
UAC of Nigeria PLC

H1 2023 Results

03 August 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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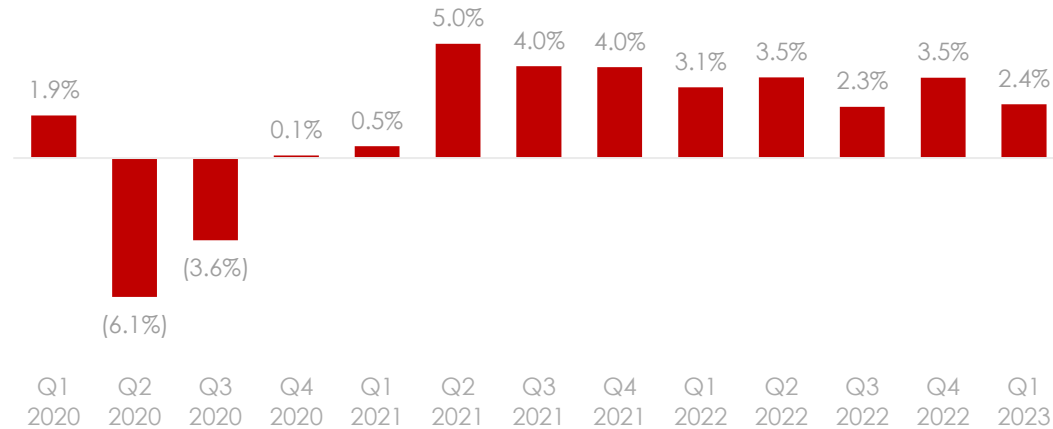
Operating Context



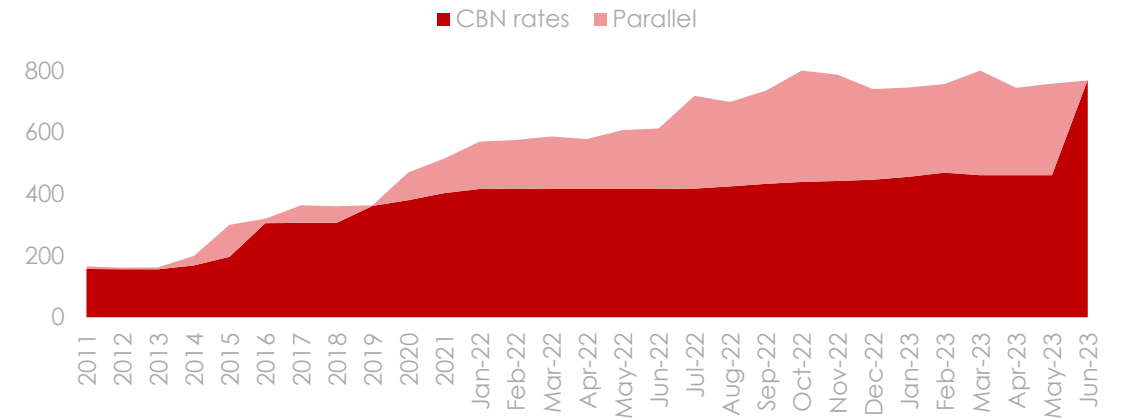
Macroeconomic conditions remain challenging with low growth, record high inflation, high interest rates, and naira devaluation

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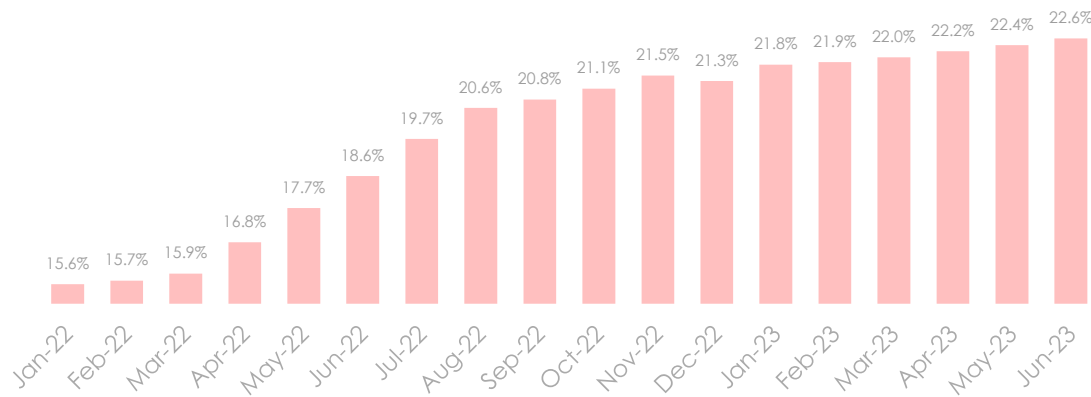
Real GDP Growth



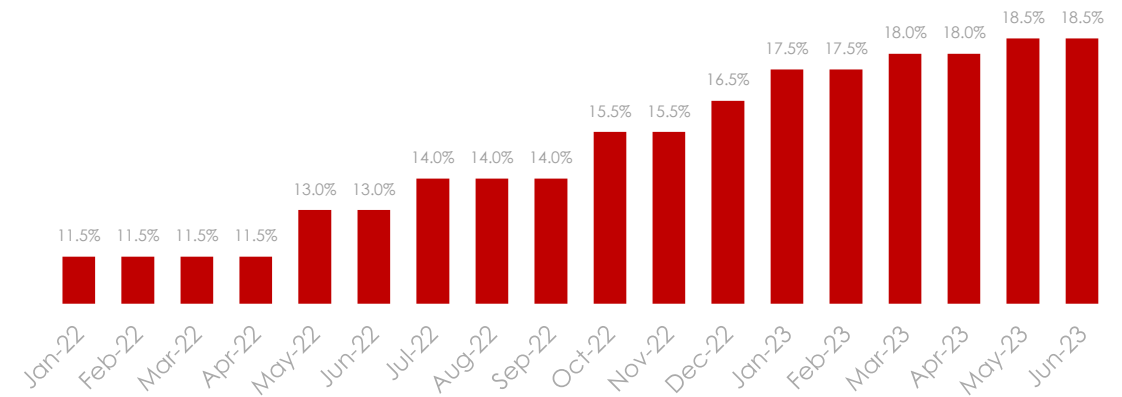
Exchange Rate ₦:\$



Inflation (%)



