

UAC OF NIGERIA PLC

2025 Corporate Rating Report



UAC of Nigeria PLC

Issuer Rating:

A-

A company with good financial condition and a strong capacity to meet its obligations relative to all other issuers in the same country.

Outlook: Stable

Issue Date: 4 July 2025

Expiry Date: 30 June 2026

Previous rating: A-

Industry: Diversified Industries

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RATING RATIONALE

Agusto & Co. hereby affirms the "A-" rating assigned to UAC of Nigeria PLC ("UACN", "the Holding Company" or "the Company"). The assigned rating reflects UACN's good financial profile, supported by its sizeable treasury portfolio, increased gains from foreign-currency-denominated investments, diversified income streams and established position across key market segments. The rating is further upheld by the Holding Company's low-gear capital structure and adequate working capital position, underpinned by its substantial liquid assets, a lean operating model and a robust equity buffer. The rating also considers UACN's expansion initiatives aimed at scaling its businesses, including the launch of new food and paint products, planned entry into neighbouring West African markets and optimisation of the restaurant operations. However, the assigned rating is constrained by the Company's weak operating cash flow, largely due to its high related party receivables arising from intercompany advances. The rating is further moderated by the vulnerability of the future earnings of portfolio entities to the rising cost pressures and weakening consumer discretionary spending, which could impact dividend payments to UACN.

UACN is a diversified investment holding company with core business interests in Nigeria's edibles and feed, food and beverage, paints and quick-service restaurant industries. UACN operates a decentralised structure, providing strategic oversight, brand stewardship and capital support to its portfolio companies, which have well-known brands such as Gala, Dulux, Grand, Vital Feed, Debonairs, Supreme and SWAN. The Company derives its revenue primarily from fees charged to Group companies for technical and advisory services (commercial service fees), dividends from subsidiaries and associates, interest income on its sizeable invested capital and rental income from its investment properties. In assigning the rating, we have assessed the financial condition of UACN as a standalone entity. Agusto & Co. did not appraise the performance of UAC Group, which comprises the Holding Company, five subsidiaries and two associate entities.

In the financial year ended 31 December 2024 (FYE 2024), UACN's total operating income grew by 119% to ₦12.7 billion, largely driven by significant foreign exchange gains on non-equity investments, higher management service fees from its subsidiaries and an increase in dividend receipts from portfolio companies. Consequently, the Company's operating expense to income ratio improved to 36.2% in FYE 2024 (2023: 48.5%), thus resulting in a better operating profit margin of 63.8% (2023: 51.5%). On account of the notes issued to

support the working capital needs of its portfolio companies, UACN's finance cost to operating income ratio rose to 17% in FYE 2024 (2023: 8.9%), higher than our 5% threshold. In FYE 2024, the Holding Company's pre-tax profit margin moderated to 73.1% (2023: 170.4%), reflecting the uptick in finance costs and lower gains on asset disposals. Overall, UAC of Nigeria PLC posted pre-interest pre-tax return on asset (ROA) of 18.7% in FYE 2024, which was slightly better than our benchmark, while its pre-tax return on equity (ROE) of 21.6% was within our expectation but lower than the average inflation rate of 33.2% in the same year.

Looking ahead, we do not expect the Company to record the substantial foreign exchange gains seen in prior years due to the relatively stable exchange rate environment in 2025. However, considering the higher dividend payouts declared by UACN's portfolio companies (mainly Chemical and Allied Products PLC and Central Securities Clearing System Limited) subsequent to the 2024 year-end, we anticipate a modest improvement in dividend income in the near term. We also expect the Holding Company's operating income to be supported by higher management service fees, driven by ongoing product diversification and market expansion initiatives across its portfolio companies. Given the prevailing high-yield environment, we anticipate that interest income from local and foreign fixed-income instruments will remain relatively stable. In our view, UACN's profitability is satisfactory.

UACN adopts a consolidated funding model, where the Holding Company raises capital (leveraging its good credit profile) and on-lends to subsidiaries as intercompany loans. While this structure reduces borrowing costs for subsidiaries, it has contributed to persistent weak cash flow at the Holding Company level. Although UACN's operating cash flow (OCF) recovered to ₦0.9 billion in FYE 2024 from a negative position in the prior year, it remained insufficient to cover the total returns to providers of finance of ₦2.7 billion. Cumulatively, the Company's OCF over the past three years (2022-2024) was also inadequate to meet interest and dividend payments. As at 31 March 2025, UACN reported a negative OCF of ₦16.4 billion, mainly due to the rise in amounts due from related companies. Given the Company's plan to retain the intercompany funding arrangement to support its subsidiaries, we expect its OCF to remain pressured in the near term.

Consistent with prior years, UACN recorded a working capital surplus of ₦21.5 billion as at FYE 2024, primarily supported by increased accretion to retained earnings, as well as a rise in deferred tax liabilities. Given its lean operating structure, steady profit retention and strong equity position, we expect the Company's working capital surplus to be sustained in the near term.

