



PRESS RELEASE

Regulated information

Financial Results for the second quarter and six months ended 30 June 2023

28 July 2023 – UAC of Nigeria PLC (“UAC” or the “Group”) announced its results for the period ended 30 June 2023.

Q2 2023 highlights

- Revenue of ₦28.3bn, 16% higher than Q2 2022 with growth recorded across all operating segments.
- Gross profit 38% higher at ₦5.3bn; Gross margin expanded 306 bps to 18.9% due to price increases implemented to mitigate the impact of inflation and volume growth in the Paints segment.
- Operating profit of ₦665mn on account of higher revenue, gross margin improvement and operational efficiency which more than offset rising input and operating costs, particularly electricity, power, and distribution costs.
- Profit before tax of ₦4.1bn (Q2 2022: loss before tax of ₦966mn). Profitability was positively impacted by mark to market gain of ₦3.6bn on UAC’s treasury portfolio.
- Earnings per share of 82 kobo (Q2 2022: -36 kobo)

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: *“Operating conditions in the first half of the year were very challenging. In the first quarter, our businesses were impacted by cash shortages relating to the currency redesign program, as well as, lost trading days on account of elections. Towards the end of the second quarter, we grappled with rising levels of inflation driven by foreign currency exchange rates and the price of petrol. We tried to balance protecting our margins with delivering growth, and recorded modest success in the second quarter. We expect challenging macroeconomic conditions to continue over the course of the second half of the year and will focus on steering our businesses through these challenges. We anticipate margin pressure on account of the lag between rising input costs and passing these on to the already stressed consumer via price increases. We will implement initiatives to alleviate the challenges faced by our employees, and continue to seek operating efficiencies to manage rising costs.”*

Group Highlights

In million ₦, unless otherwise stated	Q2 2023	Q2 2022	Δ %	H1 2023	H1 2022	Δ %
Revenue	28,250	24,376	15.9%	52,870	52,042	1.6%
Gross Profit	5,340	3,862	38.3%	8,619	8,937	(3.6%)
Gross Profit Margin (%)	18.9%	15.8%	306 bps	16.3%	17.2%	(87 bps)
Selling and Distribution Expenses	(2,208)	(2,034)	8.6%	(4,177)	(3,770)	10.8%
Administrative Expenses	(2,670)	(2,262)	18.0%	(4,858)	(4,190)	15.9%
Operating Expenses	(4,878)	(4,296)	13.6%	(9,035)	(7,961)	13.5%
Operating Expenses (% of revenue)	17.3%	17.6%	(36 bps)	17.1%	15.3%	179 bps
Other income	204	177	14.8%	381	634	(39.9%)
EBIT	665	(257)	n/m	(35)	1,611	n/m
EBIT Margin (%)	2.4%	(1.1%)	341 bps	(0.1%)	3.1%	(316 bps)
Net Finance (Cost)/Income	2,949	(630)	n/m	2,717	(1,540)	n/m
Share of (Loss)/Profit of Associates	486	(79)	n/m	481	(58)	n/m
Profit/(Loss) Before Tax	4,099	(966)	n/m	3,163	12	n/m
Profit Before Tax Margin (%)	14.5%	(4.0%)	1,848 bps	6.0%	0.0%	596 bps
Profit/(Loss) After Tax From Continuing Operations	2,387	(1,320)	n/m	1,228	(677)	n/m
Loss After Tax from Discontinued Operations	-	(35)	n/m	-	(39)	n/m
Profit/(Loss) for the period	2,387	(1,355)	n/m	1,228	(716)	n/m
Profit Margin (%)	8.4%	(5.6%)	1,401 bps	2.3%	(1.4%)	370 bps
Basic Earnings Per Share (EPS):						
From Continuing Operations (Kobo)	82	(35)	n/m	53	(17)	n/m
From Discontinued Operations (Kobo)	-	(1)	n/m	-	(1)	n/m
For the Period (Kobo)	82	(36)	n/m	53	(18)	n/m
Annualised Return on Equity (ROE)				7.2%	(2.4%)	957 bps
Annualised Return on Invested Capital (ROIC)				(0.1%)	5.4%	(556 bps)

n/m: not meaningful.

