



UAC NIG. PLC

COMPANY VALUATION



...doing good

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Investment Thesis

Recommendation		SELL
TARGET PRICE	NGN	31.49
UPSIDE	%	-4%
TICKER		UACN
EXCHANGE		NGX
52 WEEKS HIGH	NGN	37
52 WEEKS LOW	NGN	13.5
SECTOR		CONSUMER GOODS (CONGLOMERATES)
SHARE PRICE	NGN	32.8
SHARE OUTSTANDING (mn)		2,926.13
MARKET CAP	NGN	96,562.34

GROWTH POTENTIAL?

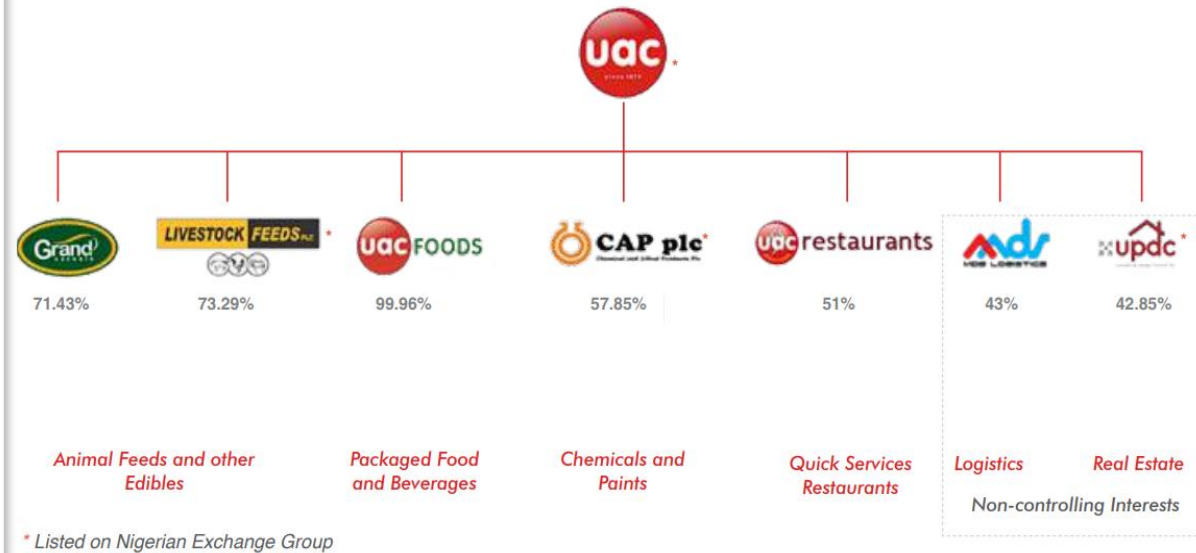
- Improvements in production efficiency and strategic price adjustments
- Resilient Financial performance and Growth prospect

KEY RISK?

- Inflationary pressure
- FX Volatility
- The company's reliance on short-term borrowings

UAC of Nigeria Plc is a leading conglomerate with deep historical roots in West Africa. The company originated in 1879 as a British trading enterprise, formed through the merger of four companies under the guidance of a colonial officer responsible for northern Nigeria's development. Initially known as the Royal Niger Company, it operated across Ghana, Gambia, Sierra Leone, and Nigeria, trading agricultural commodities such as palm oil, groundnuts, and cocoa in exchange for manufactured goods. Recognizing the growing demand for palm oil in soap production, Unilever acquired the company in 1919, establishing it as a subsidiary.

