

J.P. Morgan Fireside Chat with Fernando Fernandez

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Speakers:

Fernando Fernandez Chief Executive Officer, Unilever

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Fireside Chat Fernando Fernandez & Celine Pannuti – 9th December 2025

Celine Pannuti

Good afternoon. Good morning, everyone.

I'm Celine Pannuti, Head of Consumer Staples at J.P. Morgan. Thank you very much for joining me. Today I have the pleasure, as part of our CEO Fireside Chat series, to be at Unilever with Fernando Fernandez, CEO of Unilever. Fernando, thank you very much for hosting us.

Fernando Fernandez

No, thank you for having me, Celine, it's a pleasure.
It's my pleasure.

Celine Pannuti

Obviously, there was a lot of change this year. You became a CEO during that year. And yesterday the Magnum company started its life as an independent company. Obviously, you came with the remit to accelerate change. And we saw as well there's been some disposals, some acquisitions. But what I'm interested to know is, from within what acceleration of change has been like at Unilever under your leadership?

Fernando Fernandez

Well yeah, it has been a very important day yesterday, we completed a process that we started in March 2024 when we announced the separation of Ice Cream. It was very important for us to really complete that during this year. And we have done it. It has been a complex process, it was not easy. But now it's behind us. We will be cheering for Peter Ter Kulve and his team, on the Magnum Ice Cream company, I'm sure, it is a very exciting business. In our case, I took over in March this year as CEO. It has been a very intense period. In general with the separation of ice cream for me was very, very important to continue accelerating our performance and our competitiveness. I believe we

have done it. You have seen our results, our volume growth has been accelerating along the year, quarter three of 1.7%. We expect at least a similar performance in quarter four. And our competitiveness is really improving. So we have been putting a lot of emphasis in how to do things differently in Unilever, particularly in elevating the quality of our portfolio, the quality of what we are doing in our brands, ensuring that execution is flawless.

And I would say the other two elements is fundamentally working in our talent and our culture. You know, one of my principles really to be uncompromising on talent, ensuring that we have the real the right leadership team in place.

In terms of culture, I always said that, there is a coexistence in Unilever of pockets of excellence and pockets of mediocrity. And we are trying to elevate what we do in every single geography, in every single category. So a lot of work, it looks much more than 8 or 9 months. But I believe we are doing significant progress.

Celine Pannuti

So maybe if I can go a bit deeper in that point about culture, because obviously you have been close to 40 years at Unilever. You are really a Unilever product and yet you are pushing for cultural change or elevation. Can you explain what you are trying to achieve? Where is it? And with an example maybe, and then how you measure that and how it's linked to compensation and rewards?

Fernando Fernandez

Yeah, well, you are reminding everyone that I'm too old, but you know, I believe that my 37 years in Unilever is a big advantage when you have to drive change. This is a complex company, it's important that you align them, that they are very clear about what is important in the company, what are the metrics

that we are following. And this is anecdotal, but every time I join a meeting in Unilever, before saying hello,

I say volume growth, positive mix, consistent gross margin expansion for profit growth in hard currency, hello. You know and it looks silly, but it's very, very important to align the company and to ensure that everybody knows what is important. We are also aligning everywhere about how to do business in Unilever. How we are really running our brands? What is the framework to run our brands? What do we want from our marketing machine? The same when it comes to execution.

And I feel we are doing progress in all these areas. Regarding incentives, there have been significant changes, the vast majority of our long-term incentive plans are now hard currency linked. It was not the same in the past. When you look at our 8,000 managers in the company, their annual bonus is really linked to what is line of sight for them. So if you run Personal Care US, you are paid for the performance of Personal Care US. Or if you are in Home Care Europe it's Home Care Europe. It was not the same before. Finally, we have made a significant change also for these, for the leadership team until now, but also for the whole company, from 2026 onwards. We're including restructuring in the calculation of profit growth. It is very, very important because Unilever restructuring cost has been historically above the level of the sector. So, these three changes in terms of incentives are important. Now basically we don't expect any significant changes beyond that.

Celine Pannuti

'25 was also quite a specific year because it's the first year that the four Business Groups are operating with 24 markets, our Business Groups market. And then you have the One Unilever structure. So can you explain how you think this has gone and how do you measure that it's been effective? The other point is that your biggest division, Beauty & Wellbeing is still without a head of division. So can you talk about what are the skillsets that you are looking for in this person to join, and when do we expect to have an announcement?

