

UAC OF NIGERIA PLC

2026 Corporate Rating Report

 **Agusto&Co.**
Research, Credit Ratings, Credit Risk Management

UAC OF NIGERIA PLC

Long-Term Rating:

Bbb

Short-Term Rating:

A2

Outlook: Stable

Issue Date: 30 June 2026

Expiry Date: 30 June 2027

Previous rating: A-

Industry: Diversified Industries

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Analysts:

Joel Akingunola

Joelakingunola@agusto.com

Christian Obiezu

Christianobiezu@agusto.com

Agusto & Co. Limited

UBA House (5th Floor)

57, Marina

Lagos

Nigeria

www.agusto.com

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.

RATING RATIONALE

Agusto & Co. hereby downgrades the ratings assigned to UAC of Nigeria PLC (“UACN”, “the Holding Company” or “the Company”) to “Bbb” (long-term) and “A2” (short-term). The downgrade reflects the significant weakening of the Holding Company’s standalone financial performance, following the 2025 leveraged buyout of C.H.I. Limited – a transaction that substantially elevated debt levels at the holdco level. While these debt obligations are expected to be serviced through upstreaming of interest and principal from portfolio companies, the transaction has heightened the Holding Company’s reliance on the operating performance of its investee companies. Although the portfolio companies continue to generate healthy EBITDA, variability across the portfolio introduces uncertainty in the timing and sufficiency of cash flows available to meet maturing obligations. Notwithstanding these pressures, the rating continues to be supported by UACN’s established market position, diversified portfolio of operating subsidiaries and demonstrated access to funding.

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. In October 2025, UACN, through its special purpose vehicle, UAC Food and Beverage Company Limited, completed the acquisition of C.H.I. Limited, a leading food and beverage company with well-known brands including Chivita, Hollandia and Capri-Sun, marking the most significant portfolio expansion in the Company’s history. The acquisition, valued at ₦182.4 billion, was financed through debt and UACN’s own cash reserves. The Holding Company derives its revenue primarily from fees charged to portfolio companies for technical and advisory services (commercial service fees), dividends from subsidiaries and associates, interest and coupon income on its deposits, financial investments and related party loans and rental income from its investment properties. This rating is based on UACN’s standalone financial condition and does not extend to the consolidated performance of UAC Group, which comprises the Holding Company, five subsidiaries and two associate entities.

In the financial year ended 31 December 2025 (FYE 2025), UACN’s total operating income fell by 48% to ₦6.7 billion, primarily reflecting an 81% decline in finance income to ₦1.9

billion due to the absence of the sizeable foreign exchange gains that had supported prior-year earnings as exchange rate conditions stabilised. This was partly mitigated by a robust 82% increase in management fees to ₦3.3 billion, driven by higher commercial service fee income following the acquisition of C.H.I., alongside a 49% rise in dividend income to ₦1.2 billion. UACN's OPEX-to-revenue ratio rose sharply to 84% in FYE 2025 (2024: 36.2%), reflecting the combined impact of higher employee compensation and weaker revenue base. As a result, the Holding Company's operating profit margin contracted significantly to 16% in FYE 2025 (2024: 63.8%). As a result of the incremental borrowings, the finance cost-to-operating income ratio surged to 196.6% in FYE 2025 (2024: 17%), materially above our 5% threshold. Consequently, the Holding Company recorded a pre-tax loss margin of -132.4% in FYE 2025 (2024: profit margin of 73.1%). In the three months ended 31 March 2026 (Q1 2026), the Company returned to profitability with a pre-tax profit margin of 25.2%. Looking ahead, management fees and dividend income are expected to remain the primary income drivers, with finance income unlikely to recover to prior-year levels in the near term. This pressure is partially mitigated by the interest upstreaming arrangement from portfolio entities, which provides a partial offset to weaker finance income. In our view, UACN's overall profitability is weak.

In line with its centralised funding model, UACN raises debt and on-lends to portfolio entities, resulting in sizeable receivables from related parties and constraining cash flow at the Holding Company level. In FYE 2025, operating cash flow (OCF) deteriorated to negative ₦89.2 billion (2024: positive ₦0.9 billion), driven by a ₦106.1 billion increase in amounts due from related parties following the leveraged buyout of C.H.I. Limited. Although operating cash flow recovered to a positive ₦3.3 billion in Q1 2026, the Holding Company's capacity to meet interest and principal obligations on its outstanding debt remains highly contingent on the timing and magnitude of upstreamed funds from portfolio entities. In our view, UACN's cash flow position is weak.

As at FYE 2025, UACN recorded a working capital deficiency of ₦45 billion (2024: surplus of ₦21.5 billion), driven by a surge in intercompany receivables – principally loans extended to C.H.I. Limited under the leveraged buyout structure – which could not be fully absorbed by available long-term funds. The working capital deficiency widened to ₦47.3 billion as at Q1 2026, and the position is expected to remain under pressure until intercompany receivables are progressively repaid by portfolio entities. In our view, UACN's working capital position is inadequate.

