UNILEVER CARIBBEAN LIMITED.

Discussion with Company Executive Mr. John De Silva
Managing Director of Unilever Caribbean Limited.

Questions with Executives-Unilever

Article by David Paul

In 2020, JMMB Investments commenced coverage of Unilever Caribbean Limited (UCL).

As part of JMMB Investments valuation process, JMMB Investment Analyst David Paul reached out to UCL's investor relations department requesting answers, clarifications and managements take on the direction of the company. Unfortunately, due to COVID-19 prevention measures initiated by UCL, the Analyst was not able to communicate with UCL's management at that time.

On the 16th April, 2020, JMMB Investments issued a Market Perform rating for UCL with a price target of $19.67. The rationale for the rating was that the restructuring initiatives undertaken by UCL would improve profit margins and its Home Care segment revenue would be boosted due to changes in consumer behavior due to COVID-19.

The Analyst was also cognizant of the fact that the spill over impacts of COVID-19 could negatively affect UCL's other segments as well as cause supply chain disruptions for the company.

After the release of UCL's Q1 2020 financial statements JMMB Investments changed its rating on UCL from a Market Perform to an OutPerform rating and maintained the price target at $19.67.

The rationale behind the change in rating was that margin improvements and revenue growth in the Home Care segment, actually manifested in UCL's Q1 2020 financial results. This outweighed any revenue reduction in other segments due to COVID-19.

JMMB Analyst, David Paul, was able to connect with Managing Director of UCL Mr. John De Silva on May 26, 2020, who was more than happy to answer our questions. Mr. De Silva was appointed Managing Director in November 2017 and has over 20 years' experience within multinationals in General Management, Supply Chain, Operations and Finance, having worked in Trinidad and Tobago, Jamaica, Switzerland, The Dominican Republic and Mexico.

1. **Has UCL experienced any supply chain disruptions during the COVID-19 period and do you foresee any disruptions if the pandemic continues to the end of 2020?**

Supply Chain capability has been a central part of our UCL strategy, focusing on sustainability, efficiency and availability. We have overcome the recent challenges to ensure consumers and customers have constant access to our products.
We expect that capability to continue to serve us well, leveraging our global network of factories and local logistics infrastructure.

2. In your last quarterly release, you indicated that your Home Care and Hygiene focused Personal Care categories were boosted during the COVID-19 pandemic; How have the other categories done during this period?

It is correct that hygiene categories across Home care and Beauty and Personal Care did well.
We also saw an increase in our food categories and tea categories as consumers cooked more and spent more time in the house, however, we saw a decrease in more discretionary items in Beauty and Personal Care such as deos as consumers had less need to prepare for work or social occasions given they were at home.

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3. Do you have any earnings projections for financial year 2020?

We do not issue short-term financial projections, however the company will continue to focus on protecting its employees, ensuring continuous product supply, adapting to changing consumer demands, supporting communities and strengthening its cash position.

4. Does UCL have any more severance payments to make in 2020?

Severance payments made in 2020 were based on the terms and conditions in effect at the time of making the decisions and calculations. Also, we don't comment on any future decisions.

5.As you may be aware, The Trinidad & Tobago Bureau of Standards has released a draft compulsory standard for laundry detergents for comment from the public;have you contributed or plan to contribute to these standards? And how do you believe UCL and UCL 's competitors will be affected by these standards?

The TTBS is executing their mandate to engage with all stakeholders in the definition of relevant standards which are to the benefit of consumers and the wider community. UCL has access to global expertise that facilitates this process.

6. Given that UCL will no longer manufacture its Home Care products in Trinidad & Tobago, what will happen to the manufacturing facility and equipment? Will they be sold?

We have not yet made any decisions regarding the facility and equipment.

7. If the equipment and or the facility is to be sold can shareholders expect a special dividend like they received after the sale of UCL's spreads business?

In these uncertain times cash conservation is critical. Our priority is to continue to run and grow the business, taking into account all of our stakeholders while maintaining a debt-free operation. Cash return to shareholders always remains an option for capital allocation.

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8. We are aware that your parent company sold their spreads business to KKR, but who purchased UCL's spreads?

The UCL spreads business was included in the global sale.

Although Mr. De Silva kept his cards close to his chest, JMMB Investments remains optimistic about the company's short to medium term prospects. We are of the opinion that UCL's new business model will allow the company to maintain the gross margin level achieved in Q1-2020. The gross margin improvements along with increased demand for UCL's hygiene categories will drive UCL's profitability in the short to medium-term. Therefore, we maintain our rating of OutPerfrom on UCL with a price target of $19.67.