



## UAC of Nigeria PLC: FY 2022 Results Conference Call Transcript

**Date:** Thursday, 6 April 2023 3:00 PM WAT

### **Presenters:**

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

### **Moderator:**

- Mrs. Temitope Omodele (Senior Vice-President, Finance, UAC of Nigeria PLC)

## 1. Presentation

**Moderator:** Good morning, and good afternoon, ladies and gentlemen. Welcome to UAC of Nigeria PLC Full Year 2022 Results Conference Call. Please note that this call is being recorded. This conference call will be hosted by Fola Aiyesimoju, the Group Managing Director of UAC of Nigeria PLC and Funke Ijaiya-Oladipo, the Group Finance Director. Following prepared remarks by UAC's management team, there will be an interactive Q&A session. I will now hand the call over to Fola Aiyesimoju, please go ahead.

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

### **Introductory remarks**

Thank you, Temitope. As Funke and I run through our prepared remarks, we will refer to page numbers, which can be found in the top right corner of each slide. Please turn to Page 4.

2022 was a very difficult year for us with performance deteriorating from a net profit of NGN 2.6 billion in 2021 to a net loss of NGN 3.9 billion in 2022. Operating conditions over the course of the year were very difficult, but do not entirely explain the deterioration in performance, which was largely on account of decisions made relating to our Animal Feeds businesses. The most significant initiative we embarked on over the course of the year was the implementation of SAP S/4 HANA, our new enterprise resource planning system, which absorbed meaningful management focus and, to a lesser extent, also impacted performance.

We are glad this is behind us as we went live in July 2022, and completed hypercare in September of the same year. We also completed an expansion project for our SWAN water business with the installation and commissioning of a state-of-the-art Krones line, which increased capacity three fold. We are now enjoying the benefits from this investment. A bright spot was our Paints business, which performed very well in spite of challenging macroeconomic conditions. And, in our Quick Service Restaurants business, we continued to execute our corporate store rollout strategy.

On Slide 6, we outline our group structure and note that there were no meaningful changes - with the only change being a marginal increase of around 1.5% in our ownership stake in CAP, taking that stake to just under 58%.

### **Macroeconomic review**

Slide 7 summarizes the macroeconomic conditions that impacted performance which were: low growth, high inflation, currency devaluation and challenges sourcing foreign exchange. We also saw borrowing costs escalate towards the end of the year.

On Slide 8, we highlight the continued trend of input cost escalation with the full effect of input cost increases from 2021 felt in the 2022 financial year, combined with further increases over the course of the 2022 financial year.

A notable input cost, which we do not reflect on this slide and which impacted broader aspects of our business from production and cost of distribution, was the price of diesel which increased almost three fold over the course of the year.

On Slide 10, we touch briefly on the strategic initiatives we executed over the course of the year.

### **Strategic initiatives in 2022**

As mentioned, we invested just under NGN 3 billion expanding capacity for our SWAN water business, which has been unable to meet demand for years, and we are beginning to reap benefits. We also invested NGN 1.2 billion in rolling out corporate stores for our restaurants business and just about NGN 2 billion on the migration of our enterprise resource planning system to SAP S/4 HANA.

Images of our new water line are on Slide 11 of this presentation. And images of our corporate stores on Slide 12 of this presentation.

### **Operating segment review**

In the next section, starting on Slide 14, we go over performance for our operating segments. As mentioned, our Animal Feeds business was the primary cause of underperformance with a NGN 7 billion year-on-year decline in net profit. The segment recorded a net loss of NGN 6.2 billion, with underperformance largely at Grand Cereals. There were 2 primary reasons, ignoring the broader macro, that contributed to the collapse in performance. The first was purchasing agricultural commodity input at near the peak of the market, with the expectation that the Russia-Ukraine war would lead to further price escalation, and we got this wrong.