As at FYE 2025, total liabilities surged by 634% to ₦133.9 billion, with interest-bearing liabilities accounting for 80%. The total interest-bearing liabilities-to-equity ratio surged to 3.64x as at FYE 2025 (2024: 0.14x), exceeding our 1.5x threshold, while shareholders' equity now funds only 18% of total assets (2024: 70%). Net debt as a percentage of total assets stood at 130.65% (2024: nil), above our 75% limit, whilst interest expense as a percentage of profit before interest and tax (PBIT) rose to 306.5% (2024: 18.9%). Although the upstreaming of interest and principal from portfolio companies is expected to underpin the Holding Company's repayment capacity – with ₦5.2 billion (approximately 40%) of the ₦13.1 billion in acquisition-related interest expense recharged to portfolio entities in FYE

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2025 – concerns persist around the timing and adequacy of these cash flows. In our view, UACN's leverage profile is high.

UACN's growth strategy centres on the successful integration of C.H.I. Limited, the revitalisation of its quick service restaurant business and the continued optimisation of its broader portfolio. The C.H.I. Limited integration is expected to drive higher commercial service fees and dividend flows to the Holding Company over the medium term. Notwithstanding, the concentration of debt obligations at the Holding Company level heightens refinancing risk and increases vulnerability to adverse subsidiary performance. While the rating remains susceptible to downward pressure, management's commitment to proactive debt management and the subsidiaries' healthy cash flow generation, underpin expectations of adequate liquidity and support a **stable** outlook.

Figure 1: Rating Triggers

- Incurring a pre-tax loss in FYE 2026
- Posting a negative operating cash flow in FYE 2026
- Recording an interest coverage ratio of less than 1.5x in FYE 2026
- Posting a net debt to EBITDA ratio greater than 5x in FYE 2026
- Failure by portfolio entities to upstream sufficient funds to cover at least 75% of UACN's scheduled debt service obligations

Figure 2: Strengths, Weaknesses, Opportunities and Challenges

Strengths

- Well-diversified portfolio of subsidiaries and associates with established positions across various industries
- Strong brand equity, such as Gala, Dulux, Grand, Vital Feed, Debonairs, Supreme and SWAN, with widely recognised products
- Acquisition-related finance costs recharged to beneficiary portfolio entities
- Expanded portfolio following C.H.I. Limited acquisition
- Extensive track record with several decades of operations in key industries in Nigeria

Weaknesses

- Negative operating cash flow driven by high intercompany receivables
- Highly leveraged capital structure
- Working capital deficiency
- Low equity cushion
- Weak profitability

Opportunities

- Nigeria's expansive consumer market buoyed by the rapidly-growing population
- New growth opportunities via exports to neighbouring West African markets
- Prevailing high yields on financial instruments

Challenges

- Refinancing risk in a sustained high-interest-rate environment
- Macroeconomic headwinds – high inflation and elevated energy costs – constraining portfolio companies' profitability and dividend flows
- Integration execution risk associated with the C.H.I. acquisition

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 packaged food and beverages, quick service restaurants, paints and coatings, animal feed, 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 six subsidiaries and two associate companies operating across six sectors. 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 earnings capacity 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 2025, UACN owned 71.43% and 73.29% stakes in GCL and LSF, respectively.

Packaged Food and Beverages

UACN's interest in this segment is held through two subsidiaries: UAC Foods Limited (UFL) and C.H.I. Limited, the latter acquired in 2025 from Coca-Cola Hellenic Bottling Company in a transaction that materially scaled the Group's packaged food and beverages footprint. UFL is a leader in the snacks, dairy and spring water segments in Nigeria and owns iconic brands including Gala (which pioneered the sausage roll snacks segment in Nigeria in 1962), Funtime Coconut chip, Supreme Ice Cream and SWAN Natural Spring Water. In 2025, UFL launched Zuri Seasoning, marking its entry into the culinary market. C.H.I. Limited, whose acquisition was concluded on 3 October 2025, is a leader in the juice, dairy and snacks segments in Nigeria, with flagship household brands including Chivita and Hollandia, alongside Super Bite and Beefie. As at 31 December 2025, UACN held a 99.96% equity stake in UFL and a 100% interest in C.H.I. Limited.

Paints

The Company operates in the paints segment through Chemical and Allied Products PLC (CAP PLC), the largest manufacturer and distributor of decorative paints and protective coatings in Nigeria. CAP PLC is the sole technological licensee and distributor for AkzoNobel in Nigeria and the main distributor for Hempel's marine and industrial products. Its flagship brands include Dulux, Sandtex, Caplux and Hempel, catering to both the premium

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and standard segments of the industry. UACN owned a 57.85% interest in CAP PLC as at 31 December 2025. CAP PLC is also a listed entity on the NGX. In July 2021, CAP PLC merged with Portland Paints & Products Nigeria PLC, consolidating the two businesses to strengthen market position and improve operational efficiency.

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 the Mr Bigg's brand in 1986). UACR manages a national network of outlets under the Mr Bigg's and Debonairs Pizza brands, and in 2025 launched its ice cream brand, Creamy Cove. UACN holds a 51% equity stake in UACR, while Famous Brands - a leading South African QSR franchisor - owns the remaining 49%.

