



## UAC of Nigeria PLC

### H1 2021 Results Conference Call Transcript

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**Presenters:**

- Mr. Fola Aiyesimoju (Group Managing Director, UAC of Nigeria PLC)
- Mrs. Funke Ijaiya-Oladipo (Group Finance Director, UAC of Nigeria PLC)

**Moderator:**

- Mrs. Lolade Bashiru (Vice President, Investment, UAC of Nigeria PLC)

## 1. Presentation

**Moderator:** Good morning, and good afternoon, ladies and gentlemen. Welcome to the UAC of Nigeria PLC Half Year 2021 Results Conference Call. This conference call will be hosted by Fola Aiyesimoju, Group Managing Director; and Funke Ijaiya-Oladipo, Group Finance Director. Please note that this call is being recorded. Following prepared remarks by UAC's management team, an interactive Q&A session will start. I will now hand the call over to Fola Aiyesimoju.

**Fola Aiyesimoju** (*UAC Group Managing Director*)

### Introductory remarks

Thanks, Lolade. Hello all and thank you for making time to participate in our results presentation. Funke and I will aim to frame our operating context and then spend time on performance in the first half of the year.

### Macroeconomics review

Before we delve into the specifics regarding the operating context, the big topic in the first half of last year, which is the comparative period, was COVID-19 and the resultant restrictions on the movement of people and goods, which constrained growth. The big topic in the first half of this year is inflation and the impact on margins.

We delve into a bit more detail on these topics from Slide 5. In summary, the operating context has been tough. The economy has recovered from the COVID-19-induced recession experienced last year. However, growth rates remain low relative to historical trend and certainly below the rate of population growth, further constraining household incomes.

There has been pressure on the Naira with the exchange rate weakening as well as challenges sourcing foreign currency to fund the importation of raw materials and capital equipment. This has the dual negative impact of stoking inflation and constraining growth. We saw an uptick in inflation to approximately 18% in the first half of the year, which has likely contributed to the rising interest rates from lows recorded in Q4 2020.

Slide 6 brings this home and reflects the impact on our businesses, which have seen an escalation of key production input costs at rates far in excess of the headline inflation numbers. In the Animal Feeds segment, the prices for maize and soya have more than doubled. There have been significant price escalations for resins and titanium dioxide and other key inputs in the Paints segment and key raw materials in the food segment, including flour, vegetable oil, milk powder and sugar recorded major

price increases as well. As such, our focus has been on initiatives to protect margin which entail a mix of price increases, production efficiencies and operating efficiencies.

In the next section of the presentation, Funke will spend a bit of time outlining how these initiatives impacted our results. I will now turn the discussion over to Funke, who starting on Slide 8, will take us through our performance for the first half of the year.

**Funke Ijaiya-Oladipo** (*UAC Group Finance Director*)

### **Financial performance highlights**

Good afternoon, ladies and gentlemen. On this slide, I'll explain the key reporting changes that should be considered when comparing the group's year-on-year performance. Two transactions related to UAC's associate companies are responsible for the key changes. The first is that in the first half of last year, we sold a controlling stake in MDS, our logistics business, and the gain was recorded in discontinued operations. The second is that UPDC Plc, our real estate business, was accounted for as a discontinued operation last year because of the proposed unbundling at the time. In this set of results for the first half of the year, following the completion of the sale of a controlling stake, UPDC is now classified as an associate company.

To be able to compare our profit on a like-for-like basis, we adjust last year's profit by stripping out the impact of MDS from discontinued operations, which was NGN 944 million in profit, and we also reflect the impact of UPDC as an associate company. In summary, group profit when adjusted on a like-for-like basis increased by NGN 1.8 billion compared to the same period last year.

In terms of key reporting changes, it's also important to highlight in terms of subsequent events that the merger between our Paints businesses, CAP and Portland Paints, was concluded on the 1st of July. So, the next set of results will reflect the combined entity.

Please turn to Slide 9, where I will focus on the highlights of the group's income statement. To put the results into context, it's important to point out that performance in the second quarter of last year was impacted by COVID-19 related disruptions as well as restrictions to the movement of people and goods. This year, our businesses have not been as affected by operational disruptions. So, there is an overall improvement in sales recorded year-on-year. However, our cost base is significantly higher year-on-year, and that has impacted performance.

