



Recommendation	BUY
Fair Value Price	19.44
Current Market Price	14.00
Upside/Downside Potential	38.83%
COMPANY STATISTICS	
Symbol	UNILEVER
Sector	Consumer Goods
Sub-Sector	Personal/Household
Date Listed	1973
52 weeks high/low	17.00/11.40
Shares outstanding	5,745,005,417
Market capitalization	80,430,075,838.00
YTD Return (%)	(3.45%)
EPS FOR FY 2021	0.12k
EPS FOR Q1 2022	0.31K
P/E Ratio	116.6x
P/S Ratio	1.1x
Dividend Yield	3.57%

SUMMARY

UNILEVER NIGERIA PLC is one of the largest serving manufacturing company in Nigeria it was established in 1923 as a soap manufacturing company—West Africa soap company—by Lord Leverhulme.

After a series of merger and acquisitions, the Company diversified into manufacturing and marketing of foods and personal care products. The Company was quoted on the Nigeria Stock Exchange in 1973.

In August 2020, Unilever Nigeria announced the separation from its tea business which confirms its Lipton segment will be taken off its balance sheet. In December 2021 the company completed the separation from its tea business.

The company's full year 2021 result shows that the company's Revenue grew to N70.52bn from N52.21bn in 2020, a 35.07% Year-on-Year(y/y) growth. The recently released Q1 2022 result shows that the company despite the high inflationary environment and increase in cost of goods which affected consumers and producers, the Company posted a profit for the year of N1.79bn in Q1 2022 from a loss of N491million in Q1 2020

Based on our analysis and valuation of the shares of **UNILEVER**, we maintain a BUY recommendation as our Fair Value stands at N19.44. Our Technical Analysis shows that for the period the price is likely going to hit a high of N29.75 and a fall in price afterward so we advise investors to take precautions.

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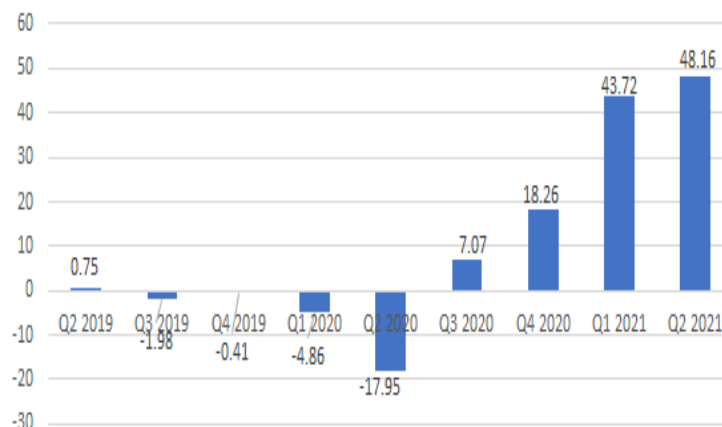
THE CONSUMER GOODS INDUSTRY

The consumer goods industry is one of the largest in the world, which is unsurprising given that it is a part of everyone's everyday lives. Although, the Nigeria consumer goods industry had its ups and down of recent due to the impact of COVID-19 on prices and production of goods in 2020.

According to the Income and Expenditure GDP report by the National Bureau of Statistics (NBS) shows that household expenditure for the Q1 and Q2 2021 grew by 43.72% and 48.16 % year on-year(y/y) in real terms when compared to the growth rate of -4.86% and -17.95% in Q1 2020 and Q2 2020 respectively. The increase in household expenditure within the year was driven by rapid consumer demand in Fast Moving Consumer Goods (FMCG) companies' products.

One of the privileged of the industry is the rapidly increasing population currently at about 215 million people, this shows the potential the Consumer Goods sector carries as the large population creates a large market for companies in the Consumer Goods sector. However, a few obstacles to such exploding growth in the sector includes high poverty rates with low disposable income, high inflation rates, poor ease of doing business, poor infrastructures, supply chain disruptions and insecurity.

