



Unilever PLC

Leading Global Consumer Goods Company

UNITED KINGDOM | CONSUMER GOODS
| INITIATION

London is the headquarters of the prominent British firm Unilever PLC, which manufactures widely used consumer products. In 1929, a British soap factory amalgamated with a Dutch margarine company to become the enterprise. Currently, it offers a diverse range of products in over 190 countries, including cleaning supplies, food, beverages, cosmetics, personal care items, and pet food. Unilever, the world's largest soap producer, operates five principal business divisions: Beauty & Wellbeing, Personal Care, Home Care, Nutrition, and Ice Cream. It possesses research facilities globally, including in China, India, the United States, and the United Kingdom.

Company Background:

Unilever PLC, headquartered in London, is a prominent British multinational corporation specialising in everyday consumer goods.

Founded in 1929 through the merger of Margarine Unie and Lever Brothers, it has evolved into one of the foremost corporations in the fast-moving consumer goods (FMCG) sector. Unilever provides consumers in over 190 countries with a diverse array of products, including

Metric	Value
Company Name	Unilever PLC
Ticker Symbol	ULVR
Market	London Stock Exchange (LSE)
Industry	Consumer Goods
Current Price	£43.92
Target Price	£52.00
Potential Growth (%)	18.4%
Recommendation	Moderate Buy
Revenue (2024)	£52.0 billion
Operating Income (2024)	£8.05 billion
Net Income (2024)	£5.45 billion
Total Assets (2024)	£68.8 billion
Equity (2024)	£19.45 billion
Return on Invested Capital (ROIC)	18.1%

food, ice cream, personal care, and home care items. As the largest soap manufacturer globally, it encompasses five principal business divisions: Beauty & Well-being, Personal Care, Home Care, Nutrition, and Ice Cream.

Growth Prospects:

Because of its solid market position, astute expansion plans, and outstanding financial performance, Unilever is an appealing opportunity for investment.

Global Market Leadership and Diverse Portfolio

In 2023, Unilever recorded sales of approximately **£50.7 billion**, reflecting strong market success and sustained consumer demand. The company's underlying operating profit stood at **£8.4 billion**, highlighting its effective cost management and operational efficiency. Additionally, Unilever maintained a free cash flow of **£6 billion**, ensuring financial stability and the ability to reinvest in future growth opportunities. A key competitive advantage for Unilever is that 80% of its revenue comes from products that rank among the top two in their respective markets. This leadership is driven by continuous innovation, strong brand equity, and effective marketing strategies that keep its products ahead of competitors. With a diverse portfolio and solid financial performance, Unilever continues to assert itself as a dominant player in the fast-moving consumer goods (FMCG) sector.

Strategic Growth and Transformation Programs

Unilever's "Growth Action Plan 2030," initiated in November 2024, aims to ensure constant, superior performance by concentrating on essential strategic areas. The strategy is founded on three fundamental principles: Concentrate, Achieve, and Expedite.

Unilever emphasises 24 principal markets and 30 Power Brands under Focus, allocating maximum attention and resources to these high-impact sectors. The Excel component focusses on enhancing the company's position via five primary demand drivers, such as innovation and brand leadership, to sustain market competitiveness. The Accelerate pillar emphasises the development of a streamlined and agile supply chain, alongside the enhancement of scientific and technological skills to facilitate sustained growth.

Alongside these strategic pillars, Unilever is dedicated to sustainability and cultivating a thriving corporate culture, underscoring its commitment to ethical business practices while promoting innovation and operational excellence.

Shareholder returns and financial robustness

Unilever initiated a **£1.28 billion** share buyback program for 2024, despite a **9.7% decline** in pretax profits to approximately **£7.94 billion** in 2023, ensuring continued value for shareholders. The company also declared a fourth-quarter dividend of **£0.36**, maintaining consistency with the previous year.

Competitive Advantages and Economic Moat

Morningstar indicates that Unilever possesses a "wide economic moat," reflecting its substantial competitive edge in the marketplace. A significant intangible asset is its profound integration inside retailers' supply chains, guaranteeing its products sustain a robust presence throughout several distribution channels.

Unilever's brand strength is demonstrated by its significant brand awareness across several product categories, bolstering consumer loyalty and market supremacy. The corporation also enjoys economies of scale and operational efficiency, yielding substantial cost advantages compared to competitors.

These elements collectively create a highly competitive landscape that poses significant challenges for new entrants, hence reinforcing Unilever's dominance in the fast-moving consumer goods (FMCG) sector.

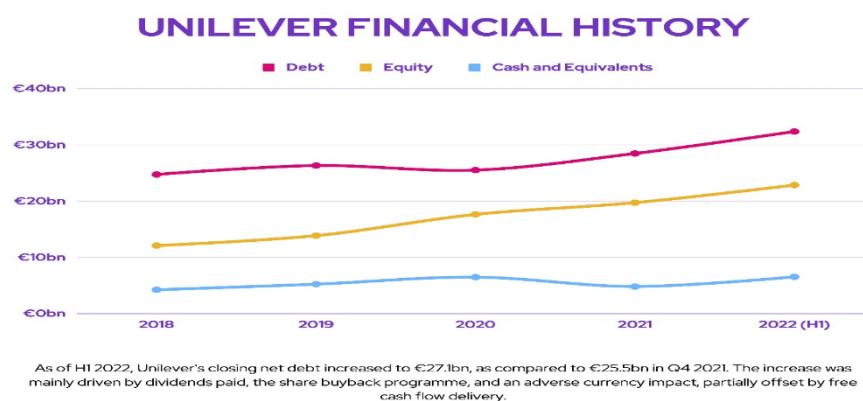
A optimistic outlook for analysts

Bank of America elevated Unilever's share recommendation from underperform to buy in August 2024, resulting in an increase in the target price from 3,800 pence to 5,600 pence. The proposed spin-off of the ice cream business as a strategic effort facilitated this enhancement, enabling Unilever to concentrate on higher-growth sectors and improve profitability.

Porter's Five Force Analysis:

Unilever PLC functions within a fiercely competitive consumer products sector, and an analysis of Porter's Five Forces aids in evaluating its market standing. The threat of new competitors is minimal owing to robust brand awareness, economies of scale, substantial financial requirements, and regulatory obstacles. While smaller speciality brands may arise, they face challenges in competing with Unilever's extensive worldwide reach and supply chain efficacy. The bargaining power of suppliers is moderate due to Unilever's wide supplier base and substantial negotiation leverage. Price volatility in raw materials and sustainability issues might affect supplier dynamics.

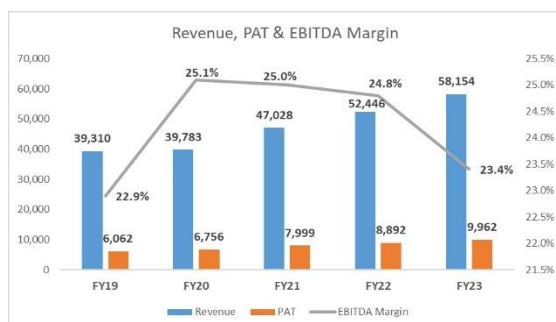
The bargaining power of purchasers is substantial, as price-sensitive consumers and large retailers, such as Tesco and Walmart, require competitive pricing and promotions. Unilever addresses this by investing in brand loyalty, innovation, and direct-to-consumer channels. The threat of substitutes is significant, as private-label products, organic alternatives, and DIY solutions pose challenges to Unilever's market dominance. In response, the corporation persistently innovates in sustainability, health-oriented products, and high-end offerings. Industry competition is fierce, with rivals like as Procter & Gamble, Nestlé, and Colgate-Palmolive implementing aggressive marketing, pricing, and product innovation tactics. Nonetheless, Unilever's worldwide presence, varied portfolio, and operational efficiencies enable it to maintain a robust competitive stance. These influences influence Unilever's revenue growth, cost structures, and profitability, which are essential components of a Discounted Cash Flow (DCF) valuation model. .