In addition, UACN holds a 41.5% non-controlling equity stake in UPDC PLC (a real estate development and investment company, in which Custodian Investment PLC is the major shareholder), and a 43% equity interest in MDS Logistics Limited, a leading provider of integrated supply chain solutions held alongside DP World. 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. Building on prior launches such as Gala chin chin and Kingsway Loaf, the Company extended its portfolio in 2025 with Zuri Seasoning under UFL and Creamy Cove under UACR, alongside 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 food and paint products.

OWNERSHIP, MANAGEMENT & STAFF

As at 31 December 2025, UACN's issued and paid-up capital stood at ₦1.463 billion, comprising 2,926,131,655 ordinary shares of 50 kobo each. As at the same date, the significant shareholders with more than five per cent stakes in the Company were Themis Capital Management (20.04%), and Fund, LP - Main NTC Kuroto (5.01%). The remaining 74.95% 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 a non-executive director. Mr. Khalifa Adebayo Biobaku leads the Board as the Chairman, while Mr. Folasope Babasola Aiyesimoju serves as the Group Managing Director. During the review year, Mr. Daniel Owor Agbor resigned as the Board Chairman effective 7 February 2025 to focus on personal interests, while Mr. Bolaji Adekunle Odunsi retired from the Board effective 31 March 2025 following the expiration of his maximum allowable tenure in line with regulatory requirements. Mr. Biobaku, who previously served as the Vice Chairman, was appointed as the 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 nine times during the 2025

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financial year, with a 92% 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 Adesua 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 2025 Annual Report

MANAGEMENT TEAM

UACN's executive management team comprises the Group Managing Director and five senior professionals overseeing various functional units of the business, including finance, operations, internal audit, legal services and investment. Members of the management team possess relevant qualifications and experience, with the executive directors collectively bringing an average of over 18 years of professional experience across finance, investment banking and corporate operations, having worked with leading multinationals and global investment firms across the globe.

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 investment management. 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 Durosini-Etti	Chief Operating Officer
Mrs. Nneka Chime	Chief Strategy and Operations Officer

Source: UAC of Nigeria PLC's Management Presentation

As at 31 December 2025, the Holding Company had 30 employees (2024: 40 employees). Following an upward review of employee benefits, UACN's average cost per employee (excluding directors' emoluments) rose to ₦77 million in FYE 2025 (2024: ₦49.3 million). The Company's operating profit covered staff costs 3.24 times in FYE

2025 (2024: 6.82 times). During the same year, the Company's contribution per employee, measured as profit before interest and tax adjusted for staff cost divided by employee count, was ₦206 million (2024: ₦336 million), depicting a declining staff productivity level.

FINANCIAL CONDITION

Analysts' Comments

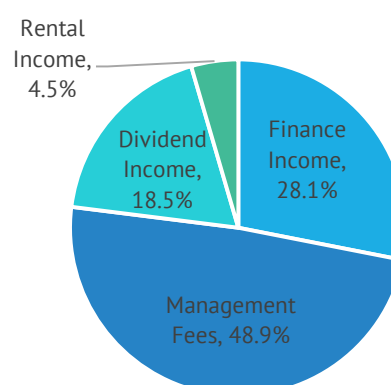
We have analysed the financial condition of UAC of Nigeria PLC (the Holding Company) as a standalone entity, based on its three-year audited financial statements ended 31 December 2025 and unaudited accounts for the three months ended 31 March 2026 (Q1 2026). This appraisal does not cover UAC Group or any of its portfolio entities.

PROFITABILITY

As a non-operating holding entity, UACN generates revenue principally from commercial service fees (CSF) charged to portfolio companies at 1% of their revenue in respect of treasury, advisory and strategic services provided by the Holding Company. It 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 2025 (FYE 2025), UAC of Nigeria PLC's total operating income declined by 48% to ₦6.7 billion. The contraction was primarily driven by an 81% decrease in finance income to ₦1.9 billion, reflecting the absence of the significant unrealised foreign exchange gains on non-equity investments (mainly Mutual Funds and Eurobonds) that had boosted earnings in the prior year, as exchange rate conditions stabilised in 2025. Partially offsetting this decline, management fees grew strongly by 82% to ₦3.3 billion, driven by higher commercial service fee income from portfolio entities following the acquisition of C.H.I. Dividend income from portfolio companies rose by 49% to ₦1.2 billion, supported by higher payouts from key investees (mainly Chemical and Allied Products PLC and Central Securities Clearing System Limited), whilst rental income increased by 23% to ₦0.3 billion, following upward adjustments in lease rates.

Figure 3: Breakdown of UACN's Operating Income (2025)



UAC of Nigeria PLC's operating expenses (OPEX) mainly comprised personnel costs, legal and professional fees and other administrative costs. During FYE 2025, operating expenses rose by 21% to ₦5.6 billion (2024: ₦4.6 billion), driven by higher employee compensation and increased business costs amid sustained inflationary pressures. However, given the significant contraction in operating income, UACN's OPEX-to-income ratio rose sharply to 84% in FYE 2025 (2024: 36.2%), reflecting the impact of a lower revenue base on cost absorption. Personnel expenses were the dominant cost line, increasing by 18% in line with inflationary pressures to ₦3.4 billion and accounting for approximately 62% of total OPEX. Legal and professional fees, in contrast, declined by 23% to ₦530.2 million. The Company also recognised a ₦251.3 million impairment loss on its investment in subsidiaries during the year. Given the significant contraction in operating income, the Holding Company's operating profit margin (OPM) compressed to 16% in FYE 2025 (FY 2024: 63.8%).