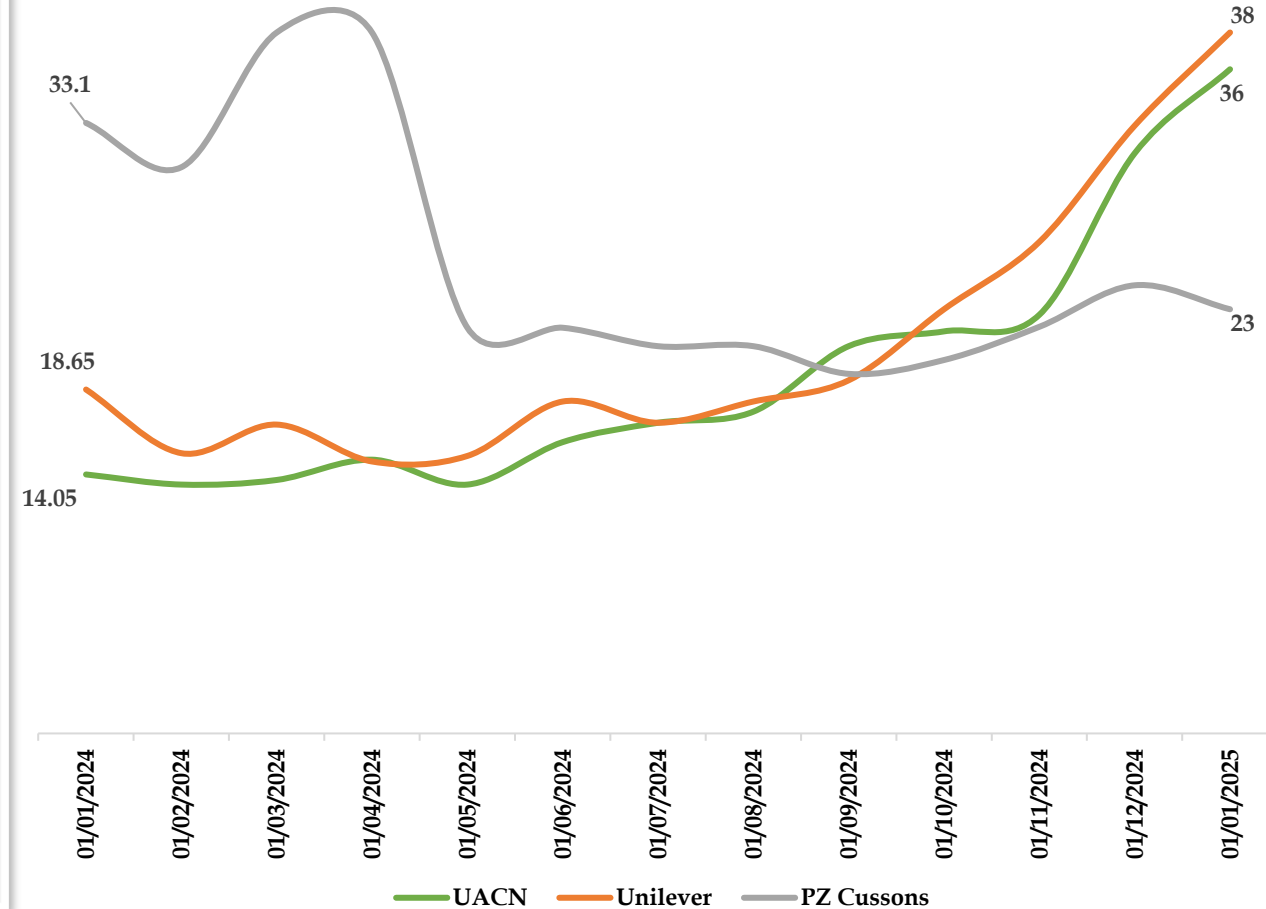
Following a series of name changes throughout the early and mid-1900s, in 1973 the company became UAC of Nigeria. By 1974, 40% of the company's shares were owned by Nigerians, a figure which increased to 60% in 1977, leaving Unilever with the remaining 40% share. UAC became a publicly listed company in 1991 and in 1992 bought 35.7% equity in Chemical and Allied Products Plc (CAP). In 1994, after Unilever divested its 40% interest in the company, UAC became a wholly owned Nigerian company. UAC continued to grow its subsidiaries through acquisitions and partnerships over decades.



