

## **1. Unilever Company Overview**

Unilever PLC is a British multinational consumer goods company headquartered in London, England. Unilever was founded on 2 September 1929, by the merger of the Dutch margarine producer Margarine Unie and the British soap maker Lever Brothers. During the second half of the 20th century, the company increasingly diversified from being a maker of products made of oils and fats and expanded its operations worldwide. It has made numerous corporate acquisitions, including Lipton (1971), Brooke Bond (1984), Chesebrough-Ponds (1987), Best Foods (2000), Ben & Jerry's (2000), Alberto-Culver (2010), Dollar Shave Club (2016) and Pukka Herbs (2017). Unilever divested its specialty chemicals businesses to ICI in 1997. In the 2010s, under the leadership of Paul Polman, the company gradually shifted its focus towards health and beauty brands and away from food brands showing slow growth.

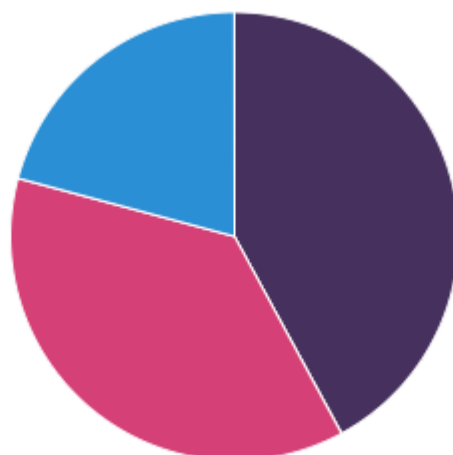
Unilever has a primary listing on the London Stock Exchange and is a constituent of the FTSE 100 Index. Unilever has a secondary listing on Euronext Amsterdam and is a constituent of the AEX index. The company was also a component of the Euro Stoxx 50 stock market index. Unilever also has a listing in the New York Stock Exchange. The completion of the unification of Unilever's Dutch and UK arms under a single London-based entity was announced on 30 November 2020. According to Wikipedia, <https://en.wikipedia.org/wiki/Unilever>

## **2. Sector overview**

Unilever is organized into three main divisions:

The three main division are

Foods and Refreshments; Home Care; and Beauty & Personal Care. These are categorically shown on the pie chat below



● Beauty & Personal Care   ● Foods & Refreshmen   ● Home Care

It has research and development facilities in China, India, the Netherlands, the United Kingdom, and the United States.

Unilever's products are available in around 190 countries. Unilever owns over 400 brands, with a turnover in 2020 of 51 billion euros and thirteen brands with sales of over one billion euros.

### 3. Financial data

Unilever Annual Report and Accounts 2021

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## Consolidated cash flow statement

for the year ended 31 December

	Notes	€ million 2021	€ million 2020	€ million 2019
Net profit		6,621	6,073	6,026
Taxation		1,935	1,923	2,263
Share of net profit of joint ventures/associates and other income/(loss) from non-current investments		(282)	(178)	(176)
Net monetary (gain)/loss arising from hyperinflationary economies		74	(20)	(32)
Net finance costs	5	354	505	627
Operating profit		8,702	8,303	8,708
Depreciation, amortisation and impairment		1,763	2,018	1,982
Changes in working capital:		(47)	680	(9)
Inventories		(458)	(587)	313
Trade and other receivables		(307)	1,125	(445)
Trade payables and other liabilities		718	142	123
Pensions and similar obligations less payments		(183)	(182)	(260)
Provisions less payments		(61)	(53)	7
Elimination of (profits)/losses on disposals		23	60	60
Non-cash charge for share-based compensation		161	108	151
Other adjustments		(53)	(1)	2
Cash flow from operating activities		10,305	10,933	10,641
Income tax paid		(2,333)	(1,875)	(2,532)