Growth rate of Final Consumption Expenditure of Households(%)



THE COMPANY BACKGROUND INFORMATION

Unilever Nigeria Plc is one of the largest serving manufacturing company in Nigeria it was established in 1923 as a soap manufacturing company—West Africa soap company—by Lord Leverhulme. It later became known as Lever Brothers Nigeria Plc. Unilever Nigeria Plc is a member of the Unilever Group, one of the world's leading consumer goods companies. It's a multi-local, multinational organization with international and local brands in her portfolio. The Company has manufacturing sites in Oregun, Lagos State and Agbara, Ogun State.

After a series of merger and acquisitions, the Company diversified into manufacturing and marketing of foods and personal care products. These mergers and acquisitions resulted in the absorption of Lipton Nigeria Limited in 1985, Cheesebrough Industries limited in 1988 and Unilever Nigeria Plc in 1996. The Company changed its name to Unilever Nigeria Plc in 2001 in line with the global strategic direction of the business.

Unilever is a multi-local, multinational organization with international and local brands in her portfolio.

THE COMPANY BACKGROUND INFORMATION

The Company was quoted on the Nigeria Stock Exchange in 1973 with 57.81% equity holdings in Unilever Overseas Holdings BV Holland, 18.16% in Unilever Overseas Holdings BV and 4.25% in Nigeria (Cumulative Holdings).

In August 2020, Unilever Nigeria announced the separation from its tea business which confirms its Lipton segment will be taken off its balance sheet, a move that could affect its revenue within the year announced. The company disposes its tea business to of its tea business to Unilever Tea MSO Nigeria Limited, a related party within the Unilever Group, for a considerable amount of N5.4 billion during the period ended December 31, 2021.

UNILEVER BRANDS AND PRODUCTS



Unilever Nigeria operates Eight (8) brands currently under three different classification- Home care, Food and Refreshment and Beauty and Personal Care

CORPORATE GOVERNANCE

Below is the list of the Board of Directors and their holding in the Company;

DIRECTOR	POSITION	NUMBER OF SHARES IN THE COMPANY
His Majesty Nnameka A. Achebe	Non-Executive Director and Chairman	55,976
Mr. Carl Cruz	Managing Director	Nil
Mr. Jaime Aguilera	Non-Executive Director	Nil
Mrs. Abiola Alabi	Non-Executive Director	Nil
Ammuna Lawan Ali	Independent Non-Executive Director	Nil
Mr. Felix Enwemadu	Executive Director	Nil
Mr. Micheal Ikopoki	Independent Non-Executive Director	Nil
Mr. Chika Nwobi	Non-Executive Director	Nil
Mrs. Adesola Sotande-Peters	Executive Directors (Resigned)	Nil
Mr. Mutiu Sunmonu	Independent Non-Executive Director	Nil

SWOT ANALYSIS OF UNILEVER NIGERIA PLC

STRENGTH

- ✓ **Strong Brand Recognition;** When fast moving consumers goods are being mentioned one of the first companies that comes to mind is Unilever. The company is the longest serving manufacturing company.
- ✓ **Diversified Product range;** Unilever have several products that cut across different needs- Beauty and Personal care, Home care and Food and Refreshment- which are in different classification and fragrances.
- ✓ **Large Customer base and Geographical Outreach;** Nigeria large populations is a huge strength for Unilever as this provide good market base for their products.
- ✓ **Good Marketing Strategy;** Unilever has one of the best business strategies in that it integrates its global plans with the local community to attract consumers who are drawn to items that are well-known around the world while still maintaining its local flavor.

SWOT ANALYSIS OF UNILEVER NIGERIA PLC

WEAKNESS

- ✓ **Highly competitive space;** Products can easily be replaced with local or traditional substitutes especially in emerging market
- ✓ **Fluctuating Revenue growth;** Might be as a result of various strategic review going on in the company.

