Acknowledgement

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INTRODUCTION

Unilever is a British-Dutch multinational consumer goods company with headquarters in London, England.

Unilever is a manufacturer and supplier of fast-moving consumer goods; the company's product portfolio comprises food products, beauty, and personal care products, beverages, home care products, vitamins, minerals, and supplements. It markets products under Bango, Ben & Jerry’s, Hellmann’s, Knorr, Magnum, The Vegetarian Butcher, Wall’s, Axe, Dove, Lifebuoy, Lux, Rexona, Sunsilk, Vaseline, Cif, Comfort, Domestos, Omo, Seventh Generation, Equilibra, Liquid I.V., Olly, Onnit, and SmartyPants brand names (Global Data, 2022).

Unilever is the largest producer of soap in the world and its products are available in around 190 countries (Unilever, 2014). The company has business presence across the Americas, Europe, Asia-Pacific, Africa, and the Middle East. Unilever is headquartered in London, the UK (Global Data, 2022).

The company made a revenue of €50.724 Billion in 2020 with a Net income of €5.581 Billion, and a revenue of €52.444 Billion with a Net income of €6.621 Billion in 2021 (boerse.de, 2021). In this report, the financial performance of

Boeing is analysed. Furthermore, developments affecting the financial performance of Boeing are outlined, including how it manages the risks associated with its sources of finance and dividend policy.

Unilever is one of the company which has got its present in almost all the countries in the world. They manufacture and sell lot of products under different brands in different countries. The size, flavor, colour etc makes the company's product line to be unique and it ensures that the company's customer needs are met. The international exposure not only provides opportunities but also some limitations.

SECTION A

Development 1:

One major development that have an impact on the company's performance iz

i) Hyperinflation

ii) Foreign Exchange fluctuation

Hyperinflation is the state of an economy in which the inflation of the country has gone so high that the prices are out of control. The prices of the goods will increase on an hourly basis and the home currency will lose its value to that of the other standard currency. In such a scenario, Unilever will find it difficult to measure and consolidate the company's performance which is in hyperinflation state with that of the mother country. Moreover the hyperinflation country will be isolated from all other countries in trading to ensure that the country is provided with enough space for it to fix the issue and come back. This will be a huge hindrance for the Unilever.

There are huge number of currency in the world. Each country will follow their own currency. Unilever being one of the MNC, the company has to trade with different currencies in different parts of the world. The increasing market turbulence, political instability, varied covid situation etc will lead to more fluctuation in the currency. This is a huge challenge for the company. The company has to manage translation exposure, transaction exposure and economic exposure.

Section B: Dividend Policy and Sources of Finance

DIVIDEND POLICY

A company's dividend policy has to do with the standard rules of its management in making decisions on dividend payout which includes the magnitude and standard of cash apportionment to its shareholders (Lease et al., 2000).

Dividend policy is information about how a company pays a dividend to its shareholders, whether regular, irregular, stable or no dividend.

Gordon’s (1963) relevance theory states that a company’s intrinsic value can be determined by its dividend policy. The dividend relevance theory applies here. The relevance theory of dividend states that investors prefer dividends to capital gain as a result of the uncertainty of capital gains. By implication, shareholders of Boeing have a high appetite for dividends. This theory is the “bird in hand” theory.

Unilever has paid dividend consistently in the last three years. Record from (Nasdaq, 2022) shows that Unilever pays dividends quarterly, which is 4 times in a year.

In 2019, Boeing paid $8.22 as dividend for a share ($2.055 x 4 quarters), in 2017 Boeing paid $6.84 ($1.71 x 4 quarters) and in 2016, Boeing paid $5.68 ($1.42 x 4quarters) - see table 1 below. Boeing did not pay dividend in 2020 as the Board suspended the declaration and payment of dividends till further notice (p.47)

Ex/EFF DATE	**TYPE**	**CASH AMOUNT**	**DECLARATION DATE**	**RECORD DATE**	**PAYMENT DATE**
11/17/2022	CASH	$0.4211	10/27/2022	11/18/2022	12/09/2022
08/04/2022	CASH	$0.4343		08/05/2022	09/01/2022

05/19/2022	CASH	$0.4555	04/28/2022	05/20/2022	06/16/2022
02/24/2022	CASH	$0.4873	02/10/2022	02/25/2022	03/22/2022
11/04/2021	CASH	$0.4975		11/05/2021	12/01/2021
08/05/2021	CASH	$0.5031		08/06/2021	09/08/2021
05/20/2021	CASH	$0.5159		05/21/2021	06/10/2021
02/25/2021	CASH	$0.5139		02/26/2021	03/17/2021
10/29/2020	CASH	$0.4845		10/30/2020	11/20/2020
08/06/2020	CASH	$0.4694		08/07/2020	09/09/2020
05/14/2020	CASH	$0.4445	04/24/2020	05/15/2020	06/04/2020
02/20/2020	CASH	$0.4517	01/30/2020	02/21/2020	03/18/2020

Table 1: Unilever Dividend History Paid Between 2020 - 2022 (Nasdaq, 2022).