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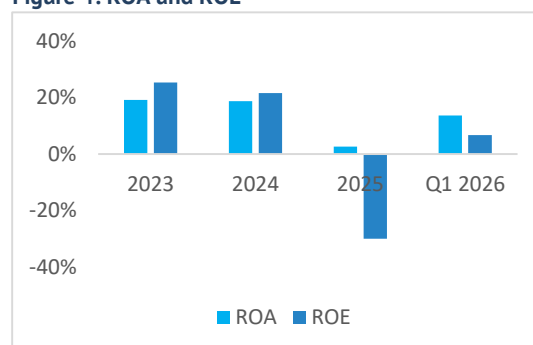
During FYE 2025, the Holding Company's net other income stood at ₦3.2 billion (2024: ₦3.4 billion), representing 48.2% of operating income (2024: 26.4%). On a gross basis, total other operating income was ₦6.5 billion. The three principal components were: (i) recharged costs of ₦5.2 billion (2024: ₦2 billion) – finance costs incurred by UACN on loans raised on behalf of C.H.I. Limited, UAC Food and Beverage Company Limited, Grand Cereals Limited and Livestock Feeds PLC, subsequently recovered from these entities under the Group's inter-company funding model; classified as recharged costs rather than interest income, with the significant year-on-year increase driven by the scale of C.H.I. acquisition financing; (ii) a ₦850.7 million (2024: ₦43.5 million) gain on disposal of the Company's investment in UPDC; and (iii) a ₦244.7 million (2024: ₦19.7 million) net fair value gain on investment properties. The net figure of ₦3.2 billion reflects the deduction of ₦3.3 billion in impairment losses on financial assets, principally on trade receivables. Whilst recharged costs represent a structural and recurring income stream under the Group's inter-company funding model, the ₦5.2 billion received in FYE 2025 offset only approximately 40% of the ₦13.1 billion interest expense incurred during the year, reflecting the significant scale of acquisition-related borrowings at this early stage of integration. Asset disposal gains, in contrast, are non-recurring and cannot be relied upon as a sustained earnings contributor.

Due to the significant increase in interest-bearing debt incurred to finance the C.H.I. acquisition, UACN's finance cost to operating income ratio surged to 196.6% in FYE 2025 (2024: 17%), substantially exceeding our 5% threshold. Interest expense of ₦13.1 billion was borne principally on the bridge loan and commercial papers raised for the C.H.I. acquisition. Under the Group's inter-company funding structure, approximately 40% (₦5.2 billion) of these finance costs were recharged to the beneficiary portfolio entities in FYE 2025, providing a partial offset at the Holding Company level.

In FYE 2025, the Holding Company recorded a pre-tax loss of ₦8.8 billion (2024: pre-tax profit of ₦9.3 billion), resulting in a pre-tax loss margin¹ of 132.4% (2024: profit margin of 73.1%) amid surging finance costs. UAC of Nigeria PLC's pre-tax return on equity (ROE) deteriorated to -29.9% in FYE 2025 (2024: +21.6%; 2023: +25.0%), resulting in a three-year weighted average ROE of -3.5%. Similarly, UACN's pre-tax return on assets (ROA) declined to 2.6% in FYE 2025 (2024: 18.7%; 2023: 19.0%), yielding a three-year weighted average ROA of 10.7%, reflecting the significant expansion in total assets following the acquisition of C.H.I. Both metrics are materially below our benchmarks and represent a sharp deterioration from prior-year levels.

In the unaudited results for the three months ended 31 March 2026 (Q1 2026), UAC of Nigeria PLC showed a meaningful year-on-year recovery in profitability at the Holding Company level. Operating income grew by 43% to ₦2 billion in Q1 2026 (Q1 2025: ₦1.4 billion), with the operating profit margin expanding to 33.1% (Q1 2025: 24.3%), reflecting a normalisation of the cost base following the acquisition-related disruptions of 2025. The Holding Company returned to pre-tax profitability, recording a pre-tax profit of ₦512 million and a pre-tax margin of 25.2%, as other income of ₦4.9 billion – principally recharged costs and inter-company income – more than offset interest expense of ₦5.1 billion. On an annualised basis, the pre-interest, pre-tax return on assets (ROA) improved to 13.7% and the pre-tax return on equity (ROE) inched up to 6.7%. Whilst these indicators

Figure 4: ROA and ROE



¹ Margins have been calculated on total operating income instead of revenue.

show some improvement, we believe that full recovery will depend on the timely refinancing of near-term debt maturities and the progressive improvement in operating cash generation.

Looking ahead, management fees and dividend income are expected to remain the primary income drivers, while the finance income is unlikely to recover to prior-year levels, as the significant foreign exchange gains that boosted FY 2024 earnings are not expected to recur. The near-term outlook remains challenging given the elevated interest burden, though the recharging of finance costs to portfolio entities provides a partial structural offset, and successful C.H.I. integration should support a return to profitability over the medium term.

