Arthur Stevens
Asset Management Ltd

UNILEVER NIG. PLC

COMPANY VALUATION

MAY 2025

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Investment Thesis

Recommendation		BUY
TARGET PRICE	NGN	53.47
UPSIDE	%	16%
TICKER		UNILEVER
EXCHANGE		NGX
52 WEEKS HIGH	NGN	47
52 WEEKS LOW	NGN	15
SECTOR		CONSUMER GOODS
SHARE PRICE	NGN	46
SHARE OUTSTANDING (mn)		5,745
MARKET CAP	NGN	247,035

GROWTH POTENTIAL?

- ❑ Strong brand portfolio and market leadership
- ❑ Resilient Financial performance and Growth prospect

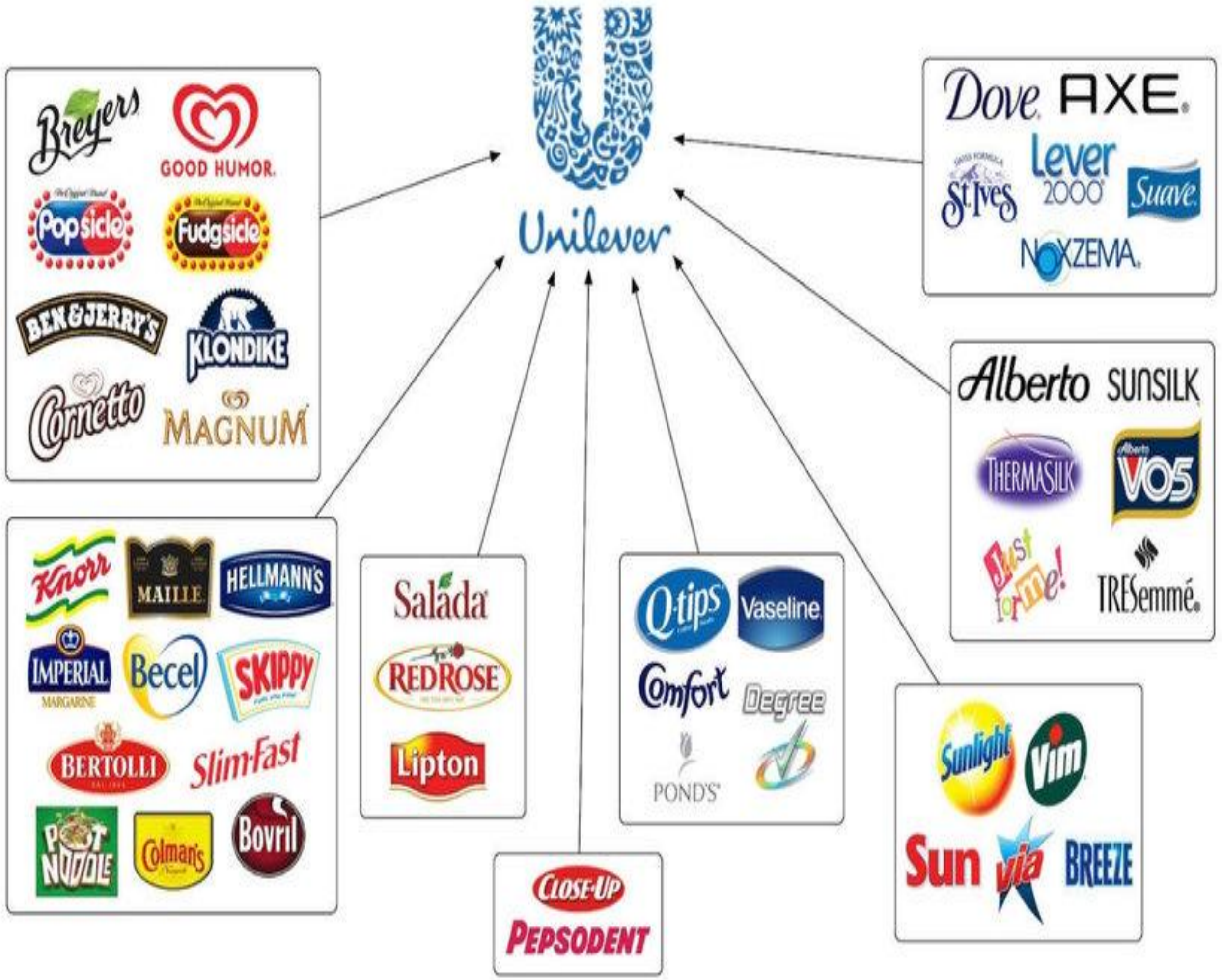
KEY RISK?

