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UAC of Nigeria Plc - *Partnering for Growth*

August 19, 2011

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FSDH Equity Research Report

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Executive Summary

BUY

Current Price	N39.02
Fair Value	N45.15

UAC of Nigeria Plc (UACN) is a fully owned Nigerian Public Company and one of the largest diversified businesses in the private sector of the economy. In 1879, the United Africa Company was founded following the merger of four companies trading up the River Niger: Alexander Miller Brother & Company; Central African Trading Company Limited; West African Company Limited and James Pinnock. UACN was incorporated in Lagos, Nigeria under the name Nigerian Motors Ltd on April 22, 1931 as a wholly-owned subsidiary of the United Africa Company Limited (a subsidiary of Unilever), which later became UACN International. The company's name was changed to United Africa Company (Nigeria) Limited on 23 July, 1943. As a food conglomerate, UACN's growth strategy envisages the building of strong regional and international corporate partnership in order to realize sustainable growth and business transformation. To achieve this, UACN partnered with Tiger Brands of South Africa to form a new company UAC Foods Limited with Tiger Brands Limited holding 49% of the equity and UACN controlling 51%. The move involves the interest of UACN in Snacks, Dairies and Water operations (UAC Foods, UACN Dairies and Spring Waters Nigeria Limited) being transferred to UAC Foods Limited.

UACN is a diversified business with activities in the following principal sectors: Foods, Manufacturing, Automobile, Logistics and Real Estate. UACN business portfolio includes the following companies: UACN Property Development Company Plc (UPDC), the first company in the real estate sector in Nigeria to be quoted on the Nigerian Stock Exchange (NSE); Warm Spring Waters Nigeria Limited, manufacturer of "GOSSY" Spring Water, located in Ikogosi-Ekiti, Ekiti State. The company has major stakes in Grand Cereals and Oil Mills Limited (GCOML); Spring Waters Nigeria Limited (SWAN). Its interest also includes: Chemical & Allied Products (CAP), G.M. Nigeria Limited, a joint venture with current General Motors Corporation of Detroit, USA, MDS Logistics and UACN Registrars Limited.

Beta	0.75
Alpha Coefficient	0.00109
R^2	10.96%
Z-Score	1.8

UACN's goal is to become a food focused conglomerate. Its growth strategy envisages the building of strong regional and international corporate partnership in order to realize sustainable growth and business transformation. In May 2011, it signed a strategic partnership agreement with Tiger Brands and sold 49% of its stake in UAC Foods Ltd to Tiger Brands. Tiger Brands Limited is the largest Food Company in South Africa. Tiger Brands products are divided into 3 main divisions: Domestic Foods, Home and Personal Care (HPC) and Exports & International Operations. Tiger Brands, together with its subsidiaries, manufactures, distributes, and markets fast-moving consumer packaged goods in South Africa and internationally.

The total equity of UACN as at December 31, 2010 stood at N45.58bn representing an increase of 1.39% from N44.96bn in 2009. The equity was made up of shareholders fund of N36.41bn (74.78% of total) and the amount due to holders of non-controlling shares in subsidiary companies of N9.18bn (25.22% of total). The total equity was buoyed by retained earnings as a result of performance of profitability in 2010, while the drop in revaluation of real estate properties adversely impacted it.

In 2010, the total assets of UACN were financed by a mix of equity and liabilities in the proportion of 44.53% and 55.47% respectively. The working capital stood at a positive of N16.49bn at the end of December 2010, from the negative position of N110.59mn it recorded as at the end of the previous year. The improvement in working capital position is as a result of the decrease in short term financing of UACN as it embarks on restructuring of the balance sheet of its real estate company, UPDC to take on long term cheaper funds. This is a good strategy and has enhanced the group's ability to meet its short term obiligation as at when due. The debt ratio which is the proportion of the company's total assets that is financed by long term and short term liabilities stood at 55.47% in 2010.

An investment in the shares of UACN in January 2007 has grown by 101% as at August 16, 2011. Applying our valuation method to value the shares of UACN; we arrive at a fair value of N45.15 per share. We estimate a dividend per share of N1.51 for FY 2011 based on dividend payout of 60.82%. Buying the stock at the current market price of N39.02, holding it to our fair value of N45.15 and adding the present value of the 5-year forecast dividend, investors will earn a total return of 34.51%. Relating this return to the cost of equity estimated by WACC at 15.78%, investment in UACN shares will earn an excess return (alpha return) of 18.73%. We therefore place a **BUY** on the shares of UACN Plc at the market price of N39.02 per share for both capital appreciation and dividend payment.

1.0 Corporate Information

UACN's growth strategy envisages the building of strong regional and international corporate partnership in order to realize sustainable growth and business transformation.

UAC of Nigeria Plc (UACN) is a fully owned Nigerian Public Company and one of the largest diversified businesses in the private sector of the economy. In 1879, the United Africa Company was founded following the merger of four companies trading up the River Niger: Alexander Miller Brother & Company; Central African Trading Company Limited; West African Company Limited and James Pinnock. UACN was incorporated in Lagos, Nigeria under the name Nigerian Motors Ltd on April 22, 1931 as a wholly-owned subsidiary of the United Africa Company Limited (a subsidiary of Unilever), which later became UACN International. The company's name was changed to United Africa Company (Nigeria) Limited on 23 July, 1943 and was listed on the Daily Official List of the Nigerian Stock Exchange (NSE) in 1974. It has, for over a century, remained a foremost private enterprise and leader in the economic advancement of Nigeria.

UACN partnered with Tiger Brands of South Africa to form a new company UAC Foods limited with Tiger Brands Limited holding 49% of the equity and UACN controlling 51%.

As a food conglomerate, UACN's growth strategy envisages the building of strong regional and international corporate partnership in order to realize sustainable growth and business transformation. To achieve this, UACN partnered with Tiger Brands of South Africa to form a new company UAC Foods limited with Tiger Brands Limited holding 49% of the equity and UACN controlling 51%. The move involves the interest of UACN in Snacks, Dairies and Water operations (UAC Foods, UACN Dairies and Spring Waters Nigeria Limited) being transferred to UAC Foods Limited.

In 2008, UACN received an "Aa" from Agusto & Co, a Research Credit Rating and business information company in Nigeria. This implies that UACN has a very strong financial condition and very strong capacity to meet obligations as and when they fall due.

UACN is a diversified business with activities in the following principal sectors: Foods, Manufacturing, Automobile, Logistics and Real Estate.

1.2 Business*:* UACN is a diversified business with activities in the following principal sectors: Foods, Manufacturing, Automobile, Logistics and Real Estate. UACN business portfolio includes the following companies: UACN Property Development Company Plc (UPDC), the first company in the real estate sector in Nigeria to be quoted on the Nigerian Stock Exchange (NSE); Warm Spring Waters Nigeria Limited, manufacturer of "GOSSY" Spring Water, located in Ikogosi-Ekiti, Ekiti State. The company has major stakes in Grand Cereals and Oil Mills Limited (GCOML); Spring Waters Nigeria Limited (SWAN). Its interest also includes: Chemical & Allied Products (CAP), G.M. Nigeria Limited, a joint venture with current General Motors Corporation of Detroit, USA, MDS Logistics and UACN Registrars Limited. Following the new pensions reforms in the country, UACN obtained the license of the National Pension Commission for UNICO CPFA Limited, a subsidiary of the company to operate as a Closed Pension Fund Administrator.

UACN has re-aligned its food business architecture to unlock the values in the business.

As a food-focused conglomerate, the company has re-aligned its food business architecture to unlock the values in the business. This led to the merger of UACN Franchising Division with UACN Restaurants to create a new UACN Restaurants Division. UACN Restaurants operate leading Quick Service Restaurant brands including Mr Bigg's Village Kitchen, Chicken Inn, Pizza Inn, Creamy Inn and Dial-a-Delivery. UACN also operates Nando‟s the renowned Casual Dining Restaurants in Nigeria.

According to the company's register of members, only one shareholder of the company, Stanbic Nominees Limited held more than 5% of the issued share capital of UACN Limited as at December 31, 2010.