OPPORTUNITIES

- ✓ **Penetration to Major West Africa countries;** African free trade is an avenue for Unilever to penetrate into other Africa countries thereby leading to innovation explanation and increase their revenue base.
- ✓ **Operating in one of the fastest and growing economy;** Nigeria population estimated at 215 million people offers a big opportunity for every Unilever product.
- ✓ **Opportunities to diversify**

THREAT

- ✓ **High Insecurity in the Country:** The insecurity being experienced in certain parts of the country makes free enterprise increasingly difficult in the affected States.
- ✓ **Poor Infrastructure** continues to impacts negatively on the distribution and logistics operations and cost
- ✓ **Unstable macroeconomic:** Nigeria macroeconomic had been unstable since after the recession witnessed in 2016. The pandemic disease COVID-19 in 2020 had a major negative impact on the economy as the exchange rate was devalued in Q3 2020 from N305 to N380 to dollar, currently at N419 to the dollar thereby leading to high inflation of about 15.70%. The unstable macroeconomic in the country is a big threat to the cost of raw material been sourced and also Unilever Supply chain.
- ✓ **Regulations and Taxes:** Unfavorable regulations and increase in tax rate by the government pose a big threat to the company and prices of their products.
- ✓ **Impact of the Pandemic diseases;** The last pandemic had great effect on Unilever profit after tax as they recorded loss, a new pandemic can serve as a threat to the company.



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ANALYSIS OF THE FINANCIALS

Trends in Revenue and Earnings Growth

UNILEVER NIGERIA PLC had recently recovered from a two-year loss in their revenue which was due to the effect of the pandemic disease and also the sale of their tea business. However, it is noticeable that their financials are not stable there is always adjustment when recording the previous year. The company revenue grew to N70.52bn in their full-year financial 2021 result from N52.21bn in 2020, a 35.07% Year-on-Year(y/y) growth. From the total revenue in 2021, Domestic sales accounted for 99% of the revenue while export sales accounted for 1% of the revenue.

The Company also witnessed a marginal increase to N688,266,000 from N3,757,890,000 in their profit after tax within the year after two consecutive year of decline in 2019 and 2020, the company profit from discounted operation increased to N2bn this resulted into a positive profit for the year in 2021 and might be attributed to the result from the tea business.

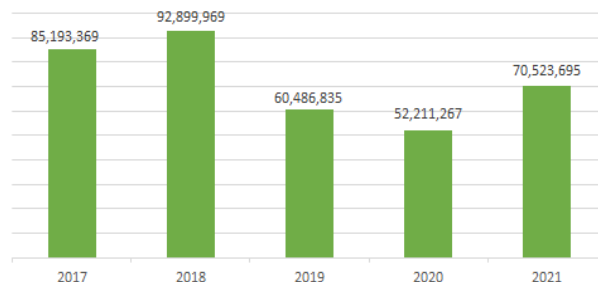
Gross profit during the period grew by 83.86% to N20.36 billion in 2021, from N11.07 billion in 2020. Marketing and distribution expenses increased by 42.21%.

CAPITAL STRUCTURE

UNILEVER NIGERIA PLC Total Equity declined from N75.90bn in 2017 to N65.76bn in 2021 representing a CAGR of -2.83%, although on a year-on-year(y/y) growth total equity increased by 5.85% in 2021 from N62.12bn in 2020. The increase in total equity for 2021 is as a result of increase in their retained earnings by 148.64%. **Current Assets** grew by 34.27% y/y in 2021 to N85.90bn from N63.97bn in 2020. **Total Assets** declined by -10.57% from N121 bn in 2017 to N108 bn in 2021, on a y/y growth total asset increased by 18.33% in 2021.