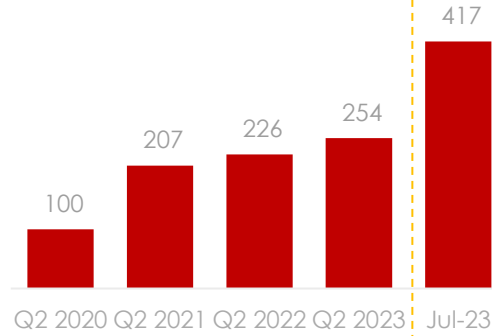
Interest rate (MPR) (%)



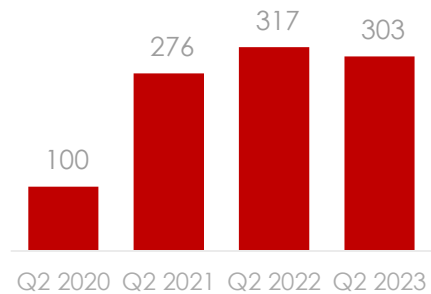
Escalation of key input and operating costs

- Animal Feed
- Paints
- Food

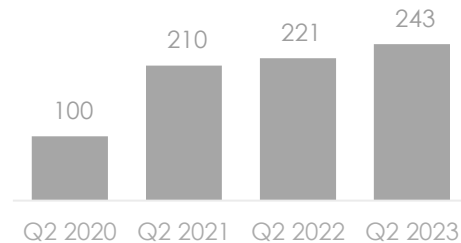
Maize



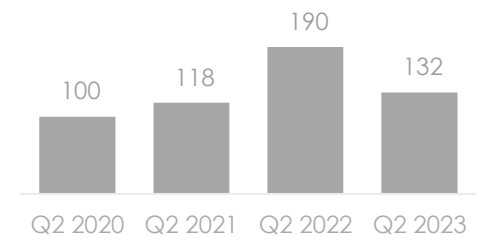
Soya Bean



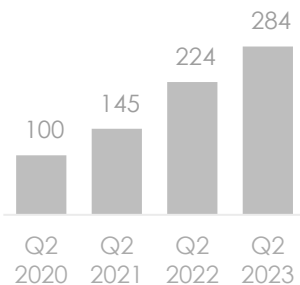
Resin



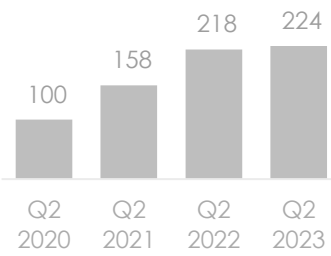
Titanium Dioxide



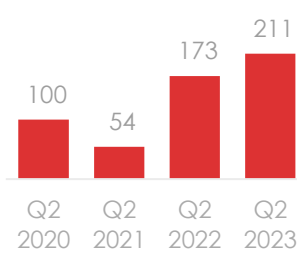
Flour



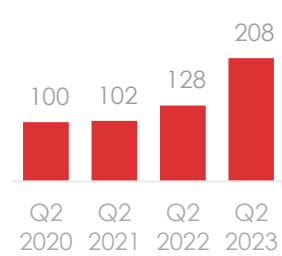
Vegetable Oil



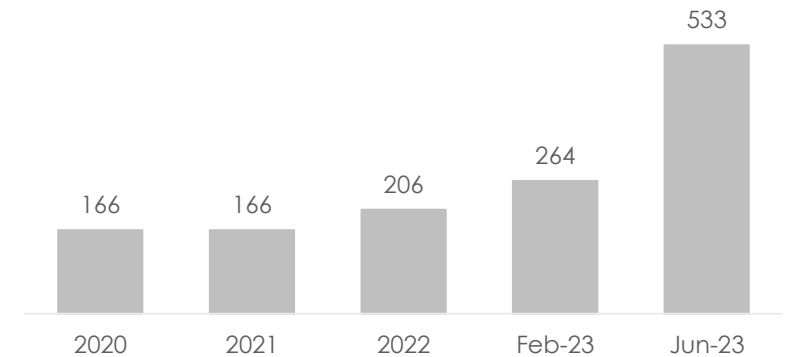
Fat-filled Milk



Sugar



Premium Motor Spirit Prices (₹/litre)