Fernando Fernandez

Well, first of all, I feel if I look in a bit longer stretch, you know, we move from a geographically led organisation into a category-led organisation in 2022. Now, basically we run the P&L of Unilever, through four divisions that are what we call the Business Groups. I believe this change has been very very important to ensure that we build a more consistent and coherent portfolio. Also in order to focus our innovation plans, I believe that the impact that these have had in our product development capabilities, it has been very, very significant. This year we have gone all the way, we have divisionalised our sales force. Now we are running the company with 63 different sales forces in our top 24 Business Group markets, top markets. These top 24 markets represent around it's very, very important. For the rest of the organisation we decided to adopt a simpler model, this is called One Unilever. These markets from market 25 onwards are not big enough, they don't have the critical mass to go for divisionalisation of the company. In these markets we are really simplifying the way we operate in a dramatic fashion. We are also making our Power Brands much more important, because, you know, you can accept some complexity in a market like US or a market like India, but you don't want complexity in smaller markets. And that's something that this year has been important because we have done all these changes and it has been pretty smooth. You have seen our performance has been good despite all these changes. And now we can say that the heavy lifting of all the organisational changes is behind us. So basically the focus now is in continually elevating the quality of our brands and our execution. Regarding the Business Group President of Beauty, this is a decision for the next ten years. We are looking for somebody that really understands how to run business models of high margin, high investment. This is a category in which digital fluency is very, very important. Also the ability to scale brands globally is very, very important, because in Beauty brands tend to travel well. So we will take the time that is necessary to find the right candidate. You know, in the meantime, the team we have leading Beauty is a highly professional team. And as you have seen, it has been our fastest growing category and continue performing very well.

Celine Pannuti

Okay, so now that the Magnum company has a life on its own, early into 2024 when you announced that, you announced as well your ambition to grow mid-single digit and with modest margin expansion and to be a top TSR company. At that time, the world was looking in a certain way. The world has you know, changed, and somehow as well, slowed, if I think about CPI across many regions. Now, mid-single-digit, the market is interpreting that at 4-6% in an environment where some of your competitors are calling out category slowdown. We heard that last week, again in the US, but as well even in Beauty, the category has not been as buoyant as it used to be. So how do you relate to that in an environment where things are a bit tougher?

Fernando Fernandez

Our medium term guidance remains unchanged. You know, if you look at our two-year compound annual growth rate in volume it's about 2% already today. And as I mentioned, you know, Q3 volume was 1.7% for us. And we expect Q4 to be at least in line with that. So it doesn't change the kind of guidance that we have given. It's true that the market is a bit tougher when it comes to that. There is a bit of decoupling now between GDP growth, and market growth. You know, the market volume growth, today at which a company like Unilever is exposed, is more in the 1% than the 2% it has been historically. But I don't want to project the long term based on what has happened in the last six months or something like that. When you look at the last decade, this is Unilever is exposed to a kind of 2+ percent volume growth markets. And it's true that CPI has been a bit slower. But when you look at wage inflation globally, it's clearly now in the 4 to 6% territory. So that kind of alignment between wage inflation and CPI, that moment of time will come. So I'm not so concerned about what will happen in the next quarter. We believe in the long run. I don't expect the market growth rates that we will see in the future to be the ones of the last six months or so. But, you know, we are focusing on what we can control. We cannot control the economy. What

we can control is the quality of our innovation, how we are elevating our brands, the quality of our execution. And I believe we are doing a better job. Our competitiveness is improving, we have close to 60% of our revenue winning share now. I know you look at the same data that we look at. You look particularly in Europe and in US, we are gaining significant share in these markets. So, our absolute focus is in continuing outperforming the markets, doing what we need to do. This is what the Playing to Win culture is, so whatever the conditions, you have, you go for more. I don't want journalists in the company, you know, people telling me what is the context there, I want people to have whatever the context in which we operate, we outperform.

Celine Pannuti

Yeah, no, it's absolutely true. I think in an environment where growth is slowing, your ability to outperform, will set you apart from competitors. And that was, in fact, my next question. And you already said the keyword which was marketing machine. And I wanted to hear, because I think, it feels that there is a lot of change happening in Unilever. It's not just, you know, changing your portfolio. You need as well to be able to outperform in this new, faster growth category. So traditionally, Unilever has not been seen as really at the forefront of, Beauty and Personal Care. So can you explain what you know, how changes how Unilever is different in terms of its agility it's digital fluency which you mentioned earlier. It's innovation and the ability to premiumise. I know you presented that SASSY model a few months ago, but try to put some colour on how, you can effectively change this company to operate at the highest level and win shares in these categories.