At peak, we had 267 days of inventory valued at NGN 40 billion and financed by NGN 33 billion in short-term debt. Efforts to optimize formulation to improve margins resulted in a further drop in product performance, which impacted revenues and exacerbated the high inventory challenge. We took the decision to focus on aggressive de-leveraging and sacrificed margin to do so.

We managed to reduce inventory to NGN 17 billion by year-end and debt to NGN 14 billion, and these numbers have declined even further over the course of the 2023 financial year. We feel that we are near the end of the profit or loss impact of the high cost inventory we carried over most of last year. We also have addressed product performance and witnessed a recovery in product volume sales.

Slide 15, highlights the inventory and leverage trends I just discussed. And on the bottom of the slide, you would see the peak of inventory, at about NGN 40 billion, and what we have gotten it down to by the end of the year. And at the bottom right of that slide, you see the similar numbers for the leverage that supported that inventory.

On Slide 16, we focus on our packaged food and beverage business, UAC Foods, which produces Gala Supreme ice cream, and SWAN water. It was a tale of two halves with a profitable first half followed by a loss in the second half. The second half was really impacted by our ERP migration. We had customer statement reconciliation issues, which affected customers' ability to place orders with us and this really negatively affected sales in the third and early part of the fourth quarters.

These have been addressed, and we have seen a recovery to historical trends by December. We took aggressive cost saving measures in line with the reduction in sales, and these have further boosted profitability in that business going into this year. The key expectation is that the segment will benefit from utilizing our recent investment in the water line to grow revenues and continued strong performance in the ice cream segment. We announced plans to construct a greenfield factory and we have paused these plans until performance recovers to levels sufficient to warrant the investment.

Slide 17, graphically depicts the impact of the poor second half on the overall performance of the Packaged Food and Beverages business.

On Slide 18, we focus on our Paints business, which performed very well in spite of the challenging macros. Revenues were up 25%; Net profit grew by over 100%. And here, we found the balance

between pricing to protect margin and ensuring adequate volumes. We deepened distribution by rolling out more colour centers and improved customer service by improving delivery times.

Slide 19, focuses on our Quick Service Restaurants business, which continued to roll out corporate stores. We rolled out 19 Mr Bigg's and Debonairs stores over the course of the year, taking the total to 30 and we have set a near-term target of 50 stores. This segment was negatively impacted by escalating diesel cost as each individual store requires standby power. We are working on efforts to drive profitability by limiting costs, and an initiative we implemented was moving to solar at the head office and exploring how solar and gas can be deployed at certain corporate store locations, but that is very much work in progress.

Our associate companies, UPDC and MDS Logistics performed well as highlighted on Slide 20. UPDC returned to profitability after 6 years of losses with a profit before tax of NGN 331 million as sales from the most recent development, Pinnock Prime, as well as certain legacy assets resulted in a more than sevenfold increase in revenue.

At MDS, the focus is on scaling the dedicated fleet business with NGN 8.5 billion invested to acquire 165 additional trucks. This business also returned to profitability in 2022 and benefited from aggressive cost management efforts.

Please turn to Slide 22, and I will hand over to Funke to take us through the consolidated financial performance of the group.

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

### **Group financial performance**

Thank you Fola, and good afternoon, ladies and gentlemen. This slide provides an overview of the group's financial performance comparing the full year results for 2022 with 2021. The group recorded top line growth of 8% to reach NGN 109 billion in 2022 as a result of revenue growth in all our segments except the Packaged Food and Beverages.

Gross profit margin contracted by 427 basis points to 13% as a result of rising raw material costs, which were not sufficiently offset by price increases across our businesses, apart from the Paints segment, which recorded a 700 basis point expansion in gross margin.

We recorded an operating loss of NGN 2.4 billion and this was impacted by the underperformance of Animal Feeds and Other Edibles segment. Loss before tax from continuing operations was NGN 4.4 billion, with profitability further impacted by higher finance costs directly correlated to the 500 basis point increase in the monetary policy rate during the year.

