Unilever H1 2023 Results

HEIN SCHUMACHER & GRAEME PITKETHLY

25 JUL 2023
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Unilever H1 2023 Results

HEIN SCHUMACHER
Unilever CEO: first impressions
Performance highlights

Continued growth across all Business Groups

Growth remains price driven with volumes stable

Gross margin improving. Brand & marketing investment increased

New organisation driving sharper strategies and choices
Performance summary

**Q2 growth**

- **7.9%**
  - Underlying sales growth
  - **8.2%** (0.3)%
  - UPG
  - UVG

**H1 growth**

- **9.1%**
  - Underlying sales growth
  - **9.4%** (0.2)%
  - UPG
  - UVG

**Price and volume**

- **UPG**
  - 11.2%
  - 12.5%
  - 13.3%
  - 10.7%
  - 8.2%

- **UVG**
  - (2.1)%
  - (1.6)%
  - (3.6)%
  - (0.2)%
  - (0.3)%

**Competitiveness**

- **41%**
  - Business Winning MAT\(^1\)

\(^1\)Moving Annual Total / Last 52 weeks
Business Winning measure at 41%, impacted by three factors

**Conscious choices**
- SKU rationalisation
- Where to play

**Pricing dynamics**
- Lead on price responsibly
- Manage volume impact

**Consumer shifts**
- Tier 3 / 4 brands
- Super-premium

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**Strategic choices**

Short term

**Portfolio**

Longer term

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Focused on building back to 50%+ from here and continuing to grow above market for strategic business not in the measure (15% of turnover)
Financial highlights

**Margin**

Underlying operating margin

17.1%

+10bps

vs H1 2022

**Earnings**

Underlying EPS

+3.9%

+9.2%

Constant underlying EPS

**Cash**

Free cash flow

€2.5bn

+€0.2bn

vs H1 2022
### Continued strategic progress

<table>
<thead>
<tr>
<th>Win with <strong>brands</strong> and innovation</th>
<th>Move <strong>portfolio</strong> into high growth spaces</th>
<th>Accelerate <strong>USA, India, China and EMs</strong></th>
<th>Lead in <strong>channels</strong> of the future</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>14</strong> €1bn+ brands</td>
<td><strong>10 quarters of double-digit</strong> growth for Prestige and Health &amp; Wellbeing</td>
<td><strong>H1 USG</strong></td>
<td><strong>16%</strong> dCom H1 USG</td>
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<tr>
<td><strong>55%</strong> of turnover</td>
<td><strong>Yasso acquisition</strong></td>
<td><strong>7.4%</strong></td>
<td></td>
</tr>
<tr>
<td><strong>11%</strong> H1 USG</td>
<td><strong>Suave disposal</strong></td>
<td><strong>9.1%</strong></td>
<td><strong>16%</strong> dCom % TO</td>
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<td><strong>7.9%</strong></td>
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<td><strong>Emerging markets</strong></td>
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<td></td>
<td></td>
<td><strong>10.6%</strong></td>
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</table>
New organisation driving sharper strategies and choices

Clearer priorities, executed at speed
Innovation driving growth in our big brands

**Liquid I.V.**
First of its kind sugar-free hydration powder

**Omo**
Winning formula in plastic-free packaging

**Axe**
World-class fragrance driving premiumisation

**Hellmann’s**
Extension into fast-growing intense flavour segment

**Magnum**
Continued premiumisation and indulgence

**Vaseline**
Extends into anti-aging segment
Underlying sales growth

First Half

9.1% USG
(0.2)% UVG
9.4% UPG

- Price growth continues to moderate
- Volume growth remains resilient
- Continued growth across all Business Groups, but with different price and volume dynamics
• Balanced price and volume
• Prestige Beauty and Health & Wellbeing grew double-digit
• Hair Care positive volume growth supported by Sunsilk and TRESemmé relaunches
• Core Skin Care grew mid-single digits with Vaseline extending innovation into pro-age and SPF segments
• Volume growth positive for a second quarter
• Deodorants grew double-digit driven by Rexona
• Skin Cleansing grew well led by Latin America and South Asia
• Volume closely managed and recovering
• In Europe, OMO (Persil) rolled out capsules with plastic-free packaging
• Home & Hygiene grew mid-single digit driven by Dishwash
• Scratch Cooking growth was price-led with negative volume, particularly in Europe and North America
• Unilever Food Solutions grew strongly with China back to double-digit growth in Q2
• Dressings grew double-digit supported by spicy mayo innovation and Superbowl campaign
• Out-of-home grew double-digit through price and volume, continuing to recover post-pandemic