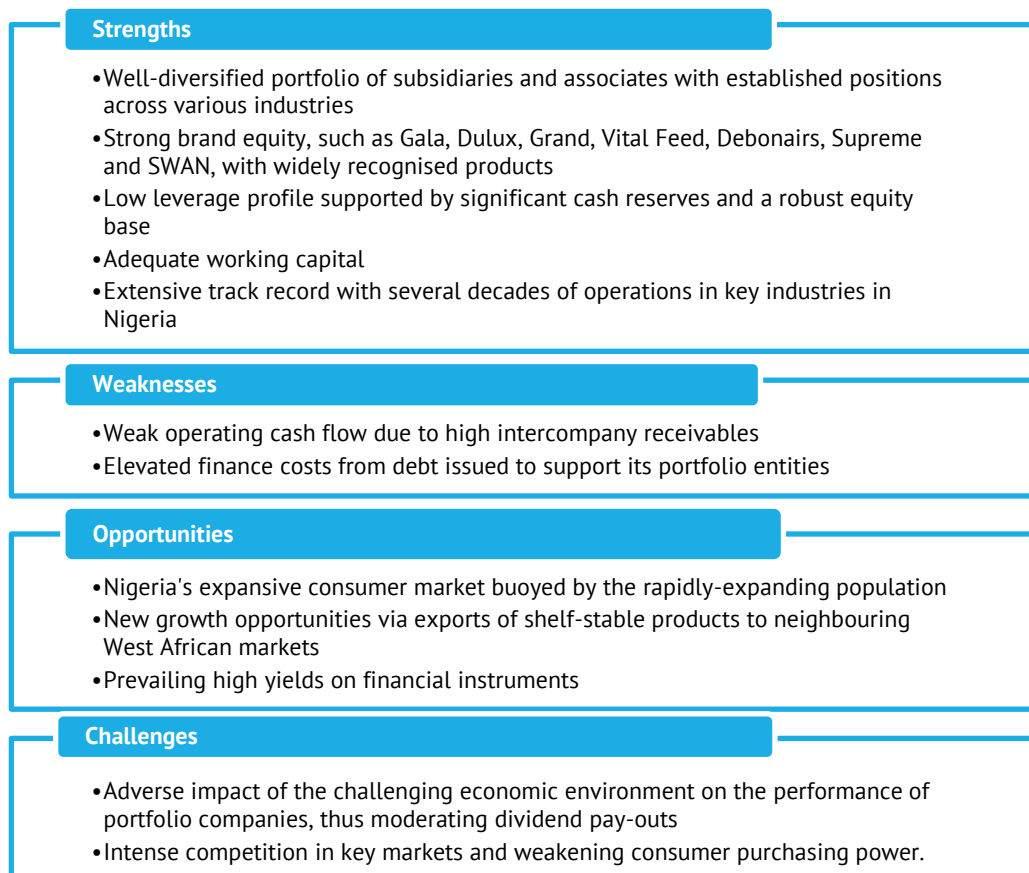
As at FYE 2024, UAC of Nigeria's total liabilities, comprising non-interest-bearing (67%) and interest-bearing debts (33%), increased by 20% to ₦18.2 billion, reflecting the ₦5.82 billion Seven-Year 21.5% Series 1 Fixed Rate Senior Unsecured Bond Due 2031 utilised to refinance existing credit obligations of its subsidiaries, as well as the rise in deferred tax liabilities. Consequently, the Company's finance cost to operating income ratio rose to 17% in FYE 2024 (2023: 8.9%), higher than our 5% threshold. Nonetheless, UACN's net debt (total liabilities less cash and equivalents) to total assets and interest-bearing debt (net of cash) to equity ratios remained low at less than 1% in FYE 2024, supported by its significant

cash reserves, which adequately covered outstanding liabilities. Given the Company's plans to secure additional debt to support the working capital and expansion needs of portfolio entities, we anticipate that its finance costs will remain elevated amid the prevailing high-interest-rate environment. However, we expect UACN's sturdy equity buffer and the practice of passing on the funding costs to the beneficiary entities to moderate the impact of further borrowings on its capital structure. In our view, the Company's overall leverage profile is low.

UACN's growth strategy centres on expanding product offerings, optimising distribution and entering new regional markets to drive revenue growth across its portfolio companies. Recent initiatives include the introduction of new food products such as Gala Chin Chin and Kingsway Loaf, as well as affordable paint variants. The Company is also exploring export opportunities for its food and paint products across West Africa. These initiatives are expected to support the growth in commercial service fees, despite ongoing macroeconomic challenges that may pressure subsidiaries' profitability and dividend flows. While UACN is unlikely to replicate the exceptional foreign exchange gains of the prior year due to a more stable exchange rate environment in 2025, we expect its substantial investable capital and the elevated fixed-income yields to bolster interest income in the near term.

Based on the above, Agusto & Co. attaches a **stable** outlook to UAC of Nigeria PLC.

Figure 1: Strengths, Weaknesses, Opportunities & Challenges



PROFILE OF UAC OF NIGERIA PLC

UAC of Nigeria PLC ("UACN", "the Holding Company" or "the Company") is a diversified conglomerate with business interests in consumer goods, quick service restaurants, paints and coatings, animal nutrition, logistics and real estate industries. Established as a trading enterprise in 1879, UACN has evolved into a non-operating holding company, conducting its business through five subsidiaries and two associate companies. The Holding Company was listed on the Nigerian Exchange Limited (NGX) in 1991.

UACN operates a decentralised holding structure, where each subsidiary is independently managed and accountable for its operational and financial performance. However, the Holding Company plays a strategic role in capital allocation, brand stewardship and oversight of corporate governance across the Group.

To support the working capital needs and expansion initiatives of its portfolio entities, UACN raises capital at the Group level and on-lends to subsidiaries as intercompany advances backed by the revenues of the beneficiary entities. This financing model enables the Group to leverage its good credit profile and access to capital markets to secure funding at more competitive rates than individual subsidiaries could independently obtain. While the Company assumes market-facing obligations, the financing costs are passed on to the respective subsidiaries under structured repayment terms, with regular cash flow monitoring to minimise financial risk.