Fernando Fernandez

Yeah. First of all, you know, just to say, we are outperforming practically in every single category. You know, when you look at our Foods business is outperforming the food industry. When you look at our Beauty & Wellbeing business, I feel the numbers speak for themselves. The same in Home Care. So, this SASSY framework... sometimes you need simple language in the company to align the whole organisation

about what needs to be done. SASSY is an acronym that stands for Science, Aesthetics, Sensorials, Said by others and Young-spirited brands. Fundamentally, it defines the way we approach product development and the way we approach our models of reach, engagement and validation by consumers for our brands. So we are talking about Science for superior functionality, Aesthetics and Sensorials as driver of consumer preference. So a much more holistic approach in how we dress up our Science, than what we have had in the past. A real revolution in Social First marketing that we are really putting in place. When I took over, I made some bold statements about the number of influencers, that we would like to have in the company. I can say that in Beauty & Wellbeing now we are operating with close to 170,000, in a total company close to 300,000. This has happened in a relatively short period of time. That basically shows how important is this point of validation by consumers, of the offering of our brands. I have mentioned before that I believe that broadcasting messages from big brands now, can become suspicious. And as we all go to a restaurant after looking at ratings and reviews today, brands have to have a very solid infrastructure to deliver what we believe is called, what we call Said by others, recommendation by others. And I believe we are doing significant progress on that. I'm really starting to be proud when I stand in front of some of our shelves. So I was in the US recently, I stand up in front of the Walmart shelf for Dove. Look at Dove and it's a very different brand to the one that was three years ago. I went to UK and to France recently looking at what we are doing with Persil and with Omo the innovation that we are bringing there with Cif, and again the brands looks very different to what we used to be a couple of years ago. So I believe that our product offering is improving dramatically. And as I mentioned before, you know, our social marketing machine is gaining a very significant infrastructure. When we put all these things together, we have what we have, for example, with Vaseline. A 155-year-old brand, that in the last couple of years has been growing volume at 12% per annum, that didn't appear in any ranking of brands in the digital space. And now, it has wiped out with all the Cannes Awards. It ranks in the US for example, No 4 brand in the Skincare space. So we are making progress. All this said, you know there is much more that has to be done. I always say that if I have to score in a 1 to 10 scale, the quality of what

we are doing, I probably give myself a six or a six and a half. My mum used to say that ten doesn't exist, you know, but we need to put the company in a level of 8/9 in everything we do. But there is a significant step change in how we are doing marketing in Unilever. And it really goes from product development to models of reach, engagement, persuasion, validation of our brands. I'm very, very into it. It's just where I spend you know, the 20% is on talent. I believe we are doing progress.

Celine Pannuti

So following on that premiumisation and there will be two parts to my question, we talk about Prestige and Wellbeing, in the second part. But first, I think you said overall for the group you expect, the ambition is to be 50% premium. Right now it's about a third. When you look at the core brands, which are the brands which you think have the right for that premiumisation? What are the geographies which I think are there to premiumise? And in an environment which we discussed earlier, where okay, maybe, the salary inflation is still there, but a lot of consumers feel under pressure, how I mean, is that the right time to think that premiumisation is going to work for Unilever?

Fernando Fernandez

Well let me let me say first, that we don't see significant consumer downtrading in categories of high involvement. Categories of low involvement tend to have significant downtrend in economic downturn. But at this stage, you know, in the countries in which we operate, we don't see significant consumer downtrading. We don't see private label expansion, neither in Beauty, nor in Personal Care, not in Home Care. Probably in the most basic Food space, yes. But even in the condiment category, we see significant premiumisation opportunities. And why I'm obsessed with premiumisation, I believe there are two fundamental seismic shifts that are going on. One is related with the impact of digitisation and the amount of knowledge consumers have. So I always say that digitisation has a step change the consumer power to now. And with that there is an increasing interest in science. People is much more

interested in what is in the bottle, what is in the water, and they are prepared to pay more for products that really perform. The second is, at the same time that we see a significant reduction in the population growth rate, we see a significant increase in household numbers. That fundamentally means that the household structure is changing dramatically. And you see an incredible amount of households of 1 to 2 people. In these households, people tend to spend more in self-indulgence, in categories in which you buy fundamentally for yourself. So that's what we see as a fundamental driver of premiumisation in the long run. I mean we have seen this happen in our portfolio. You know, we have put a lot of focus on this. We have around But the intention is to bring that into at least 50%. We are making progress on that. So we are really going for premiumisation, because there are some fundamental consumer, household trends that I believe are restructuring out there. Another important point is that the only thing you can be sure is that in most of the market, there will be more retailer concentration. And with this retailer concentration is very important that you are in the right parts of the profit pool. The profit pool is really shifting into premium. And that's why we continue shifting the portfolio into that direction.

