
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the contents of this document or any action to be taken, you should consult your Stockbroker, Banker, Solicitor, Accountant or any other independent professional adviser duly registered under the Investments and Securities Act No. 29, 2007 (as amended), immediately.

If you have sold or otherwise transferred all your shares in PZ Cussons Nigeria PLC, please give this document and the accompanying proxy forms to the purchaser or transferee or to the Stockbroker, Bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The receipt of this document or of any information contained in it or supplied with it or subsequently communicated to any person does not constitute investment advice to a Shareholder of PZ Cussons Nigeria PLC or to any other person by the Company or its Directors and PZ Cussons Nigeria PLC does not commit to providing Shareholders with other information, updates or corrections to this document or the information contained herein.

The distribution of this document in jurisdictions other than Nigeria may be restricted by law and therefore persons into whose possession this document comes should inform themselves about, and observe, such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

**EXPLANATORY STATEMENT ON THE PROPOSED DEBT TO EQUITY
CONVERSION**

BY



**PZ CUSSONS NIGERIA PLC
RC 693**

The notice (together with a Proxy Form) convening the Extra-Ordinary General Meeting (“EGM”) of PZ Cussons Nigeria PLC is enclosed with this Explanatory Statement. To be valid for the purpose of the EGM, the Proxy Form must be completed, signed and stamped, together with the powers of attorney or other authority, if any, under which it is signed and in accordance with the instructions printed therein and must reach the Registrar of PZ Cussons Nigeria PLC, First Registrars and Investor Services Limited at Plot 2, Abebe Village Road, Iganmu, Lagos, not later than 48 hours before the time fixed for the Extra-Ordinary General Meeting.

This Explanatory Statement is dated 13 February 2025

TABLE OF CONTENTS

1. BACKGROUND	3
2. RATIONALE FOR THE CONVERSION AND EXPECTED BENEFITS	4
3. TERMS OF THE CONVERSION	4
4. EFFECT OF THE CONVERSION.....	5
5. INFORMATION ON PZ CUSSONS NIGERIA PLC	5
A. CORPORATE INFORMATION ON PZ CUSSONS NIGERIA PLC.....	5
B. INCORPORATION AND SHARE CAPITAL HISTORY	5
C. HISTORICAL FINANCIAL INFORMATION	6
6. INFORMATION ON PZ CUSSONS PLC.....	9
7. SUMMARY OF AUDIT COMMITTEE OPINION	9
8. VOTING BY PZ CUSSONS HOLDINGS LIMITED.....	9
9. RECOMMENDATION	9
10. CONTACT FOR FURTHER INFORMATION.....	9

13 February 2025

To: The Shareholders of PZ Cussons Nigeria PLC

Dear Sir/Madam,

EXPLANATORY STATEMENT TO SHAREHOLDERS ON THE PROPOSED DEBT TO EQUITY CONVERSION BY PZ CUSSONS NIGERIA PLC

1. BACKGROUND

PZ Cussons Nigeria PLC (“PZCN” or the “Company”) is one of Nigeria’s oldest branded consumer goods companies with operations that span across the baby, hygiene, beauty and electricals categories. The Company is a subsidiary of PZ Cussons (Holdings) Limited (“PZCH”), an entity controlled by PZ Cussons plc (“PZ Cussons”). As of the date of this Explanatory Statement, PZCH holds a 73.27% stake in PZCN.

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. 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.

While PZCN has continued to record strong operational growth, reporting 34% and 42% year-on-year revenue growth for the full and half financial year periods ended 31 May 2024 and 30 November 2024 respectively, further depreciation of the value of the Naira and its adverse revaluation impact on the foreign currency loans of the Company has continued to erode PZCN’s operational profit resulting in losses after tax and a worsened negative net equity position of ₦34.5 billion as of the Company’s latest financial results dated 30 November 2024.

In light of the above, the Board of Directors of PZCN (the “Board”) has carefully considered various options to address the Company’s negative equity position which is considered essential to reposition the Company to the path of profitable sustainable growth. This includes settling the outstanding shareholder loan obligation and reducing the overall Company’s exposure to foreign currency fluctuation risk. The Board and PZCH, after extensive discussions, agree that the conversion of a portion of the outstanding loan amounting to USD34.26 million into equity (the “Conversion”) is the most efficient value of debt to be converted into equity and the optimal option for the Company to strengthen its balance sheet and significantly reduce exposure to further foreign exchange losses. The Conversion will significantly strengthen PZCN’s balance sheet and support its future growth without excessive dilution to the interests of minority shareholders. Following the Conversion, the remaining shareholder loan balance of USD6 million will remain as a loan payable

to PZCH. The terms of the balance of the shareholder loan will not be altered as a result of the conversion. This loan is being provided on highly favourable terms, especially when compared with the current lending rates in Nigeria, which allows PZCN to maintain manageable financing costs while supporting its operational cashflow.

