

Unilever Delivers Highest 9M Revenue in History

Summary: At the end of 9M:2023, UNILEVER's results outperformed that of the corresponding period despite the difficult operating environment. Revenue expanded by 25.95% YoY to NGN81.58bn during the period (vs. NGN64.77bn in 9M:2022). This growth was underpinned by increased revenue in the Food segment (+40.84% to NGN43.18bn) and the Home and Personal Care (HPC) segment (+12.57% to NGN38.39bn). Strong customer loyalty to the company's products drove higher sales and contributed to the robust performance of the top line. Notably, the company recorded a surge in export sales, primarily due to the impact of foreign exchange (FX) depreciation on the Naira value of export sales, which grew by a 105.02% YoY to NGN2.03bn.

Likewise, production cost surged during the period by 30.65% YoY to NGN62.17bn owing to the higher inflationary environment, revaluation loss on foreign currency-related trade loans and restructuring costs on the divestment from its HPC segment. As a result, the cost-to-sales ratio ticked up to 76.22% (higher than 73.47% in 9M:2022). However, foreign exchange revaluation gains on receivables helped to shore up operating expenses, which declined marginally by 4.40% YoY to NGN16.05bn. Despite facing rising costs, UNILEVER managed to achieve a remarkable 217.87% YoY increase in operating profit, reaching NGN1.73bn during the period, a significant jump from NGN0.54bn in the corresponding period. Also, net finance income rose considerably to NGN3.18bn (from -NGN0.07bn) due to foreign exchange gain on foreign denominated bank balances, bringing the total Pre-Tax Profit to NGN4.91bn (from NGN4.73bn in 9M:2022). Furthermore, effective tax rate came in higher at c. 66%, bringing the Profit After Tax to NGN1.67bn (vs. a Loss After Tax of NGN348.01mn in 9M:2022).

Positive: Net margin, Return on Equity (ROE) and Earnings quality improved to 2.05%, 2.46% and 4.02x (from -0.54%, -0.52%, and -17.13x in 9M:2022), respectively.

Negative: Liquidity metrics- current ratio, quick ratio and cash ratio all declined to 1.83x, 1.57x, and 1.18x, respectively from 1.88x, 1.58x, and 1.20x in 9M:2022. This decline was driven by a more significant increase in current liabilities - *intercompany payables* (72.33% YoY).

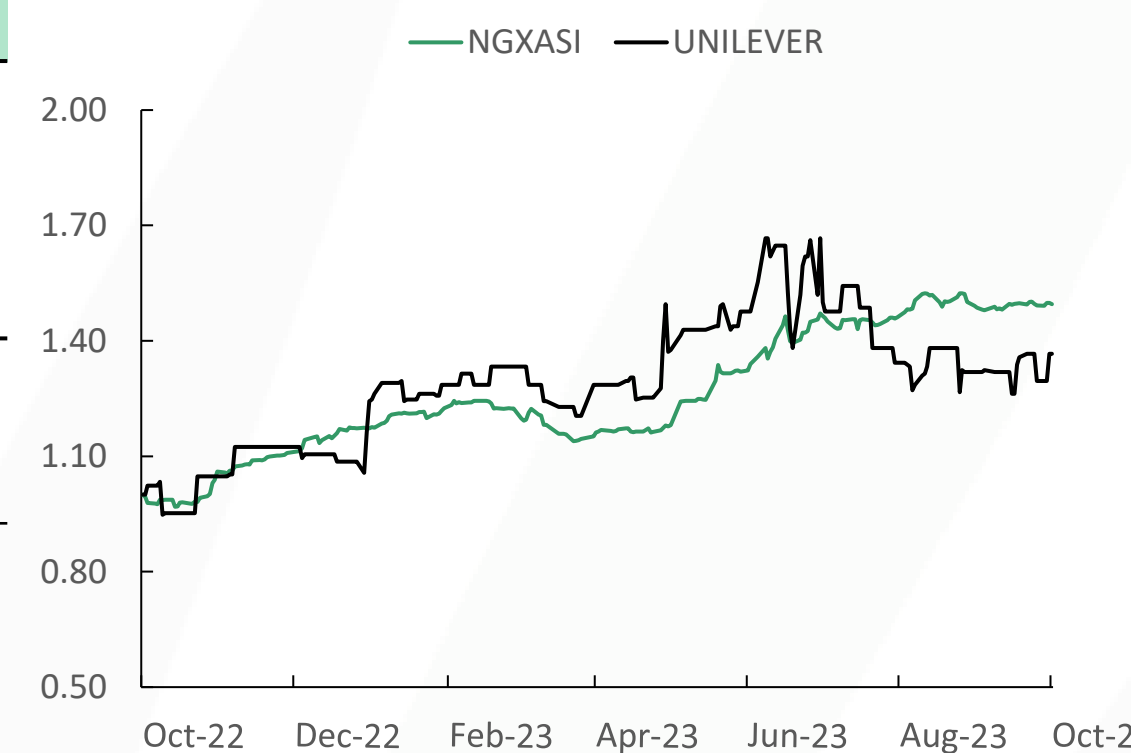
Outlook: In 2023FY, we expect UNILEVER to sustain its positive momentum and achieve a 13.58% YoY revenue growth to NGN100.60bn in 2023FY. This is hinged on continued customer loyalty, extension of the sale of their skin cleansing product category, as well as increased sales during the festive season. Despite possible cost pressures due to the high inflationary environment, we project an expansion in bottom line of 22.08% to NGN5.45bn in 2023FY.