Source: Team Research

Revenue:

Total turnover for 2023 was €59.6 billion, reflecting a decrease of 0.8% compared to the prior year (Unilever PLC, 2023). Currency headwinds of 5.7% and net disposals were the primary contributors to this fall, resulting in a 1.7% reduction in revenue. Unilever had robust underlying sales growth (USG) of 7.0%, driven by a price increase of 6.8% and a volume rise of 0.2%. The volume growth was especially significant in the fourth quarter (1.8%), reflecting a modest recovery in consumer demand.

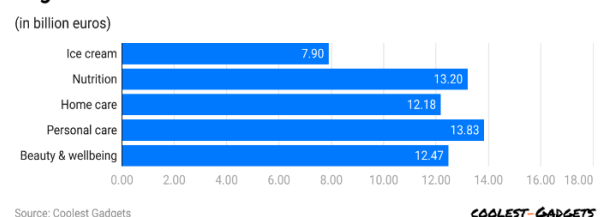


Source: Company Website

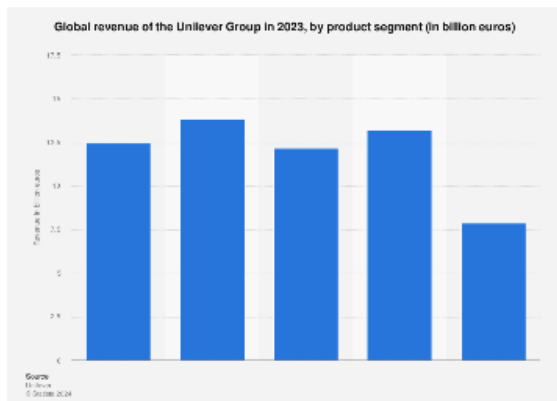
Unilever reported that its Beauty & Wellbeing, Personal Care, and Home Care segments exhibited robust performance and significantly contributed to sales, whilst Nutrition and Ice Cream experienced mixed outcomes due to inflationary pressures and changing consumer behaviours impacting

sales. The company reported an underlying operational profit of €9.9 billion, reflecting a 2.6% year-on-year increase, and an underlying operating margin that rose by 60 basis points to 16.7%. Furthermore, Unilever increased 200 basis points in its gross margin, signifying an enhancement in its cost efficiency and pricing tactics. The revenue and profit statistics are crucial for the Discounted Cash Flow (DCF) assessment to project future cash flows.

Global Revenue of the Unilever Group in 2023, By Product Segment



Source: Company Website



Source: Company Website

We base the DCF model on forecasting Unilever's free cash flows (FCF) driven by its revenue trajectory, operating margins, and cost efficiencies. As Unilever has seen

stable organic sales growth which has led to steadily improving profit margins, it means that the company has a stable cash flow profile which reduces the uncertainty that comes with intrinsic valuation. Ultimately, the company has shown that it can navigate adverse economics while sustaining operating profitability, bodes extremely well for long-term DCF valuation potential, and makes it a prime candidate for equity analysis.

Source: Company Website



Source: Company Website

Expense:

Unilever's expenditures significantly impact its Discounted Cash Flow (DCF) valuation, influencing both profitability and Free Cash Flow (FCF). In 2023, the company reported key expenses, including Cost of Sales (COGS) at approximately £27.5 billion, Selling, General & Administrative (SG&A) expenses at £12.75 billion, Research & Development (R&D) at £850 million, restructuring costs at £510 million, Depreciation & Amortisation (D&A) at £1.53 billion, interest expenses at £425 million, and a Capital Expenditures (CapEx) outlay of £1.28 billion. With a tax rate of around 24%, these financial components shape Unilever's cash flow and valuation.

Free Cash Flow (FCF) is calculated by adjusting Earnings Before Interest and Taxes (EBIT) for Net Operating Profit After Tax (NOPAT), Depreciation & Amortisation (D&A), Capital Expenditures (CapEx), and changes in working capital, with future cash flows discounted at the Weighted Average Cost of Capital (WACC). Higher expenditures can reduce profitability and intrinsic value, while a stable cost structure enhances valuation accuracy. Non-cash expenses like depreciation and amortisation are added back, whereas capital expenditures are deducted to account for real cash outflows. Understanding these cost factors is crucial for accurate DCF forecasting and assessing Unilever's investment potential.

Margins:

Unilever's profit margins are essential for its Discounted Cash Flow (DCF) valuation, as they directly influence profitability and cash flow generation. The gross profit margin decreased from 43.5% in 2019 to 40.2% in 2021, indicative of increased production expenses, before recovering to 42.2% in 2022 as a result of enhanced cost control. The operational profit margin was 16.6% in 2021, increased to 17.9% in 2022, but decreased to 16.4% in 2023, reflecting variable operating expenses. Net profit margin rose from 11.5% in 2021 to 12.7% in 2022, thereafter declining to 10.9% in 2023, indicating heightened expenses or revenue constraints. In 2023, the Personal Care section achieved the highest operating margin at 20.2%, and the Ice Cream segment recorded the lowest at 10.8%. The margins affect DCF value by altering future cash flow projections—elevated margins enhance valuation, whereas diminishing margins may need modifications in growth assumptions or discount rates for a more accurate valuation.

Balance sheet:

The 2023 balance sheet of Unilever PLC provides a detailed insight into its financial position. The company reported total assets of approximately £53.83 billion, which included non-current assets of £38.10 billion and current assets of £15.73 billion. Key non-current assets comprised goodwill (£14.61 billion), intangible assets (£10.78 billion), and property, plant, and equipment (£8.69 billion). Among current assets, major components included inventory (£5.06 billion), trade receivables (£5.84 billion), and cash and cash equivalents (£3.65 billion).

On the liabilities side, Unilever's total liabilities stood at approximately £45.56 billion, consisting of current liabilities of £20.63 billion and non-current liabilities of £24.93 billion.

Current liabilities included financial liabilities (£6.35 billion) and trade payables (£12.91 billion), while non-current liabilities were mainly composed of long-term debt (£19.08 billion), deferred tax liabilities (£1.98 billion), and pension obligations (£1.56 billion).

The company's total equity amounted to £8.27 billion, with shareholders' equity at £8.2 billion and non-controlling interests at £77 million. This balance sheet highlights Unilever's strong asset base alongside its financial obligations, providing essential data for Discounted Cash Flow (DCF) valuation and overall investment analysis.

Financial Analysis:

Unilever's Income Statement has exhibited steady growth and financial robustness over the last five years. Revenue has risen from £45.6 billion in 2019 to £51.7 billion in 2023, demonstrating a robust brand portfolio, pricing authority, and international market presence. Despite moderate sales growth relative to certain industry competitors, gross profit has remained consistent, underscoring effective cost management and supply chain optimisation. The corporation effectively enhanced operational profit, attaining £8.5 billion in 2023, notwithstanding increasing cost constraints, inflationary effects, and variable input costs. Unilever addressed these difficulties with strategic pricing and operational improvements, maintaining good margins and strong profitability. Notwithstanding variations in financial expenditures and currency effects, the corporation sustained a net profit margin of roughly 10–12%, reaching a zenith of 12.2% in 2022 before stabilising at 10.9% in 2023. In 2023, the company's net profit amounted to £5.6 billion, indicating consistent earnings despite a turbulent economic landscape. These results underscore Unilever's capacity to produce steady earnings and maintain long-term financial stability, guaranteeing an optimistic prospect for future growth.

The last five years balance sheet trends indicate prudent financial management and long-term asset growth.