The Company's core businesses are structured along four key segments: Edibles and Feed , Packaged Food and Beverages, Paints and Quick Service Restaurants.

Edibles and Feed

UACN operates in this segment through two subsidiaries: Grand Cereals Limited (GCL) and Livestock Feeds PLC (LSF). GCL has production facilities in the Northern and South-Eastern regions of Nigeria and owns three major brands – Grand, Vital Feed and BestMate. Livestock Feeds PLC, on the other hand, is focused on the production of animal feeds, concentrates and veterinary drugs. LSF's major brands include Livestock Feeds and Aquamax. Livestock Feeds PLC is listed on the NGX. As at 31 December 2024, UACN owned 71.43% and 73.29% stakes in GCL and LSF, respectively.

Packaged Food and Beverages

UACN's interest in this segment is through UAC Foods Limited (UFL), which owns famous brands, including Gala, which pioneered the sausage roll snacks segment in Nigeria in 1962, Funtime (Coconut Chips), Supreme Ice Cream and SWAN Spring bottled water. As at 31 December 2024, UACN held a 99.96% equity stake in UFL.

Paints

The Company operates in the Paints segment through Chemical and Allied Products PLC (CAP PLC), a leading manufacturer and distributor of decorative paints and protective coatings in Nigeria. CAP PLC owns flagship brands such as Dulux, Sandtex, Caplux and Hempel, catering to both the premium and standard segments of the industry. UACN owned 57.85% interest in CAP PLC as at 31 December 2024. CAP PLC is also a listed entity on the NGX.

Quick Service Restaurants (QSR)

UACN's presence in this segment is through UAC Restaurants Limited (UACR), a pioneer operator in the Nigerian QSR industry (with the launch of Mr Bigg's brand in 1986). UACR also owns the Debonairs Pizza and Mr. Biggs brands, with outlets across major cities in Nigeria. UACN holds a 51% equity stake in UACR, while Famous Brands

- one of the leading QSR franchisors in Africa - owns the remaining 49%.

In addition, UACN holds non-controlling equity stakes of 43% in UPDC Plc (a real estate development and investment company) and 42.6% in MDS Logistics Limited, a leading provider of integrated supply chain solutions. However, the Company has disclosed its long-term strategy to fully divest from these non-core assets and concentrate on its core consumer and industrial brands.

UACN's strategic priorities include scaling operations through product innovation, regional expansion and optimising its supply chain and distribution networks. In 2024, the Company launched several new products under its food and paints subsidiaries, including Gala Chin Chin, Kingsway Loaf and new affordable paint variants designed to deepen market penetration, particularly among lower-income consumers. UAC of Nigeria PLC is also exploring export opportunities for its new food and paint products. To further enhance operational efficiency, UACN established a technology innovation unit ("1879 Tech Hub") to drive automation and process improvement across its businesses.

OWNERSHIP MANAGEMENT & STAFF

As at the year ended 31 December 2024 (FYE 2024), UACN's share capital stood at ₦1.463 billion, comprising 2,926,131,655 ordinary shares of 50 kobo each, which have been fully issued. As at the same date, the significant shareholders with more than five per cent stakes in the Company were Themis Capital Management (20.04%), Dalio Property Development Limited (5.9%) and Fund, LP - Main NTC Kuroto (5.01%). The remaining 69.05% of the Holding Company's shares were collectively held by other institutional and retail investors. In our view, UACN has a dispersed ownership structure.

BOARD COMPOSITION AND STRUCTURE

The Board of Directors of UAC of Nigeria PLC ("the Board") comprises eight members: four independent non-executive directors, three executive directors, and one non-executive director. Mr. Khalifa Adebayo Biobaku leads the Board as the Chairman, while Mr. Folasope Babasola Aiyesimoju serves as the Managing Director. There were notable changes to the Board during the review period. Mr. Daniel Owor Agbor resigned as Chairman effective 7 February 2025 to focus on personal interests. Mr. Bolaji Adekunle Odunsi also retired from the Board with effect from 31 March 2025 following the expiration of his maximum allowable tenure in line with regulatory requirements. Following Mr. Agbor's resignation, Mr. Biobaku, who previously served as Vice Chairman, was appointed as Chairman, effective 5 February 2025. In addition, Ms. Obi Noora James and Mrs. Amina Muhtar were appointed as independent non-executive directors effective 1 March 2025 to enhance gender diversity and strengthen the Board's expertise.

The Board performs its oversight responsibilities through two committees: the Risk Management Committee and the Governance and Remuneration Committee. UACN also has a Statutory Audit Committee comprising three shareholders' representatives and two board representatives. The Board convened six times during the 2024 financial year, with a 94% attendance rate. Agusto & Co. notes that the composition of the Company's Board committees aligns with the Securities and Exchange Commission (SEC) code of corporate governance for listed entities. In addition, we believe that the Board members possess the requisite experience to provide effective leadership for the Company.

