



## UNILEVER NIGERIA PLC

### Positive year-end outlook despite waning growth base

**Equity Research**  
**25 October 2021**

# HOLD

**Target price** **₦15.41**

#### Company Statistics

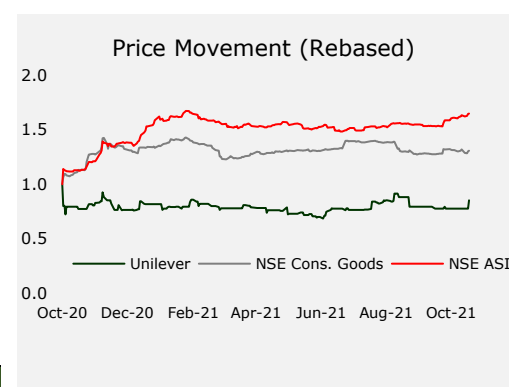
Price (₦)	14.50
Market Cap (₦Mn)	83,303
Net Cash (₦Mn)	48,496
Shares Outstanding (Mn)	5,745
NSE	UNILEVER
Bloomberg	UNILEVER.NL
Reuters	UNILEVER.LG

#### Ownership Structure

Unilever Overseas	60%
Others	40%

#### Share Price Performance

30 days	7.00%
YTD.	4.00%
365 days	10.00%



Source: NSE, Vetiva Research

#### Business Description

Unilever Nigeria PLC (UNILEVER) is one of Nigeria's largest Home and Personal Care (HPC) manufacturing company. The company's operations span across the HPC and Food segments. Parent company, Unilever Overseas Holding B.V. owns a 60.04% share in Unilever Nigeria.

#### HPC growth smooths over decline in Food segment.

Unilever Nigeria PLC recently released its 9M'21 financial results reporting ₦58.7 billion in Revenue, a 31% y/y expansion - mildly shy of our ₦59.4 billion expectation. Despite the quarter-long promotion on its *Knorr* seasoning cubes, HPC segment growth (+10% q/q, +33% y/y) outsized the Food segment which contracted (-10% q/q, -3% y/y) in the period. However, underpinned by stronger y/y prices and volume growth from its value-tier products in both segments – appealing to weakened consumer wallets like key industry players - Unilever's Q3 topline improved 13% y/y. Meanwhile, we note that the growth spurt from the H1 period (+43% y/y) has begun to wane, marking an exit from the low base in the first half of 2020.

Amid the impact of currency devaluations on costs, Q3 gross margin rose 1000bps y/y to 31%, bolstered by the stronger volumes and pricing in the period, thus, margins effectively returned to pre-2019 levels (32%). Consequently, boosted by the significant improvement in Q3, gross margin bumped up 6% y/y to 27% for the nine-month period. Whilst selling and distribution expenses remained flat y/y, Marketing and Admin expenses jumped 36% y/y inflating OPEX 28% y/y. Despite this and an unexpected impairment expense of ₦205 million (Q2'21: ₦0.2 million), Unilever's 9M EBIT turned positive to ₦0.7 billion from a Loss Before Interest and Tax of ₦2.9 billion. Accordingly, EBIT margin rallied 900bps from -8% to 1%. Given its very light debt profile (₦0.1 billion), finance cost has remained muted so far this year, with the company reporting no expense in 9M'21. Meanwhile, finance income has grown 1.8x to ₦0.7 billion, driven by the recovery in fixed income yields as well as a 31% increase in cash balance to ₦48.6 billion. Thus, PBT and PAT improved to ₦1.4 billion and ₦1.1 billion from a loss before tax of ₦2.6 billion and a loss after tax of ₦2.1 billion.

For the last quarter of the year, our adjusted Revenue forecast reflects the increased growth expectation from the HPC segment, given Q3's performance. Thus, we expect FY'21 Revenue to print at ₦79.5 billion (+28% y/y). Meanwhile, we retain our gross margin forecasts, given current FX liquidity and the company's focus on mass market products. However, we mildly increase our full year OPEX projection to ₦19.9 billion (FY'20: ₦15.2 billion) and account for the impairment charges reported in Q3. Accordingly, we expect EBIT to print at ₦1.6 billion, maintaining EBIT margin at 2% (FY'20: -10%). Finally, we expect PBT and PAT to remain positive at ₦3.1 billion and ₦2.1 billion respectively and estimate a target price of ₦15.41, retaining our HOLD rating.

