Unilever Ghana Plc. 9M2026 Results

Current rating: HOLD

Year-to-date: 99.6%

Current Price: GHS 39.50 **| Current Fair Value:** GHS 40.09 **| Upside:** 1.48%

Ghana | 02 November 2026

Unilever Hits the Sweet Spot on Sales and Costs, but Marketing Bites

9M2026 Earnings Update

Unilever Ghana ("UNIL") released its unaudited 9M2026 financial results, reporting a 205.4% y/y increase in net profit to GHS 180.6mn. Net profit is already 91.4% above FY2025, and 61.1% ahead of our 9M2026 forecast. Revenue rose 18.6% y/y to GHS 925.2mn driven by growth in power brands across the Personal Care, Home Care and Beauty & Wellbeing categories. Cost of sales declined by 10.7% y/y to GHS 435.1mn despite higher sales, lifting gross profit by 67.3% y/y to GHS 490.2mn and gross margin by 15.4pp y/y to 53.0%. We note that the margin gains were due to a more favourable brand and product mix as well as rigorous cost discipline and greater operational efficiency. Operating expenses increased by 26.6% y/y to GHS 259.6mn, driven by a 58.1% y/y rise in brand & marketing investment to GHS 121.1mn, while administrative expenses grew a more contained 7.6% y/y to GHS 121.3mn. Marketing spend intensified in the third quarter to GHS 53.2mn, representing 16.7% of 3Q2026 revenue against 11.9% in 2Q2026, which moderated the 9M2026 operating margin to 25.8% from 27.3% in 1H2026. Nonetheless, operating profit rose 158.1% y/y to GHS 238.7mn, and operating margin expanded by 13.9pp y/y to 25.8%. Other income rose 77.5% y/y to GHS 8.2mn and finance income by 170.9% y/y to GHS 4.6mn, while finance costs fell by 30.1% y/y to GHS 2.6mn. Looking ahead, Unilever Ghana's revenue growth should remain supported by its continued focus on power brands, which grew 33.5% in 9M2026, alongside deeper distribution and increased investment in high-growth categories. We expect the company to sustain this momentum into FY2026, although elevated brand and marketing expenditure should keep operating margins below the 1H2026 level of 27.3%, likely within the low-to-mid 20s. While lower input costs have supported margin resilience, much of the relief reflects favourable inflation and exchange rate movements. Rising crude palm oil prices and potential El Niño-related supply disruptions could reverse some of these gains, limiting further gross margin expansion. Over the longer term, local sourcing initiatives should help reduce exposure to imported inputs. We also expect the company to make further progress towards management's EUR 100mn revenue ambition, with our estimate placing it at 71.4% of the target by 9M2026. However, achieving the threshold by FY2026 remains subject to cedi stability, as currency depreciation could constrain its euro-denominated value. Overall, we retain a positive outlook on revenue growth but expect brand investment and emerging input cost risks to temper near-term margin expansion. Against this backdrop, we upgrade our fair value estimate for Unilever Ghana by 16.2%, reflecting its stronger-than-expected 9M2026 performance and improved earnings outlook. However, following a 33.9% rally in the share price from its 1H2026 level to GHS39.50 currently, the upside to our revised valuation has narrowed, leaving our recommendation at a "HOLD" from "ACCUMULATE", as the recent price appreciation has largely priced in the improved fundamentals.

We flag key risks to include a reversal of input cost relief if global palm oil prices respond to El Niño-related supply risks into 2027, sharper-than-expected Cedi depreciation, diminishing returns on marketing investment, slower-than-expected implementation of the global strategy, Higher-than-expected inflation, foreign exchange volatility, elevated interest rates, utility tariff hikes and rising energy prices,

9M2026 Performance: Revenue and Non-Core Income Drive Earnings as Marketing Investment Steps Up

Revenue and Income Dynamics

- Revenue ▲ 18.6% y/y → GHS 925.2mn
- Other Income ▲ 77.5% y/y → GHS 8.2mn
- Finance Income ▲ 170.9% y/y → GHS 4.6mn
- Operating Profit ▲ 158.1% y/y→ GHS 238.7mn
- Net Profit ▲ 205.4% y/y → GHS 180.6mn

Cost and Risk Management

- Input Cost ▼ 10.7% y/y → GHS 435.1mn
- Operating Expenses ▲ 26.6% y/y → GHS 259.6mn
- Finance Cost ▼ 30.1% y/y → GHS 2.6mn

Margin Performance

- Gross Margin ▲ 15.4pp y/y → 53.0%
- Operating Margin ▲ 13.9pp y/y → 25.8%
- Net Profit Margin ▲ 11.9pp y/y → 19.5%