Table 1: Subsidiaries & Associated Companies as at December 31, 2010	
Director	% Holding
Grand Cereals & Oil Mills Limited	64.00
GM Nigeria Limited	60.00
Spring Waters Nigeria Limited	94.55
Chemical & Allied Products Limited	50.18
Warm Spring Waters Nigeria Limited	75.94
Mr. Bigg's – Ghana Limited	100.00
UNICO CPFA Limited	86.67
UACN Registrars Limited	100.00
UACN Property Development Company Plc	46.00
Opticom Leasing Company Limited	40.00

Table 2: Directors' Shareholding as at May 31 2010		
Director	Position	No of Shares
Senator Udo Udoma	Chairman	19,052,590
MR. Larry Ephraim Ettah	Group MD/CEO	2,346,045
Mr. Abdul Akhor Bello	Ex-Director	103,657
Mr. Joseph Ibrahim Dada	Ex-Director	85,937
Chief Samuel Olaniyi Bolarinde	Non Ex-Director	-
Dr. Mansur Muhtar, OFR	Non Ex-Director	592,612
Mrs Awuneba S. Ajumogobia	Non Ex-Director	771
Dr. Suleyman Abdu Ndanusa	Non Ex-Director	-

Table 3: Company Summary	
Ticker	UACN
Sector	Conglomerates
Date of Incorporation	April 22, 1931
Date of Listing	1974
Financial Year End	December
Number of Fully Paid Share	1,600,720,322
Current Capitalization(NGN)	62,460,106,964
NSE Capitalization (NGN)	7,302,215,046,774.08
% of NSE Capitalisation	0.86
52 Week high NGN	42.90
52 Week low NGN	31.35
YTD Return (%)	0.78
52 Weeks Average Volume Traded	905,154
Trailing EPS NGN	6.87
Trailing P/E ratio (X)	5.68

Table 4: Professional Parties	
UACN Registrars	Registrar
PriceWaterhouseCoopers	Auditors

2.0 Review of Nigerian Economy

Provisional data from NBS indicates that Nigeria's GDP grew by 7.85% in 2010, while it is expected to grow by 7.98% in 2011.

Provisional data from the National Bureau of Statistics (NBS) indicates that Nigeria's Gross Domestic Product (GDP) grew by 7.85% in 2010, while it is expected to grow by 7.98% in 2011. Overall, the Nigerian economy was relatively stable with mixed outcomes in 2010. NBS also showed that the Nigerian population as at February 2010 stood at 154,774,088. This was disclosed in a report titled "National Literacy Survey 2010". Of the total population, about 39% were children aged below 15 years while adults constituted about 61%. According to the survey, about 70% of the population resides in the rural areas while only 30% live in urban areas. According to the Central Bank of Nigeria (CBN), at the end of Q4 2010, the major monetary aggregates expanded relative to their levels at the end of the third quarter. Aggregate banking system credit to the domestic economy stood at ₦8,962.9bn at the end of Q4 2010, a decline of 3.7%, from the level at the end of the third quarter and in contrast to the 8.1% increase recorded at the end of Q4 2009. The banking system's credit to the private sector contracted by 6.1% to ₦9,703.7bn, in contrast to the 2.3% rise at the end of the preceding quarter.

The inflation rate (year-on-year) moderated, but it remained in double digits at the end of 2010 but

The inflation rate year-on-year stood at 9.40% as at July, 2011

stood at 9.40% as at July, 2011. The pass-through effects on the Nigerian economy, of the increase in the prices of food, as a result of flooding in many food producing countries, and the increase in the price of oil at the international market, have increased inflationary pressure on the local economy. The current import-dependent nature of the Nigerian economy makes it difficult for Nigerians to avert the pass-through effect. Other factors that have contributed to the inflationary pressure are the weak infrastructure, high cost of borrowing in the local financial market, and the electioneering spending.

Meanwhile, the CBN has reiterated its commitment to a single digit inflation rate. The value of naira depreciated at the official market in 2010 by 0.72% to close at N149.17/US$1. However, it has remained stable in 2011 but for the wide premium between the official and parallel market rate. As at August 16, 2011, the exchange rate closed at N150.01/US$1, representing a depreciation of 0.56% from the level on December 31, 2010, while the parallel market rate stood at N165.50. The International Monetary Fund (IMF) earlier recommended a devaluation of the naira, arguing that the naira was overvalued. FSDH Research does not share this view. In our opinion, with the oil price hovering around US$100/b, improved oil production, and decent external reserves, which cover about 16 months of imports, the economy has fairly good fundamentals to support the exchange rate around N150/US$1.

FSDH Research believes that the excessive increase in rates may lead to cost-push inflation and may attract "hot money" to the financial system, while Nigerians bear the consequences.

The Monetary Policy Committee (MPC) of the CBN argued that the need to reduce speculative demand for foreign exchange and to bring the inflation rate to a single digit figure necessitated the series of restrictive policies implemented during each of its meeting so far in 2011. FSDH Research believes that the excessive increase in rates may lead to cost-push inflation and may attract "hot money" to the financial system, while Nigerians bear the consequences.

In our opinion, the focus of the current administration should be to come up with a workable framework to improve infrastructural facilities in the country and to ensure fiscal discipline in the management of the country's scarce resources. This will set the tone for the growth of the non-oil sector of the economy, in order to create employment and help to suitably broaden the productive base and revenue of the country in a sustainable manner.

FSDH Research believes that the current administration will implement a number of policies to diversify the productive base of the economy so that the economy is less vulnerable to international oil price volatility.

The outlook of the foreign exchange rate in the medium term appears stable as the CBN is determined to meet all genuine demand for foreign exchange. In addition, the current foreign reserves level of US$34.96bn as at August 16, 2011 is sufficient to cover about 16 months of imports against the internationally acceptable level of 3 months.

We believe that the current administration will implement a number of policies to diversify the productive base of the economy so that the economy is less vulnerable to international oil price volatility. Furthermore, the new administration is embarking on a number of reform agenda to improve the nation's infrastructure, thereby stimulating the economy, and to strengthen public expenditure management, especially in job creation.

3.0 Review of Nigerian Manufacturing Sector

Our analysis of the operating environment shows that the manufacturing and distribution businesses in Nigeria are faced with major infrastructural challenges (transportation and power). In order to meet their power needs, manufacturing companies invest heavily in alternative sources of power, and the cost of acquiring and maintaining this equipment adds in no small measure to overall operating costs. Manufacturing firms sometimes shift a portion of these costs to customers, in the form of increases in the price of goods, while the firms bear the remaining portion of it. The extent of this shift also depends on the elasticity of demand for the product in question to price. Sometimes, we notice a drop in demand, as a result of increases in price. In addition to the problem of infrastructure, the tight liquidity prevailing in the economy and the unwillingness of banks to lend has reduced credit to the real sector, while the available credit commands high interest rates, thus increasing financing costs for the manufacturers. The combination of these factors has limited the growth of the manufacturing sector in the country, despite the huge market potentials within Nigeria and in neighboring countries. In the last one year, the manufacturing sector has witnessed some improvement, as the capacity utilization of manufacturing production is estimated to be 55.8%, which reflects a rise of 2.8% over the corresponding period in 2009. According to the NBS, the sector grew by 7.64% in 2010 and expected to grow by 7.49% in 2011. It contributed 4.16% to the GDP in 2010, while it is expected to contribute 4.14% in 2011. This is considered too low for a country that has huge consumption power like Nigeria, with its estimated market size of about 154million people. The growing middle class in Nigeria, whose tastes and life style are changing, leading to an increasing demand for high quality consumer goods and products, presents an important opportunity for related manufacturing companies.

The Nigerian manufacturing industry is relatively small in relation to the size of the domestic economy.

The Nigerian manufacturing industry is relatively small in relation to the size of the domestic economy. The sector has not grown remarkably over the years due to a series of factors: the neglect of the sector in favour of oil, an epileptic power supply, and the country's deficient infrastructure, among others. Although the Nigerian government maintains that the industry is the main instrument of rapid growth, structural change and self-sufficiency, it has not yet pursued the necessary policies to improve the performance of the manufacturing industry. We, however, commend the ongoing efforts of the CBN to make soft loans available to Small and Medium Scale Enterprises (SMEs) and the government's proposed privatization of the Power Holding Corporation of Nigeria (PHCN). Some quoted manufacturing companies, especially those with highly capitalized stocks, did record impressive performance in the Nigerian capital market as the economy continues on the path of recovery, post the global economic and financial meltdown. The fact that some companies in the Nigerian manufacturing sector have low elasticity of demand to economic factors helped to insulate the revenue of operators.

FSDH Research commends the ongoing efforts of the CBN to make soft loans available to Small and Medium Scale Enterprises (SMEs).