Performance Highlights

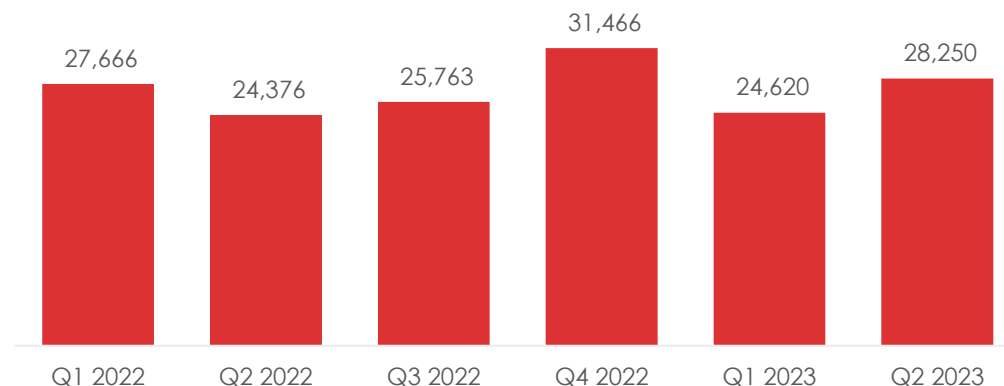


UAC Group: Returned to profitability, deleveraged balance sheet

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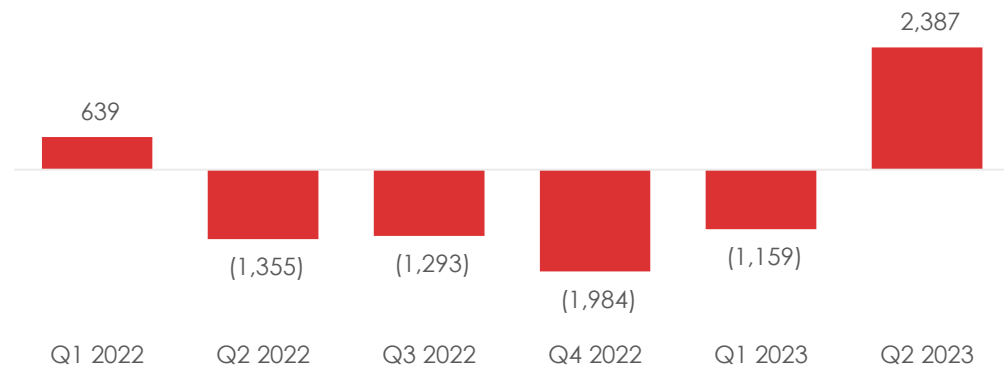
Revenue (₦'mn)

- Revenue +16% YoY in Q2 2023 vs Q2 2022 driven by price increases across all operating segments and volume growth in Paints



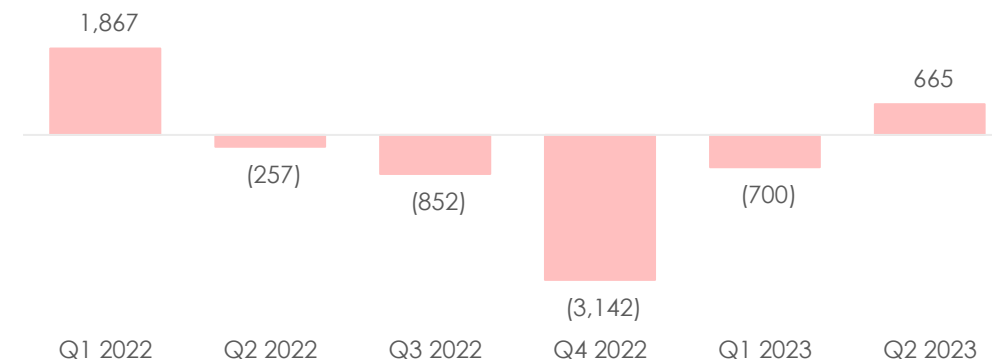
Net profit (₦'mn)

- Net profit of ₦2.4bn in Q2 2023 improved compared to prior quarters on account of increased revenue and FX revaluation gain of ₦3.6bn reported in the quarter



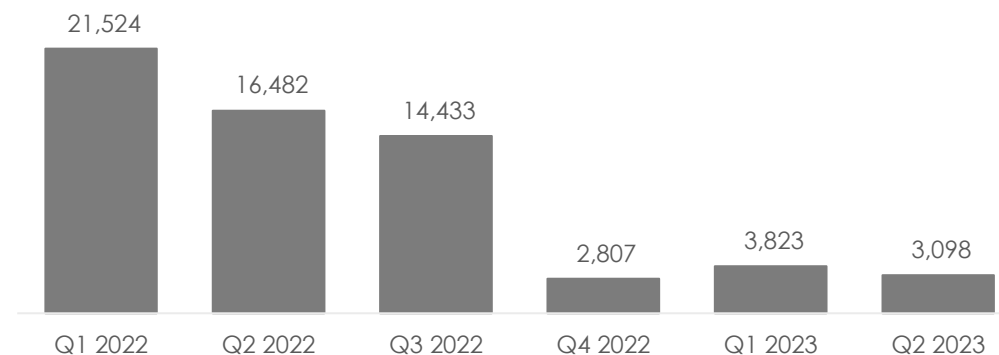
Operating profit / (loss) (₦'mn)

- The Group returned to profitability in Q2 2023 with an operating profit of ₦665mn after recording consecutive losses in prior quarters



Net debt (₦'mn)

- Net debt declined by 432% from Q2 2022 to Q2 2023 due to deliberate deleveraging at our Animal Feeds and Other Edibles segment

