



## PRESS RELEASE

Regulated information

### Financial Results for the three months ended 31 March 2023

**28 April 2023** – UAC of Nigeria PLC (“UAC” or the “Group”) announced its results for the period ended 31 March 2023.

#### Highlights

- Revenue of ₦24.6bn, 11% lower year on year reflective of the tough operating environment in the first quarter.
- Gross profit 35% lower at ₦3.3bn; Gross margin compressed 503 bps to 13% impacted by lower sales and rising costs particularly power.
- Operating loss of ₦700mn compared to operating profit of ₦1.9bn in Q1 2022. Performance was impacted by:
  - ₦832mn operating loss from the Animal Feeds and Other Edibles segment.
  - Constrained demand as customers prioritised essential spending because of cash shortages.
  - Disruption in trading and distribution during the general elections in February 2023.
  - In Q1 2022, the holding company recognized a one-off gain on disposal of non-core property (₦386mn) which impacts year on year comparison.
- Loss before tax of ₦937mn (Q1 2022: profit before tax of ₦979mn).

Commenting on the results, **Group Managing Director, Fola Aiyesimoju**, stated: “In Q4 2022, we recorded operating losses and loss before tax of ₦3.1bn and ₦3.3bn respectively. Although still challenging, these improved to ₦700mn and ₦937mn in Q1 2023; performance this quarter would have been stronger but for challenging macro-economic and socio-political challenges. Factors that adversely impacted performance were cash shortages and lost trading days on account of elections. Quarter on Quarter improvement was on account of improved performance in our animal feeds businesses and our packaged food and beverages business. Livestock Feeds PLC and UAC Foods Limited returned to profitability in Q1 2023 and we are encouraged by progress at Grand Cereals Limited which we expect will return to profitability over the course of the year. Barring further externals shocks, we are encouraged by the outlook for our businesses.”

#### Group Highlights

In million ₦, unless otherwise stated	Q1 2023	Q1 2022	Δ %
<b>Revenue</b>	<b>24,620</b>	<b>27,666</b>	<b>(11.0%)</b>
<b>Gross Profit</b>	<b>3,279</b>	<b>5,075</b>	<b>(35.4%)</b>
Gross Profit Margin (%)	13.3%	18.3%	(503 bps)
Selling and Distribution Expenses	(1,969)	(1,737)	13.4%
Administrative Expenses	(2,188)	(1,928)	13.5%
<b>Operating Expenses</b>	<b>(4,157)</b>	<b>(3,665)</b>	<b>13.4%</b>
Operating Expenses (% of revenue)	16.9%	13.2%	364 bps
Other income	178	457	(61.1%)
<b>EBIT</b>	<b>(700)</b>	<b>1,867</b>	<b>n/m</b>
EBIT Margin (%)	(2.8%)	6.8%	(959 bps)
<b>Net Finance (Cost)/Income</b>	<b>(232)</b>	<b>(910)</b>	<b>(74.5%)</b>
Share of (Loss)/Profit of Associates	(5)	21	n/m
<b>(Loss)/Profit Before Tax</b>	<b>(937)</b>	<b>979</b>	<b>n/m</b>
Profit Before Tax Margin (%)	(3.8%)	3.5%	(734 bps)
<b>(Loss)/Profit After Tax From Continuing Operations</b>	<b>(1,159)</b>	<b>642</b>	<b>n/m</b>
Loss After Tax from Discontinued Operations	-	(3)	n/m
<b>(Loss)/Profit for the period</b>	<b>(1,159)</b>	<b>639</b>	<b>n/m</b>
Profit Margin (%)	(4.7%)	2.3%	(702 bps)
Basic Earnings Per Share (EPS):			
From Continuing Operations (Kobo)	(29)	18	(262.5%)
From Discontinued Operations (Kobo)	-	(0)	n/m
For the Period (Kobo)	(29)	18	(263.4%)
Annualised Return on Equity (ROE)	(8.3%)	4.4%	(1,277 bps)
Annualised Return on Invested Capital (ROIC)	(5.6%)	11.6%	(1,711 bps)

	Mar-23	Dec-22	Δ
Quick Ratio	0.5x	0.5x	(0.0x)
Current Ratio	1.1x	1.1x	(0.0x)
Gearing	40%	42%	(160 bps)
Total Assets / Equity	2.1x	2.1x	0.0x
Net Debt / EBITDA	19.8x	3.5x	16.3x
Free Cash Flow	(663)	9,578	(10,241)

### Group Performance and Financial Review: Q1 2023

**Revenue** in Q1 2023 decreased 11% YoY to ₦24.6 billion as a result of impact of constrained demand driven by reduced trading days and cash scarcity. Sales volumes declined across all segments except Quick Service Restaurants +59.2% YoY which was supported by the increase in corporate stores across Lagos and Abuja.

