



Unilever

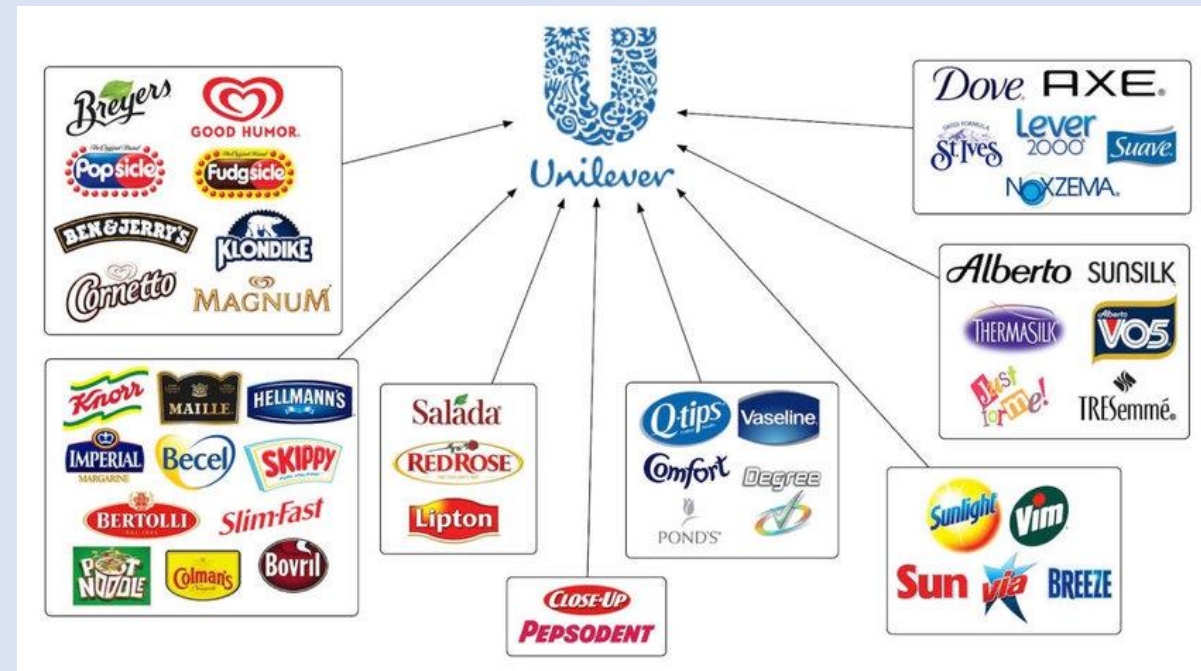
Unilever

Business Segments

+

International Brands

1. Food and Refreshments
2. Personal Care/Beauty Products
3. Household Care Products



Notable Brands

Foods and Refreshments	Beauty and Personal Care	Home Care
Breyers Popsicle Ben & Jerry's Hellmann's Lipton	Q-tips Vaseline Dove Axe Suave	Sunlight Breeze Via



Company Overview

Ticker: UL (NYSE)

