

# **Research Note**

# UAC of Nigeria Plc Q3 2011 Results

01 November, 2011

- UAC of Nigeria Plc (UACN) yesterday released its unaudited financial results for the third quarter ended 30 September, 2011. The company reported a 20.2% rise in turnover from N37.1bn in Q3 2010 to N44.6bn, while PBT and PAT increased by 9.9% and 10.4% from N5.1bn and N3.8bn to N5.6bn and N4.2bn respectively. Pre and post tax margins however dipped by 120bps and 80bps from 13.8% and 10.3% to 12.6% and 9.5% respectively. Quarter-on-quarter (q-o-q), the company grew turnover by 20.1% to N17.5bn, with an increase of 15.8% in PAT to N1.8bn from H1 2011 levels. PBT however fell from the N2.5bn reported in H1 2011 to N1.9bn, representing a 23.0% decrease q-o-q.
- These results came in ahead of our expectations on top line basis. Turnover was 11.4% above our N40.0bn forecast, while PBT and PAT fell 4.5% and 7.3% short of our N5.4bn and N3.9bn estimates respectively. According to management, benefits are being realized from the partnership with Tiger Brands. The snacks division of UAC Foods, for example, saw a 26.0% y-o-y growth on the back of enhanced operational and technical efficiencies. The introduction of an additional line in UACN's snack division in August 2011 and the restoration to full capacity of the bottled water business line (SWAN), following relative socio-political stability in Jos, also spurred the growth in revenues. The company, currently undergoing discussions with potential strategic partners, has also announced plans to continue to expand, especially in its animal feed and oil mill operations.
- On the strength of this performance, UACN trades at a trailing P/E of 7.8x earnings based on an EPS of N3.71 and current market price of N29.00 (as at October 31, 2011). This is a discount to its peer average trailing P/E of 13.2x. We maintain our positive outlook on the long term prospects on UACN and upgrade our recommendation on the stock to a BUY, having established a blended target price of N46.56, which implies a 60.5% upside potential to its current price.



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Table: UAC of Nigeria Plc; Q3A 2011, Q3A 2010, Q3F 2011

UAC OF NIGERIA PLC	30-Sep-11	30-Sep-10	% change	Analyst's Forecast	% of Forecast
	N'000	N'000		N'000	
TURNOVER	N44,600,000	N37,110,000	20.2%	N40,039,860	111.4%
PBT	N5,640,000	N5,130,000	9.9%	N5,394,800	104.5%
TAX	(N1,410,000)	(N1,290,000)		(N1,451,690)	
PAT	N4,230,000	N3,830,000	10.4%	N3,943,110	107.3%
PBT MARGIN	12.6%	13.8%		13.5%	
PAT MARGIN	9.5%	10.3%		9.8%	

Source: NSE, Afrinvest Research

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