Unilever pre-close aide-mémoire, Q4 2023

This document sets out public information previously provided by Unilever PLC, or else widely available in the market, which may prove helpful in estimating the financial performance of Unilever ahead of its Q4 2023 results on 08 February 2024. Unless otherwise specified, the outlook comments below come from the Q3 2023 results on 26 October 2023. No new information is given, and there will be no comment on current trading or further guidance provided.

Unilever would like to highlight the following considerations and prior disclosures.

**Guidance**

**Topline**
- In the full year 2023, underlying sales growth (USG) is expected to be above 5%, ahead of our multi-year range of 3 to 5%.
- Underlying price growth (UPG) will continue to moderate throughout the year.

**Cost inflation / net material inflation (NMI)**
- We expect net material inflation (NMI) for 2023 of around €2 billion.

**Underlying operating margin (UOM)**
- In the full year 2023, we are confident in delivering a modest improvement in UOM, with another year of increased investment behind our brands.

**Currency**
- Based on the spot rates at the time of our Q3 2023 results reporting, we expect a negative exchange rate effect of around minus (5.5)% on turnover and minus (9)% on underlying EPS for the full year 2023.

**Other financial guidance**
- We will continue to invest for growth through increased levels of investment in BMI, R&D and Capex.
- Finance cost (including pension interest credit) on average net debt: 2.5 to 3% for 2023.
- Underlying effective tax rate: around 25% for 2023.
- Capex: c.3% of turnover for 2023.

**Noteworthy commentary on previous results**

**Group**
- **Q3 2023** USG was 5.2%, with 5.8% from price and volume decline of (0.6)%.
- In the comparator period, **Q4 2022**, USG was 9.2%, with price growth of 13.3% and volumes down (3.6)%.
- Business Winning was 38% on a MAT basis, reflecting the impact of significant SKU reduction, pricing dynamics, and consumer shifts in certain markets. *Business Winning is a MAT measure, so any actions taken impact the measure for 12 months. The Business Winning measure covers about 70% of turnover but many segments where we are investing for growth (Prestige, Health & Wellbeing, and Out-of-Home Ice Cream) are not included as no reliable share data is available.*

**Beauty & Wellbeing**
- **Q3 2023** USG was 7.4%, with 3.6% from price and 3.6% from volume, driven by continued strong growth in Prestige Beauty and Health & Wellbeing.
- **Q4 2022** USG was 7.7%, with 8.4% from price and (0.6)% from volume.
Personal Care
- **Q3 2023** USG was 8.0%, with 4.0% from price and 3.9% from volume, with deodorants growing double-digit driven by strong performances in Europe and Latin America.
- **Q4 2022** USG was 9.1%, with 13.0% from price, partially offset by a (3.5)% volume decline.

Home Care
- **Q3 2023** USG was 5.3%, with 4.8% from price and a return to positive volumes of 0.4%, driven by Fabric Cleaning and Home & Hygiene.
- **Q4 2022** USG was 12.3%, with 16.7% from price and (3.8)% from volume.

Nutrition
- **Q3 2023** USG was 5.6%, with 9.8% from price, offsetting lower volume of (3.8)% mainly driven by a double-digit decline in Europe.
- **Q4 2022** USG was 10.1%, with 14.7% from price and (4.1)% from volume.

Ice Cream
- **Q3 2023** USG was (2.8)%, with 8.2% from price and (10.1)% from volume, driven by consumers downtrading to value formats and less favourable weather conditions.
- **Q4 2022** USG was 2.9%, with 14.2% from price and (9.9)% from volume.

Reminder of Action Plan outlined in Q3 2023 announcement

**Faster growth**
1. Focus first on 30 Power Brands - representing 70%+ of turnover.
2. Drive unmissable brand superiority - addressing all elements of consumer preference.
3. Scale multi-year innovation - driving market making and premiumisation.
4. Increase brand investment and returns - focusing investment on areas that drive impact.
5. Selectively optimise the portfolio - no major or transformational acquisitions.

**Productivity & simplicity**
7. Focus our sustainability commitments - driving impact in four priority areas.
8. Drive benefits of the new organisation - ensuring single point accountability.

**Performance Culture**
9. Renewed team - leading the change.
10. Drive and reward outperformance - with a new reward framework.

The action plan will strengthen our performance within our multi-year financial framework:
- Underlying sales growth of 3-5%
- Modest margin expansion
- 100% cash conversion
- Mid-teens return on invested capital
- EPS growth and an attractive dividend
- Delivering total shareholder returns in the top third of our peer group
Appendix

Quarterly topline evolution

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Reminder of transactions

- Unilever completed the disposal of its Tea business, Ekaterra on 1 July 2022. The business accounted for around €2bn of turnover in 2022.
- Unilever completed the acquisition of a majority stake in Nutrafol on 7 July 2022. The turnover generated in the second half of 2022 was around €0.2bn.
- Unilever completed the disposal of the Suave business in North America on 1 May 2023. The brand accounted for around $0.5bn of turnover in full year 2022.
- Unilever completed the acquisition of the Yasso brand in North America on 1 August 2023. The business generated around €0.2bn of annualised turnover prior to acquisition.
- Unilever completed the disposal of the Dollar Shave Club brand in North America on 1 November 2023. The brand’s annualised TO is below €0.2bn.
- Unilever announced it received a binding offer from Yellow Wood Partners LLC to acquire Elida Beauty on 18 December 2023, with completion expected by mid-2024. The business generated turnover of around €0.8bn in 2022.

Hyperinflationary economies

The Argentinian economy was designated as hyperinflationary from 1 July 2018 and the Turkish economy was designated as hyperinflationary from 1 July 2022. As a result, application of IAS 29 ‘Financial Reporting in Hyperinflationary Economies’ has been applied to all Unilever entities whose functional currency is the Argentinian Peso or the Turkish Lira. The application of IAS 29 includes:

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date.
- Adjustment of the income statement for inflation during the reporting period.
- Translation of income statement at the period-end foreign exchange rate instead of an average rate.
- Adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

From Q2 2022 reporting, Unilever has capped the growth metrics UPG and USG in Turkey, using the same methodology applied for other hyperinflationary countries.

As part of the Unilever practice, a normalised level of price growth is included in USG, which is capped at an annual rate that is equivalent to approximately 2% per month compounded. This cap is derived
from one of the indicators of hyperinflation cited in IAS 29 and ensures that any price growth above this level will be excluded from USG. This definition allows the full volume impact and limited price growth to be included in USG but avoids the distortion of hyperinflationary pricing beyond the capped level. We believe this definition reflects our normal pricing actions, distinct from those taken to respond to hyperinflationary conditions.

For context, the Unilever business in both Turkey and Argentina accounted for around €1 billion of turnover in 2022 in each country.