Competitive Analysis

- ❑ UACN share price started at a lower level NGN14.05 but exhibited a steady rise, eventually reaching NGN36 in 2024. Initially lagging behind Unilever at the beginning of the year, it gained momentum, indicating investor sentiment. The crossing points where Unilever and UACN surpassed PZ Cussons highlight shifting investor preferences toward companies with better growth prospects and financial stability.
- ❑ Toward the end, UACN closely trailed Unilever share price, highlighting its competitive positioning and potential for further growth. The overall trend suggests that UACN has strengthened its market presence, making it an attractive option for investors seeking consistent returns.
- ❑ The share price returned 145% YTD in 2024, and the momentum has carried over into 2025, with a YTD gain of 14.6% as of the close of trade on February 6, 2025, demonstrating strong investor confidence.

Historical Share Price



Macroeconomic Variables

GDP Growth Rate

3.84%

Period Q4 2024 Q-o-Q% ▲ Previous 3.46%

Exchange Rate - Official

₦1,590/\$

Period May 28 2025 Previous ₦1,543/\$

Exchange Rate - Parallel

₦1,620/\$

Period May 28 2025 ▲ - Previous ₦1,577/\$

Inflation

23.71%

Period April 2025 Rebasing Previous 24.23%

Monetary Policy Rate

27.50%

Period May 2025 Previous 27.50%

Oil Production

1.60mbpd

Period Mar 2025 M-o-M% ▲ Previous 1.67mbpd

FX Reserves

\$37.9bn

Period April 2025 M-o-M% ▲ Previous \$38.3bn

Market Capitalisation

₦70.5tn

Period May 2025 Previous ₦68.1tn

Competitive Analysis



Nestlé is one of Unilever's main competitors, particularly in the food and beverage sector. With brands like Milo, Maggi, and Nescafé, Nestlé holds a significant share in the Industry.

Nigerian market, competing directly with Unilever's Knorr and Lipton brands. Nestlé's strong brand equity and its own emphasis on health-focused products create competitive pressure for Unilever.



P&G is a key competitor in the personal and home care segments, with brands like Ariel and Oral-B. P&G's focus on high-quality household products and its significant marketing budgets pose a challenge to Unilever's home care brands, particularly Omo and Sunlight.