Celine Pannuti

So 7% of your sales are in Prestige Beauty and Wellbeing. And these have been growing double digit, adding close to 1% to total groups. So showing that the power of premiumisation. Now, maybe I would like to dig a bit more because you're always asked about the sustainability of Nutrafol and of Liquid IV... I think those two brands alone are getting closer to be billionaire brands. They are quite young brands. So what do you think, or what makes you believe that there is sustainability in that growth? What is different in terms of the science, the barriers to entry, the investment that you're making? And can those US based concepts travel outside of the US?

Fernando Fernandez

Well, we have had double-digit growth in that space of our portfolio for five years now. And I have received this question for five years. But it's fair I cannot promise I will have double-digit forever, but I'm absolutely convinced that these are spaces that are accretive to Unilever overall in top line. So I'm very excited by the Wellbeing opportunity. I believe there is a soft spot today in some categories that is, what I call the urban wealthy female opportunity. And wellness is really driven by that. So it's an urban female that is really adopting wellness taking their health on their own. If you can find spaces there that you can really establish a strong position of leadership. It's a very attractive territory because you can scale up brands very, very fast. It's true Liquid I.V. we acquired Liquid I.V. in 2020. It was a \$120 million brand. This year it will be around \$1 billion. We acquired Nutrafol in 2022. April 22. It was \$220 million. And it will also be hitting close to \$1 billion this year. So it basically shows that if you establish strong leading positions there - in powder hydration, in US, we have more than 45% share, in hair fall we have close to 80% share - you can establish very, very strong brands that also have a lot of headroom because, penetration of Liquid I.V. is in high teens. Penetration of Nutrafol is less than 2%. So I'm very, very interested that this space of Wellbeing. It's fragmented. New segments are emerging. We are looking at that with the potential of adding new brands in that space. But we only add brands that can have the possibility of really scaling to this kind of level that we are talking. In the case of Prestige Beauty, we look at that fundamentally it's an extension of our skincare, hair care strategy. Prestige used to be a channel play, but with impressive development of e-commerce I believe it's opened opportunities for people like us that were not in the Prestige space. It has been a very successful unit for us. It has seen some slowdown in the last year, particularly in the US, but the high end of Prestige Beauty for us continued growing double-digits. The likes of Hourglass, K18 you know, Tatcha, where you have items of \$80 or more, continuing very, very well. Potential for international rollout is very, very significant. But, you know, we took I took a very conscious decision when we saw a slowdown in China of solidifying our presence in the US first. Because when China started to slow down where were people going to go? They

were going to go back to the US. and they were going to discover India. So for us, it was very important to solidify our position in the US. And now that we have built very profitable profile for this business, we are ready to internationally rollout. And we are starting to do that.

Celine Pannuti

So the US, obviously 75% of your business now, is in Beauty, Personal Care and Wellbeing, and you've been growing volume/mix above 4%, for the past two years. So it's quite a good playbook, if effectively, you can replicate that elsewhere. We just discussed about, the Wellbeing and Prestige Beauty brands. So if I think about the core Personal Care and Food portfolio in the US, can you talk about, you know, what kind of growth rate you are seeing in an environment where your peers are saying that the market is slowing? What are you doing differently in terms of go-to-market, channels, but as well brand? And, Foods, you mentioned earlier that there was still demand for premiumisation. What about GLP-1? Is that something that could impact your Food business in the US?

Fernando Fernandez

Well, our core in the US is doing very well. You know, we just received what is called the Advantage survey. That is fundamentally the top 130 retailers of the US scoring their suppliers. We are ranking number two in the US. We are ranking number one in Personal Care, number three in Beauty, number one in Foods. This is completely unprecedented for Unilever, you know? We are growing with people like Walmart, close to double-digit with Amazon mid-teens. And that's not only Prestige or Wellbeing. You know, there is significant growth in the core. They are having spectacular growth in Dove - that is a Power Brand in the US. As I mentioned before, Vaseline. We're having some issues in hair care, but our Hellmann's business in Foods is doing very well. Our deos business, went through a rough period, now gaining share in every single segment of the category. So we really believe that we have built a footprint in the US that is very strong. It has gone a bit unnoticed for investors, I believe that. It has now been five consecutive quarters of more than 4% volume

growth in the US. I cannot promise that it will be But we are confident that we have built one of the best growth footprints for any big company in the US. So we are happy with what we are doing. We have put in excellent leadership team. Our intimacy with retailers is at a level that I have not seen before. We continue winning with the winning retailers there. So it's a good, it's a good set up, the one that we have in the US. And by the way, some of our Power Brands there are reaching price points that they have never reached before. We continue to having an offering for the for the mainstream, but we are now stretching our brands into segments in which we can put our best science there. And consumers are really, recognising that in their demand. In terms of GLP-1 at this stage, we have not seen a significant impact. Hellmann's is doing very well. It's a very strong business - the condiments category is probably one of the most attractive categories within Foods. You know, there are huge opportunities for premiumisation. People are eating hotter, and they will pay more, and I feel everything that is related with dipping, sandwiches. There is a trend into more I would call it French kind of stuff, than the one that historically we have seen in the US. And Hellmann's is really profiting from that and doing a good job. So we have had a good run with Foods also. In GLP-1 until now we have not seen any significant impact in the volume of other categories in which we play. But it's true that in the US, we are fundamentally anchored around condiments.