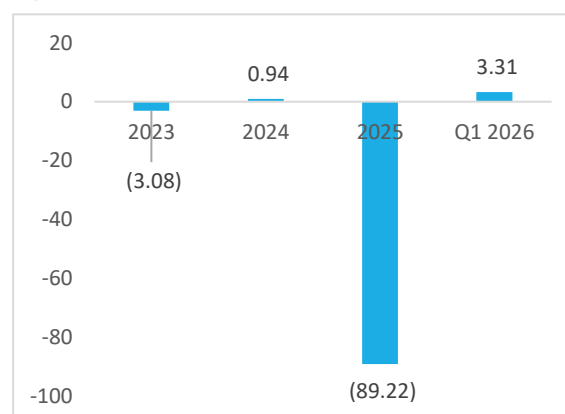
In our view, UAC of Nigeria PLC's overall profitability is weak.

CASH FLOW

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

In FYE 2025, UACN's cash flows were materially shaped by two significant intercompany activities. First, the Holding Company undertook a leveraged buyout of C.H.I. Limited, raising debt at the parent level to finance the acquisition. Under the arrangement, although the loans were taken by UACN, the debt obligations are structured to be ultimately repaid by C.H.I. Limited through upstreamed cash flows. Second, UACN extended working capital support to other portfolio entities during the year. Consequently, amounts due from related entities rose sharply to ₦110.4 billion as at FYE 2025 (2024: ₦4.3 billion), constraining the Company's operating cash flow.

Figure 5: OCF in ₦'Billions



UACN's operating cash flow (OCF) deteriorated sharply in FYE 2025 to negative ₦89.2 billion (2024: positive ₦0.9 billion), driven by a ₦106.1 billion increase in amounts due from related parties, reflecting the substantial on-lending of borrowed funds to portfolio entities to finance the C.H.I. acquisition and support subsidiaries' working capital under the Group's intercompany funding model. Partially offsetting this outflow, other creditors and accruals increased by ₦17.3 billion. Consequently, the OCF-to-interest coverage ratio deteriorated sharply to negative 6.81x in FYE 2025 (2024: 0.44x), compared to our benchmark of 3.0x.

Notwithstanding the scale of intercompany exposure, Agusto & Co. notes that C.H.I. Limited – which accounts for the largest share of intercompany receivables – has demonstrated strong operating performance, recording EBITDA of ₦30.8 billion in FYE 2025 (2024: ₦13.9 billion). Underpinned by C.H.I.'s established brand presence, expanding distribution network, and dominant position in the food and beverages segment, Agusto & Co. expects C.H.I. Limited to continue to honour interest upstreaming obligations to the Holding Company. Furthermore, a significant portion of the intercompany advances extended to C.H.I. Limited are long-term in nature, structured to be repaid over the tenor of the underlying debt. Excluding these long-term intercompany advances, adjusted OCF would have moderated to negative ₦62.1 billion.

Looking ahead, a recovery in UACN's OCF will depend on the earnings growth of its portfolio companies, given that dividend income and management fees are the Holding Company's primary recurring cash inflows. The key catalyst is C.H.I. Limited, where the progressive integration of its brands – Hollandia and Chivita – and its nationwide distribution network are expected to drive volume growth and margin improvement. CAP PLC and Grand Cereals are expected to continue generating stable earnings, providing a reliable baseline for dividend income. Group-wide procurement and logistics rationalisation are expected to support further margin improvement across the portfolio. Overall, UACN's cash flow position remains weak, and a sustained recovery is contingent on earnings growth by portfolio companies and the progressive reduction of intercompany receivables.

As at 31 March 2026 (unaudited), the Holding Company's cash and short-term deposits improved to ~~¥~~6.3 billion (FYE 2025: ~~¥~~3.6 billion), comprising cash at bank and in hand of ~~¥~~353.4 million and short-term deposits of ~~¥~~6 billion (net of expected credit losses of ~~¥~~0.2 million). Notwithstanding this improvement, internal liquidity remained materially insufficient relative to near-term debt obligations.

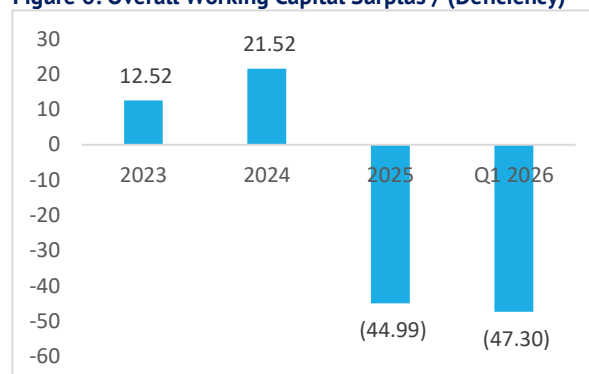
UAC of Nigeria PLC

billion in FYE 2025, underpinned by its strong brand presence and market position, and expects C.H.I. to continue to meet its intercompany repayment obligations to the Holding Company.

