

Agusto & Co.

RESEARCH, CREDIT RATINGS, CREDIT RISK MANAGEMENT

RATINGS RELEASE

AGUSTO & CO. upholds UAC of Nigeria Plc's "Aa" Rating

The credit rating of UAC of Nigeria Plc ("UACN" or "the Company") reflects the Company's low leverage, good cash flow, adequate working capital, and its qualified and experienced management team. The rating also takes into account UACN's well diversified product base and strong brands.

In spite of growing competition, UACN achieved a sales growth of 12% in 2008, its highest in the last 3 years. A major challenge faced by the Company is its high cost profile arising from high energy costs and rental expenses, especially in its restaurants business. Despite the high cost profile, UACN's return on average equity (pre-tax) of 28% represents an improvement from the prior year (22%). Furthermore, on a 3 year average basis, both its pre-tax, pre-interest ROA (less revaluation) of 18% and return on equity (less revaluation) of 29% are considered good.

In 2008, UACN's cash generating capacity as measured by the ratio of operating cash flow to sales improved to 17% from 8% in the previous year. The Company's interest expenses remained low at less than 1% of sales, while its interest cover of 25 times reflects its strong capacity to meet debt obligations. Although management is qualified and experienced, staff productivity requires improvement.

UAC of Nigeria Plc is one of the oldest conglomerates in Nigeria with diversified business units covering various sectors of the economy. These include Foods, Manufacturing, Automobile, Logistics and Real Estate. The Company has 4 divisions, namely UAC Restaurants, UAC Foods, UAC Dairies and MDS Logistics. In addition, UACN's subsidiaries include Spring Waters Nigeria (SWAN), Grand Cereals & Oil Mills Ltd, GM Nigeria Ltd, Chemical and Allied Products Plc (CAP), among others. UACN's associated companies are UACN Property Development Company Plc (UPDC) and Opticom Leasing Company Ltd.

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