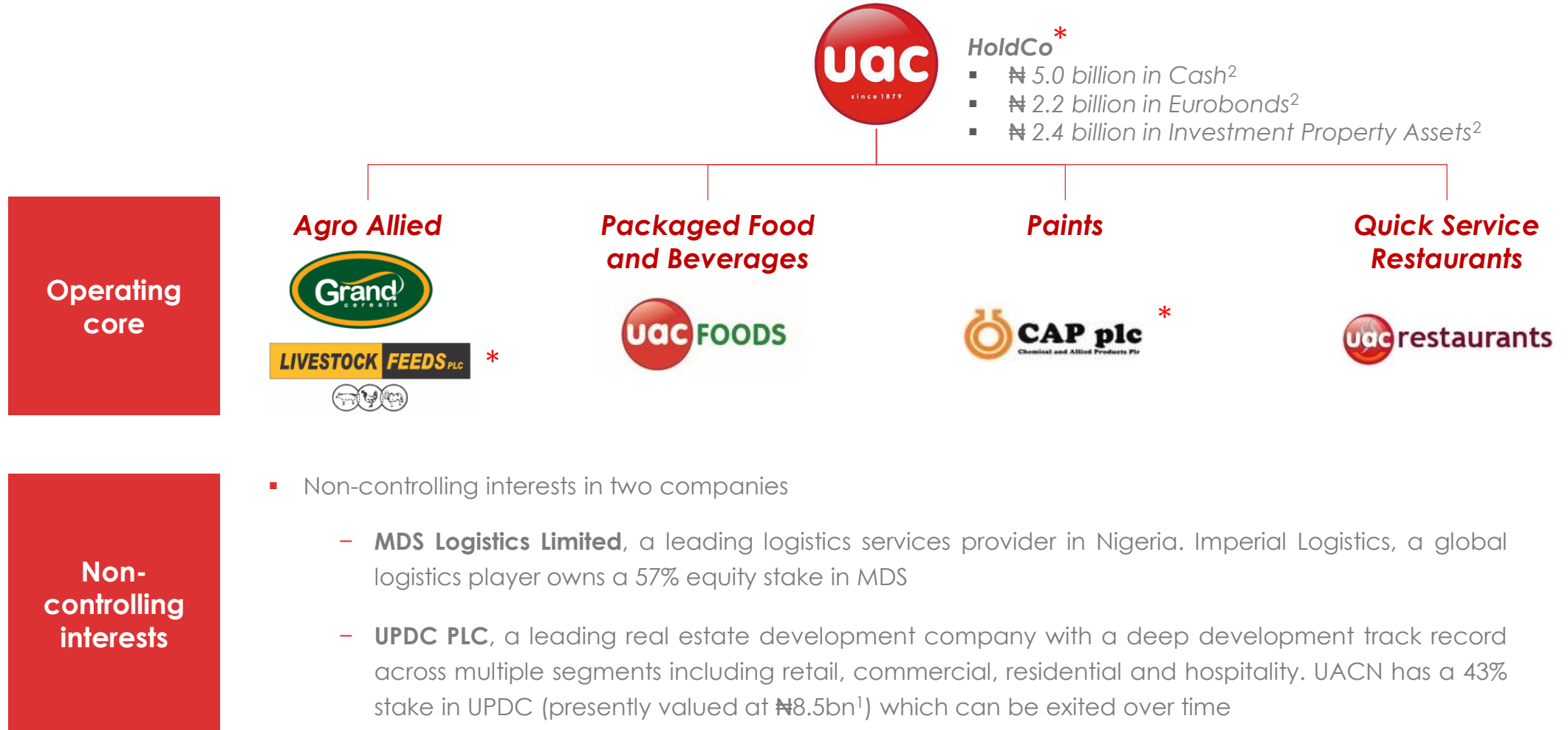
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- 2022 was a difficult year, as UAC Group recorded a net loss of ~~N~~3.9bn, a decline of ~~N~~6.6bn from ~~N~~2.6bn net profit reported in 2021
- The primary sources of under performance were our Animal Feeds and Packaged Food and Beverages businesses
- Significant management attention was devoted to executing our key strategic objective for the year – the implementation of SAP S/4 HANA
  - Went live in July 2022, concluded hypercare in September 2022
  - Have assumed full responsibility for the system and current focus is on optimization
- We completed an expansion project of our spring water business (SWAN) with the installation of a state-of-the-art Kronos Water Bottling line (36,000 bottles/hr)
- Our Paints business performed strongly in spite of challenging macroeconomic conditions and our Quick Service Restaurants business progressed its store roll out initiatives

## Operating Context



# There were no changes to UACN's group structure

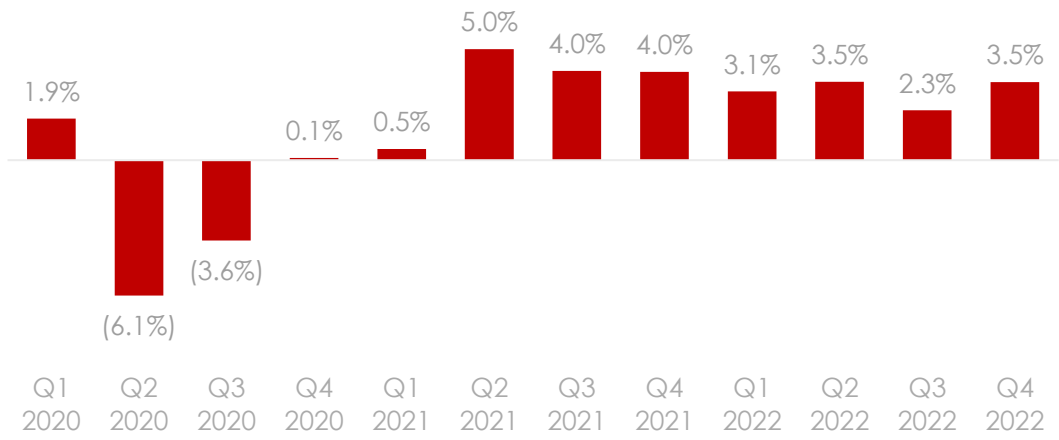


1. Based on UPDC PLC's share price of ₦1.07 as at 31 March 2023 (31 March 2022 share price: ₦0.83)  
 2. \$10.7mn in Cash, \$4.8mn in Eurobonds, \$5.3mn in investment property assets (2021: \$9.9mn in Cash, \$5.3mn in Eurobonds, \$8.0mn in Investment Property Assets)

