

UPDATE: UK: Unilever CEO hints at acquisitions

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Unilever CEO Paul Polman has hinted that the consumer goods giant is likely to make more acquisitions in the next year as it looks to beef up its portfolio.

Speaking at the publication of Unilever's 2008 results, Polman said the Anglo-Dutch group could make more "bolt-on acquisitions" within the next 12 months.



Unilever CEO Paul Polman

Last month, Unilever, which owns food brands from Knorr soup to Magnum ice cream, bolstered its personal care roster with the US\$411.5m purchase hair products business Tigi.

Polman did not divulge which parts of the business he was looking to strengthen through acquisitions but said more deals are likely.

"It's clear that in this environment there may be more opportunities for M&A," Polman said. The Dutchman said Unilever could look to secure bolt-on deals "in the next six to 12 months".

Unilever's last food acquisition came last February with a deal to buy Russian ice cream maker Inmarko.

However, the company has reshaped its food business in recent months, with a series of moves including the sale of the Bertolli and Komili olive oil businesses and the disposal of seasoning firm Lawry's.

Polman said the company had "sharpened" its portfolio but had to further "weed and feed the garden to get into higher-margin businesses".

Unilever had no plans to buy back shares "for the foreseeable future," he said.

"We will probably see more bolt-on acquisitions as we need them," Polman added.

Shares in Unilever were down today (5 February) after the company refused to give financial targets for 2009 and 2010 due to the global economic downturn.

Unilever said the business had made "solid progress" in 2008 but blamed the "current economic uncertainty" for its reticence in setting guidance.

Unilever shares were down 6.4% to GBP13.88 (US\$20.34) on the London Stock Exchange at 15:50 GMT.

Polman, however, defended Unilever's decision to not set financial targets for the next two years.

"I believe it is not helpful to provide top- and bottom-line guidance for 2009, let alone 2010, as no-one can be clear about the extent of the current recession or the speed of the recovery," Polman said. "The 2010 targets were set at time that was very different to the current circumstances."

James Amoroso, director and consultant of Amoroso Strategic Insights, said investors should look beyond the lack of guidance and focus on Unilever's performance over the last two years.

"The market will not like the lack of specific guidance, but the market will have to start having to get used to that generally, I suspect," Amoroso told just-food. "Of course, in Unilever's case, the recent change of CEO is an added complication for providing longer-term guidance. What the market needs to look at is Unilever's track record over the past two years. And two years ago, no-one would have predicted the consistency and strength of performance that Unilever has delivered."

Unilever's operating profit jumped 33% to EUR1.46bn (US\$1.88bn) in the fourth quarter of 2008, helped by higher sales and the benefit from recent disposals including the Bertolli and Komili olive oil businesses. Net profit was up 51% at EUR1.19bn.

Fourth-quarter turnover was up 3% to EUR10.15bn, although foreign exchange weighed on the figures. Underlying sales rose 7.3% as price increases offset a 1.6% fall in volumes. Underlying margins dipped 0.7% during the quarter.

Over the year, Unilever saw operating profit climb 37% to EUR7.17bn, helped by 3 disposals. Net profit was up 28% to EUR5.29bn. Turnover inched up 0.8% to EUR40.52bn, as currency fluctuations and the net impact of disposals and acquisitions weighed on results. Underlying full-year sales rose 7.4%.

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