



## Earnings Update: UNILEVER NIGERIA PLC Q2-2021

### Decent Improvement in Revenue but not yet Out of the Woods

19 July 2021

#### THINGS WE LIKE ABOUT THE RESULT

1. Unilever's Revenue grew during the second quarter of the year, posting 40.8% y/y to ₦19.7 billion from the ₦14.0 billion it posted in Q2-2020. The key driver is the Food Product segment which climbed by 34.6% to ₦10.6 billion from ₦7.9 billion in 2020.
2. Operating Profit advanced by 131.5% from the ₦1.9 billion loss in 2020 to ₦587.9 billion in Q2-2021. This was driven by a decline in Impairment Loss on Trade Receivables.
3. Unilever recorded a 173.9% jump in Profit After Tax as profit soared from loss of ₦1.6 billion in Q2-2020 to ₦1.2 billion in Q2-2021.

#### THINGS WE DID NOT LIKE ABOUT THE RESULT

1. Decent improvements in Revenue were recorded in Q2-2021. However, the company is still far from being cost efficient. Cost of Sales increased by 27.0% from ₦11.3 billion to ₦14.3 billion putting the Cost Margin at 72.6%.
2. Despite the decline in Impairment Loss on Trade Receivables, Operating Expenses increased by 20.3% y/y to ₦4.8 billion from ₦4.0 billion in Q2-2020 pressuring operating performance.
3. The increase in Operating Expense reflects broad based increases in Brand & Marketing costs (up by 86.6% y/y), Overheads (up by 9.4% y/y) and Service Fees (up by 72.0% y/y).

Kindly click [here](#) for the full financial statement.

TICKER	UNILEVER
Price (₦) on 16 July 2021	13.05
Shares Outstanding	5,745,005,417
P/E	32.85
Entry Price 1 (₦)	12.85
Entry Price 2 (₦)	11.24
Exit Price 1 (₦)	15.04
Exit Price 2 (₦)	13.67
Expected Return 1 (%)	17.04
Expected Return 2 (%)	21.62
Rating	HOLD

#### REMARKS

Wait for Unilever's price to show signs of moving to the upside before entry as it has been moving withing a range.

#### REBASED YTD PRICE MOVEMENT UNILEVER & NSE ASI



Source: Investing, PSL Research

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