Three-year dividend growth rate per share: 2.70%

Current dividend per share: $0.4211

Current yield: 3.62%.

The company has been paying its dividend regularly to its investors since 1987. From the FY 2010, the company has been paying dividend once in a quarter.

The recent quarterly dividend stands at € 0.4 approximately. The company is working to ensure that the investors both the ones who are looking for the growth as well as dividend are kept satisfied. This will ensure that the investors who are looking for regular returns also buy the stock for the dividend return. The company thus ensures that after retaining enough money for the growth, balance are given away to the investors as dividends.

SOURCES OF FINANCE

The company's major source of finance in the initial stages was Shareholder's Capital. Hoever, currently the company is earning a good profits and it is able to retain the same to a greater extent for its growth. Thus the company's current major source is the ploughed back money or the retained earnings. It is also visible from the increased reserve and surplus. The company also has other source of finance such as long term financial liabilities and other short term liabilities. The financial liabilities include Bank loan and overdrafts, Bonds and other loans, lease liabilities, Derivatives, and other financial liabilities. The company is using these mechanisms to fund its finance needs.

FINANCIAL PERFORMANCE

The Ratio Analysis is one of the analysis in finance which helps an analyst to compare the company's current year performance with the previous year. The ratio analysis also can be used to compare the company's performance with its competitors. This analysis can be used to find the gaps in the operation and fix the same at the earliest.

In this assignment, the four types of ratio analysis has been carried out to understand the company's performance with that of the previous year / years. The types of ratio analyzed are

ROCE – The Return on Capital Employed ratio evaluates the effectiveness of a company's capital in generating profit (CFI, n.d.). The ROCE is considered one of the most used profitability ratios in investment decision-making as Investors make use of the results to determine the most suitable companies for profitable investment.

i) Profitability

ii) Liquidity

iii) Efficiency and

iv) Investment

PROFITABILITY RATIO

The profitability ratio that has been studied in the assignment are the

i) Operating Profit Margin

ii) Net Profit Margin

Operating Profit Margin: The operating profit margin is the ratio of the operating profit to the sales. The operating profit is computed by subtracting all operating expenses from the turnover.

$$\text{Operating Profit Margin} = (\text{Operating Profit} / \text{Revenue}) * 100$$

Net Profit Margin: The net profit margin is the ratio of the net profit to the sale of the company. The net profit is the amount remaining after deducting all expenses from the turnover.

Net Profit Margin = (Net Profit / Revenue) * 100

The below table is the one which shows the computation of the profitability ratios for Unilever Plc for the FY 2018, FY 2019 and FY 2020.

Year	2018	2019	2020
Turnover (€ Mln)	50982	51980	50724
Operating Profit (€ Mln)	12639	8708	8303
Net Profit (€ Mln)	9788	6026	6073
Operating Profit Margin	24.79%	16.75%	16.37%
Net Profit Margin	19.20%	11.59%	11.97%

It is observed that the operating margin for the company has declined from 2018 level of 24.79% to 16.37% in the year 2020 level. This clearly indicates that there is an increase in the operating cost of the company and it is not able to pass on the cost to the customers.

An analysis of the Net Profit margin also indicates that the company's net profit margin has come down from 19.20% in the FY 2018 to 11.59% in the FY 2019. In the FY 2020, there is slight recovery and the Net Profit margin is standing at 11.97%. This also shows that the company's other costs are increasing and the company is finding it hard to control the costs or pass on the cost to the customers.

Liquidity Ratio:

The Liquidity ratio are the ones which helps the company to know its capability to pay off the monetary obligation in time. The company's ability to meet the obligation is categorized into two. One is the short term liquidity ratio and the other one is the long term liquidity ratio. In this analysis, the short term liquidity ratio such as Current Ratio and the Acid Test Ratio has been considered.

Liquidity Ratio	2019	2020
Current Assets (€ Mln)	16430	16157
Current Liabilities (€ Mln)	20978	20592
Inventory (€ Mln)	4164	4462

Current Ratio	0.78	0.78
Quick Ratio	0.58	0.57

The Current Ratio is the ratio of current assets to the current liabilities. This helps the management to know about the quantum of current assets available to meet the current liabilities. The Current Ratio is expected to be greater than or equal to 1. If the ratio is equal to 1 it indicates that the company has current assets which will be equal to current liabilities. In such a scenario, the short term solvency is found to be good for the company.