**Gross profit** was 35% lower YoY to ₦3.3 billion and gross profit margin contracted by 503 basis points to 13%. Margin contraction is on account of reduced revenues on a fixed cost base and input cost escalation, particularly in power.

**Operating loss** was ₦700 million in Q1 2023, well below levels recorded in Q1 2022 (Q1 2022: operating profit of ₦1.9 billion) but an improvement on Q4 2022. Operating profit margin contracted 959bps to -2.8%. **Operating expenses** as a percentage of sales increased 364 bps YoY to 16.9%.

**Net finance cost decreased** by 75% to ₦232 million in Q1 2023 (Q1 2022: ₦910 million) on account of deliberate effort to reduce leverage and ultimately finance costs in the Animal Feeds and Other Edibles segment. Share of loss from **associate companies** was ₦5 million which represents the net impact of the loss from UPDC PLC and the profit from MDS Logistics. **Loss before tax** was ₦937 million (Q1 2022: profit before tax of ₦979 million). **Total loss for the period** was ₦1.2 billion compared to a profit after tax of ₦639 million in Q1 2022. **Loss per share** was 29 Kobo in Q1 2023 compared to 18 Kobo earnings per share recorded in Q1 2022.

**Free Cash Flow** for the period was negative ₦663 million in Q1 2023, compared with positive ₦9.6 billion in December 2022, due to a slight increase in inventory and trade receivables in Q1 2023.

**Return on Equity** from continuing operations at for Q1 2023 was a negative 8.3%, compared to positive 4.4% in Q1 2022. **Return on Invested Capital (ROIC)** was 5.6% (Q1 2022: positive 11.6%).

### Segment Performance<sup>1</sup>

Revenue (% and ₦m)	Q1 2023	Q1 2022	Δ %
Animal Feeds and Other Edibles	15,101	16,544	(8.7%)
Paints	3,971	4,656	(14.7%)
Packaged Food and Beverages	5,407	6,486	(16.6%)
Quick Service Restaurants	942	591	59.2%
Earnings / (Loss) before Interest & Tax – EBIT (₦m)	Q1 2023	Q1 2022	Δ %
Animal Feeds and Other Edibles	(832)	637	(230.7%)
Paints	391	760	(48.6%)
Packaged Food and Beverages	67	433	(84.5%)
Quick Service Restaurants	(152)	(137)	11.3%
Profit/ (Loss) Before Tax – PBT (₦m)	Q1 2023	Q1 2022	Δ %
Animal Feeds and Other Edibles	(1,279)	(130)	885.3%
Paints	576	781	(26.2%)
Packaged Food and Beverages	(6)	338	(101.9%)
Quick Service Restaurants	(195)	(167)	17.2%

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 decreased 8.7% YoY to ₦15.1 billion in Q1 2023 (Q1 2022: ₦16.5 billion) on account of lower sales volumes in the poultry feed and oils categories. The segment recorded an operating loss of ₦832 million in Q1 2023 (Q1 2022: operating profit of ₦637 million) on account of revenue underperformance because of the macroeconomic and socio-political reasons outlined above. The segment recorded a ₦1.3 billion loss before tax in Q1 2023 compared to a ₦130 million loss before tax in Q1 2022, impacted by gross profit under-performance and increased operating expenses. The segment however recorded an improvement compared to the loss before tax of ₦3.5 billion in Q4 2022.

