

Unilever PLC

CORE HOLDING*

Recommended since 27.09.23

26.03.2024



Country	GB	Market capitalization (bn)	GBP	99,1	Perf. since reco. (%)
Sector	Food & Beverage	Free float		97,8%	Unilever PLC -1,8
Factset	ULVR-GB	Closing price	GBP	39,58	Sector 9,4
ISIN	GB00B10RZP78	ESG Risk score*	23,6	Medium risk	

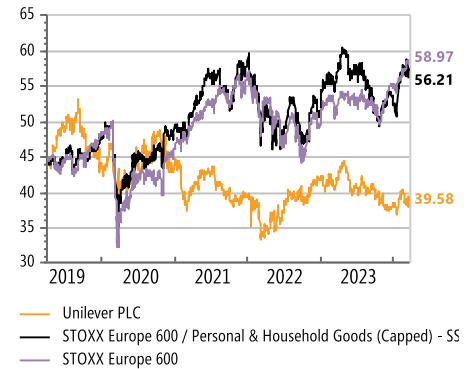
*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Founded in 1930 from the merger of Margarine Unie and soapmaker Lever Brothers, Unilever is the 4th largest global player behind Nestlé, PepsiCo and Mondelez in the food industry (sauces, seasonings, beverages and ice cream) and is increasingly expanding its business in personal care (shampoos, creams, deodorants, dental care) and home care products. The unification of its dual-headed legal structure (NV and PLC) into PLC at the end of 2020 will improve its strategic flexibility and simplify/strengthen its corporate governance.

Market - competition - positions - barriers to entry

Food is a fragmented sector while Home and Personal Care (HPC) products are more consolidated industries. Unilever is the European player most exposed to emerging markets and the USA. Its benchmark market is growing by +3/4% per year. It is a leader in 80% of its business segments, with strong negotiating power over raw material purchases, significant marketing budgets but strong competition in all categories.



Source: Factset

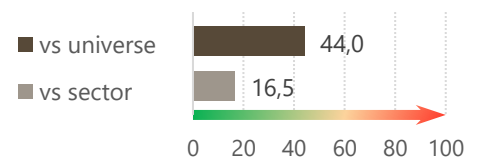
Investment case

- Unilever is interesting because of its strategic shift from Food towards HPC. While in 2000-05 the Group strengthened its position in Food (Maille, Ben & Jerry's, Lesieur, Knorr, Banania), HPC sales have risen from 45% to 63% in the Group's turnover over the last 10 years, driven by stronger growth in this category of products and by acquisitions (Dove, Signal, Lux, Zest, Camay, Monsavon, Nexxus, VO5). The fact is that HPC prospects are attractive (3x higher / more profitable growth).
- After rejecting the Kraft bid in 2017, Unilever reassured on its strategy by selling its Spreads business (a sluggish market) and has combined its Food and Refreshment business units into a single, more focused entity. This repositioning (savings of € 6 bn) enabled it to aim for a better pre-covid margin. The improvement of its profitability (margin +650bp in 5 years) has allowed it to reinvest behind its brands and in innovation. It aims to revitalize growth in Food with organic growth and out-of-home consumption, and to boost profitability in Personal care with premiumization.
- Unilever has posted solid results for H1-2023, with organic sales growth of 5.2% in Q3 and 4.7% in Q4. The management is very confident of achieving organic sales growth of 4-6% in the medium-term, thanks to reasonable pricing and a strong recovery in volumes, particularly in the personal care and beauty categories. The recovery in the ice cream and nutrition categories should be more gradual. Unilever's resilience during the current crisis is remarkable thanks to its diversified risk profile, and its exposure to promising emerging markets such as China, Asia and Brazil strengthens its prospects.
- Unilever is delivering on its reorganization: divestment of margarines and tea, sale of frozen food assets, acquisition of Horlicks, and Ice Cream unit to be spun off by the end of 2025. The company is also streamlining its governance by unifying its legal structure. The organization has moved from a matrix structure to a category-based structure to reinforce accountability and decision-making flexibility. Finally, the change in strategy underway will be supported by the arrival of the new CEO, Hein Schumacher, who will take on the role of overseeing the strategy, as well as a more competitive approach to Food in particular.