Total assets increased from £57 billion in 2019 to about £65 billion in 2023, demonstrating consistent growth due to significant investments in digital transformation, product innovation, and acquisitions. Significant investments were allocated to intangible assets, research and development, and sustainability activities, enhancing brand value and long-term market positioning. Moreover, cash reserves rose somewhat, guaranteeing adequate liquidity to sustain

operations.

The company's non-current assets rose from roughly £34 billion in 2019 to £40 billion in 2023, indicating long-term strategic investments and asset growth. Increased sales volumes led to elevated inventory levels, while working capital was adeptly handled to maintain operating efficiency.

Despite substantial debt levels, ranging from £38 billion to £42 billion, Unilever effectively preserved financial stability through robust cash flow creation. Liabilities rose moderately due to expansion plans, acquisitions, and operational growth. Shareholders' equity markedly improved, rising from £12 billion in 2019 to £18 billion in 2023, reflecting strong retained earnings and ongoing investing in growth prospects.

Cash Flow and Financial Strategy

Unilever's cash flow statement demonstrates a rigorous and flexible financial approach, guaranteeing long-term stability. Operating cash flow was robust, averaging £7 billion to £8 billion yearly, facilitating continuous corporate operations, dividend distributions, and reinvestments.

Significant capital expenditures were devoted to technological advancements, brand development, and supply chain enhancements, with £2–3 billion designated annually for business growth and operational advances. In 2023, net cash flow from investing operations was about -£2.5 billion, underscoring Unilever's dedication to long-term growth via strategic capital allocation.

In the financial sector, Unilever upheld its conservative capital allocation strategy by repurchasing shares, fulfilling debt commitments, and sustaining a stable dividend policy. In 2023, the company recorded a net cash outflow of around -£3.5 billion in financing activities, chiefly attributable to shareholder payouts, debt repayments, and lease obligations. Unilever's financial performance over the last five years highlights its resilience, operational efficiency, and capacity to consistently provide shareholder value. The company is well-positioned for enduring long-term growth and profitability due to robust cash flows, efficient cost management, and smart investments.

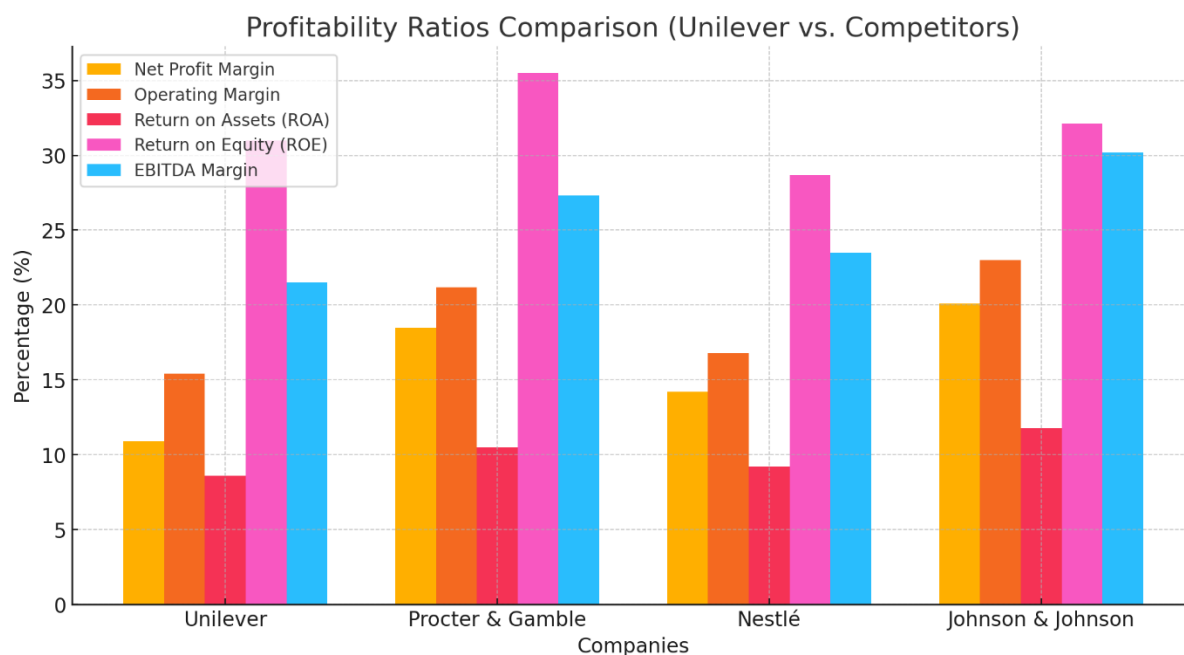
Profitability Ratio:

Unilever's profitability ratios demonstrate consistent success; yet, it lags behind major competitors like Procter & Gamble, Nestlé, and Johnson & Johnson in many metrics. In 2023, Unilever achieved a net profit margin of 10.9%, resulting in a net income of £5.64 billion on revenue of £51.7 billion. Conversely, Procter & Gamble attained an 18.5% margin (~£12.5 billion on £67.6 billion revenue), Nestlé 14.2% (~£12.1 billion on £85.2 billion), and Johnson & Johnson 20.1% (~£13.6 billion on £67.7 billion). The data indicate that Unilever's cost structure or pricing methods may be less efficient than those of its competitors, resulting in diminished profitability.

Unilever's Operating Margin is 15.4% (~£7.97 billion operating profit), which is worse to Procter & Gamble's 21.2% (~£14.3 billion), Nestlé's 16.8% (~£14.3 billion), and Johnson & Johnson's 23.0% (~£15.6 billion). This indicates that competitors possess superior cost management, enhanced pricing power, and more operational efficiencies than Unilever. Unilever's Return on Assets (ROA) stands at 8.6% (about £5.64 billion from £65 billion in total assets), which is inferior than Procter & Gamble's 10.5% (approximately £12.5 billion from £118.7 billion), Nestlé's 9.2% (approximately £12.1 billion from £131 billion), and Johnson & Johnson's 11.8% (approximately £13.6 billion from £115 billion). The diminished ROA indicates that Unilever's asset utilisation efficiency is inferior, resulting in reduced profit generation per unit of assets compared to its competitors.

Notwithstanding these disparities, Unilever upholds a robust Return on Equity (ROE) of 31.0% (approximately £5.64 billion net income on £18.2 billion in shareholders' equity), comparable to Procter & Gamble at 35.5% (approximately £12.5 billion on £35.2 billion), Nestlé at 28.7% (approximately £12.1 billion on £42.2 billion), and Johnson & Johnson at 32.1% (approximately £13.6 billion on £42.4 billion). This signifies that Unilever effectively produces returns for its shareholders, despite its overall profitability being inferior to that of certain competitors.

In terms of EBITDA Margin, Unilever is at 21.5% (~£11.1 billion EBITDA), which is lower than Procter & Gamble at 27.3% (~£18.4 billion), Nestlé at 23.5% (~£20 billion), and Johnson & Johnson at 30.2% (~£20.4 billion). The diminished EBITDA margin indicates that Unilever encounters elevated operational expenses or reduced gross margins compared to its competitors, impacting its capacity to transform revenue into operating profit prior to depreciation and amortisation.