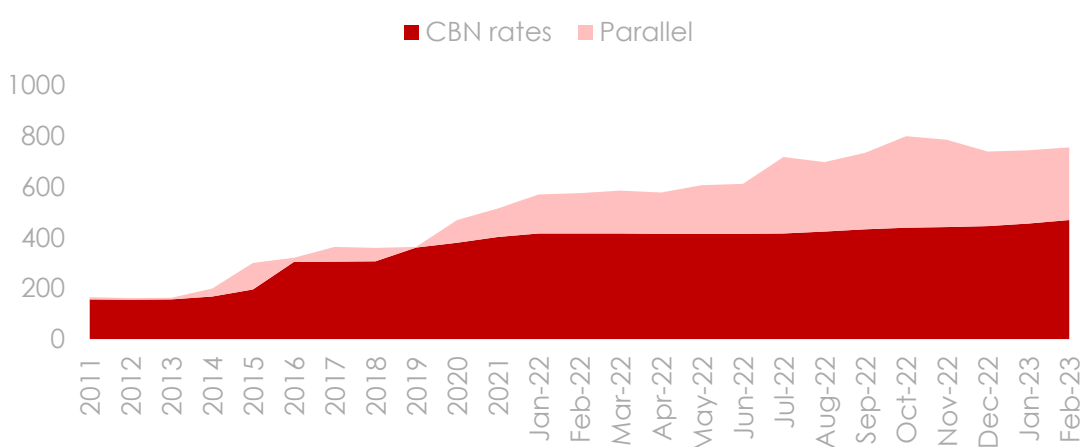
\* Company is listed on the Nigerian Exchange Limited (NGX)

Macroeconomic conditions in 2022 were very difficult, with 3% GDP growth, 21% inflation, MPR at 17%, and Naira devaluation

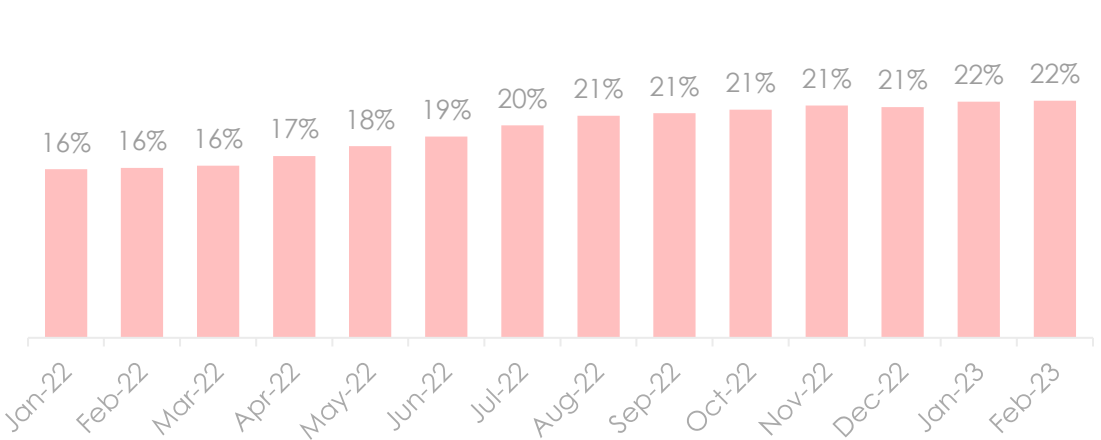
Real GDP Growth



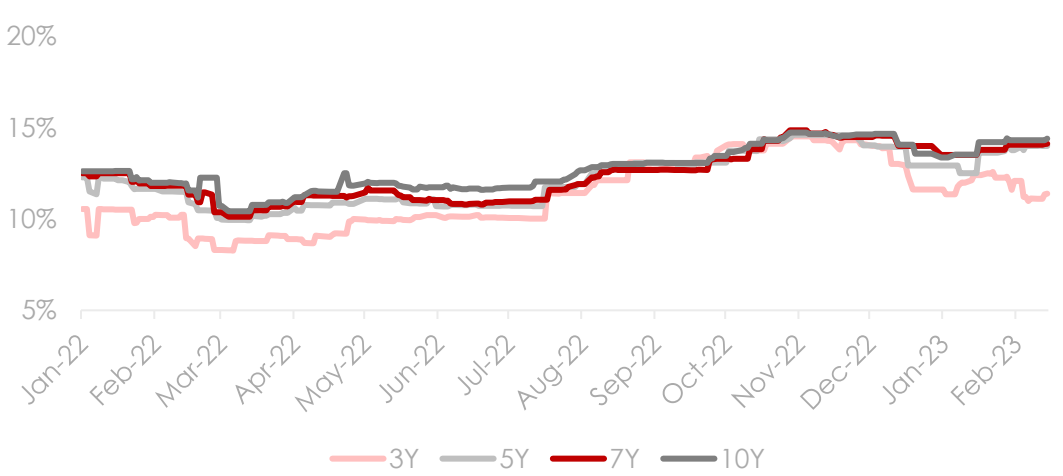
Exchange Rate ₦:\$



Inflation (%)



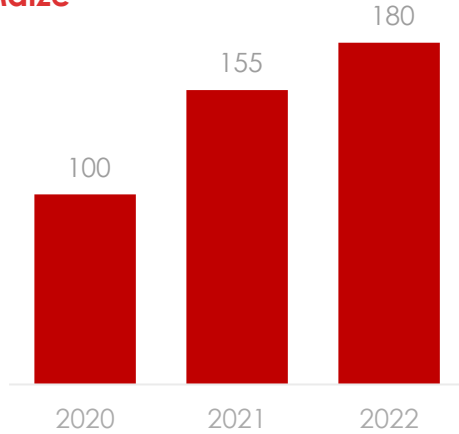
Secondary Market Bond Yields (%)



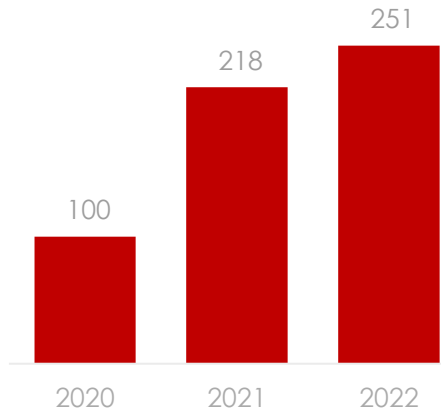
# Full effect of raw material price escalation felt in 2022

