

Unilever Ghana Plc. FY2025 Results

Current rating: HOLD

Year-to-date: NO CHANGE

Current Price: GHS 19.79 | **Current Fair Value:** GHS 20.05 | **Upside:** 1.32%

Ghana | 29 January 2026

Earnings Rebound Fuels Confidence, Cost Discipline Supports Outlook

Rating Summary

We maintain a HOLD rating on Unilever Ghana Plc, revising our fair value estimate down by 1.13% to GHS 20.05 per share, implying a modest upside of 1.32% from current price of GHS 19.79. Our rating signals the expectation of steady revenue growth over the short to medium term, driven by value extraction from UNIL's robust brand equity, entrenched market presence, and anticipated increases in consumer demand. The reintroduction of Lifebuoy Carbolic Soap, a heritage brand temporarily suspended for six months, positions Unilever Ghana to recapture lost volumes and boost category performance. We expect the relaunch, supported by targeted management-led activation and enhanced distribution, to reignite consumer demand and contribute to revenue momentum in 2026. We forecast revenue to grow by 16.8% y/y to GHS 1.2bn in FY2026 (vs 11.7% y/y to 1.0bn in FY2025). We expect the abolishing of the 1.0% COVID levy and restrained price pressures to enhance consumer purchasing power, underpin stronger demand across personal care and other essential product categories, and support market penetration in an improving macroeconomic environment. On the cost side, Palm oil price volatility remains a key risk, given its centrality to production. However, we believe the ability to claim input tax credit on embedded levies provides a partial buffer, mitigating margin pressure. We expect energy-intensive operations to expose the company to adjustments in electricity and water tariffs, with recent tariff hikes (electricity: +9.86% | water: +15.92%) to raise operating expenses and slightly compress operating margins to 12.7% in FY2026 (vs 13.9% in FY2025). Nonetheless, we believe the disciplined cost management and operational efficiency measures currently being implemented will contain the impact, enabling the company to defend profitability. Overall, while Unilever Ghana is well-positioned to capitalise on revenue tailwinds, near-term input and operational cost indicators justify a "Hold" rating, indicating a balanced risk-return profile. We obtained our fair value estimate using a blended valuation approach comprising discounted cash flow (40% weight), price-to-earnings multiple (30% weight), and enterprise value-to-sales (30% weight). The intrinsic value estimate is based on a 15.16% risk-free rate, a weighted average cost of capital (WACC) of 17.3%, and a terminal growth rate of 5.0%.

FY2025 Earnings Update

Unilever Ghana ("UNIL") released its unaudited FY2025 financial results on 22 January 2026, reporting a 62.5% y/y surge in net profit to GHS 94.4mn, exceeding our estimate by 34.7%. The surge in net profit reflects a revenue growth of 11.7% y/y to GHS 1.0bn, a 93.6% y/y plunge in restructuring costs to GHS 1.3mn, and a 126.3% y/y spike in finance income to GHS 3.9mn amid a stable finance cost. Operating profit rose by 51.1% y/y to GHS 143.9mn, supported by impressive containment of operating expense (OPEX) which declined by 1.4% y/y to GHS 267.9mn. The decline in OPEX was supported by the plunge in restructuring expenses, likely reflecting easing cost pressures from Project Fit. We adjusted OPEX for restructuring cost and still found impressive cost containment as the non-restructuring OPEX showed only a modest increase of 5.8% y/y, below average inflation of 14.6% and less than the growth in revenue. We observed that the significant profit growth in FY2025 was supported by a strong 147.2% q/q surge in finance income for 4Q2025, despite a modest 5.4% q/q growth in revenue. The growth in revenue was driven by improved market penetration and a stronger focus on personal care category. We recognise the encouraging revenue recovery and expect UNIL to sustain this trajectory as consumer purchasing power gradually improves amid a strengthening macroeconomic backdrop. Additionally, we expect the reduced VAT rate, particularly the removal of the 1.0% COVID levy to support consumer spending by easing the tax burden on consumers, which will strengthen demand for consumer non-discretionary. We also expect the recoupling of the 5.0% levies into the VAT structure to curb input cost escalation, supporting margins in FY2026. Overall, we are impressed by the significant profit recovery in FY2025, and expect the improved macroeconomic backdrop and sustained cost management measures to provide a tailwind for FY2026 earnings performance. However, we note that a significant portion of earnings was driven by non-core items (such as a surge in finance income and a fall in restructuring cost). In view of this, we will keep monitoring to gain full assurance of sustained revenue growth.

FY2025 Performance: Revenue growth, finance income surge and cost relief drive earnings

Revenue and Income Dynamics

- Net profit surged by 62.5% y/y to GHS 94.4mn in FY2025 due to an 11.7% y/y increase in revenue to GHS 1.0bn, a 93.6% y/y plunge in restructuring costs to GHS 1.3mn, and a 126.3% y/y spike in finance income to GHS 3.9mn
- The 11.7% increase in revenue to GHS 1.0bn was driven by improved market penetration and a stronger focus on personal care category.
- Other income plunged by 63.3% y/y to GHS 5.2mn. In our view, the decline in other income in FY2025 likely reflects lower FX revaluation gains, as the 40.4% appreciation of the Ghanaian Cedi in FY2025 reduced the local currency value of foreign-currency-denominated positions.

