Unilever at CAGNY
Graeme Pitkethly / Richard Williams
Thursday, 21st February 2019
Unilever at CAGNY

Richard Williams
Thursday, 21st February 2019
This announcement may contain forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as 'will', 'aim', 'expects', 'anticipates', 'intends', 'looks', 'believes', 'vision', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Unilever Group (the 'Group'). They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: Unilever’s global brands not meeting consumer preferences; Unilever’s ability to innovate and remain competitive; Unilever’s investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; the effect of climate change on Unilever’s business; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; financial risks; failure to meet high and ethical standards; and managing regulatory, tax and legal matters.

These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Further details of potential risks and uncertainties affecting the Group are described in the Group’s filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including in the Annual Report on Form 20-F 2017 and the Unilever Annual Report and Accounts 2017.
Unilever today

190 countries

2.5 billion consumers

85% leading positions

59% Emerging Markets

3 strong Divisions

80% of leaders are local. #1 FMCG employer in 44 countries

Turnover 2018 excl Spreads, excl VZ Price, and excl Argentinian price from Q3 onwards.
2018: Continued profitable growth in volatile markets

**Growth**
- Underlying Sales Growth exc. spreads: +3.1%
- Underlying Volume Growth exc. spreads: +2.1%

**Margin**
- Underlying Operating Margin: +90 bps
- Gross Margin: +50 bps

**Earnings**
- Constant Underlying EPS: +12.8%
- Underlying EPS: +5.2%

**Cash**
- Free Cash Flow: €5.0 bn
- vs 2017: €(0.4) bn
2018: Highlights

- **Cash return to shareholders**: €10bn
- **High ROIC sustained**: 18.8%
- **Net Debt / EBITDA**: 1.9x
- **Savings**: >€2bn
- **E-commerce**: 50% Growth
- **New brand launches**: 18
- **Horlicks**: +€550m Turnover
### 2020 programme

<table>
<thead>
<tr>
<th></th>
<th>2020 Target</th>
<th>Delivered to date</th>
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<tbody>
<tr>
<td>UOM</td>
<td>20%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Savings</td>
<td>€6bn</td>
<td>&gt;€4bn</td>
</tr>
<tr>
<td>Net Debt</td>
<td>2.0x</td>
<td>1.9x</td>
</tr>
<tr>
<td>Share Buyback</td>
<td>Return proceeds from Spreads disposal</td>
<td>€6bn</td>
</tr>
<tr>
<td>Cash Conversion</td>
<td>100%</td>
<td>99% (2017/18)</td>
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<tr>
<td>ROIC</td>
<td>High teens</td>
<td>19% (avg 2017/18)</td>
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**ON TRACK**
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Key themes

Purpose-led, Future-fit

Growth and Margin

Emerging Markets

Digitising our Business

SUPERIOR LONG TERM VALUE
Unilever Sustainable Living Plan: a journey

Since 2010

- 650M people reached through our programmes on handwashing, safe drinking water, sanitation, oral health and self-esteem
- Waste associated with the disposal of our products per consumer use: -31%
- CO₂ emissions from energy per tonne of production: -52%
- 49% of managers are female
- 1.7M small-scale retailers accessed initiatives to improve their incomes

Sustainable living brands

- 60% of our portfolio
- 46% faster growth

2017 Sustainable Living Plan reporting
Dove: Brand with purpose

Largest brand in Unilever

€2.5bn

€4.6bn

2008 2018

With Purpose

• Content driven marketing and constant innovation

At Scale

• Our largest brand, grew 8% on average per annum since 2011

• Present in 170+ countries, multi-categories
Key themes

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SUPERIOR LONG TERM VALUE
Key themes

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SUPERIOR LONG TERM VALUE
Levers of Margin

FY 2016: 16.4%
FY 2018: 18.4%
FY 2020: 20.0%

Mix:
- High growth
- Accretive
- Premiumisation

5S:
- Design to value
- €4bn savings 2017-2019

Restructuring:
- ZBB: Full cost programme, Up to €3.5bn to unlock savings
- €2bn savings 2017-2019
2/3 reinvestment
Unilever growth model

**Profitable growth**

5 Year UOM

- 2014: 15.5%
- 2015: 15.6%
- 2016: 16.4%
- 2017: 17.5%
- 2018: 18.4%

**Consistent growth**

5 Year CAGR

- UL: 3.5%
- D&E: 6.0%

5 year CAGR USG, 2017 and 2018 excl Spreads, VZ Price from Q4 17 and Arg Price from Q3 18 onwards