Table 1: UAC of Nigeria PLC's Current List of Directors

Name	Designation
Mr. Khalifa Adebayo Biobaku	Chairman
Mr. Folasope Babasola Aiyesimoju	Group Managing Director
Mrs. Babafunke Ijaiya-Oladipo	Group Finance Director
Mr. Adebolanle Oluwademilade Badejo	Group Investment Director
Mrs. Suzanne Olufunke Iroche	Independent Non-Executive Director
Mr. Karl Olutokun Toriola	Independent Non-Executive Director
Ms. Obi Noora James	Independent Non-Executive Director
Mrs. Amina Muhtar	Independent Non-Executive Director

Source: UAC of Nigeria PLC's 2024 Annual Report

MANAGEMENT TEAM

UACN's executive management team comprise the Group Managing Director and five senior professionals overseeing various functional units of the business, including Finance, Operations, Internal Control, Legal Services and Human Resource Management. Members of the management team possess relevant qualifications and experience in their respective roles, having worked with multinationals and large conglomerates both in Nigeria and abroad.

Mr Folasope Aiyesimoju is the Group Managing Director of UAC of Nigeria PLC. He joined the Board of Directors of UACN in March 2018 and was appointed Group Managing Director on 1 April 2019. Mr Aiyesimoju is a finance professional with experience in corporate finance, private equity, and principal investing. He is the founder of Themis Capital Management, an investment firm that focuses on high-potential opportunities in sub-Saharan Africa. He previously worked at Kohlberg Kravis Roberts, a leading global investment firm, before founding Themis. He began his career with Ocean and Oil Holdings Limited (a Nigerian principal investment firm) and later worked at ARM Investment Managers and Standard Bank Group, where he oversaw several mergers and acquisitions in Nigeria. He holds a Bachelor's Degree in Estate Management from the University of Lagos (2001).

Table 2: Other Members of UACN's Management Team

Name	Position
Mrs. Babafunke Ijaiya-Oladipo	Group Finance Director
Mr. Adebolanle Oluwademilade Badejo	Group Investment Director
Ms. Ayomipo Wey	Group General Counsel and Company Secretary
Mr. Tunji Rabi	Group Internal Auditor
Mrs. Queenette Durosinmi-Etti	Chief Operating Officer

Source: UAC of Nigeria PLC's Management Presentation

As at 31 December 2024, the Holding Company had 40 employees (2023: 31 employees). Following an upward review of employee benefits to cushion the impact of rising living costs, as well as higher FX-linked staff allowances due to local currency devaluation, UACN's average cost per employee (excluding directors' emoluments) rose to ₦49.3 million in FYE 2024 (2023: ₦34.6 million). During the same year, the Company's contribution per employee, measured as profit before tax adjusted for staff cost divided by employee count, stood at ₦281.8 million (2023: 354.6 million). This amount was sufficient to cover the average cost per employee 5.7 times, which was higher than our benchmark of 3 times. In our view, UACN's overall staff productivity level is good.

FINANCIAL CONDITION

Analysts' Comments

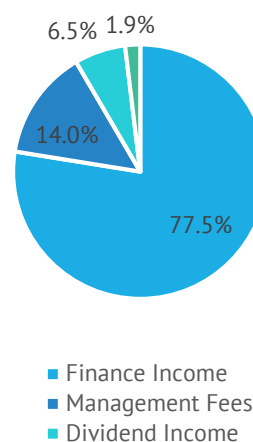
We have analysed the financial condition of UAC of Nigeria PLC as a standalone entity based on the three-year audited financial statements ended 31 December 2024 and its unaudited Management accounts as at 31 March 2025.

PROFITABILITY

UACN and its subsidiaries and associates are referred to as the UAC Group or the Group. We have appraised the financial performance of UAC of Nigeria PLC as a standalone entity. As a non-operating holding entity, UACN generates revenue principally from fees charged to Group companies for technical and advisory services (commercial service fees), which are typically an agreed percentage of their turnover. The Holding Company also earns dividend income on equity investments in subsidiaries, associates and other investee companies. In addition, UACN derives income from interest on non-equity investments and rental income from its investment properties.

In the financial year ended 31 December 2024 (FYE 2024), UAC of Nigeria PLC's total operating income more than doubled to ₦12.7 billion (2023: ₦5.8 billion). This growth was primarily driven by a 153% increase in finance income to ₦9.9 billion, buoyed by higher yields and unrealised gains on foreign currency-denominated non-equity investments (mainly Mutual Fund and Eurobonds) on account of the significant naira depreciation during the year. The Company also recorded a 93% increase in commercial service fees to ₦1.8 billion, reflecting improved revenues across its subsidiaries and associates. Dividend income from portfolio entities (mainly CAP PLC, MDS Logistics Limited and Central Securities Clearing System Limited) also supported revenue and rose by 6% to ₦0.8 billion, while rental income increased by 12% to ₦0.2 billion, following upward adjustments in lease rates.

Figure 2: Breakdown of UACN's Operating Income (2024)



Given the relative stability in exchange rates in 2025, we do not expect the Company to record significant foreign exchange gains as seen in prior years. In light of ongoing initiatives targeted at deepening market penetration, product diversification and operational efficiency across key subsidiaries, we expect stronger revenue performance from UACN's portfolio companies, which should translate to higher commercial service fees in the near term. However, we note that the lingering macroeconomic pressures, including elevated inflation and rising input costs, may constrain the profitability of portfolio entities, with potential spillover effects on dividend contributions to the Holding Company. Nonetheless, Management has disclosed higher dividend payouts declared by portfolio companies (mainly Chemical and Allied Products PLC and Central Securities Clearing System Limited) subsequent to the 2024 year-end, which should support dividend income in the near term.