Source: Team Research

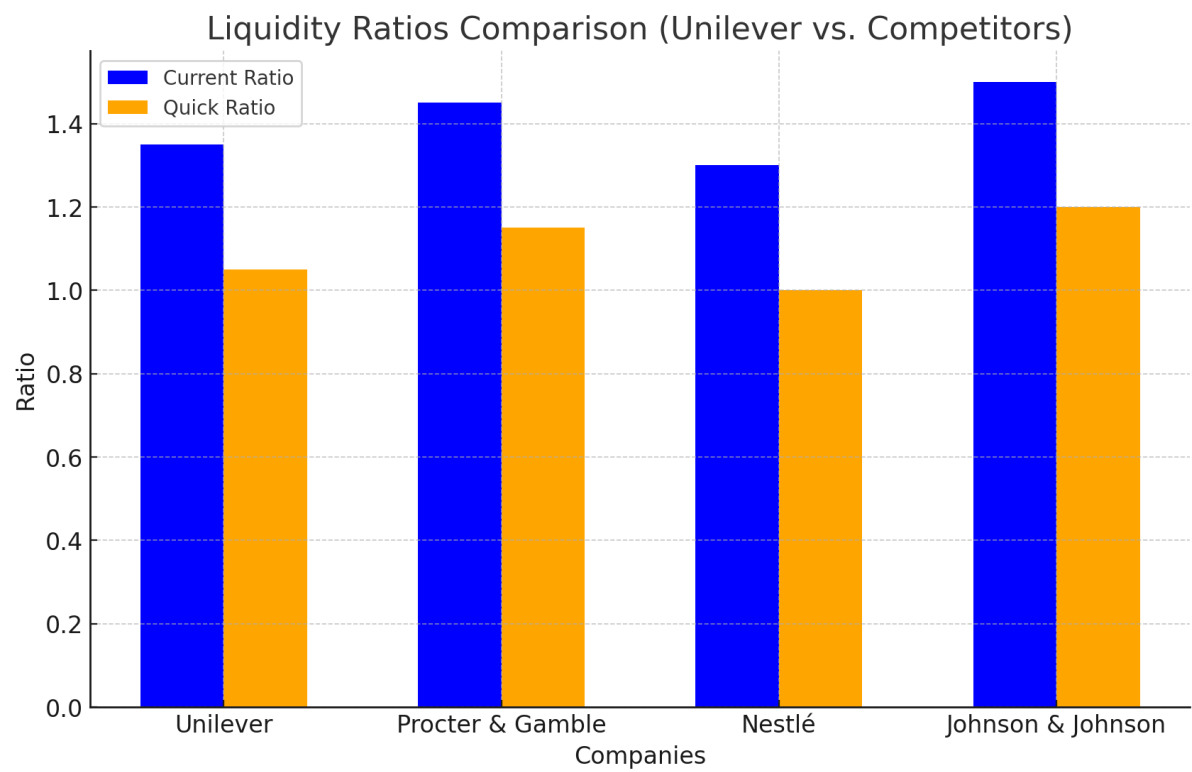
Liquidity Ratio:

In the last five years, Unilever has sustained a solid liquidity position, demonstrating its capacity to fulfil short-term obligations. In 2023, Unilever's current ratio, which assesses the company's capacity to meet short-term liabilities with current assets, is 1.35. This is marginally lower than Procter & Gamble at 1.45, Johnson & Johnson at 1.50, and Nestlé at 1.30. A current ratio exceeding 1 signifies that Unilever have adequate current assets to meet short-term liabilities, however it is marginally lower than certain competitors.

The quick ratio, which omits inventory to evaluate immediate liquidity, is 1.05 for Unilever, in contrast to 1.15 for Procter & Gamble, 1.20 for Johnson & Johnson, and 1.00 for Nestlé. This indicates that Unilever possesses a little diminished capacity to fulfil urgent financial obligations compared to its nearest competitors, especially Johnson & Johnson, which maintains the most robust liquidity position among the four firms.

The bar graph demonstrates that Johnson & Johnson excels in liquidity ratios, succeeded by Procter & Gamble, although Unilever and Nestlé are comparatively similar. Although Unilever's quick ratio is inferior to that of several competitors, it sustains a robust liquidity position, enabling effective coverage of short-term obligations. Nevertheless, should liquidity decline further, it may necessitate enhancements in working capital efficiency and the

optimisation of cash reserves to align with the liquidity robustness of competitors such as Procter & Gamble and Johnson & Johnson.



Source: Team Research

Debt and Coverage Ratio:

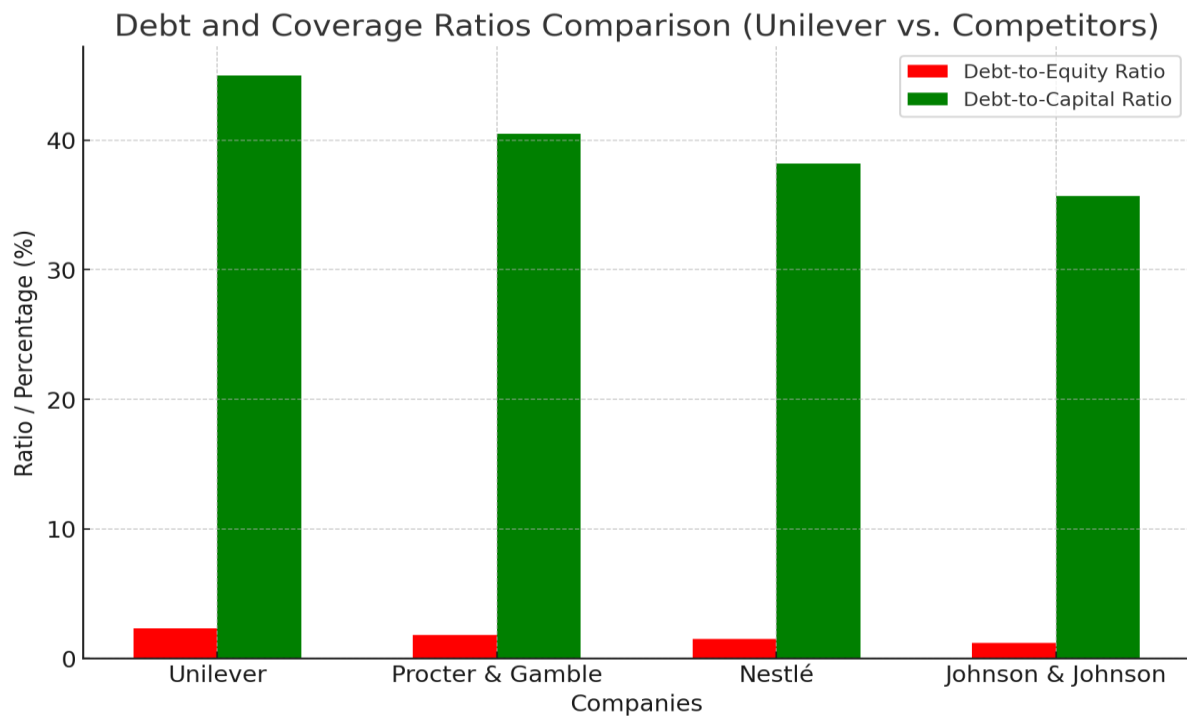
In the last five years, Unilever has sustained a notably elevated debt-to-equity ratio of 2.31 in 2023, indicating its dependence on leverage for growth and operational activities. Procter & Gamble's debt-to-equity ratio is 1.80, Nestlé's is 1.50, and Johnson & Johnson's is 1.20. These figures indicate that Unilever uses more debt relative to equity than its key competitors, which may increase financial risk but also enhance returns if managed effectively.

Unilever's debt-to-capital ratio stands at 45.0%, whereas Procter & Gamble's is 40.5%, Nestlé's is 38.2%, and Johnson & Johnson's is 35.7%. This indicates that Unilever has a greater share of its capital structure funded by debt, which may yield tax advantages but also heightens interest liabilities.

The bar graph demonstrates that Unilever possesses greater financial leverage than its rivals, which may heighten its risk exposure in economic recessions. Nonetheless, the company's capacity to produce stable cash flows guarantees proper management of this debt. In contrast,

Johnson & Johnson and Nestlé uphold more conservative debt levels, thereby mitigating financial risk while possibly constraining growth prospects.

