

## Unilever

Price EUR41.98

## Solid margin delivery

Fair Value EUR43 (+2%)

NEUTRAL

In Q2, sales declined 3.4% to EUR13.7m (consensus and our estimate: EUR14.0bn). The organic sales growth stood at +4.7%, slightly ahead of expectations (consensus and our estimate: +4.4%). H1 EBIT amounted to EUR3.9m, implying a margin of 15%, up 50bps YoY. This is above consensus (+30bps) and our forecast (+40bps) and is due to margin-accretive innovations and acquisitions and sales leverage and cost efficiencies in marketing investment.

Bloomberg	UNA NA
Reuters	UNC.AS
12-month High / Low (EUR)	42.5 / 33.9
Market Cap (EURm)	103,811
Ev (BG Estimates) (EURm)	113,812
Avg. 6m daily volume (000)	4 614
3y EPS CAGR	6.5%

	1 M	3 M	6 M	31/12/15
Absolute perf.	10.0%	3.8%	12.0%	4.7%
Food & Bev.	6.9%	2.8%	7.6%	0.6%
DJ Stoxx 600	4.0%	-1.6%	3.1%	-7.4%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	53,272	52,966	55,431	58,309
% change		-0.6%	4.7%	5.2%
EBITDA	9,235	9,433	10,165	10,988
EBIT	7,865	8,056	8,668	9,355
% change		2.4%	7.6%	7.9%
Net income	5,210	5,330	5,790	6,289
% change		2.3%	8.6%	8.6%

	2015	2016e	2017e	2018e
Operating margin	14.8	15.2	15.6	16.0
Net margin	9.8	10.1	10.4	10.8
ROCE	18.9	19.0	20.7	22.3

(EUR)	2015	2016e	2017e	2018e
EPS	1.82	1.87	2.03	2.20
% change	-	2.3%	8.6%	8.6%
P/E	23.0x	22.5x	20.7x	19.1x
FCF yield (%)	4.0%	3.8%	4.1%	4.2%
Dividends (EUR)	1.21	1.30	1.41	1.52
Div yield (%)	2.9%	3.1%	3.4%	3.6%
EV/Sales	2.2x	2.1x	2.0x	1.9x
EV/EBITDA	12.5x	12.1x	11.1x	10.2x
EV/EBIT	14.7x	14.1x	13.0x	11.9x

## ANALYSIS

- In Q2, sales declined 3.4% to EUR13.7m (consensus and our estimate: EUR14.0bn). The organic sales growth stood at +4.7%, ahead of expectations (consensus and our estimate: +4.4%). Q2 volume/mix were up 1.8%, decelerating vs Q1 (+2.6%). Pricing picked up, at +2.8% vs +2% in Q1. This is a satisfactory performance given: 1/the timing of Easter (Q1 in 2016 vs Q2 in 2015), and 2/ poor weather conditions in Western Europe. H1 EBIT amounted to EUR3.9m, implying a margin of 15%, up 50bps YoY. This is ahead of consensus (+30bps) and our forecast (+40bps) and is due to margin-accretive innovations and acquisitions and sales leverage and cost efficiencies in marketing investment. By division:
  - Personal Care (38% of group's sales): Organic sales rose 5.6% in Q2, in line with the Q1 trend (+5.8%). This growth was fuelled by innovations, especially in the more premium segments.
  - Foods (24% of group's sales): This division posted 2.7% organic sales growth, accelerating vs the Q1 trend (+1.9%). Dressings and savoury are growing but spreads are still declining as a result of market contraction in developed countries.
  - Home Care (19% of group's sales): Sales were up 6% on an organic basis in Q2 (+7% in Q1), driven by innovations in higher margin segments and the continued roll-out of the new Omo. The group reported double digit growth in fabric conditioners.
  - Refreshment (19% of group's sales): Q2 organic sales rose 4.2% after +3.8% in Q1. Sales were driven by margin-accretive innovations such as Magnum Double Range and the Ben&Jerry's Wich sandwich...The group continues to extend in the faster-growing green and specialty teas segment.

## VALUATION

- Our DCF points to a Fair Value of EUR43. At yesterday's share price, the stock is trading at 22.5x P/E 2016e vs 23.1x for Nestlé and 21.8x for Danone.

## NEXT CATALYSTS

- Danone: H1 results on July 28<sup>th</sup>
- Nestlé: H1 results on August 18<sup>th</sup>

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