For Real Estate development, mortgage instruments remained largely un-developed and available mortgage facilities are given at high rates ranging between 20% and 30%, thus remaining an impediment for stimulating real growth in the sector. The global real estate market also remains in a lull after the devastating effect of the sub-prime crisis. Following the lull of activities in the real estate business, banks are unwilling to grant credit to the sector and majority of prospective buyers are having difficulty in raising the required finance. The flow of equity and credits into real estate sector continued to be restrained due to global developments, leading to massive drop in the value of housing property and investments especially on the top end of the market.

4.0 UACN's Corporate Governance

The Board of Directors oversees the corporate governance procedure to ensure that it conforms to best practice. They are responsible for, amongst other things, the preparation of the annual financial statement which gives a fair view of the position of the company. It also constantly reviews the procedures in line with the dynamics of the business environment. The Board delegates the day-to-day running of the company's affairs to the Managing Director/Chief Executive Officer (MD/CEO) whose office is separated from the office of the Chairman. Also, an executive management committee supports the MD/CEO in this task. The Board currently consists of ten members: the Chairman, the Managing Director/CEO, 6 non-executive directors, and 2 executive directors.

The position of the Chairman is separated from the MD/CEO.

The standing committees of the company consist of:

- Audit & Risk Committee
- Governance and Remuneration Committee
- Business Review Committee and
- Statutory Audit Committee

UACN is a company of integrity and high ethical standards.

UACN is a company of integrity and high ethical standards. Every employee of the company and its subsidiaries subscribes to comply with the UACN Code of Business Principles & Ethics (the Code) on an annual basis. The Board of Directors is responsible for ensuring that the Code is communicated to, understood and observed by all employees.

4.1 Strategic Focus

UACN's goal is to become a food focused conglomerate. Its growth strategy envisages the building of strong regional and international corporate partnership in order to realize sustainable growth and business transformation. To achieve its aim, UACN has the following core strategies:

- Spin-off operating divisions and attract strategic partners to propel faster growth
- Optimize existing operations through more efficient processes and systems
- Grow scale in existing businesses through capacity expansion and acquisition
- Invest in related Fast Moving Consumers Goods (FCMGs) categories
- To structure its property development subsidy UPDC to meet the need of the mid-tier income earners in Lagos and Abuja.

UACN's goal is to become a food focused conglomerate.

So far in 2011, UACN has achieved the following objectives in its bid to meet up with its ultimate goal.

- Spin-off of UAC Foods and UACN Dairies Divisions and its 95% stake in Spring Waters Nig.

Ltd. to form UAC Foods Ltd

- In May 2011, it signed a strategic partnership agreement with Tiger Brands and sold 49% of its stake in UAC Foods Ltd to Tiger Brands
- It commenced discussions with prospective partners in respect of MDS Logistics and UACN Restaurants Divisions
- It grew volume through optimization in Grand Cereals and UAC Foods' Operations
- It expanded its fish feed mill capacity at Grand Cereals

Tiger Brands Limited is the largest Food Company in South Africa.

5.1 Tiger Brands Partnership

Tiger Brands is a branded FMCGs company with a broad portfolio of leading food, beverage, personal care and home care brands that add value to consumers', shoppers' and customers' lives and to the broader communities in which it operates. Tiger Brands Limited is the largest Food Company in South Africa. It has 85-year track record in the business of manufacturing consumer packaged goods in South Africa and has been listed on the Johannesburg Stock Exchange since 1944.

Tiger Brands products are divided into 3 main divisions: Domestic Foods, Home and Personal Care (HPC) and Exports & International Operations.

Tiger Brands products are divided into 3 main divisions: Domestic Foods, Home and Personal Care (HPC) and Exports & International Operations. Tiger Brands, together with its subsidiaries, manufactures, distributes, and markets fast-moving consumer packaged goods in South Africa and internationally. Under its domestic foods division, it offers various food products, such as grains under the Ace, Albany, Golden Cloud, Jungle, King Korn, Morvite, and Tastic names; groceries under the All Gold, Crosse & Blackwell, Black Cat, Colmans, Fatti's & Moni's, and KOO names; snacks and treats under the Anytime, Beacon, Black Cat, FFWD, Inside Story, Jelly Tots, Maynards, Smoothies, and Wonderbar names; beverages under the Energade, Hall's, Oros, and Rose's names; and meat products under the Bokkie, Enterprise, and Like-it-Lean names.

Under the HPC division, it offers the following products: Personal Care: Gill, Ingram's Camphor Cream, Dolly Varden, Kair, Lemon Lite, Perfect Touch, Protein Feed; Babycare: Elizabeth Anne's, Purity; and Homecare: Airoma, Bio-Classic, Doom, FastKill, ICU, Jeyes, Peaceful Sleep, Rattex.

Under the exports & international operations division: Tiger Brands International, Exports Tiger's branded products primarily to countries within Southern African Development Community (SADC), East Africa, Central Africa and West Africa; Langeberg & Ashton Foods (Pty) Limited (South Africa): Gold Leaf, Silver Leaf; Haco Industries Kenya Limited (Kenya): Ace, Bic, Jeyes, Miadi, Motions, Palmers, TCB; and Chocolaterie Confiserie Camerounaise ("Chococam") (Cameroon): Arina, Big Gum, Kola, Mambo, Martinal, Tartina, Tutoux.

Tiger Brands is also involved in fishing, processing, marketing, and trading various marine species, cold storage operations, as well as food service and home meal replacement activities.

The following benefits should accrue to UACN from the strategic partnership with Tiger Brands:

- Supply chain synergies
- Access to innovation, technical and branding expertise
- Export market development
- Wider portfolio of brands
- Optimisation of existing operations
- Business Integration
- To consolidate market leadership
- To explore/capture new markets especially within West Africa
- To combine technical expertise of Tiger Brand with the local market knowledge UACN
- To position the businesses for faster growth and prevent future competitive landscape.

Table 5: SWOT Analysis

Strengths	Weakness
➢ Good knowledge and expertise of domestic market ➢ Diversified product line ➢ Strong brand name ➢ Wide product distribution network ➢ Partnering with Tiger Brands to foster growth ➢ Availabilty of long term finance with low cost ➢ Improving working capital ➢ Wider portfolio of brands ➢ Actively involved in community development programmes	➢ Possible impact of double taxation ➢ Inability to control quality in the food franchise ➢ Declining Return on Equity
Opportunities	**Threats**
➢ Large market size ➢ Stable macroeconomic environment ➢ Government's efforts to fight counterfeit food products especially through National Agency for Food and Drug Administration and Control (NAFDAC) ➢ Increase in minimium wage to N18,00 which should stimulate demand for FCMGs ➢ Growing middle class in Nigeria ➢ Peace keeping mission of the FGN in the country	➢ Reduction in purchasing power in the country due to rising unemployment rate ➢ The current community crisis in Grand Cereal plant ➢ Lifting of ban on importation of vegetable oil ➢ Intensive competition in the industry ➢ Inadequate physical infrastructure in the country

6.0 Analysis & Recommendation

Our analysis was based on UACN's Account for the period ended 12 months December 31, 2010, compared with 12 months December 2009. For the computation of CAGR, the base period is 2006. Meanwhile, accounts of 2006-2009 were restated.

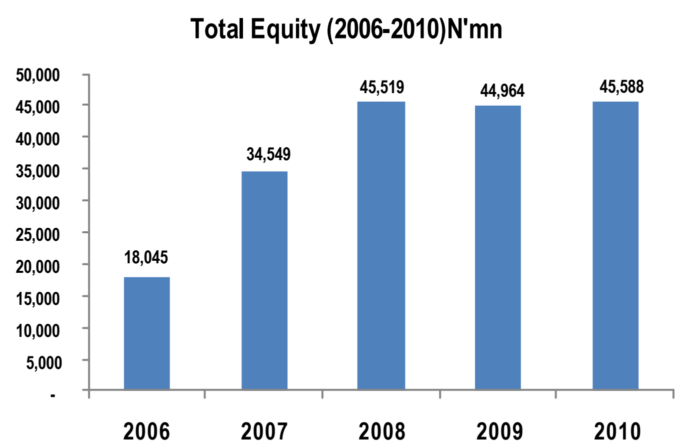
The total equity of UACN as at December 31, 2010 stood at N45.58bn representing an increase of 1.39% from N44.96bn in 2009.