- Animal Feed
  - Paints
  - Food
- ₹/Kg

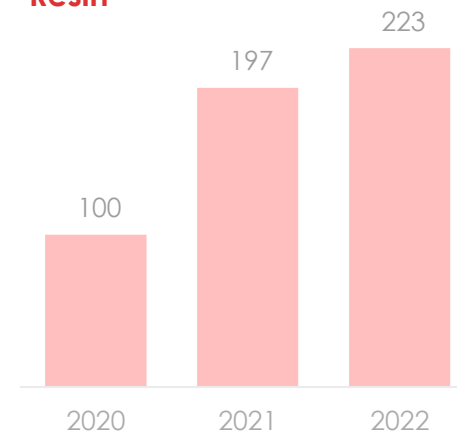
Maize



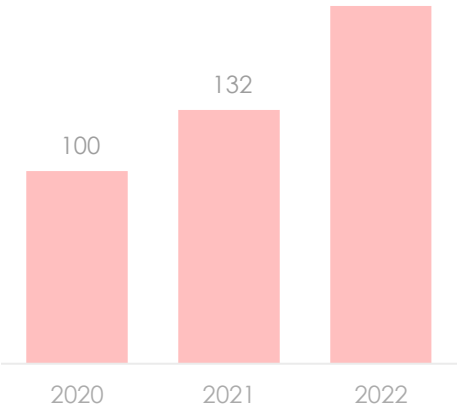
Soya Bean



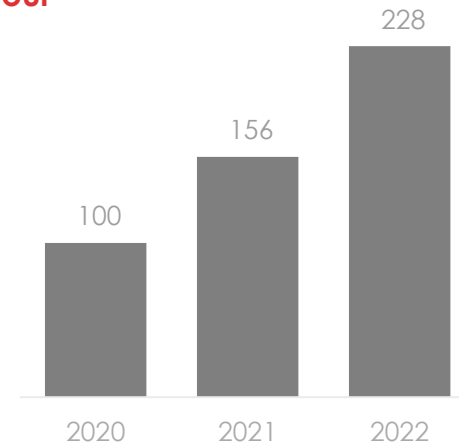
Resin



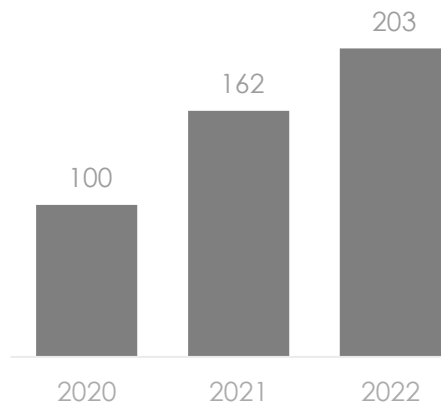
Titanium Dioxide



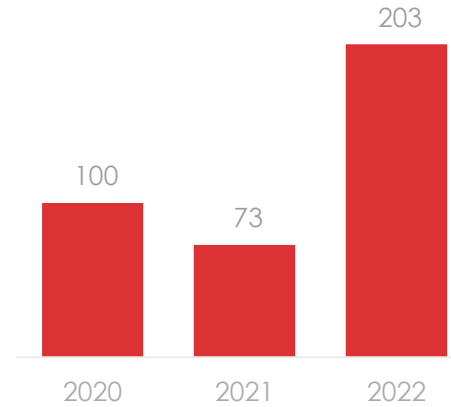
Flour



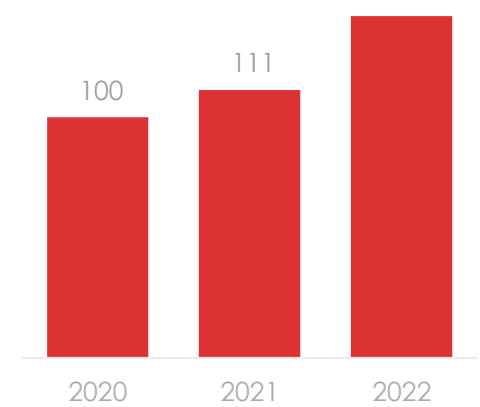
Vegetable Oil



Fat-filled Milk



Sugar





## Strategic initiatives





# Strategic initiatives achieved in 2022

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## Invested for growth

- UAC Foods: ₦2.8bn invested in increasing capacity for our SWAN water business 3x
- UAC Restaurants: ₦1.2bn invested rolling out corporate stores

## Upgraded our IT infrastructure

- Invested ₦2.1bn to migrate from end of life, on premise SAP ECC system to cloud based SAP S/4 Hana
- Successful cutover in July 2022
- UAC Foods experienced operational disruptions on account of the ERP migration



# New SWAN line

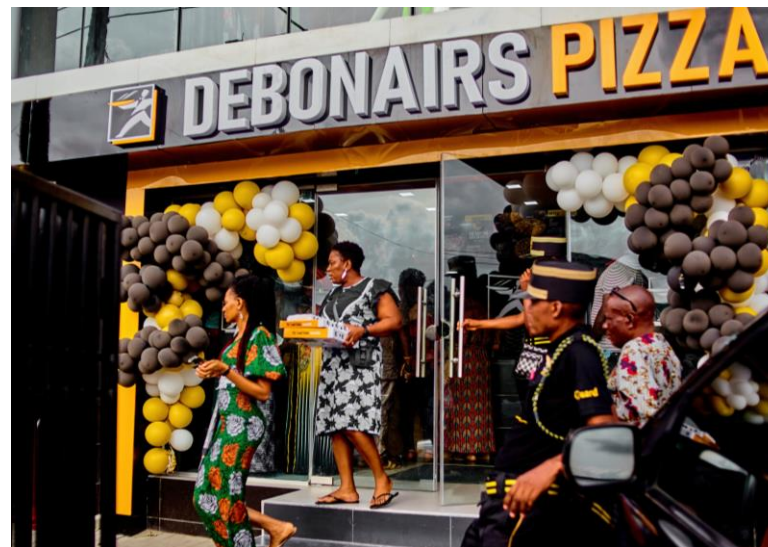
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# New rolled-out Mr Bigg's and Debonairs Pizza stores

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# Segment Performance Highlights



# Animal Feeds segment disproportionately impacted Group profitability

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## Animal Feeds & Other Edibles Segment (60% of Group revenue)

- Decline in volumes, particularly Grand Cereals Limited, on account of operational challenges which negatively impacted customer service
  - Stockpiled raw materials at peak prices affecting gross margins
  - 1.6x increase in diesel cost affected distribution and production costs
  - Excess inventory with 267 inventory days outstanding at peak
  - High levels of leverage with ₦33.4bn outstanding at peak (₦14.8bn by December 2022 and currently ₦12.1bn)
  - High interest expense and finance costs
  - Flooding in the South-East of Nigeria which resulted in the closure of Grand Cereals' Onitsha plant
  - Strategic choice to deplete inventory versus drive margin
  - Full-year loss of ₦5.4bn for Animal Feeds & Other Edibles segment