- ❑ Inflationary pressure
- ❑ **FX Volatility**

Company Overview

Company Overview

Unilever Nigeria Plc is a subsidiary of the **Unilever Group**, a global consumer goods company with over 2.5 billion people worldwide using its home, personal care, and food products regularly. Lord Leverhulme founded the West Africa Soap Company in 1923, and it began as a soap manufacturer before expanding into a diversified consumer products powerhouse. It was eventually renamed Lever Brothers Nigeria and expanded into food and personal care product production after mergers and acquisitions. Key purchases include Lipton Nigeria Limited (1985), Cheesebrough Industries Limited (1988), and Unilever Nigeria Limited (1996). In 2001, as part of a global strategic realignment, the company adopted its name, Unilever Nigeria Plc. Unilever Nigeria has been listed on the **Nigerian Stock Exchange since 1973**, and it is a worldwide company with a significant local presence.



Company Overview

Its portfolio includes worldwide famous brands like **Close-Up** and **Pepsodent toothpaste**, **Lux and Lifebuoy soap**, **Rexona deodorant**, **Vaseline cosmetics**, and **Glen Tea.** The firm sells **Lipton Yellow Label Tea** and **Knorr bouillon cubes** in the food segment, and **Omo Multi-Active Detergent**, **Sunlight washing powder**, **bar soap**, and dishwashing liquid in the home care segment. It also sells locally renowned brands such as **Pears Baby Products** and **Royco bouillon cubes**. Through campaigns associated with Lifebuoy, Pepsodent, and Knorr, the company has educated Nigerians on the importance of handwashing, oral hygiene, and iron fortification in diets. Beyond commercial success, **Unilever Nigeria is dedicated to social impact initiatives**, using its brand influence to promote health and hygiene awareness. The company is committed to sustainable growth by minimizing its environmental footprint while increasing its social contributions, ensuring that its business thrives while making a meaningful difference in the communities it serves. Unilever Nigeria remains committed to Nigeria's economic development, investing in local operations, building capabilities, and expanding its brand portfolio to meet changing consumer demands.

Industry Analysis

The Industry

Unilever Nigeria Plc operates in the **Fast-Moving Consumer Goods (FMCG)** industry, a highly competitive sector that involves the production, distribution, and marketing of essential consumer products. These goods, which include food, beverages, personal care items, and household supplies, are in high demand, produced efficiently, and sold quickly. Despite their rapid turnover, FMCG products typically have **low profit margins.** In Nigeria, the FMCG industry drives employment, industrial development, and consumer expenditure, all of which contribute to economic growth. **The sector is divided into three categories: food and drinks, personal care, and home care items**, which serve the country's huge and rising population. Nigeria, with a population of more than 200 million, has emerged as Africa's largest market for Fast-Moving Consumer Goods (FMCG). This is clear from the enormous quantity of household consumption spending. The Nigerian FMCG industry is dominated by enterprises that manufacture and sell personal care items, healthcare goods, food and drinks, and home care commodities, accounting for **70% of the market and 30% for non-food products.** As a result, the fast-moving consumer goods (FMCG) industry has become a substantial contributor to Nigeria's economy

Despite the country's potential, high-profile multinational corporations (MNCs) have been leaving the Nigerian FMCG industry. Businesses such as Diageo sold its 58.02% investment in Guinness Nigeria Plc to Tolaram Group in June, Kimberly-Clark Nigeria left Nigeria in June, and Pick n Pay left Nigeria in October after selling its 51% share in a joint venture with A.G. Leventis.