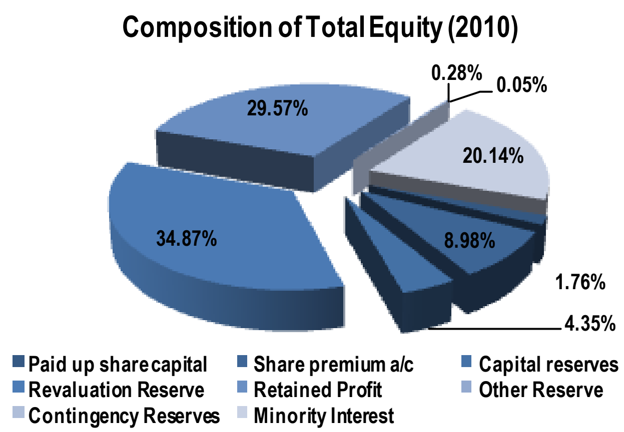
6.1 Capital Structure

The total equity of UACN as at December 31, 2010 stood at **N45.58bn** representing an increase of **1.39%** from N44.96bn in 2009. The equity was made up of shareholders fund of **N36.41bn** (74.78% of total) and the amounts due to holders of non-controlling shares in subsidiary companies of **N9.18bn** (25.22% of total).

The total equity was buoyed by retained earnings as a result of performance of profitability in 2010.

Total equity of UACN increased from N44.96bn in 2009 to N45.59bn in 2010, translating to an increase of **1.39%** between the periods. The total equity was buoyed by retained earnings as a result of impressive performance of profitability in 2010, while the drop in revaluation of real estate properties adversely impacted it. The Compound Annual Growth Rate **(CAGR)** in the equity between 2006 and 2010 stood at **26.07%.** It is made up of revaluation reserves (34.87%), retained earnings (29.57%), minority interest (20.14%), share premium (8.98%), capital reserves (4.35%), share capital (1.76%), other reserves (0.28%) and contingency reserves (0.05%). This is shown on the chart below.



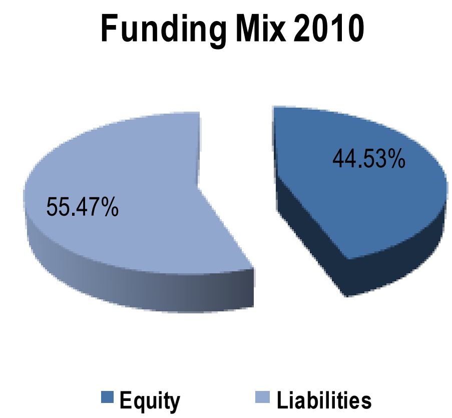


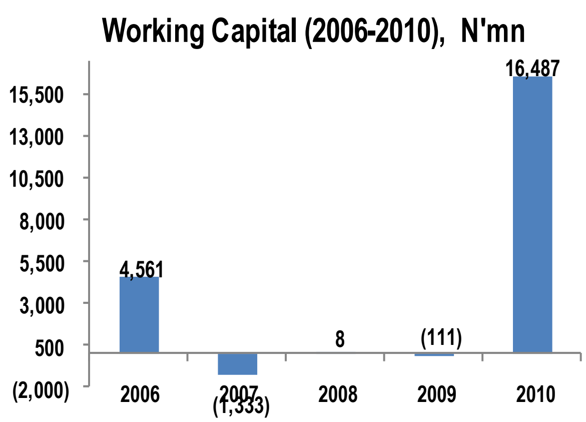
The long term assets of UACN stood at N53.82bn in 2010 down 5.07% from N56.67bn in 2009, the CAGR between 2006 and 2010 stood at 36.89%. The drop in the long term assets is majorly on account of a drop of 12.77% drop in investment properties from N24.21bn in 2009 to N21.12bn in 2010.

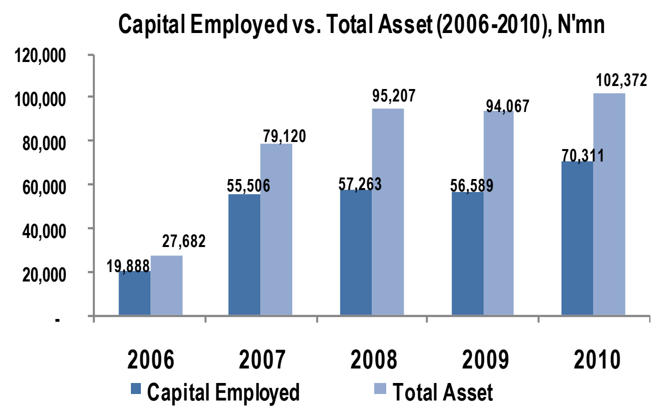
The current assets grew by 29.84% to N48.55bn in 2010 from N37.39bn in 2009, and recorded a CAGR of 40.80% between 2006 and 2010. The increase in current assets was principally on account of 58.89% increase in properties under construction from N14.51bn in 2009 to N23.06bn in 2010. Others are 65.30% increase in Other debtors & payments to N2.82bn, 41.54% increase in trade debtors to N5.37bn, and 31.02% growth in cash and bank balances to N7.25bn. However, there was a decrease of 17.62% in stock to N8.44bn. Adding the long term assets and the current assets of the company together, the total assets grew by 8.80% to N102.37bn, from N94.09bn in 2009. This represents a CAGR of 38.67% between 2006 and 2010.

The total assets of UACN were financed by a mix of equity and liabilities in the proportion of 44.53%, 55.47% respectively.

The total assets of UACN were financed by a mix of equity and liabilities in the proportion of 44.53%, 55.47% respectively. As at December 2010, the total assets of UACN stood at N102.37bn, while total liabilities stood at N56.78bn.The short term liabilities stood at **N32.06bn**, accounting for **56.46%** of the total liabilities while the long-term liabilities stood at **N24.72bn** accounting for **43.54%** of the total liabilities. Total equity of UACN increased to **N45.59bn** in 2010 from **N44.96bn** in 2009, translating to an increase of **1.39%** between the periods. The increase in total equity was primarily driven by **25%** increase in share capital from N640.29mn to N800.36mn. The increase was as a result of a bonus issue of 1 ordinary share for every 4 shares already held. The non-controlling interest increased by 22.80% to N9.18bn in 2010 from N7.48bn in 2009, while retained profit increased to N13.48bn from N11.96bn in 2009.







The working capital stood at a positive of N16.49bn at the end of December 2010, from the negative position of N110.59mn it recorded as at the end of the previous year.

The working capital stood at a positive of **N16.49bn** at the end of December 2010, from the negative position of N110.59mn it recorded as at the end of the previous year. The improvement in working capital position is as a result of the decrease in short term financing of UACN as it embarks on restructuring of the balance sheet of its real estate company, UPDC to take on long term cheaper funds. This is a good strategy and has enhanced the group's ability to meet its short term obiligation as at when due. Bank overdraft reduced by significantly by 53.33% to **N7.08bn** in 2010 from N15.17bn in 2009. A rise of **29.84%** in the current assets in the face of a drop of **14.51%** in the current liabilities led to the increase in the working capital. Consequently, the current ratio and the quick ratio as at December, 2010 stood at **1.51x** and **1.25x** respectively. This was a significant improvement from the previous year.

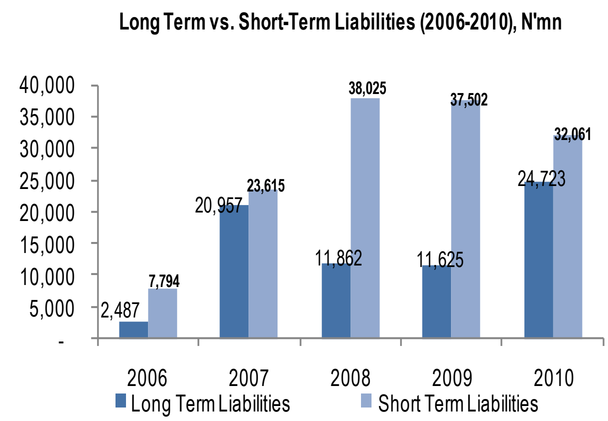
The interest cover of UACN decreased to 4.42x from 5.80x in 2009.

The debt ratio which is the proportion of the company's total assets that is financed by long term and short term liabilities increased to **55.47%** from 52.21% in 2009. The gearing ratio which is the proportion of the capital employed financed by long term borrowing stood at **29.17%** in 2010, while the long term liabilities to equity ratio stood at **54.23%** in 2010, an increase from 25.85% in 2009. The interest cover of UACN decreased to 4.42x from 5.80x in 2009.

6.2 Liquidity

The current assets of UACN increased by 29.84% between 2009 and 2010.

