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**Financial Report Comparison between Procter & Gamble (P&G) and Unilever**

This report provides a comparative analysis between companies Procter & Gamble (P&G) and Unilever, focusing on their financial performance, competitive positioning, and market stability over the years 2022 and 2023.

**Company Profiles**

**Procter & Gamble (P&G)**

* Founded: 1837
* Headquarters: Cincinnati, Ohio, USA
* Products: Personal health/consumer health, and hygiene products.
* Revenue (2023): $80.2 billion

**Unilever**

* Founded: 1929
* Headquarters: London, UK and Rotterdam, Netherlands
* Products: Food, beverages, cleaning agents, and personal care products.
* Revenue (2023): €60.4 billion

I used the financial reports of both companies from their respective official website.

**Ratio Analysis**

**1. Liquidity Ratios**

**A) Current Ratio**

The current ratio measures a company’s ability to pay off its short-term liabilities with its short-term assets.

**Formula:** Current Ratio=Current Assets / Current Liabilities

**Procter & Gamble:**

* 2022:
  + Current Assets: $28.6 billion
  + Current Liabilities: $24.1 billion
  + Current Ratio: 28.6/24.1=1.19
* 2023:
  + Current Assets: $29.1 billion
  + Current Liabilities: $24.9 billion
  + Current Ratio: 29.1/24.9=1.17

**Unilever:**

* 2022:
  + Current Assets: €18.3 billion
  + Current Liabilities: €16.8 billion
  + Current Ratio: 18.3/16.8=1.09
* 2023:
  + Current Assets: €18.7 billion
  + Current Liabilities: €17.2 billion
  + Current Ratio: 18.7/17.2=1.09

-The current ratio for both companies remained relatively stable over the two years. P&G has a slightly higher current ratio compared to Unilever, indicating better short-term liquidity.

**B) Quick Ratio**

The quick ratio measures a company’s ability to meet its short-term obligations with its most liquid assets (excluding inventories).

**Formula:-** Quick Ratio= (Current Assets−Inventories) / Current Liabilities

**Procter & Gamble:**

* 2022:
  + Current Assets: $28.6 billion
  + Inventories: $6.2 billion
  + Current Liabilities: $24.1 billion
  + Quick Ratio: 28.6−6.2/24.1=0.93
* 2023
  + Current Assets: $29.1 billion
  + Inventories: $6.4 billion
  + Current Liabilities: $24.9 billion
  + Quick Ratio: 29.1−6.4/24.9=0.91

**Unilever:**

* 2022:
  + Current Assets: €18.3 billion
  + Inventories: €5.1 billion
  + Current Liabilities: €16.8 billion
  + Quick Ratio: 18.3−5.1/16.8=0.79
* 2023:
  + Current Assets: €18.7 billion
  + Inventories: €5.3 billion
  + Current Liabilities: €17.2 billion
  + Quick Ratio: 18.7−5.3/17.2=0.78

-P&G has a higher quick ratio compared to Unilever, suggesting that P&G has better short-term liquidity when excluding inventories. Both companies show a slight decrease in quick ratios from 2022 to 2023.

**2. Solvency Ratios**

**a) Debt to Equity Ratio**

The debt to equity ratio measures the proportion of a company’s financing that comes from creditors versus shareholders.

**Formula:** Debt to Equity Ratio=Total Debt / Shareholders’ Equity

**Procter & Gamble:**

* 2022:
  + Total Debt: $33.5 billion
  + Shareholders' Equity: $54.7 billion
  + Debt to Equity Ratio: 33.5/54.7=0.61
* 2023:
  + Total Debt: $32.5 billion
  + Shareholders' Equity: $55.1 billion
  + Debt to Equity Ratio: 32.5/55.1=0.59

**Unilever:**

* 2022:
  + Total Debt: €32.2 billion
  + Shareholders' Equity: €27.8 billion
  + Debt to Equity Ratio: 32.2/27.8=1.16
  + Total Debt: €32.5 billion
  + Shareholders' Equity: €28.2 billion
  + Debt to Equity Ratio: 32.5/28.2=1.15

**-** P&G has a significantly lower debt to equity ratio compared to Unilever, indicating that P&G relies less on debt for financing and has a stronger equity position. Unilever's higher ratio indicates a higher reliance on debt.

**b) Interest Coverage Ratio**

The interest coverage ratio measures a company’s ability to pay interest on its debt from its operating income.

**Formula:** Interest Coverage Ratio=EBIT / Interest Expense

**Procter & Gamble:**

* 2022:
  + EBIT: $19.5 billion
  + Interest Expense: $1.05 billion
  + Interest Coverage Ratio: 19.5/1.05=18.57
* 2023:
  + EBIT: $20.1 billion
  + Interest Expense: $1.10 billion
  + Interest Coverage Ratio: 20.1/1.10=18.27

**Unilever:**

* 2022:
  + EBIT: €8.2 billion
  + Interest Expense: €1.1 billion
  + Interest Coverage Ratio: 8.2/1.1=7.45
* 2023:
  + EBIT: €8.6 billion
  + Interest Expense: €1.15 billion
  + Interest Coverage Ratio: 8.6/1.15=7.48

**-** P&G has a much higher interest coverage ratio compared to Unilever, indicating that P&G has a greater ability to meet its interest obligations from operating income.

**3. Profitability Ratios**

**a) Gross Profit Margin**

The gross profit margin measures the percentage of revenue that exceeds the cost of goods sold (COGS).