The Nigerian FMCG industry remains highly competitive, with multinational corporations like **Unilever Nigeria, Procter & Gamble, Nestlé Nigeria, and Coca-Cola Nigeria** vying alongside strong local brands. However, in 2024, the sector faced significant disruptions due to economic policy shifts and global economic trends. The introduction of a free-floating exchange rate and the removal of fuel subsidies led to sharp inflation and a steep depreciation of the Naira. These changes significantly increased import costs, causing a 17.4% decline in transaction volumes and a 67% rise in production costs for major consumer goods companies in the first half of 2024. Despite these challenges, the **FMCG market value grew, rising by 21.6% in 2023 and accelerating to 24.8% in 2024.**

Macroeconomic Analysis

Exchange Rate & PMI

EXCHANGE RATE FLUCTUATION

The manufacturing sector and all the industries in this category are faced with the increasing exchange rate following the unification in May 2023. Most of the companies in this industry are being faced with exchange rate loss both in on cash held and purchase of raw material.

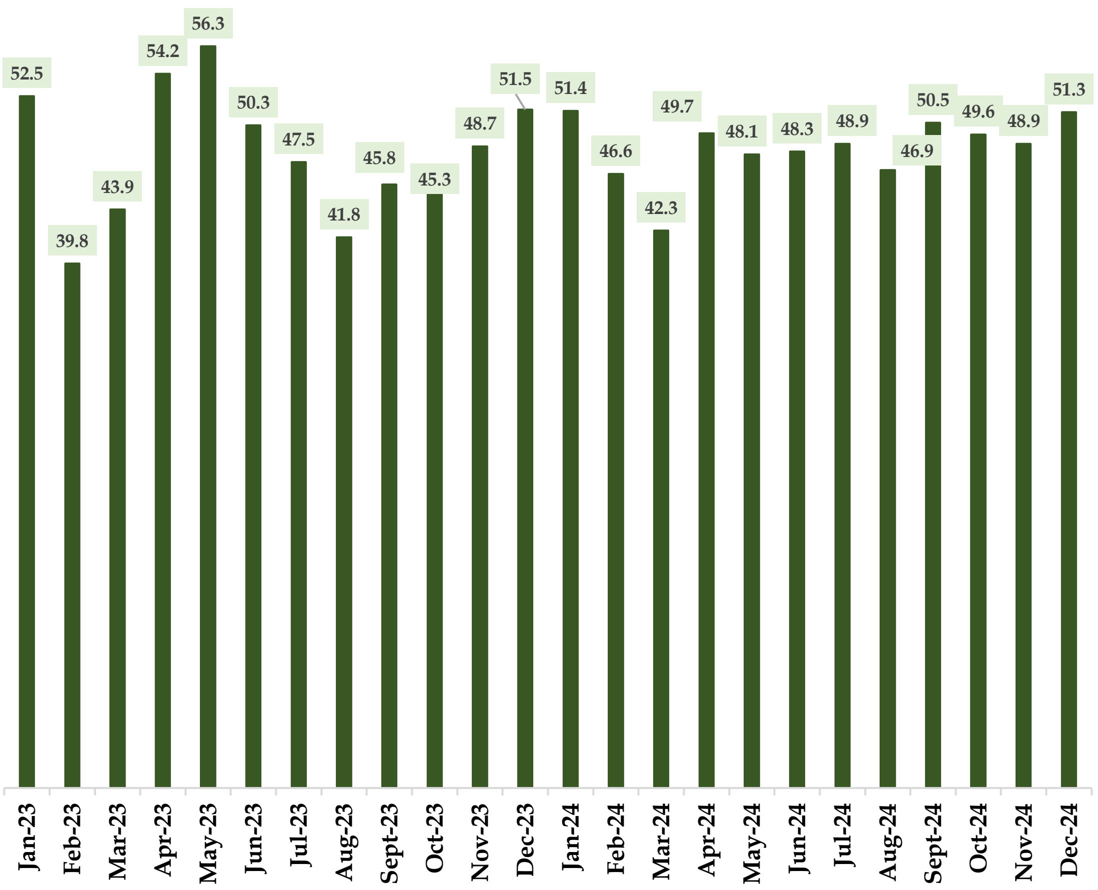
The official exchange rate has increased 232% from ₦464.50/$1 as at May 30, 2023 before the announcement of the unification and is now at ₦1,609.05/$1 as at the time of writing this report.

PURCHASING MANAGERS' INDEX

The PMI, or Purchasing Managers' Index, indicates whether market conditions are expanding or contracting. A PMI above 50% suggests economic expansion in the previous month, while below 50% indicates contraction.