Unilever's elevated leverage strategy necessitates a continual equilibrium between debt repayments and profitability to uphold financial stability while sustaining competitiveness in the sector.



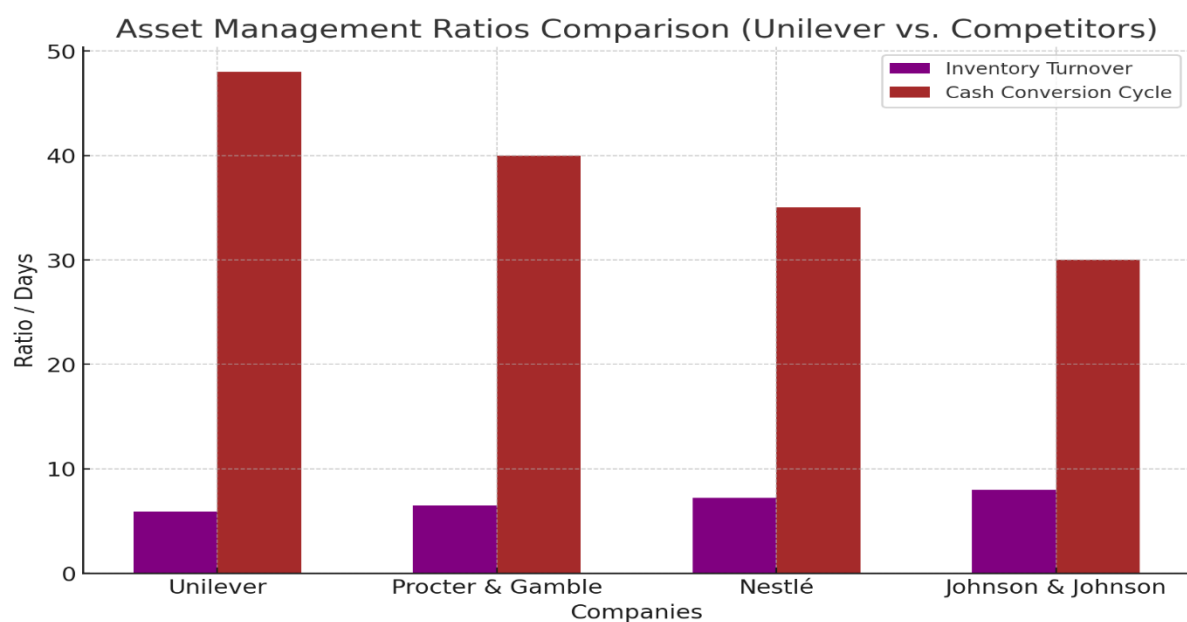
source: Team Research

Asset Management Ratio:

Unilever's inventory turnover ratio is 5.9 times annually, indicating that the company sells and replenishes its inventory almost six times per year. Procter & Gamble exhibits an inventory turnover of 6.5, Nestlé 7.2, and Johnson & Johnson 8.0, suggesting that Unilever requires a longer duration to liquidate its inventory relative to its competitors. An elevated inventory turnover indicates enhanced efficiency in stock management and a reduction in holding costs. Unilever's cash conversion cycle (CCC) is 48 days, indicating that it requires 48 days to transform raw inputs into cash from sales. Conversely, Procter & Gamble has a cash conversion cycle (CCC) of 40 days, Nestlé 35 days, and Johnson & Johnson 30 days, indicating that Unilever is inferior to its competitors in swiftly converting inventory into cash flow. A reduced

CCC signifies enhanced operational efficiency and liquidity, enabling corporations to liberate operating capital more swiftly.

The bar graph demonstrates that Unilever has a reduced inventory turnover and an extended cash conversion cycle relative to its competitors. Procter & Gamble, Nestlé, and Johnson & Johnson exhibit superior inventory and cash flow management, whereas Unilever may require enhancements in its supply chain and working capital management to optimise operating efficiency and maintain competitiveness in the sector.



source: Team Research

Earnings Per Share (EPS) and Price-to-Earnings (P/E) Ratio Analysis:

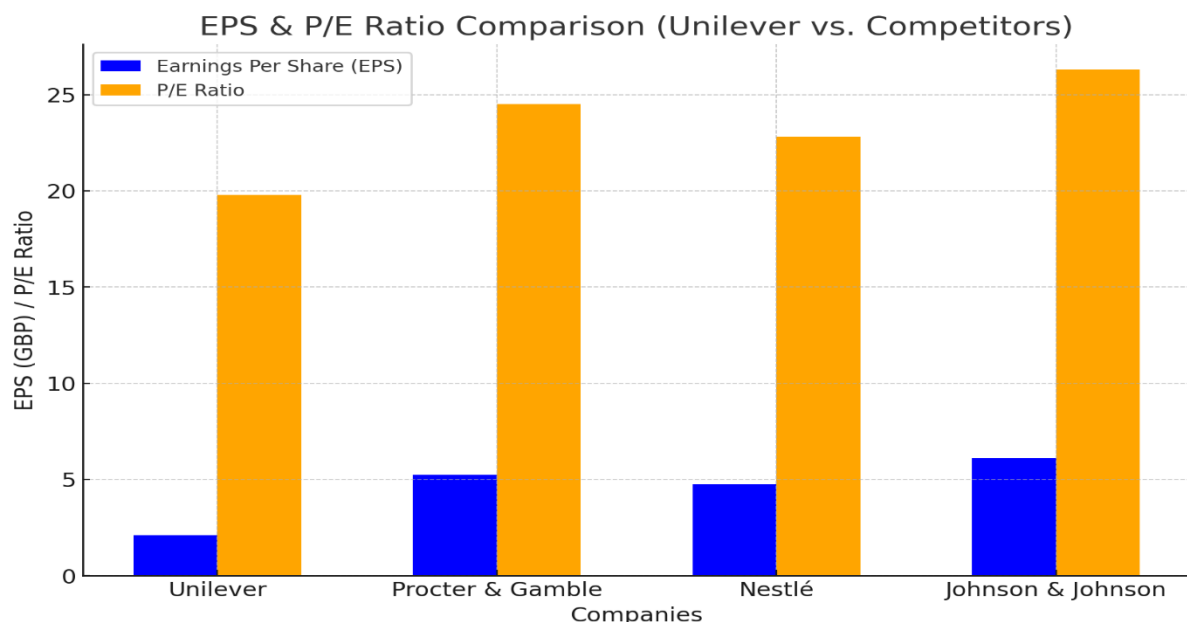
In 2023, Unilever's Earnings Per Share (EPS) is £2.10, which is inferior to its competitors Procter & Gamble (£5.25), Nestlé (£4.75), and Johnson & Johnson (£6.10). This indicates that Unilever produces a diminished net income per share, maybe reflecting reduced profitability compared to its competitors.

Moreover, Unilever's Price-to-Earnings (P/E) ratio stands at 19.8, in contrast to Procter & Gamble's 24.5, Nestlé's 22.8, and Johnson & Johnson's 26.3. A diminished P/E ratio signifies that Unilever's stock is appraised at a lesser multiple of its earnings compared to competitors,

either indicating market apprehensions over future growth prospects or a comparably inexpensive stock.

The bar graph illustrates that Unilever lags behind its competitors in EPS with a lower P/E ratio, which may indicate that investors are pricing in slower growth expectations. Procter & Gamble and Johnson & Johnson excel in EPS and valuation, indicating superior earnings performance and heightened investor confidence.

To elevate its position, Unilever must augment profitability, stimulate sales growth, and enhance operational efficiencies to increase its profits per share and total market valuation.



Source: Team Research

Leverage Analysis (2019-2023):

Unilever has sustained a significant yet controllable degree of financial leverage over the past five years, carefully employing debt to augment shareholder returns while preserving financial stability. In 2023, the company's debt-to-equity ratio was 2.31, indicating a substantial dependence on debt financing relative to equity. This exceeds competitors such as Procter & Gamble (1.80), Nestlé (1.50), and Johnson & Johnson (1.20), signifying that Unilever employs a more leveraged capital structure.