As Fola mentioned, our associate companies, UPDC PLC and MDS Logistics returned to profitability in 2022. The impact on the group's performance was NGN 103 million compared to the share of loss from these associate companies of NGN 895 million in 2021. We recorded a loss per share of 107 kobo compared to the earnings per share of 62 kobo in 2021. Free cash flow for the period was NGN 9.6 billion compared to the negative NGN 19.1 billion in 2021 due to improved working capital management in 2022.

### **Key drivers of group operating loss**

Please turn to Slide 23, which provides additional context on the key drivers of the operating loss in 2022. Our operating loss was impacted by 3 broad areas and the first was the underperformance in our Animal Feeds business, which more than offset the NGN 3 billion operating profit in the Paint segment.

The second was significantly higher operating expenses particularly in power and distribution. Our businesses with cold and frozen components and their supply chains, which are ice cream and our restaurants businesses were particularly affected.

The third factor was at the holding company. In 2021, the holding company recognized a one-off dividend and a gain recognized on the unbundling of UPDC real estate investment trust (UPDC REIT) and that impacts the year-on-year comparison.

In addition, a conservative approach was adopted towards valuing the investment properties at the holding company, which resulted in an unrealized fair value loss on these properties.

Please turn to Slide 24, which shows the impact of the Animal Feeds and Other Edibles segment on the group's 2022 performance, and the summary is that profitability was disproportionately impacted by the Animal Feeds segment.

### **Group financial position (Balance sheet and liquidity)**

Please turn to Slide 25, which is a snapshot of the group's financial position as at 31 December. The group had NGN 45 billion net assets and the year-on-year movement reflects the decrease in inventory and debt across the group. The group's net debt stood at NGN 2.8 billion, which is NGN 6 billion lower than 2021 as a result of the deliberate efforts to reduce leverage in the Animal Feeds segment.

Our businesses invested NGN 7 billion in Capex in the period, 40% of this amount was for our Packaged Food and Beverages business, specifically the new SWAN spring water bottling line that was commissioned in the fourth quarter of the year, as well as mixers and cold chain infrastructure for our ice cream business. 30% of the capital expenditure went towards upgrading our IT infrastructure across the group to SAP S/4 HANA and 20% was to support the expansion of the Quick Service Restaurant network by UAC Restaurants, which opened 19 new Mr Bigg's and Debonairs Pizza stores in 2022.

Our cash cycle improved to 76 days and this is directly correlated to the reduction in inventory at our Animal Feeds segment.

I will now hand over to Fola, who will take us through the next section of the presentation.

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

### **Dividend Proposal**

Thank you, Funke.

We propose a dividend of 22 kobo per share which, while lower than the 65 kobo for the 2021 financial year, is reflective of the decline in the company's performance. Subject to shareholder approval, the dividend is expected to be paid on the 22<sup>nd</sup> of June 2023.

### **Focus Areas**

The next Slide 28 highlights our focus going forward with by far our biggest objective being reversing the performance trend at the Animal Feeds business and addressing the challenges that negatively impacted performance at our Packaged Food and Beverages business. One of our biggest challenges continues to be the wave of emigration, which makes it challenging to fill open roles, but we continue to work very hard to attract the best possible talent that we can. We continue to focus on simplicity of our group structure and are exploring avenues to eliminate duplicated costs.

Thank you, and we will now take questions.

## **2. Questions and Answers**

**Micheal Oyeleye** (*Stanbic IBTC Pension Managers*)

Good Afternoon Fola and Funke and thank you for the presentation. I am from Stanbic IBTC Pension, and I have a couple of questions.

I would like to understand where you are on your energy strategy management. Considering the impact energy has on your business for the last year and going forward, how do you see that evolving?

I also wanted to understand, do you have exposure to Ghana Eurobonds? I know the company had a bit of financial investments. I wanted to understand if you have exposures there and if any, what has been the impact as we know what is happening in Ghana; I do have a question about volume declines, but I know you mentioned something around the impact of your SAP - your IT infrastructure impacting

volumes. So I just wanted a bit more clarity on that because I saw that volume seemed to have declined quite sharply in some of your businesses.