The PMI showed a contraction in Q4 2024 in October and November, reflecting a decline in production as a result of fluctuation of foreign exchange. This was followed by an expansion in December 2024, likely driven by year-end demand

Purchasing Managers' Index



Macroeconomic Variables

GDP Growth Rate
3.84%

Period: Q4 2024 | Q-o-Q% ▲ 10.98% | Previous: 3.46%

Exchange Rate - Official
₦1,590/$

Period: May 28 2025 | Previous: ₦1,543/$

Exchange Rate - Parallel
₦1,620/$

Period: May 28 2025 | ▲ - | Previous: ₦1,577/$

Inflation
23.71%

Period: April 2025 | Rebasing | Previous: 24.23%

Monetary Policy Rate
27.50%

Period: May 2025 | Previous: 27.50%

Oil Production
1.60mbpd

Period: Mar 2025 | M-o-M% ▲ -4% | Previous: 1.67mbpd

FX Reserves
$37.9bn

Period: April 2025 | M-o-M% ▲ -1% | Previous: $38.3bn

Market Capitalisation
₦70.5tn

Period: May 2025 | Previous: ₦68.1tn

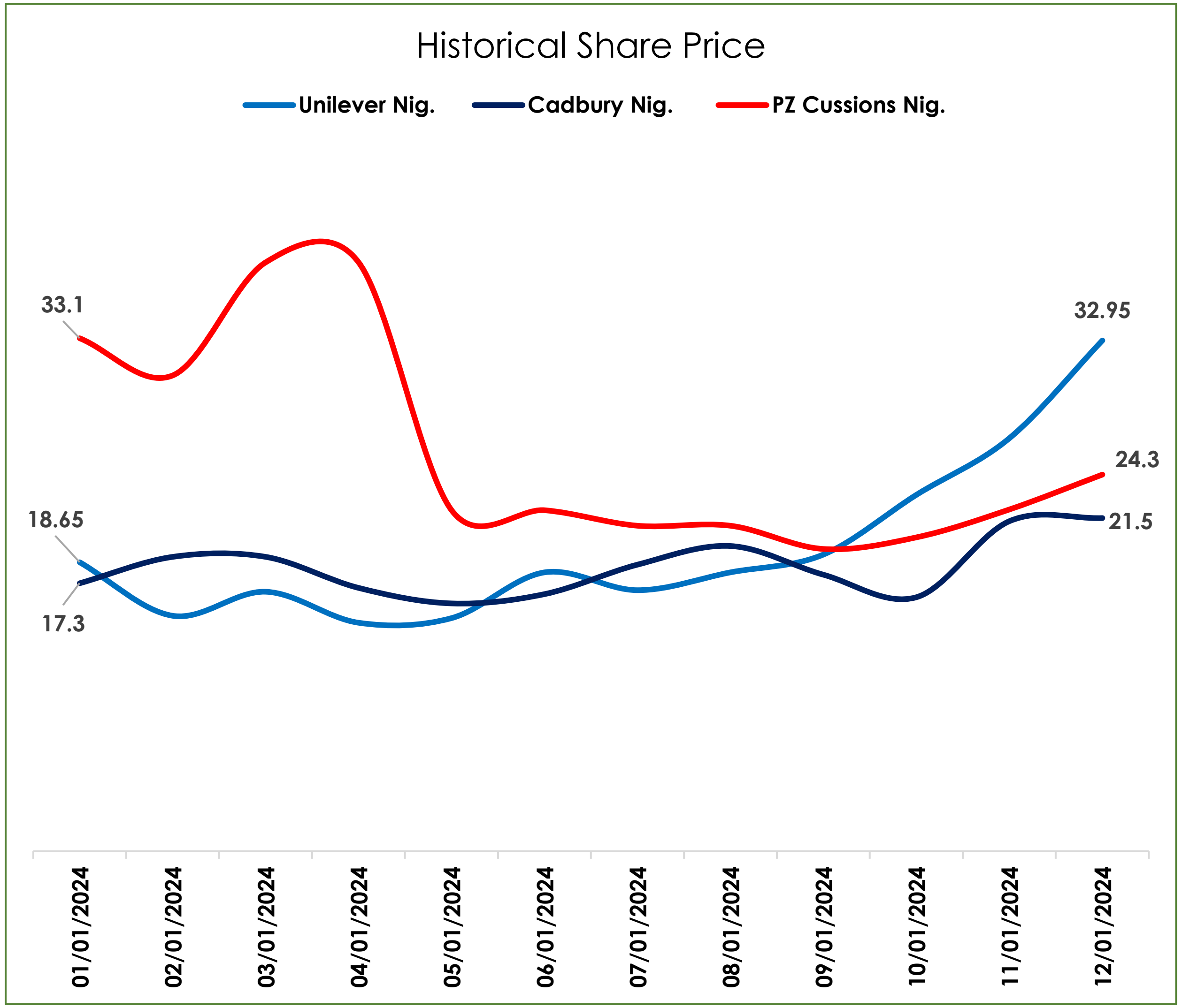
Competitive Analysis

Competitive Analysis

- In 2024, Unilever showed steady growth, rising from 18.65 to 32.95, making it the best-performing among the 3 stocks by year-end. Cadbury remained stable, starting at 17.3 and closing at 21.5, with minimal volatility. In contrast, PZ Cussons, which began the year at 33.1, experienced a sharp mid-year decline before recovering to 24.3, reflecting high volatility.

- The steady rise in Unilever's stock price implies high market confidence and solid fundamentals, but Cadbury's consistent growth appeals to risk-averse investors. PZ Cussons' variations suggest difficulties in maintaining early wins. These patterns show different investor moods and corporate performance, with Unilever appearing as the most promising stock.