	Jun-23	Dec-22	Δ
Quick Ratio	0.5x	0.5x	(0.1x)
Current Ratio	1.1x	1.1x	(0.0x)
Gearing	40%	42%	(226 bps)
Total Assets / Equity	2.1x	2.1x	0.1x
Net Debt / EBITDA	1.7x	3.5x	(1.8x)
Free Cash Flow	1,988	9,578	(7,590)

Group Performance and Financial Review: Q2 2023

Revenue in Q2 2023 increased by 16% YoY to ₦28.3 billion on account of increased prices across all segments and volume growth in the Paints segment. All operating segments recorded revenue growth: Paints (+42%), QSR (+37%), Animal Feeds and Other Edibles (+12%), Packaged Food and Beverages (+11%).

Gross profit of ₦5.3 billion increased by 38% compared to ₦3.9 billion in Q2 2022. Gross profit margin of 19% (+ 306bps improvement) reflects the net impact of the price increases implemented in April and in June to mitigate the impact of inflation.

Operating profit of ₦665 million in Q2 2023 with a margin of 2.4% compared to the ₦257 million operating loss recorded in Q2 2022. Operating expenses increased by 14% YoY to ₦4.9 billion reflective of broader inflationary pressures. The most significant increases were distribution expenses, electricity and power costs, and personnel costs driven by higher haulage rates, electricity tariffs and diesel prices, and cost of living adjustments for employees. In response to the escalating cost environment, our operating companies implemented initiatives to improve operational efficiency which resulted in lower **opex/sales ratio** (36bps improvement YoY) of 17.3% in Q2 2023.

The Group recorded **Net finance income** of ₦2.9 billion in Q2 2023 (Q2 2022 Net finance cost: ₦630 million) which was supported by higher yield on investments and more materially, the Naira devaluation in June 2023 which resulted in a foreign currency revaluation gain of ₦3.6 billion on the holding company's treasury investment portfolio which c.30% is denominated in foreign currency.

Share of profit from **associate companies** of ₦486 million compared to share of loss of ₦79 million in Q2 2022 reflecting the net impact of the share of loss from UPDC PLC (₦36 million) and profit from MDS Logistics Limited (₦522 million) driven by sales from transport operations supported by the addition of trucks to the company's fleet as well as profit from disposal of non-core properties.

The revenue and operating margin impact as well as increase in net finance income resulted in a **Profit before tax** of ₦4.1 billion (Q2 2022 Loss before tax: ₦966 million). **Total profit for the quarter** was ₦2.4 billion compared to a loss after tax of ₦1.4 billion in Q2 2022. **Earnings per share** was 82 Kobo in Q2 2023 (Q2 2022: loss per share of 36 Kobo).

Segment Performance¹

Revenue (% and ₦m)	Q2 2023	Q2 2022	Δ % vs Q2 2022	H1 2023	H1 2022	Δ % vs H1 2022
Animal Feeds and Other Edibles	15,544	13,859	12.2%	30,645	30,403	0.8%
Paints	5,806	4,089	42.0%	9,777	8,745	11.8%
Packaged Food and Beverages	6,840	6,172	10.8%	12,247	12,658	(3.2%)
Quick Service Restaurants	972	708	37.3%	1,913	1,299	47.3%
Earnings /(Loss) before Interest & Tax – EBIT (₦m)	Q2 2023	Q2 2022	Δ % vs Q2 2022	H1 2023	H1 2022	Δ % vs H1 2022
Animal Feeds and Other Edibles	(338)	(773)	(56.2%)	(1,171)	(136)	759.7%
Paints	848	560	51.4%	1,239	1,320	(6.2%)
Packaged Food and Beverages	528	200	163.5%	595	633	(6.0%)
Quick Service Restaurants	(157)	(136)	15.6%	(309)	(273)	13.5%
Profit/ (Loss) Before Tax – PBT (₦m)	Q2 2023	Q2 2022	Δ % vs Q2 2022	H1 2023	H1 2022	Δ % vs H1 2022
Animal Feeds and Other Edibles	(892)	(1,370)	(34.9%)	(2,171)	(1,500)	44.8%
Paints	1,335	548	143.7%	1,912	1,329	43.8%
Packaged Food and Beverages	1,282	196	555.1%	1,275	534	138.9%
Quick Service Restaurants	(266)	(168)	58.6%	(461)	(334)	38.0%