## Response to operating context

- Reversed customer service challenges with improved product performance and delivery times
- Reduced inventory from ₦27bn to ₦17bn in December 2022
- Deleveraged and consequently reduce finance costs

## Results

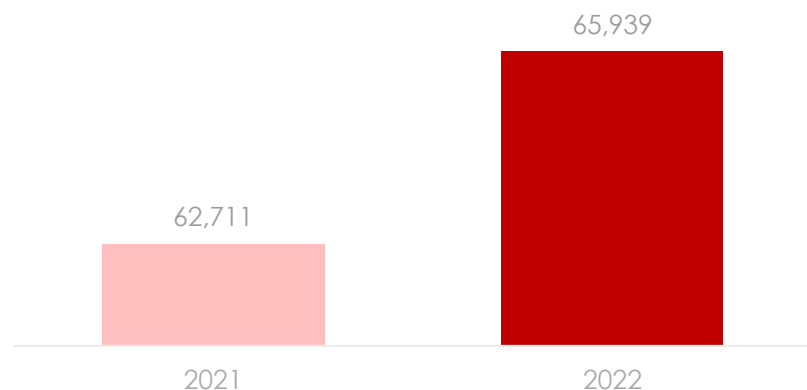
- ₦65.9bn Revenue; 5.1% higher than ₦62.7bn in 2021
- ₦4.4bn operating loss in 2022
- ₦4.8bn reduction in debt from ₦19.6bn in 2021 to ₦14.8bn in 2022
- ₦10.2bn free cash flow generated; Inventory-to-debt cover of 1.15x



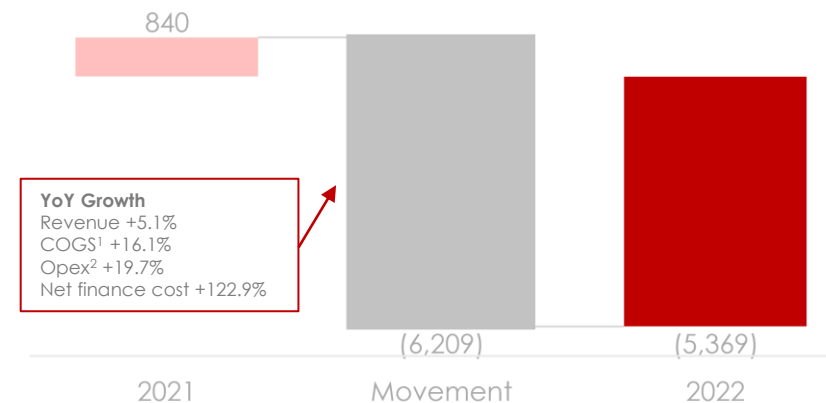
# Reduced Animal Feeds leverage and inventory in 2022

15

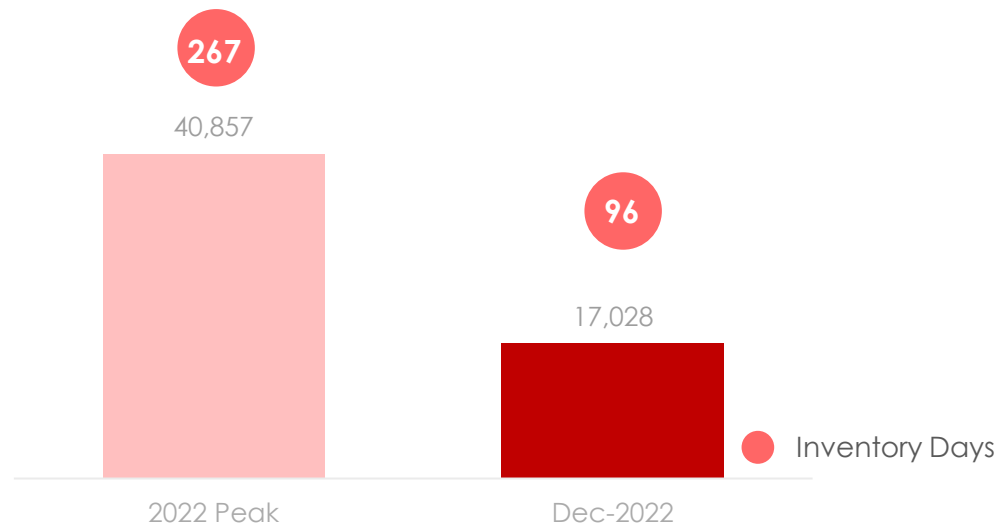
### Animal Feeds Revenue (in ₹mn)



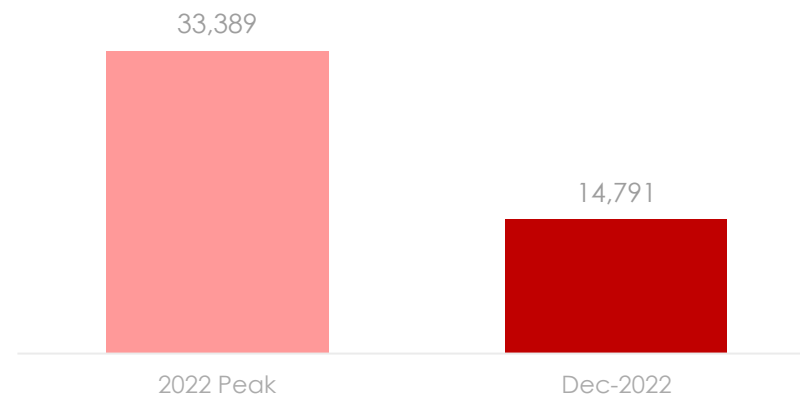
### Animal Feeds Net Profit (in ₹mn)



### Animal Feeds Inventory (in ₹mn)



### Animal Feeds Leverage (in ₹mn)



1. COGS – Cost of goods sold
2. Opex – Operating expenses

# Packaged Food and Beverages segment underperformed

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## Packaged Food and Beverages segment

(23% of Group revenue)

- 100% owned business post acquisition of Tiger Brands' stake in 2021
- Business most impacted by ERP migration
- H1 2022 profit of ₦361mn vs H2 2022 loss of ₦533mn
- Snacks (57% of sales): Grammage reduction impacted volumes
- Higher input costs, operating expenses, particularly energy costs and distribution costs, impacted profitability