**Competitive growth**

5 Year Average

- 3.5% USG
- 3%-3.5% market growth

**Responsible growth**

- MORE GROWTH
- LESS RISK
- MORE TRUST
- LOWER COSTS

- LESS RISK
- MORE TRUST
- MORE GROWTH
- LOWER COSTS
Levers of Growth

High growth segments

Emerging markets
- Pakistan
- Turkey
- Bangladesh
- Vietnam
- Philippines
- Myanmar

Channels

Purpose
Balanced growth delivering value

Top line growth and EPS growth

Total shareholder return

TSR from 01.14 to 01.19, in Euros for Unilever combined, excluding outliers
Key themes

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Superior Long Term Value

Emerging Markets

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Macro trends driving growth

**Urbanisation**
- 800m more people in EM cities:
  - More kitchens and more bathrooms

**A rising middle class**
- 400m more households in middle income:
  - Increased per capita consumption

**More working women**
- 200m more women in the workforce:
  - More PC, meal makers & laundry aids

**More Users**
**More Benefits**
**More Usage**

Source: Oxford Economics; by 2030
Emerging markets still the engine
Market growth in Unilever categories: 2017-2030 – Top Individual Markets
Emerging markets volume accelerating

Emerging markets underlying volume growth

- 10 year average
- 2016
- 2017
- 2018

Breadth of our tier 2 markets

- 20% of our Turnover
- 30% of our Growth

Turnover

- €0.5bn
- €1.5bn

Turkey
Philippines
South Africa
Mexico
Thailand
Vietnam
Arabia
Pakistan
Russia
Chile
Bangladesh

Tier 2 Countries
A proven model for market development

More benefits

Extend across sub categories

Opening new geographies

More benefits

Rising income

Laundry Example

Dove Example

Gradually introducing our portfolio
Key themes

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Emerging Markets
Digitising our Business

SUPERIOR LONG TERM VALUE
The world we live in

Hyper fragmentation

Customisation & Personalisation

Always on demand
Abundance of digital signals across the whole value chain

Cloud based data lake strategy

Consumer
- Direct to consumer
- Device ID
- Social listening
- Influencers data

Customer
- POS
- Shelf price data
- Promotional data
- Merchandisers

Macro environment
- Market size
- GDP
- Demographics
- Weather

Operations
- Ice Cream cabinets
- Daily sales
- Digital factory
- Producers
Digital hubs at the heart of a new model of marketing

Investing in new competencies
... and it is delivering

**Insight**
- **Volume**
  - 550m Digital IDs
  - 150m Personal IDs
- **Performance**
  - 300 campaigns collecting data
  - 70+ campaigns executed
- **Readiness**
  - 4,000 UC segments ready to use

**Media**
- **1P in Media**
  - Lakmé: 50% uplift in ad recall on 60m impressions
- **Mass Customisation**
  - Dove: 60% uplift in click through rate for ‘curly hair’
- **Super Segments**
  - Knorr: x2 uplift in CTR for Vegetarian audience from Unox

**1:1**
- **Email**
  - Zwitsal: 50% Open and 1.9% buy rate on diapers email
- **Web Personalisation**
  - Ben & Jerry’s: 67% increased conversion on landing page
- **1:1 Sampling**
  - Persil: 25 PPT increase in supermarket penetration

**Commerce**
- **Performance Marketing**
  - Ayush: 5x CTR (v 3P) on 3m devices
- **Performance Marketing**
  - Clear: 2x Click through rate vs 3rd party
- **Media Sampling**
  - Smartpick: 70% reduction in cost per lead. 60k orders
End to end digitisation

- Consumer Insight & Marketing
- Supply Chain
- Innovation
- Customer Development
- E2E Digitised Operations
- Talent & Organisation

Technology & Data Analytics
Key themes

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Growth and Margin

GROWTH AND MARGIN

EMERGING MARKETS

Digitising our Business

SUPERIOR LONG TERM VALUE
Value creation

Purpose-led, Future-fit

Multi-stakeholder model
- Consumers
- Employees
- Society
- Customer
- Planet
- Shareholders

Superior financial performance
- 2020 targets
  - GROWTH: 3-5%
  - MARGIN: 20%
  - CASH CONVERSION: 100%

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