Current Price: \$44.34

Market Cap: \$112.72 billion

Employees: 150,000 people

Brands: 400 different brands

Countries: 190 countries



Our Position

As of January 2022

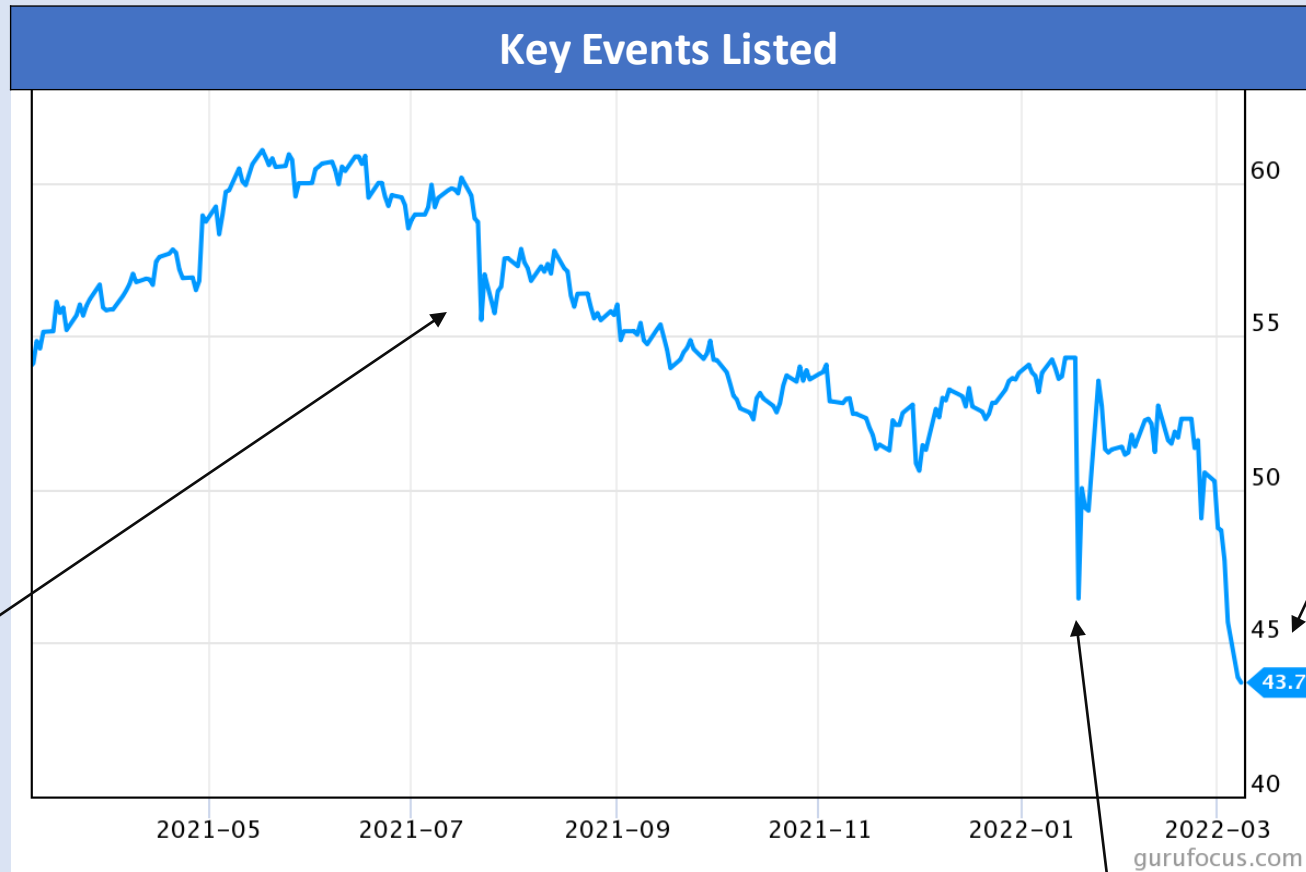
- **Buy-in Price:** \$56.10 per share
- **Stock Purchased:** 700 shares
- **Total Cost:** \$39,200.00
- **Gains/Losses Percent:** -8.23%
- **Weight:** 2.45% of the portfolio
- **Estimated Annual Cash Flow:** \$1,364.44



52-Week Performance

52 Weeks	
High	Low
\$61.81	\$43.11

Warned that surging commodity cost would decrease its operating margin



Rising Input Costs Due to the Russian-Ukrainian Conflict

Market responds to proposed Glaxo-Kline Smith acquisition

Segment Breakdown

- **1. BEAUTY AND PERSONAL CARE**
- **2. FOODS AND REFRESHMENTS SEGMENT**
- **3. HOME CARE SEGMENT**

Beauty & Personal Care

- Consists of skin cleansing, hair care, skin care and deodorant categories
- Highest margin segment due to relative switching costs
- Insulation from private label competition
- Projected High Single-digit organic growth



Foods & Refreshments

- Primarily consists of ice cream, seasonings, dressings, and tea categories
- Sell their famous brands directly to businesses
 - Food Solutions
 - Entrenched Relationships
- Low single-digit organic growth as management has shifted from decaying global brands to fast-growing local brands