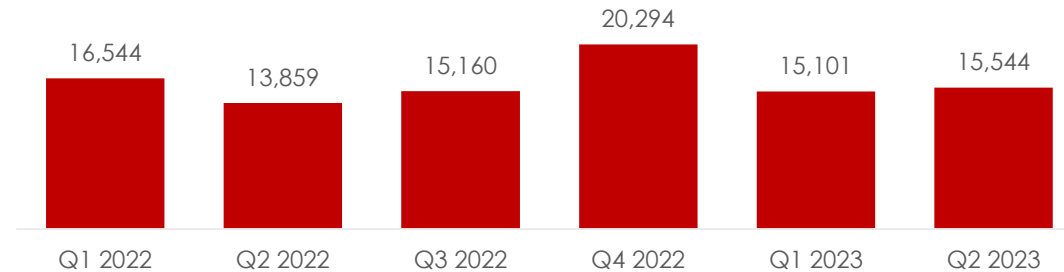


Animal Feeds: Reduced operating loss and de-risked balance sheet

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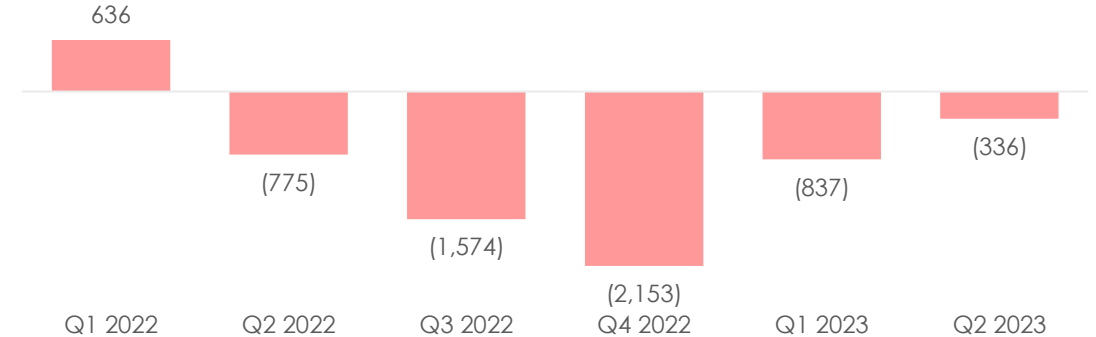
Revenue (R'mn)

- Revenue +12% YoY in Q2 2023 vs Q2 2022 primary driven by price increases
- Management is focused on returning the segment to profitability however, industry conditions remain challenging



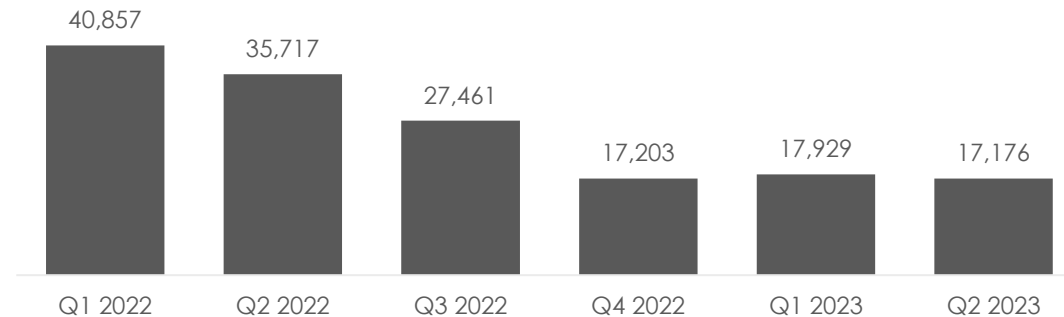
Operating profit / (loss) (R'mn)

- Improvement in operating loss a result of cost management initiatives and proactive pricing in response to escalating costs



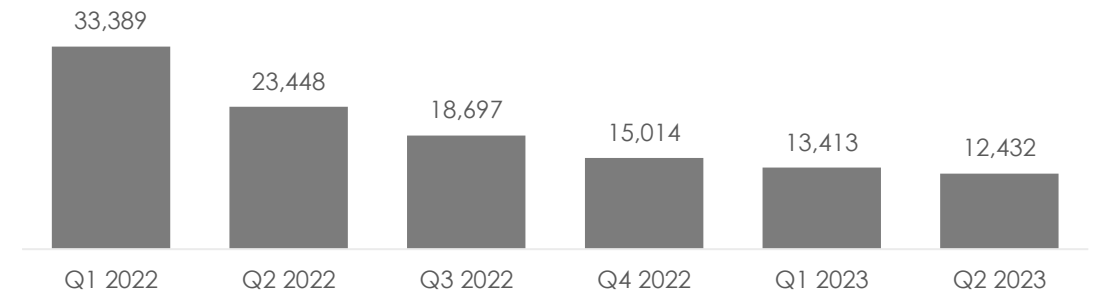
Inventory (R'mn)

- Inventory R23.7bn lower over the last six quarters, a deliberate effort to reduce excess inventory, improve working capital, and consequently, deleverage
- Inventory days reduced from 257 days in Q1 2022 to 95 days in Q2 2023



Interest bearing debt (R'mn)

- Reduced debt by R20.9bn in the last six quarters, inline with inventory reduction
- Deleveraging reduced finance costs
- Inventory to debt cover of 1.4x

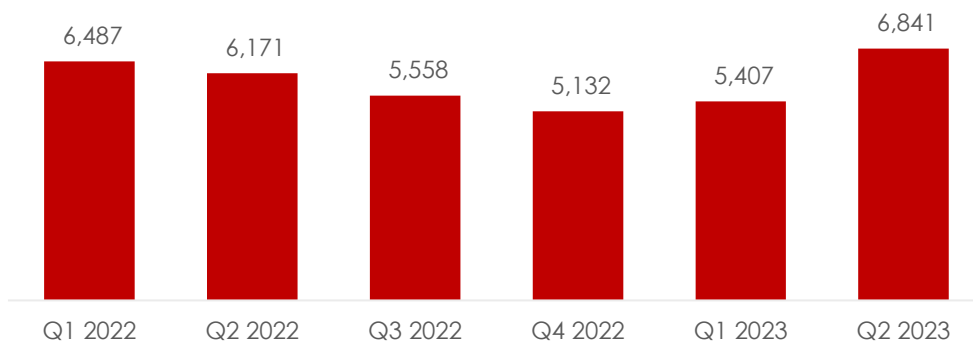


Packaged Food & Beverages: Reversed underperformance in Q2 with higher sales and operational efficiency