I'll spend time on the half year results in comparison with the prior period, and these are reflected on the fourth and fifth columns of this page. Revenue increased 27% to NGN 46 billion from NGN 37 billion last year, supported by sales growth across all operating segments. This represents an increase of about NGN 10 billion in absolute values. The Packaged food and beverage segment recorded an additional NGN 4 billion in sales. The Animal Feeds & other Edibles segment contributed an additional NGN 3 billion in sales, and NGN 2.5 billion was contributed from the Paints segment in addition.

Gross profit was 19% higher year-on-year at NGN 8 billion. The group's gross margin contracted by over 100 basis points for 2 key reasons. The first was the impact of the input cost escalation across our operating segments as well as lower sales in the Paints segment in the first quarter of 2021, which was a direct result of supply chain disruptions and availability of key raw materials, which impacted production and the ability to meet demand in the first quarter of the year.

Operating profit 105% higher at NGN 1.7 billion, and this was supported by revenue growth, operational efficiency and increase in other income. We recorded a net finance cost in the first half of this year versus net finance income last year. The key difference being higher finance costs driven by short-term borrowing in the Animal Feeds segment to support deliberate efforts to build inventory.

Our associate companies, UPDC and MDS, recorded losses in the first half of the year versus the profit booked by our associate company, MDS, last year. And the plan is to work with the partners in both of these companies to improve profitability going forward.

Profit before tax is up 25% to NGN 1.3 billion. And profit after tax from continuing operations was up 3.5x to NGN 765 million. As I mentioned in the previous slide, UAC recorded NGN 944 million profit from discontinued operations in the half year last year, and that impacts year-on-year comparison. And when we adjust on a like-for-like basis, our half year profit increased by NGN 1.8 billion year-on-year.

The earnings per share from our continuing operations increased by 12 kobo from a loss of 7 kobo last year to 5 kobo this year, and the annualized return on invested capital is at 5.2%.

### **Operating segment highlights**

Please turn to Slide 10, which summarizes our financial performance by our operating segments for the first 6 months of the year. Revenue from our Animal Feeds & other Edibles segment increased by 13% year-on-year to NGN 28 billion, and this was on account of higher sales across our poultry and fish feed categories. The fish feed category recorded double-digit volume growth as the category continues to benefit from import restrictions, resulting in customers migrating from imported brands to locally produced brands.

Operating profit increased 4x to over NGN 1 billion as a result of the price increases across all product categories to offset the higher raw material costs. In addition, cost-saving initiatives focused on reducing distribution expenses as well as operational improvements taken by Grand Cereals and Livestock Feeds contributed to the operating margin expanding 300 basis points in the period. For this segment, our focus going forward is to continue to grow the higher-margin edibles category and also to rationalize the excess capacity.

For the Paints segment, performance last year was impacted by COVID-19 related restrictions that limited sales. The hardest impact was felt in the month of April last year when our Paints businesses couldn't produce during the lockdown. This segment recorded a top line growth of 59% year-on-year to NGN 7 billion, and it was driven by volume growth. All paint categories, except the industrial category, reported higher sales.

In the first quarter of the year 2021, as I mentioned earlier, our Paint business did suffer some production disruptions linked to the availability of key raw materials. And as a result of this, operating profit was 7% lower in this segment. Following the completion of the merger between CAP and Portland Paints in July, the enlarged CAP is now the leading paints company in Nigeria, and our focus for this segment going forward is to deepen retail penetration and to expand the product range.

Moving on to the performance of our Packaged food and beverage segment. Top line grew by 46% to NGN 12 billion. And this was off the back of double-digit volume growth across all categories - the snacks, spring water and ice cream. Volume growth was supported by 3 things, which was, (i) improved distribution in the South of Nigeria; (ii) The introduction of new snack variants, there were snack variants launched in May, Gala Classic and Gala Spicy as well as; (iii) additional spring water capacity. It's also worth mentioning that this segment was also slightly impacted by COVID restrictions imposed to trading and marketing open hours during the lockdown last year.

Operating profit in this segment increased by 64%, and this was supported by recent efforts to improve margins by providing customers with more choice and also cost management efforts to offset input cost escalation. Our focus for this segment is to invest and expand the spring water capacity and also to continue to improve distribution.

For our Quick Service Restaurants segment, revenue increased 62% year-on-year to NGN 1 billion, driven by higher sales in our company-owned restaurants, our central kitchen as well has higher royalties from franchisees on account of improved sales and collections. Profitability improved year-on-year. However, the segment was also impacted by higher raw material costs, and we also invested in management talent to drive corporate store expansion strategy.