I also have another question on your cash balance. How do we view that cash balance? Is it something we want to use because it seems to be sitting on the balance sheet. Yes, I know you are earning interest income. I just wanted to understand what management plan is in deploying that cash on the balance sheet. Yes, it has come down from historical levels, but just want to understand how that will go.

I saw that there was a growth in your PP&E tangible assets. So I guess that tangible asset you explained it but just also saw that your property and equipment grew pretty fast in 2022 so I just want to understand, are you building or expanding? I know you mentioned an expansion couple of years ago about your Animal Feed business. I wanted to understand where are you on that journey or what has changed in that regard.

And the final question I will have is your share-based compensation. I realize that it grew about 147% on a year-on-year basis in your balance sheet. I would like more colour on it. Thank you.

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

Thank you, Michael. I will tackle some of the questions then I will let Funke get to address some. So the first one had to do with our energy strategy and, as you know, we have various businesses in the group. The two heaviest consumers of energy are Grand Cereals and UAC Foods, they are the two heaviest consumers of energy. At UAC Foods, we are doing three things. One, we have already done. We have actually put in place solar for our ice cream and water plants.

The second thing we are doing is we are at the late stages of trying to move our ice cream plants to gas, we would save about NGN 60 per kilowatt hour should we succeed in that. And we are also in the process of testing. We have worked with Jos electricity distribution to get a dedicated power line to our water business, which would also drop the unit cost of energy by well over NGN 60.

So for UAC Foods I summarize, some are already done, trying to move dairy plant from diesel to gas, and trying to get a dedicated line from Jos electricity distribution to our Kerang plant. And so we are actively working and I expect these to be near-term initiatives.

And then on a more tactical perspective, it is just being very focused about actually reducing the volume of energy consumed. So that is from a UAC Foods perspective.

From a Grand Cereals perspective, the biggest thing we have done is that we have installed a biomass boiler in our Onitsha plant, that is working on one line in the plant; we are trying to expand it to two and if that goes very well, we would move that across and implement the same in Jos. For the other companies that are small energy consumers, CAP is also exploring gas; a little bit more complex, given that they do not consume that much energy, so may not warrant a dedicated gas line, but we are exploring that as well. And as I mentioned, UAC Restaurants, has already installed solar at its head office.

We are at very early stages of trying to see if we can leverage the proximity to our Foods business to also move that to gas. We are thinking through what we can do with solar and gas in the actual stores. So it is a huge topic for us, and the two biggest ones, Grand Cereals and UAC Foods we are clearer on, CAP, UACR and Livestock Feeds are a bit further in thinking there.

Ghana eurobond exposure, a very short answer, we have none.

Volume decline - just to explain how that is linked to our ERP migration. Fortunately or unfortunately, our Foods business was the most advanced in terms of ERP usage and customers got their statements issued every month from the system. At the point of migration, we missed a few months of giving customer statements. Our customers view the statement very much as bank statements. And so the customer, who did not know if they owed you or you owed them stopped placing orders; so we had to reconcile, I think, over 300 unreconciled statements, and as we reconciled, we unblocked these customer orders. So that is what I referred to when I linked the ERP migration with a volume decline.

With our cash balance, our views are simple. We view cash either return to shareholders or deploy in growth opportunities. We, as you rightly point out, have a reduced cash balance, we have distributed quite a bit to shareholders in the last 2 years.

We did a special dividend in 2020 and a much higher ordinary dividend than we are doing this year in 2021. We will over the course of this year, see what the group's investment needs are, but our stance is if capital is not going to be invested profitably, then return that capital to shareholders, that is the philosophy.

PP&E growth, I think, in the course of Funke and I's presentation, we ran through those businesses that had absorbed capital. UAC Foods had a NGN 3 billion investment in the water line, UAC restaurants about NGN 1.2 billion in rolling out corporate stores. So those will be the two biggest drivers in terms of growth in PP&E.