- Unilever Nigeria's strong performance was driven by its 9-month earnings scorecard, which likely reinforced investor confidence. PZ Cussons, despite its volatility, saw its net loss moderate sharply in Q1 2025, suggesting potential for recovery. Meanwhile, Cadbury's financial health continues to be weighed down by foreign exchange (FX) losses and surging borrowing costs, which may have limited its share price growth.



Competitive Analysis

Nestlé is one of Unilever's main competitors, particularly in the food and beverage sector. With brands like Milo, Maggi, and Nescafé, Nestlé holds a significant share in the Industry.

Nigerian market, competing directly with Unilever's Knorr and Lipton brands. Nestlé's strong brand equity and its own emphasis on health-focused products create competitive pressure for Unilever.

P&G is a key competitor in the personal and home care segments, with brands like Ariel and Oral-B. P&G's focus on high-quality household products and its significant marketing budgets pose a challenge to Unilever's home care brands, particularly Omo and Sunlight.

Reckitt focuses on health, hygiene, and home products, with brand like Dettol, Harpic, and Mortein which overlap with Unilever's cleaning and hygiene offerings. Its emphasis on consumer health and hygiene has helped it build strong brand recognition in Nigeria.

This is a key local competitor with products spanning personal care, home care and electrical appliances. PZ Cussons' brands like imperial Leather and morning Fresh resonate with Nigeria consumers, and the company's local market insights allow it to adapt quickly to consumer needs