Celine Pannuti

So in Beauty, if I look at the different subcategories right now, the category that's doing super well is hair care and it's a fundamental category for Unilever. I think it's about 11% of your sales. I must say, growth has been flattish this year. It was up 4% last year. And if I look at some of your global peers, or even regionals they are growing much faster than you. So, I know there's been some issues in the US which you are trying to fix, but can you talk about how I mean, are you ready now to really step up that opportunity in hair and do you need, by the way, to go more premium? I know you have K18. Is there another brand professional, like how you see the whole category in the channel performance?

Fernando Fernandez

Well, hair has been one of our fastest growing categories for a decade, and it's true that this year we are not performing in hair, our performance is around flattish. Some of that was a conscious decision we take to streamline our portfolio, particularly in the US. You know we have removed three brands in the US. We are deleting these brands because we wanted to focus our portfolio on our Power Brands there. We have pockets of strength. So Dove hair relaunch is really proving a big success. We're growing more than 20% in the US in the last quarter. We are seeing the same in every single market in which we are relaunching Dove. Our styling of TRESemmé has been going well, but at the same time, we took some decisions on pricing in our shampoo and conditioner business, that probably went too far, and we have adjusted that. So, regarding the portfolio and of course, you know, we have been affected by China. China is very big for Clear. The issues that we have had in Brazil this year - how this has affected Sunsilk. so there are a couple of geographical issues that have affected our overall hair performance. But, you know, we have a great portfolio in hair, covering in every single price point. So it's really very well suited for the different geographies in which we operate. The acquisition of K18 is very, very important to enter into the let's call it the professional space of hair care that, as I mentioned in the case of Prestige before, we want to do it without investing in physical infrastructure. So I believe the expansion of e-commerce, K18, for example, is a massive brand in TikTok. The emergence of e-commerce really opened the opportunity to continue expanding our portfolio into more professional propositions in hair care. And if there's a good opportunity, we'll go for that. And if not, we will develop that organically. So we're happy with the portfolio we have. We will continue to look into additional in that portfolio, and I feel next year would be a good year for hair care, because the innovation that we are hitting the market and the momentum we are getting now at the end of the year with some of the relaunches we have put, like TRESemmé styling, or Dove in shampoo, conditioner and treatments are really doing very well.

Celine Pannuti

Being an emerging market company, you have more pricing ability. Nevertheless, as I was mentioning earlier, CPI has been slowing your pricing is around 2%. In an environment where COGS inflation are not that great, where there is consumer pressure, where some of your competitors are talking about higher promotions, is it a sustainable level? We've seen times where Unilever was pricing less than that. How do you feel about your pricing ability as we go into next year?

Fernando Fernandez

Well, first of all, I feel it's important to look at what cost, what cost inflation, the industry is exposed to, and if I look at the categories in which Unilever is playing now and I look at 2026, I have around 2% inflation in the material side, and we have between 4% and 6% inflation in the wage side. Both are important. So that's the kind of cost environment that we have. And it's true that the CPI has slowed down a bit, but you know, it is a difference between or 3.5 and 3, it's not so dramatic. So when markets get a bit tougher in volume, of course there is some downward pressure on pricing. But we have not seen irrational promotional intensity in the categories in which we play. We are really trying to elevate our portfolio to ensure that we escape this kind of short-term trap of pushing a lot of volume through promotion. So, we have not increased our promotional volumes. On the contrary it's slightly down for us this year. Let's see, let's see what's happening in the market.

Celine Pannuti

In Europe, it has been quite a challenging market and pre-COVID pricing in fact was negative almost every year in Europe. Obviously, post-COVID things have been better, but why shouldn't we be looking back and say, yeah, maybe we're going to go back to an environment where there's not much pricing. There's competition - retailers, have more buying power, pulling together their procurement. So specifically for

Europe, do you think that we would go back to the old Europe that we knew, or you think that the pricing still remains? And then, you know, Europe on volume/mix, I must say you've done quite well. You've gained market share. It's a bit different than the US, but still quite a good level. Do you think that there is more room for you to gain share when effectively, some of your peers have mentioned, a weaker environment, especially in laundry, in deo, how do you see the competition evolving?