And share-based compensation, these are just simply provisions, which would grow every year because we provide every year and then it grows. The actual measurements will be done based on the shareholders' experience return. If management does not deliver the shareholder return set out, this does get reversed because management will get zero. If management does deliver, and these get applied towards compensating management. Funke, I do not know if I missed or mischaracterized anything or anything you want to add to Michael's questions.

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

I have nothing else to add, thanks.

**Brad Virbitsky** (*Equinox Partners*)

Hi, I have 2 questions. The first is, I was wondering if you could introduce your new manager of UAC Foods; go into what his background is and why you think he is the right person to manage the business, and the second question, is looking at the ROIC by business, it seems like your Paints business is at a whole another level than all of your other businesses, and it seems like it warrants a disproportionate amount of capital and investment. I wonder if you agree with that and if there are opportunities for you to aggressively grow that business or invest into it or buy more of it? Thanks.

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

Thank you, so just to recap, Brad your 2 questions are a bit of background on Yemi Oloyede who is the new MD for our Foods business and to comment on plans for the Paints business along 2 dimensions, one is aggressive growth and the second is ownership.

With UAC Foods, I am not sure if you are aware, but I ran that company myself until mid-March, and the reason why I did that was because we did not want to be rushed into a decision to appoint a Managing Director of the company. We conducted a very broad search for candidates and got a very strong suite of candidates. I spent a lot of time going through each one. Yemi is a first-class Math graduate. He started off his career in sales at Procter & Gamble, where he rose to a regional sales manager. He then moved on to L'Oreal where he was the national Sales Manager for Nigeria and Ghana. Then he spent 3 years with Kellogg in South Africa. He was the regional business manager for West Africa. And for the 5 years before he joined us, he was the General Manager for West Africa for Kerry Foods and Kerry is a global food technology business. And he ran a company of equal size to UAC Foods. We spent hours engaging with and interviewing Yemi and we came to the conclusion that he brought the energy, ambition, intellect, to drive the business or to deliver the kind of growth we want for the business.

We also conducted hours, I spent 7 hours, of background check calls and the background checks supported the views we had. So Yemi has started now, he is 3 weeks in the job. We work very closely to ensure that we support him in this transition, and everything we have seen in the first 3 weeks, gives confidence that he would deliver on what we hope for in the course of our engagement with him.

As regards CAP, we agree with you completely. We also rank the companies by ROIC, and it is by far the #1 priority in the group. That business has increased threefold. In the last 3 years it was a NGN 7

billion business for 5 years until 2018 or so, last year it crossed NGN 14 billion, and the management team has extremely aggressive plans.

The summary is, from a capital perspective, what CAP wants, CAP gets. So we aggressively push management to grow that company. Luckily, the reason why the ROIC is so hard -- is so high rather, is because it is not a very capital-intensive business. So we have not spent for the sake of spending. The things that we are exploring that may require capital, we mentioned this on our last call. We are very active in terms of trying to grow into the region, and we are exploring acquisition opportunities. But the summary is: we share your view to grow CAP as aggressively as we can.

In terms of ownership, we are in the market constantly looking to pick up shares in CAP. It is extremely thinly traded, and from a UAC perspective, it only makes sense to buy meaningful blocks, buying 20,000 units here or 10,000 units here does not really move the needle. But yes, we would like to increase ownership in CAP. We plan to continue to aggressively grow that business.

**Moderator:** Your next question is from Abdulrauf Bello.

**Abdulrauf Bello** (*WSTC Financial Services Limited*)

So my question, without trivializing the difficult operating environment, I mean, we all know the kind of environment we are in, how would you describe your position in the Animal Feeds industry speaking of your competitive advantage?

It appears to me that even beyond the general macro and operating challenges, that you find it difficult to effectively price in that business. I know of other similar companies faced with higher operating and input cost but were able to pass on the cost to consumers to a larger extent. So how would you describe the competitive advantage in that space?