You may recall from our full year results call in April that we announced UAC Restaurants plan to expand and roll out more corporate stores and increase them from 5 to 50 over the next 5 years. Off the back of this strategy, we expect significant growth from the Quick Service Restaurant segment in the coming years.

Please turn to Slide 11, which shows the performance of our operating segments for the second quarter of the year. In summary, all our businesses recorded top line growth, improvement in operating margins and profitability across all segments.

Please turn to Slide 12. Our businesses operated in a significantly higher cost environment in the second quarter of the year, which impacted gross margin. In response to the cost escalation, we drove initiatives, aimed at improving operational efficiency. So, in spite of the higher cost environment, operating expenses as a percentage of sales improved across all segments.

In the period under review, our operating expenses across the group were impacted by certain items, about NGN 200 million because of the timing of when the expenses were incurred compared to the same period last year. We donated about NGN 100 million to CACOVID to support government initiatives, and we also recorded about NGN 80 million from impairment of aging stock at CAP.

Please turn to Slide 13, which shows a snapshot of the group's financial position as at 30th of June. I will focus on key changes and material movements in the group's balance sheet compared to December 2020. In March, you will recall that we announced the unbundling of UPDC REIT units to UAC shareholders. As a result of this proposed unbundling, UPDC REIT, which was previously held as an investment and associate, is now classified as held for distribution. So there's a NGN 3 billion movement in noncurrent assets to other assets because of this reclassification.

Also, we increased our working capital deliberately to mitigate the impact of rising input costs, especially in the Animal Feeds segment and our Paints businesses to essentially ensure sufficient raw material availability to continue production. As a result, inventory increased by about NGN 12 billion. To support this, total borrowing across the group increased to NGN 14 billion. Most of this is short-term debt from our Animal Feeds segment and a portion from our Paints business.

Across the group, we're liquid. At the holding company, we have NGN 9 billion in cash. The key movement being the NGN 3.5 billion paid to UAC shareholders as dividends.

Please turn to Slide 14. In summary, the increase in the group debt, as I've mentioned, is from the short-term financing from the Animal Feeds segment, and you can see the corresponding increase in inventory and interest expense that was incurred. So far, the continued escalation in commodity prices more than offset the holding cost of inventory, and we'll continue to keep an eye on the buying season for our Animal Feeds segment in the fourth quarter of the year.

I will now hand over to Fola to take us through the last section of the presentation.

**Fola Aiyesimoju** (*UAC Group Managing Director*)

### **Compelling growth outlook**

Thank you, Funke. Please turn to Slide 16. To recap, we recorded growth in revenue, profitability and improvement in margins in the first half of the year. Going forward, our focus continues to be on further improvement in margins in the Animal Feeds space. We are pleased to have completed the merger of our subsidiaries, CAP and Portland Paints and are well advanced with integration. And we're aggressively growing the enlarged paints business via the rollout of color centres and color shops.

We focus on expanding the water segment of our Packaged Food and Beverages business and improving margins in the snack segment. We are executing a corporate store-led expansion plan for our Quick Service Restaurants business. We expect improvements from our associates MDS and UPDC going forward, and our cash reserves provide us capital to deploy on accretive investments

Thank you, and we will now take questions

## 2. Question and Answer

**Moderator:**

[Moderator Instructions] Your first question is from Oluwaseun Arambada.

**Oluwaseun Arambada** (*Unknown Analyst*)

My question has to do with your Paints business. Congratulations again for completing the merger between CAP and Portland. But I just want to have an idea, is the group looking at further opportunities for inorganic growth? I understand that the Paints market is quite fragmented. I don't know if UAC is on the lookout for further opportunities for consolidation?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank you, Seun. I think specifically, we feel with the combination of CAP and Portland Paints, we're very well represented in the premium and standard segments of the paints space. And our primary focus is on aggressive organic growth. So that's what our focus is. But we always have an eye out on opportunities that we feel would either (i) be complementary to our existing businesses. So maybe we are very decorative focused. If something comes up that is more industrial focused, we'll look at it or (ii) things that broaden our geographic footprint we'll look at. But the primary focus, where we will spend our time on over the next 12, 18 months, is on trying to at least double our retail footprint.