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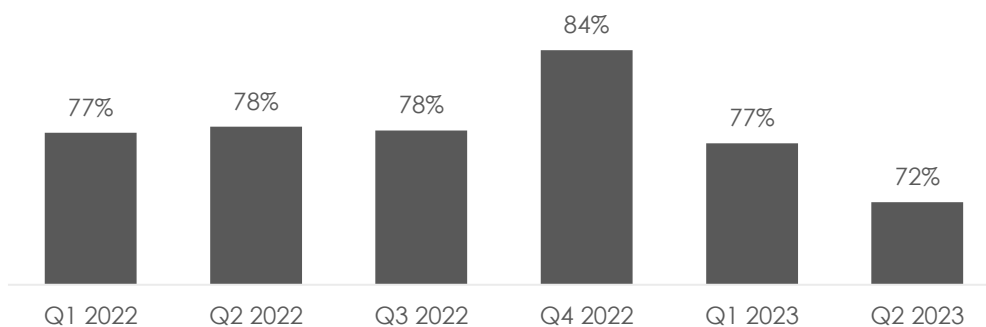
Revenue (₦'mn)

- Revenue +11% YoY in Q2 2023 vs. Q2 2022 primarily driven by price increases.
- Highest revenue per quarter of ₦6.8bn recorded in Q2 2023
- Category revenue growth: snacks (+10%), water (+17%), and dairies (+5%)



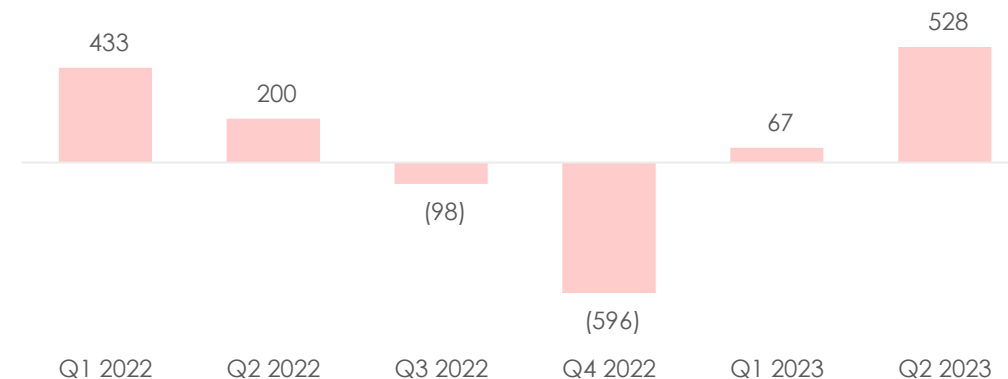
Cost of sales as a % of Revenue

- Decline in cost of sales ratio due to improvement in conversion cost driven by operational efficiency



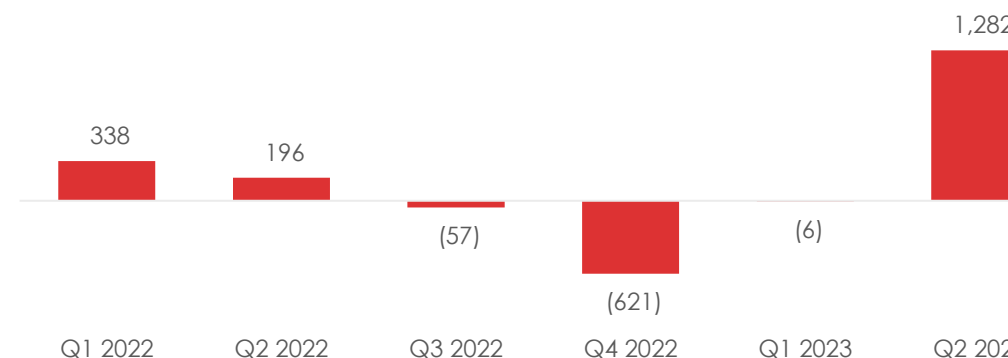
Operating profit / (loss) (₦'mn)

- Recorded highest EBIT in the last six quarters of ₦528mn
- Q1 2023 profitability impacted by cash scarcity, lost trading days due to elections
- Higher sales and conversion cost management initiatives supported Q2 EBIT



Profit before tax (₦'mn)

- Profit before tax of ₦1.3bn on account of increased operating profit and FX revaluation gain of ₦974mn reported in the quarter



Segment performance highlights

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Animal Feeds & Other Edibles

55% of Group revenue

- Quarter on quarter improvement in operating loss a result of cost management initiatives and proactive pricing
- Management is focused on returning the segment to profitability however, industry conditions remain challenging
- Primary focus on product quality, distribution and energy cost

Packaged Food & Beverages

23% of Group revenue

- Reversed underperformance with return to growth and profitability due to sales growth and lower conversion costs as a result of operational efficiency initiatives as well as cost control measures to limit impact of higher distribution and energy costs
- Focus on cost optimization, proactive pricing, and prioritize locations with attractive cost to serve
- Execute growth initiatives with caution until macroeconomic conditions improve

Paints

18% of Group revenue

- Volume growth despite significant price increases across all product lines to partially offset cost escalation
- Operating margin compression impacted by volume underperformance in Q1 2023 as well as cost escalation
- Focus on optimizing working capital, reducing import dependency, deepening retail penetration, expanding product range

QSR

4% of Group revenue

- Topline growth driven by corporate store growth following shift in strategy from 100% franchised store to corporate store model
- Operating loss reflective of impact of escalating costs on store profitability as well as impact of food inflation on input costs
- Focus on cost reduction, particularly energy and power costs, and overhead costs

Logistics

Associate

- Revenue driven by rate reviews and expansion of haulage services supported by addition of 165 trucks to MDS' fleet
- Margin supported by gross margin expansion and effective cost management amidst higher cost environment
- Profitability supported by disposal of non-core property assets

Real Estate

Associate

- Revenue driven by property sales, facility management fees and income from UPDC Hotel (formally reopened in Sep 2022)
- Profitability impacted by higher administrative expenses, particularly hotel running costs
- Improved cash position as a result of sales of inventory and increased cash receipts from receivables



We recently executed the following strategic objectives

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Governance

- In line with our objective to align the board composition of our portfolio companies with ownership, the following has been implemented in 2023:
 - UACN's Group Managing Director has been appointed Chairman of the Boards of Directors of Grand Cereals Limited (26 July), UAC Foods Limited (13 March), Chemical and Allied Products PLC (15 June), and UAC Restaurants (1 July).