<b>Net cash flow from operating activities</b>		<b>7,972</b>	<b>9,058</b>	<b>8,109</b>
Interest received		148	169	146
Purchase of intangible assets		(232)	(158)	(210)
Purchase of property, plant and equipment		(1,108)	(863)	(1,316)
Disposal of property, plant and equipment		101	89	97
Acquisition of businesses and investments in joint ventures and associates		(2,131)	(1,426)	(1,122)
Disposal of businesses, joint ventures and associates		43	39	177
Acquisition of other non-current investments		(142)	(128)	(160)
Disposal of other non-current investments		137	51	55
Dividends from joint ventures, associates and other non-current investments		185	188	164
(Purchase)/sale of financial assets		(247)	558	(68)
<b>Net cash flow (used in)/from investing activities</b>		<b>(3,246)</b>	<b>(1,481)</b>	<b>(2,237)</b>
Dividends paid on ordinary share capital		(4,483)	(4,279)	(4,209)
Interest paid		(488)	(624)	(694)
Net change in short-term borrowings		656	722	337
Additional financial liabilities		4,748	3,117	5,911
Repayment of financial liabilities		(3,550)	(3,577)	(4,912)
Capital element of lease rental payments		(464)	(443)	(435)
Repurchase of shares	24	(3,018)	—	—
Other movements on treasury shares		—	—	(201)
Other financing activities <sup>(a)</sup>		(500)	(720)	(464)
<b>Net cash flow (used in)/from financing activities</b>		<b>(7,099)</b>	<b>(5,804)</b>	<b>(4,667)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,373)</b>	<b>1,773</b>	<b>1,205</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,475</b>	<b>4,116</b>	<b>3,090</b>
Effect of foreign exchange rate changes		285	(414)	(179)
<b>Cash and cash equivalents at the end of the year</b>	17A	<b>3,387</b>	<b>5,475</b>	<b>4,116</b>

#### 4. Opportunities

Unilever must take advantage of growth opportunities in consumer goods markets around the world. The following opportunities are significant in Unilever's external environment:

##### i. Business diversification

Unilever has opportunities to diversify by entering businesses outside the consumer goods industry. Diversification reduces market-based risks and improves business resilience.

##### ii. Product innovation for health

On the other hand, product innovation can increase Unilever's product attractiveness by addressing the needs of increasingly health-conscious consumers.

##### iii. Business enhancement for environmental conservation

Similarly, the company has an opportunity to make its business more sustainable and environmentally friendly to attract and retain environmentally conscious consumers.

##### iv. Market development

In addition, market development can grow Unilever's business by increasing revenues from the sale of its current products in new market segments. For example, the company can market its Lipton products as health drinks for consumers with special diets.

## **5. Risks**

### **i. Customer relationships**

Unilever operates in one of the world's toughest marketplaces, Maintaining strong relationships with our existing customers and building relationships with new customers who have built new technology-enabled business models to serve changing shopper habits are necessary to ensure our brands are well presented to our consumers and available for purchase at all times. The strength of our customer relationships also affects our ability to obtain pricing and competitive trade terms. Failure to maintain strong relationships with customers could negatively impact our terms of business with affected customers and reduce the availability of our products to consumers. The Covid-19 pandemic has driven a rapid increase in online shopping, which means we need to accelerate development of eCommerce capabilities to remain competitive

### **ii. Economic and political instability**

Government actions such as foreign exchange or price controls can impact on the growth and profitability of our local operations. Unilever has more than half of its turnover in emerging markets which can offer greater growth opportunities but also expose Unilever to related economic and political volatility.

### **iii. Legal and regulatory**

Unilever is subject to national and regional laws and regulations in such diverse areas as product safety, product claims, trademarks, copyright, patents, competition, employee health and safety, data privacy, the environment, corporate governance, listing and disclosure, employment and taxes. Failure to comply with laws and regulations could expose Unilever to civil and/or criminal actions leading to damages, fines and criminal sanctions against us and/or our employees with possible consequences for our corporate reputation. Changes to laws and regulations could have a material impact on the cost of doing business.