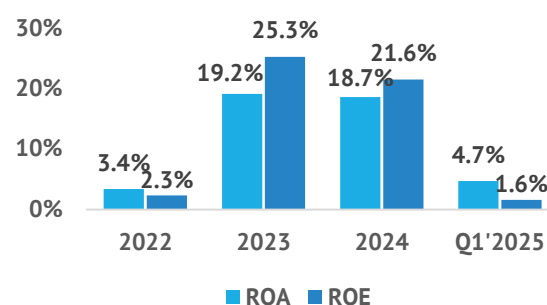
UAC of Nigeria PLC's operating expenses (OPEX) mainly comprised personnel costs, legal and professional fees and other administrative costs. During the FYE 2024, operating expenses rose by 63% to ₦4.6 billion, driven by higher employee compensation and increased business costs due to rising inflation. Nonetheless, UACN's OPEX-to-revenue ratio moderated to 36.2% in FYE 2024 (2023: 48.5%) on account of the superior growth in operating income, mainly due to the exchange gains recognised during the year. Consequently, the Holding Company's

operating profit margin (OPM) improved to 63.8% in FYE 2024, up from 51.5% in the prior year. Without the substantial exchange gains recognised during the year, UACN's OPM would have moderated to 14.9% in FYE 2024 (2023: 17%), reflecting the impact of higher administrative expenses amid sustained inflationary pressures.

During the FYE 2024, the Holding Company's other income, arising mainly from reimbursable expenses from subsidiaries¹, gains on asset disposals and writebacks of provisions no longer required, amounted to ₦3.4 billion and represented 26.4% of operating income. We do not consider the notional gains recognised during the year a sustainable income stream for the business. Due to the high-interest rate environment and the commercial papers issued on behalf of its subsidiaries, UACN's finance cost to operating income ratio increased to 17% in FYE 2024 (2023: 8.9%), significantly higher than our threshold of not more than 5%. Considering the Group's inter-company funding arrangement and the prevailing high interest rate regime, we expect the Holding Company's interest burden to remain elevated in the near to medium term. Nonetheless, we note that these finance costs are transferred to the subsidiaries, which minimises the financial risk to UACN.

In FYE 2024, the Holding Company recorded a pre-tax profit margin of 73.1% (2023: 170.4%), reflecting the increase in finance costs and lower gains on asset disposals. Overall, UAC of Nigeria PLC posted a pre-interest, pre-tax return on asset (ROA) of 18.7% in FYE 2024 and a three-year (2022-2024) weighted average ROA of 16.3%, which were slightly better than our benchmark. During the FYE 2024, the Holding Company recorded a pre-tax return on equity (ROE) of 21.6% and a three-year weighted average ROE of 19.6%, which were within our expectations but lower than the three-year average inflation rate of 25.5%.

Figure 3: ROA and ROE



In the unaudited results for the three months ended 31 March 2025 (Q1 2025), UACN's operating income stood at ₦1.4 billion, representing a 72% decrease compared to the same period in the prior year. This decline was due to the absence of significant exchange gains on non-equity investments recognised in 2024. As a result, the Company's OPM moderated to 24.3% in Q1'2025 (Q1'2024: 81.7%). On account of the decline in earnings, UAC of Nigeria PLC posted annualised return on assets (ROA) and return on equity (ROE) of 4.7% and 1.6%, respectively in Q1'2025, which were below our expectations.

Looking ahead, we anticipate a moderation in UACN's total operating income in the near term, as earnings normalise following the exceptional foreign exchange gains recorded in 2024. Nonetheless, we expect the Company's income to be supported by growth in management service fees, driven by ongoing initiatives across its portfolio companies aimed at product diversification and market expansion. Given the prevailing "higher for longer" yields environment, we expect UACN's interest income from local and foreign fixed-income instruments to remain relatively stable. Over the medium term, we believe the Group's focus on optimising capital allocation and improving cost structures should translate to stronger operating performance and enhanced subsidiary profitability, which would translate to improved dividend contributions to the Holding Company.

In our view, UAC of Nigeria PLC's overall profitability is satisfactory.

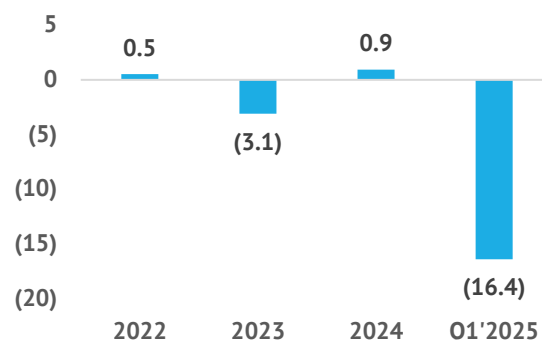
¹ This relates to costs incurred by the Holding Company on behalf of its subsidiaries, including the reimbursement of ₦1.6 billion for finance costs incurred on commercial papers issued by UAC of Nigeria PLC and on-lent to Grand Cereals Limited, UAC Foods Limited, Chemical and Allied Products PLC and Livestock Feeds PLC.

CASH FLOW

As a non-trading investment holding entity, UAC of Nigeria PLC primarily generates cash flow from dividends on equity investments in portfolio companies, management fees charged to its subsidiaries and associates, interest income on financial instruments and rental income from leasing its investment properties.

In the financial year ended 31 December 2024, UACN's operating cash flow (OCF) rebounded to approximately ₦0.9 billion from a negative position in the prior year, primarily due to the reduction in receivables from related entities and an increase in deferred tax liabilities. However, the OCF in FYE 2024, which represented 7% of operating income, was insufficient to cover the returns to providers of finance of ₦2.7 billion, comprising interest expense (80%) and dividend payments (20%). Similarly, the Holding Company's cumulative OCF of ₦1.6 billion over the past three years (2022-2024) was inadequate to meet cumulative interests and dividend payments of ₦6 billion over the same period.