- Additionally, finance income surged by 126.3% y/y to GHS 3.9mn. The surge in finance income suggests effective interest rate risk management, enabling the company to generate higher interest income despite the sharp decline in market interest rates for the period.
- UNIL's operating profit rose by 51.1% y/y to GHS 143.9mn in FY2025

Cost and Risk Management

- Input cost increased by 9.5% y/y to GHS 632.7mn
- Operating expense declined by 1.4% y/y to GHS 267.9mn. The fall in OPEX was due to a 93.6% y/y slump in restructuring cost to GHS 1.3mn
- Finance cost nudged up by 0.2% y/y to GHS 4.7mn.

Margin Performance

- Gross margin rose by 1.2pp y/y to 39.1%
- UNIL's operating margin increased by 3.6pp y/y to 13.9%
- Consequently, net profit margin climbed by 2.8pp y/y to 9.1% in FY2025

Near-Term Outlook

Strong Consumer Demand to Drive Revenue Momentum in FY2026

Product relaunch to drive volume recovery and support sales growth in 2026.

- The reintroduction of Lifebuoy Carbolic Soap, a heritage brand that was temporarily suspended for six months, strengthens Unilever Ghana's ability to recapture lost volumes and reinforce category performance. While the suspension weighed on near-term sales, we expect the relaunch, backed by targeted management-led activation and enhanced distribution to reignite consumer demand. Given Lifebuoy's strong brand equity and entrenched mass-market appeal, we expect the product to generate a meaningful contribution to revenue momentum in 2026. Accordingly, we project revenue to expand by 16.8% to GHS 1.2bn in FY2026 and forecast a five-year revenue CAGR of 18.2%, exceeding the historical five-year CAGR of 17.9%.

VAT reduction to support demand and topline performance

- We believe Unilever Ghana is well-positioned to benefit from the reduction in the effective VAT rate from 21.9% to 20.0% in 2026, which enhances consumers' purchasing power by lowering the overall tax burden on essential goods. We expect this softer tax burden to support stronger demand across Unilever Ghana's key product categories, particularly personal care, as households face a slightly lower cost of consumption especially with the removal of the 1.0% COVID levy. We expect the VAT reduction to drive higher sales volumes, strengthening top-line growth and reinforcing Unilever Ghana's market penetration in an improving macroeconomic environment. This supports our revenue forecast of 16.8% to GHS 1.2bn in FY2026.

Input tax credit to cushion Unilever Ghana against palm oil price volatility in 2026

- Palm oil price volatility remains a key input cost risk for Unilever Ghana, given the commodity's central role in its production mix and continued exposure to global supply disruptions and policy-driven price swings. We therefore project input costs to rise by 21.8% y/y to GHS 770.8mn in FY2026, reflecting sustained pressure from higher raw material prices. That said, the ability to claim input tax credit on the embedded 5.0% levies provides an important cost cushion, partially offsetting the impact of palm oil price movements. While this tax relief does not fully insulate margins from commodity price volatility, it will meaningfully reduce cost escalation and strengthen Unilever Ghana's capacity to defend profitability in a volatile input cost environment.

Utility tariff hike to elevate Unilever Ghana's operational costs and impact margins

- Unilever Ghana's manufacturing operations remain energy-intensive, rendering the company sensitive to fluctuations in electricity and water costs. We expect the recent utility tariff hike, effective January 2026, to exert a moderate upward pressure on operating expenses, with electricity tariffs rising by 9.86% and water tariffs by 15.92%. Given the company's reliance on stable energy and water supply for production, we project OPEX to grow by 17.0% y/y to GHS 313.4mn in FY2026, translating into a modest contraction in operating margin by 1.2pp y/y to 12.7%. While the tariff adjustment is a near-term headwind, we expect Unilever Ghana to manage operational efficiency effectively to mitigate its impact on profitability.

Summary of Outlook

- We expect Unilever Ghana to increase its revenue growth in FY2026, driven by the relaunch of key heritage brands, improved market penetration, and sustained consumer demand across essential product categories. We believe the reduction in the effective VAT rate will boost purchasing power and support higher sales volumes, particularly in personal care. While input cost pressures from palm oil volatility and rising utility tariffs present near-term headwinds, we expect effective cost management and operational efficiency to help defend margins. Overall, we believe the company is well-positioned to capitalise on the recovering macroeconomic environment, maintain profitability, and strengthen its market presence.