**Moderator:** Your next question is from Brad.

**Brad** (*Unknown Analyst*)

Thank you for having the call. I have 2 questions. The first question is around the Paints business as well. I was wondering if you could comment a bit more on the margin and whether you expect to see sort of a quick bounce back in margin? Or if you think it will take some time before you can, I guess, return to the margins that you had a couple of years ago?

And the second question that I have is, I was wondering if you can talk a bit about how you're thinking about capital allocation at a group level? How are you prioritizing incremental acquisitions or investments in your businesses? And are there other opportunities to, is there extra cash to either buy more of any of your existing businesses or to buy back shares at the holding company?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank you, Brad. I think as regards to Paints, I think there are 2 questions just sort of commentary on margin. I think it's just quite simply the very rapid escalation in raw material input costs that constrained margin. I think we, in hindsight, maybe we could have been more aggressive in terms of moving price to mitigate this.

In terms of speed of bounce back, we took a price increase in May, another one in August and have more planned for the year. So, if the environment was static, I would be confident to say this year, we expect a reasonably quick bounce back. But, whilst things have significantly improved from a macro and cost escalation perspective from where they were sort of 6 months ago, I don't know that we've bottomed. So, it's very difficult to figure out when we stop playing catch up, if that makes any sense.

So, we will, for sure, see improvement, and I expect those improvements to begin to come through imminently. And the speed that we catch up to historical margins will be impacted by what happens with commodity price inputs

As regards capital allocation of the group, we have a very clear framework. The most attractive opportunity for us are companies we already own in sectors that we like. So we would love to buy more of those businesses. The next most attractive sort of adjacency for us or investment opportunity for us would be companies that we don't own in the same sectors that we like, and we rank the sectors we like quite unemotionally, it's by ROIC and ROIC potential.

And only when we've satisfied or when we have fully deployed to, those 2, would we begin to look at things that are outside of that perimeter. And I think as Oluwaseun, when he asked the question, for companies like CAP, where we are a market leader, well represented, we will begin to see if there are things outside of Nigeria for us to exploit, but this is a bit longer term.

About share buybacks, we did seek approval from shareholders to establish a program. This wouldn't be a core use of capital, but we may explore buying shares if we think the opportunity is attractive. But our primary focus on the capital deployment perspective will be buying more companies we own and like and investing more in sectors that we are in and like.

**Brad** (*Unknown Analyst*)

Thanks for that, and just 1 follow-up. Do you think there will be an opportunity to buy more of companies you already own in the next year or 2? Or that's hard to see?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

It is hard to see. So, over a 2-year period, we're optimistic that an opportunity will arise, but it's hard to see where we sit today, whether it's 3 months, 6 months or further out.

**Brad** (*Unknown Analyst*)

If there are no more questions, I'd like to ask a question about MDS, your logistics business and the real estate business. Can you talk a bit more about the troubles that they're having and how that might be fixed?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

I think for the logistics, I will start with the logistics business, I think that business has 3 segments: warehousing, haulage and distribution. And the difference is haulage and distribution are both transportation businesses, one is long haul, and one is short haul. I think the warehousing business is profitable but has seen lower volumes because the core FMCG customers have explored going direct to distributor, but it's still profitable.

What we're doing to fix that business is sort of rightsizing capacity. So, where we have a warehouse that is in a location that is significantly under-utilized, we shut it down and then consolidate volumes from surrounding warehouses. And therefore, we get the profitability and margins for that segment back up to where we want.

For the haulage business, it's been a loss maker for as long as I can remember. And so we are only going to invest in what we call dedicated fleet contracts. So rather than buy a whole bunch of trucks and wait for the market to rent or to ask for capacity, we engage with corporates and sign fixed and variable contracts, and this is how that segment is going to grow. Distribution we like, is profitable, and we're going to put more capital behind it.

Now that is on the existing business. Our partners, Imperial and ourselves have ambitious growth plans for that business and to exploring new things that we can lay on to the platform. None has been bedded down and the furthest advanced, which we've already started building, is cold chain logistics. We feel that the margins in what are more specialized segments of the logistics sector far exceed playing in the non-specialized. So, pharma logistics, cold chain logistics are areas that we see as opportunities to drive significant growth for the business going forward.

For the Real Estate business, you mentioned the challenges facing that business. I remain on the Board of the company. And I'm quite optimistic. I think UPDC went through a phase of restructuring and cleanup. I think that phase is very much in the rearview mirror. And I think the management team of that company are focused on only one thing, on growth. The balance sheet is completely transformed. It's actually quite a healthy balance sheet. And the growth plans would be site and service schemes.

