



UACN Plc Relinquishes Stake in Subsidiaries, UPDC & UPDC REIT, to Its Shareholders

Valued Investor,

- Recently, the Boards of Directors of UAC of Nigeria Plc ("UAC") and UACN Property and Development Company Plc ("UPDC" or the "Company") (collectively the "Boards", individually the "Board") notified The Nigerian Stock Exchange, Securities and Exchange Commission ("NSE"), their Shareholders and the investing community of their proposed strategic initiatives involving a recapitalization and restructuring of UPDC. The initiatives are still subject to the review and approval of the Securities and Exchange Commission (the "SEC"), the NSE and shareholders of both companies.

The Strategic Initiatives

- Recapitalization of UPDC via equity capital raise of N15.96 billion. The Company's rights issue would be used to repay its short-term debt while its long-term bond worth N4.3 billion would still be outstanding.
- Restructuring of the ownership structure which include unbundling UPDC's interest in UPDC Real Estate Investment Trust ("UPDC REIT") to UPDC shareholders via the allocation of REIT Units directly to shareholders of UPDC in proportion to their post-Rights issue holdings in UPDC ("UPDC unbundling"). Consequently, UPDC REIT's dividend in 2018 worth N938 million and similar dividends will flow directly to shareholders of UPDC.
- The restructuring also involves unbundling of UAC in a manner that it would no longer hold any shares in UPDC and UPDC REIT through UPDC. Hence, UAC's direct holdings in UPDC and indirect holdings in UPDC REIT would be relinquished to the shareholders of UAC. Consequently, UAC's shareholders would directly hold shares in UPDC and UPDC REIT as two different companies while UAC will no longer consolidate the financials of UPDC and UPDC REIT.

Standing of UACN Shareholders Upon Completion of the Deal

Upon completion of the deal, UACN will effectively lose controlling interest in UPDC as well as UPDC REIT and cease to be Parent company of the two subsidiaries, having transferred its holdings in the UPDC on a pro-rata basis to its shareholders. Thus, UAC shareholders, in addition to their UAC shares, would own shares in UPDC and UPDC REIT as standalone companies.

Our Position on UACN

We expect the share price of UACN to further increase, having risen by 34.44% to N6.05 as at Wednesday, September 11, 2019. Also, we do not see any possible dilution of shareholders' stake in UAC despite the rights issue by UPDC as the 64% rights (N10.21 billion) to be taken up by UAC will fully be settled with the N15.84 billion intercompany loan to UPDC. Hence, we expect additional significant cash inflow (N5.63 billion) to UAC given the usage of the entire rights issue for the settlement of all short-term borrowings by UPDC. More so, we remain optimistic on the performance of UAC going forward as UPDC which weakened the profitability of UAC in 2018 will no longer be consolidated with the group's results and each of the subsidiaries are structured to be manned by experts or leading firms in the sectors.

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