Valuation & Recommendation: **HOLD**

- Our "HOLD" rating is based on our weighted average fair value of GHS 20.05 per share, representing an upside of 1.32%, using the weighted average prices from our Discounted Cash Flow (DCF) and relative valuation models. We consider Unilever Ghana a suitable hold, with potential for gradual improvement in financial performance over the medium term.
- UNIL is currently trading at a TTM P/E of 13.1x – similar to peer mean P/E of 13.06x – and P/Sales of 1.2x

Valuation panel

In valuing Unilever Ghana Plc, we used two techniques, namely absolute valuation (Discounted Cashflow model) and relative valuation models (Price-to-earnings [P/E] and Enterprise Value-to-Sales [EV/Sales] multiples) to determine the intrinsic value. We opted to utilise a weighted average of the intrinsic prices from all three models, considering the inherent strengths and weaknesses

of each model. The relative valuation model for both P/E and EV/Sales ratios provide a more comprehensive and balanced assessment of Unilever's value. Whereas the P/E focuses on earnings, the EV/Sales complement this by reflecting the company's overall enterprise value relative to revenue. Using both provides a balanced perspective on both earnings and overall business value relative to revenue. This dual approach helps to mitigate the limitations of each individual ratio. We assigned a 30.0% weighting to each of P/E and EV/Sales multiple, and a 40.0% weighting to DCF. We assigned a higher weight to the DCF model as it focuses on the intrinsic value of a company based on its future cash flow, adjusted for the time value of money.

Valuation inputs – Cost of Capital

Parameter	Value	Note
Risk-free rate	15.16%	This rate reflects the average yield on restructured bonds listed on the Ghana Fixed Income Market (GFIM) as of the valuation date by end of January 2026. The recent improvement in bond trading amidst the downturn in yields has enhanced price discovery for the DDEP bonds, restoring the bond yields in our model as the risk-free rate.
Market risk premium	6.0%	This aligns with the upper band of our preferred range from 4.0% to 6.0% and reflects our view of the elevated risk premiums in developing markets
Beta	0.364	We calculate beta using daily, weekly, monthly and quarterly data over a one to fifty-year period. We employed betas that are statistically significant with the highest coefficient of determination.
WACC	17.2%	Based on a book value equity of GHS 280.2mn and book value debt of GHS 12.1mn, we calculate the WACC with a cost of debt of 14.7% and cost of equity of 17.3%.
Peer mean ratio (P/E)	13.06	The peer mean P/E is computed using the P/E of FMCGs including Fan Milk, Benso Oil Palm Plantation, Guinness Ghana Breweries and Unilever Nigeria,

Valuation summary (GHS/share)

P/E	DCF	EV/Sales	WEIGHTED AVG
22.97	16.94	21.28	20.05

Key risks to valuation

Upside: Unexpected further declines in inflation, appreciation of the Ghanaian cedi, lower costs of key inputs like palm oil, slower utility tariff hikes, a softer VAT regime in 2026, improved local sourcing strategy, successful penetration into new markets, improved macroeconomic environment, favorable regulatory reforms and effective marketing and brand activation campaigns boosting market share.

Downside: Higher-than-expected inflation, foreign exchange volatility, elevated interest rates, utility tariff hikes, rising energy prices, price surge in palm oil and other key raw materials, intensified competition, unfavorable tax policy shifts and continued underperformance of marketing and product innovation initiatives to generate sufficient sales uplift.

Income statement

GHS 000	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	930,801.0	1,039,312.0	1,213,916.4	1,450,630.1	1,798,781.3	2,161,256.9	2,398,995.1
Cost of Sales	(582,931.0)	(632,678.0)	(770,836.9)	(971,922.2)	(1,313,110.4)	(1,620,942.7)	(1,787,251.4)
Gross Profit	347,870.0	406,634.0	443,079.5	478,707.9	485,671.0	540,314.2	611,743.8
Distribution cost	(20,876.0)	(20,967.0)	(38,845.3)	(46,420.2)	(57,561.0)	(69,160.2)	(76,767.8)
Brand and marketing	(87,626.0)	(98,383.0)	(93,471.6)	(111,698.5)	(140,304.9)	(164,255.5)	(182,323.6)
Administrative exp.	(135,120.0)	(147,215.0)	(176,017.9)	(174,075.6)	(197,865.9)	(207,480.7)	(230,303.5)
Restructuring costs	(19,774.0)	(1,263.0)	(3,641.7)	(4,351.9)	(5,396.3)	(6,483.8)	(7,197.0)
Impairment on trade receivables	(43.0)	(45.0)	(1,383.9)	(1,262.0)	(1,241.2)	(1,167.1)	(1,295.5)
Other Income	11,442.00	5,184.00	24,278.33	29,012.60	35,975.63	43,225.14	47,979.90
Operating profit	95,873.0	143,945.0	153,997.4	169,912.3	119,277.2	134,992.1	161,836.2
Finance income	1,739.0	3,936.0	1,998.6	3,173.8	4,082.8	3,925.4	4,693.4
Finance expenses	(5,365.0)	(4,743.0)	(4,379.8)	(3,751.6)	(3,393.7)	(5,818.6)	(6,517.3)
Profit before Income Tax	92,247.0	143,138.0	151,616.3	169,334.5	119,966.4	133,098.9	160,012.4

Income Tax Expense	(27,341.0)	(48,778.0)	(41,694.5)	(46,567.0)	(32,990.7)	(36,602.2)	(44,003.4)
Profit for the Year	64,906.0	94,360.0	109,921.8	122,767.5	86,975.6	96,496.7	116,009.0

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