

FLASH REPORT



Unilever (LSE: ULVR) 3Q17 Update: Sales Miss Estimates, Hit by Poor Weather and Natural Disasters

- Unilever reported 3Q17 sales of €13,166 million, well below the consensus estimate of €14,206 million and down 1.6% year over year.
- Underlying sales growth was 2.6%, below the consensus estimate of 4.4%.
- The group maintained its forecast for full-year underlying sales growth of 3%–5%.

3Q17 Update

Anglo-Dutch fast-moving consumer goods firm Unilever reports sales figures each quarter, with profit updates only at the half-year and full-year points.

For 3Q17, Unilever reported that sales fell by 1.6% year over year, to €13,166 million, well below the consensus estimate of €14,206 million. The decline included a currency impact of (5.1)%. Underlying sales growth, which strips out the impact of acquisitions, disposals and currency rate fluctuations, was 2.6% during the quarter.

Unilever management said that poor weather in Europe and natural disasters in the Americas adversely affected quarterly performance, but that the company saw improving business in its largest emerging markets—China and India.

Performance by segment and geography below is on an underlying basis.

Performance by Segment

Once again, the home and personal care business was the stronger of Unilever's two operating segments, with sales growth of 2.7% in the quarter. Performance was driven by price growth and market and product development.

Sales of food and refreshments rose by 2.3%; price growth in this segment was tempered by a decline in volume growth.

On April 6, Unilever announced that it intends to either sell or demerge its spreads business. Excluding the spreads business, Unilever's total sales grew by 2.8% and the food and refreshments segment grew by 2.9%.

Performance by Geography

- **Asia, Africa, Middle East, Turkey, Russia, Ukraine and Belarus:** Sales in Asia advanced by 6.0% due to strong volume-driven growth in China, improving volume growth and falling price growth in India, and double-digit volume-led growth in Pakistan.
- **The Americas:** Underlying sales improved by 1.4%. Latin America's strong growth of 6.6% was partially offset by North America's decline of 2.9%.
- **Europe:** Sales fell by 1.6% due to poor weather, which led to lower ice cream sales in the region.



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Outlook

Unilever maintained its forecast for full-year underlying sales growth of 3%–5%, operating margin improvement of at least 100 basis points and strong cash flow.

For FY17, analysts expect the following:

- Revenue to increase by 3.2%, to €54.4 billion.
- EBIT to grow by 17.9%, to €9,485 billion.
- Diluted EPS to rise by 13.7%, to €2.07.

These estimates were collated before the trading update announcement.



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