



Unilever (UL)

Updated February 17th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$55	5 Year CAGR Estimate:	8.4%	Market Cap:	\$137 B
Fair Value Price:	\$59	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	2/28/2025
% Fair Value:	93%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date:	3/28/2025
Dividend Yield:	3.4%	5 Year Price Target	\$72	Years Of Dividend Growth¹:	42
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

Unilever is one of the largest consumer goods companies in the world, producing and marketing ~400 brands in nearly 200 countries. Well-known brands include Ben & Jerry's, Q-tips, Vaseline, Axe, Dove, Hellmann's, Knorr and many more. Its products are used by more than 3 billion people every day. It has a market capitalization of \$137 billion.

On January 15th, 2022, GlaxoSmithKline (GSK) announced that it rejected an offer from Unilever to acquire its consumer healthcare business for \$68 billion. Due to the size of the acquisition and the rich valuation of the takeover target, the stock of Unilever plunged -17% on that day. However, Unilever later stated that it will not pursue any major acquisitions.

On January 23rd, 2022, activist hedge fund Trian announced that it bought a material stake in Unilever. Trian bought a stake in Procter & Gamble (PG) a few years ago, when the company had stalled. The fund pursued a major restructuring and the stock of Procter & Gamble has nearly doubled since then. We view this news as positive for the future growth of Unilever. The stock jumped 8% on the day of the announcement of the stake of Trian.

In mid-February, Unilever reported (2/13/25) results for the full fiscal 2024. It grew its underlying sales 4.2% over the prior year thanks to 1.3% price hikes and 2.9% volume growth. The 30 most powerful brands grew their sales 5.3% and thus comprised more than 75% of total sales. The strong brands of the company have enabled it to raise prices aggressively without a significant effect on volume in the last three years. However, as consumers have become more price-sensitive, price hikes have moderated in recent quarters. Unilever provided guidance for sales growth of 3%-5% in 2025 and a modest improvement in operating margin (vs. 18.4% in 2024), in line with its long-term guidance. It is also in the early stages of its previously announced restructuring program that aims to reinvigorate growth of its most powerful brands and reduce costs.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.88	\$1.92	\$2.59	\$2.79	\$2.86	\$2.88	\$3.00	\$2.76	\$2.80	\$3.12	\$3.30	\$4.01
DPS	\$1.32	\$1.40	\$1.55	\$1.78	\$1.81	\$1.85	\$2.03	\$1.80	\$1.85	\$1.86	\$1.87	\$2.16
Shares²	2855	2854	2814	2652	2628	2627	2592	2553	2528	2503	2480	2400

Unilever has stated that it will pursue growth aggressively in some emerging markets in Asia, such as India, China, Vietnam, Bangladesh, Pakistan and Myanmar. These markets are characterized by rapidly growing populations and an emerging middle class and thus they are very promising.

Unilever has grown its earnings-per-share at a 5.8% average annual rate over the last decade and at a 2.7% average annual rate over the last five years. Due to the currency challenges in Latin America, the pandemic and high cost inflation, growth has decelerated in the last six years. However, we view these headwinds as temporary and expect the company to achieve its long-term growth rate. Management has provided guidance for 3%-5% adjusted annual revenue

¹ In EUR.

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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growth in the long run. As the company will also boost earnings-per-share via expansion of the operating margin and share repurchases, we are forecasting 4.0% growth over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.9	23.1	20.3	19.6	20.6	19.8	18.8	17.1	18.1	17.9	16.7	18.0
Avg. Yld.	3.1%	3.1%	2.9%	3.3%	3.1%	3.2%	3.6%	3.8%	3.7%	3.3%	3.4%	3.0%

Unilever is now trading at a price-to-earnings ratio of 16.7, which is lower than its 10-year average of 19.8. If the stock trades at our assumed fair price-to-earnings ratio of 18.0 in 2030, it will enjoy a 1.6% annualized gain in returns. As we have noted in previous reports, investors should not expect to find Unilever at a much cheaper valuation, as it almost always trades at a premium thanks to its strong brands and its resilience to recessions.

