

## Cons update – risk of Q3 sales disappointment

# First Look

Breaking news, market events and company announcements

Unilever has returned company-compiled consensus data for Q3 sales, FY 11 and FY12 results (Figure 1). We see a risk of Q3 sales disappointing, following the well received Q2/H1 results as one-off benefits unwind and consumer and competitor pressures begin to weigh more heavily. With recent price hikes potentially coming under pressure in H2, we see a risk to FY margin delivery too. The stock trades on 15.9x 2012 P/E and 10.7x EV/EBITDA.

### 3Q 11: Volume and pricing slightly below consensus

- Consensus is slightly ahead of our estimate, with organic sales growth of +6.3% compared with our estimate of +5.7%. Within this, we are slightly more cautious on volume at +1.2% vs consensus of +1.4%. We are also more cautious on price at +4.5% vs consensus at +4.9%.
- We are broadly in line for FX and M&A with consensus at -3.8% for FX (NE -3.6%) and 2.8% M&A (NE 2.6%).

### FY11: We are 2% below consensus at the underlying EBIT level

- We remain slightly below consensus for FY organic growth at +5.6% vs consensus at +6.0%. Within this, we are slightly more cautious on price +3.9% vs consensus at +4.1%, as we feel there may be a need for Unilever (and competitors) to roll back on some price increases made earlier this year.
- We forecast the FY EBIT margin down 20bp (in line with H1) to 14.8%. This compares with the market looking for an unchanged FY margin (+15.0%), or an uplift in H2 of +20-30bp.
- This leaves us c. 2% below consensus at the underlying EBIT and EPS levels for FY 11, rising to -3% in FY 12 (-4 to -5% in constant FX).

October 17, 2011

<b>Rating</b> Remains	<b>Reduce</b>
<b>Target price</b> Remains	EUR 21.30
<b>Closing price</b> October 14, 2011	EUR 24.62

#### Research analysts

##### European Food/HPC

**Alex Smith - Nlplc**  
[alex.smith@nomura.com](mailto:alex.smith@nomura.com)  
+44 20 7102 1459

**David Hayes - Nlplc**  
[david.hayes@nomura.com](mailto:david.hayes@nomura.com)  
+44 20 7102 1341

**Guillaume Delmas, CFA - Nlplc**  
[guillaume.delmas@nomura.com](mailto:guillaume.delmas@nomura.com)  
+44 20 7102 6918

**Manjari Chatrath**  
[manjari.chatrath@nomura.com](mailto:manjari.chatrath@nomura.com)  
+91 22 4053 3802

##### Industry specialist

**Mark Howden - Nlplc**  
[mark.howden@nomura.com](mailto:mark.howden@nomura.com)  
+44 20 7103 7128

See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

**Fig. 1: Summary of Nomura and consensus estimates**

EUR m, except per share data

	3Q10A	1Q11A	2Q11A	1H11A	Nomura 3Q11E	Consensus 3Q11E	FY10	Nomura FY11E	Consensus FY 11E	Nomura FY12E	Consensus FY 12E
Sales	11,548	10,857	11,931	22,788	12,093	12,141	44,262	46,727	46,641	49,643	49,466
<i>Volume</i>	4.8%	2.5%	1.9%	2.2%	1.2%	1.4%	5.8%	1.7%	1.8%	3.9%	3.4%
<i>Price</i>	-1.2%	1.8%	5.1%	3.5%	4.5%	4.9%	-1.6%	3.9%	4.1%	1.1%	1.8%
<b>Organic</b>	<b>3.6%</b>	<b>4.2%</b>	<b>7.1%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>6.3%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>5.3%</b>
<i>FX</i>	10.1%	3.1%	-5.6%	-1.6%	-3.6%	-3.8%	7.2%	-1.7%	-2.2%	0.1%	-0.3%
<i>M&amp;A</i>	-0.5%	-0.3%	0.4%	0.0%	2.6%	2.8%	-0.4%	1.7%	1.7%	1.2%	1.0%
<b>Total sales</b>	<b>13.2%</b>	<b>7.0%</b>	<b>1.9%</b>	<b>4.1%</b>	<b>4.7%</b>	<b>5.1%</b>	<b>11.0%</b>	<b>5.6%</b>	<b>5.4%</b>	<b>6.2%</b>	<b>6.1%</b>
Operating profit	na	na	na	3,356	na	na	6,620	6,902	7,014	7,329	7,560
<b>Margin</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>14.7%</b>	<b>na</b>	<b>na</b>	<b>15.0%</b>	<b>14.8%</b>	<b>15.0%</b>	<b>14.8%</b>	<b>15.3%</b>
bps	na	na	na	-20	na	na	20	-20	10	0	20
<b>EPS</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>0.77</b>	<b>na</b>	<b>na</b>	<b>1.38</b>	<b>1.45</b>	<b>1.47</b>	<b>1.54</b>	<b>1.64</b>