The current assets of UACN increased from N12.35bn in 2006 to N48.55bn in 2010, representing a CAGR of 40.80% and an increase of 29.84% between 2009 and 2010. The major contributors to the increase between the immediate two years are: other debtors and payments (up 65.30% to N2.82bn), properties under construction (up 58.89% to N23.06bn), trade debtors (up by 41.54% to N5.37bn), cash & bank balances (Up by 31.02% to N7.25bn), deposit for imports (up 8.28% to N106.29mn) and prepayments & accrued income (up marginally 0.79% to N1.50bn). Other components of current assets recorded negative growth during the period especially stock and work-in-progress (down 17.62% to N8.44bn). In another development, the current liabilities also increased from N7.79bn in 2006 to **N32.06bn** in 2010, representing a CAGR of **42.42%** between the period but a decrease of **14.51%** between 2009 and 2010. The current ratio climbed to **1.51x** at 2010 from 1.00x in 2009, while the quick ratio also increased to **1.25x** in 2010 from **0.72x** in 2009.

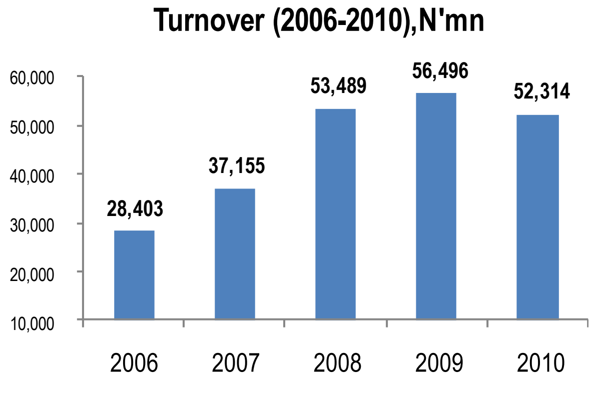


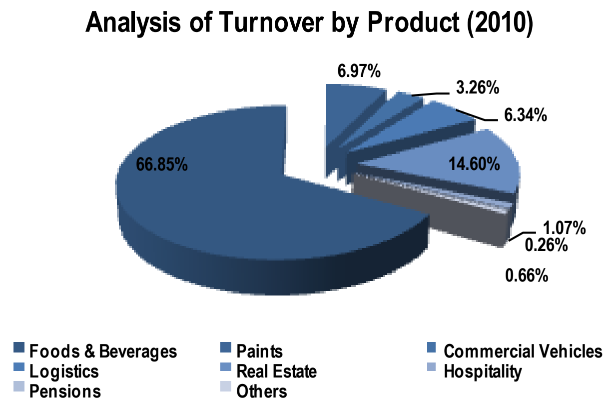
The net cash generated from operating activities decreased by **42.27%** from **N12.75bn** in 2009 to **N7.36bn** in 2010. This was principally on account of decrease in properties stock compared to the previous period. Net cash used up for investing activities also decreased by **23.79**% to **N7.55bn** in 2010 from N9.91bn in 2009. This was on account of 39.6% decline in cash used up in the purchase of fixed assets to N3.97bn. While the net cash from financing activities increased from a negative N4.74bn in 2009 to a positive of **N906.15bn** in 2010 on account of additional long term debt. The cash and cash equivalent as at December 31, 2010 stood at N7.25bn, representing an increase of 31.02% from N5.53bn in 2009.

6.3 Profitability

Turnover decreased by 7.58% between 2009 and 2010. The drop in turnover was impacted by significant drop in hospitality sector of UACN's business.

The diversification strategies of UACN's business continue to put it in a good position to withstand the seemingly harsh operating environment over the years and in particular the unfavourable development in some aspect of its business. Its Turnover increased from N28.40bn in 2006 to N52.31bn in 2010, representing a CAGR of 16.50% but decreased by 7.58% between 2009 and 2010. The drop in turnover was impacted by significant drop in hospitality sector of UACN's business. Turnover generated from hospitality dropped by 95.82% to N557.16mn from N13.33bn in 2009.



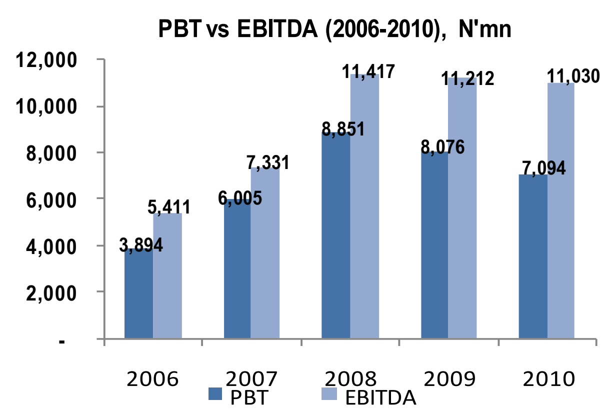


An analysis of the turnover by business sector indicates that the revenue from Food & Beverages accounted for 66.85% of the total, Real Estate 14.60%, Logistics 6.34%, Paints 6.97%, Commercial Vehicles 3.26%, Pensions 0.26%, Hospitality 1.07% and Others 0.66%.

The cost of sales dropped by 10.57% from N40.10bn in 2009 to N35.86bn in 2010, lower than the growth in the turnover, thereby leading to a marginal decline of 0.33% in Gross Profit (GP) from N16.50bn in 2009 to N16.45bn in 2010. The Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), increased marginally by 4.11% from N10.59bn in 2009 to N11.03bn in 2010, however, the Earnings Before Interest and Tax (EBIT) decreased marginally by 1.97% from N8.40bn in 2009 to N8.23bn in 2010.

An analysis of the turnover by business sector indicates that the highest contributor to revenue was the Food & Beverages business line.

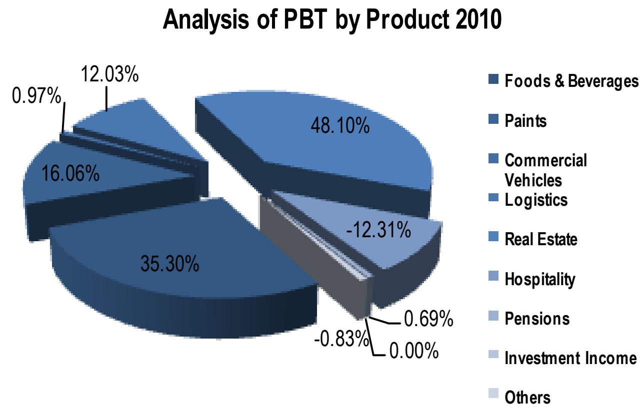
UACN's growth strategies combined with costs reduction strategies resulted in impressive performance in its profit before tax between 2006 and 2010, which increased from N3.89bn in 2006 to N7.09bn in 2010, representing a CAGR of 16.18%; however, the harsh macroeconomic environment as a result of the global economic and financial crisis slowed down its performance in 2010, leading to a decline of 12.17% between 2009 and 2010. Profit Before Tax increased, from N3.89bn in 2006 to N7.09bn in 2010, representing a CAGR of 16.18%. PAT stood at N5.45bn in 2010 from N6.17bn in 2009, representing a decline of 11.76% and a CAGR of 17.92% between 2006 and 2010. The ratio of profit attributable to minority shareholders stood at 41.46% in 2010, up from 34.94% in 2009, while the PAT attributable to ordinary shareholders stood at N3.19bn in 2010, down from N4.02bn in 2009.



The ratio of profit attributable to minority shareholders stood at 41.46% in 2010, up from 34.94% in 2009.

A peep at the PBT margin by business line, Real Estate had the highest margin of 44.68%.

Looking at the PBT by business line, Food & Beverages contributed N2.50bn, which accounted for 35.30% of the total, Paints-N1.14bn (16.06%), Commercial Vehicles - N68.63mn (0.69%), Logistics-N853.39mn (12.03%), Real Estate-N3.41bn (48.10%) and Pensions-N49.05mn (0.67%), while hospitality and others contributed losses of N873.19mn (12.31%) and N59.13mn (0.83%) respectively.



Looking at the PBT margin by business line, Real Estate had the highest margin of 44.68%, followed by Pensions with a margin of 36.23%. Other business lines that had a PBT margin include, Paints - 31.25%, Logistics - 25.72%, Food & Beverages -7.16% and Commercial Vehicles – 4.02%.

The return on equity stood at 11.96% in 2010, down from 13.74% in 2009.