## Response to operating context

- Significant price increases across all product categories (+23% Gala, +21% Water, +36% Ice cream) to partially offset rising raw material input costs
- Aggressive focus on resolving ERP related issues
- UAC Foods aimed to develop a ₦23bn greenfield factory for snacks and dairy businesses; however, 2022 performance resulted in the delay of this project

## Results

- ₦23.3bn Revenue; 1.7% lower than ₦23.8bn in 2021
- Operating loss of ₦60.9mn in 2022 (2021: operating profit of ₦1.4bn)

## Looking ahead

- We will execute growth initiatives with caution until macroeconomic conditions improve
- Profitably grow SWAN volumes; Expand finished goods storage
- Cost optimization, rigorous review of cost base and prioritize locations with attractive cost to serve

## Subsequent event

- Mr. Yemi Oloyede was appointed Managing Director of UAC Foods in March 2023 following the retirement of Dr. Dele Ajayi in December 2022

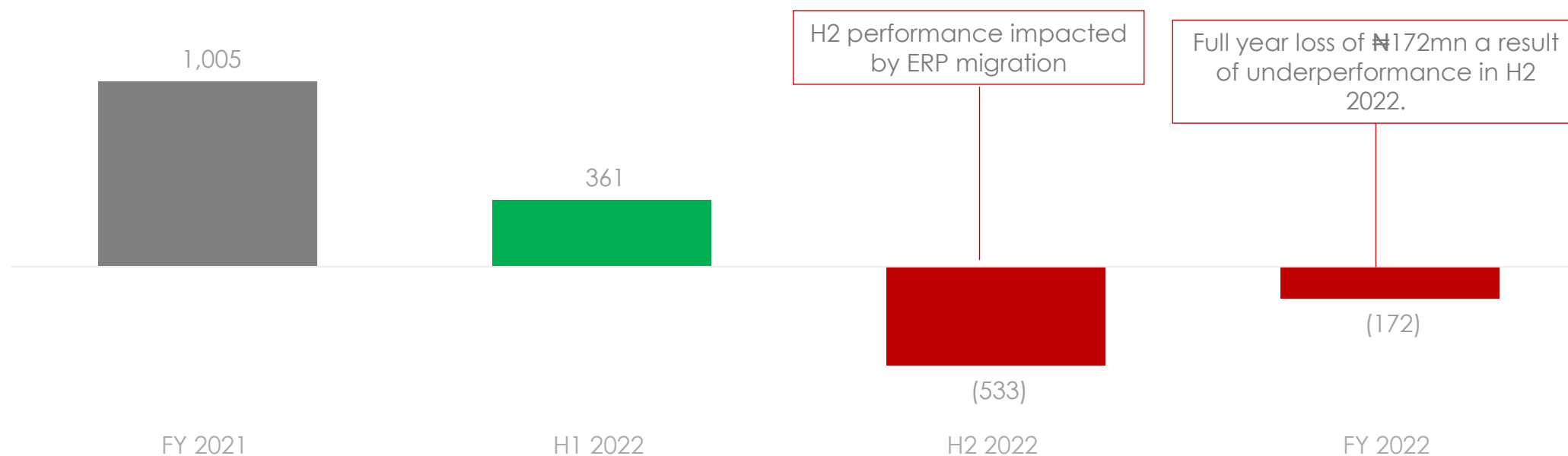




# Packaged Food and Beverages segment impacted in H2 2022

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Profit After Tax, in ₦ mn (FY 2021 to FY 2022)



# Paints segment outperformed

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## Paints segment

(15% of Group revenue)

- #1 paints player in Nigeria by market share
- Deteriorating macro and inflation impacted material costs, conversion costs, and operating expenses
- Higher prices of diesel, kerosene, other key raw materials, and distribution cost per litre
- Impacted by Naira devaluation as majority of the Company's raw materials are import dependent (either directly or through third party agents)
- Invested ₦500mn to revamp colour centre network and in-store tinting aimed at increasing colour range made in store, reducing factory complexity and improving speed of delivery
- As at 31 December 2022, CAP PLC had 109 retail outlets: 41 Dulux colour centres, 19 Sandtex stores, 49 Dulux colour shops

## Response to operating context

- Significant price increases across all product lines to partially offset increase in raw material cost and operating expenses
- Proactive management of inventory, bulk purchasing to mitigate rising prices

## Results

- ₦19.2bn Revenue; 25.1% higher than ₦15.4bn in 2021
- ₦3.1bn operating profit

## Looking ahead

- Implement cost efficiency initiatives
  - Working capital and cashflow management
  - Optimise formulations of our paints
  - Reduce import dependency i.e focus on import substitution for raw materials
- Grow retail footprint
- Diversify and expand product offering



1. CAP had 101 retail outlets in 2021- 40 Dulux colour centres, 16 Sandtex stores, 45 Dulux colour shops

# QSR segment achieved store roll out targets

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## Quick Service Restaurants segment

(2% of Group revenue)

- Shifted QSR strategy from 100% franchised stores to corporate store led model
- Target to roll out 50 corporate stores between 2021 - 2025
- In 2022
  - ₦1.2bn invested rolling out 19 Mr Bigg's and Debonairs Pizza stores. Total of 30 corporate stores as at Dec 2022
  - Eat-in traffic increased to pre-pandemic levels however fuel scarcity impacted eat-in traffic at stores located in filling stations
- Operations
  - Food cost inflation at 24% driving increase in raw materials costs
  - More frequent blackouts and limited electricity supply from the National Grid
  - Increase in diesel cost by an average of 183% YoY
  - Impact is higher production costs, energy costs, and transportation cost

## Response to operating context

- Monthly price review with price increases on key product SKUs by average of 38% in 2022
- Deployment of solar power at the head office premises to manage energy cost
- Constructed Customer Contact Centre to drive effective deliveries

## Results

- Revenue + 39.3% YoY to ₦3.1bn in FY 2022 (FY 2021: ₦2.2bn)
- ₦608mn Operating loss (FY 2021: ₦525mn loss)

## Looking ahead

- Attractively located stores with excellent operations and good unit economics will drive QSR profitability in the medium term
- Store expansion will be key to drive revenue in the medium term, selling price inflation will be a key contributor
  - Prioritize allocation of capital towards the more profitable “express stores”
  - Implement cost effective energy management initiatives in corporate stores to mitigate escalating diesel prices



