Unilever Ghana Plc. 1H2026 Results

Current rating: **ACCUMULATE**

Year-to-date: **49.1%**

Current Price: GHS 29.50 **I Current Fair Value:** GHS 34.51 **I Upside:** 17.0%

Ghana I 29 July 2026

Profit Soars on Revenue Growth, Non-Core Income and Cost Discipline

1H2026 Earnings Update

Unilever Ghana ("UNIL") released its unaudited 1H2026 financial results, reporting a 392.2% y/y surge in net profit to GHS 125.6mn. The surge in net profit resulted from a revenue growth of 13.6% y/y to GHS 606.2mn, a 16.6% y/y decline in cost of sale to GHS 285.1mn, a 352.5% y/y spike in finance income to GHS 3.7mn, a 32.9% y/y slump in finance costs to GHS 1.8mn and a 58.5% rise in other income GHS 5.8mn. We also note that the 1H2026 net profit came off a low profit base in the corresponding period in 2025 (GHS 25.5mn), supporting the percentage rise. Operating expenses increased by 10.3% y/y to GHS 161.4mn, above the single digit average inflation of 3.8% in 1H2026. The growth in OPEX was due to a 20.4% y/y rise in brand & marketing investment to GHS 67.9mn and a 4.6% y/y modest growth in administrative expenses to GHS 82.6mn. Revenue growth was driven by sustained investment in power brands to strengthen consumer engagement and enhance brand visibility and consumer reach. The topline performance was further supported by a relatively stable macroeconomic environment which improved consumer purchasing power and helped to sustain demand. Consequently, gross margin expanded by 17.0pp y/y to 53.0%, reflecting improved product mix and lower input cost pressures. Operating margin improved by 18.1pp y/y to 27.3%, highlighting ongoing operational efficiency. As a result, net profit margin climbed by 15.9pp y/y to 20.7% in 1H2026. Other income increased by 58.5% y/y to GHS 5.8mn. In our view, the growth in other income in 1H2026 emanates from management fees from Twifo Oil Palm Plantations (TOPP), Income from tank farm rental and sale of scrap. Additionally, finance income surged by 352.5% y/y to GHS 3.7mn. The sharp increase in finance income likely stemmed from higher interest earned on deposits and call deposits, indicating more efficient management of the company's financial assets during the period.

Overall, we believe Unilever Ghana's strategy extends beyond delivering short-term earnings growth. Instead, management is repositioning the business around premium brands, deeper market penetration, disciplined governance and operational excellence, all within the broader framework of the Unilever Group's global transformation strategy. This alignment should improve the quality of revenue, strengthen profitability, enhance cash generation and support resilient long-term earnings growth, positioning the company to deliver sustainable shareholder value over the near to medium term. Also, the company's strong 1H2026 financial performance suggests a tighter grip on cost than we previously envisaged in our model and this has strengthened our investment conviction. Consequently, we have upgraded our recommendation from "SELL" in our 1Q2026 earnings commentary to "ACCUMULATE". We have also revised our target price to GHS34.51 from GHS20.05, implying a 72.1% upside to our previous valuation and a 17.0% upside from the current market price of GHS29.50 per share.

We however flag valuation downside risks to include sharper-than-expected Cedi depreciation, steeper-than-expected quarterly hikes in utility tariffs arising from higher energy prices that could escalate costs, and unanticipated softening in consumer demand.

1H2026 Performance: Revenue growth, finance income surge and cost relief drive earnings

Revenue and Income Dynamics

- Revenue ▲ 13.6% → GHS 606.2mn
- Other Income ▲ 58.5% → GHS 5.8mn
- Finance Income ▲ 352.5% → GHS 3.7mn
- Operating Profit ▲ 234.9% → GHS 165.5mn
- Net Profit ▲ 392.2% → GHS 125.6mn

Cost and Risk Management

- Input Cost ▼ 16.6% → GHS 285.1mn
- Operating Expenses ▲ 10.3% → GHS 161.4mn
- Finance Cost ▼ 32.9% → GHS 1.8mn

Margin Performance

- Gross Margin ▲ 17.0pp → 53.0%
- Operating Margin ▲ 18.1pp → 27.3%
- Net Profit Margin ▲ 15.9% → 20.7%

Near-Term Outlook

Strategic Transformation and Stronger Market Execution Underpin Our FY2026 Revenue Growth Outlook

Strategic Portfolio Repositioning Towards Higher-Margin Categories to Support Revenue

- We believe Unilever Ghana is entering a new phase of sustainable growth, underpinned by a strategy that is closely aligned with the Unilever Group's global transformation agenda. The Group has shifted from a geographically driven operating model to a category-led strategy, prioritising investment behind a select portfolio of power brands, particularly within the beauty, wellbeing and personal care categories, where structural demand, pricing power and premiumisation opportunities are strongest. Unilever Ghana has embraced this strategic direction by concentrating resources on its own power brands, strengthening execution in the marketplace. At the core of this strategy is an intentional shift towards higher-margin categories. Management reiterated that future investment will increasingly favour beauty, wellbeing and personal care brands, mirroring the Group's objective of expanding these categories to two-thirds of its global portfolio over the medium term. We believe this strategic alignment will progressively improve Unilever Ghana's revenue mix, enhance pricing power and support sustained gross margin expansion as earnings become increasingly driven by premium products rather than broad-based volume growth. This aligns with our revenue forecast of 16.8% to GHS 1.2bn by end of FY2026.