**Unilever
Food
Solutions**

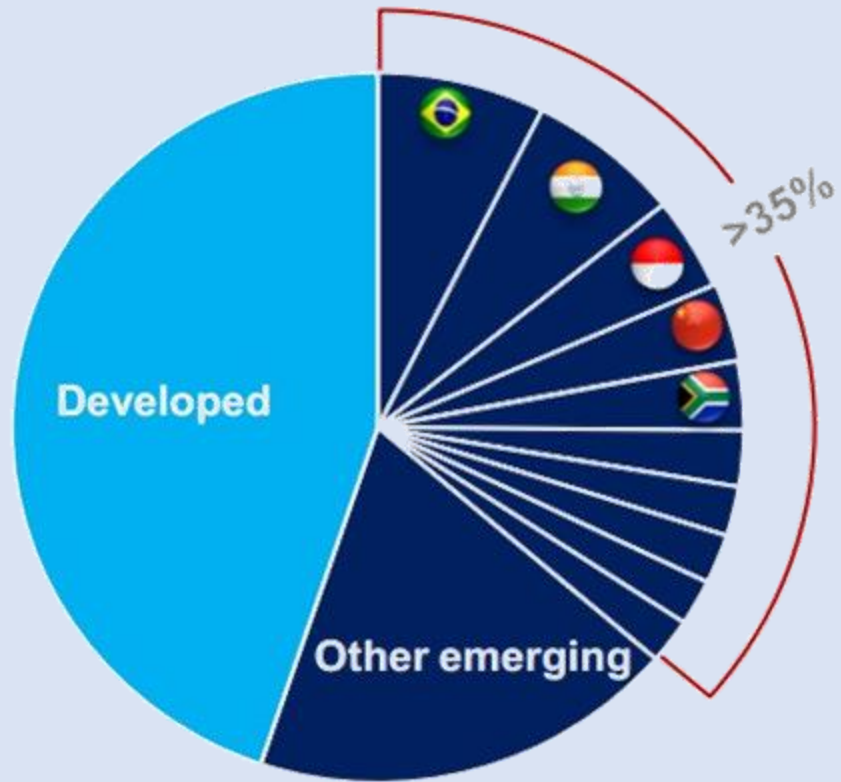
Home Care

- Primarily sales of fabric solutions (detergents), as well as other home and hygiene brands
- They are the leading brands in international regions, with 80% of this segment's sales coming from emerging markets
- Mid single-digit organic growth

