Unilever pre-close aide-mémoire

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 Q1 2023 trading statement on 27 April 2023. Unless otherwise specified, the outlook comments below come from the Q4 2022 results on 9 February 2023, previous trading updates and the Unilever Investor Event on 8 December 2022. 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 important considerations and prior disclosures.

Guidance

Topline:

- In the full year 2023, underlying sales growth (USG) is expected to be at least in the upper half of our multi-year range of 3 to 5%.
- In the first half, underlying price growth will remain high, and volume growth will be negative. Volume will improve as price growth softens, but it is too early to say whether volume will turn positive in the second half.

Cost inflation / net material inflation (NMI):

- In the first half, we anticipate NMI to be around €1.5bn. We expect significantly lower NMI in the second half, with a wide range of possible outcomes, though we do not expect cost deflation.
- In the first half, we expect €0.5bn of production and logistics cost inflation.

Underlying operating margin (UOM)

- In the full year 2023, we will deliver only a modest improvement in UOM, as we plan for another year of increased investment.
- In the first half, UOM will be around 16%.

Currency

- Based on the spot rates at the time of our Q4 2022 results reporting (9 February 2023), we expected a negative currency translation effect of around (4)% on turnover and a slightly more negative impact 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.
- Restructuring costs: around 1% of Group turnover for 2023.
- We are on track to generate around €600 million of cost savings from the organisation changes over the first two years after 1 July 2022, with the majority in 2023.
- 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: 3%+ of turnover for 2023.
- Nutrafol majority stake acquired on 7 July 2022. The deal contributed €174m to Group Turnover in 2022 (no impact on USG/UVG/UPG for the first year).

Noteworthy commentary on previous results

Group

- Full year 2022 USG was 9.0%, with 11.3% from price, and (2.1)% from volume.
- Q4 2022 USG was 9.2%, through stepped-up price growth of 13.3% and volumes declining (3.6)%.
- Business Winning % was 47% on a MAT basis. This dip below 50% was not unexpected because we have taken a lead on pricing and taken strategic decisions to streamline our product portfolio.
- In the comparator period, Q1 2022, price growth stepped-up to 8.3% from 4.9% in Q4 2021.

Beauty & Wellbeing

- Full year 2022 USG was 7.8%, with 7.5% from price and 0.3% from volume, helped by another year of double-digit growth in Prestige Beauty and Health & Wellbeing.
- Growth was price-led in core Skin Care and Hair Care, while it was volume-led in Prestige Beauty and Health & Wellbeing.
- Q4 2022 USG was 7.7% with volumes down (0.6)%.

Personal Care

- Full year 2022 USG was 7.9%, with 12.1% from price and (3.7)% from volume.
- Q4 2022 growth was in-line with the full year.

Home Care

- Full year 2022 USG was 11.8%, with 15.9% from price and (3.5)% from volume.
- Q4 2022 growth was in-line with the full year.

Nutrition

- Full year 2022 USG was 8.6%, with 10.9% from price and (2.1)% from volume.
- Q4 2022 price growth stepped-up to 14.7% and volume growth declined (4.1)%, driven by the impact of lockdowns on our Food Solutions business in China.

Ice Cream

- Full year 2022 USG was 9.0%, with 9.7% from price and (0.7)% from volume.
- Q4 2022 volume declined (9.9)%, a result of the In-Home (IH) channel's growth stepping down from the elevated levels during 2021 lockdowns, as well as an early close of the Out-of-Home (OOH) 2022 season because of shopkeepers' fears about rising energy costs.
- In the comparator period, Q1 2022, USG was 7.1%, driven by OOH recovering, post-covid. The 2-year CAGR for Ice Cream was 11.8%, as IH grew double-digit as food consumed at home was high.

Appendix

Comparator periods

USG%

	2021					2022					2Y CAGR				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Unilever	**5.7**	**5.0**	**2.5**	**4.9**	**4.5**	**7.3**	**8.8**	**10.6**	**9.2**	**9.0**	**6.5**	**6.9**	**6.5**	**7.0**	**6.7**
Beauty & Wellbeing	6.0	13.4	7.2	7.7	8.5	7.4	9.5	6.7	7.7	7.8	6.7	11.4	6.9	7.7	8.2
Personal Care	(0.7)	(2.0)	(0.8)	4.9	0.3	6.8	6.7	8.9	9.1	7.9	3.0	2.3	3.9	7.0	4.0
Home Care	5.9	3.2	1.4	5.0	3.9	9.2	12.2	13.6	12.3	11.8	7.5	7.6	7.3	8.6	7.8
Nutrition	6.7	7.5	3.4	4.7	5.5	6.2	7.0	11.8	10.1	8.6	6.4	7.2	7.5	7.4	7.1
Ice Cream	16.7	5.8	2.3	(1.3)	5.7	7.1	9.5	13.2	2.9	9.0	11.8	7.6	7.6	0.8	7.3

Reminder of transactions in 2022

- Unilever completed the disposal of its Tea business, **ekaterra** on 1st July 2022.
- Unilever completed the acquisition of a majority stake in **Nutrafol** on 7th July 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 Turkey accounted for around €1 billion of turnover in 2022.