# Associate companies returned to profitability in 2022

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## UPDC Key themes

- Sale of more properties by UPDC compared to prior period, particularly Pinnock Prime Estate
- UPDC Hotel was reconsolidated into UPDC's financial statement as continuing operations in September 2022. The hotel was previously classified as held for sale
- Improved cash position as a result of sales of inventory and increased cash receipts from receivables

## Financial highlights

- Revenue of ₦5.9bn compared to ₦825mn in 2021; 87% attributable to sale of properties
- After 6 years of losses, UPDC returned to profitability and recorded profit before tax of ₦331mn (2021: ₦1.6bn LBT)

## MDS Key themes

- Focus on driving profitability via investments in trucks for dedicated freight with ₦8.5bn invested in 2022
- Acquisition of 165 trucks to support haulage business
- Cost management efforts resulted in no increase in cost of sales year on year despite high inflation
- Net debt increased 425% (+₦7.2bn) to support truck acquisition

## Financial highlights

- Revenue + 27.6% to ₦10.9bn from ₦8.6bn in 2021, driven by new haulage clients and upward review of rates
- PBT of ₦284mn (2021: ₦163mn LBT), supported by improved topline performance and cost management initiatives



**Mr Bigg's**  
ALWAYS GOOD

## FY 2022 Financial Performance

**Start Your  
Day Right**

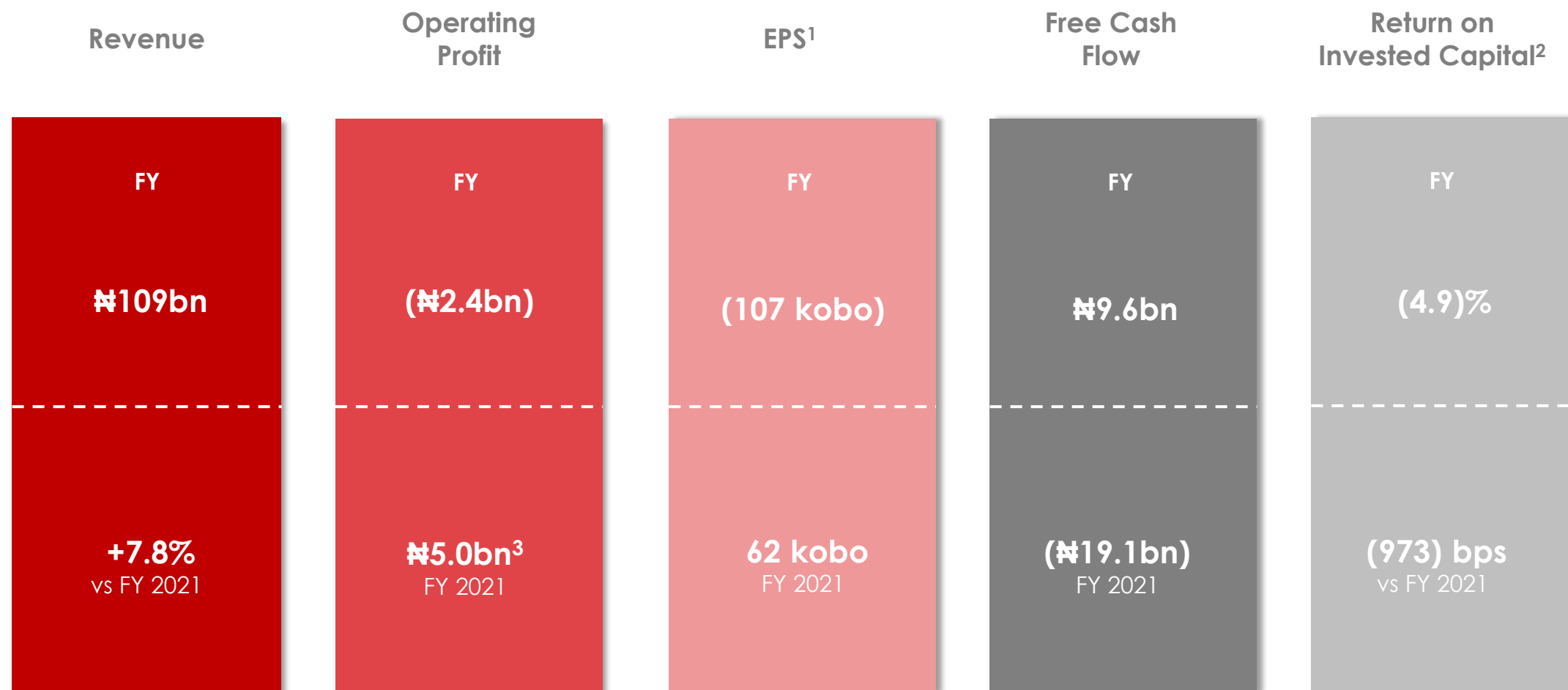
**Enjoy  
Lip Smacking  
Meals**

**Mr Bigg's**  
ALWAYS GOOD

**Enjoy  
Lip Smacking  
Meals**

# 2022 financial highlights

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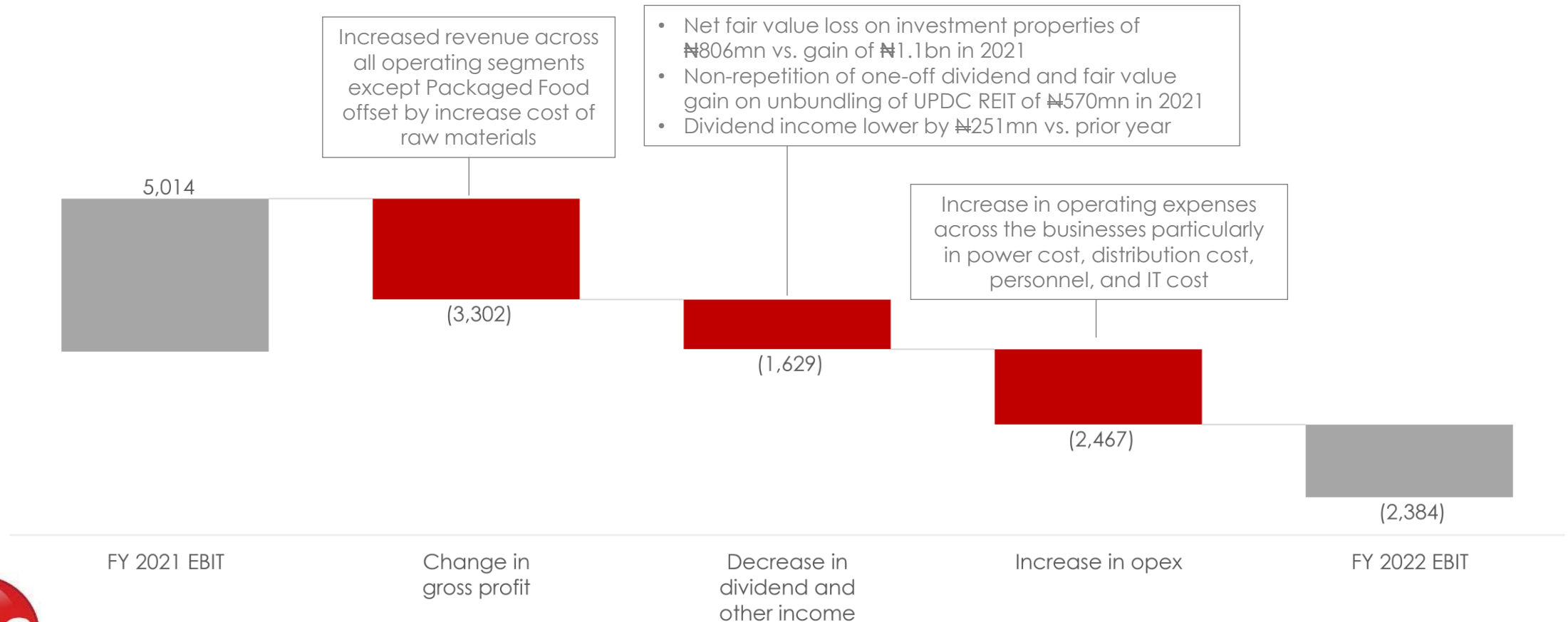