Valuation

Trailing EPS	1.30
BVPS	11.80
P/E	11.01x
P/BV	1.22x
Target PE	18.45X
Dec-2023 Exp.	
EPS	0.97
Dec 2023 Target price	NGN17.90
Current Price	NGN14.35

Stock Highlights

Yr Hi	17.50
Yr Lo	11.10
YTD return	+17.24%
Beta	0.75
Adjusted Beta	0.83
Shares outstanding	5.75bn
Market cap [NGN]	82.44bn
Most recent period	9M:2023



Sensitivity Analysis of Dec-2023 Target Price to Key Model Inputs

		EPS					Min	Max
		0.87	0.92	0.97	1.02	1.07	15.18	20.81
Target P/E	17.45x	15.18	16.05	16.93	17.80	18.67		
	17.95x	15.62	16.51	17.41	18.31	19.21		
	18.45x	16.05	16.97	17.90	18.82	19.74		
	18.95x	16.49	17.43	18.38	19.33	20.28		
	19.45x	16.92	17.89	18.87	19.84	20.81		

Recommendation: HOLD TP: 17.90 CP: 14.35 UPP: 24.71%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2023	9M:2022	YoY Growth
Revenue	81.58	64.77	25.95%
Cost of Sales	62.17	47.59	30.65%
Gross Profit	19.40	17.18	12.92%
OPEX	16.05	16.79	-4.40%
Operating Profit	1.73	0.54	217.87%
Net Finance Income/(Cost)	3.18	-0.07	-4604.95%
PBT	4.35	0.47	819.13%
PAT	2.67	-0.35	-867.30%

Balance Sheet	9M:2023	2022FY	YtD Change
Property, Plant and Equipment	21.01	21.49	-2.25%
Total Asset	135.40	125.39	7.99%
Total Equity	67.80	67.56	0.35%
Total Debt	-	-	-
Total Liabilities	67.61	57.83	16.91%

Key Metrics

Profitability Ratio	9M:2023T	2022FY	3-yr Hist. Avg
ROA	5.53%	3.56%	-0.05%
ROE	11.04%	6.61%	0.42%
Net Margin	7.10%	5.04%	-0.13%

Efficiency Ratio	9M:2023T	2022FY	3-yr Hist. Avg
Asset Turnover	0.78%	0.71%	0.68x

Liquidity Ratio	9M:2023T	2022FY	3-yr Hist. Avg
Current Ratio	1.83x	1.88x	2.10x
Quick Ratio	1.57x	1.58x	1.72x
Cash Ratio	1.18x	1.20x	1.31x

Solvency Ratio	9M:2023T	2022FY	3-yr Hist. Avg
Interest Coverage	3.86x	-0.57x	-0.24x
Debt to Equity	0.00x	0.00x	0.00x
Debt to Asset	0.00x	0.00x	0.00x

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

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BUY: Target Price of the stock is above the current market price by at least 10 percent

HOLD: Target Price of the stock ranges between -10 percent and 10 percent from the current market price.

SELL: Target Price of the stock is more than 10 percent below the current market price.

Movements in Price Target

Company Name: Unilever Nigeria Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
01-Nov-2023	14.35	17.90	-	BUY	BUY

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Company	Disclosure
Unilever Nigeria Plc	

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