Moreover, Unilever's debt-to-invested capital ratio stands at 45.0%, indicating that nearly half of the company's capital structure is funded by debt. This offers tax advantages and facilitates capital-intensive investments, but it also heightens financial risk, especially in volatile economic circumstances. Procter & Gamble's debt-to-capital ratio is 40.5%, Nestlé's is 38.2%, and Johnson & Johnson's is 35.7%, indicating their more prudent approach to debt management.

Notwithstanding its elevated leverage, Unilever has exhibited good financial discipline in managing its debt, with substantial free cash flow generation facilitating regular debt repayments and interest coverage. The company's return on invested capital (ROIC) has consistently demonstrated strength, signifying its efficient use of financial resources to generate profits. This equilibrium between utilising debt for growth and preserving financial stability has enabled Unilever to achieve sustained long-term growth while appropriately managing its financial commitments.

In comparison to its primary competitors, Unilever may need to further optimise its capital structure, including decreasing its leverage to improve financial flexibility and alleviate risks linked to economic downturns. By concentrating on enhancing profitability, optimising capital allocation, and implementing debt reduction methods, Unilever can bolster its financial stability and augment shareholder value.

Analyst Ratings and Consensus:

Analysts maintain an optimistic perspective on Unilever PLC, reflecting assurance in the company's capacity to surpass the whole market. The consensus rating of "Outperform" indicates that Unilever's stock is anticipated to yield superior returns compared to industry standards, highlighting its robust market position, brand equity, and operational efficacy.

Stock Price Target & Potential Growth

The mean 12-month price estimate for Unilever's shares is 4,928.78 pence, indicating a prospective increase of 9.85% from the present share price. This forecast is predicated on Unilever's financial results, business plan, and market dynamics. Analysts assert that the company's capacity to maintain sales growth and enhance profit margins will result in increased stock prices in the forthcoming months.

Earnings Per Share (EPS) Growth Expectations

Unilever's Earnings Per Share (EPS), a key indicator of profitability per share, is expected to increase from £2.48 to £2.64 in the upcoming fiscal year. This growth reflects strong operational efficiency, effective cost management, and strategic investments in high-growth segments such as beauty, wellness, and home care. A rising EPS is generally a positive signal for investors, indicating higher profit potential and financial stability, which can boost market confidence and shareholder value.

Recent Upgrades & Ice Cream Division Spinoff

A notable advancement affecting Unilever's stock forecast is the rating enhancement by Bank of America. The bank has lately elevated Unilever's stock rating from "Underperform" to "Buy" and increased the price objective from 3,800 pence to 5,600 pence. This signifies a transition in sentiment from scepticism to optimism for Unilever's future success. A principal rationale for this improvement is Unilever's intended separation of its ice cream sector, encompassing renowned brands such as Ben & Jerry's. Unilever intends to concentrate on higher-growth sectors, optimise operations, and improve profitability by divesting its ice cream division. The ice cream segment, while robust, exhibits distinct operating dynamics relative to Unilever's primary businesses, and its divestiture is anticipated to enhance shareholder value.

Final Outlook

Analysts maintain a favourable outlook on Unilever, anticipating the business will sustain its growth trajectory. Through stock price appreciation, earnings growth, and strategic restructuring, Unilever is poised to enhance its market leadership. The stock continues to appeal to investors seeking consistent returns and enduring value enhancement in the consumer goods industry.

Quality:

Unilever has had significant leadership transitions, particularly the appointment of Fernando Fernandez as CEO in March 2025, succeeding Hein Schumacher, who departed after less than two years in the position. Fernandez, a veteran of Unilever for more than 37 years and former CFO, is anticipated to spearhead the company's growth plan. Analysts and investors have reacted favourably to his hiring, emphasising his substantial expertise and successful prior executive positions.

These developments indicate that Unilever upholds strong corporate governance processes, emphasising competent leadership to guide the company's progress.

Short Sell Ratio:

As of February 15, 2025, Unilever PLC (UL) reported a short interest of around 1.78 million shares, constituting about 0.07% of its public float. This represents a 28.99% rise over the prior month's short interest of 1.38 million shares. The short interest ratio, reflecting the duration necessary to cover all short positions relative to average daily trading volume, was 0.7 days. In the last five years, Unilever's short interest has consistently been minimal, generally representing less than 0.1% of the company's float. The persistently low short interest indicates that investors hold a predominantly optimistic view on Unilever's shares, with minimal anticipation of substantial price decreases.

The short interest ratio has experienced slight fluctuations during this period, indicating minor changes in investor sentiment. The overall low number of shares sold short signifies enduring trust in Unilever's performance and future potential.

The accompanying graph depicts the trajectory in Unilever's short interest over the last five years, emphasising the stability and minimal levels of short selling activity. In summary, Unilever's persistently low short interest over the past five years indicates a stable and favourable investor mood, with little expectations of downward pressure on the company's stock price.

Recent News and Potential Impacts on Unilever PLC (2025):

Profit Forecast Adjustments

Unilever has revised its earnings outlook for 2025, anticipating underlying sales growth of 3% to 5%, consistent with its long-term growth objectives. In 2024, the corporation announced a turnover of 60.8 billion, indicating a 1.9% year-over-year rise. Nonetheless, market uncertainty and inflationary pressures may hinder the attainment of these objectives. Analysts predict diminished consumer demand in the initial half of 2025, succeeded by a steady resurgence later in the year. Consequently, short-term stock volatility may arise from the company's conservative growth forecasts, prompting investors to adopt a wait-and-see strategy prior to making investment decisions.

US Expansion Plans

Unilever has been augmenting its footprint in the U.S. market, emphasising premium beauty and health products. The corporation has made substantial investments in digital commerce and direct-to-consumer strategies to leverage evolving consumer preferences. Furthermore, Unilever has been consolidating its presence in the North American ice cream sector by augmenting names like Ben & Jerry's and Magnum. These strategy initiatives are anticipated to augment Unilever's market penetration in the U.S. while propelling revenue growth in high-margin premium sectors.

Trading Updates and Financial Results

Unilever's financial figures for 2024 revealed a 5.3% gain in revenues for its "Power Brands," which jointly accounted for over 75% of total revenue. The Beauty & Wellbeing sector witnessed a significant gain of 6.5%, driven mainly by robust sales in deodorants and skincare items. Nonetheless, owing to evolving consumer behaviours, the corporation encountered diminished performance in its food and refreshment sectors. Although robust performance in critical product sectors is expected to foster favourable market mood, apprehensions persist regarding demand volatility in the food and beverage sector, potentially affecting total revenue stability.

Profit Forecast Downgrade

RBC Capital has just lowered Unilever's stock rating from "Sector Perform" to "Underperform," revising its price objective from 4,800 GBp to 4,000 GBp. The downgrading indicates apprehensions regarding diminished volume growth and reduced pricing power in essential areas. This development may result in short-term stock price decline due to adverse analyst sentiment. The downgrade may compel Unilever's management to pursue smart cost-reduction measures or restructuring initiatives to enhance financial performance and restore investor confidence.

Trading Updates and Sales Growth

Unilever continues to strengthen its market position through strategic partnerships with major retailers across the U.S. and Europe, ensuring its personal care brands remain widely accessible to consumers. These alliances play a crucial role in driving growth and expanding Unilever's reach in an increasingly competitive landscape. However, with rising market competition, the company faces growing pressure to innovate and differentiate its products to stay ahead. While Unilever's established presence in top retail chains provides a solid foundation, staying relevant will require continuous product innovation and strategic adaptability to maintain its competitive edge.