My second question is I noted during your presentation that migration to a new tech platform sort of impacted sales. So I would just like to clarify that. Now that the whole thing is live, can we expect to see a rebound in top-line performance in 2023?

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

Look, to be very clear, I hope I was not misunderstood. We do not believe our 2022 performance was on account of macro. Macro contributed, it was a tough year, but a tough year did not account for the swing in profit we saw with Animal Feeds alone swinging by NGN 7 billion. I think in our Feeds business, we had 2 wrong calls, one was going very long inventory. We expected -- I mean, Russia and Ukraine are a quarter of global grain output, that if we didn't lock in those prices, the prices will rise further and we got that call wrong.

When you carry inventory at higher levels than market, it is very difficult to just simply pass on that price to the farmers because the farmers can buy cheaper. And so we tried to reformulate to improve the margin, it affected product performance and hit us doubly hard. So just to stress, we do not blame macro for 2022 performance in the Feeds business. Around your specific question around competitive position, there are a very few things that farmers care about and there are 3 or 4 players that I would say are equally well positioned.

There are the brand of the company, so farmers would be -- there is a huge risk in terms of buying the wrong batch of feed. So the brand helps. And I would say our Vital and Livestock Feeds brands are right up there. There is product performance, which is what yield you get on your eggs and what is the speed of weight gain for your birds and your fish. We are right up there. We have historically been right up there.

We suffered mid last year when we tried this reformulation, but I will put us at the top of the pile when it comes to product performance. And the final one is customer service, which is the speed with which we deliver goods to farmers when they place their orders. There I would say we have room to improve. So I do not think we suffer any competitive disadvantage in either of our feeds businesses, I think the challenges that occurred last year were unique and not on account of some broader concern around our competitive position.

As regards the specific challenges of our Packaged Food and Beverages business, it has already rebounded. February was horrible. I think it was horrible for every company in Nigeria on account of this cash issue, but we are not looking forward to some rebound over the course of the year. From December, January we already saw the ERP-specific challenges that I mentioned reverse and we expect that, as long as there is no other major shock, to continue to improve over the course of this year.

**Moderator:** Your next question is from Onome Ohwovoriole who works with Money Africa. Onome has 2 questions. The first one is, any update on plans to invest in the tech space? And the second question is, is a Grand Cereals and Livestock Feeds merger still being evaluated?

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

In the tech space, we do not plan to make any further investment or I will say any further meaningful investments. We have a small investment in a fund, and we get to see the entire space. And also, we get many inbounds of companies that may add value to us. So no, we do not plan to become a major tech investor.

Grand Cereals, Livestock Feeds, yes, a merger makes absolute sense. It is not our priority for now, our priority is on addressing performance, particularly in Grand Cereals, and that is our priority for now. So yes, it makes absolute sense, but it is not a priority until we address the performance issues.

**Moderator:** Your next question is from Michael Oyeleye and he asked, are you considering divesting from the Animal Feeds business completely?

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

Look, it is an interesting question, Michael. If we get to that point, we would come to you and the market with views. What I will say is that for every company that we own, there are very few times when there are not some strategic discussion going on with various players in the markets that we feel will improve the overall market dynamics, improve our competitive position and so on and so forth, and we take every single one of these discussions seriously.

If there is something to announce, we will do so but for now, I will just say that for every company in our portfolio there is almost always a discussion going on around buying, selling, merging, but nothing to update you on. If we do, we will go through the appropriate channels.

**Moderator:** Your next question is from Bernard Griesel. He says in the presentation, you noted diversifying and expanding product offering in CAP. Can you elaborate on that more? What products would you look to add? Bernard works with Steyn Capital.

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

Thank you, Bernard. For CAP, it is a more than 90% decorative business so we are happy with that space, we do very well. We have a small Marine – let us call it, industrial generally, but in the industrial space, we do only Marine and Protective coatings. It is a very small business and one where we were clear it has not received the kind of management focus. And so we have a very senior executive joining CAP in June, whose job is to focus on growing this Industrial segment and in particular, the Marine and Protective segment. The one big benefit that we get from this segment is that you earn foreign exchange income in that business. So that is the primary focus, growing the industrial side of CAP.

