



PRESS RELEASE

Regulated information

Financial Results for the third quarter and nine months ended 30 September 2023

27 October 2023 – UAC of Nigeria PLC (“UAC” or the “Group”) results for the period ended 30 September 2023.

Q3 2023 highlights

- Revenue of ₦28.7bn, 11% higher than Q3 2022 with sales growth recorded across all operating segments.
- Gross profit 63% higher at ₦5.5bn; Gross margin expanded 613 bps to 19.3% due to price increases implemented to mitigate the impact of inflation, volume growth in the Packaged Food and Beverages and Paints segments, and improvements in production efficiency, achieved through conversion cost saving initiatives, in the Animal Feeds segment.
- ₦7.1bn operating profit largely attributable to ₦7.8bn gain from disposal of non-core property assets. Underlying operating profit, adjusted for exceptional items, of ₦657mn compared to operating loss of ₦852mn in Q3 2022.
- Profit before tax of ₦6.4bn. Underlying PBT, adjusted for exceptional items, of ₦415mn compared to loss before tax of ₦1.1bn recorded in Q3 2022.
- Earnings per share of 193 kobo (Q3 2022: -29 kobo).
- Corporate action
 - Completed the merger of UAC Foods Limited and Spring Waters Nigeria Limited (SWAN) in August 2023 in line with strategy to simplify UAC’s group structure. UAC’s shareholding in the enlarged UAC Foods is 99.42%.

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: “In Q3 2023, our financial performance was positively impacted by one-off gains from real estate divestments which are non-recurring. Operating conditions remained difficult with rising inflation and consumer income under pressure. The outlook remains challenging, however we anticipate improvement driven by the various ongoing reforms.”

Group Highlights

In million ₦, unless otherwise stated	Q3 2023	Q3 2022	Δ %	9M 2023	9M 2022	Δ %
Revenue	28,657	25,763	11.2%	81,527	77,805	4.8%
Gross Profit	5,519	3,382	63.2%	14,138	12,319	14.8%
Gross Profit Margin (%)	19.3%	13.1%	613 bps	17.3%	15.8%	151 bps
Selling and Distribution Expenses	(2,367)	(2,426)	(2.4%)	(6,545)	(6,196)	5.6%
Administrative Expenses	(2,788)	(2,292)	21.6%	(7,646)	(6,482)	17.9%
Operating Expenses	(5,155)	(4,718)	9.3%	(14,191)	(12,679)	11.9%
Operating Expenses (% of revenue)	18.0%	18.3%	(32 bps)	17.4%	16.3%	111 bps
Other income	6,771	484	1298.1%	7,152	1,118	539.5%
EBIT	7,134	(852)	n/m	7,099	758	n/m
EBIT Margin (%)	24.9%	(3.3%)	2,820 bps	8.7%	1.0%	773 bps
Net Finance (Cost)/Income	(838)	(275)	n/m	1,879	(1,815)	n/m
Share of (Loss)/Profit of Associates	144	20	n/m	625	(38)	n/m
Profit/(Loss) Before Tax	6,441	(1,107)	n/m	9,603	(1,095)	n/m
Profit Before Tax Margin (%)	22.5%	(4.3%)	2,677 bps	11.8%	-1.4%	1,319 bps
Profit/(Loss) After Tax From Continuing Operations	5,482	(1,305)	n/m	6,710	(1,983)	n/m
Profit/(Loss) After Tax from Discontinued Operations	-	13	n/m	-	(26)	n/m
Profit/(Loss) for the period	5,482	(1,293)	n/m	6,710	(2,009)	n/m
Profit Margin (%)	19.1%	(5.0%)	2,415 bps	8.2%	(2.6%)	1,081 bps
Basic Earnings Per Share (EPS):						
From Continuing Operations (Kobo)	193	(29)	(763.4%)	246	(46)	(632.2%)
From Discontinued Operations (Kobo)	-	0	n/m	-	(1)	n/m
For the Period (Kobo)	193	(29)	(767.0%)	246	(47)	(620.9%)
Annualised Return on Equity (ROE)				19.7%	(4.1%)	2,377 bps
Annualised Return on Invested Capital (ROIC)				19.6%	1.7%	1,793 bps

n/m: not meaningful.

	Sep-23	Dec-22	Δ
Quick Ratio	0.6x	0.5x	0.1x
Current Ratio	1.2x	1.1x	0.1x
Gearing	39%	42%	(298 bps)
Total Assets / Equity	2.1x	2.1x	(0.0x)
Net Debt / EBITDA	(0.3x)	3.5x	(3.8x)
Free Cash Flow	8,462	9,578	(1,116)

Group Performance and Financial Review: Q3 2023

Revenue in Q3 2023 increased by 11% YoY to ₦28.7 billion on account of increased prices across all segments and volume growth in the Packaged Food and Beverages segment and Paints segment. All operating segments recorded revenue growth: Packaged Food and Beverages (+32%), Paints (+27%), QSR (+2%), and Animal Feeds and Other Edibles (+2%).