Financial Analysis

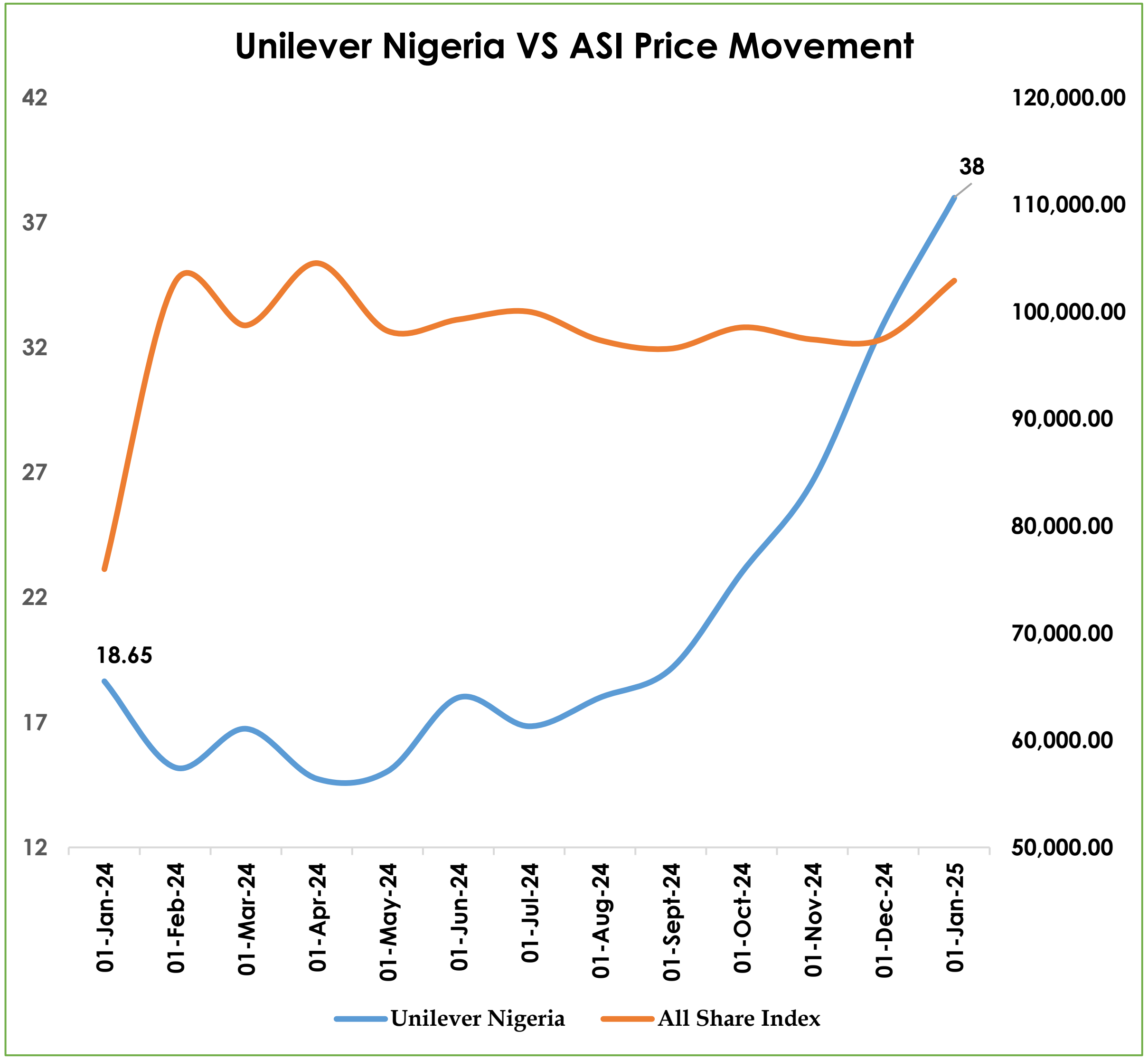
Financial Performance

THE STOCK EXCHANGE PERFORMANCE

- Unilever Nig PLC's stock price stood at N**38 in January 2025**, an upward trend from N18.65 at the beginning of 2024. This showed a 104% increase up to January 2025 which is higher than the changes in the ASI for the same period. The ASI for the same period under review showed 35% increase from January 2024 to January 2025.

- The capital gains from the share price of Unilever Plc has over performed the ASI return due to the notable improvements in the company's financial statement. The quarterly report, specifically the Q3 results in late October elevated the stock price upward with a 46% increase in the Q3 revenue year-over-year.

- Investor confidence in Unilever Nig. PLC has risen due to improved efficiency, and resilience against inflation and currency risks. Strong market penetration due to aggressive marketing efforts further supports its growth.