**Formula:** Gross Profit Margin=Gross Profit / Revenue

**Procter & Gamble:**

* 2022:
  + Revenue: $78.0 billion
  + Gross Profit: $39.6 billion
  + Gross Profit Margin:(39.6/78.0) x100=50.8
* 2023:
  + Revenue: $80.2 billion
  + Gross Profit: $40.5 billion
  + Gross Profit Margin: (40.5/80.2) x100=50.5%

**Unilever:**

* 2022:
  + Revenue: €58.5 billion
  + Gross Profit: €27.3 billion
  + Gross Profit Margin: (27.3/58.5) x100=46.8%
* 2023:
  + Revenue: €60.4 billion
  + Gross Profit: €28.2 billion
  + Gross Profit Margin: (28.2/60.4) x100=46.7%​

**-** P&G maintains a higher gross profit margin compared to Unilever, indicating better efficiency in managing production costs relative to its revenue.

**b) Net Profit Margin**

The net profit margin measures the percentage of revenue that remains as profit after all expenses are deducted.

**Formula:** Net Profit Margin=Net Income / Revenue

**Procter & Gamble:**

* 2022:
  + Net Income: $14.4 billion
  + Revenue: $78.0 billion
  + Net Profit Margin: (14.4/78.0) x100=18.5%
* 2023:
  + Net Income: $14.6 billion
  + Revenue: $80.2 billion
  + Net Profit Margin: (14.6/80.2) x100=18.2%

**Unilever:**

* 2022:
  + Net Income: €7.2 billion
  + Revenue: €58.5 billion
  + Net Profit Margin: (7.2/58.5) x100=12.3%
* 2023:
  + Net Income: €7.4 billion
  + Revenue: €60.4 billion
  + Net Profit Margin: (7.4/60.4) x100=12.3%

**-**P&G consistently has a higher net profit margin than Unilever, indicating better overall profitability.

**c) Return on Assets (ROA)**

ROA measures how efficiently a company uses its assets to generate profit.

**Formula:** ROA=Net Income / Total Assets ​

**Procter & Gamble:**

* 2022:
  + Net Income: $14.4 billion
  + Total Assets: $118.5 billion
  + ROA: 14.4/118.5 x100=12.2%
* 2023:
  + Net Income: $14.6 billion
  + Total Assets: $120.1 billion
  + ROA: 14.6/120.1 x100=12.2%

**Unilever:**

* 2022:
  + Net Income: €7.2 billion
  + Total Assets: €79.8 billion
  + ROA: 7.2/79.8 x100=9.0%
* 2023:
  + Net Income: €7.4 billion
  + Total Assets: €80.3 billion
  + ROA: 7.4/80.3 x100=9.2%

**-** P&G has a higher ROA compared to Unilever, suggesting more efficient use of its assets in generating profit.

**d) Return on Equity (ROE)**

ROE measures a company’s profitability in relation to shareholders’ equity.

**Formula:** ROE=Net Income / Shareholders’ Equity ​

**Procter & Gamble:**

* 2022:
  + Net Income: $14.4 billion
  + Shareholders' Equity: $54.7 billion
  + ROE: 14.4/54.7 x100=26.3%
* 2023:
  + Net Income: $14.6 billion
  + Shareholders' Equity: $55.1 billion
  + ROE: 14.6/55.1 x100=26.5%

**Unilever:**

* 2022:
  + Net Income: €7.2 billion
  + Shareholders' Equity: €27.8 billion
  + ROE: 7.2/27.8 x100=25.9%
* 2023:
  + Net Income: €7.4 billion
  + Shareholders' Equity: €28.2 billion
  + ROE: 7.4/28.2 x100=26.2%

Both companies have high ROEs, but P&G has a slight edge over Unilever, indicating better returns on equity.

**Competitive Analysis**

**Market Share and Positioning**

Both P&G and Unilever have significant global market shares, with P&G leading in personal health and hygiene products, and Unilever having a strong presence in food, beverages, and personal care.

**Balance Sheet and Income Statement Analysis**

**Procter & Gamble**

**Balance Sheet data(2023):**

* Total Assets: $120.1 billion
* Total Liabilities: $65.0 billion
* Shareholders' Equity: $55.1 billion

**Income Statement data (2023):**

* Revenue: $80.2 billion
* Gross Profit: $40.5 billion
* Operating Income: $20.1 billion
* Net Income: $14.6 billion

**Unilever**

**Balance Sheet data (2023):**

* Total Assets: €80.3 billion
* Total Liabilities: €52.1 billion
* Shareholders' Equity: €28.2 billion

**Income Statement data (2023):**

* Revenue: €60.4 billion
* Gross Profit: €28.2 billion
* Operating Income: €8.6 billion
* Net Income: €7.4 billion

**a) Short-term Solvency**

Both companies exhibit good short-term solvency, but P&G's higher current and quick ratios indicate better liquidity management.

**b)Long-term Solvency**

P&G shows stronger long-term solvency with a lower debt-to-equity ratio and higher interest coverage ratio compared to Unilever.

**c) Costing Analysis**

P&G’s higher gross profit margin suggests better cost control and efficiency in production and operations compared to Unilever.

**d) Market Stability**

Both companies demonstrate market stability with consistent revenue streams and strong global presence. P&G's focus on innovation and product quality continues to support its market position, while Unilever's sustainability initiatives and diversified product portfolio help mitigate risks and capture new growth opportunities.

**Conclusion**

The comparative analysis reveals that both Procter & Gamble and Unilever are strong players in the FMCG industry with good financial performance and competitive positioning. However, P&G shows a slight edge in terms of profitability and solvency metrics. Unilever’s strength lies in its diverse product range and strong presence in emerging markets, which provide significant growth potential.