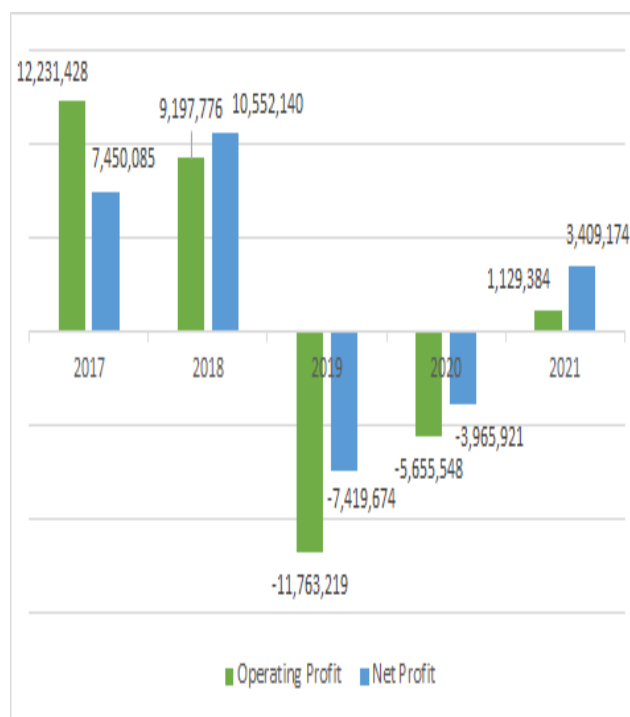
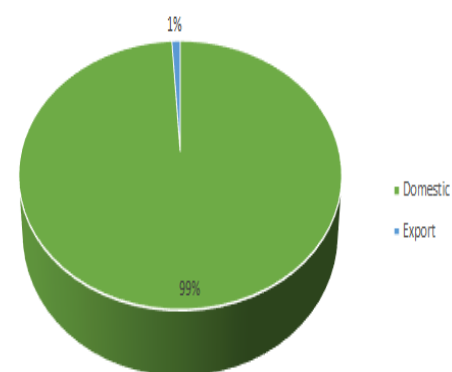
The **total asset** of the company is financed by a mix of **Equity** and **Liabilities** in the proportion of 60.73% and 39.27% respectively. The **working capital** stood at a positive position of N45bn in 2021 and increase of 26.28% from N36bn in 2020. Unilever working capital is quite impressive because it shows that the company has the capacity to withstand financial challenges. In addition, the current ratio and quick ratio as at the end of 2021 stood at 2.14x and 1.76x respectively which implies that Unilever is in favorable position to meet its short-term obligations as at when due.

Trends in Total Revenue

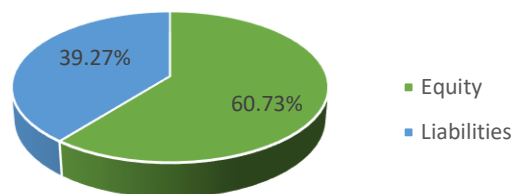


Source: Company Reports, ASAM Research (N'000)

Revenue in 2022 by Geography

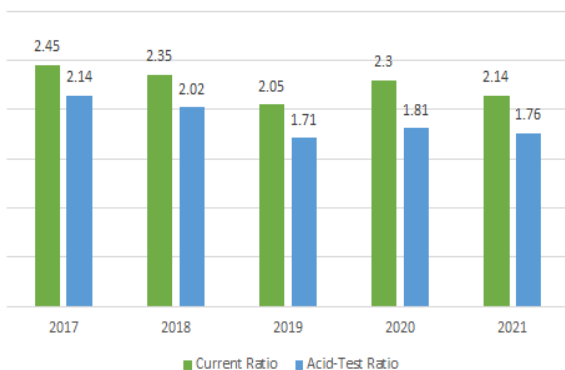
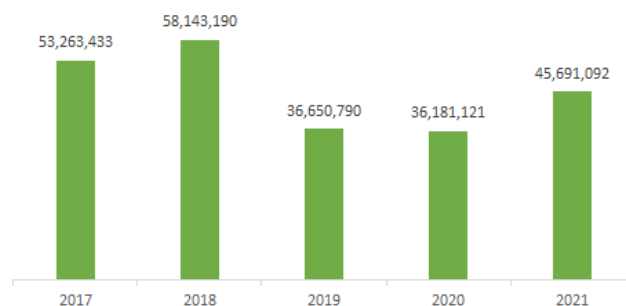


Funding Mix



Source: Company's Report, ASAM Research (N'000)

Working Capital (2017-2021)



RECENTLY RELEASED Q12022 RESULTS

The recently released Q1 2022 financials by the company shows that revenue increased by 24.54% quarter-on-quarter(q/q) to N20.56bn in Q1 2022 from N16.50bn in Q1 2021. The company's revenue is also broken down into Domestic and Export sales. Domestic sales stood at N20.24 billion during the period, while exports grew impressively by 229.26% to generate N322 million.

