



PZ Cussons Nigeria PLC (Reg No 693)

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EXPLANATORY NOTE TO SHAREHOLDERS OF PZ CUSSONS NIGERIA PLC (THE “COMPANY”) ON THE NEGATIVE NET ASSET POSITION OF THE COMPANY, TO BE CONSIDERED AT THE EXTRAORDINARY GENERAL MEETING OF THE COMPANY TO BE HELD ON WEDNESDAY 13 MARCH 2024, AT THE TRANSCORP HILTON, FCT, ABUJA AT 1.00 P.M.

This Explanatory Note has been prepared by the Board of Directors of the Company (the “Board”) to provide information to all the shareholders of the Company in respect of the negative net asset position of the Company, which was reflected in the Q2 2023/2024 unaudited interim financial statements.

1. Background

Following the preparation of the Q2 2023/2024 unaudited interim financial statements of the Company, the Board noted that the Company had fallen into a negative net asset position, based on the Company’s unaudited results and balance sheet as of 30 November 2023, as shown below.

	Half year ended 30 Nov 2023 ₦'000	Half year ended 30 Nov 2022 ₦'000	% Change
Revenue	68,085,578	57,261,213	19
Operating (Loss)/Profit	(77,019,284)	1,503,070	(5,224)
(Loss)/Profit before taxation	(73,799,632)	9,286,135	(895)
Taxation	(340,428)	(1,615,594)	(79)
(Loss)/Profit after tax	(74,140,060)	7,670,541	(1,067)
Non-controlling interest	(7,017,602)	489,347	(1,534)
(Loss)/Profit attributable to equity holders of parent company	(67,122,459)	7,181,194	(1,035)
	(74,140,060)	7,670,541	(1,067)

The ongoing depreciation of the Naira and decrease in volumes of approximately 6% overall resulted in an Operating Loss of ₦73.8 billion for the first 6 months of the 2023/2024 financial year. In addition, the Company had a foreign exchange loss of ₦87.0 billion on our foreign currency-denominated trade obligations, negatively impacting our operating result.

	Half year as at 30 Nov 2023 ₦'000	Full year as at 31 May 2023 ₦'000
Non-current assets	18,100,153	18,243,350
<u>Current assets</u>		
Inventories, trade debtors & other	56,674,543	46,499,460
Cash & cash equivalents	80,035,770	101,623,076
Total Assets	154,810,466	166,365,886
Non-current liabilities	39,769,639	23,205,222
Current liabilities	138,210,352	94,800,606
Total liabilities	177,979,991	118,005,828
Excess liabilities over assets	(23,169,526)	48,360,058

The above Operating Loss is the key driver of the Company having a negative total equity position of ₦23.2 billion as of 30 November 2023. As of that day, the Group's financial liabilities, most of which are denominated in foreign currencies, were at ₦178.0 billion, while the Total Assets were at ₦154.8 billion. Following the further devaluation of the Naira post 30 November 2023, it is expected that the Group will incur further material foreign exchange losses in relation to liabilities denominated in foreign currencies. These will be reflected in future results and will likely result in a worsening of the current negative net asset position.

Our payables denominated in foreign currencies have increased significantly in recent years, primarily as a result of our inability to source foreign currency to repay our suppliers and other providers of credit. We have benefited from extended payment terms and other support from our affiliated companies, and as a result, the majority of our trade payables are owed to other members of the PZ Cussons group.

The Company has been examining a number of options to address the current situation.

2. Extraordinary General Meeting of the Company

In line with the requirements of section 137 of the Companies and Allied Matters Act 2020 (as amended), the Board is convening an Extraordinary General Meeting ("EGM") of the Company to address the negative net asset situation. The EGM is scheduled to hold on [Wednesday 13 March 2024, at the Transcorp Hilton, FCT, Abuja at 1.00 p.m.] At the EGM, the shareholders and the directors of the Company may propose and consider the options available to the Company for dealing with the Company's ongoing negative net asset position.

3. Proposed Actions

The Board continues to recommend the offer from the Company's core shareholder, PZ Cussons (Holdings) Limited, to buy out minority shareholders and de-list the company. The offer was increased from ₦21 per share to ₦23 per share as announced on 9 November 2023. The proposed scheme is intended to enable the core shareholder to significantly simplify and strengthen the Company's operations to allow it to return to longer-term growth.

The Company filed an application with the Securities and Exchange Commission ("SEC") in November 2023 for its no-objection to the proposed scheme, and the Company is still awaiting the SEC's no-objection in order to convene a meeting for shareholders to vote on the proposed scheme.

If the Company is not able to obtain the requisite regulatory and shareholder approvals to proceed with the proposed scheme, the Company will be required to explore with its creditors, which are primarily members of the PZ Cussons group, ways to address the Company's negative net asset position and repay or settle outstanding amounts owing to its creditors. This could include measures such as equity issuance, debt for equity conversion, rights issues, asset sales or similar. Such measures may significantly dilute or otherwise impact existing shareholders.

4. For Further Information, please contact:

Ms. Olubukola Olonade-Agaga

Company Secretary

PZ Cussons Nigeria PLC

45/47 Town Planning Way

Ilupeju Industrial Estate

P.M.B. 21132

Ikeja

Dated this 19th day of February 2024

By Order of the Board



Ms. Olubukola Olonade-Agaga
Company Secretary