The return on equity stood at 11.96% in 2010, down from 13.74% in 2009. Also, the return on assets stood at 8.04%, a decrease from 8.93% recorded in 2009. The return on capital employed decreased to 11.71% in 2010 from 14.84% in 2009. UACN's GP margin increased to 31.45% in 2010 from 29.16% in 2009. EBITDA margin increased to 21.08%, from 18.72% the previous year; meanwhile, the PBT margin decreased to 13.56% in 2010 from 14.27% in 2010.

The contribution of employee to the company's profitability decreased between 2009 and 2010, as PBT per employee decreased marginally to N1.71mn in 2010 from N1.76mn in 2009, while cost per employee increased marginally from N1.02mn in 2009 to N1.13mn in 2010.

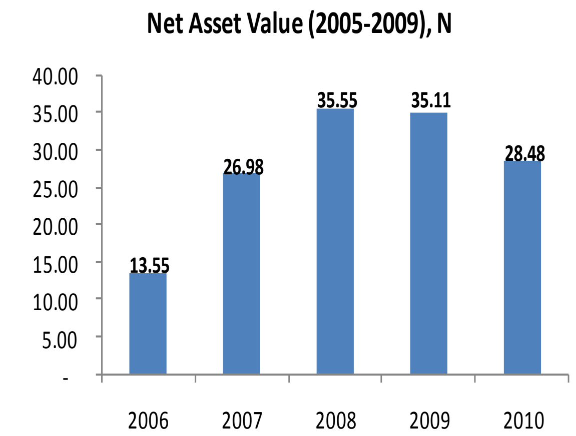
Table 6: Profit & Loss Account (N'mn)							
	2010	2009	Change (%)	2008	2007	2006	CAGR(%)
Turnover	52,313	56,604	(7.58)	53,652	37,155	28,403	16.50
Cost of Sales	35,863	40,101	(10.57)	39,033	27,409	21,272	13.95
Gross Profit	16,450	16,504	(0.33)	14,619	9,746	7,131	23.24
Operating Profit	8,233	8,398	(1.97)	8,666	4,145	2,550	34.05
EBITDA	11,030	10,594	4.11	10,705	5,993	4,352	26.17
PBT	7,093	8,076	(12.17)	8,850	6,005	3,893	16.18
Tax	1,642	1,899	(13.51)	2,004	1,450	1,074	11.20
PAT	5,451	6,177	(11.76)	6,846	4,555	2,819	17.92
PAT to Ordinary Shareholders	3,191	4,019	(20.61)	4,241	3,601	3,204	(0.10)
Balance Sheet (2006-2010), N'mn							
	2010	2009	Change (%)	2008	2007	2006	CAGR (%)
Fixed Assets	53,824	56,699	(5.07)	57,374	56,839	15,327	36.89
Current Assets	48,548	37,392	29.84	38,032	22,281	12,354	40.80
Total Assets	102,372	94,091	8.80	95,406	79,120	27,682	38.67
Current Liabilities	32,061	37,502	(14.51)	38,024	23,615	7,794	42.42
Long Term Liabilities	24,723	11,625	112.67	11,862	20,957	2,487	77.56
Total Liabilities	56,784	49,127	15.59	49,887	44,572	10,281	53.30
Working Capital	16,486	(110.59)	15,008.09	7.79	(1,333)	4,561	37.89
Total Equity	45,588	44,964	1.39	45,519	34,549	18,045	26.07

Table 7: Key Financial Ratio(2006 - 2010)					
	2010	2009	2008	2007	2006
Gross Profit Margin (%)	31.45	29.16	27.25	26.23	25.11
EBITDA Margin(%)	21.08	18.72	19.95	16.13	15.32
PBT Margin (%)	13.56	14.27	16.50	16.16	13.71
ROE (%)	11.96	13.74	15.04	13.18	20.42
ROCE (%)	11.71	14.84	15.10	7.47	12.82
Collection Days	31.99	12.37	28.71	23.06	19.81
Payment Days	78.35	34.99	77.14	40.49	31.01
Current Ratio (x)	1.51	1.00	1.00	0.94	1.59
Debt Ratio (%)	55.47	55.21	52.29	56.33	37.14
Long Term Debt to Equity (%)	54.23	25.85	26.06	60.66	13.78
Interest Cover(x)	4.42	5.80	9.40	7.10	4.64
EPS(N)	1.99	3.14	3.31	2.81	2.49
DPS(N)	1.10	1.04	1.60	1.36	0.88
Net Asset Per Share(N)	28.48	35.11	35.55	26.98	13.55

6.4 Management Efficiency

The number of times capital employed could generate revenue stood at 0.74x in 2010.

The number of times capital employed could generate revenue decreased from 1.00x in 2009 to 0.74x in 2010. We expect the ratio to improve going forward following the current effort of the FGN to improve infrastructure in the country and the strategic efforts of the management to improve its sales through patnership. UACN's average collection period increased from 12.37days in 2009 to 31.99 days in 2010, while the payment period increased to 78.35 days in 2010 from 34.99 days in 2009, thus compensating for the increase in the collection period. UACN can however put in place appropriate policy measure such as discounts on cash and prompt payment in order to reduce the collection period. The payment period should also be reviewed to make it friendlier to suppliers so that they can continue to enjoy the patronage of the suppliers. Too long payment period may either not encourage suppliers or make suppliers to supply their products at higher prices.

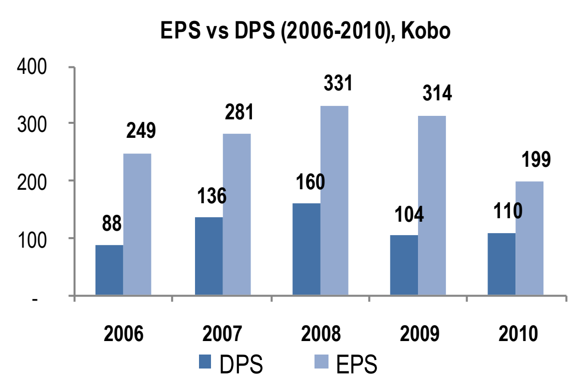


Looking at the historical performance of UACN, we note that it has consistently deployed its assets to generate enough revenue to reward the equity holders. As at 2010, the interest cover which represents the number of times the earnings of a company can cover its interest obligations stood at 4.42x. The ratio remained robust throughout the last five years covering 2006 and 2010. Going forward, we are confident that the company will continue to generate enough earnings from its operations to adequately cover its interest expense.

6.5 Investment Analysis

EPS in 2010 dropped partly on account of of the bonus of 1 for 4.

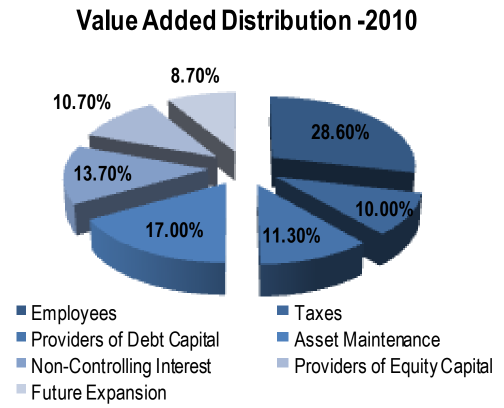
An investment in UACN shares in the last five year recorded good returns to the investors in terms of capital appreciation and corporate benefits (cash dividend and bonus issue). The Earnings Per Share (EPS) dropped from N2.49 in 2006 to N1.99 in 2010 representing a CADR of 5.45%, and recorded a decline of 36.49% between 2009 and 2010.The drop in the EPS in 2010 was partly on account of of the bonus of 1 for 4. In constrast, Dividend Per Share (DPS) increased from N0.88 in 2006 to N1.10 in 2010, representing a CAGR of 5.74%, and recorded an increase of 5.77% between 2009 and 2010. UACN consistently paid dividend to its shareholders in the last 5 years. The net assets per share (NAPS) also increased from N13.55 in 2006 to N28.48 in 2010 representing a CAGR of 20.42% but a decline of 18.89% between 2009 and 2010.



The wealth created by the efforts of the company's employees stood at N16.45bn in 2010, up from N16.39bn in 2009.

6.6 Value Added Distribution

The wealth created by the efforts of the company's employees stood at N16.45bn in 2010, up from N16.39bn in 2009, representing a marginal increase of 0.42%. The value added was distributed amongst Employees, Government, Providers of Debt Capital, Asset Maintenance, Non-Controlling Interest, Providers of Equity Capital and Future Expansion in the proportion of 28.6%, 10.0%, 11.3%, 17%, 13.7%, 10.7% and 8.7% respectively. Analysis of the cost of materials and services in 2010 compared to 2009 shows that the contribution of local raw materials decreased in 2010 relative to 2009.