Gross profit of ₦5.5 billion increased by 63% compared to ₦3.4 billion in Q3 2022. Gross profit margin of 19% (+ 613bps improvement) reflects the net impact of the price increases implemented to mitigate the impact of inflation and improved production efficiency, achieved through conversion cost saving initiatives, in the Animal Feeds segment.

Operating profit of ₦7.1 billion in Q3 2023 on account of gross margin improvement and gain from disposal of non-core property (₦7.8bn). Excluding exceptional items (profit from the property disposal and impairment provisions) underlying operating profit was ₦657 million compared to ₦852 million operating loss recorded in Q3 2022.

Operating expenses increased by 9% YoY to ₦5.2 billion reflective of broader inflationary pressures. In response to the escalating cost environment, our operating companies implemented initiatives to improve operational efficiency which resulted in lower **opex/sales ratio** (32bps improvement YoY) of 18% in Q3 2023.

The Group recorded **Net finance cost** of ₦838 million in Q3 2023 compared to ₦275 million in Q3 2022. **Share of profit from associate companies** of ₦144 million increased compared to ₦20 million reported in Q3 2022 reflecting the improved performance at UPDC PLC and MDS Logistics Limited driven by the increased sale of properties at UPDC and higher sales from MDS' transport operations supported by the addition of trucks to the company's fleet.

Profit before tax of ₦6.4 billion (Q3 2022 Loss before tax: ₦1.1 billion). **Excluding exceptional items (profit from property disposal and impairment provisions) the profit before tax was ₦415mn.**

Total profit for the quarter was ₦5.5 billion compared to a loss after tax of ₦1.3 billion in Q3 2022. **Earnings per share** was 193 Kobo in Q3 2023 (Q3 2022: loss per share of 29 Kobo).

Segment Performance¹

Revenue (% and ₦m)	Q3 2023	Q3 2022	Δ % vs Q3 2022	9M 2023	9M 2022	Δ % vs 9M 2022
Animal Feeds and Other Edibles	15,346	15,078	1.8%	45,992	45,482	1.1%
Paints	5,486	4,316	27.1%	15,263	13,061	16.9%
Packaged Food and Beverages	7,314	5,557	31.6%	19,561	18,216	7.4%
Quick Service Restaurants	864	845	2.3%	2,777	2,144	29.5%
Earnings / (Loss) before Interest & Tax – EBIT (₦m)	Q3 2023	Q3 2022	Δ % vs Q3 2022	9M 2023	9M 2022	Δ % vs 9M 2022
Animal Feeds and Other Edibles	(51)	(1,572)	(96.8%)	(1,221)	(1,708)	(28.5%)
Paints	426	560	(24.0%)	1,665	1,881	(11.5%)
Packaged Food and Beverages	488	(98)	n/m	1,083	535	102.3%
Quick Service Restaurants	(148)	(163)	(8.8%)	(458)	(435)	5.1%
Profit/ (Loss) Before Tax – PBT (₦m)	Q3 2023	Q3 2022	Δ % vs Q3 2022	9M 2023	9M 2022	Δ % vs 9M 2022
Animal Feeds and Other Edibles	(605)	(1,870)	(67.6%)	(2,777)	(3,370)	(17.6%)
Paints	414	623	(33.5%)	2,326	1,952	19.1%
Packaged Food and Beverages	489	(57)	n/m	1,765	477	269.8%
Quick Service Restaurants	(231)	(213)	8.6%	(693)	(547)	26.6%

1) Performance of the corporate head office not included in the table as it is not allocated to any segment.

Animal Feeds and Other Edibles

Revenue increased 2% YoY to ₦15.3 billion in Q3 2023 (Q3 2022: ₦15.1 billion) on account of increased prices across all product categories (poultry, fish feed, and concentrates) in response to escalating costs which more than offset volume underperformance. Operating loss of ₦51 million in Q3 2023 improved compared to Q3 2022 operating loss of ₦1.6 billion on account of operational and production efficiency as well as increased revenue. The segment recorded a ₦605 million loss before tax in Q3 2023 compared to a ₦1.9 billion loss before tax in Q3 2022. Management efforts are focused on maintaining the improved profitability trend of the segment which was modestly achieved during the quarter.

Paints

Revenue increased 27% YoY to ₦5.5 billion in Q3 2023 (Q3 2022: ₦4.3 billion) driven by price increases implemented in June and August to mitigate the impact of inflation on raw materials as well as volume growth. Operating profit was 24% lower YoY at ₦426 million on account of increased operating costs (50% higher YoY), particularly selling and distribution expenses and staff costs. Profit before tax was ₦414 million in Q3 2023, a decline of 34% compared with ₦623 million recorded in Q3 2022. Profitability was impacted by net finance costs recorded in the quarter.

Packaged Food and Beverages

Revenue increased 32% YoY to ₦7.3 billion in Q3 2023 (Q3 2022: ₦5.6 billion) driven by revenue growth in snacks (+52%), and water (+25%) which more than offset lower sales of the more discretionary ice cream category (-16%) in the quarter. Operating profit was ₦488 million compared to operating loss of ₦98 million in Q3 2022 supported by strong sales growth, lower conversion cost as a result of strategic management initiatives to improve operational efficiency, as well as cost control measures to limit impact of inflation on operating costs. Profit before tax was ₦489 million in Q3 2023 compared to loss before tax of ₦57 million recorded in Q3 2022.