- (1) Earnings per share from continuing operations
- (2) Invested capital used for ROIC calculation excludes cash and cash equivalents, and investment in debt securities
- (3) Prior year Operating profit ₦5.0bn vs FY 2022 Operating loss of ₦2.4bn

# Key factors impacting Group operating profit

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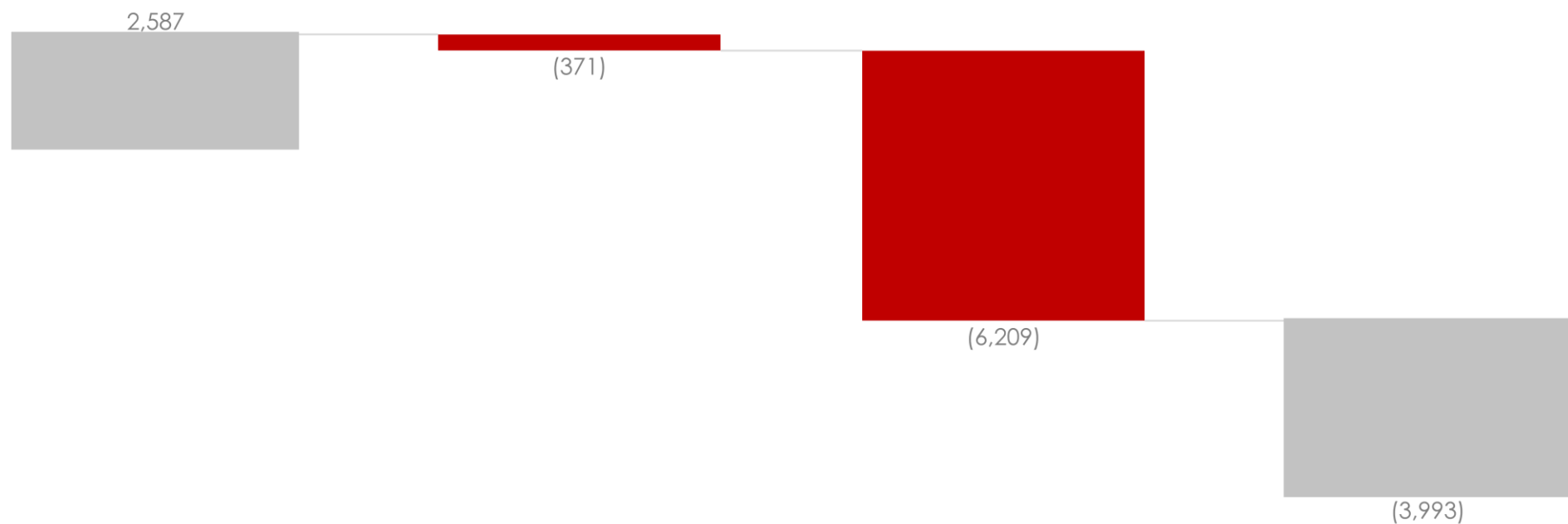
Operating Profit Bridge, in ₪ mn (FY 2021 to FY 2022)



# Impact of Animal Feeds segment on 2022 performance (PAT)

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Profit After Tax Bridge, in ₹ mn (FY 2021 to FY 2022)



FY 2021 PAT

PAT movement (excl. animal feeds)

Animal feeds movement

FY 2022 PAT (incl. animal feeds)





## Net Assets

**₦45.3bn**

**(₦5.6bn)**  
vs Dec 2021

## Net Debt

**₦2.8bn**

**(₦5.8bn)**  
vs Dec 2021

## Net Capex

**₦7.1bn**

**(₦3.5bn)**  
vs Dec 2021

## Cash Cycle

**76 days**

**(63) days**  
vs Dec 2021

# Outlook



# Corporate action: ~~N~~644 million dividend to UAC shareholders

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## FY 2022 Dividend

(~~N~~644 million)

- Earning per share for UAC, the Holding Company, is 24 kobo for FY2022
- Total ordinary dividend of 22 kobo per ordinary share of 50 kobo (~~N~~644 million)
- 93% payout ratio
- Qualification date: June 6, 2023
- Register of shareholders will be closed from June 7, 2023 to June 13, 2023 (both dates inclusive)
- Annual General Meeting date: June 21, 2023
- Cash Dividend Payment Date: June 22, 2023



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## Key priorities

- Performance
  - Reverse underperformance of the Animal Feeds and Other Edibles businesses
  - Improve performance of the Packaged Food and Beverages business
- Structure
  - Continued focus on simplicity
- Efficiency
  - Sharp focus on costs. Tackle duplicated/ non-value added costs
  - Invest in technology and rationalize excess capacity
- People
  - Attract and retain the strongest possible management teams



