



UACN Plc Reverses Self on Plan to Unbundle UPDC amid Credible Offer by Custodian Investment Plc

Valued Investor,

- On Monday, August 3, 2020, UAC of Nigeria Plc (hereafter referred to as "UAC") notified the Nigerian Stock Exchange, Securities and Exchange Commission, Shareholders and the investing community that a binding agreement was signed with Custodian Investment Plc (hereafter referred to as "Custodian") for the latter to purchase a 51% of its equity stake in UACN Property Development Company Plc (hereafter referred to as "UPDC").
- Under the terms of the Transaction, UAC would sell part of its holdings in UPDC – 9,465,584,668 UPDC ordinary shares ("Sale Shares"), representing 51% of UPDC's issued share capital – to Custodian. **Sale Shares will be sold in two tranches:**
 - I. Initial sale of 946,558,467 shares, representing 5.10% of the issued share capital of UPDC, on execution of binding transaction agreements.
 - II. Subsequent sale of 8,519,026,201 shares, representing 45.90% of the issued share capital of UPDC upon receipt of requisite approvals.

We note that Completion of the sale is still subject to regulatory approvals from The Nigerian Stock Exchange and the Federal Competition and Consumer Protection Commission.

What UACN Stands to Gain

Upon completion of the deal, UACN will effectively lose controlling interest in UPDC and cease to be Parent company of UPDC, having reduced its stake by 51%. Thus, UPDC becomes an associate company to UACN and the former's financial result will be captured in UACN's group account as income from associate company (UACN to own 42.85% of UPDC). Meanwhile, we expect the anticipated cash consideration to boost UACN's cash position which could be partly paid to its shareholders as compensation for reversing the unbundling plan. Also, we feel UACN's move was strategic as it leverages on the expertise of custodian Investment Plc – as it did with Imperial logistic. For us, UACN's strategic move to allow companies with sufficient capacity to take control of its businesses they have comparative advantage in should translate to higher profitability for UACN. Hence, we expect this corporate action to have positive impact on UACN share price going forward. On the side line, we find the words of UACN Group Managing Director, Folasope Aiyesimoju, noteworthy: "In the process of progressing the unbundling initiatives, UAC received a credible offer from Custodian."

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