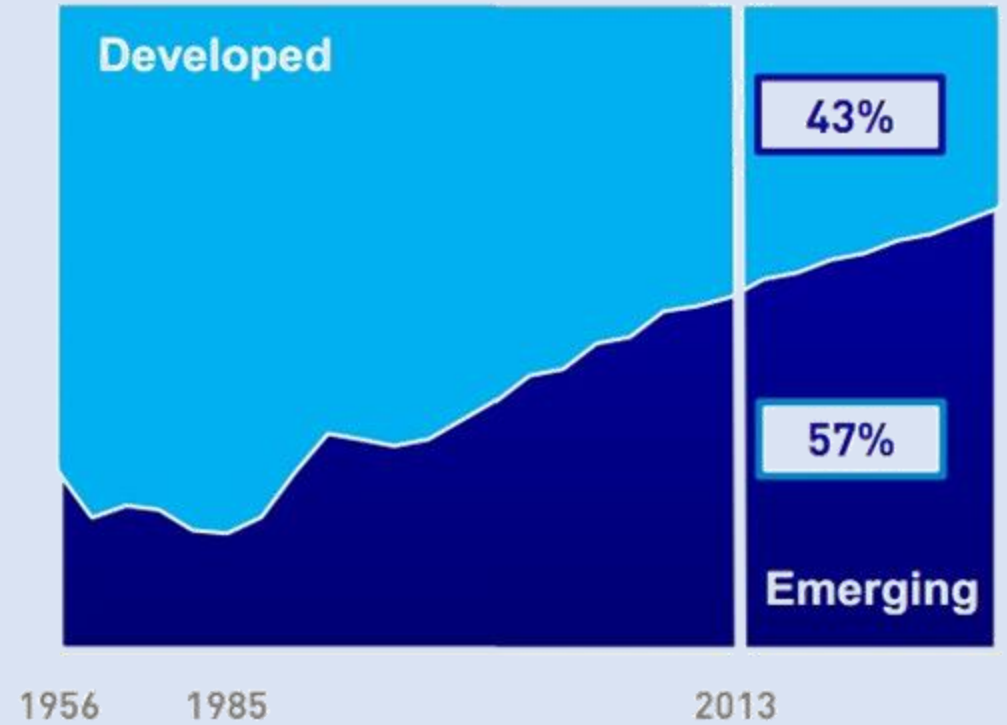


Emerging vs Developed Market

Broad country spread



Ever more important for our business



Growth Rates

- Management expects underlying sales growth in 2022 to be in the range of 4.5% to 6.5%.

(unaudited)	Fourth Quarter 2021				Full Year 2021				
	Turnover	USG	UVG	UPG	Turnover	USG	UVG	UPG	Change in underlying operating margin
	€bn	%	%	%	€bn	%	%	%	bps
Unilever	13.1	4.9	-	4.9	52.4	4.5	1.6	2.9	(10)
Beauty & Personal Care	5.8	6.2	0.9	5.3	21.9	3.8	0.8	3.0	-
Home Care	2.7	5.0	(3.1)	8.4	10.6	3.9	0.7	3.1	(110)
Foods & Refreshment	4.6	3.2	0.6	2.5	19.9	5.6	2.9	2.7	40

Economies of Scale

- Global business
 - 400 brands
 - 190 countries
- Supplier to retailers globally
 - Switching Costs included
- Spread manufacturing costs across wide array of products
 - Diversified business model
- Brands supported by R&D
 - Allows for strong development pipeline

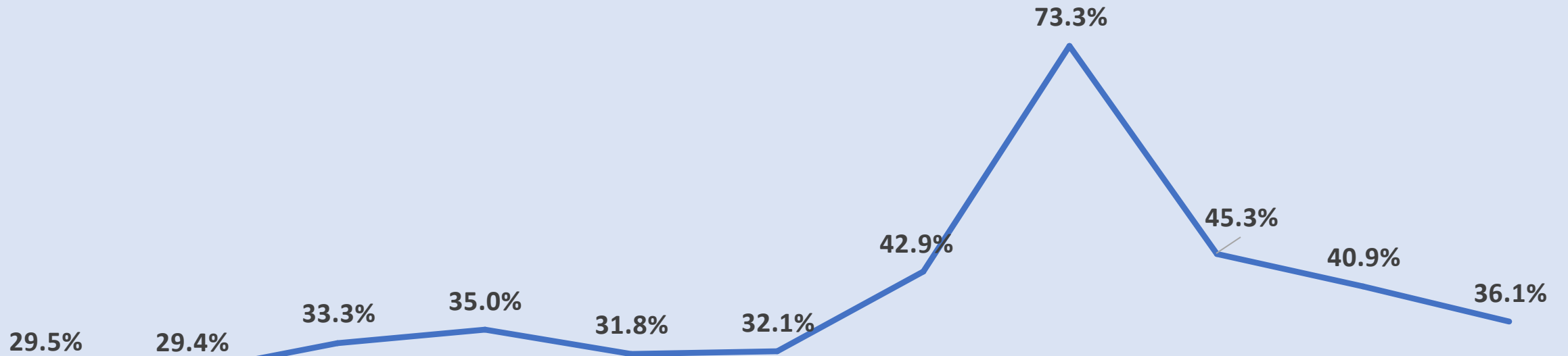


Intangible Assets

- Entrenchment in the supply chain of retailers
 - Grants cost advantage
- Retailers depend on sales volume; Unilever provides products that sell effectively
- High cost of customer acquisition
- Trusted brands fare well in emerging markets
- Diversified portfolio allows for opportunity