Current Ratio = Current Assets / Current Liabilities.

The Quick Ratio is the ration of current assets without inventory to that of current liabilities. It is being computed to see that in case of any obligation without using the inventory to what extent is the company in a position to pay off the obligation. The inventory is ignored in this computation for the reason that it might take a significant time to convert inventory to cash.

Quick Ratio = (Current Assets – Inventory) / Current Liabilities

The above table is the computation of Current Ratio and the Quick Ratio for Unilever Plc for the FY 2019 and FY 2020.

The current ratio for the FY 2019 and 20 stands at 0.78. This means that the current assets what the company has is only to the extent of 78% of the current liabilities. On a further analysis, it is found that the company's quick ratio is found to be 0.58 for the FY 2019 and 0.57 for the FY 2020. This is also very low when compared to the standard ratio. This indicates that there is a probability for the company failing to meet the current obligations. However, there are companies in certain industry which may have low current ratio and quick ratio but still they meet their obligation through other means.

Efficiency Ratio:

A company has several ratios to see its performance. There are certain ratios which are built to measure the company's efficiency. In this analysis, the efficiency ratio that has been taken for the study are

i) Debtor Days

ii) Asset Turnover Ratio

Debtor Days:

Debtor Days is the average number of days taken by the company to collect the money from their customers. If the debtor days is increasing, then it means that the company is losing its efficiency in collecting its debt. In other words, the customers are taking long tenure to repay the due amount.

Debtor Days = (Average Debtors / Sales) * 365

Asset Turnover Ratio:

The Asset Turnover Ratio helps to understand the ratio of sales to the assets. This helps the company to know how much times the sales has happened when compared to the assets. Higher the asset turnover ratio, it is good for the company.

Asset Turnover Ratio = (Sales / Total Assets)

The below is the table which shows the computation of the Debtors and Asset Turnover ratio for the FY 2019 and FY 2020.

Efficiency Ratio	2019	2020
Debtors (€ Mln)	6695	4939
Average Debtors (€ Mln)	6588.5	5817
Turnover (€ Mln)	51980	50724
Debtor Days (in Days)	46.26	41.86
Total Assets (€ Mln)	64806	67659
Average Assets (€ Mln)	62958.5	66232.5
Asset Turnover Ratio	0.83	0.77

On analyzing, it is found that the debtor days has come down from 46.26 days in FY 2019 to 41.86 days in FY 2020. This means that the company is able to collect its outstanding much earlier when compared to the previous year. It is an increase in the efficiency of the company.

The Asset Turnover Ratio of the company for the FY 2019 stands at 0.83 vs 0.77 for the FY 2020. It means that the company is able to generate sales to an extent of 77% of the assets. This is much lower when compared to the FY 2019. There is a decrease in the efficiency of the business. The company is not using its assets effectively.

Investment Ratio:

The Investment Ratios are the ones which helps the investor to understand the rate of return earning by the company for the amount invested or for any other parameter. The investors will use this return to compare with the bench mark returns and they will take appropriate actions.

The investment ratio that has been considered in the study are

i) Return on Equity

ii) Return on Assets

Return on Equity:

Net Profit is the amount that has been earned by the company with the money given by the shareholders. Thus the Return on Equity is computed by dividing the Net Profit or the Earnings with the Shareholder’s value. This will provide the rate of return.

Return on Equity = (Net Profit / Total Shareholder's Equity) * 100

Return on Assets:

The Net profit is divided by the Total assets and the % is obtained. This is called as Return on Assets.

Return on Assets = (Net Profit / Total Assets) * 100

The below table provides the Return on Equity and Return on Assets that has been computed for Unilever for the FY 2019 and 2020.

Investment Ratio	2019	2020
Net Earnings (€ Mln)	6026	6073
Shareholder's Equity (€ Mln)	13886	17655
Total Assets (€ Mln)	64806	67659
Return on Equity	43.4%	34.4%
Return on Assets	9.3%	9.0%

The Return on Equity has come down from 43.4% to 34.4% in the FY 2020. This decline is not good for the investors. It means that the company is not able to earn sufficient returns for the investor's money or capital.

The Return on Assets stands at 9.3% in the FY 2019 and 9% in the FY 2020. This is a cause of concern.

CONCLUSION

The above analysis is detail analysis about the Unilever Plc. The company has been performing for a long period of time with good growth. The sector that it is present helps the company to grow as the disposable income of the people increases.

References

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