People

- To address key talent gaps at the Holding Company, Debola Badejo (former Managing Director of UAC Restaurants) was appointed Executive Director and Group Head, Investments at UACN with responsibility for acquisition and divestments, value creation, major capital allocation, and subsidiary governance.
- He retains executive oversight of UAC Restaurants as Executive Vice Chairman.

Structure

- In line with our objective to simplify the group structure, we have merged UAC Foods (100% owned by UACN) and SWAN¹ (96.64% owned by UAC Foods).
 - Shareholders of UAC Foods and SWAN approved the merger at separate court-ordered meetings on 13 July 2023.
 - Court sanction of the merger, which triggers the effective date, was received on 31 July 2023.
 - Upon effectiveness of the merger, UACN owns 99.42% while SWAN minority shareholders own 0.58% of the enlarged UAC Foods.
 - No impact on UACN Group reporting as the Packaged Food and Beverages segment reflects the consolidated performance of UAC Foods and SWAN.
- The outstanding question regarding structure relates to our Animal Feeds businesses, as we have two legal entities in the same sector however, immediate priority is on improving profitability of the segment.

Capital allocation

- Intragroup treasury: HoldCo refinancing of a portion of subsidiary short-term debt with c.4.4bn commercial papers to reduce impact of rising borrowing costs from commercial banks.



Mr Bigg's
ALWAYS GOOD

H1 2023 Financial Performance

**Start Your
Day Right**

**Enjoy
Lip Smacking
Meals**

Mr Bigg's
ALWAYS GOOD

**Enjoy
Lip Smacking
Meals**



Financial highlights

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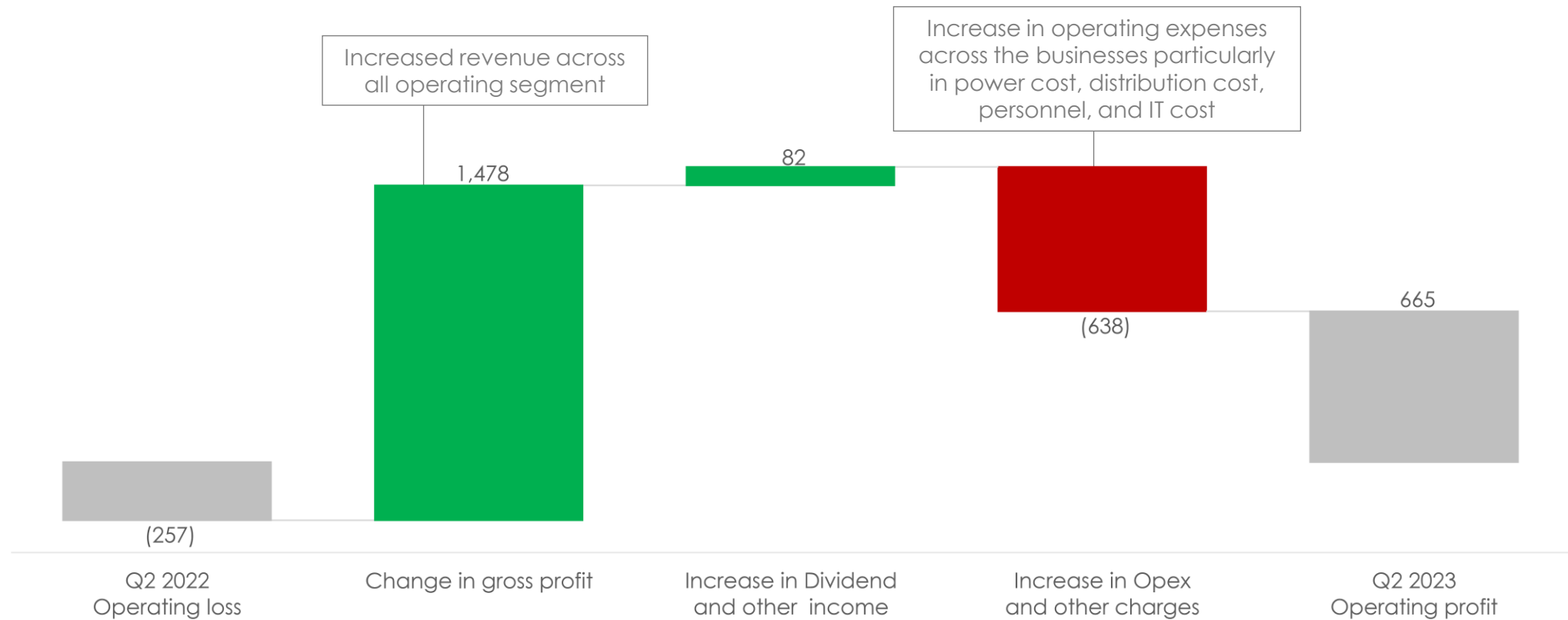
In Naira Millions	Q1 2023	Q1 2022	%change	Q2 2023	Q2 2022	%change	H1 2023	H1 2022	%change
Revenue	24,620	27,666	(11%)	28,250	24,376	16%	52,870	52,042	2%
COGS	(21,341)	(22,590)	(6%)	(22,910)	(20,515)	12%	(44,252)	(43,105)	3%
Gross Profit	3,279	5,075	(35%)	5,340	3,862	38%	8,619	8,937	(4%)
Gross Profit Margin	13%	18%	(503 bps)	19%	16%	306 bps	16%	17%	(87 bps)
Operating expense	(4,157)	(3,665)	13%	(4,878)	(4,296)	14%	(9,035)	(7,961)	13%
Other income	178	457	(61%)	204	177	15%	381	634	(40%)
Opex/Sales	17%	13%	364 bps	17%	18%	(36 bps)	17%	15%	179 bps
EBIT	(700)	1,867	n/m	665	(257)	n/m	(35)	1,611	n/m
EBIT Margin	(2.8%)	6.8%	(959 bps)	2.4%	(1.1%)	341 bps	(0.1%)	3.1%	(316 bps)
Net finance income/(cost)	(232)	(910)	(75%)	2,949	(630)	n/m	2,717	(1,540)	n/m
Share of profit/(loss) from associates	(5)	21	n/m	486	(79)	n/m	481	(58)	n/m
Profit before tax	(937)	979	n/m	4,099	(966)	n/m	3,163	12	n/m
PBT Margin	(4%)	4%	(734 bps)	15%	(4%)	1,848 bps	6%	0%	596 bps