Return on Equity



2011

2012

2013

2014

2015

2016

2017

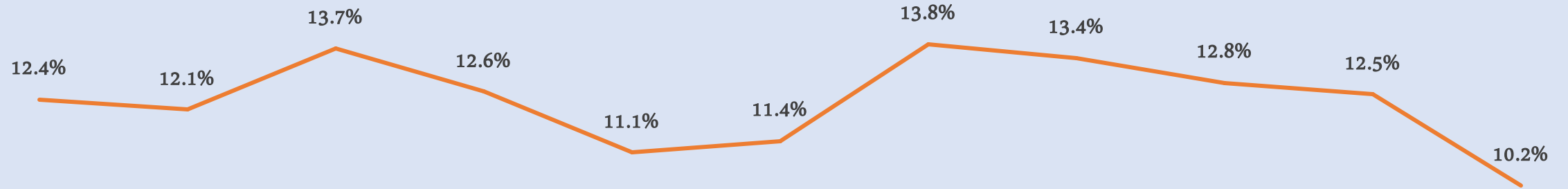
2018

2019

2020

2021

Return on Invested Capital



2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

2021

5 Year Forecast – Base Case Expectations

Fiscal Year 2022 - Top Line	Long Term - Top Line
<ul style="list-style-type: none">- Sale of Tea Business- Underlying Sales growth 4.5% - 6.5%	<ul style="list-style-type: none">- Value Line 5.5%- Morning Star 3.4%- TIKR Average 3.875%- Proprietary Blend w/10 Yr. CAGR F(x) In 3.69%
Bottom Line	Bottom Line
<ul style="list-style-type: none">- Cost Inflation (over €2B in first half FY22.)- Heavy capital reinvestment- Restructuring Investments - €1.4 B.- Decreased Operating margin 140-240bps, translates to 16-17%	<ul style="list-style-type: none">• €3B in share repurchases FY 22-23• No Acquisitions for foreseeable future• Recognize Organizational Restructuring Benefit of 600M FY 22-23• Margin restoration in FY 23-24 (18-19%.)

5 Year EPS Model

Ticker:		UL										
Price:		\$45.68										
5 Year EPS Forecast												
								P/E	Total Return Price	PV	5 YR Return	Annual Return
Bear	EPS	<u>Current</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	17.0x	\$50.58	\$34.42	10.7%	2.1%
		\$2.32	\$2.45	\$2.57	\$2.70	\$2.83	\$2.98	21.0x	\$62.48	\$42.52	36.8%	6.5%
		5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	25.0x	\$74.38	\$50.62	62.8%	10.2%
Base	EPS	<u>Current</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>5</u>	<u>6</u>	17.0x	\$55.58	\$37.82	21.7%	4.0%
		\$2.32	\$2.49	\$2.67	\$2.86	\$3.06	\$3.27	21.0x	\$68.65	\$46.72	50.3%	8.5%
		7.5%	7.0%	7.0%	7.0%	7.0%	7.0%	25.0x	\$81.73	\$55.62	78.9%	12.3%
Bull	EPS	<u>Current</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	17.0x	\$60.96	\$41.49	33.5%	5.9%
		\$2.32	\$2.54	\$2.77	\$3.02	\$3.29	\$3.59	21.0x	\$75.31	\$51.25	64.9%	10.5%
		9.5%	9.0%	9.0%	9.0%	9.0%	9.0%	25.0x	\$89.65	\$61.01	96.3%	14.4%

Discount rate:
8%

Sensitivity Analysis

Total RoR Sensitivity				
		Est. EPS growth rate		
		6%	8%	10%
P / E	\$2.32			
	17.0x	2.1%	4.0%	5.9%
	21.0x	6.5%	8.5%	10.5%
	25.0x	10.2%	12.3%	14.4%

The Numbers Tell a Story....

- *Once Upon a time*.....Topline sales will increase for Unilever.
- However, money spent by the business will increase due to inflationary costs (higher wages, increased input costs, higher freight and transportation) and restructuring charges.
- A.K.A. Money flowing out will be higher this year compared to prior years resulting in temporarily compressed margins.
- But, due to share repurchases and a hefty dividend our earnings per share look poised to grow at approx. 7.5%. *And BICLINGs lived happily ever after.*

The Bull Case

Summed up....

- Unilever's brands have proven their resiliency over multiple business cycles
- Divesting underperforming brands to focus on those with the most potential
- Moat is proven through strong balance sheet and high returns on capital
- This isn't a high-growth company, but the numbers clearly show **predictability and consistency**.



Recommendation:

Write Puts

7 @ 45 Strike

Premium: \$300 * 7 = \$2,100

700 shares