The company must ensure that its assets are properly deployed to generate earnings so that it does not enter a distress zone.

7.0 Bankruptcy Test – Altman Z- Score Model

We used the Z-Score model developed by Edward Altan to determine the probability of UACN going into bankruptcy within 2 years from December, 2010. The result of the test shows that the company scores a rating of 1.8 in 2010. The company must ensure that its assets are properly deployed to generate earnings so that it does not enter a distress zone. More internal re-organisation may also help. The 5 year Z-Score is presented on the chart and table below.

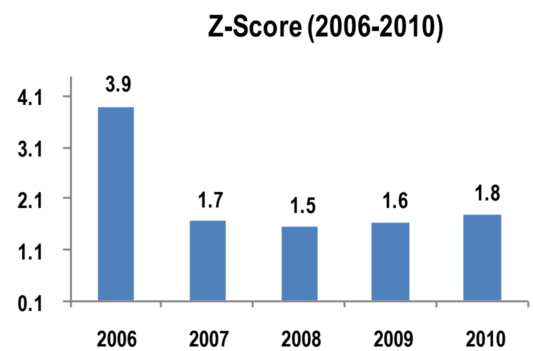


Table 8: Z-Score Model

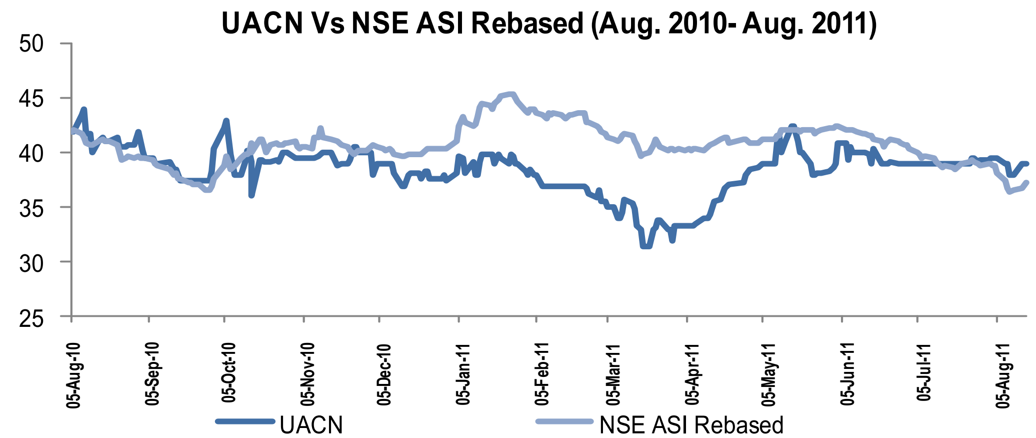
	2010	2009	2008	2007	2006
OPBIT/Total Assets	0.08	0.09	0.09	0.05	0.09
Net Working Capital/Total Assets	0.16	(0.00)	0.00	(0.02)	0.16
Sales/Total Assets	0.51	0.60	0.56	0.47	1.03
Market Value of Equity/Total Liabilities	1.06	0.96	0.89	1.47	3.30
Accumulated Retained Earnings/Total Assets	0.13	0.13	0.11	0.11	0.28
Share Price (December)	37.51	36.75	34.60	51.00	26.45
Market Value of Equity	60,043	47,061	44,308	65,309	33,978
Z-Score	1.8	1.6	1.5	1.7	3.9

8.0 Historical Return Analysis

An analysis of the historical return on the investment in the Ordinary Shares of UACN between January 04, 2007 when the stock was listed on the Nigerian Stock Exchange (NSE) and August 12, 2011 showed an impressive performance. The total return during the period was made up of bonus issue and dividend payment that the investors enjoyed on their investments.

Historical investment in the shares of UACN will generate a gross return of 101%.

Our illustration using **N100,000** initial investment in January 2007 increased to **N201,001.24** as a result of dividend earned, bonus earned and an increase in stock price. This resulted in a profit of **N101,001.24** and a return of **101%.** The number of shares the initial investment bought, net of transaction costs, was **3,629** units. The total dividend earned during the period was **N24,087,** and a bonus of **1 for 4** to earn total bonus of **907** ordinary shares. The share price appreciated by **47.45%,** from **N26.45** at the beginning of January 2007 to **N39** as at August 16, 2011.



9.0 Q2 2011 Unaudited Result Update

Turnover which grew by 14% was mainly driven by growth in volume.

The unaudited Q2, result of UACN **Plc,** for the period ended June 30, 2011 showed that its Turnover (TO) increased by **14.00%** to **N27.10bn**, compared with **N23.77bn** recorded in the corresponding period of 2010. TO was mainly driven by growth in volume, as a result of the company's repackaging, rebranding, and launching of new products into the market. Thus, the recent production expansion has helped turnover. The Operating Profit (OP) as at Q2 2011 stood at N3.60bn up from N3.11bn in the corresponding period of 2010. Profit of N29.43mn was made from the sale of fixed assets, while N5.44bn was exceptional income rising from the sale of 49% shares in UAC Foods Limited to Tiger Brands. This resulted in significant improvement in profitability, Profit Before Tax (PBT) increased by **182.41%** between Q2 2010 and Q2 2011 to **N9.07bn**. The company also made a tax provision of **N1.29bn** in Q2 2011, compared with N988.39mn in the corresponding period of 2010. This brought about **249.69%** increase in the company's Profit after Tax (PAT), which stood at **N7.77bn** in 2011, compared to N2.22bn in 2010.

The exceptional item bouyed the PBT margin which increased to **34.47%** in Q2 2011 from **13.51%** as at Q2 2010 and up by 13.56% as at the end of the financial year in December 2010. This shows that the company's total costs as a percentage of TO stand at 66.53%, lower than 86.49% recorded in the corresponding period of 2010. PAT Margin stood at **28.70%**, up from **9.36%** in the corresponding period of 2010, and up from **10.42**% as at FY 2010 .The results also indicate that the TO, PBT and PAT in the Q2 2011 compared with the Full Year Audited TO, PBT and PAT for the period ended December 2010 are **51.81**%, **127.89**% and **142.70**%, respectively.

A cursory look at the balance sheet position as at Q2 2011 compared with the position as at December 2010 shows that the company's fixed assets decreased during the review period. Its fixed assets decreased by **3.91%** to **N29.169bn** from N30.35bn in FY 2010. Stock decreased by 5.14% to N8.00bn in Q2 2011 from N8.44bn in FY 2010. Cash and bank balances increased by 80.94%, from N7.25bn in FY 2010 to N13.11bn in Q2 2011. Also, the net assets increased by 10.73%, to N40.31bn in Q2 2011, from N36.41bn as at FY 2010.

10.0 Valuation

10.1 Our Valuation Forecast Drivers

We considered the following factors in arriving at the forecasts we used for the valuation:

- Strategic alliance with Tiger Brands
- Portfolio brands expansion
- Business Integration
- Expanded fish feed mill capacity at Grand Cereals
- UPDC's property development in the promising mid-tier real-estate market of Lagos and Abuja
- Cost associated with getting a replacement for its Grand Cereals plant
- Aggressive marketing drive to enter other markets

Meanwhile, our valuation is based on the value of the ordinary shareholders from the group account, that is excluding the value of non-controlling interest, and excluding the interest of Tiger Brands in UAC Foods Ltd.

We made the following assumptions on the contribution of UAC Foods and Non-controlling interest to the Group Free Cash Flow and Profit.

- UAC Foods Ltd will contribute 16% to the group's cash flow in 2011, 17% in 2012, 17.5% in 2013,and 16% for 2014 and 2015
- UACN controls 51% of the cashflow of UAC Foods , while Tiger Brands controls 49%
- Ordinary shareholders of UACN controls 60% of both the cashflow and profits of UACN group excluding Tiger Brands contribution in UAC Foods.

The valuation of UACN is as at August 16, 2011. In arriving at a fair value for the ordinary shares of UACN, we used Discounted Free Cash Flow Method (DCF). We project Turnover, Earnings Before Interest and Tax (EBIT), Earnings Before Interest Tax Depreciation and Amortization (EBITDA), Profit After Tax (PAT) and Dividend Payment for the periods ending December 2011, 2012, 2013, 2014 and 2015.