• In-home grew low-single digit in weak markets with lower consumption and down-trading to value brands and private label
Regional growth by quarter

**Asia Pacific Africa**
- €13bn TO
- Q2'22: 9.0%
- Q3'22: 12.5%
- Q4'22: 10.7%
- Q1'23: 9.9%
- Q2'23: 8.3%

**North America**
- €7bn TO
- Q2'22: 8.9%
- Q3'22: 8.3%
- Q4'22: 5.7%
- Q1'23: 8.1%
- Q2'23: 6.7%

**Latin America**
- €4bn TO
- Q2'22: 16.8%
- Q3'22: 17.6%
- Q4'22: 15.0%
- Q1'23: 18.7%
- Q2'23: 14.3%

**Europe**
- €6bn TO
- Q2'22: 4.6%
- Q3'22: 5.4%
- Q4'22: 5.5%
- Q1'23: 9.2%
- Q2'23: 15.5% (9.7%)
H1 2023: Turnover growth

€29.6bn

H1 2022

UVG

UPG

Acquisitions

Disposals

Currency*

€30.4bn

H1 2023

USG 9.1%

A&D (2.7%)

(0.2)%

9.4%

0.7%

(3.4)%

(3.2)%

+2.7%

* Currency includes both exchange rates changes impact of (5.0)% and extreme price growth in hyperinflationary markets impact of 1.9%.
H1 2023: Underlying operating margin

- H1 2022: 17.0%
- Gross margin: +0.3%
- Brand & marketing investment: (0.3)%
- Overheads: +0.1%
- +€0.4bn vs PY*
- +€30m R&D vs PY*
- H1 2023: 17.1%

* At constant FX rates
Gross margin begins to build back

**H1 gross margin drivers**

- **Price coverage of total cost inflation**
- **Mix & SKU rationalisation**
- **Portfolio change:**
  - Tea exit
  - Nutrafol acquisition

<table>
<thead>
<tr>
<th>Gross Margin</th>
<th>H1'19</th>
<th>H1'20</th>
<th>H1'21</th>
<th>H1'22</th>
<th>H1'23</th>
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<tbody>
<tr>
<td>Price coverage</td>
<td>↑</td>
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<tr>
<td>Mix</td>
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<td>Portfolio change</td>
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(300)bps

+30bps vs PY
H1 2023: Underlying earnings per share

Current underlying EPS: 3.9%

Constant underlying EPS: 9.2%

H1 2022
- Operational performance: €1.34
- Finance costs: 8.1%
- Tax: (0.0)%
- Minorities: 0.4%
- Share buybacks: (1.2)%
- Other: 0.7%

H1 2023 (Constant)
- Currency: €1.46
- H1 2023 (Current)
- H1 2023: €1.39
Capital allocation

Operational investment

- BMI
  +€0.4bn* in H1

- R&D
  +€30m* in H1

- Capex
  ca. 3% for FY

Portfolio shaping

- Suave disposal

- Yasso acquisition

Capital returns

- Attractive dividend

- Third Tranche €750m of share buyback completed

* At constant FX rates
2023 outlook: growth remains the priority

**Priorities**

- Continue growth momentum in new operating model
- Invest for growth
- Maintain cost and savings discipline

**Guidance**

- Underlying sales growth above 5%
- Price growth to moderate throughout the year
- Increased levels of investment in BMI, R&D and Capex
- Net material inflation (NMI) around €2bn, of which €0.4bn is anticipated in H2
- Modest improvement in UOM for the full year

Maintain cost and savings discipline

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