Figure 4: OCF in ₦'Billions



As at 31 March 2025, UAC of Nigeria PLC reported a negative operating cash flow (OCF) of ₦16.4 billion, mainly driven by the increase in amounts due from related parties under the Group's intercompany funding arrangement. This structure allows UACN to secure funding on more favourable terms (leveraging the Group's financial strength) and on-lend to its operating entities as intercompany loans. Agusto & Co. did not appraise any of the portfolio companies and therefore cannot provide an opinion on the ability of these entities to meet their obligations to the Holding Company. Given the UACN's intention to maintain the intercompany funding model to reduce borrowing costs for its subsidiaries, we expect its OCF to remain subdued in the near term.

Looking ahead, we believe that improvement in UACN's OCF will largely depend on the Group's ability to execute its expansion plans across key subsidiaries effectively. Ultimately, consistent growth in core earnings from portfolio companies, rather than exceptional foreign exchange gains or asset disposals (which have bolstered earnings in recent years), will be critical to supporting stable and sustainable cash flows at the Holding Company level.

In our view, UAC of Nigeria's overall cash flow position is weak and requires improvement.

LIQUIDITY PROFILE

As at FYE 2024, UACN's liquidity position from internal sources (mainly unrestricted cash and equivalents) stood at ₦17 billion, while its committed undrawn bank lines amounted to ₦1.5 billion. The Company's available liquidity (measured as internally generated liquidity plus undrawn lines of credit from its lenders) as at the 2024 year-end was sufficient to cover maturing short-term obligations of ₦0.3 billion 69.1 times, which we consider good. Given UACN's rich history, strong brand reputation, established relationships with various financial institutions and access to the domestic debt capital market, we do not anticipate any significant challenges in funding its operations.

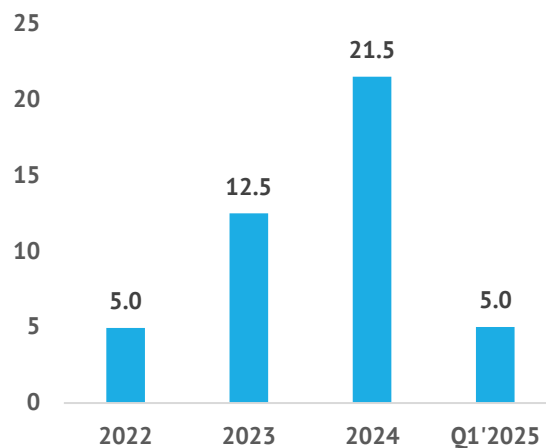
FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2024, UACN's working assets decreased by 29% to ₦5.5 billion, reflecting the decline in related party receivables. Similar to previous years, amounts due from affiliated entities, arising from intercompany advances to subsidiaries and associates, accounted for the majority of the Holding Company's working assets at 78%. The remaining 22% comprised other receivables and prepayments, mainly staff advances, value-added tax receivable and withholding tax recoverable.

UAC of Nigeria PLC's spontaneous financing (non-interest-bearing liabilities) as at FYE 2024 inched up to ₦12.3 billion (2023: ₦11.9 billion), primarily due to the increase in deferred tax liabilities and dividend payable. As at the same date, the Company's spontaneous financing comprised dividend payable (42%), deferred tax liabilities (26%) and taxation payable (21%), and other creditors and accrued expenses (11%). UACN's spontaneous financing as at FYE 2024 was sufficient to cover the working assets, thus resulting in a short-term financing surplus of ₦6.8 billion.

The Company's long-term assets, which mainly comprised equity interests in portfolio companies, investment properties and non-equity investments, rose to ₦34.1 billion as at FYE 2024 (2023: ₦30.8 billion). This growth was primarily driven by higher fair value gains on both quoted and unquoted debt and equity securities. Similarly, UACN's long-term funds, comprising 88% shareholders' equity and 12% long-term borrowings, rose to ₦48.9 billion as of FYE 2024 (2023: ₦39.2 billion), reflecting increased profit retention and proceeds from the ₦5.8 billion Series 1 Bond² issued during the year. The long-term fund was sufficient to cover the long-term assets, resulting in an available working capital of ₦14.7 billion. Overall, the Holding Company posted a working capital surplus of ₦21.5 billion, indicating that its financial resources remain adequate for the current scale of operations.

Figure 5: Overall Working Capital Surplus (₦'Billions)



On account of the increased intercompany loans to subsidiaries, UACN posted a working capital need (WCN) of ₦9.9 billion in Q1'2025. However, the Company reported an available working capital of ₦14.9 billion on the back of the increase in retained earnings, resulting in an overall working capital surplus of ₦5 billion. UAC of Nigeria PLC has consistently recorded working capital surpluses over the last three years. Considering the Company's non-operational holding structure and its robust equity buffer, we anticipate that this trend will continue in the near term.

In our view, the Company's working capital position is good.

² This relates to UACN's ₦5,824,500,000 Seven-Year 21.5% Series 1 Fixed Rate Senior Unsecured Bonds Due 2031 issued under its ₦50 billion Debt Issuance Programme to refinance existing credit obligations.