ESG - risks and key points

- Unilever has an average risk of suffering significant financial impacts related to ESG factors due to its average exposure and its rigorous management of these issues.
- Implementation of relevant programmes to mitigate risks related to product safety, environmental impacts and human rights issues.
- Unilever is involved in controversies, including human rights issues in the palm oil plantation supply chain.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in GBP

Current price	Value Bordier Scenario
39,6	49

Our scenario assumes European 10-year interest rates of 2.50% and sales growth of 5% in 2025. The year 2023 is impacted by a negative scope effect (-1.7%) and a negative currency effect (-6.1%).

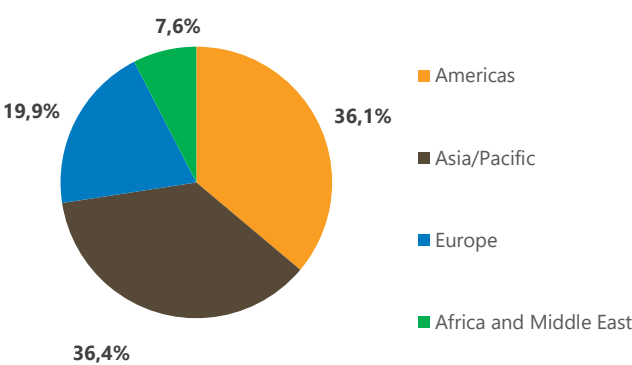
**) The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of EUR	2022	2023	2024e	2025e	2026e
Sales revenue	60 073	59 604	60 975	64 024	66 905
Sales growth %	14,5%	-0,8%	2,3%	5,0%	4,5%
o/w organic	9,3%	7,0%	1,8%	4,5%	4,0%
EBITDA	11 408	11 408	11 919	12 643	13 312
% of sales	19,0%	19,3%	19,5%	19,7%	19,9%
EBIT adjusted	9 683	9 931	10 305	10 948	11 541
% of sales	16,1%	16,7%	16,9%	17,1%	17,3%
Adjusted EPS	2,57	2,60	2,77	2,99	3,18
Adjusted EPS growth	10,7%	1,4%	6,6%	7,9%	6,1%
Capex/Sales	2,3%	2,4%	2,6%	3,0%	3,0%
Free cash-flow	5908	7966	6824	7162	7622
FCF/Sales	9,8%	13,4%	11,2%	11,2%	11,4%
Dividend yield	4,4%	4,3%	4,5%	4,8%	5,1%
ROCE - WACC	10,7%	11,6%	12,1%	13,1%	13,9%
ROE (%)	34,5%	36,4%	34,1%	32,5%	30,7%
Net debt/Ebitda	220,6%	221,2%	194,6%	165,1%	138,0%

Source: Factset, Bordier estimates

Sales breakdown - 12/2023



Ratios

	Unilever PLC	Sector	Stoxx Europe 600 Market
PE (x)***	Personal & Household Goods	STOXX 600	
2023	18,0	23,3	14,5
2024e	16,7	21,9	14,2
2025e	15,4	19,7	12,9
P/B (x)***			
2023	4,7	4,6	2,0
2024e	4,1	4,3	1,9
2025e	3,6	3,9	1,8
Beta (2Y, daily) vs market:			0,52

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since 1 July 2023, Hein Schumacher
Unification of the dual-headed legal structure (NV & PLC) into PLC in 2020.

Key shareholders (if any):

Lindsell Train Ltd 1.5%, Blackrock 1.2%, Vanguard Group 1.1%.

Agenda

Q1-2024 Trading Update : 07.05.2024
Q2-2024 : 06.08.2024

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

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Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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