**Moderator:** Your next question is from Micheal Oyeleye.

**Micheal Oyeleye** (*Stanbic IBTC Pension Managers*)

Just to extend that conversation about your competitors. I imagine when you spoke about the way you answered the question on the competitors, you were referring to other Feeds business. But how do you view farmers that have integrated operations, i.e., the way they deal with farmers is they provide food, drugs, chicks and then offtake. That is a completely different package. How do you view them in relation to your business model whereby you generally just provide feed overall in the animal feed business?



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

Michael, are you asking how we view our business model of selling just commercial feed versus players that sell feed, day-old chicks and drugs?

**Micheal Oyeleye** (*Stanbic IBTC Pension Managers*)

No, not the business model, but in terms of how you compete with them in the marketplace, because that business model is they give the farmer a whole package of solutions in one go, and then they provide offtake of farmer's chicks versus your business where it is more transactional. How do you compete against them? Because I imagine your answer when competitive question was asked was really around companies with similar business model like yours. I am saying how do you compete against a different kind of business model all in your own space.

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

Yes, the first thing I would point is that we do not have a transactional relationship with farmers. The majority of our sales force are vet doctors. So we spend plenty of time working with the farmers on improving the farmers outcome and also selling them feeds, just to clarify. As regards to your specific question, I think it is a business model choice. I think the feed market is sufficiently large and the number of players that have attempted to go the integrated route are sufficiently small that both parties would sell.

Have we decided for now to go off and build the capabilities to be best-in-class in producing day old chicks and best-in-class in vet drugs? No. Do we feel we can make a decent living being best in class from feeds? Yes. So it is a business some of our competitors have taken or to succeed, you need to be best-in-class at feed, vet drugs and day old chicks. The farmer is not going to buy 3 average products in one, the farmer would seek the best value. So we have decided not to take that business model and focus on trying to be best-in-class in the commercial feed space because we feel the market is sufficiently large for us to make a good living.

**Moderator:** Your next question is from Olufisayo Ademilua. Fisayo says she works with CardinalStone Securities and she says, thank you for your presentation. Last year you mentioned that CAP retrieved licenses from Chad, Niger, Cameroon, Equatorial Guinea, Sao Tome and Principe. Have you started supplying CAP products to any of these countries? When is it expected to start?

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

We have not started supplying. We expect to start this over the course of this year. We have been there sort of identifying partners, banking, legal and so on and so forth. Oddly enough, the conclusion that we came to from Cameroon is, Nigeria is so much bigger, be sure we do not get distracted, but we expect to start over the course of this year.

**Moderator:** Abdulrauf Bello also has another question. What is the average spend per customer or any other financial metrics that indicate the demand pattern in your QSR business? Are customers visiting your stores and how would you describe where you stand with competition?

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

Thank you, Abdulrauf. I am not comfortable sharing -- I mean there are 2 things: it is ticket count and ticket size. Well, number of people that walk into your stores, how many tickets do you book and then what is the ticket size. I am not sure I am comfortable sharing that level of granular information on a public call, but we do benchmark against our primary competitors. We have one major competitor for Debonairs in the pizza side, maybe 2 and one major competitor for Mr Bigg's and we track this by location, not just on an average perspective, and we compete very well across these 3 metrics.

**Moderator:** This concludes the Q&A session. I will now hand the call back to Fola Aiyesimoju for his closing remarks.

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

Thank you, Temitope. I thank everyone once again for taking time to join our results presentation. As we have discussed, last year was very difficult for us. My colleagues and I are focused on addressing the root causes and reversing the performance trend and returning the overall group to profitability. I thank you for your questions and comments. And I wish everyone a wonderful rest of the day.

**Moderator:** That concludes the UAC of Nigeria PLC Full Year 2022 Results Conference Call. Thank you for your participation. You may now hang up.