Income Statement (₦ Millions)	9M'21	9M'20	y/y Change	Vetiva Estimate	variance
Revenue	58,723	44,733	31%	59,411	-1%
Gross Profit	15,865	9,885	61%	15,693	1%
Operating Expenses	(15,013)	(11,705)	28%	(14,745)	2%
LBIT	675	(2,860)	NM	933	-28%
Net Finance Income	738	260	NM	1,035	-29%
Profit/(Loss) Before Tax	1,414	(2,600)	NM	2,043	-31%
Profit/(Loss) After Tax	1,083	(2,060)	NM	1,198	11%
Gross Margin	27%	22%		26%	
OPEX to Sales	-26%	-26%		-25%	
EBIT Margin	1%	-6%		2%	
PAT Margin	2%	-5%		2%	

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Income Statement	2019A	2020A	2021E	2022F	2023F	2019A	2020A	2021E	2022F	2023F
Turnover	60,487	61,960	79,463	80,497	86,061	148	151	194	196	210
Cost of Sales	(55,737)	(49,160)	(58,008)	(60,373)	(64,545)	(136)	(120)	(141)	(147)	(157)
Gross Profit	4,750	12,800	21,455	20,124	21,515	12	31	52	49	52
EBITDA	(7,497)	(2,183)	6,963	7,036	9,363	(18)	(5)	17	17	23
Depreciation	(4,266)	(3,887)	(5,374)	(5,631)	(5,920)	(10)	(9)	(13)	(14)	(14)
EBIT	(11,763)	(6,070)	1,589	1,404	3,442	(29)	(15)	4	3	8
Net finance costs	2,009	1,484	1,465	1,355	1,546	5	4	4	3	4
PBT	(9,754)	(4,586)	3,054	2,760	4,988	(24)	(11)	7	7	12
Taxation	2,652	777	(550)	(883)	(1,596)	6	2	(1)	(2)	(4)
PAT	(7,420)	(3,966)	2,107	1,474	2,962	(18)	(10)	5	4	7

Balance Sheet	2019A	2020A	2021E	2022F	2023F	2019A	2020A	2021E	2022F	2023F
Fixed Assets	31,957	27,371	27,346	27,381	27,243	78	67	67	67	66
Intangible Assets	226	4	4	4	4	1	0	0	0	0
Stocks	11,869	13,659	13,655	14,614	16,251	29	33	33	36	40
Trade and other debtors	24,131	12,957	27,718	30,112	32,877	59	32	68	73	80
Cash and bank balances	35,459	37,101	31,744	32,578	35,735	86	90	77	79	87
Total Assets	103,678	91,518	100,630	104,852	112,273	253	223	245	256	274
Creditors and Accruals	34,720	27,422	34,244	35,707	38,139	85	67	84	87	93
Total liabilities	37,149	29,388	35,971	37,434	39,866	91	72	88	91	97
Net Assets	66,528	62,129	64,659	67,418	72,407	162	152	158	164	177

Growth	2020A	2021E	2022F	2023F
Turnover	2%	28%	1%	7%
EBITDA	-71%	-419%	1%	33%
PBT	-53%	-167%	-10%	81%
PAT	-47%	-153%	-30%	101%

Profitability	2020E	2021E	2022F	2023F
Return on Equity	-6%	3%	2%	4%
Return on Assets	-4%	2%	1%	3%

Margins	2020E	2021E	2022F	2023F
EBITDA margin	-4%	9%	9%	11%
EBIT margin	-10%	2%	2%	4%
PBT margin	-7%	4%	3%	6%
Net Profit margin	-6%	3%	2%	3%

Per share data	2020E	2021E	2022F	2023F
EPS	(0.69)	0.37	0.26	0.52
NAPS	10.81	11.25	11.74	12.60



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Company	Disclosure
Unilever Nigeria PLC	d,g,j

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