Fernando Fernandez

Well, I feel our performance in Europe is a testament for the kind of a step change we have done in innovation in the premium segment. We are doing very well, particularly in two categories Home Care and Personal Care. In Home Care, I feel the innovation we have brought in laundry, particularly around the short cycle washes - washing machines in 15 minutes instead of two-hour wash - this is a kind of shift we want to do in the portfolio when it comes to innovation, move our portfolio into areas in which science is more demanding. It's not the same to wash in the machine for two hours, where a lot of the work is done by the machine. Now we're getting 15 minutes where a lot of the work is done by the product. And this kind of innovation has allowed us to really move into higher price points, driving the liquid segment very, very, very, very strongly. So the same in deodorants, in which we brought the whole body deodorants proposition that initially we kicked off in the US and now we have expanded into Europe. So when you look at the pre-COVID period, the negative pricing was not there for all the industry. On average there was negative pricing, but for the company that has been able to really shift their portfolio into premium and that has been able to come with very powerful innovation, they were able to sustain positive pricing. So it's a difficult environment, the European one. At this stage, I can say that our relationship with the retailers is good. We have not seen any dramatic conflict in the last couple of years. We are trying to demonstrate to them, that we can grow the pie, that we can bring initiatives that grow markets. Innovation and renovation are both important to ensure that there is no price dilution. So we are gaining significant share in Europe, both in Personal Care and Home Care. We expect to continue doing that. It's not easy because other players also

play. But you know, all our focus there there is in increasing our investment, that we have already done and ensuring that we come with innovation in premium segments that retailers value and that our consumers are prepared to pay for.

Celine Pannuti

A region that is close to your heart, Latin America has been the centre of a mini storm, I would say for the past 12 months. Obviously the environment has been a bit more challenging from a macro perspective. But also you acknowledge that there's been maybe some missteps in terms of the pricing in laundry and then promotion in deodorants. So I know you mentioned that Q4 would still be challenging, but do you think that, can you grow volume in 2026, in that region? And, you know, what is the mid-term outlook, and how you feel that you have addressed these issues?

Fernando Fernandez

Yes, it's true that the macro environment in LATAM is tougher. I feel Mexico has suffered a significant decline in remittances. This is very important for 40% of the households in Mexico. The Brazilian political instability is also having some economic slowdown. And in Argentina there is economic contraction, but I believe the situation will get better. And I would say that probably explains half of the problems in LATAM. And then as you said, there were a couple of missteps. I'm probably too harsh in calling it missteps. But it has been very difficult to price in Brazil, given the volatility of the exchange rate. We had to roll back some of our pricing. In a country in which taxation is very complicated, putting prices backwards takes some time. But I believe in Home Care, in particular in Brazil, we are gaining momentum now. So we expect to close the year better. And definitely for the whole of Latin America I see next year with positive volume, no doubt. Structurally continuing, probably our strongest region, I would say with India. We have some of our best operating companies there. We have great talent. There, I don't see any structural issue in competitive terms, that should really make ourselves very, very concerned, but we have to improve our game there. We are

doing it already. And in a category like deos, we are gaining share at the scale there. We are gaining close to 250 basis points of share. But we need to reignite growth in 80% of that category that is the aerosol format. That is very, very important for us. It has been a bit soft this year, we have put all the plans in place and we have an incredible plan also around the World Cup next year. That, as you know, for all of Latin Americans, is a very important event. So we expect deos also, and the whole business, in LATAM to be in a much better shape in 2026.

Celine Pannuti

Excellent. So another company that has gone into some transition has been Unilever India. A new CEO, GST tax, run rate around mid-single digit for a market where it feels like the opportunity should be much wider. So how do you feel about 2026, do you expect to see an impact from consumer demand from GST, and you know what are, Priya's plans to, accelerate volume? But more widely, I think one of the major discussion point with investors is, while recognising the strength of Unilever in that country, how, you know, others are also trying to take a share of that pie. And you know, how you have to balance maybe, the turnaround of your historical portfolio with some investment in pricing, in competitiveness and then balancing top line and margin.