LEVERAGE

During the 2024 financial year, UAC of Nigeria PLC issued a ₦5.82 billion Seven-Year 21.5% Series 1 Fixed Rate Senior Unsecured Bond Due 2031 ("Series 1 Bond") under its ₦50 billion Debt Issuance Programme. The Series 1 Bond attracts a fixed coupon rate of 21.5%, payable semi-annually over the seven-year tenor, while the principal will be redeemed as a lump sum at maturity. In line with the Group's funding structure, the proceeds of the Bonds were utilised to refinance existing credit obligations (principal and interest) of its subsidiaries.

As at 31 December 2024, UAC of Nigeria's total liabilities, comprising non-interest-bearing (67%) and interest-bearing debts (33%), rose by 20% to ₦18.2 billion, mainly due to the Series 1 Bond raised on behalf of its subsidiaries and the increase in deferred tax liabilities. As FYE 2024, UACN's total assets were funded by shareholders' equity (70%) and liabilities (30%), depicting a strong equity cushion.

As at FYE 2024, the Holding Company's OCF to interest coverage ratio stood at 0.4x, below our benchmark of 3x to reflect its elevated finance costs during the year. However, we recognise that UACN's net debt (total liabilities less cash and equivalents) to total assets and interest-bearing debt (net of cash) to equity ratios remained low at less than 1% in FYE 2024, supported by its significant cash and equivalent balances, which adequately covered outstanding liabilities. UAC of Nigeria PLC's overall low-gear capital structure is consistent with its non-operating holding company model and sizable investable capital base, which provides flexibility to support subsidiaries through strategic funding interventions while preserving liquidity at the Holding Company level.

As at 31 March 2025 (unaudited), UACN's total liabilities rose to ₦34.9 billion, mainly due to Commercial Paper (CP) Notes issued under its ₦45 billion Commercial Paper Issuance Programme to support the working capital requirements of its subsidiaries. The CPs include ₦2.18 billion 179-day notes at 21.47% (Series 9) and ₦16.75 billion 270-day notes at 21.1% (Series 10), both issued on 24 February 2025³. Consequently, the Holding Company's net debt to total assets and interest-bearing debt to equity ratios increased to 26.9% and 1.6%, respectively in Q1'2025 but still remained within our benchmarks.

Considering the plans to expand the operations of its portfolio entities and the Group's inter-company funding structure, we expect UACN's finance costs to remain elevated in line with the prevailing high interest rates. However, we believe that the Holding Company's practice of passing on the cost of funds to the beneficiary portfolio entities, combined with its robust equity buffer, will continue to moderate the impact of future borrowings on the Company's overall capital structure.

In our view, UAC of Nigeria's leverage position is low.

OUTLOOK

UAC of Nigeria PLC's expansion strategy is centred on deepening market penetration by broadening its product offerings, optimising distribution networks and entering new regional markets. As part of these efforts, UACN launched new product variants in 2024, including Gala Chin Chin and Kingsway Loaf in its food business, and affordable paint products under the Dulux brand to target price-sensitive consumers. The Company is also working

³ The Series 9 and 10 CP Notes are due in August and November 2025, respectively.

to revitalise its quick service restaurant business through store expansion and operational restructuring, supported by funding from development finance institutions. UACN expects these strategic initiatives to enhance the financial performance of its subsidiaries, which would translate to higher management service fees and dividend contributions.

In addition, the Company intends to continue to optimise returns on its sizeable investable capital base, with interest income expected to remain steady in the near term on account of the prevailing high-yield environment. The Group also plans to sustain investments in technology and process automation to improve efficiency, reduce costs and support scalability across its subsidiaries.

Nonetheless, UACN's portfolio companies remain exposed to the prevailing macroeconomic challenges, including high inflation, elevated energy prices and rising logistics costs, which may constrain profitability and limit dividend payouts in the near term. However, the expanding operating scale of these entities is expected to support revenue growth, resulting in higher management service fees charged to subsidiaries and associates. Furthermore, we anticipate an increase in rental income from the Company's investment properties, as lease rates are expected to adjust upward in response to the broader macroeconomic pressures.

Given the Group's intercompany funding structure, we expect further on-lending activities to subsidiaries to continue to exert pressure on the Holding Company's operating cash flow. We also expect finance costs to remain high due to the commercial papers and bonds issued to support the working capital and expansion needs of portfolio entities. However, we recognise that these costs are passed on to the beneficiary entities. As such, we expect UACN to maintain its low leverage profile, supported by a strong equity buffer and substantial cash and equivalent balances. The Company's working capital position is also expected to remain adequate, aided by its lean operating structure and sizeable liquid assets.

Based on the aforementioned, we hereby attach a **stable** outlook to UAC of Nigeria PLC.