Quick Service Restaurants (QSR)

Revenue increased 2% YoY to ₦864 million in Q3 2023 (Q3 2022: ₦845 million) driven by increased sales of company-owned restaurants (corporate stores) in Lagos and Abuja. The segment recorded a ₦148 million operating loss in Q3 2023 (Q3 2022: ₦163 million loss) reflective of the impact of escalating power costs on store profitability as well as impact of inflation on cost of sales. The QSR segment recorded a ₦231 million loss before tax in Q2 2023 (Q3 2022: ₦213 million loss before tax). QSR management is working on efforts to drive profitability by implementing production cost optimisation initiatives and also limiting costs especially in power generation at the corporate stores.

Associate: Real Estate (UPDC – 42.85% ownership)

UPDC's Q3 2023 revenue increased 71% YoY to ₦1.6 billion (Q3 2022: ₦952 million) driven by increased sales of plots of Pinnock Prime Estate, sale of plots at Hampshire estate, higher facility management fees, and the operationalization of UPDC Hotel which was formally reopened in September 2022. UPDC recorded operating profit of ₦202 million in Q3 2023 (Q3 2022: ₦143 million operating loss) due to increased revenue. Net finance costs decreased by 39% YoY to ₦57 million driven by the part repayment (₦1.1 billion) of its shareholder loan. UPDC recorded profit before tax of ₦146 million in Q3 2023, compared to the ₦235 million loss before tax recorded in Q3 2022.

Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 53% YoY to ₦4 billion in Q3 2023 from ₦2.6 billion in Q3 2022, driven by the expansion of the transport operation (addition of trucks to the company's fleet) and warehouse business. Operating profit was ₦686 million (Q3 2022: ₦383 million) supported by gross margin expansion and other income of ₦40 million from the disposal of assets. Net finance cost increased by 289% to ₦466 million in Q3 2023 compared to ₦120 million in Q3 2022 on account of increased debt and higher finance costs to fund recent expansion of the company's transport fleet. MDS Logistics recorded a profit before tax of ₦220 million in Q3 2023 compared to a profit before tax of ₦263 million in Q3 2022.

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About UAC

UAC of Nigeria PLC (UAC) is a holding company with subsidiary and associate companies operating in the Animal Feeds and Other Edibles; Paints; Packaged Food and Beverages; Quick Service Restaurants; Logistics and Real Estate segments. UAC has played a prominent role in Nigeria's development for over a century. The company is focused on building its businesses into leaders in their chosen segments.

1. UAC has four operating platforms

Animal Feeds and Other Edibles

- Grand Cereals Limited (71.4% ownership) – a leading producer of cereals, edible oils, poultry feed, fish feed, ruminant feed and dog food. The company has production and distribution facilities in Northern and South Eastern Nigeria. It owns a portfolio of strong brands including Grand, Vital, and BestMate.
- Livestock Feeds PLC (73.3% ownership) – produces and distributes poultry feed, feed concentrates and full fat soya. The company recently expanded its offering to include veterinary drugs. Livestock Feeds' geographic strength is in South West Nigeria. The company is listed on The Nigerian Exchange ("NGX").

Paints

- Chemical and Allied Products PLC (57.9% ownership) – the leading paints and coatings company in Nigeria with a diversified product range spanning decorative and marine segments. CAP PLC is the sole technology licensee for AkzoNobel's decorative range in Nigeria and is also a distributor for Hempel's industrial products. The company's brand portfolio is comprised of Dulux, Sandtex, Caplux, and Hempel. The company benefits from a unique distribution model - franchised retail outlets, which it pioneered in Nigeria's paint industry. CAP PLC is listed on NGX.

Packaged Food and Beverages

- UAC Foods Limited (99.42% ownership) – a leading player in the packaged food and beverages industry with three distinct business segments – snacks, ice-cream, and spring water. It owns iconic brands such as Gala, SWAN Spring Water, Supreme and Funtime.

Quick Service Restaurants

- UAC Restaurants Limited (51% ownership) - a joint venture with Famous Brands, manages the network of Quick Service Restaurants across Nigeria under the Mr Bigg's and Debonairs Pizza brands.

2. UAC owns minority stakes in Logistics and Real Estate businesses

Logistics: MDS Logistics Limited (43% ownership) - a leading logistics provider in Nigeria, offers the complete suite of outbound logistics and supply chain services including Warehousing, Haulage and Distribution.

Real Estate: UPDC PLC (42.9% ownership) - a leading property development and management company quoted on NGX.

For more information visit www.uacnplc.com

Disclaimer

This announcement contains or will contain forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward- looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. UAC of Nigeria PLC cautions readers that several factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Company's disclosure materials filed from time to time with the Securities and Exchange Commission. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.