### **iv. Climate Change**

Climate change could impact our business in various ways. Government action to reduce climate change such as the introduction of a carbon tax, land use regulations or product composition regulations which restrict or ban certain GHG intensive ingredients, could impact our business through higher costs or reduced flexibility of operations. Market risks associated with the energy transition and rising energy prices could disrupt our operations and increase costs. Physical environment risks such as water scarcity could impact our operations or reduce demand for our products that require water during consumer use. Increased frequency of extreme weather events such as high temperatures, hurricanes or floods could cause increased incidence of disruption to our supply chain, manufacturing and distribution network. If we do not take action, climate change could result in increased costs, reduced profit and reduced growth.

**v. Supply chain risk**

Unilever is a global business with global supply chains. But what happens to profit and revenue when those supply chains are disrupted? As Unilever puts it: "Our business depends on securing high quality materials, efficient manufacturing, and the timely distribution of products to our customers. Our supply chain network is exposed to potentially adverse events such as physical disruptions, environmental and industrial accidents or bankruptcy of a key supplier which could impact our ability to deliver orders to our customers."

**vi. Tough competitive rivalry**

Unilever faces tough competition, which is a threat based on the strengths of other firms in the industry. Competitors threaten to reduce the company's market share and corresponding financial performance.

**vii. Product imitation**

Product imitation is also a major threat against Unilever. For example, local firms can develop products highly similar to Unilever's.

**viii. Increasing popularity of retailers' house brands**

Also, retailers impose a threat by selling their own brands. These brands are known as house brands, store brands or generic brands. For example, Costco uses Kirkland

Signature as a house brand, and Walmart has its own house brands that directly compete against Unilever's products.

## 6. Past stock performance and future projection

Unilever's stock was trading at \$52.47 on March 11th, 2020 when COVID-19 (Coronavirus) reached pandemic status according to the World Health Organization (WHO). Since then, UL shares have decreased by 11.2% and is now trading at \$46.60.

### Stock Price Forecast

The 21 analysts offering 12-month price forecasts for Unilever PLC have a median target of 52.74, with a high estimate of 67.66 and a low estimate of 41.91. The median estimate represents a +13.17% increase from the last price of 46.60.



<https://money.cnn.com/quote/forecast/forecast.html?symb=UL>

## 7. Peer Comparison

The main competitors of Unilever include Procter & Gamble (PG), Coca-Cola (KO), PepsiCo (PEP), Philip Morris International (PM), Anheuser-Busch InBev SA/NV (BUD), Diageo (DEO), Estée Lauder Companies (EL), British American Tobacco (BTI), Altria Group (MO), and Coca-Cola FEMSA (KOF). These companies are all part of the "soap, detergents, & cleaning preparations; perfumes, & cosmetics" industry. These companies are all part of the "consumer staples" sector.

In this case Unilever is being compared to PepsiCo. As shown on the table below

Benchmark	Pepsi Co.	Unilever
Type	Public.	Public
Founding year	1965	1929

Area of operation	Food & Beverage beverages distribution processed food	beverages consumer chemistry consumer products & services cosmetics processed food
Countries	200	190
Employees	309000	148044
Valuation	\$233.1 billion	\$136.7 billion
Annual Revenue	\$79.47 billion	\$62.05 billion
Shares Outstanding	\$1.38 billion	\$2.57 billion
PE Ratio	30.92	N/A
Market Capital	234.72 billion	119.59 billion
1 year price performance	20.2%	-16.58%
Current stock price	\$169.76	\$46.6

Source: <https://craft.co/compare?companies=pepsico%2Cunilever>  
<https://www.marketbeat.com/stocks/NYSE/UL/competitors-and-alternatives/>

**Conclusion**

Looking at the history of Unilever, it is clear that there has been improvements in the products and in expansion to other countries. However, there in need to invest more into research and development department to keep up to the pace of changes in the environment and consumer behaviours.