Despite the high inflationary environment and increase in cost of goods which affected consumers and producers, the Company posted a profit for the year of N1.79bn in Q1 2022 from a loss of N491million in Q1 2020 which was driven by an increase in selling and distribution expenses by 38.81% and marketing and distribution expenses by 8.61%.

The company's total assets increased by 7.43% to N116bn in Q1 2022 from N108bn in Q1 2021. Also, total equity increased by 2.73% q/q. Earnings per share for Q1 2022 is N0.31.

Unilever Nigeria Plc Q1 Financials			
Income Statement	Q1 2021	Q1 2022	% Change
Revenue	16,509,599	20,560,459	24.54%
Cost of Sales	(12,328,660)	(13,386,441)	8.58%
Gross Profit	4,180,939	7,174,018	71.59%
Result from operating activities	(282,396)	2,187,601	-874.66%
Net finance costs	152,419	162,931	6.90%
Profit before tax	(129,977)	2,350,532	-1908.42%
Minimum tax expenses	(97,100)	(104,113)	7.22%
Taxation	(346,808)	(450,123)	29.79%
Profit after tax	(573,885)	1,796,296	-413.01%
Discontinued operations			
Profit from discontinued operations	81,889	-	-
Profit for the year	(491,996)	1,796,296	-465.10%
Statement of Financial Position			
Non-current assets			
Property, Plant and equipment	22,376,286	21,834,990	-2.42%
Intangible assets	3,467	3,370	-2.80%
Total Non-current assets	22,379,753	21,838,360	-2.42%
Inventories	14,956,331	18,741,773	25.31%
Total Current assets	85,908,781	80,102,583	-6.76%
Total assets	108,288,534	116,332,085	7.43%
Share capital	2,872,503	2,872,503	0.00%
Share premium	56,812,810	56,812,810	0.00%
Retained earnings	6,076,355	7,872,651	29.56%
Total Equity	65,761,668	67,557,964	2.73%
Total liabilities	42,526,867	48,774,121	14.69%
Total equity and liabilities	108,288,535	116,332,085	7.43%
Balance Check		(1)	-

Source: Company's Report, ASAM Research (N'000)

VALUATION METHODOLOGIES, ASSUMPTIONS AND RECOMMENDATION

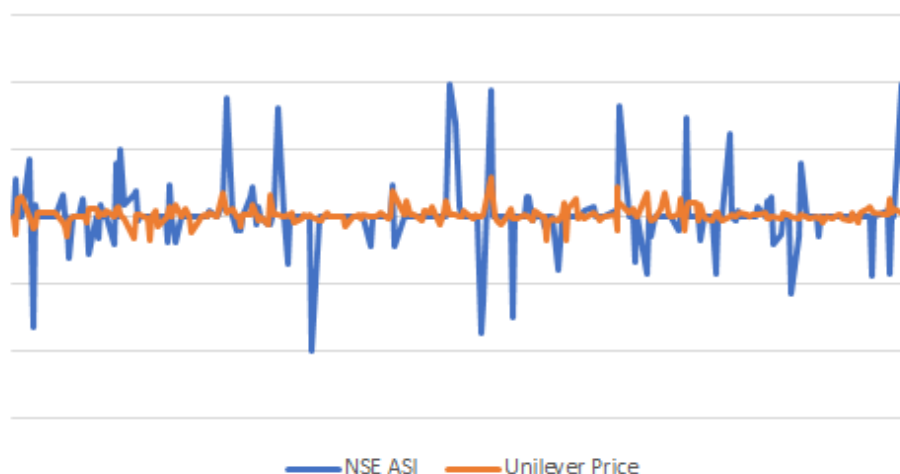
In order to arrive at a fair value for UNILEVER NIGERIA PLC, we utilized the discounted free cash flow method (**DCF**). Our risk-free rate is 11.72% (premised on the 10-year government bond), a risk premium of 7.76% a volatility index (beta) of 0.28. The CAPM-derived cost of equity is 11.93% and the Cost of Debt is 0. Unilever's cost of debt was zero from 2021 after repaying all outstanding debt in 2021. From our analysis this increases their cash and bank balances by 50.12% indicating enough liquidity.