Near-Term Outlook

Brand-Led Growth and a Higher Gross Margin Support the Outlook, but Marketing Intensity Temper Earnings Quality

Power-Brand Mix Shift Underpins Revenue Growth

- Unilever Ghana continues to concentrate investment behind power brands in the Personal Care, Home Care and Beauty & Wellbeing categories, in line with the Unilever Group's category-led strategy. The Group's agreement, announced on 31 March 2026, to combine its Foods business with McCormick (completion targeted by mid-2027), where Unilever and its shareholders will receive, in aggregate, shares equal to 65.0% of the fully diluted combined company equity and McCormick shareholders will own 35.0% of the fully diluted combined company equity after completion of transaction. This sharpens Unilever's focus on Beauty & Wellbeing, Personal Care and Home Care. Locally, power brands grew 33.5% in 9M2026, which contributed to the 18.6% y/y growth in revenue to GHS 925.2mn.

Brand Investment Is Buying Growth at the Cost of Near-Term Operating Margin

- Brand & marketing investment rose 58.1% y/y to GHS 121.1mn in 9M2026, lifting its share of revenue to 13.1% from 9.8% in 9M2025. The increase in the marketing share of revenue suggests that the investment is generating sales traction. National campaigns such as the Pepsodent "Do the 2" oral-care programme, launched in March 2026 with the Ghana Dental Association and the Ghana Health Service, illustrate the brand-building focus. We interpret the decline in the operating margin to 25.8% in 9M2026, from 27.3% in 1H2026, as the cost of a deliberate investment phase. We expect the operating margin to remain in the low-to-mid 20s in FY2026, albeit below the 27.3% recorded in 1H2026 as the company continues to invest in brand and marketing.

Cyclical Cost Relief Meets Emerging Supply Risks

- Cost of sales declined by 10.7% y/y to GHS435.1mn in 9M2026, despite an 18.6% increase in revenue. This reflected a more favourable operating environment, with average inflation easing to 4.2% in 9M2026 from 17.3% in the corresponding period of 2025, while the Cedi appreciated by 6.1% against the USD as at 30 September 2026. We also believe Unilever Ghana PLC's local sourcing initiatives in partnership with Minana Services, as highlighted in our 1H2026 report, supported the moderation in input costs. These initiatives could strengthen local supply and reduce exposure to imported inputs, particularly as Malaysian crude palm oil prices rose by 13.8% y/y in 9M2026. However, forecasts of a strong El Niño could weigh on palm yields into 2027, creating an upside risk to input costs. Overall, we view much of the recent cost relief as cyclical and currency-driven. While local sourcing should help mitigate foreign exchange exposure over time, we do not anticipate further material gross margin expansion from lower input costs, particularly given the potential supply-side risks from El Niño.

EUR 100mn Ambition Within Reach but Exposed to Currency Risk

- In 1H2026, we stated Management's ambition is to grow Unilever Ghana into a EUR 100mn business. At the end of 9M2026 our estimate reveals 71.4% of the target using exchange as of 30 October 2026, up from 45.6% at 1H2026. We view this as 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, as well as expanding distribution and outlet penetration. We believe the business will achieve its EUR 100mn target by FY2026. However, the Cedi remains the key risk to reaching the threshold.

Summary of Outlook

- Unilever Ghana's revenue growth should remain supported by its continued focus on power brands, which grew 33.5% in 9M2026, alongside deeper distribution and increased investment in high-growth categories. We expect the company to sustain this momentum into FY2026, although elevated brand and marketing expenditure will keep operating margins below the 1H2026 level of 27.3%, likely within the low-to-mid 20s. While lower input costs have supported margin resilience, much of the relief reflects favourable inflation and exchange rate movements. Rising crude palm oil prices and potential El Niño-related supply disruptions could reverse some of these gains, limiting further gross margin expansion. Over the longer term, local sourcing initiatives should help reduce exposure to imported inputs. We also expect the company to make further progress towards management's EUR 100mn revenue ambition, with our estimate placing it at 71.4% of the target by 9M2026. However, achieving the threshold by FY2026 remains subject to cedi stability, as currency depreciation could constrain its euro-denominated value. Overall, we retain a positive outlook on revenue growth but expect brand investment and emerging input cost risks to temper near-term margin expansion.

Valuation & Recommendation: HOLD

- Our "HOLD" rating is based on our weighted average fair value of GHS 40.09 per share, representing an upside of 1.48%, using the weighted average prices from our Discounted Cash Flow (DCF) and relative valuation models.
- UNIL is currently trading at a TTM P/E of 11.4x and EV/EBITDA of 8.5x – 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: Diminishing returns on marketing investment, a reversal of input cost relief as palm oil prices respond to El Niño-related supply risks, Cedi depreciation, 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 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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