

Unilever Nigeria Plc

Highlights from Investor Call with Unilever Nigeria Plc

Event: Unilever Nigeria PLC held a conference call on 23 April 2024 to review its recently released Q1'24 financial results and provide guidance on the company's strategic initiatives for the future. Below are key highlights of the call.

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Financial and Operational Performance

- For Q1'24, the company's revenue scaled by 57.8% YoY, stemming from strong pricing (+41.3% YoY) and higher volume growth (+16.9% YoY). The price increase was orchestrated to mask the rising cost pressures, while volume growth was due to Unilever's increased investments in brand and marketing.
- To improve its value proposition, Unilever expanded its Beauty and Wellbeing line during the review quarter by introducing a new product (Rexona roll-on) into the market. The new product, coupled with another exciting initiative of the company, propped up the Personal Care and Beauty & Wellbeing revenue (+97.8% YoY).
- Operating costs increased significantly to N9.66 billion (vs 5.07 billion in Q1'23) due to rising inflation and higher brand investment spending.
- The tax expense for the period also declined to N1.0 billion (vs N1.7 billion in Q1'23) as the company benefited from the positive movement in deferred taxes.
- On efficiency, the company reported ROE and ROA of 4.3% (vs. 3.6% in Q1'23) and 2.7% (vs. 2.3% in Q1'23), respectively.
- The company reported an increase in shareholders' funds to N77.9 billion vs N74.5 billion in FY'23.

Other Key Highlights

- Unilever has a localisation agenda to create a more sustainable business. The company noted key value streams in the business that have been selected to fit into the agenda and confirmed that about two-thirds of the input materials required in these value streams are localised. This has reduced the company's dependence on foreign exchange and improved business efficiency as the material supply can meet demand much quicker.
- On the FX revaluation gains which drove the strong net finance income, the company noted that these were export proceeds from sales to related parties in Ghana and Cote d'Ivoire.

Outlook

- Unilever's strategy for the year is to maintain strong fundamentals and a focused action plan to unlock potential and deliver consistent value creation.
- The company plans to foster growth through deep market penetration as opposed to just price increases to drive brand superiority, as well as through innovation by increasing investments significantly behind the brands. On CAPEX, Unilever also plans to increase spending to drive growth without compromising the long-term profitability of the company.
- Management expressed confidence in its ability to improve margins through effective cost optimisation and enhancing processes through the adoption of technology and digitisation.
- The company also plans to increase its partnerships with relevant stakeholders to ensure the completion of the localisation agenda and reduce its susceptibility to the vagaries of the foreign exchange market.

Our Assessment

For Q2'24, we expect sustained improvement in Unilever's topline performance, hinged on an optimal price/volume mix. With the successful launch of a new product in Q1'24 and increased investments in branding to boost market share, the outlook appears biased to the upside.

Elsewhere, given the gradual localisation of input materials and exportation of products to related parties abroad, we expect Unilever to be protected against negative movement in the currency.

On margins, we expect pressures to persist due to the stubbornly elevated inflation and higher operating costs.

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