# Appendix 1

Additional financial information



# Income statement

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<b>₹ mn, unless otherwise stated</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>Δ%</b>
Revenue	109,270	101,377	8%
Gross Profit	14,237	17,540	(19%)
Gross Profit Margin (%)	13%	17%	(427 bps)
Operating Profit	(2,384)	5,014	n/m
Operating Profit Margin (%)	(2%)	5%	(713 bps)
Net Finance Income	(2,085)	(10)	20528%
Share of Profit/(Loss) of Associates and JVs	103	(895)	n/m
<b>Profit Before Tax</b>	<b>(4,365)</b>	<b>4,108</b>	<b>n/m</b>
Tax expense	366	(1,519)	(124%)
<b>Profit After Tax from Continuing Operations</b>	<b>(4,000)</b>	<b>2,589</b>	<b>n/m</b>
Profit/ (Loss) After Tax from Discontinued Operations	7	(2)	(409%)
<b>Profit/ (Loss) for the period</b>	<b>(3,993)</b>	<b>2,587</b>	<b>n/m</b>
Basic Earnings Per Share For the Period	(107)	62	n/m
ROIC	(5%)	5%	(973 bps)

# Performance Snapshot – FY 2022

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## Revenue

N mn	FY 2022	FY 2021	Δ%
Group	109,270	101,377	7.8%
Animal Feeds & Other Edibles	65,939	62,711	5.1%
Paints	19,208	15,355	25.1%
Packaged Food & Beverages	23,341	23,751	(1.7%)
Quick Service Restaurants	3,075	2,208	39.3%
<b>Associate: Logistics</b>	10,936	8,568	27.6%
<b>Associate: Real estate</b>	5,897	825	614.4%

## Operating Margins

	FY 2022	FY 2021	Δ%
Animal Feeds & Other Edibles	(7%)	4%	(1,066 bps)
Paints	16%	9%	712 bps
Packaged Food & Beverages	(0%)	6%	(626 bps)
Quick Service Restaurants	(20%)	(24%)	n/m
Associate: Logistics	10%	3%	718 bps
Associate: Real Estate	12%	(109%)	n/m

## Profit Before Tax

N mn	FY 2022	FY 2021	Δ%
Animal Feeds & Other Edibles	(6,863)	1,195	n/m
Paints	3,444	1,693	103.4%
Packaged Food & Beverages	(144)	1,452	n/m
Quick Service Restaurants	(814)	(509)	59.9%
<b>Associate: Logistics</b>	284	(163)	n/m
<b>Associate: Real estate</b>	331	(1,617)	n/m

## Return on Invested Capital

	FY 2022	FY 2021	Δ%
Animal Feeds & Other Edibles	(31%)	9%	(3,949 bps)
Paints	66%	48%	1,752 bps
Packaged Food & Beverages	(1%)	16%	(1,651 bps)
Quick Service Restaurants	(23%)	(59%)	n/m
Associate: Logistics	5%	3%	199 bps
Associate: Real Estate	5%	(5%)	941 bps



# Financial Position – 31 December 2022

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## Summary Balance Sheet

N mn	Dec-22	Dec-21	Δ%
Non-current Assets	45,994	42,029	9.4%
Current Assets	47,292	56,353	(16.1%)
Other Assets	542	550	(1.5%)
<b>Total Assets</b>	<b>93,828</b>	<b>98,932</b>	<b>(5.2%)</b>
Long term debt	2,467	340	626.3%
Short term debt	16,537	19,572	(15.5%)
Other Liabilities	29,543	28,182	4.8%
<b>Total Liabilities</b>	<b>48,547</b>	<b>48,093</b>	<b>0.9%</b>
<b>Net Asset Value</b>	<b>45,280</b>	<b>50,838</b>	<b>(10.9%)</b>

## Cash/ Leverage FY 2022

N mn	Cash	Debt	Net Debt/ (Cash)	Lev. Ratio	EBITDA
HoldCo	4,958	-	(4,958)	n.m.	609
Animal Feeds & Other Edibles	5,101	14,791	9,690	n.m.	(3,434)
Paints	3,761	735	(3,026)	n.m.	3,483
Packaged Food & Beverages	2,224	2,392	168	0.13x	1,308
QSR	154	2,321	2,167	n.m.	(315)

## Working Capital

N mn	Dec-22	Dec-21	Δ%
Inventory	24,396	36,214	(32.6%)
Trade Receivables	2,267	1,820	24.6%
Trade Payables	6,480	5,821	11.3%
<b>Net Working Capital</b>	<b>20,184</b>	<b>32,212</b>	<b>(37.3%)</b>
Inventory Days	94	158	(40.7%)
Receivable Days	8	7	15.2%
Payable Days	25	25	(2.1%)
<b>Net Working Capital Days</b>	<b>76</b>	<b>139</b>	<b>(45.1%)</b>

## Capex FY 2022

N mn	CAPEX	Depreciation	CAPEX / Depreciation
HoldCo	160	168	0.95x
Animal Feeds & Other Edibles	1,367	955	1.43x
Paints	933	387	2.41x
Packaged Food & Beverages	4,335	1,369	3.17x
QSR	1,386	293	4.73x



(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;



# Net Debt Position

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Net (Debt)/Cash Position as at 31 Dec 2022 (in ₦ mn)

	Cash & Cash Equivalents	Short-Term Debt	Long-Term Debt	Net Cash (excl. Intra- Group)	Intra-Group Payable	Net Cash (incl. Intra-Group)
UAC Company	4,958	-	-	4,958	-	4,958
Other Operating Segments	11,239	(16,537)	(3,702)	(9,000)	1,234	(7,765)
<b>Total</b>	<b>16,197</b>	<b>(16,537)</b>	<b>(3,702)</b>	<b>(4,042)</b>	<b>1,234</b>	<b>(2,807)</b>



# Cash Flow

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## PBT to Free Cash Flow

₹ mn, unless otherwise stated	FY 2022	FY 2021
<b>Profit Before Tax from continuing operations</b>	<b>(4,365)</b>	<b>4,108</b>
Profit/ (Loss) before tax from discontinued operations	7	(2)
Non-Cash charges	6,085	1,981
<b>Changes in working capital</b>	<b>16,021</b>	<b>(20,334)</b>
<i>of which receivables</i>	2,282	(5,256)
<i>of which inventory</i>	11,665	(16,231)
<i>of which payables</i>	2,261	182
<i>of which other working capital items</i>	(187)	971
<b>Net cash from operations</b>	<b>17,747</b>	<b>(14,247)</b>
Cash taxes	(1,116)	(1,278)
<b>Net cash flow generated from operating activities</b>	<b>16,631</b>	<b>(15,525)</b>
Net CAPEX	(7,053)	(3,548)
<b>Free Cash Flow</b>	<b>9,578</b>	<b>(19,073)</b>