Safety, Quality, Competitive Advantage, & Recession Resiliency

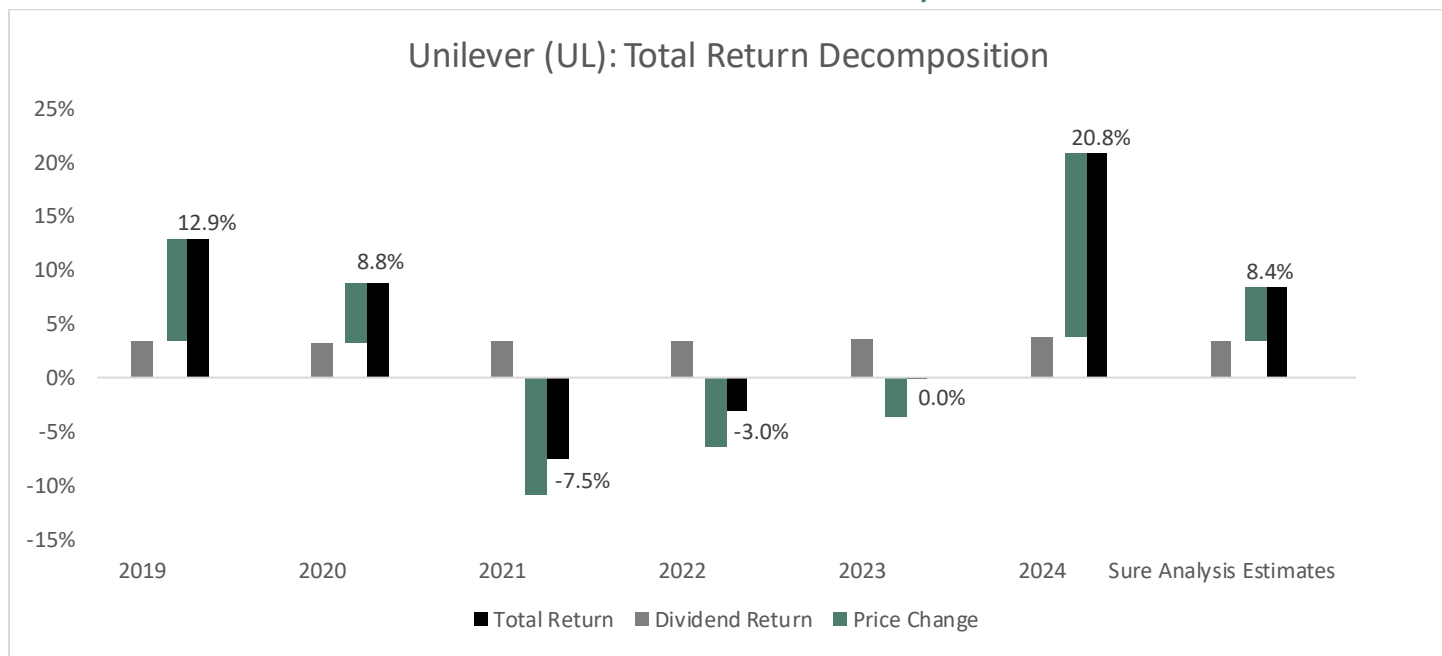
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	70.2%	72.9%	59.8%	63.8%	63.3%	64.2%	67.7%	65.2%	66.1%	59.6%	56.7	53.7%

Unilever has a significant competitive advantage, namely the strength of its brands. The company generates ~80% of its sales from the #1 or #2 position in its markets. Thanks to the strength of its brands and its great execution in its growth initiatives, Unilever has always enjoyed strong and reliable free cash flows and has proven much more resilient to recessions than the vast majority of stocks. As a result, Unilever has been able to raise its dividend for 42 consecutive years. Note that this dividend history reflects the company's dividend payments *in Euros*. U.S. investors may experience year-to-year fluctuations in passive income due to foreign exchange fluctuations.