Source: Company data, Nomura estimates

# Appendix A-1

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Issuer name	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Unilever NV	UNA NA	EUR 24.62	14-Oct-2011	Reduce	Neutral	123

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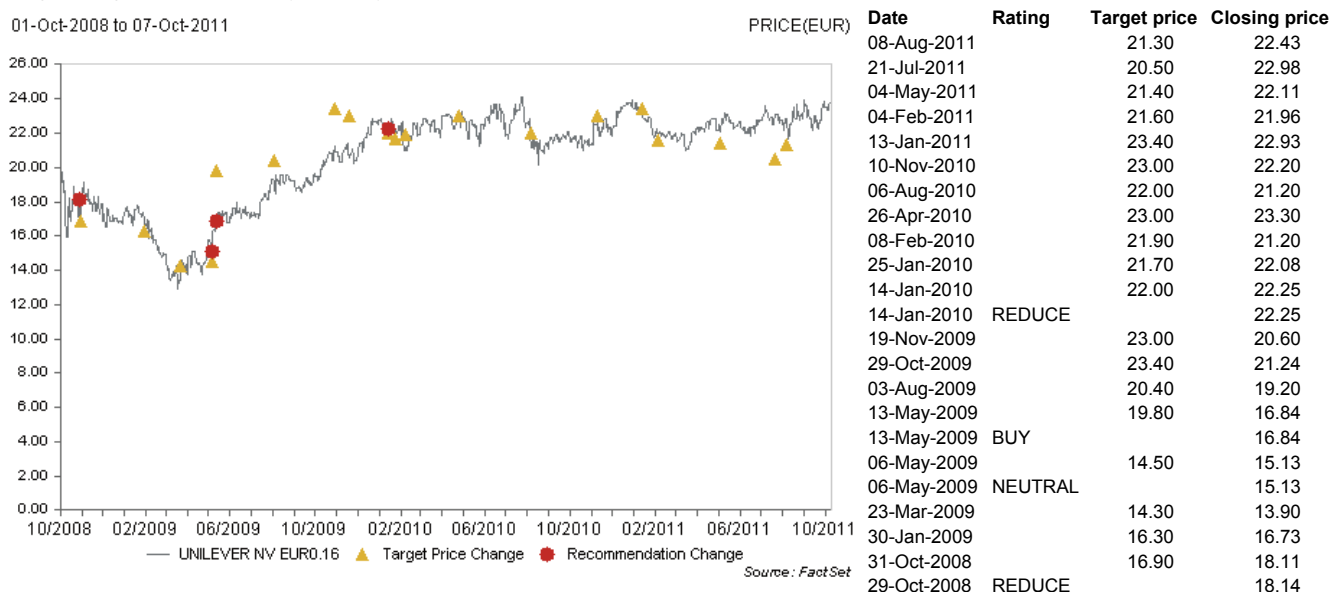
### Previous Rating

Issuer name	Previous Rating	Date of change
Unilever NV	Buy	14-Jan-2010

### Unilever NV (UNA NA)

EUR 24.62 (14-Oct-2011) Reduce (Sector rating: Neutral)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

**Valuation Methodology** We derive our price target of EUR 21.3 from our DCF-based analysis. We use a WACC of 9.5%, a terminal growth rate of 4.1% discounted back from 2018E to 2011E and a long-term ROIC of 11.8%. The benchmark index for this stock is Dow Jones STOXX® 600 Food & Beverage.

**Risks that may impede the achievement of the target price** The risks to achieving our price target include competition, a deterioration in the economic environment, foreign exchange and that the company may not execute its stated strategy as effectively as forecast; all of which may cause variances from our earnings projections.

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