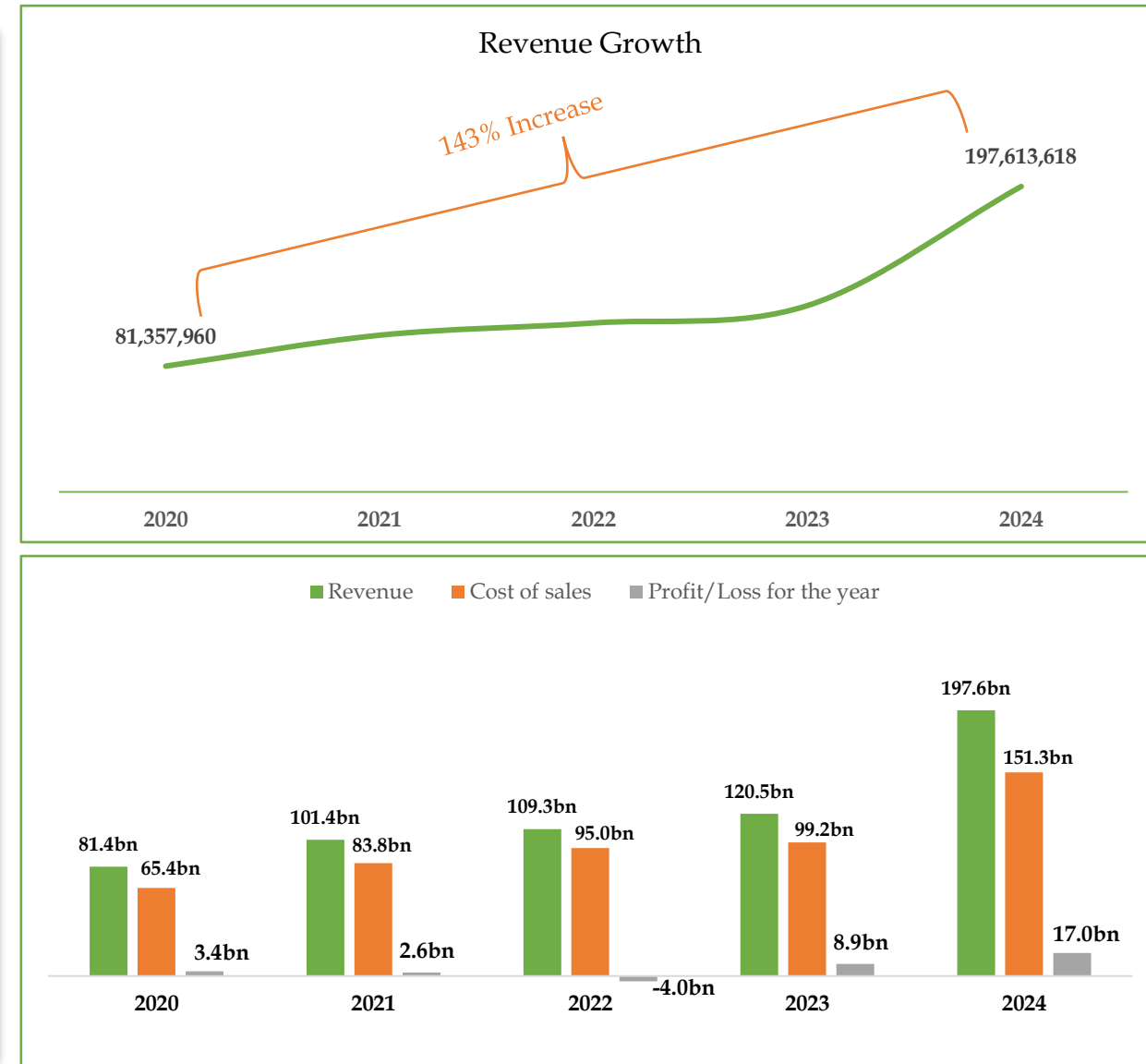


Unilever operates across food, personal care, and home care segments, with brands like Lipton, Lux, and Sunlight that cater to everyday consumer needs. Its diverse product portfolio and strong distribution network have solidified its market presence in Nigeria, making it a key player in the fast-moving consumer goods sector.



