



To:

Distinguished Shareholders of Food Concepts PLC

From:

The Managing Director & CEO, Food Concepts (FC)

23rd February 2018

Distinguished Shareholders of Food Concepts PLC –

**Building West Africa's most admired QSR and baked goods business**

Thank you for your continued support of our business. Following my appointment to the Board and as CEO of Food Concepts Plc since the 1st Quarter of 2016, I am pleased to declare that 2017 has been a year of progress for our business and one in which we have sought to put grave historic challenges behind us.

**Near Total Loss of Shareholder Value in 2015, 2016**

As you became aware at our 2014 AGM, Food Concepts is a business that has faced many challenges. The management team has had to face historically poor financial performance, a series of legacy liabilities and inherited write-downs, and the significant losses associated with our exposure to Free Range Farms PLC ("FRF") which was ultimately placed in receivership by UBA, leaving FC with significant debt as guarantor of the loan.

It is a matter of regret that the Company has spent much of 2015 and 2016 recovering from a legacy of poor management decisions, resulting in great financial distress:

- Shareholders rightly questioned the Company's receivables position at the 2014 AGM. These, as you know, were due to the Company's liabilities relating to FRF. The failure of the FRF project led to UBA placing FRF in receivership, which resulted in the near bankruptcy of the Company and serious reputational damage because of the N1.6bn UBA debt facility guaranteed by the Company. Thanks to the hard work of management and the Board, a mediated settlement with UBA has led to the sale of the remaining FRF assets and a remaining debt to the Company, which is expected to be paid off by September 2018. Nonetheless, this has led to the Company writing off NGN 3.2bn in its 2015 accounts.



- By November 2015, the Company was on the verge of insolvency with a cash burn rate of around N18mm a week and effectively no value remaining for shareholders. It is testament to my team's commitment and resolve that performance has improved in 2016 and 2017. The Company ended 2016 narrowly positive in EBITDA terms, but still loss making and with a going concern query on her 2015 accounts.
- The Company has also had to endure a series of crippling legacy liabilities and write-downs relating to the Company's mismanaged activities pre-2014.
- As part of a restructuring plan, in September 2016, the Board engaged a respected accounting firm to conduct an independent valuation which placed the value of the business at between NGN 0.19 and NGN 0.24 per share – a significant decline to the value at which shareholders invested.
- You may be aware that in August 2016, the former CEO and Chairman of the Board, Mr. Deji Akinyanju, chose to bring legal action against the Company and some of its Directors. The Company and its Directors challenged these actions with their own counter suits. I confirm that Food Concepts and Mr. Akinyanju, along with other parties to the legal proceedings, have now unconditionally and irrevocably withdrawn their respective legal actions.
- In recent weeks several shareholders have asked why the Company did not pursue its legal cases further. After some deliberations, the Board determined that the additional costs and distraction to the business from these protracted suits and counter-suits were not productive and could not see the economic benefit of pursuing these cases further. We believe this decision has been vindicated by the growth in the Company's EBITDA in 2017 and our expected profitability in 2018.

### **Recovery and Growth in 2017**

We have now turned a new page and put the past behind us. The focused execution of our affordable value strategy is winning us sales and market share. Our 2017 sales and profitability are expected to show strong double-digit growth compared to 2016 while our rivals have been closing shops and retrenching staff. We have also confirmed an international franchise agreement to open new stores in shopping malls in Cameroon and the Ivory Coast. In addition, our baked goods business, Food Concepts Pioneer Ltd has grown rapidly to become one of the leading bread and sausage roll brands in the country. Our customers are telling us that we are getting it right again.



I have also been asked whether the Akinyanjus remain involved in the business. You will see from our share register and website that the Akinyanju family are no longer shareholders and are not involved in any group company.

Unfortunately, we have not been able to hold our 2015 and 2016 AGMs because of the litigation. We have received notice from the auditors that our audits for 2015 and 2016 have been completed and we will notify our Distinguished Shareholders of our Annual General Meeting dates as soon as possible.

### **Ambitions in 2018**

Distinguished Shareholders – today we understand the Nigerian QSR market like no-one else, and we have proved we can develop profitable stores and run them well. Meanwhile our competition has struggled in the challenging economic environment of recent years. We intend to grow our business and recover value for you.

We therefore propose to raise new growth capital in the coming months and hope that our Distinguished Shareholders will take this opportunity to follow their rights. We also understand that many of you have been invested in the business for a long time. For those who wish to sell we will seek to facilitate their share sale as part of the proposed fund raise at a fair market price.

### **Our Commitment to our Distinguished Shareholders**

I am conscious that we have been through turbulent times and there is a hard road still in front of us to regain lost value for our shareholders. We have in place a management team committed to the best interest of all shareholders and enjoy the continued support of our institutional investors.

We are committed to communicating better with our distinguished shareholders. Should any shareholders wish to arrange a meeting with us, we would be honoured to meet with you, and I recommend that you contact our Head of Investor Relations ([josephine@foodconceptsplc.com](mailto:josephine@foodconceptsplc.com)) in the first instance.

I would like to close by paying tribute to every one of our colleagues who work night and day for our Company. The environment may be challenging, but if we can avoid further distractions and stay focused on executing our strategy, we intend **to become the most admired QSR and baked goods business in West Africa by 2020**, to fully repay your trust in our business and achieve the returns you expected when you invested.

Yours sincerely,

**David Butler**

**Managing Director and CEO, Food Concepts Plc**