And the reason for site and service schemes are that they are much quicker turnaround than full-blown developments. So, your return on invested capital is much higher. And crucially, they seem to be what the market demands because I guess it gives buyers a bit more flexibility in terms of building over time

and making customization to the end product as they deem fit. And when we look into UPDC's history and sort of split the products into those that worked very well and those that didn't work so well, similar type projects, site and service are those that we're happiest with.

So, in summary, I think MDS, initial just fix the challenges that the company has faced over the last sort of 12 months and going forward, focus on specialized aspects of logistics being pharma and cold chain for growth, and UPDC, the restructuring is in the rearview mirror and the plan is to grow based on deploying capital to site and service schemes.

**Moderator:** I have a question from Onome in the meeting chat, Onome from Money Africa. And I read, please could management share a bit more color on the planned QSR expansion? Is there a target number of new stores before year-end? Is it going to be franchise led or owned by the firm?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank you Onome. I think big picture, this company was 100% franchised, if I go back about 24 months. We did sort of pilots. We did 5 corporate stores, and they've worked out very well. Our plan is to significantly scale. I think the Board of the company has asked the management team to bring forward as many sites as they find. I know the medium-term plan, let's call it, 3 to 5 years is to go to between 75 and 100 stores. And the pace at which this occurs, basically, how many come in the next 6 months versus the next 12 months will depend on how quickly we find attractive sites. We have a very healthy pipeline. And so, I'm optimistic that we should, in the near term, at least double the existing footprint.

Now with these things, there is a gestation period. So, you find the site, negotiate the lease, fit it out. Some of these involve importing products, and I have discussed the delays in terms of FX for capital equipment, and then the store goes live. So, it's difficult to figure out what exactly would fall in the next 6 months, but the plan is to roll this out as quickly as we can complete those phases of site identification, lease completion, fitting out and opening with a medium-term target of going from between 75 and 100 stores

**Moderator:** Thank you, I have a question from Olufisayo of CardinalStone Securities. And I read, can you clarify the revenue growth year-on-year for each segment? Was it price driven or volume-driven? Also, what is your outlook for finance costs for the year, considering the upward trajectory in interest rates?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank you, Olufisayo. I think for all segments, apart from Animal Feeds, it was both volume and price. Paints was mostly volume; package food was mostly volume. We will begin to see as the year progresses, price layered on to volume for those 2 categories. Quick Service Restaurants was mostly volume. Again, we'll see price layered on. Animal Feeds was more price than volume. So a mix, but, every single Paints, Packaged Food and QSR all had meaningful volume growth. Animal Feeds was the only one that had a volume decline and most of the revenue growth was from price increases.

In terms of finance costs for the year, we expect that to come down over the rest of the year. Simple reason being that the only company that has debt or meaningful debt is the Animal Feeds business and that the inventory procurement peaked somewhere around Q1 this year. So, the outstanding debt balance would come down month-on-month until the start of the next buying season, which is October, November, where it will build up again.

So, the short answer is that interest expense will come down and then begin to tick up again from the end of the year when the new buying season starts.

**Moderator:** [Moderator Instructions] Your next question is from Juliana Ogunkoya of Meristem. And I read, is there a mid- or long-term plan regarding a possible merger of the Grand Cereals and Livestock Feeds business?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Juliana, I was hoping that no one would ask this question because it's one we've been promising to answer for a while. We don't have an answer to that question. What we can commit to is to present in crystal clarity within the next 18 months. And I think it's not on account of shirking the work. We feel both companies are doing so much and so well operationally. We didn't want to burden the management team with the added distraction of a merger.

And both are also going through an upgrade of their enterprise resource planning systems from SAP ECC to SAP S4 HANA, which for anyone who's been involved in one of those projects, it's extremely operationally intensive. And so would like for the intensity to settle down in those businesses before we begin to tackle these questions. But for sure, we commit to providing crystal clarity on this in the next 18 months.

**Moderator:** Thank you. Your next question is from Maxwell Khadiri, a retail investor. The question goes as follows, at the last management call on 2020 annual report, you had hinted at the group being keen on exploring opportunities in the technology space. Are there efforts towards actualizing this?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank you, Maxwell. I think maybe I should have, in hindsight, touched on this when Brad raised the question about capital allocation. So big picture is we feel there is significant opportunity in what I call the digital economy or the information economy, and we would like to get exposure here. So, it's beyond just ICT. Well, I guess ICT captures that as well.