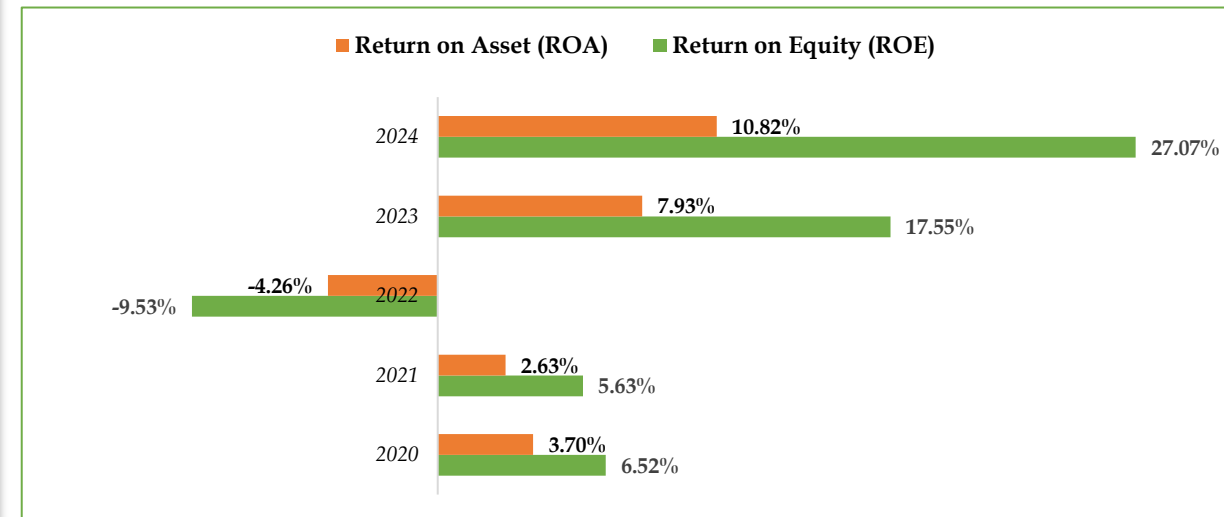
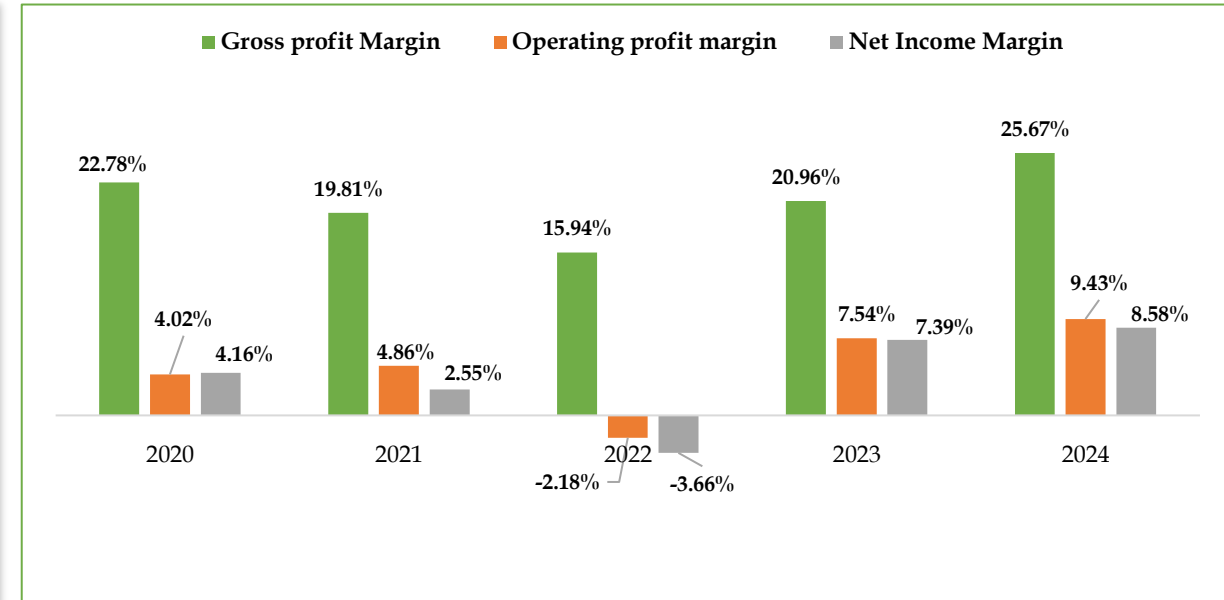
This is a key local competitor with products spanning personal care, home care and electrical appliances. PZ Cussons' brands like Imperial Leather and Morning Fresh resonate with Nigeria consumers, and the company's local market insights allow it to adapt quickly to consumer needs.

- ❑ The revenue in 2020 stood at ~~N~~81.3b, and by 2024, it increased significantly to ~~N~~197.6b. This represents a 143% growth over the period. The trend indicates a steady rise from 2020 to 2022, followed by a sharper increase in 2023 and 2024. The accelerated growth in recent years showed improved market expansion and different strategic initiatives driving higher revenue generation.
- ❑ The financial performance of UACN from 2020 to 2024 shows significant revenue growth alongside rising costs of sales, which peaked at ~~N~~151.3bn in 2024; despite a ~~N~~4.0bn loss in 2022.
- ❑ The company experienced fluctuations in profitability. After recording ~~N~~3.4bn profit in 2020 and ~~N~~2.6bn in 2021, UACN reported a ~~N~~4.0bn loss in 2022. However, profitability rebounded in 2023 with ~~N~~8.9bn and further surged to ~~N~~17.0bn in 2024, indicating strong financial recovery and growth. The financials showed that while expenses have increased, revenue growth and operational efficiency have contributed to improved profitability in recent years.