We adopted a terminal growth rate of 0.92% based on our calculations of the company's sustainable growth rate gotten from retention rate and return of equity. Using 5,745,005 mm shares in issue the DCF generates a fair value of **N19.44** with an upside and downside potential of 38.83%.

We therefore place a sell recommendation on UNILEVER NIGERIA PLC.

... We arrive at a fair Value of **N19.44**, we therefore placed a **BUY** recommendation on UNILEVER

Unilever Nigeria Versus NGX ASI Rebased(May 2021-May 2022)



TECHNICAL ANALYSIS USING ICHIMOKU CLOUDS CHART



UNILEVER NIGERIA PLC

Income Statements	2017A	2018A	2019A	2020A	2021A	2022I
Revenue	85,193,369	92,899,969	60,486,835	52,211,267	70,523,695	82,241,836
Cost of Sales	(57,679,133)	(64,674,847)	(55,737,010)	(41,136,845)	(50,161,784)	(53,545,764)
Gross Profit	27,514,236	28,225,122	4,749,825	11,074,422	20,361,911	28,696,072
Selling and distribution expenses	(3,790,502)	(4,239,077)	(3,151,738)	(2,391,988)	(3,318,990)	(4,041,436)
Marketing and distribution expenses	(11,476,201)	(14,712,986)	(13,247,563)	(10,633,136)	(15,121,313)	(16,227,840)
Impairment loss on trade receivables	-	-	(200,042)	(3,770,859)	(829,576)	179,976
Intercompany receivables	813	(311,443)	-	-	-	-
Other income	(16,918)	236,160	86,299	66,013	37,352	143,632
Result from operating activities	12,231,428	9,197,776	(11,763,219)	(5,655,548)	1,129,384	8,750,404
Depreciation and amortisation	(4,333,298)	(2,929,647)	(4,488,340)	(5,357,892)	(3,535,770)	(2,553,584)
EBITDA	7,898,130	6,268,129	(16,251,559)	(11,013,440)	(2,406,386)	6,196,820
Finance income	1,565,263	4,026,932	2,144,815	1,545,428	1,027,210	1,136,256
	(3,200,696)	(602,800)	(135,869)	(294,993)	(95,742)	(484,532)
Net finance costs	(1,635,433)	3,424,132	2,008,946	1,250,435	931,468	651,724
Profit before tax	10,595,995	12,621,908	(9,754,273)	(4,405,113)	2,060,852	9,402,128
Taxation	(3,526,251)	(3,489,756)	2,334,599	647,223	(1,372,586)	(2,216,944)
Tax rate	-33%	-28%	-24%	-15%	-67%	-24%
Profit after tax	7,069,744	9,132,152	(7,419,674)	(3,757,890)	688,266	7,185,184
Discontinued operations						
Profit from discontinued operations	380,341	1,419,988	-	(208,031)	2,720,908	-
Profit for the year	7,450,085	10,552,140	(7,419,674)	(3,965,921)	3,409,174	7,185,184
Statements of financial position (N '000)	2017A	2018A	2019A	2020A	2021A	2022I
Assets						
Non-current assets						
Property, Plant and equipment	29,880,704	29,677,539	31,957,420	27,370,607	22,376,287	24,672,551
Intangible assets	705,890	448,488	225,933	3,852	3,467	5,055
Other non-current assets	79,486	48,353	-	-	-	-
Employee loan receivable	130,310	65,531	-	-	-	-
Retirement benefit surplus	329,235	293,219	35,292	163,101	-	-
Total Non-current assets	31,125,625	30,533,130	32,218,645	27,537,560	22,379,754	24,677,606
Current assets						
Assets held for sale	285,740	-	-	262,258	262,258	262,258
Inventories	11,478,532	13,928,867	11,869,295	13,659,427	14,956,331	15,965,305
Trade and other receivables	27,621,489	30,188,189	24,131,026	12,957,466	14,992,655	17,483,818
Employee loan receivable	79,384	49,005	-	-	-	-
Cash and bank	50,493,595	57,144,182	35,458,553	37,100,827	55,697,537	59,765,582
Total Current assets	89,958,740	101,310,243	71,458,874	63,979,978	85,908,781	93,476,963
Total assets	121,084,365	131,843,373	103,677,519	91,517,538	108,288,535	118,154,569
EQUITY						
Share capital	2,872,503	2,872,503	2,872,503	2,872,503	2,872,503	2,872,503
Share premium	56,812,810	56,812,810	56,812,810	56,812,810	56,812,810	56,812,810
Retained earnings	16,223,062	23,104,230	6,843,037	2,443,807	6,076,355	13,261,539
Total Equity	75,908,375	82,789,543	66,528,350	62,129,120	65,761,668	72,946,852
LIABILITIES						
Current liabilities						
Trade and other payables	33,408,820	38,610,839	34,719,709	27,422,359	39,739,074	42,419,924
Income tax	2,799,203	4,555,820	88,375	137,070	478,615	478,615
Bank overdraft	-	-	-	-	-	-
Loans and borrowings	454,528	394	-	239,428	-	-
Deferred income	32,756	-	-	-	-	-
Total Current Liabilities	36,695,307	43,167,053	34,808,084	27,798,857	40,217,689	42,898,539
Non-current liabilities						
Deferred tax liabilities	4,484,871	3,652,125	894,439	-	1,063,404	1,063,404
Unfunded retirement benefit obligations	3,454,370	2,021,360	422,830	588,473	454,713	454,713
Long service award obligations	205,745	209,510	318,096	424,567	369,770	369,770
Other employee benefits	85,902	-	-	576,521	421,291	421,291
Deferred income	30,025	-	-	-	-	-
Loans and borrowings	219,770	3,782	705,720	-	-	-
Total non-current liabilities	8,480,683	5,886,777	2,341,085	1,589,561	2,309,178	2,309,178
Total liabilities	45,175,990	49,053,830	37,149,169	29,388,418	42,526,867	45,207,717
Total equity and liabilities	121,084,365	131,843,373	103,677,519	91,517,538	108,288,535	118,154,569
Balance check	Good to go	Good to go	Good to go	Good to go	Good to go	Good to go