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

Revenue increased 12.2% YoY to ₦15.5 billion in Q2 2023 (Q2 2022: ₦13.9 billion) on account of increased prices across all product categories (poultry, fish feed, and concentrates) in response to escalating costs which more than offset volume underperformance. Operating loss of ₦338 million in Q2 2023 improved compared to Q2 2022 operating loss of ₦773 million. Although operating loss declined YoY due to increased revenue, recorded loss was on account of increased operating cost. The segment recorded a ₦892 million loss before tax in Q2 2023 compared to a ₦1.4 billion loss before tax in Q2 2022. Management efforts are focused on returning the business to profitability; however, industry conditions remain challenging.

Paints

Revenue increased 42% YoY to ₦5.8 billion in Q2 2023 (Q2 2022: ₦4.1 billion) driven by strong volume growth as well as price increases implemented in Q2 2023 to mitigate the impact of inflation on raw materials. Operating profit was 51.4% higher at ₦848 million on account of higher average revenue per unit and operational efficiency. Opex/Sales improved by 317bps from 29% in Q2 2022 to 26% in Q2 2023. Profit before tax was ₦1.3 billion in Q2 2023, an increase of 144% compared with ₦548 million recorded in Q2 2022. Profitability was positively impacted by higher net finance income driven by ₦508 million exchange gain on foreign currency holdings.

Packaged Food and Beverages

Revenue increased 10.8% in Q2 2023 to ₦6.8 billion (Q2 2022: ₦6.2 billion) driven by revenue growth across all categories (snacks +10%, water +17%, and dairies +5%) on account of increased prices. Operating profit was 164% higher at ₦528 million (Q2 2022: ₦200 million) due to sales growth and lower conversion cost as a result of strategic management initiatives to improve operational efficiency as well as cost control measures to limit impact of higher distribution and energy costs. Profit before tax was ₦1.3 billion in Q2 2023, 555% higher than ₦196 million recorded in Q2 2022. Profitability was positively impacted by higher net finance income driven by ₦974 million exchange gain on foreign currency holdings.

Quick Service Restaurants (QSR)

Revenue from the Quick Service Restaurants segment (QSR) increased 37% YoY to ₦972 million in Q2 2023 (Q2 2022: ₦708 million) driven by growth in company-owned restaurants (corporate stores) in Lagos and Abuja. The segment recorded a ₦157 million operating loss in Q2 2023 (Q2 2022: ₦136 million loss) reflective of the impact of escalating power costs on store profitability as well as the impact of inflation on raw material costs. The QSR segment recorded a ₦266 million loss before tax in Q2 2023 (Q2 2022: ₦168 million loss before tax).

Associate: Real Estate (UPDC – 42.85% ownership)

UPDC's Q2 2023 revenue increased 266% YoY to ₦1.3 billion (Q2 2022: ₦357 million) driven by increased sales of plots of Pinnock Prime Estate, higher facility management fees, and the operationalization of UPDC Hotel which was formally reopened in September 2022. UPDC recorded operating profit of ₦36 million in Q2 2023 (Q2 2022: ₦34 million operating loss) due to increased revenue which offset higher administrative expenses, particularly costs incurred to run UPDC Hotel. Net finance costs decreased by 55% YoY to ₦53 million driven by the part repayment (₦1.1 billion) of its shareholder loan. UPDC recorded loss before tax of ₦17 million in Q2 2023, compared to the ₦152 million loss before tax recorded in Q2 2022.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 78% YoY to ₦4.1 billion in Q2 2023 from ₦2.3 billion in Q2 2022, driven by the expansion of the transport operation (addition of trucks to the company's fleet) and warehouse business. Operating profit was ₦1.8 billion (Q2 2022: ₦231 million) supported by gross margin expansion and other income of ₦944 million from the disposal of assets. Net finance cost increased by 298% to ₦579 million in Q2 2023 compared to ₦145 million in Q2 2022 on account of increased debt and higher finance costs to fund recent expansion of the company's transport fleet. MDS Logistics recorded a profit before tax of ₦1.2 billion in Q2 2023 compared to a profit before tax of ₦85 million in Q2 2022.

Results Conference Call

Management will host an investor and analyst conference call on Thursday, 3 August 2023 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

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.