Profitability Analysis

- ❑ In 2020 and 2021, UACN maintained positive operating profits, but 2022 saw a sharp decline into negative territory. This decline could be attributed to higher costs of sales and unfavorable business conditions. The company, however, recovered in 2023 and 2024, posting improved operating profits as a result of higher revenue.
- ❑ Profit/loss after tax also followed a similar pattern. While UACN remained profitable in 2020 and 2021, the company recorded a net loss in 2022, due to rising expenses. However, a remarkable recovery was evident in 2023 and 2024, with after-tax profits rising significantly. This indicates a successful turnaround strategy, driven by increased revenue
- ❑ UACN's ROA and ROE trends from 2020 to 2024 also reflect a financial recovery. From 2020 to 2021, returns were modest but positive. In 2022, profitability declined. However, 2023 and 2024 marked a strong rebound, with ROA rising to 7.93% and 10.82%, while ROE surged to 17.55% and 27.07%, respectively.



Valuation Report

Company Data

Tick (NGX)	UACN
Current Price @ 28-MAY-2025	₦32.80
2025 Target Price	₦31.49
Rating	SELL
52-Week Low (N)	₦37.00
52-Week High (N)	₦13.5
Shares outstanding (mn)	2,926
Market Capitalisation(mn)	₦96,562.00
Market Capitalisation (US\$'mn)	\$67.50
Trailing EPS (N)	4.18
Trailing P/E (x)	7.90x

Source: NGX, ASAM Research

Terminal Value (TV)

FCFF	(29,068,627)
Growth	10%
WACC	25.51%
Terminal value	-125,342,467
NPV of (TV)	-₦94,879,506

Equity Value

NPV of FCFF	(48,281,892)
NPV of TV	-₦94,879,506

Enterprise Value

Add: Cash and cash equivalent	40,319,658
Less: Debt	10,704,218

Equity Value

Share outstanding	2,926,132
Implied share price	31.49
Current share price	32.8
Upside potential	-4%

Recommendation	SELL
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Valuation Report

Improvements in production efficiency and strategic price adjustments in 2025

We project a 26.66% revenue growth for 2025, primarily driven strong sales across key segments, including Edibles and Feed, Packaged Food and Beverages, and Paints as UACN continues to capture a larger market share in an intensely competitive sector. UAC's strategic focus on pursuing new markets and introducing new products has contributed to revenue growth.

Despite this growth, cost margins are expected to remain elevated, around 78% due to high input costs. However, we believe ongoing improvement in production efficiency will gradually improve cost efficiency over time. For FY 2025, we expect Unilever to post a profit after tax of ₦ 13.4billion.

Valuation

According to our forecast analysis, we project a potential **(UPP)** -4% decrease from the current stock price of ₦32.8, resulting in a target price of ₦31.49 and a **SELL** recommendation. This price target was derived using a Discounted Cash Flow **(DCF)** model over a five-year period. Our model assumes a terminal growth rate of 10% and a weighted average cost of capital (WACC) of 25.51%. The **WACC** was calculated using a beta of 0.44 and a **risk-free rate of 19.30%**, based on the yield of the 10-year FGN bond (maturing in 2035).

Income Statement (#'000)	2023A	2024A	2025F	2026F
Revenue	120,528,463	197,613,618	250,302,940	317,040,710
Operating profit	13,042,545	23,072,376	15,598,658	19,061,814
profit before tax	12,340,054	25,827,942	19,065,801	21,696,850
Profit after tax	8,908,114	16,964,115	13,405,974	15,255,977
Balance sheet (#'000)	2023A	2024A	2025F	2026F
Total assets	112,345,471	156,821,150	175,701,192	196,801,242
Total liabilities	59,163,879	90,366,744	97,496,714	105,225,201
Shareholder's fund	50,747,290	62,670,116	74,420,188	87,791,751
Financial Ratios	2023A	2024A	2025F	2026F
Gross profit Margin	20.96%	25.67%	21.03%	21.03%
Net profit margin	7.39%	8.58%	5.36%	4.81%
Return on equity	17.55%	27.07%	18.01%	17.38%
Return on assets	7.93%	10.82%	7.63%	7.75%

Source: NGX, ASAM Research

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