Fernando Fernandez

Well, I'm sure many companies would like to swap their portfolio in India with our portfolio in India. We have and I can go on and on and on. I was recently in India, opportunities there are massive you have 60, people in India with the income per capita of France. You have 700 million with income per capita of Indonesia, Thailand, Philippines and another 700 million with the income per capita of East Africa and West Africa. There is growth for everyone in India. And we believe that we will be the main beneficiaries of what will be a much more dynamic economic environment in India. I feel the government in India has taken very relevant measures lately. So GST reduction that is the VAT of India, personal income tax reduction, interest rate reduction, when the government does something like this, it's because things in the economy

are not right, and really that's what's happening the last couple of years in which India... Indian consumption was affected significantly by, in three years for double-digit food inflation. You know, now that's not there anymore, we are seeing some food deflation, and you have seen that immediately in the GDP growth in India. I think in the last quarter it was 8.2%. So I see a lot of opportunities in India. This GST reduction affects 40% of our portfolio. But I believe the GST reduction, the impact in the whole economy will be very, very significant. We have made changes in our leadership team there. You know, the CEO now is Priya Nair she used to be my CMO in Beauty, then she succeeded me in Beauty, is one of the best Unilever resources. I have 100% trust in her. We have brought also another two CEOs into our Indian leadership team, the CEO of Hero MotoCorp, as the CFO of the company, the CEO of Britannia, as a head of our Food business. They have the mission of really putting our volume growth in similar level to the one of GDP growth, you know, it will take some time, but I'm very confident of the opportunity. I was recently, you know, in central India, four states there, 500 million people. GDP growth 10%, income per capita at the level of Pakistan and Bangladesh. These people aspire to Dove, to Vaseline, to Pond's. Our brands are perfectly suited to really take advantage of what will be an explosion of wealth expansion. So I'm super excited with India. And I always say, you know, India, 14% of our revenue, US 21%. If you put these two companies together and we can deliver in these two regions, let's say close to 4% growth, you know, in volume, we have 1.6% at the company level. So that's fundamentally the anchor of our 2%+ volume growth plan for the whole company.

Celine Pannuti

Earlier on you mentioned that you have to run a business with higher margin... higher gross margin and higher investment. And that's, my next question. Your gross margin, if I look at how you account for distribution costs would be post Ice Cream in the low 50s, some of the beauty peers are 60% and well above. And so it feels like there is a structural margin opportunity. Happy to hear your view on where you think you can go there. But at the same time, your P&L, you have a 20% EBIT margin. It is one of the best, in Europe. It is close to the top level in the US. So

how do we think about, you know, the gross margin opportunity, but maybe the investment, you know, A&P at 16% of sales. Is that enough? And how as well do you marry your ambition to grow mid-single digit but as well to grow EPS in Euros. And therefore which means some margin expansion. So how do you?

Fernando Fernandez

Well, first of all, I feel our underlying operating margin for the second half of this year after separating Ice Cream, excluding Ice Cream, would be at least 19.5%. So that's the kind of level the base of our margin after Ice Cream. And our gross margin, yeah, you're right, you know, we include logistic costs in the calculation of our gross margin. A lot of people have that in their SG&A, If you exclude the logistic cost, our margin gross margins in the, in the low 50s. But of course, there are big difference between our Beauty business and our Home Care business. And so that is a a big divergence there. There are four levers of, gross margin expansion we are working on. The first one is, you know, volume growth. The margin in our next unit of volume is close to 55-60%. So for us, if we achieve +2% volume growth our gross margin expansion starts to kick off. Then it's mix, you know, category mix, segment mix, channel mix. The third one is some interventions we are doing in the in the value chain of some key materials. I have total surfactants in US or oleochemicals in Asia. We are investing heavily in fragrances in which we invest €1.3 billion. And we see that are big opportunities for savings and for quality there. And of course, also, you know, we're allocating a much more significant fraction of CapEx to margin expansion initiatives. You know, we are now allocating close to 60% of our CapEx into margin expansion initiatives. And this should give us, you know, of gross margin expansion every single year. The level of competitiveness of our investment, you know, in 2022, we were investing 13% of revenue in BMI. We move to 14.3 in 2023, And this year will be somewhere between 15.5-16%. And we believe this is competitive levels. It's an implicit recognition that we were not investing competitively in the past. And I always say that, you know, being consciously uncompetitive is a criminal offense. That's how I see it, you know? So whatever it takes, we will invest in line with our ambition of 2% volume growth. And this is what

we are doing. We believe our level of investment is competitive now, and if we put all these things together, we believe that the margin expansion will position us in the top third TSR of the sector. So that's the kind of model we are working on.

Celine Pannuti

When we look at your ambition to position more the business into Beauty & Wellbeing, I think one of the key questions is now that, you have the deconsolidated Ice Cream, Food seems to be the elephant in the room. What are the impediments for you, to not, dispose of Foods? And can you talk about maybe other, I mean, I know you are doing some organic disposals. How does, for instance, Horlicks fit, in the overall portfolio you are building? And, we have seen this year, the acceleration in M&A, even in the consumer sector, some bigger M&A. You've always mentioned that you are focused on India, US and Beauty. First of all, can you talk about what, a big acquisition, is something that you completely write off? Or, it depends. And whether there will be adjacent categories like maybe colour cosmetics, perfume, OTC that you would consider in that Beauty framework.