Final Thoughts & Recommendation

Unilever has corrected -15% off its peak five months ago and hence it has become attractive. It could offer an 8.4% average annual return over the next five years thanks to 4.0% earnings-per-share growth, its 3.4% dividend and a 1.6% valuation gain. The stock receives a hold rating and it will earn a buy rating if it incurs a further correction of 5%.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	59,116	58,341	60,833	60,200	58,192	57,928	62,051	63,353	64,528	65,765
Gross Profit	24,928	24,884	26,309	26,307	25,612	25,170	26,249	25,486	27,255	---
Gross Margin	42.2%	42.7%	43.2%	43.7%	44.0%	43.5%	42.3%	40.2%	42.2%	---
SG&A Exp.	15,474	15,168	15,146	10,320	14,923	8,098	8,132	14,317	15,476	---
D&A Exp.	1,520	1,620	2,293	2,617	2,219	2,305	2,086	2,052	1,709	1,902
Operating Profit	8,205	8,530	10,035	14,895	9,715	10,697	10,296	11,342	10,564	10,174
Op. Margin	13.9%	14.6%	16.5%	24.7%	16.7%	18.5%	16.6%	17.9%	16.4%	15.5%
Net Profit	5,448	5,737	6,821	11,063	6,297	6,374	7,157	8,059	7,023	6,217
Net Margin	9.2%	9.8%	11.2%	18.4%	10.8%	11.0%	11.5%	12.7%	10.9%	9.5%
Free Cash Flow	5,692	5,546	7,035	6,832	7,370	9,178	7,966	5,877	8,316	8,170
Income Tax	2,176	2,127	1,891	3,037	2,533	2,196	2,289	2,181	2,381	2,706

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	57,177	59,654	74,451	69,905	72,594	83,218	85,024	83,455	83,199	82,985
Cash & Equivalents	1,801	1,976	3,979	3,695	4,688	6,824	3,867	4,639	4,597	6,385
Acc. Receivable	3,189	3,519	6,261	4,976	5,507	4,222	6,139	7,567	6,384	6,255
Inventories	4,739	4,523	4,753	4,920	4,664	5,488	5,302	6,360	5,659	5,387
Goodwill & Int.	27,397	29,001	34,073	33,737	34,758	42,976	43,694	43,420	43,626	42,560
Total Liabilities	39,595	41,704	57,418	56,044	57,039	61,503	62,667	60,183	60,247	59,515
Accounts Payable	9,070	9,082	16,107	10,434	10,294	10,301	16,826	19,328	18,634	17,367
Long-Term Debt	15,051	17,125	31,692	27,688	28,996	30,744	31,728	28,988	30,065	---
Total Equity	16,879	17,289	16,124	13,037	14,777	18,777	19,369	20,398	20,010	20,801
LTD/E Ratio	0.89	0.99	1.97	2.12	1.96	1.64	1.64	1.42	1.50	---

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.4%	9.8%	10.2%	15.3%	8.8%	8.2%	8.5%	9.6%	8.4%	7.5%
Return on Equity	32.5%	33.6%	40.8%	75.9%	45.3%	38.0%	37.5%	40.5%	30.4%	26.8%
ROIC	17.0%	16.9%	16.3%	24.5%	14.6%	13.1%	19.1%	20.8%	18.7%	16.3%
Shares Out.	2855	2854	2814	2652	2628	2627	2592	2560	2532	2507
Revenue/Share	20.70	20.44	21.62	22.34	22.15	22.03	23.78	24.75	25.48	26.23
FCF/Share	1.99	1.94	2.50	2.54	2.81	3.49	3.05	2.30	3.28	3.26

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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