Following the Board's engagement with PZCH, the terms of the Conversion have been approved by the Board and are now being recommended for approval by shareholders at an Extra-Ordinary General Meeting ("EGM") to be held at Transcorp Hilton, FCT, Abuja on Thursday, 13 March 2025 at 11:00am prompt.

2. RATIONALE FOR THE CONVERSION AND EXPECTED BENEFITS

The Board is of the opinion that the Conversion would create value for the shareholders and other stakeholders of the Company for the following reasons:

- a) 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.
- b) 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.
- c) 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.
- d) The Conversion 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.

3. TERMS OF THE CONVERSION

This will entail the conversion of a portion of the outstanding shareholder loan amounting to USD34,264,544 (thirty four million, two hundred and sixty four thousand, five hundred and forty four US Dollars) or ₦51,795,312,646.72¹ (fifty one billion, seven hundred and ninety five million, three hundred and twelve thousand, six hundred and forty six Naira, seventy two Kobo) to equity at an agreed price of ₦23.60 per share (the "Conversion Price"), which was the share price of the Company as at close of trading on 12 February 2025, the date before the Board meeting to duly consider and resolve to recommend the Conversion for approval by the shareholders.

In consideration for the Conversion, PZCN will issue additional 2,194,716,637 (two billion, one hundred and ninety four million, seven hundred and sixteen thousand, six hundred and thirty seven) ordinary shares of 50 kobo each to PZCH. The Company's share capital will be increased by ₦1,097,358,318.50 through the creation of 2,194,716,637 ordinary shares of 50 kobo each to accommodate the issuance of the new shares to be allotted to PZCH. The new shares will rank *pari passu* with all the existing shares in the Company's share capital.

Subject to the approval of shareholders, the Board will seek the approval of the Securities and Exchange Commission ("SEC") for the Conversion and registration of the new shares to be issued to PZCH, in line with Rule 279 (5) of SEC Rules. Following receipt of SEC approval, the additional shares will be allotted to PZCH and listed on the floor of the Nigerian Exchange Limited.

¹ Converted at a rate of ₦1511.63 / USD, based on the FMDQ NAFEM rate as of 12 February 2025

4. EFFECT OF THE CONVERSION

Following the terms of the Conversion in section 3, the ownership structure of the Company will be as follows:

Shareholders	Pre-Conversion		Post-Conversion	
	Shares	% shareholding	Shares	% shareholding
PZCH	2,909,349,788	73.27	5,104,066,425	82.79
Directors' Holdings	63,602	0.00	63,602	0.00
CardinalStone	194,992,457	4.91	194,992,457	3.16
AMCON & PFA	61,972,446	1.56	61,972,446	1.01
Other shareholders	804,098,752	20.25	804,098,752	13.04
Total	3,970,477,045	100.00	6,165,193,682	100.00

5. INFORMATION ON PZCN

PZCN is a leading player in Nigeria's consumer goods sector operating across the baby, hygiene, beauty and electricals categories. It manufactures and distributes leading brands including *Morning Fresh*, *Canoe*, *Premier*, *Joy*, *Stella*, *Venus*, *Imperial Leather*, *Cussons Baby*, *Carex*, and *Robb*. In the electricals segment, PZCN assembles and/or distributes products including refrigerators, freezers, air-conditioners, and washing machines under the *Haier Thermocool* brand. PZCN is a subsidiary of PZCH.

A. CORPORATE INFORMATION ON PZCN

Registered Address:

45/47 Town Planning Way
 Illupeju Industrial Estate
 Illupeju, Lagos

Board of Directors and Company Secretary:

Mrs Ifueko Marina Omoigui Okauru, MFR	Chairman
Mr Dimitris Kostianis	Chief Executive Officer
Ms Joyce Coker	Human Resource Director
Mr Kareem Moustafa	Non-Executive Director
Mr Richard Walker	Non-Executive Director
Mallam Ballama Manu	Independent Non-Executive Director
Mrs Oluwatoyin Odutayo	Independent Non-Executive Director
Dr Suleyman Abdu Ndanusa	Independent Non-Executive Director
Alsec Nominees Limited	Company Secretary

B. INCORPORATION AND SHARE CAPITAL HISTORY

PZCN was incorporated on 4 December 1948 under the name of P.B. Nicholas and Company Limited. In 1953, the Company's name was changed to Alagbon Industries Limited and to Associated Industries Limited in 1960. The Company became a public limited liability company in 1972 and was listed on the Nigerian Stock Exchange (now Nigerian Exchange Limited). On 24 November 1976, the Company's name was changed to Paterson Zochonis Industries Limited and in compliance with the Companies and Allied Matters Act 1990, was further changed to Paterson Zochonis Industries Plc on 22 November 1990. On 6 August 2007, the Company adopted its present name of PZ Cussons Nigeria PLC, following the passing of a special resolution on 8 May 2007.