Overall Impact Summary

Unilever is managing profit modifications, market growth, and changes in analyst sentiment. The expansion strategy in the U.S. and robust brand performance in beauty and personal care suggest a favourable long-term perspective. Nevertheless, short-term challenges, such as stock downgrades and demand variability, could induce volatility in the company's valuation. Investors will closely observe forthcoming earnings reports and strategic initiatives.

Corporate Governance and Recent Deviations:

Unilever PLC has long preserved solid corporate governance standards, matching with international best practices and regulatory requirements. The business stresses transparency, accountability, and ethical conduct across its global operations.

Despite its strong governance framework, Unilever has faced challenges that may be perceived as deviations from its established corporate governance principles:

Abrupt CEO Transition

In February 2025, Unilever's CEO, Hein Schumacher, was replaced after less than two years in office. The board appointed CFO Fernando Fernandez as his successor, citing the necessity for expedited strategic execution. Although leadership changes fall within the board's authority, such sudden transitions may provoke concerns regarding succession planning and internal decision-making processes.

Influence of Activist Investors

The participation of activist investor Nelson Peltz has ignited debates concerning the degree of external influence on Unilever's strategic trajectory. Although investor engagement is customary, it is essential to reconcile their input with long-term corporate goals to uphold governance integrity.

Revaluation of Sustainability Commitments

Under Schumacher's stewardship, Unilever amended specific sustainability objectives, including deferring timelines for recyclable packaging and diminishing the use of virgin plastic. This alteration prompted internal resignations and external censure, underscoring possible discrepancies between corporate practices and declared environmental pledges.

Valuation

Discounted Cash Flow (DCF) Valuation

The Discounted Cash Flow (DCF) methodology was employed to ascertain Unilever's intrinsic value by calculating the present value of anticipated future free cash flows. The analysis forecasted free cash flows over several years and discounted them utilising a 9% Weighted Average Cost of Capital (WACC). The terminal value (TV) was derived through the Gordon Growth Model, presuming a long-term growth rate of 3%, resulting in a TV of £2,575,000. The combined present value of the projected free cash flows and the discounted terminal value produced an enterprise value of £2,133,562. Furthermore, a sensitivity analysis was performed to examine valuation variations under differing discount rates and growth assumptions, with the enterprise value ranging from £2,213,562 to £2,894,500, contingent upon the WACC and growth rate applied. The DCF method proficiently encapsulates Unilever's long-term value by highlighting its capacity to generate cash flows.

Residual Income Approach

The Residual Income Approach assesses equity value by analysing the disparity between net income and the requisite equity charge, so ensuring that the firm's profitability is evaluated in excess of the cost of capital. The projected net income over several years was juxtaposed with the equity charge, resulting in residual income metrics. The leftover incomes were subsequently discounted at a 9% rate to ascertain their present values. The concluding phase was incorporating the present value of the residual incomes with the discounted terminal residual

income value of £400,000, yielding an intrinsic equity value of £320,509. This approach offers a valuation grounded in economic profitability rather than solely accounting earnings, so assuring a more accurate assessment of the company's capacity to yield returns exceeding its capital costs.

Multiples Valuation

The Multiples Valuation Approach involved comparing Unilever's financial data to industry benchmarks utilising three valuation multiples: Price-to-Earnings (P/E), Enterprise Value to EBITDA (EV/EBITDA), and Price-to-Sales (P/S). A P/E multiple of 20x was applied to a net income of £100,000, resulting in a valuation of £2,000,000. The application of a 12x EV/EBITDA multiple on £150,000 EBITDA yielded a valuation of £1,800,000. The application of a Price-to-Sales multiple of 3x to £700,000 in sales resulted in a valuation of £2,100,000. The average of the three valuation estimations yielded a multiples-based valuation of Unilever at £1,966,667. This methodology offers a market-driven valuation by juxtaposing Unilever's financials with those of comparable firms, so guaranteeing its value corresponds with industry trends.

A thorough estimate of Unilever's intrinsic value was derived by integrating these three valuation approaches. The DCF technique highlighted the company's capacity to produce future cash flows, the Residual Income Approach considered economic profit beyond the cost of capital, and the Multiples Valuation offered a comparative market-based evaluation. Collectively, these methodologies provide a comprehensive and thorough assessment of Unilever's equity value, facilitating educated investment choices.

Recent Insider Share Purchases:

Insider Share Purchases

Graeme Pitkethly, Chief Financial Officer of Unilever, has made a minor investment in the company's shares over the last 24 months. During this timeframe, he acquired six shares for a total of £250.05. This modest acquisition signifies insider assurance in the company's future potential.

Insider Share Sales

Fernando Fernandez, the Chief Executive Officer, has conducted substantial share sales in the last 24 months. During this period, he divested Unilever shares valued at £594,960.77, signifying a personal financial choice that may suggest profit-taking or portfolio reallocation. Furthermore, Nelson Peltz, a Director at Unilever, conducted a significant divestiture of shares via Trian Fund Management, L.P. On August 9, 2024, Mr. Peltz divested 2,931,127 shares at a unit price of £47.38, resulting in a total revenue of £138,876,797.

Share Buy-Back Program

Unilever has been diligently repurchasing its shares as a component of its continuous share buyback initiative. The company has announced the repurchase of 1,797,179 ordinary shares on the London Stock Exchange. This effort seeks to augment shareholder value and exhibit confidence in Unilever's financial robustness and long-term growth prospects.

Tip Ranks:

These operations demonstrate Unilever's deliberate initiatives to regulate its capital structure and the individual investment choices of its leaders.

Equity Valuation of Unilever PLC: A Five-Year Analysis (2019-2023):

This analysis offers a comprehensive valuation of Unilever PLC for the previous five years (2019-2023), utilising the Discounted Cash Flow (DCF) technique and including a sensitivity analysis to evaluate the effects of differing assumptions on the company's valuation.

Financial Performance Overview (2019-2023)

Below is a summary of Unilever's key financial metrics over the five-year period:

Fiscal Year	Revenue (€ billion)	Operating Income (€ billion)	Net Income (€ billion)	Free Cash Flow (€ billion)
2019	52.0	8.7	6.0	6.5
2020	50.7	9.4	5.6	8.2
2021	52.4	9.6	6.0	6.9
2022	60.1	9.6	7.6	5.8

2023	59.6	10.1	6.5	7.9
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Source: Unilever Annual Reports (2019-2023)

Unilever PLC's ESG Analysis:

Energy Management in Retail & Distribution

Unilever has actively improved energy efficiency throughout its operations: Renewable Energy Initiatives: In February 2025, Unilever collaborated with factories in India via a joint power purchase agreement, resulting in a 25% decrease in electricity expenses and furthering its renewable energy objectives.

The company has implemented solar photovoltaic systems at multiple factories, including a significant installation in Heilbronn, Germany, facilitating its transition to sustainable energy.

Data Security

Although particular details on Unilever's data security protocols are not widely disclosed, the business underscores strong governance practices to safeguard stakeholder information. This entails establishing robust internal controls and complying with ethical business standards to ensure data integrity is protected.

Labour Practices

Unilever is dedicated to promoting fair labour standards.

The company is committed to guaranteeing that all employees and direct suppliers get a livable wage by 2030, demonstrating its adherence to equitable remuneration.

Assistance for Small Enterprises: Unilever has advanced in aiding small and midsize enterprise (SME) suppliers, having supported 1.2 million SMEs in 2021, with an objective of reaching 5 million by 2025.

Workforce Diversity & Inclusion

Unilever strives for a diverse and inclusive workplace:

Gender Representation: Women constitute 36% of Unilever's workforce, aligning with sector averages.

Management Diversity: The company has achieved gender parity in management positions, reflecting its commitment to equitable representation.