Deeper Market Penetration and Efficient Distribution Execution Strengthen Consumer Reach

- Beyond portfolio optimisation, management is executing an aggressive market expansion strategy aimed at strengthening consumer reach and deepening distribution. Active outlet coverage increased from approximately 59,000 in 2024 and currently at 66,000, signaling broader market penetration and improved route-to-market execution. More importantly, current data from management indicates that secondary sales exceeded primary sales at the end of FY2025, revealing that products are moving efficiently through the distribution network and into the hands of consumers rather than accumulating as channel inventory. We view this as a strong indication that revenue growth is supported by genuine consumer demand, enhancing the sustainability and quality of future earnings.

Premiumisation and Operational Excellence Support Growth Ambition

- Another important strategic signal is management's ambition to transform Unilever Ghana into a EUR 100mn business the scale at which the subsidiary becomes strategically more relevant within the Unilever Group. Although management was not specific on the timeline, we believe the Cedi's performance against the Euro will be a major drag on the pace towards this target. That said, we view this as more than an aspirational revenue target. It reflects management's long-term commitment to reposition the business as a higher-growth and more strategically important market within the Group's global portfolio. To realise this ambition, management is executing a strategy that closely aligns with the Group's global transformation agenda. This includes concentrating investment behind high-growth power brands, accelerating the shift towards higher-margin beauty, wellbeing and personal care categories, expanding distribution and outlet penetration, strengthening marketplace execution and embedding a culture of ownership and operational excellence across the organisation. We believe these initiatives provide a credible pathway towards achieving the EUR 100mn milestone by supporting sustainable revenue growth, improving product mix, strengthening margin resilience and enhancing earnings quality. More importantly, reaching this scale would likely elevate Ghana's strategic importance within the Unilever Group. In our view, management is not merely pursuing higher sales, but is systematically building a stronger, more efficient and scalable business capable of delivering sustainable long-term shareholder value. Against the EUR 100mn target, we estimate that the company has currently achieved 45.6% of this target with the latest 1H2026 performance using the prevailing exchange as of 28 July 2026.

Songtaa Project Expands Market Reach and Strengthens Last-Mile Distribution

- We continue to regard Unilever Ghana's Songtaa Project as a key commercial initiative that strengthens the company's route-to-market strategy and supports long-term revenue growth. By deploying more than 200 agents across rural and peri-urban communities in Northern Ghana, the programme expands last-mile distribution and improves product access in underserved markets where conventional retail channels remain underdeveloped. This broader distribution footprint enhances product availability and reinforces brand presence across low-penetration areas. The proposed rollout of the initiative in Accra further increases its growth potential by extending the structured micro-distribution model into densely populated urban markets. In our view, this expansion should accelerate market penetration, unlock incremental demand, and support higher sales volumes. Over the medium term, we expect the initiative to strengthen revenue growth through wider consumer reach, improved product accessibility, and a more efficient distribution network.

Local Sourcing to Drive Cost Efficiency and Margin Expansion

- We continue to view Unilever Ghana PLC's partnership with Minana Services under the TRANSFORM Impact Accelerator as a strategic initiative that supports greater supply chain strength and cost optimisation. The programme has enabled Minana Services to identify, assess, and onboard more than 300 palm oil farmers across the Ashanti, Central, and Eastern Regions, alongside the establishment of buying centres capable of sourcing up to 150 tonnes of palm fruit each month. This structured procurement network enhances the reliability of raw material supply while increasing access to locally sourced inputs. In our view, deeper localisation of input sourcing should reduce the company's reliance on imported raw materials and mitigate foreign exchange-related cost pressures. Consequently, we expect the initiative to support margin expansion over the medium term through improved input cost efficiency.

Summary of Outlook

- Overall, we believe Unilever Ghana is entering a new phase of sustainable growth, supported by a strategy that closely aligns with the Unilever Group's global transformation agenda. Management is repositioning the business towards higher-growth and higher-margin categories, particularly beauty, wellbeing and personal care, while strengthening investment behind key power brands. This strategic shift should improve revenue quality, enhance pricing power and support sustained margin expansion, underpinning our FY2026 revenue forecast of GHS 1.2bn, representing 16.8% y/y growth. Beyond portfolio optimisation, the company continues to strengthen market execution through expanded distribution coverage, with active outlets increasing to 66,000 from approximately 59,000 in 2024, while improved secondary sales performance signals stronger underlying consumer demand. Management's ambition to transform Unilever Ghana into a EUR100mn business further reinforces our positive outlook, with the company achieving 45.6% of this target in 1H2026 (per our estimate) based on the prevailing exchange rate as of 28 July 2026. Although management was not specific on the timeline, we believe the Cedi's performance against the Euro will be a major discount on pace towards this target. We expect ongoing investments in premium brands, distribution expansion, initiatives such as the Songtaa Project, and operational efficiency to provide a credible pathway towards achieving this milestone. Overall, these strategic initiatives, alongside improving financial performance, should strengthen earnings quality, enhance operational efficiency and position Unilever Ghana for sustainable long-term value creation.

Valuation & Recommendation: ACCUMULATE

- Our "ACCUMULATE" rating is based on our weighted average fair value of GHS 34.51 per share, representing an upside of 17.0%, using the weighted average prices from our Discounted Cash Flow (DCF) and relative valuation models.
- UNIL is currently trading at a P/E of 29.4x and EV/EBITDA of 8.3x – below peer mean EV/EBITDA of 13.0x

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: Slower-than-expected implementation of the global strategy, 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.

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