## Paints

Revenue decline of 14.7% YoY to ₦4 billion in Q1 2023 (Q1 2022: ₦4.7 billion) on account of lower volumes attributable to limited trading during the general elections and scarcity of cash affecting consumer sentiment. Operating profit was 48.6% lower at ₦391 million. Margin compression was as a result of input cost escalation, higher transporter fares driven by increase in diesel prices (distribution cost per litre up 25% YoY) and higher conversion costs. Profit before tax was ₦576 million in Q1 2023, 26.2% lower than the ₦781 million recorded in Q1 2022.

## Packaged Food and Beverages

Revenue declined 16.6% YoY to ₦5.4 billion in Q1 2023 (Q1 2022: ₦6.5 billion) as a result of lower sales volumes across all categories (snacks -49.6%, water -20.6%, and dairies -24.9%). Sales and overall consumer demand were impacted by the cash shortages as well as disruptions in distribution and trading hours because of the elections in February 2023.

The segment recorded an operating profit of ₦67 million in Q1 2023 (Q1 2022: ₦433 million). Loss before tax of ₦6 million compared to ₦338 million profit before tax recorded in Q1 2022. Profitability was impacted by higher operating expenses, particularly energy and distribution, and finance costs. The segment recorded loss before tax of ₦621 million in Q4 2022.

## Quick Service Restaurants (QSR)

Revenue increased 59.2% YoY to ₦942 million in Q1 2023 (Q1 2022: ₦591 million) driven by growth in sales of company-owned restaurants (corporate stores) and the addition of new corporate stores in Lagos and Abuja. The segment recorded a ₦152 million operating loss in Q1 2023 (Q1 2022: ₦137 million loss) reflective of the impact of escalating power costs on store profitability as well as impact of inflation on raw materials costs. The QSR segment recorded a ₦195 million loss before tax in Q1 2023, compared to ₦167 million loss before tax in Q1 2022.

QSR management is working on efforts to drive profitability by limiting costs especially in power generation at the corporate stores.

## Associate: Real Estate (UPDC – 42.85% ownership)

UPDC's Q1 2023 revenue increased 8% YoY to ₦843 million (Q1 2022: ₦781 million) driven by sales from its most recent development (Pinnock Prime Estate), higher facility management fees, and the operationalization of UPDC Hotel which was formally reopened in September 2022. UPDC recorded an operating loss of ₦38 million in Q1 2023 (Q1 2022: ₦263 million operating profit) due to higher administrative and operating expenses, particularly costs incurred to support the reopening of UPDC Hotel, as well as non-repetition of UPDC Real Estate Investment Trust (REIT) dividend received in Q1 2022. Net finance costs decreased by 26% YoY to ₦87 million driven by part repayment (₦1.1 billion) of shareholder loan. UPDC recorded loss before tax for Q1 2023 of ₦125 million, compared to the ₦146 million profit before tax recorded in Q1 2022.

## Associate: Logistics (MDS Logistics – 43% ownership)

MDS Logistics' revenue increased 82% YoY to ₦4 billion in Q1 2023 from ₦2.2 billion in Q1 2022, driven by the expansion of the transport operation (addition of 165 trucks to the company's fleet in 2022) and warehouse business. Operating profit was ₦719 million (Q1 2022: ₦40 million) supported by gross margin expansion, and cost management efforts which offset the 30% increase operating expenses. Net finance cost increased by 487% to ₦562 million on account of finance costs incurred on a loan to fund recent capital expenditure to support the haulage business. MDS Logistics recorded a profit before tax of ₦156 million in Q1 2023 compared to a loss before tax of ₦56 million in Q1 2022.

## For more information, please contact

Funke Ijaiya-Oladipo  
Group Finance Director  
[Investorrelations@uacnplc.com](mailto:Investorrelations@uacnplc.com)  
+234 906 269 2908  
[www.uacnplc.com](http://www.uacnplc.com)

## About UAC

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

### 1. UAC has four operating platforms

#### Animal Feeds and Other Edibles

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

#### Paints

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

#### Packaged Food and Beverages

- UAC Foods Limited (100% ownership) – a leading player in the packaged food and beverages industry with three distinct business segments – snacks, ice-cream, and spring water. It owns iconic brands such as Gala, SWAN Spring Water, Supreme and Funtime.

#### Quick Service Restaurants

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

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

#### Logistics

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

#### Real Estate

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

For more information visit [www.uacnplc.com](http://www.uacnplc.com)

## Disclaimer

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