As at FYE 2025, UAC of Nigeria PLC's spontaneous financing (non-interest-bearing liabilities) more than doubled to ₦26.2 billion (2024: ₦12.3 billion), primarily driven by the increase in other creditors and accruals, which comprised trade payables, accrued interest, and other operating accruals. As at FYE 2025, the Company's spontaneous financing was made up of other creditors and accruals (71%), taxation payable (20%), and dividend payable (8%). UACN's spontaneous financing was insufficient to cover its working assets, resulting in a working capital need (WCN) of ₦85.8 billion – a sharp reversal from the short-term financing surplus of ₦6.8 billion recorded at FYE 2024.

As at FYE 2025, the Company's long-term assets, which mainly comprised equity interests in portfolio companies, investment properties and other long-term investments, rose by 40% to ₦47.8 billion, driven by the expansion in portfolio company investments following the acquisition of C.H.I. UACN's long-term funds of ₦88.6 billion² as at FYE 2025, comprised shareholders' equity (33%) and long-term borrowings (67%). The long-term funds were more than sufficient to cover long-term assets, yielding available working capital of ₦40.8 billion (FYE 2024: ₦14.7 billion). However, this amount was insufficient to

Figure 6: Overall Working Capital Surplus / (Deficiency)



absorb the working capital need of ₦85.8 billion, resulting in an overall working capital deficiency of ₦45 billion (2024: surplus of ₦21.5 billion). The deficiency was funded by short-term borrowings of ₦48.6 billion, comprising Commercial Paper (CP) notes and a bank loan from a commercial bank. Agusto & Co. views the working capital deficiency as a direct consequence of the C.H.I. acquisition financing structure, under which long-term intercompany advances to C.H.I. – funded by short-term instruments – create a structural maturity mismatch. The Holding Company's ability to manage this mismatch is contingent on continued access to debt capital markets and the progressive repayment of intercompany receivables by portfolio entities, particularly C.H.I. Limited.

As at 31 March 2026 (unaudited), the working capital deficiency widened to ₦47.3 billion, as working assets declined marginally to ₦109.4 billion – reflecting a small reduction in related-party receivables – whilst spontaneous financing contracted to ₦20.8 billion, resulting in a slightly larger WCN of ₦88.7 billion. Available working capital from long-term sources remained broadly stable at ₦41.4 billion, supported by a modest increase in equity to ₦30.6 billion. The deficiency was funded by short-term borrowings.

In our view, UAC of Nigeria PLC's working capital position is weak.

LEVERAGE

During the 2025 financial year, UAC of Nigeria PLC significantly increased its borrowings in October 2025,

² UACN's long-term borrowings at FYE 2025 comprised two bond tranches: (i) the ₦5,824,500,000 Seven-Year 21.5% Series 1 Fixed Rate Senior Unsecured Bond Due 14 October 2031 ("Corporate Bond L1"), issued under the ₦50 billion Debt Issuance Programme to refinance existing credit obligations of subsidiaries; and (ii) the ₦54,032,000,000 Liquid II Series I Bond at 17.35%, maturing 31 December 2032 ("Corporate Bond L2"), raised principally to finance the C.H.I. acquisition. Together, these instruments account for the ₦59.0 billion long-term borrowings reflected in the Company's balance sheet at FYE 2025.

principally to fund the leveraged buyout of C.H.I. Limited. The C.H.I. acquisition – valued at ₦182.4 billion – was financed primarily through a 12-month bank bridge loan, with the balance drawn from UACN's own cash reserves. To refinance the bridge loan and support subsidiaries' working capital requirements, UACN raised additional funds through Commercial Paper (CP) issuances under its ₦45 billion CP programme, a ₦54 billion bond, and short-term bank facilities. As at FYE 2025, total interest-bearing debt stood at ₦107.7 billion, comprising CP notes, bank loans, and corporate bonds.

As at FYE 2025, UACN's total assets were funded predominantly by liabilities (82%), with shareholders' equity contributing only 18% – a marked reversal from the 70% equity/30% liabilities funding mix recorded in FYE 2024. Total liabilities rose sharply by 634% to ₦133.9 billion, driven by the scale-up in borrowings to fund the C.H.I. acquisition and subsidiary operations, with interest-bearing liabilities now accounting for 80% of total liabilities. Consequently, the total interest-bearing liabilities (TIBL) to equity ratio surged to 3.64x (2024: 0.14x), exceeding our benchmark of 1.5x, whilst the total liabilities to equity ratio rose to 4.53x (2024: 0.42x).

As at FYE 2025, the Holding Company's OCF-to-interest coverage ratio deteriorated to -7.47x (2024: 0.44x), compared to our benchmark of 3x. UACN's gearing profile has shifted from low to high: net debt as a percentage of total assets stood at 130.65% at FYE 2025 (2024: nil, as cash balances then exceeded total liabilities), materially exceeding our benchmark of 75%, while interest expense as a percentage of PBIT rose to 306.52% (2024: 18.88%), against our benchmark of 5%. Whilst these metrics reflect the deliberate use of HoldCo leverage to fund the C.H.I. acquisition – a strategic decision premised on C.H.I.'s capacity to upstream interest and principal repayments – the current capital structure carries significant execution risk. The sustainability of this funding model depends on the continued ability of portfolio entities, particularly C.H.I. Limited, to service intercompany obligations and upstream cash to the Holding Company on a timely basis.