As of 31 December 2024, the Company had an issued share capital of ₦1,985,238,522.50 comprising 3,970,477,045 ordinary shares of ₦0.50 each.

Shareholder	Ordinary Shares held	%
PZCH	2,909,349,788	73.27
Directors' Holdings	63,602	0.00
CardinalStone	194,992,457	4.91
AMCON & PFA	61,972,446	1.56
Other shareholders	804,098,752	20.25
Total	3,970,477,045	100.00

C. HISTORICAL FINANCIAL INFORMATION

1. Income statement

Year ended 31 May (₦'000)	H1-2025 (Unaudited)	FY2024 (Audited)	FY2023 (Audited)
Revenue	96,461,397	152,249,309	113,964,309
Cost of sales	(69,454,689)	(98,120,852)	(81,015,877)
Gross profit	27,006,708	54,128,457	32,948,432
Selling and distribution expenses	(7,962,620)	(13,222,552)	(11,720,884)
Impairment of trade receivables	(106,552)	264,751	(167,976)
Administrative expenses	(8,084,423)	(10,682,828)	(7,881,880)
Exchange loss	(15,148,076)	(157,918,245)	(4,953,665)
Operating Profit	(4,292,964)	(127,430,417)	8,224,027
Other income	970,015	2,931,740	7,341,557
Interest income	533,926	6,108,171	5,233,116
Debt waiver	-	14,293,613	-
Interest cost	(2,732,280)	(4,098,109)	(334,961)
Profit/Loss before taxation	(5,523,303)	(108,195,002)	20,463,739
Income tax credit/(expense)	(1,483,340)	32,171,333	(6,115,395)
Profit /loss from operations	(7,006,643)	(76,023,669)	14,348,344

2. Statement of Financial Position

Year ended 31 May (₦'000)	H1-2025 (Unaudited)	2024 (Audited)	2023 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	14,988,969	14,976,785	15,500,551
Right-of-use assets	59,577	107,637	203,758
Intangible Assets	264,904	317,886	423,847
Investments in subsidiaries	-	-	-
Investment property	1,900,281	1,936,931	1,590,634
Deferred Taxation	29,781,800	29,781,800	524,559
Lease receivables	2,700,353	2,493,269	-
Other assets	-	-	32,082
	49,695,884	49,614,308	18,275,431
Current assets			

Inventories	53,705,400	40,845,449	29,048,718
Lease receivables	17,777	-	-
Trade and other receivables	19,679,955	17,781,992	11,452,708
Other assets	1,852,384	1,728,248	951,104
Deposits for imports	10,219,058	13,701,925	958,058
Deliverable forwards	57,393	4,518,435	4,056,791
Cash and cash equivalents	38,765,747	28,869,338	101,623,076
Total current assets	124,297,714	107,445,387	148,090,455
Total assets	173,993,597	157,059,695	166,365,886
Equity and liabilities			
Equity			
Share capital	1,985,238	1,985,238	1,985,238
Share premium	6,878,269	6,878,269	6,878,269
Retained earnings	(40,435,996)	(33,785,676)	34,466,241
Equity attributable to equity holders of parent company	(31,572,489)	(25,078,945)	43,329,747
Non-controlling interest	(2,940,989)	(2,584,666)	5,030,311
Total Equity	(34,513,478)	(27,506,835)	48,360,058
Liabilities			
Non-current liabilities			
Borrowings	67,350,503	64,333,113	18,735,092
Deferred income	536,833	603,436	84,230
Deferred tax	-	-	4,086,413
Lease liability	11,516	57,121	108,131
Provisions	255,210	245,420	309,079
Total non-current liabilities	68,154,061	65,239,090	23,322,945
Current liabilities			
Trade and other payables	111,597,951	90,600,357	79,943,735
Borrowings	24,817,410	24,731,616	5,277,304
Lease liability	48,061	50,516	95,627
Deferred income	527,752	724,448	5,272
Contract liabilities	455,579	692,667	361,162
Current taxation payable	2,815,732	2,448,803	8,927,549
Provisions	90,529	79,033	72,234
Total current liabilities	140,353,014	119,327,440	94,682,883
Total liabilities	208,507,076	184,566,530	118,005,828
Total equity and liabilities	173,993,597	157,059,695	166,365,886

3. Statement of Cash Flows

Year ended 31 May (₹'000)	H1-2025 (Unaudited)	FY2024 (Audited)	FY2023 (Audited)
Operating activities			
Profit before tax	(5,523,303)	(108,195,002)	20,463,740
Adjustments for:			
Depreciation of property, plant and equipment	822,718	1,754,485	1,898,151
Depreciation of right-of-use assets	48,061	96,121	96,121
Depreciation of Investment property	36,650	65,762	56,105
Amortization of intangible assets	52,982	105,961	105,961