We estimate the **Group Turnover** of **N60.16bn**, **N70.09bn**, **N82.00bn**, **N96.35bn** and **N112.73bn** for 2011, 2012, 2013, 2014 and 2015, respectively. We estimate **EBIT** of **N8.72bn**, **N10.51bn**, **N12.30bn**, **N13.97bn** and **N15.78bn** for the same period, based on EBIT Margin of 14.50% for 2011, 15% for 2012 and 2013, 14.5% for 2014 and 14% for 2015. We estimate **EBITDA** of **N11.82bn**, **N13.89bn**, **N15.93bn**, **N17.80bn** and **N19.79bn** for the same period.

Taking into consideration the capital expenditure requirement, notional tax and working capital and other adjustments, we arrived at Group free cashflow of **N8.07bn**, **N10.11bn**, **N12.66bn**, **N15.02bn** and **N17.28bn** for the period. We project a **FCF** attributable to ordinary shareholders of **N4.46bn**, **N5.56bn**, **N6.95bn**, **N8.31bn** and **N9.56bn**, **PAT** attributable to ordinary shareholders of **N3.97bn**, **N5.26bn**, **N5.90bn**, **N6.65bn** and **N7.78bn** and **Dividend Payment** of **N2.41bn**, **N3.20bn**, **N3.59bn**, **N4.04bn** and **N4.73bn** for the period, based on a dividend payout of **60.82%** from its earnings. We applied a terminal growth rate of **7.85%** which is Nigeria's real GDP growth rate as at 2010. We used a beta value of **0.75x** based on the 5-year historical returns on the company share price and the Nigerian Stock Exchange All Share Index (NSE ASI). We used the marginal rate of **11.45%** as our risk free rate, which is the average of the one year marginal rate on 5 years Federal Government of Nigeria Bond, and a **Market Premium** of **8.00%.** Applying foregoing parameters on the Capital Asset Pricing Model (**CAPM**), the cost of equity generates **17.43%.** We used the weighted cost of Debt of **10.88%** and a tax rate of **32%.** Weighing the market value of equity with the value of debt, the **Weighted Average Cost of Capital (WACC)** generates **15.78%.** We used **1.60bn** shares in issue. The **DFC Model** generates **N45.15** per share, which is our fair value. Buying the stock at the current market price of N39.02, holding it to our fair value of **N45.15** and adding the present value of the 5-year forecast dividend, investors will earn a total return of **34.51%.** Relating this return to the WACC at **15.78%**, investment in UACN shares will earn an excess return (alpha return) of **18.73%**. The 2011 forward earnings yield based on our fair value generate **5.49%**, while the 2011 forward Dividend Yield based on **N1.51** Dividend Per Share at our fair value generates **3.34%**. We therefore place a **BUY** on the Shares of UACN Plc at the current market price for both dividend payment and capital appreciation.

Present Value of investment in the shares of UACN will generate a total return of 34.51%.

Table 9: Assumptions on the Break Down of Cashflow

Period	2011	2012	2013	2014	2015
Group Cash Flow	8,068	10,114	12,663	15,019	17,283
Contribution of UAC Food to Group Cash Flow (%) *	16.00	17.00	17.50	16.00	16.00
Contribution of UAC Food to Cash Flow (N)	1,291	1,719	2,216	2,403	2,765
UACN Cash Flow Excluding UACN Food	6,777	8,395	10,447	12,616	14,518
Proportion of UACN in UAC Food *	658	877	1,130	1,226	1,410
UACN Group Excluding Tiger's Interest	7,435	9,272	11,577	13,842	15,928
Contribution of Ordinary Shareholders to UACN Group *	60%	60%	60%	60%	60%
Cash Flow Attributable to Ordinary Shareholders	4,461	5,563	6,946	8,305	9,557
* FSDH Research Estimates					

Table 10: Fair Value Sensitivity Table (N)

		Discount Rates (%)				
Growth Rates (%)		13.78	14.78	15.78	16.78	17.78
	5.85	48.64	41.99	36.70	32.39	28.81
	6.85	55.13	46.86	40.45	35.35	31.19
	7.85	63.81	53.12	**45.15**	38.97	34.05
	8.85	76.02	61.51	51.20	43.51	37.55
	9.85	94.44	73.29	59.30	49.36	41.94

Table 11: Valuation Forecast and Parameters – Discounted Free Cash Flow (DCF)						
Year	2011	2012	2013	2014	2015	Terminal Value
Period	0.38	2	3	4	5	
Revenue (mn)	60,161	70,087	82,002	96,352	112,732	
EBIT(mn)	8,723	10,513	12,300	13,971	15,783	
EBITDA (mn)	11,821	13,897	15,927	17,804	19,791	
FCF(mn)	4,461	5,563	6,946	8,305	9,557	130,038
Discount Rate (%)	15.78	15.78	15.78	15.78	15.78	
Discount Factor	0.9456	0.7460	0.6444	0.5566	0.4807	
Present Value (mn)	4,218	4,150	4,476	4,622	4,594	62,513
Enterprise Value (mm)	84,575					
Debt(mn)**	12,307					
Equity Value(mn)	72,268					
Number of Shares (mn)	1,601					
Value Per Share(N)	45.15					
Price as at August 16, 2011	39.02					
Total Return (%)*	34.51					
** We use 0.38 for period 1 ** Proportion to Ordinary shareholders*						
**The total return is inclusive of the present value of the 5-year forecast dividend*						

Table 12: FSDH Research Earnings Forecast for UACN (2011-2015)					
	2011	2012	2013	2014	2015
Turnover(N'mn)	60,161	70,087	82,002	96,352	112,732
EBIT(N'mn)	8,723	10,513	12,300	13,971	15,783
EBITDA(N'mn)	11,821	13,897	15,927	17,804	19,791
PBT(N'mn)	9,732	12,884	14,471	16,295	19,065
Tax(N'mn)	3,114	4,123	4,631	5,214	6,101
PAT(N'mn)	3,971	5,256	5,904	6,648	7,778
Dividend Payment (N' mn)	2,415	3,196	3,590	4,043	4,731
EBIT Margin (%)	14.50	15.00	15.00	14.50	14.00
EBITDA Margin (%)	19.65	19.83	19.42	18.48	17.56
PBT Margin (%)	16.18	18.38	17.65	16.91	16.91
PAT Margin (%)	11.00	12.50	12.00	11.50	11.50
EPS(N)	2.48	3.28	3.69	4.15	4.86
DPS(N)	1.51	2.00	2.24	2.53	2.96
Earnings Yield (%)*	5.49	7.27	8.17	9.20	10.76
Dividend Yield (%)*	3.34	4.42	4.97	5.59	6.55
Number of Shares (mn)	18.65	14.09	12.55	11.14	9.52
Dividend Payout (%)	1,601	1,601	1,601	1,601	1,601
**At our Fair Value*					

Table 13: Annual Capital Growth & Returns Analysis of N100,000 Investment in UACN since January 04, 2007						
Value Receipt Period	2007	2008	2009	2010	2011	Total
Holding As At January	3,269	3,629	3,629	3,629	4,536	4,536
Bonus Shares Received	-	-	-	907	-	907
Cumulated Holding	3,629	3,629	3,629	4,536	4,536	
Dividend Earned	4,899	3,919	6,532	4,246	4,491	24,087
	16-Aug-2011					
Accumulated Shareholding	4,536					
Increase in Shareholding (%)	25.00					
Price (N)	39.00					
Market Value (N)	176,914					
Total Dividend (N)	24,087					
Value of Investment (N)	201,001					
Cost of Investment (N)	100,000					
Profit (N)	101,001					
% Increase	101.00					

Table 14: Comparable Analysis (N'mn)				
Company	UACN	PZ CUSSONS	UNILEVER	AVERAGE
Turnover	52,314	62,668	46,808	53,930
Gross Profit	16,450	17,287	17,446	17,061
EBITDA	11,030	9,661	7,762	9,484
PBT	7,094	7,951	6,152	7,066
PAT	5,451	5,302	4,181	4,978
Total Assets	102,370	58,969	25,935	62,425
Current Liabilities	32,061	15,268	14,395	20,575
Long Term Liabilities	24,723	4,993	3,205	10,974
Interest Bearing Liabilities	20,512	-	-	20,512
Working Capital	16,487	18,962	(199.41)	11,750
Capital Employed	70,311	43,700	11,540	41,850
Net Assets	45,588	38,708	8,335	30,877
EBITDA Margin (%)	21.08	15.42	16.58	17.69
Interest Cover (x)	4.42	56.80	20.81	27.34
Debt Ratio (%)	55.47	34.36	67.86	52.56
Long Term Liabilities/Equity (%)	54.23	12.90	38.45	35.19

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