



# **PZ Cussons Nigeria PLC**

**Proposed Debt to Equity Conversion**

**Frequently Asked Questions**

**7 March 2025**

## 1. What will the Conversion entail?

- The debt to equity conversion involves the conversion of a portion of the outstanding shareholder loan amounting to USD34.26m owed by PZ Cussons Nigeria PLC (“PZCN” or the “Company”) to PZ Cussons Holdings Limited (“PZCH”) to equity (the “Conversion”)
- The shareholder loan amount will be converted at a price of ₦23.60 per share (the “Conversion Price”) into 2,194,716,637 ordinary shares of 50 kobo each, to be issued to PZCH
- This will increase the total shares issued from 3,970,477,045 ordinary shares to 6,165,193,82 ordinary shares

## 2. How did the Company obtain the shareholder loan?

- In June 2022, PZCH advanced an intercompany loan of USD40.26 million to PZCN to help settle outstanding foreign currency payables related to raw material imports, operational and other input related costs that had not been possible to settle due to challenges with foreign currency availability

## 3. How much of the shareholder loan has PZCN paid down and how much is outstanding?

- As of the date of this document, the Company has not made any payment on the shareholder loan nor has any been requested by the core shareholder

## 4. What is the rationale for the Conversion?

- In recent years, the Company, alongside other local manufacturers, has faced challenges with settlement of foreign currency trade liabilities and shareholder loans due to Nigeria’s persistent foreign currency scarcity
- The liberalisation of the foreign exchange market in June 2023 and attendant devaluation of the currency throughout 2023 and 2024 has had a material adverse impact on the financial results of the Company as the Naira value of its foreign currency denominated loans has increased significantly
- This resulted in an unrealised exchange loss of ₦157.9 billion, a loss after tax of ₦76.0 billion and a negative shareholders’ equity position of ₦27.5 billion for the financial year ended 31 May 2024
- The Board has carefully considered various options to address the Company’s negative equity position, which is considered essential to re-position the Company to the path of profitable sustainable growth
- The Board having considered various options for settling the outstanding shareholder loan obligation and reducing the Company’s exposure to foreign currency risk, selected the Conversion as the optimal option for the Company

## 5. What are the benefits of the Conversion?

- Strengthening the balance sheet allows future operating cash flows to be allocated more strategically towards value-creating opportunities that align with the Company’s growth objectives
- It will materially reduce the Company’s exposure to foreign exchange risk and its potential impact on Company earnings, thus reducing future foreign exchange losses and further deterioration of the Company’s net asset position
- It will improve the Company’s financial ratios, such as debt-to-equity and coverage ratios, potentially enhancing the Company’s financial standing and creditworthiness
- The Conversion, complement by other measures taken by the Company, will restore the Company to a positive net asset position. A stronger balance sheet and improved financial ratios could enhance investor confidence in the Company, potentially leading to a more favorable market valuation in terms of share price and increased liquidity for shareholders

## 6. How was the Conversion Price determined?

- The Conversion Price was determined by using the share price of PZ Cussons Nigeria PLC as at close of trading on 12 February 2025, which was the date before the Board meeting to duly consider and resolve to recommend the Conversion for approval by the shareholders

## **7. What will be the effect of the Conversion?**

- Following the Conversion, the shareholding of PZCH in the Company will change from 2,909,349,788 shares (73.27% ownership) to 5,104,066,425 shares (82.79% ownership), while the number of shares owned by the other shareholders will remain unchanged at 1,061,127,257 shares but the percentage of ownership will change from 26.73% to 17.21%. At the current and offered share price the Company would remain compliant with the ₦20 billion free float threshold, notwithstanding that the percentage of minority shareholders' ownership would be less than 20% following the Conversion. The Company will engage constructively with the NGX to explore a return to a 20% free float in addition to satisfying the ₦20 billion market cap threshold

## **8. What approvals will this transaction require?**

- Following the receipt of minority shareholders' approval, the Company will proceed to create the new shares at the Corporate Affairs Commission. The Company also requires the approval of the Securities and Exchange Commission for the Conversion and for the registration of the new shares. The new shares will also be listed on the main board of NGX

## **9. When will the Conversion take effect?**

- The Conversion will take effect when the register of members is updated to reflect the post-Conversion shares held by PZCH
- The expectation is that the Conversion process will be concluded before the end of the second quarter of 2025, subject to receiving shareholders' and regulatory approvals

## **10. When is the EGM date?**

- The EGM will be held on Thursday, 13 March 2025

## **11. What should I do as a shareholder?**

- Shareholders excluding PZCH will have the opportunity to vote, in person or by proxy, at the EGM to consider the Conversion