



NEWSMAKER – Polman's plans uncover Unilever's upside

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By David Jones

LONDON, May 7 (Reuters) - Unilever's new star Paul Polman added sparkle to its shares on Thursday by outlining his plans to reignite volume growth and change the way executives are rewarded at the underperforming consumer goods giant.

Polman took over as chief executive at the start of the year only to see Unilever's shares fall 17 percent up to Wednesday night, when better-than-expected first-quarter results announced on Thursday and his first thoughts on revival sent the shares up over 10 percent.

Key to the Dutch-born executive's plan is to reignite sales volume growth rather than rely on price rises at Unilever Plc/NV , and he has shifted targets for executive bonuses towards sales volume growth and away from earnings.

Polman is trying to work his magic in a global slowdown when all its rivals are struggling for growth. Nevertheless, he has seen volumes starting to improve through a difficult first-quarter for the maker of Dove soap and Lipton tea.

'It's like changing the engine while keeping the car going,' Polman told a first-quarter results briefing, adding that the key was to reignite sales volumes growth while protecting the group's operating margins and cash flow.

Polman came to Unilever with a good pedigree after spending the last 28 years at its larger rivals Nestle and Procter & Gamble, and only left the Swiss food giant when beaten to the top job there by Paul Bulcke.

He sees Unilever as more internally focused and less consumer orientated than his two previous employers but aims to change that with fewer and bigger innovations and faster launches to make it difficult for competitors to catch up.

In first-quarter results, the Anglo-Dutch Unilever beat forecasts with a 4.8 percent rise in first-quarter underlying sales compared to an analyst consensus for a 4.1 percent rise, but this increase relied heavily on price rises as sales volumes were some 1.8 percent lower.

Polman is not alone in finding volumes growth difficult with his last employer only managing a 0.3 percent first-quarter rise while P&G saw a fall in the January-March quarter.

But he is firmly wedded to reviving volume growth and has set senior executive pay bonuses to reflect volumes, margins and working capital rather than more traditional earnings growth.

They are likely to have to work harder to earn the bonuses as Polman is assuming economies will be tough for some time, and Unilever has had a tough time in Western Europe with volumes off 3.7 percent after it saw downtrading to private label products.

Polman says the group's share rating is low because there is an inherent assumption the company will not grow. Its shares trade on 11.9 times 2009 forecast earnings compared to Nestle on 13.3 times and P&G on 12.0 times for its year to June 2009.

Unilever Plc shares jumped 11.5 percent to a high of 14.65 pounds and were last up 9.5 percent at 14.40 pounds at 1511 GMT.

Analysts said there were signs of improvements in the first-quarter with North American sales recovering and strong growth seen in detergents and other homecare products, helping to offset the poor performance in Europe, making some turn more positive on the group.

'The Unilever turnaround looks both sustainable and positive for earnings,' said Deutsche Bank analyst Harold Thompson.

While independent analyst James Amoroso said: 'Unilever gave the impression of being more decisive and in control of its business than it was three months ago.'

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