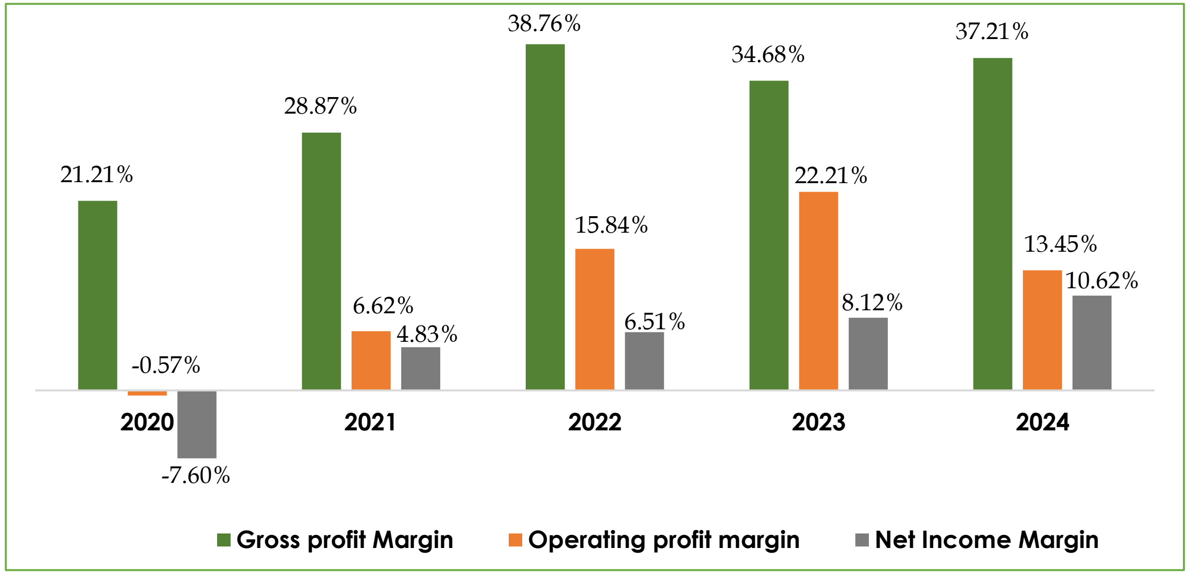


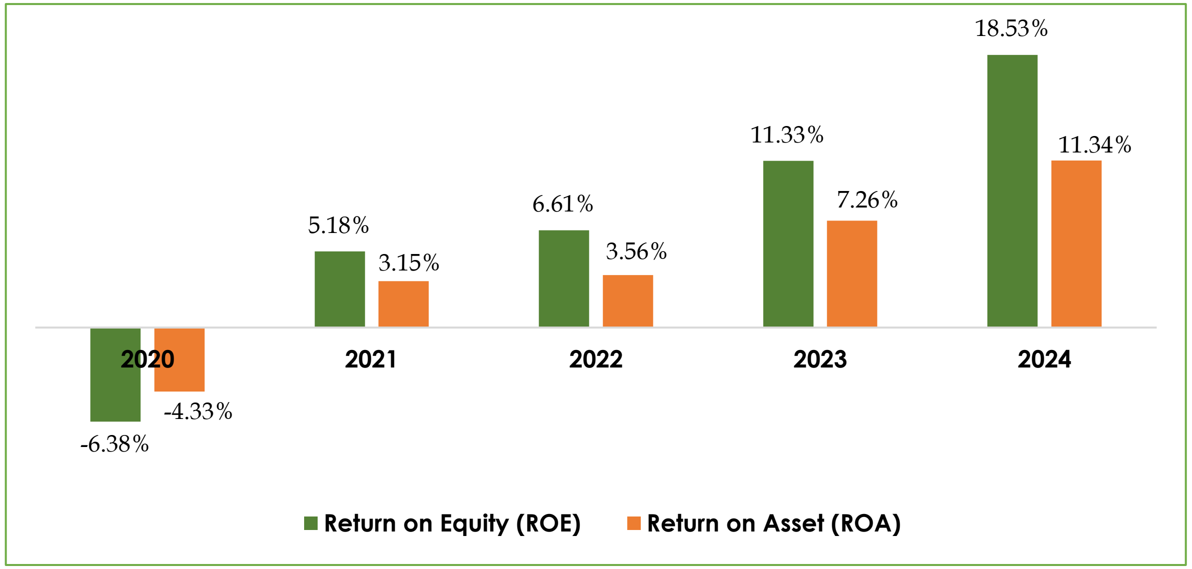
Profitability Analysis

- The gross profit margin increased to 37.21% over the years from 21.21% in 2020 as a result of significant increase in the revenue relative to slight increase in the cost of sales. This boosted the gross profit to increase over the period under review. Although when operating expenses is considered, Unilever reported a net loss and operating loss in 2020 to have a negative operating margin of -0.57% and net margin of -7.60%. The losses was reversed in 2021 and it has been in the positive area till date.

