

UK/NETHERLANDS: Unilever shies from targets, shares fall

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Shares in Unilever fell this morning (5 February) after the consumer goods group refused to give financial targets for 2009 and 2010 due to the global economic downturn.

The Anglo-Dutch maker of brands including Knorr soup and Magnum ice cream said the business had made "solid progress" in 2008 but blamed the "current economic uncertainty" for its reticence in setting guidance.



CEO Paul Polman, who took the reins at Unilever in January, said: "Given the current economic uncertainty I believe it would be inappropriate at this stage to provide an outlook specifically for 2009 or to reaffirm the 2010 targets.

"That said, I am confident in the underlying strength of the business and over the longer term expect that we will deliver very competitive levels of growth and margin improvement."

Shares in Unilever were down 5.73% in London reaching GBP13.98 (US\$20.29) at 10:07 GMT.

James Amoroso, director and consultant of Amoroso Strategic Insights, said investors should look beyond the lack of guidance and focus on Unilever's performance over the last two years.

"The market will not like the lack of specific guidance, but the market will have to start having to get used to that generally, I suspect," Amoroso told just-food. "Of course, in Unilever's case, the recent change of CEO is an added complication for providing longer-term guidance. What the market needs to look at is Unilever's track record over the past two years. And two years ago, no-one would have predicted the consistency and strength of performance that Unilever has delivered."

Unilever's operating profit jumped 33% to EUR1.46bn (US\$1.88bn) in the fourth quarter of 2008, helped by higher sales and the benefit from recent disposals including the Bertolli and Komili olive oil businesses.

Fourth-quarter turnover was up 3% to EUR10.15bn, although foreign exchange weighed on the figures. Underlying sales rose 7.3% as price increases offset a 1.6% fall in volumes. Underlying margins dipped 0.7% during the quarter.

Amoroso said the fall in margins was "superficially disappointing" but insisted it need to be seen in context.

"Firstly, prior to this quarter, Unilever has pulled off the tough double act of both positive organic sales growth and underlying margin expansion, seven quarters in a row. That's not an accident," Amoroso said. "Secondly, the market was expecting just 6% pricing growth. Instead, Unilever delivered over 9%. The parallel volume declines no doubt adversely impacted operating leverage."

Over the year, Unilever saw operating profit climb 37% to EUR7.17bn, helped by the disposals. Net profit was up 28% to EUR5.29bn. Turnover inched up 0.8% to EUR40.52bn, as currency fluctuations and the net impact of disposals and acquisitions weighed on results. Underlying full-year sales rose 7.4%.

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