2022I means 2022 figures were Interpolated based on the available Q12022 result released

Analyst Certification, Important Disclosure and Disclaimer

Analyst Certification

The research analysts who prepared this report certify as follows:
That all of the views expressed in this report articulate the research analyst(s) independent views/opinions regarding the companies, securities, industries or markets discussed in this report.

That the research analyst(s) compensation or remuneration is in no way connected (either directly or indirectly) to the specific recommendations, estimates or opinions expressed in this report.

Investment Rating Criteria and Disclosure

Arthur Steven Asset Management adopts a 3-tier recommendation system for assets under our coverage: Buy, Hold and Sell. These generic ratings are defined below;

BUY: Based on our valuation and subjective view (if any), the total return upside on the stock's current price is greater than our estimated cost of equity.

HOLD: Based on our valuation and subjective view (if any), the total return upside on the stock's current price is less than the cost of equity, however, the expected total return on the stock is greater than or equal to the Standing Deposit Facility rate of the Central Bank of Nigeria (which is currently MPR – 11.5%). We consider this as the minimum return that may deserve our holding of a risk asset, like equity.

SELL: Based on our valuation and subjective view (if any), the total return upside on the stock's current price is less than the Standing Deposit Facility rate of the Central Bank of Nigeria (which is currently MPR – 11.5%). We consider this as the minimum return that may deserve our holding of a risk asset, like equity, especially as we consider the average 4.5% total transaction cost for an average retail investor.

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