We know that we don't know enough to make a big splash in that space. We have thoughts around an approach to what we call "get a toehold", so, to begin to gain exposure and learn. This is, as a management team, what we plan to take to our board in the second half of this year and hopefully get the Board's views and then communicate them to our investors. But yes, it's still very much part of our plans.

**Moderator:** Thank you. Your next question is from Oyekemi Ajayi of FMN. The question goes as follows. You noted that part of your future plans for the Animal Feeds & Edible Oil business is the dog segment. Could you please provide more insight on this?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Yes. Still a very small part of the business today, but we've noticed 2 things over the past 18 months. One is sort of increased dog ownership. I guess, Nigeria is developing or is embracing further, a pet culture and also there's a significant demand for dogs for security. We also noticed that a significant portion of the market was met by imported brands and with limited foreign exchange. Those brands struggled to remain on the shelf, and it is an area that we're exploring for expansion on account of those 2 factors.

**Moderator:** Thank you. Your next question is from Busayo of Capital Bancorp Plc. And I read, there is a significant decrease for the period in operating cash flow, NGN 15.1 billion in half year 2021 compared with NGN 239 million in half year 2020. Could you please shed more light on the reason for this decline and the strategic plans in place to correct this?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank you Busayo. I think if I can please ask, Lolade, just to flip back to Slide 14, I think Funke touched on it, but I'll just reiterate. If you look at the bottom right quadrant of that slide, you will see that the raw materials in the Animal Feed space continue to escalate quite meaningfully. And to add complexity to the situation, there was actually difficulty in sourcing the raw materials. So, there was a deliberate strategy to ensure we were in the market, we could produce. And so, we built up inventory of raw materials, largely in the Animal Feed space.

So, the consumption of cash that you allude to was almost directly attributable to growing inventory for the Animal Feed business. You see there was an NGN 18 billion increase H1 on H1. The cost to us



looks like about NGN 350 million. So our interest expense going from NGN 290 million to NGN 675 million. But if you do the math and think about the sort of savings or the gain on the inventory you hold, it more than offsets the holding costs.

So, I think it was a deliberate strategy, and I think it is paying off. The only question mark is what happens with prices in the fourth quarter of the year. And as we go through the next few months and this inventory is consumed, you would see a reversal of the inventory holding and the cash flow for the business

**Moderator:** Your next question is from Oyekemi Ajayi of FMN and I read, what is the major source of raw materials in the Animal Feeds business? Are there any plans on backward integrations in that space?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

We procure 80% or probably more of the raw materials for the Animal Feed space domestically. This is the grains, and they are from Nigeria's agriculture belt, being the middle belt. We're doing a little bit of procurement of importation being the additives but the bulk of the raw materials, they are from the Nigeria's green belt. No immediate plans for backward integration.

**Moderator:** Your next question is from Francis Daniels. I read, what was the interest rate on the inventory loan for the Animal Feeds business?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

The rates vary, but they hover between 8% and 13%.

**Moderator:** There are no further questions. I will now hand the call back to Fola Aiyesimoju for his closing remarks.

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank you, Lolade, for hosting the call.

**Moderator:** Fola, a question just came in. Apologies. So, I'll just read that out before we wrap up. It's also from Francis Daniels and he asked, should we assume that the inventory was procured at 2021 prices in Slide 14 or less than those prices?

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Inventory was procured, a meaningful portion, at Q4 2020 and the rest in Q1 2021. And there was limited procurement in Q2 2021. So, some in Q4 2020, and then the rest in Q1 2021 and very limited bought in Q2 2021.

**Moderator:** It appears there are no further questions. I will now hand the call back to Fola Aiyesimoju for his closing remarks. Thank you.

**Fola Aiyesimoju** (*UAC Group Managing Director*)

Thank You, Lolade, for hosting the call. Thanks to all participants for making the time to join us today and for the thoughtful questions. We're encouraged by the performance in the first half in spite of very difficult operating conditions and are optimistic regarding the outlook for the business. Thank you, and good day.

**Moderator:** Thank you very much. That concludes the UAC of Nigeria Plc Half Year 2021 Results Conference Call. You may now hang up. Thank you.