

March 26, 2009

Unilever Nigeria Plc

Up for Grabs: Ride the rebound at 10.3% div yield!

- In our report dated March 2, 2009, we did express our bullish stance on UNILEVER premised on our outlook for the company, and our conviction of the company's restructured business operations. The Company's business model and sector play made it a viable candidate in our **defensive investment theme**.
- The 2008 Audited Results, made available today, showed significant **"earnings surprises"** and a **staggering dividend declaration of N0.68k, with Closure and payment dates of April 27, 2009 and May 25, 2009 respectively.**

Exhibit 1: Forecast vs. actual performance

Variables	Forecast	Actual	Surprise (+/-)
EPS (N)	0.55	0.69	25.5%
Payout	90.00%	98.55%	9.5%
Dividend (N)	0.50	0.68	37.4%
Sales per share (N)	9.80	9.89	1.0%
Margin	5.61%	6.97%	24.3%

Source: Meristem Research Forecast, Company's Actual (2008FYE Accounts)

- Though revenue inched up by 10%, the results revealed a robust earnings growth of 102% on the back of a strong rebound in margin to 6.95% (vs. 2007: 3.79%).

Exhibit 2: UNILEVER NIGERIA PLC

AUDITED ACCOUNTS FOR THE YEAR DECEMBER 31, 2008				
PERIOD	2008	2007	Absolute CHG	Growth
TURNOVER (N'b)	37.40	33.90	3.50	10.32%
PBT (N'b)	4.10	2.00	2.10	105.00%
TAX (N'b)	-1.50	-0.72	-0.78	109.21%
PAT (N'b)	2.60	1.28	1.32	102.65%
Net Profit Margin	6.95%	3.79%		

Key Metrics		Valuation Metrics	
Industry	Conglomerate	Shares outstanding (bn)	3.78
Year end	31-Dec	Market Cap (NGN'bn)	24.99
Current Price (NGN)	6.61	EPS (NGN)	0.69
52-week hi (NGN)	27.51	SPS (NGN)	9.89
52-week lo (NGN)	5.62	P/E (x)	9.61
Beta β (Volatility Index)	1.25	P/S (x)	0.67

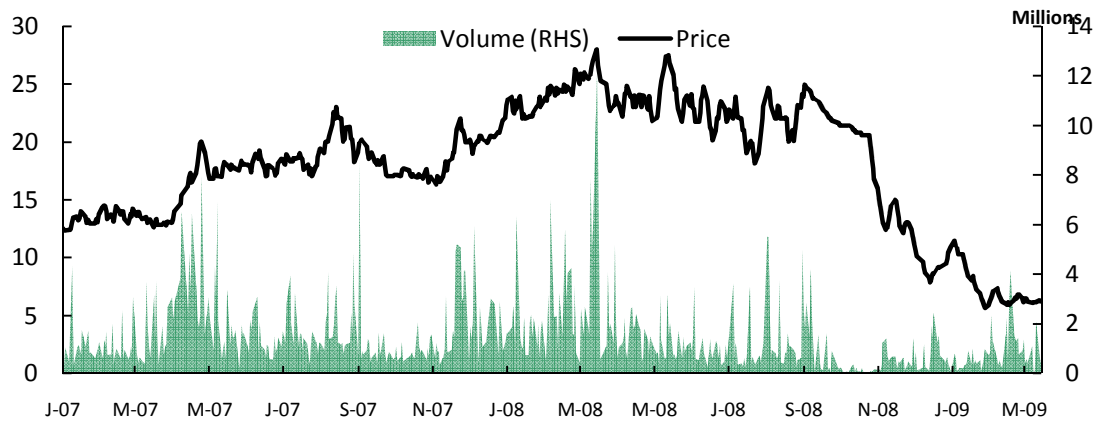
Source: NSE & Meristem Research

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- While the full year performance dwarfs our expectations, we remain cautious to the extent that the key drivers of performance are fairly in line with our underlining assumptions.
- At current price (N6.61 as of Thursday, March 2009); **UNILEVER valuation looks compelling for strong investment consideration at a dividend yield of 10.3% and current P/E of 9.61x. Besides, the current price is severely oversold at 17% premium over historical low of N5.62k.**

Exhibit 3

Historical Price-Volume Chart (Jan 2007 to date)



Source: NSE and Meristem Research

- Overall, we reiterate our **OVERWEIGHT** position on the stock for dividend and potential capital appreciation.

Exhibit 4: Potential target prices

Sensitivity of target price to dividend yield scenarios				
12-Month target dividend yield	6.00%	7.00%	8.00%	9.00%
Potential target price (N)	11.33	9.71	8.50	7.56
Upside Potential	71.5%	47.0%	28.6%	14.3%

Meristem Research Estimate

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Appendix

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