Profit on disposal of PPE	-	(2,041)	(5,943,576)
Foreign exchange loss	15,148,076	157,918,245	4,127,115
Effect of foreign exchange rate changes	-	41,098,021	826,550
Interest expense	2,732,280	4,098,109	334,961
Interest income	(533,926)	(6,108,171)	(5,233,116)
	12,783,538	90,831,490	16,732,012
Change in:			
Inventories	(12,859,951)	(11,796,731)	(2,156,939)
Trade and other receivables	(2,122,823)	(6,329,284)	(3,206,102)
Other assets	(124,136)	(745,062)	251,285
Deposit for imports	3,482,867	(12,743,867)	(767,785)
Deliverable forwards	4,461,042	(461,644)	(3,624,988)
Trade and other payables	20,997,594	10,656,622	13,870,878
Deferred income	(263,299)	1,238,382	24,377
Contract liabilities	(237,088)	331,505	(800,232)
Warranty provisions	21,286	(56,860)	17,925
Borrowings	7,517,390	-	-
Cash generated from operating activities	33,656,419	70,924,551	20,340,431
Income tax paid	(370,894)	(7,746,808)	(2,401,590)
Net cashflows from operating activities	33,285,525	63,177,743	17,938,841
Investing activities			
Interest income received	533,926	6,108,171	5,233,116
Loan advanced	-	-	(5,000,000)
Loan repayment	-	-	5,000,000
Proceeds from sale of property, plant & equipment	-	2,903	6,537,131
Acquisition of property, plant & equipment	(880,703)	(2,953,720)	(911,180)
Net cash from/(used in) investing activities	(346,776)	3,157,354	10,859,067
Financing activities			
Borrowing from parent company	-	4,500,000	17,031,902
Trade obligation with banks	-	37,671,826	5,277,304
Dividends paid	-	(22,871,048)	-
Unclaimed dividends forfeited	-	-	(1,071,739)
Interest expense paid	(2,732,280)	(4,098,109)	(334,961)
Lease payment	-	(96,121)	(96,121)
Loan payment to related party	(7,577,283)	-	-
Net cash flows used in financing activities	(10,309,563)	15,106,548	20,806,385
Net increase in cash and cash equivalents	22,629,186	81,441,645	49,604,293
Cash and cash equivalents at beginning of the year	28,869,338	101,623,076	52,845,333
Effect of foreign exchange rate changes	(12,732,777)	(154,195,383)	(826,550)
Cash and cash equivalents at 31 May	38,765,747	28,869,338	101,623,076

6. INFORMATION ON PZ CUSSONS PLC

PZ Cussons plc, founded in 1884, and headquartered in Manchester, United Kingdom, is a leading consumer goods company operating across Europe, the Asia Pacific, the Americas, and Africa. PZ Cussons' priority categories include Hygiene, Baby and Beauty. The Group's renowned brands in the Hygiene category include *Imperial Leather*, *Carex*, *Joy*, *Morning Fresh*, *Original Source* and *Premier*; in Baby category, *Childs Farm* and *Cussons Baby* and in Beauty category, *Stella*, *Sanctuary Spa*, *Fudge* and *St. Tropez*. In the electricals goods category, PZ Cussons assembles and/or distributes refrigerators, freezers, air conditioners, washing machines, table and standing cookers and generators under the *Haier Thermocool* and *Thermocool* brands. PZ Cussons also manufactures and distributes nutritional products under renowned brands like *Rafferty's Garden*, and the *Mamador* and *Devon King's* edible oil and spreads brands in Nigeria.

7. SUMMARY OF AUDIT COMMITTEE OPINION

The Statutory Audit Committee ("the Committee") of PZCN also convened to review the terms of the Conversion. After due consideration, the Committee endorses the Conversion and supports the Board's decision to recommend the Conversion to shareholders for their approval.

8. VOTING BY PZ CUSSONS HOLDINGS LIMITED

In line with the requirements of the NGX Rule on related party transactions, the majority Shareholder in PZCN, (PZCH), and its representatives and proxies, will not vote on the resolutions at the EGM, to approve the Conversion.

9. RECOMMENDATION

The Board has considered the Conversion and is convinced of the merits thereof. Accordingly, the Board recommends that shareholders vote in favour of the resolutions to approve the Conversion.

10. CONTACT FOR FURTHER INFORMATION

Alsec Nominees Limited
Company Secretary, PZ Cussons Nigeria PLC
13th Floor, St. Nicholas House, Catholic Mission Street, Lagos Island, Lagos
Email: alsec@alsecnominees.com Tel: +02012774920