Key factors impacting Group operating profit- Q2 2023

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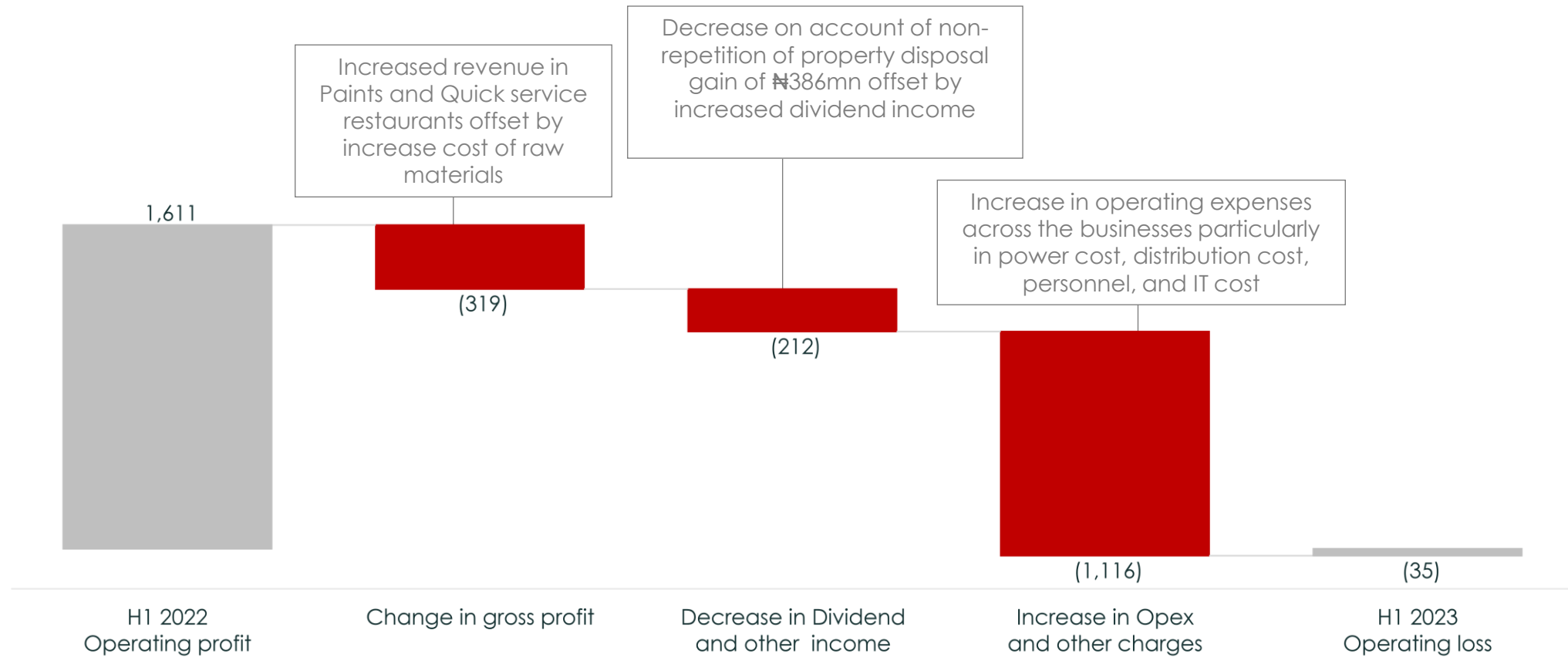
Operating Profit Bridge, in ₹ mn (Q2 2022 to Q2 2023)



Key factors impacting Group operating profit- H1 2023

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Operating Profit Bridge, in ₹ mn (H1 2022 to H1 2023)



Balance sheet and liquidity

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Net Assets

₦45.6bn

+₦0.3bn
vs Dec 2022

Net Debt

₦3.1bn

(₦0.3bn)
vs Dec 2022

Net Capex

₦2.8bn

(₦4.3bn)
vs Dec 2022

Cash Cycle

75 days

+1 day
vs Dec 2022

Outlook



- 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.
- We aim to focus on the following priorities
 - Performance: Reverse underperformance of the Animal Feeds and Other Edibles businesses.
 - Structure: Continued focus on simplicity.
 - Efficiency: Sharp focus on reducing conversion and operating costs.
 - People: Attract and retain the strongest possible management teams.

