

Unilever Jumps as Sales Beat Estimates on U.S., Asia (Update3)

By Jeroen Molenaar

May 7 (Bloomberg) -- Unilever, the world's second-largest consumer goods maker, rose the most since 2000 in Dutch trading after beating analysts' sales estimates on demand for Hellmann's mayonnaise and new stain removers in the U.S., Asia and Africa.

First-quarter sales excluding acquisitions and effects from currency moves gained 4.8 percent, Rotterdam-and London-based Unilever said today, above the median 3.1 percent estimate in a Bloomberg survey of eight analysts. Net income fell 45 percent.

Chief Executive Officer Paul Polman, who scrapped earnings targets for Unilever shortly after he took over this year, today said brands such as Hellmann's benefited as cash-strapped Americans stayed home to prepare more meals. The maker of Lipton ice tea and Dove soap raised both prices and sales by volume in the U.S. and Asia, offsetting declines in Europe, where some shoppers are turning to cheaper private-label goods.

"Polman gave a much more confident presentation, in sharp contrast to three months ago," said James Amoroso, a food-industry consultant in Walchwil, Switzerland. "Weak spots, especially in Europe, seem to be contained within a couple of isolated markets and categories," such as Germany and hair products, he said. That "suggests that Unilever is not suffering a general weakness in its product proposition."

Polman told journalists today that he still won't give an outlook, saying it's not in Unilever's long-term interest, though he didn't rule it out forever. A Financial Times report today quoted him as saying Unilever has suspended profit targets indefinitely.

Shares Jump

Unilever climbed 1.36 euros, or 8.8 percent, to 16.89 euros in Amsterdam, the biggest one-day jump since March 2000, reducing the shares' decline this year to 2.6 percent.

Larger rival Procter & Gamble Co. has declined 18 percent this year. The Cincinnati-based maker of Tide detergent beat analysts' profit estimates when it reported quarterly results last week, though its sales contracted by 8 percent.

Unilever "should grow 1 to 2 percent above the market," Polman told analysts today. He said the maker of Sunlight soap and Blueband margarine is spending 4 billion euros on promotions and advertising and more than 1 billion euros on developing new products, without giving a time frame for that expenditure.

Unilever's total sales fell 0.7 percent to 9.5 billion euros (\$12.6 billion), dragged down by Western Europe, where revenue excluding purchases and currency swings slid 2.8 percent. Polman said today that there were "signs of stabilization" in the region, though its sales will remain "soft" through the rest of 2009.

Prices Rise, Volume Drops

The food maker raised prices by 6.8 percent, offsetting a 1.8 percent drop in the quantity of products sold.

"The volume drop is not that bad, and Unilever has managed to keep costs under control," said Marco Gulpers, an Amsterdam-based analyst at ING with a "buy" rating on the stock.

Polman, speaking on a conference call, said the U.K. and Belgium were "bright spots" in Europe. Unilever had a dispute with Belgian supermarket owner Delhaize Group earlier this year, with the retailer halting orders while it balked at paying full price. The companies later resolved their disagreement.

Unilever will "step up innovation and brand support from the second quarter, and expect this to drive an improved volume performance," Polman also said. Russia, where Unilever bought Baltimor ketchup last month, and China remain "priority investment areas," and the company will make "selective acquisitions," he added.

So-called underlying revenue rose 9.5 percent for the regional division grouping Asia, Africa and central Europe. Underlying sales increased 7.2 percent for the U.S.-Latin America division.

Polman said he expects Unilever to have further opportunities for growth, even as the economy stays "tough." "If more people eat at home, it's good for our savories. If the economy worsens, people tend to eat more margarine."

First-quarter net income slid to 731 million euros from 1.3 billion euros a year earlier. The year-earlier results included 517 million euros in one-time gains.

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