As at 31 March 2026 (unaudited), UACN's total interest-bearing debt increased marginally to ₦112.7 billion, reflecting accrued interest on outstanding obligations with minimal principal repayments during the quarter. Agusto & Co. notes that the Holding Company's capacity to meet these debt obligations is premised on the earnings performance and upstreaming capacity of its portfolio entities. In this regard, C.H.I. Limited – which carries the largest intercompany obligation – recorded EBITDA of ₦30.8 billion in FYE 2025, providing meaningful coverage of interest obligations, and is expected to continue to upstream interest and principal repayments to the Holding Company as integration progresses. CAP PLC and the Edibles & Feed segment provide additional, more stable sources of dividend income to support debt servicing at the HoldCo level.

Given the scale of outstanding borrowings and the prevailing high interest rate environment, UACN's finance costs are expected to remain elevated in the near term. Notwithstanding the high leverage, UACN's practice of passing interest costs to portfolio entities through the intercompany funding structure provides a partial offset, and the Holding Company's ability to access debt capital markets – as demonstrated by its CP and bond issuance track record – supports its capacity to meet maturing debt obligations as they fall due. Agusto & Co. will continue to assess UACN's progress in reducing leverage and restoring cash-generative operations at the Holding Company level, particularly as the C.H.I. bridge loan and H1 2026 CP maturities fall due for repayment.

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

OUTLOOK

UAC of Nigeria PLC's near-term strategy is centred on the successful integration of C.H.I. Limited – which adds material operating scale through brands including Chivita, Hollandia and Capri-Sun – alongside continued optimisation of its broader portfolio. C.H.I.'s growing profitability (EBITDA of ₦30.8 billion in FY 2025, up from ₦13.9 billion in FY 2024) is expected to translate into higher management service fees and dividend flows to the Holding Company over the medium term. The Company is also working to revitalise its quick service restaurant business through store expansion and operational restructuring, supported by funding from development finance institutions. UACN continues to advance product development across its food, beverages and paint segments, including the launch of new food variants and affordable paint products targeting price-sensitive consumers, with these initiatives expected to support higher management service fees over time.

In addition, the Company intends to continue to optimise returns on its capital base, though finance income is unlikely to recover to FY 2024 levels in the near term, given the absence of the significant foreign exchange gains that boosted prior-year earnings. The Group also plans to sustain investments in technology and process automation across its subsidiaries, aimed at improving operational efficiency and reducing costs.

Nonetheless, UACN's portfolio companies remain exposed to prevailing macroeconomic headwinds – including high inflation, elevated energy costs and rising logistics expenses – which continue to constrain subsidiary profitability and limit dividend payouts to the Holding Company in the near term. To the extent operating scale gains at C.H.I. and other subsidiaries translate into revenue growth, management service fee income could improve meaningfully; however, the quantum and timing of such flows remain uncertain and contingent on subsidiary cash generation. Rental income from investment properties may also benefit from upward lease rate adjustments, though this represents a relatively small contributor to Holding Company revenues.

Given the Group's intercompany funding structure, on-lending activities to subsidiaries are expected to continue to exert pressure on the Holding Company's operating cash flow in the near term. Finance costs are also expected to remain elevated, driven by the commercial papers, bank debt and bonds issued to fund the C.H.I. acquisition and subsidiary operations. Whilst these costs are substantially on-charged to the beneficiary portfolio entities – providing a partial structural offset – UACN's leverage profile has shifted materially, with the total interest-bearing liabilities-to-equity ratio at 3.64x as at FYE 2025, significantly above our benchmark of 1.5x.

Although operating cash flow recovered to a positive ₦3.3 billion in Q1 2026, the Holding Company's debt-servicing capacity remains highly dependent on the timing and scale of upstreamed funds from portfolio entities. While beneficiary portfolio companies generally demonstrate adequate repayment capacity and resilient operating profiles, the concentration of debt obligations at the Holding Company amplifies refinancing risk and exposes UACN to adverse developments in subsidiary performance. The rating remains susceptible to further downward pressure should deleveraging not materialise, if upstreaming flows prove insufficient to meet obligations on a sustained basis, or if the financial performance of key portfolio companies deteriorates materially. Nonetheless, management's commitment to proactive debt management and the subsidiaries' healthy cash flow generation underpin expectations of adequate liquidity and support a stable outlook.

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

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME	31-DEC-23		31-DEC-24		31-DEC-25		31-MAR-26 UNAUDITED	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
REVENUE	5,819	100%	12,724	100%	6,664	100%	2,036	100%
GROSS PROFIT	2,996	51%	8,112	64%	1,063	16%	673	33%
OPERATING PROFIT	2,996	51%	8,112	64%	1,063	16%	673	33%
INTEREST EXPENSE	(517)	-9%	(2,165)	-17%	(13,098)	-197%	(5,095)	-250%
PROFIT BEFORE TAXATION	9,914	170%	9,302	73%	(8,825)	-132%	512	25%
TAX (EXPENSE) BENEFIT	(1,375)	-24%	(2,722)	-21%	1,229	18%	(9)	0%
PROFIT AFTER TAXATION	8,539	147%	6,580	52%	(7,596)	-114%	503	25%
DIVIDEND	(644)	-11%	(644)	-5%	(644)	-10%	-	0%
PROFIT RETAINED FOR THE YEAR	7,896	136%	5,936	47%	(8,240)	-124%	503	25%
OTHER APPROPRIATIONS/ ADJUSTMENTS	-		(1,127)		(3,239.47)		-	
PROFIT RETAINED B/FWD	14,256		22,152		26,961		15,482	
PROFIT RETAINED C/FWD	22,152		26,961		15,482		15,985	