Questions & Answers

For further information please contact

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Phone: +234 906 269 2908



Appendix 1

Additional financial information



Income statement

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₹ mn, unless otherwise stated	H1 2023	H1 2022	Δ%
Revenue	52,870	52,042	2%
Gross Profit	8,619	8,937	(4%)
Gross Profit Margin (%)	16%	17%	(87 bps)
Operating Profit	(35)	1,611	n/m
Operating Profit Margin (%)	(0.1%)	3%	(316 bps)
Net Finance Income	2,717	(1,540)	n/m
Share of Profit/(Loss) of Associates and JVs	481	(58)	n/m
Profit Before Tax	3,163	12	n/m
Tax expense	(1,935)	(690)	181%
Profit After Tax from Continuing Operations	1,228	(677)	n/m
Profit/ (Loss) After Tax from Discontinued Operations	-	(39)	n.a
Profit/ (Loss) for the period	1,228	(716)	n/m
Basic Earnings Per Share For the Period	53	(18)	n/m
ROIC	(0.1%)	5.4%	(556 bps)

Performance Snapshot – H1 2023

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Revenue

N mn	H1 2023	H1 2022	Δ%
Group	52,870	52,042	2%
Animal Feeds & Other Edibles	30,645	30,403	1%
Paints	9,777	8,745	12%
Packaged Food & Beverages	12,247	12,658	(3%)
Quick Service Restaurants	1,913	1,299	47%
Associate: Logistics	8,153	4,526	80%
Associate: Real estate	2,150	1,138	89%

Operating Margins

N mn	H1 2023	H1 2022	Δ%
Animal Feeds & Other Edibles	(4%)	(0.4%)	(337 bps)
Paints	13%	15%	(243 bps)
Packaged Food & Beverages	5%	5%	(14 bps)
Quick Service Restaurants	(16%)	(21%)	481 bps
Associate: Logistics	31%	6%	2,481 bps
Associate: Real estate	(0%)	20%	n/m

Profit Before Tax

N mn	H1 2023	H1 2022	Δ%
Animal Feeds & Other Edibles	(2,171)	(1,500)	45%
Paints	1,912	1,329	44%
Packaged Food & Beverages	1,275	534	139%
Quick Service Restaurants	(461)	(334)	38%
Associate: Logistics	1,370	30	4527%
Associate: Real estate	(142)	(6)	2209%

Return on Invested Capital

N mn	H1 2023	H1 2022	Δ%
Animal Feeds & Other Edibles	(14%)	(1%)	(1,343 bps)
Paints	69%	92%	(2,313 bps)
Packaged Food & Beverages	12%	12%	61 bps
Quick Service Restaurants	(26%)	(52%)	2,585 bps
Associate: Logistics	21%	4%	1,662 bps
Associate: Real estate	(0%)	2%	(251 bps)



Financial Position – 30 June 2023

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Summary Balance Sheet

N mn	Jun-23	Dec-22	Δ%
Non-current Assets	48,888	45,994	6%
Current Assets	48,063	47,292	2%
Other Assets	542	542	0%
Total Assets	97,493	93,828	4%
Long term debt	2,617	2,467	6%
Short term debt	15,478	16,537	(6%)
Other Liabilities	33,832	29,543	15%
Total Liabilities	51,927	48,547	7%
Net Asset Value	45,566	45,280	1%

Cash/ Leverage H1 2023

N mn	Cash	Debt ³	Net (Debt)/ Cash	Lev. ² Ratio	EBITDA
HoldCo	5,472	5,611	(138)	n.m.	491
Animal Feeds & Other Edibles	1,517	12,291	(10,774)	n.m.	(662)
Paints	4,529	663	3,866	2.6x	1,484
Packaged Food & Beverages	3,413	817	2,596	1.9x	1,370
QSR	66	2,524	(2,458)	n.m.	(88)

Working Capital

N mn	Jun-23	Dec-22	Δ%
Inventory	26,248	24,396	8%
Trade Receivables	1,819	1,562	16%
Trade Payables	9,594	6,480	48%
Net Working Capital¹	18,474	19,479	(5%)
Inventory Days	108	94	16%
Receivable Days	6	5	20%
Payable Days	40	25	59%
Net Working Capital Days	75	74	1%

Capex H1 2023

N mn	CAPEX	Depreciation	CAPEX / Depreciation
HoldCo	51	78	0.7x
Animal Feeds & Other Edibles	542	509	1.1x
Paints	319	245	1.3x
Packaged Food & Beverages	2,046	775	2.6x
QSR	69	221	0.3x



(1) Net Working Capital calculated as Inventory plus Receivables minus Trade payables;

(2) Leverage ratio calculated as Net debt / EBITDA; where EBITDA is Operating profit plus depreciation and amortization

(3) Debt includes intercompany borrowings

Net Debt Position

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Net (Debt)/Cash Position as at 30 June 2023 (in ₦ mn)

	Cash & Cash equivalents	Short term debt	Long term debt	Net cash (ex. Intra group loans)	Intra group receivable/ (payable)	Net cash/ (debt)
Holdco	5,472	(5,611)	-	(138)	8,778	8,640
Animal Feeds & Other Edibles	1,517	(8,387)	(1,394)	(8,264)	(3,306)	(11,570)
Paints	4,529	(663)	-	3,866	(759)	3,106
Packaged Food & Beverages	3,413	(817)	-	2,596	(3,149)	(552)
QSR	66	-	(1,223)	(1,157)	(1,564)	(2,722)
	14,997	(15,478)	(2,617)	(3,098)	-	(3,098)

Cash Flow

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PBT to Free Cash Flow

₹ mn, unless otherwise stated	H1 2023	H1 2022
Profit Before Tax from continuing operations	3,163	12
Profit/ (Loss) before tax from discontinued operations	-	(39)
Non-Cash charges	960	2,531
Changes in working capital	1,526	(4,570)
<i>of which receivables</i>	(204)	3,469
<i>of which inventory</i>	(1,934)	(8,587)
<i>of which payables</i>	4,487	1,353
<i>of which other working capital items</i>	(823)	(805)
Net cash from operations	5,649	(2,066)
Cash taxes	(857)	(108)
Net cash flow generated from operating activities	4,793	(2,174)
Net CAPEX	(2,804)	(2,372)
Free Cash Flow	1,988	(4,546)