Fernando Fernandez

We continue focusing on bolt on acquisitions, you know, in our algorithms, we are allocating around €1.5 billion a year in net M&A. And the focus remains in Beauty, Personal Care, and definitely in the US and in India. Why in the US? Because, we believe that strategically it is very important for Unilever to build a new leg of portfolio that can travel internationally in the premium segment. And the US is probably the only market that gives you simultaneously critical mass and a platform for international brands. So that's the reason that we are allocating 90-95% of our capital of M&A into the US. We have a very clear strict, process in, in M&A, in choosing M&A targets. You know, it have to be lifestyle brands, it have to be digitally native brands, it have to be seriously exposed to e-commerce, it have to be in categories in which we can add science, channel or marketing capabilities. It has to be in super growth

stage, and it has to be brands that can be globally scalable. So we have a very, very, strict process now that we follow with rigour, and we will continue doing that. Transformational acquisitions are off the table, you know. So we are not looking at that at this stage. And regarding Foods, sorry, regarding colour cosmetics and fragrance are not priority for us. You know, we are much more interested in skin care, hair care, Personal Care territories and Wellbeing, I'm very excited about the wellness opportunity, as I mentioned before, is very fragmented. There are many, many new segments emerging. We believe that we can establish strong positions in leadership in what we call narrow verticals, that allows us to scale faster, to become profitable with the very fast. So these are the areas of focus. Regarding Foods, we're outperforming the foods industry, you know, you have seen our numbers. You know, you compare particularly with American foods, we are doing, we are doing well, I believe we have a food portfolio that is an envy of the industry. You know, 60% of our food business is in Hellmann's and Knorr, after completed the disposal of around €1-€1.5 billion business in what I call the periphery of Foods, particularly local food brands in Europe, Hellmann's and Knorr will become 70/75% of the revenue. And this will give us a lot of optionality in the future. At this stage our food business is margin accretive, is cash accretive, It has a low capital intensity. It's a very attractive business, you know. The business has to outperform the markets, the same happened to the other part of the portfolio, you know. They have to gain the right to stay in the portfolio being called Hellmann's, being called Knorr, being called Dove, or being called TRESemmé. So that's the way we are approaching that.

Celine Pannuti

All right. I think we are close to the end of this. So I have two more questions. So a quick one on free cash flow. Post the separation of Ice Cream. How do you feel? I mean, 7 billion free cash flow that you achieve in 2024. What do you think is the right level of free cash flow? And, should we expect continued share buyback, as you have done? Maybe at a higher level, but you've done 1.5 billion in the past years, and I'll leave my last question.

Fernando Fernandez

Well, as I mentioned before, you know, our underlying operating margin after the separation of Ice Cream would be at least 19.5%. And our working capital is very strong, you know, so we operate with a negative working capital of 8-9%. So if that is a good top line growth, you know, our ability to to generate cash conversion at around 100% is very, very high. If we do that, we will continue with a kind of disciplined approach in terms of capital allocation that we have. You know, first of all, we invest for growth, meaning the support of our brands. In our R&D in our CapEx, then we will ensure a good dividend payout ratio, you know, probably in the 55 to 60% range. Third, allocating €1.5 billion to net M&A every single year. And then if there is excess of cash, you know, we will not sit upon that. And we will continue in share buyback. But, you know, if in one year there is an opportunity to acquire for 2 or 3 billion, I will privilege that because it's more important for us to ensure that the portfolio rotation keeps accelerating, in the same way, there could be a year in which no target is available, and it would put zero into M&A. And that can give lots of space for more share buyback. But hey, overall I like the balance between 70/75% of our capital return to shareholders in dividends But I will not commit to share buyback, as a routine practice, we will do that in case that there is excess surplus of cash in the business.

Celine Pannuti

Fernando thank you. And I know you like football and I'm not going to ask you who are you going to cheer especially, given my nationality, but rather if you are a TikTok influencer, what would be your beauty tip?

Fernando Fernandez

My beauty tip, yeah football is great year. Big, big year. And I feel, we are really doing a lot around the World Cup because I really believe that event marketing is more important than ever, and we will be the sponsor in Personal Care and Beauty for next year. So we just we are very, very excited about the prospects of that in our top line growth. A TikTok, as a

TikTok influencer for beauty, I'm not the best on this, you know but I probably what I would say is just, a good face care routine probably requires only 3 or 4 steps. When you choose the right brands, go for the ones of Unilever they are great science and go for that because it's great stuff.

Celine Pannuti

Excellent. Thank you, Fernando, and thank you everyone for joining us today. We wish you a good year end. And looking forward to seeing you again and discussing in 2026. Bye bye.