UNILEVER NIGERIA PLC
Q1 2026

Earnings Report Update

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Company Overview

Unilever Nigeria Plc is a leading fast-moving consumer goods (FMCG) company engaged in the manufacture, marketing, and distribution of essential products across Nigeria, with limited international exposure.

The company operates through three core segments: Food, Beauty & Wellbeing, and Personal Care, offering everyday products for mass consumers. Its portfolio includes established brands such as Close-Up, Pepsodent, Vaseline, Pears, Rexona, Knorr, and Royco.

Founded in 1923 and a subsidiary of Unilever PLC, the company leverages global expertise, strong brand equity, and efficient supply chains to maintain its leadership in Nigeria's consumer goods market.

Segmental and Geographic Performance

Billion NGN	Q1 2025	Q1 2026	YOY
Foods	27.51	37.69	37.00%
Personal Care	15.14	15.84	4.65%
Beauty & Wellbeing	4.33	5.64	30.36%
Domestic	45.99	58.13	26.39%
Export	0.98	1.04	6.07%

The firm's revenue remained concentrated in the Food segment, contributing about 63% of total sales, driven by strong demand for seasoning brands like Knorr and Royco. Personal Care accounted for roughly 27%, while Beauty & Wellbeing contributed about 9%, reflecting its smaller but growing footprint.

Geographically, revenue was largely domestic, with about 98% generated within Nigeria and only 2% from exports.

Income Analysis

Billion NGN	Q1 2025	Q4 2025	Q1 2026	YOY
Revenue	46.98	59.26	59.17	25.96%
Gross profit	18.85	25.66	26.61	41.17%
Operating profit	8.27	12.19	11.48	38.88%
Net finance income	2.48	2.20	1.94	-21.95%
Pre-tax profit	10.75	14.39	13.42	24.83%
Net Profit	5.55	8.76	7.02	26.43%
EPS	0.97	1.52	1.22	25.77%

Revenue growth was primarily driven by price adjustments amid inflation and strong demand for essential goods, particularly in the Food segment, which contributed about 63% of total revenue. Personal Care (+27%) and Beauty & Wellbeing (+9%) also supported growth, though at a smaller scale, reinforcing a food-led revenue structure.

Profitability improved alongside revenue, with gross profit rising to ₦23.61 billion, operating profit up 34%, and profit after tax increasing by 26.3%. This reflects some operating leverage, supported by strong brand positioning, pricing power, and resilient demand across core categories.

However, earnings quality remains partly price-driven, with limited margin expansion. Rising input costs and operating expenses continue to constrain efficiency gains, suggesting that sustaining growth will depend on cost discipline and improved operational performance.

Cost Analysis

Billion NGN	Q1 2025	Q4 2025	Q1 2026	YOY
Cost of sales	28.12	33.60	32.56	15.77%
Operating expenses	10.80	14.52	15.45	43.07%
Finance cost	0.17	0.48	1.40	713.66%
Taxation	5.20	5.63	6.40	23.11%

Unilever Nigeria Plc's cost profile in Q1 2026 reflects persistent inflationary pressures, with cost of sales rising by 24.2% YoY to ₦35.56 billion. The increase was driven by higher input costs, FX pressures on imports, and elevated production expenses, indicating that margin stability is largely supported by pricing rather than efficiency gains.

Operating expenses also rose by about 17.6%, with marketing spend increasing to ₦6.6 billion, reflecting continued investment in brand visibility and market positioning. Royalty and service fees to the parent company remain a structural cost, limiting net margin expansion.

Cost growth remains broadly aligned with revenue, suggesting some discipline. However, the structure is largely externally driven, with input inflation, FX volatility, and fixed obligations constraining scalability, making sustained profitability dependent on improved cost efficiency.

Balance Sheet and Cash Flow Summary

Billion NGN	Q1 2025	Q4 2025	Q1 2026	YOY
Total assets	155.10	180.18	189.99	22.50%
Total liabilities	64.44	72.72	75.51	17.18%
Total equities	90.66	107.46	114.47	26.27%
Net cash from operations	9.57	13.07	0.82	-91.44%
Net cash from financing	-0.17	1.28	-0.02	91.19%
Net cash from investing	1.82	-1.03	2.88	58.71%
Net change in cash	11.21	13.32	3.68	-67.13%

The firm maintains a strong financial position, with total assets of about ₦180.6 billion, supported by equity of ₦114.9 billion (about 64% of total assets) and relatively low liabilities. This reflects a low-leverage structure and a solid capital base, enhancing resilience in an inflationary environment.

Operating cash flow remained positive at ₦8.19 billion, though down 15.6% YoY due to higher working capital needs, including inventories and receivables. Investing activities showed a net inflow of ₦2.89 billion, while financing cash flows remained negative, reflecting ongoing obligations.

Operationally, rising inventories and receivables suggest business expansion but raise efficiency concerns. While liquidity remains strong, cash flow quality is mixed, with performance increasingly driven by working capital dynamics, making cash conversion efficiency a key focus.

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Investor Concerns

The key concern is the rise in cost of sales (+24.2% YoY), which closely mirrors revenue growth, indicating persistent input inflation and limited margin expansion. This is further compounded by higher operating expenses, particularly marketing spend (₦6.6 billion), and ongoing royalty payments, which continue to constrain net profitability.

Working capital is also expanding, with higher inventories, receivables, and payables, suggesting that growth is increasingly capital-intensive. While this may support distribution and expansion, it raises concerns around efficiency, potential demand softness, and cash flow pressure in a constrained consumer environment.

Despite positive operating cash flow, the 15.6% YoY decline signals weaker cash conversion efficiency. Combined with high revenue concentration in Nigeria (98%) and heavy reliance on the Food segment (63%), this underscores key risks around margin sustainability, cost rigidity, and structural concentration.

Our Insight

“Unilever Nigeria Plc presents a compelling investment case anchored on its strong brand equity, resilient demand in essential consumer categories, and a low-leverage balance sheet. This positions the company as a defensive name within Nigeria’s consumer goods sector, underpinned by consistent revenue and earnings growth driven by pricing power, particularly in the Food segment. However, the medium-term outlook is cautious as margin sustainability remains under pressure from persistent cost inflation, rising operating expenses, and structural royalty outflows, while increasing working capital intensity is beginning to weigh on cash conversion efficiency.

From a portfolio perspective, the stock remains a core defensive holding but warrant neutral weighting pending clearer evidence of efficiency gains. Key watchpoints include margin stability, working capital trends, cash flow quality, and pricing power sustainability.”

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