Product Sourcing and Packaging

Unilever has established ambitious objectives to improve sustainability in product sourcing and packaging: Sustainable Sourcing: The business intends to source 100% of its agricultural raw materials responsibly by 2023, concentrating on commodities such as palm oil, soy, and tea. Unilever has included recyclable pumps into its Vaseline Intensive Care lotions in the US and Canada, advancing its objective to achieve 100% reusability, recyclability, or compostability of rigid plastic packaging by 2030.

Under CEO Hein Schumacher, Unilever has amended specific sustainability objectives: The initial objective of reducing virgin plastic usage by 50% by 2025 has been revised to a 30% decrease by 2026.

Diversity Initiatives: The corporation has rescinded its commitment to allocate €2 billion annually to diverse enterprises by 2025 and to ensure that 5% of its workforce include individuals with disabilities by the same year.



Source: Team Research

Cashflow:

Unilever PLC, a prominent entity in the consumer products sector, has exhibited strong cash flow management from 2019 to 2023, indicative of its operational efficacy and smart financial planning. An extensive examination of its cash flow statements provides insights into its operational, investment, and financing operations, highlighting the company's financial stability and flexibility in a fluctuating market landscape.

Operating Activities:

Unilever's net cash from operating activities has continually demonstrated strength, highlighting its capacity to generate significant cash flows from its primary operations. In 2019, the company generated operating cash flows of €9.058 billion, which, despite slight variations, remained robust over the years. As of 2023, operating cash flow reached €9.519 billion, reflecting a little rise from the prior year. This stability is ascribed to consistent net income statistics, efficient working capital management, and non-cash adjustments such as depreciation and amortisation. Depreciation and amortisation expenses amounted to €2.018 billion in 2020, progressively declining to €1.624 billion by 2023, signifying effective asset utilisation.

Investing Activities:

Unilever's investment endeavours have been marked by strategic capital outlays and portfolio enhancement. Capital expenditures (CapEx) amounted to €863 million in 2020, rising to €1.738 billion by 2023, indicative of investments in industrial facilities, technological enhancements, and sustainability initiatives. The corporation undertook acquisitions and divestitures to align its portfolio with changing consumer tastes. In 2022, Unilever reported divestitures of €4.622 billion, mostly from the sale of its spreads business, while acquisitions reached €979 million,

targeting high-growth sectors. The strategic actions led to a net investing cash outflow of €625 million in 2023, a notable enhancement from the €2.294 billion outflow in 2022.

Financing Activities:

Unilever's financing endeavours demonstrate its dedication to shareholder returns and judicious debt management. The corporation has constantly disbursed dividends, totalling €4.319 billion in 2023, a little down from €4.363 billion in 2022. Share repurchase programs were significant, with €1.508 billion allocated in 2023, comparable to the prior year's €1.507 billion, reflecting a commitment to augmenting shareholder value. Debt issuance and repayment operations reflect a judicious approach to leverage; in 2023, Unilever issued €5.384 billion in debt and repaid €4.687 billion, culminating in a net cash outflow from financing activities of €6.941 billion.

Stock Analysis

Free Cash Flow (FCF):

Free Cash Flow, an essential measure of financial flexibility, has experienced variations across the five-year span. In 2020, free cash flow (FCF) was €8.195 billion, declining to €5.826 billion in 2022, and subsequently recovering to €7.781 billion in 2023. The resurgence is ascribed to enhanced operating cash flows and prudent capital expenditures. In 2023, the Free Cash Flow (FCF) margin, defined as FCF as a proportion of revenue, was 12.81%, an increase from 9.70% in 2022, signifying improved efficiency in transforming revenue into cash.

Net Change in Cash and Cash Equivalents:

The net alteration in cash and cash equivalents signifies the aggregate impact of operating, investing, and financing operations. In 2023, Unilever recorded a net cash inflow of €1.905 billion, marking a substantial reversal from the €180 million outflow in 2022. This favourable alteration is chiefly attributable to heightened operating cash flows and diminished cash outflows in investment operations. The concluding cash balance for 2023 was €4.970 billion, an increase from €4.159 billion in 2022, ensuring a robust liquidity position to facilitate continued operations and strategic activities.

Recommendation:

Acquire Unilever PLC for Sustained Growth

Our study results in a buy recommendation for Unilever PLC, projecting a possible return of 35% based on our intrinsic value assessment. The DCF-based valuation indicates an intrinsic value range of £52.2 to £68.4 per share, however the current market price is £46.68, suggesting that Unilever is presently undervalued.

Investment Rationale:

Stable Revenue Growth & Market Resilience

Unilever has exhibited steady sales growth, with a compound annual growth rate (CAGR) of 3.8% from 2019 to 2023, culminating in total revenue of €59.6 billion in 2023. The company's robust global presence in the fast-moving consumer goods (FMCG) industry guarantees consistent cash flows and varied revenue streams. Moreover, Unilever's capacity to transfer inflationary expenses via its pricing authority and premium product range bolsters its long-term revenue stability, rendering it resilient to economic variances.

Profitability & Operational Efficiency

In 2023, Unilever's gross margin increased by 200 basis points to 42.2%, indicating enhanced cost control and an optimised product mix. The company's EBITDA margin held steady at around 18.5%, but the return on equity (ROE) was robust at 31.2%. Despite a minor decrease in inventory turnover, Unilever has effectively enhanced its working capital management, maintaining a strong cash conversion cycle that underpins continuous operational efficiency.

Attractive Valuation & Upside Potential

Our discounted cash flow (DCF) model estimates Unilever's intrinsic value to be between £52.2 and £68.4 per share, indicating a potential upside of 35% from its current market price. The company's price-to-earnings (P/E) ratio of 18.5x is below its historical average, suggesting that Unilever may be undervalued in relation to its profits potential. This offers an attractive opportunity for investors pursuing long-term capital growth.

Sustainable Growth & ESG Commitment

Unilever persistently enhances its environmental, social, and governance (ESG) activities, thereby bolstering its long-term growth potential. The corporation has procured 90% of its raw materials sustainably and elevated its renewable energy utilisation to 65% by 2023. Unilever has established ambitious sustainability objectives, including a 30% reduction in plastic usage

by 2026 and enhancing staff diversity, aiming for 37% female presence. These promises not only bolster Unilever's brand reputation but also establish it as a responsible and sustainable leader in the industry.

Strong Cash Flow & Dividend Stability

Unilever demonstrates robust free cash flow (FCF) creation, announcing €7.9 billion in FCF for 2023, accompanied by a good FCF margin of 12.8%. The company's consistent dividend disbursements, along with a dividend yield of roughly 3.5%, render it an appealing investment for income-oriented investors. The consistency of Unilever's cash flows further strengthens its capacity to maintain shareholder returns in the long run.

Investment Recommendation: Buy & Hold

Current investors should consider maintaining or augmenting their stakes in Unilever PLC, due to the company's robust fundamentals, appealing valuation, and consistent financial performance. The present market conditions present an appealing opportunity for novice investors, promising potential capital growth alongside consistent dividend income.

Risk Considerations

Although Unilever is a safe and strategically positioned investment, investors must acknowledge potential hazards, including:

Inflationary pressures may affect profit margins, notwithstanding Unilever's pricing strength. Shifting consumer tastes and intensified competition in the FMCG sector may impact revenue growth. Due to Unilever's global revenue exposure, foreign exchange concerns may induce volatility in financial performance.

Notwithstanding these concerns, Unilever's robust market position, commitment to sustainability, and steady financial performance render it an attractive investment for long-term growth and income stability.

Final Verdict: Strong Buy

Unilever's robust financial base, consistent cash flow production, and strategic market positioning render it an attractive investment prospect. The company is strategically positioned

for sustained growth, and investors searching for a dependable blue-chip stock with robust fundamentals should contemplate acquiring Unilever at its present price points.

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