STATEMENT OF FINANCIAL POSITION	31-DEC-23		31-DEC-24		31-DEC-25		31-MAR-26 UNAUDITED	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
ASSETS								
CASH & EQUIVALENTS	15,841	29%	21,789	35%	3,630	2%	6,339	4%
TOTAL TRADING ASSETS	7,775	14%	5,483	9%	111,986	69%	109,419	67%
TOTAL LONG-TERM ASSETS	30,771	57%	34,119	56%	47,800	29%	48,304	29%
TOTAL ASSETS	54,386	100%	61,391	100%	163,417	100%	164,063	100%
GROWTH	33.9%		12.9%		166%		0%	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	3,322.95	6%	5,967.3	10%	107,646	66%	112,701	69%
TOTAL NON-INTEREST-BEARING LIABILITIES	11,897	22%	12,269	20%	26,235	16%	20,760	81%
TOTAL LIABILITIES	15,220	28%	18,236	30%	133,881	82%	133,461	81%
SHAREHOLDERS' EQUITY	39,166	72%	43,154	70%	29,535	18%	30,602	19%
TOTAL LIABILITIES & EQUITY	54,386	100%	61,391	100%	163,416	100%	164,063	100%

CASH FLOW STATEMENT	31-DEC-23		31-DEC-24		31-DEC-25		31-MAR-26 UNAUDITED	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
OPERATING ACTIVITIES								
POTENTIAL OPERATING CASH FLOW	(2,832)		(1,614)		318		6,216	
WORKING CAPITAL CHANGES:								
CASH FROM (USED BY) SPONTANEOUS FINANCING	2,313		266		16,962		(5,475)	
CASH FROM (USED BY) TRADING ASSETS	(2,564)		2,292		(106,503)		2,567	
CASH FROM (USED IN) OPERATING ACTIVITIES	(3,084)		944		(89,223)		3,308	
RETURNS TO PROVIDERS OF FINANCING (RTPOF)								
INTEREST PAID	(517)		(2,165)		(13,098)		(5,095)	
DIVIDEND PAID	(394)		(537)		(3,639)		0	
OPERATING CASH FLOW AFTER RTPOF	(3,995)		(1,759)		(105,960)		(1,787)	
CASH FROM (USED IN) INVESTING ACTIVITIES	(473)		(3,530)		(13,877)		(558)	
CASH FROM (USED IN) FINANCING ACTIVITIES	3,323		2,644		101,679		5,055	
CHANGE IN CASH INC/(DEC)	10,883		5,948		(18,159)		2,709	
OPENING CASH & MARKETABLE SECURITIES	4,958		15,841		21,789		3,630	
CLOSING CASH & MARKETABLE SECURITIES	15,841		21,789		3,630		6,339	

UAC of Nigeria PLC

KEY RATIOS	31-DEC-23	31-DEC-24	31-DEC-25	31-MAR-26 UNAUDITED
PROFITABILITY				
SALES GROWTH	108%	119%	-48%	22.2%
OPERATING PROFIT MARGIN	51%	64%	16%	33%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	19%	19%	2.6%	3.4%
RETURN ON EQUITY (PRE-TAX)	25%	22%	-29.9%	1.7%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDER OF FINANCING	-339%	35%	-533%	65%
OCF AS % OF SALES	-53%	7%	-1339%	162%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	-	-	4697	15896
OVERALL WORKING CAPITAL DEFICIENCY (DAYS)	-	-	-	-
LEVERAGE				
NET DEBT AS % OF AVERAGE TOTAL ASSETS	0%	0%	131%	80%
TOTAL LIABILITIES TO EQUITY	39%	42%	453%	436%
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₦' MILLION)	1,078	1,971	2309	8,601
AVERAGE NUMBER OF STAFF	31	40	30	30
STAFF COSTS PER EMPLOYEE (₦' MILLION)	35	49	77	287
CAPITAL EXPENDITURE (₦' MILLION)	219	382	411	12
DEPRECIATION AND AMORTISATION (₦' MILLION)	155	181	196	54
EBITDA (₦' MILLION)	10,600	11,663	4,483	5,676
AUDITORS	KPMG	KPMG	KPMG	UNAUDITED
OPINION	CLEAN	CLEAN	CLEAN	UNAUDITED

LONG TERM 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.

SHORT TERM RATING DEFINITIONS

A1+	A company with the strongest capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A1	A company with a strong capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A2	A company with adequate capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A3	A company with limited capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
B	A company with weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
C	A company with very weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
D	A company in default



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UBA House (5th Floor)
57 Marina Lagos
Nigeria.
P.O Box 56136 Ikoyi
+234 (1) 2707222-4
+234 (1) 2713808
Fax: 234 (1) 2643576
Email: info@agusto.com