- A close look at the chart shows that the gross profit margin of 37.21% is significantly higher than the operating margin of 13.45% and net margin of 10.62%. This resulted from the increasing marketing effort and administrative expenses due to the nature of the business.

- The return on equity and return on asset showed a negative return in the year 2020, due to the recovery from the aftermath of Covid19. However, 2021 saw an uptick to 5.18% in ROE and 3.15% in ROA. The upward trend continued to hit 18.53% and 11.34% in 2024 respectively.





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Don't gamble with their future. Secure it with our

Children's Accumulative Fund Account.

Valuation Report

Valuation Report

Company Data	
Tick (NGX)	**UNILEVER**
Current Price @ 28-MAY-2025	₦46.00
2025 Target Price	₦53.47
Rating	BUY
52-Week Low (N)	₦47.00
52-Week High (N)	₦15
Shares outstanding (mn)	**5,745**
Market Capitalisation(mn)	**₦247,035**
Market Capitalisation (US$'mn)	**$164.24**
Trailing EPS (N)	**2.77**
Trailing P/E (x)	13.88x

Source: NGX, ASAM Research

Terminal Value (TV)	
FCFF	29,707,264
Growth	10%
WACC	21.71%
Terminal value	**150,487,042**
NPV of (TV)	₦109,496,550
Equity Value	
NPV of FCFF	
NPV of TV	₦109,496,550
Enterprise Value	109,496,550
Add: Cash and cash equivalent	200,355,312
Less: Debt	(2,677,702)
Equity Value	**307,174,160**
Share outstanding	5,745,005
Implied share price	53.47
Current share price	46
Upside potential	16%
Recommendation	BUY

Valuation Report

UNILEVER to face reduced FX pressures in 2025

We project a 17% revenue growth for 2025, primarily driven by higher sales volumes as Unilever continues to capture a larger market share in an intensely competitive sector. The food segment is anticipated to be the key driver of this revenue expansion.

Despite this growth, cost margins are expected to remain elevated, around 70% due to high input costs. However, we believe ongoing backward integration initiatives will gradually improve cost efficiency over time. For FY 2025, we expect Unilever to post
a profit after tax of ₦ 30.1billion.

Valuation

According to our forecast analysis, we project a potential **(UPP)** 16% increase from the current stock price of ₦46, resulting in a target price of ₦53.47 and a **BUY** recommendation. This price target was derived using a Discounted Cash Flow **(DCF)** model over a five-year period. Our model assumes a terminal growth rate of 10% and a weighted average cost of capital (WACC) of 21.71%. The **WACC** was calculated using a beta of 0.433 and a **risk-free rate of 19.30%**, based on the yield of the 10-year FGN bond (maturing in 2035).

Income Statement (#'000)	2023A	2024A	2025F	2026F
Revenue	103,879,730	149,752,261	172,215,100	198,047,365
Operating profit	23,070,770	20,143,396	19,955,071	23,227,496
profit before tax	21,891,792	21,740,761	22,429,946	24,764,921
Profit after tax	16,414,410	15,908,847	30,122,689	34,229,479

Balance sheet (#'000)	2023A	2024A	2025F	2026F
Total assets	116,302,344	140,247,770	209,836,721	251,072,908
Total liabilities	41,793,241	54,408,782	98,831,406	111,470,204
Shareholder's fund	74,509,103	85,838,988	111,005,315	139,602,704

Financial Ratios	2023A	2024A	2025F	2026F
Gross profit Margin	34.68%	37.21%	32.15%	32.15%
Net profit margin	8.12%	10.62%	17.49%	17.28%
Return on equity	11.33%	18.53%	27.14%	24.52%
Return on assets	7.26%	11.34%	14.36%	13.63%

Source: NGX, ASAM Research

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ANALYST

Research Department

research@arthurstevenng.com

CONTACT

Arthur Stevens AssetManagement Ltd.

(MEMBER OF THENIGERIAN STOCKEXCHANGE)

86, Raymond NjokuStreet, S.W. Ikoyi, Lagos

WEBSITE:
www.arthursteven.com

email: info@arthurstevenng.com

Tel: 09035996606;
08091054142