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME	31-Dec-22		31-Dec-23		31-Dec-24		31-Mar-25 (Unaudited)	
	₦'billions		₦'billions		₦'billions		₦'billions	
OPERATING REVENUE	2.8	100.0%	5.8	100.0%	12.7	100.0%	1.4	100.0%
OPERATING PROFIT	0.5	19.3%	3.0	51.5%	8.1	63.8%	0.3	24.3%
INTEREST EXPENSE	(0.7)	-23.5%	(0.5)	-8.9%	(2.2)	-17.0%	(0.7)	-53.8%
PROFIT BEFORE TAXATION	0.7	26.2%	9.9	170.4%	9.3	73.1%	0.2	12.7%
TAX (EXPENSE) BENEFIT	(0.0)	-1.8%	(1.4)	-23.6%	(2.7)	-21.4%	(0.0)	-0.2%
PROFIT AFTER TAXATION	0.7	24.4%	8.5	146.8%	6.6	51.7%	0.2	12.5%
DIVIDEND	(1.9)	-67.1%	(0.6)	-11.1%	(0.6)	-5.1%	0.0	0.0%
PROFIT RETAINED FOR THE YEAR	(1.2)	-42.7%	7.9	135.7%	5.9	46.7%	0.2	12.5%
OTHER APPROPRIATIONS/ ADJUSTMENTS	(0.0)		0.0		(1.1)		0.0	
PROFIT RETAINED B/FWD	15.4	-	14.3	-	22.2	-	27.0	-
PROFIT RETAINED C/FWD	14.3	-	22.2	-	27.0	-	27.1	-

STATEMENT OF FINANCIAL POSITION	31-Dec-22		31-Dec-23		31-Dec-24		31-Mar-25 (Unaudited)	
	₦'billions		₦'billions		₦'billions		₦'billions	
ASSETS								
CASH & EQUIVALENTS	5.0	12.2%	15.8	29.1%	21.8	35.5%	22.0	28.1%
TOTAL TRADING ASSETS	5.2	12.8%	7.8	14.3%	5.5	8.9%	22.1	28.2%
TOTAL LONG-TERM ASSETS	30.5	75.0%	30.8	56.6%	34.1	55.6%	34.2	43.7%
TOTAL ASSETS	40.6	100.0%	54.4	100.0%	61.4	100.0%	78.3	100.0%
Growth	-1%		34%		13%		28%	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	-	0.0%	3.3	6.1%	6.0	9.7%	22.7	29.0%
TOTAL NON-INTEREST-BEARING LIABILITIES	9.3	23.0%	11.9	21.9%	12.3	20.0%	12.2	15.6%
TOTAL LIABILITIES	9.3	23.0%	15.2	28.0%	18.2	29.7%	34.9	44.6%
SHAREHOLDERS' EQUITY	31.3	77.0%	39.2	72.0%	43.2	70.3%	43.4	55.4%
TOTAL LIABILITIES & EQUITY	40.6	100.0%	54.4	100.0%	61.4	100.0%	78.3	100.0%

CASH FLOW STATEMENT	31-Dec-22	31-Dec-23	31-Dec-24	31-Mar-25
	₦'billions	₦'billions	₦'billions	₦'billions
OPERATING ACTIVITIES				
POTENTIAL OPERATING CASH FLOW	0.1	(2.8)	(1.6)	0.3
WORKING CAPITAL CHANGES:				
CASH FROM (USED BY) SPONTANEOUS FINANCING	(0.1)	2.3	0.3	(0.0)
CASH FROM (USED BY) TRADING ASSETS	0.4	(2.6)	2.3	(16.6)
CASH FROM (USED IN) OPERATING ACTIVITIES	0.5	(3.1)	0.9	(16.4)
RETURNS TO PROVIDERS OF FINANCING				
INTEREST PAID	(0.7)	(0.5)	(2.2)	(0.7)
DIVIDEND PAID	(1.8)	(0.4)	(0.5)	(0.0)
OCF AFTER PAYMENTS TO PROVIDERS OF FINANCING	(1.9)	(4.0)	(1.8)	(17.2)
CASH FROM (USED IN) INVESTING ACTIVITIES	0.5	(0.5)	(3.5)	(0.1)
CASH FROM (USED IN) FINANCING ACTIVITIES	0.5	3.3	2.6	16.7
CHANGE IN CASH INC/(DEC)	0.7	10.9	5.9	0.2
OPENING CASH & MARKETABLE SECURITIES	4.3	5.0	15.8	21.8
CLOSING CASH & MARKETABLE SECURITIES	5.0	15.8	21.8	22.0

UAC of Nigeria PLC

KEY RATIOS	31-Dec-22	31-Dec-23	31-Dec-24	31-Mar-25
PROFITABILITY				
SALES GROWTH	-56.3%	118.7%	108.5%	-21.1%
OPERATING PROFIT MARGIN	19.3%	51.5%	63.8%	24.3%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	3.4%	19.2%	18.7%	4.7%
RETURN ON EQUITY (PRE-TAX)	2.3%	25.3%	21.6%	1.6%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDER OF FINANCING	34.9%	-338.6%	34.9%	-2112.0%
OCF AS % OF SALES	18.3%	-53.0%	7.4%	-1179.6%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	-	-	-	2,598
OVERALL WORKING CAPITAL DEFICIENCY (DAYS)	-	-	-	-
LEVERAGE				
NET INTEREST BEARING DEBT AS % OF AVERAGE TOTAL ASSETS (EXCLUDING CASH & REVALUATION SURPLUS)	12.1%	-	-	26.9%
OCF COVER (TIMES)	0.8	-6.0	0.4	-21.9
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₦' MILLION)	1,369	1,078	1,971	698
AVERAGE NUMBER OF STAFF	39	31	40	40
STAFF COSTS PER EMPLOYEE (₦' MILLION)	35.1	34.8	49.3	17.5
CAPITAL EXPENDITURE (₦' MILLION)	160	219	382	92
DEPRECIATION (₦' MILLION)	160	155	181	45
AUDITORS	KPMG	KPMG	KPMG	UNAUDITED
OPINION	CLEAN	CLEAN	CLEAN	N/A

RATING DEFINITIONS

Aaa	A company with the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A company with very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A company with good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A company with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A company with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A company with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.



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