



The Magnum Ice Cream Company Fireside Chat

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Speakers:

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Warren: You've got CMD coming up on September 9th, so I'm going to try and steer away from asking you about the algo, as much as I'm tempted.

Warren: And guidance, and I'll stick to what you've been disclosing already. And given it's a new company and there's a lot of questions, I think we'll take a bit longer, maybe 70 minutes today, to get into it. And before I start, Peter, you and I have known each other for a long time, but rarely have I seen so many smiles on people's faces walking around your new headquarters. It must be the joy of working on ice cream, the new product launches, the new listing coming up. So, it does seem a lot of excitement in your organisation. There is truly a lot of excitement. It feels like an 8 billion startup, with the energy and passion that you will find in startups where people are trying to find out how to make this work.

Warren: Peter, investors will want to know why you're the right person to lead the Magnum Ice Cream Company. Can you maybe outline some of your experiences, some of your skills that you've had that will be suited to this role?

Warren: And how will you unlock the value creation opportunity? And then related to that, there's been a lot of upgrades in terms of personnel in the organisation, the top 100 people. Can you talk about what capabilities you were looking for, whether those upgrades are done or there's still more to go?

Peter: Yeah, so I have worked for more than 25 years in consumer goods. I have worked on all continents and multiple categories, and a history of driving gross and margin expansion. I have more than ten years in ice cream. I did the turnaround of the Chinese ice cream business 20 years ago. I was a category leader in ice cream. We brought Magnum from Europe to the rest

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of the world and expanded Ben & Jerry's from the States to Europe and then later Asia.

Deep operations experience in ice cream. I know how to place the cabinets and control the margins and manage the seasonality, and the weather. But outside that, I also had a number of interesting experiences that are now very useful for my new role. I did reset of the Home Care business, a massive margin expansion. But also a much more competitive innovation portfolio and two years of almost 10% growth of Home Care in Europe are a testament to that. I came up with the idea to build a masstige supplement business with beautiful brands like Nutrafol- too late! Liquid I.V., Olly, Onnit And we built this into a very large business that is massively growth-accretive. Not only to the beauty segment, but to Unilever as a totality. It's also a digital first business system and the sort of business system where most of consumer goods will be trending towards. And last but not least, at a certain moment, I was Chief Transformation Officer and Chief Technology Officer of Unilever, and I needed to think very hard how to structure large companies and how to make them tech-forward. Obviously, when you build a new company, it's a lot about culture, organisation and technology, so a very good experience. So I think a couple of building blocks that are super helpful in my new role, But you asked a question on the organisation. It is very different running a relatively smaller division in a very large company towards running a listed standalone company, and it requires a talent intervention. We basically got new, very experienced general managers in all the countries roles and very experienced leaders in the regional roles, most of them with some very solid ice cream experience. But in the functions, I needed people who understand how to operate a listed company.

Abhijit comes from Philips. He has been CFO for ten years. He did six spin-offs, big capital markets experience. Very helpful because I have less experience in that space. And we got Ronald in who has been five years Chief

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HR Officer of Pepsi and before that, seven years, Vodafone also very strong, board experience.

So we created to try to create a team that knows how to operate, a very disciplined, listed company but also can drive ice cream operations and execution very, very hard. Is it done or is there more to go? The organisation was ready at the beginning of, this year.

Everybody is in role, there's still a couple of junior roles, but there's always in the, ins and out. But the organisation is ready.

And most people now have two seasons under the belt.

So we are not starting this journey with a new team. We starting this journey with people who know that trade, who know their business, and who know how to squeeze gross margin out of the ice cream companies.

Warren: That's a great start. Thank you for that context, Peter. So maybe for those investors, just the scope, the business for us. Not everybody knows it that well at the moment. Can you maybe sort of set the scene with us in terms of some of the key financials, the key geographies, the brands and market share?

Warren: What would you kind of pick out for investors?

Peter : Yeah, we are the global market leader in ice cream. 160 years of experience. Unbelievable. 160 years of experience in ice cream. We're not only global market leader; we're also global market leader in almost all big countries. In the retail channel, we are category captain, most large retailers. We're the leader in out-of-home with a 3 million cabinets, which is 4,000,000m² real estate. And we built and lead the e-commerce business. So strong leadership positions on the back of amazing brands. Magnum is a 2 billion global pleasure chocolate, power brand. Cornetto a billion, the biggest

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cone brand in the world. And Ben & Jerry's goes from strength to strength almost, a little bit more than, than a billion. and then we have Wall's, part of the heart brand family Wall's, Ola, Langnese, ... which are icons in every market that we operate. And this brand portfolio is, is strengthened by also very strong local brands. You know, you have brands like, in the States, Yasso. Talenti. But also Breyers our oldest brand and you know, The Rocket. In Holland, you know, overall is is sort of an 8 billion business. We have 1.3 billion EBITDA was a 21% market share, which is, double of its closest by competition. All in all, an enormous base of capabilities, assets that set us up well to accelerate gross and unlock margin, because that is the big job to be done. And the trading is good as well. I mean, the market share momentum is good. I think in the second quarter you delivered, 5% volume growth, 7.1% underlying sales growth, which is obviously, you know, very, very impressive.

Warren: Can you maybe walk through what the key, some of the key factors that came out on the quarter for Magnum?

Peter: Yeah, you know, we started implementing the new strategy, last year at the beginning of last year when the board approved it, we started to invest again in distribution, distribution assets, getting back shelf share, gross, more money behind innovation and more focused innovation portfolio. We started to, to, land, the supply chain transformation program, which delivers funds to drive to the growth. And all of that started to get momentum in the second half of last year and the beginning of this year. And we are very pleased that despite the large price increases, we need to, needed to make that we got both the volume growth and the volume gross. Yeah. And have real share momentum. This year a building on the on the share momentum that we got last year.

Was that a surprise, the elasticity being so low given the pricing?

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Peter: Because we took pricing, but you know, But you know, I fundamentally believe that in consumer goods you need to drive volume. You cannot price yourself to glory. You need to drive, consumption. And most of the strategies that we have were focused on getting more people, more people to use more ice cream products. And it started to tick. And I'm very pleased that even with brands like, Magnum that grew 10%, that despite all the price increases, we also got 4% volume growth, which shows the strength of these, these assets. In terms of the ice cream market, it's about €75 billion in size. It's a subset of the broader snacking market. When you look at that market, say top down, what are the most attractive and least attractive parts of the market that you can see?

And then maybe linked to that, you know, where has your historic growth been when investors look back, we don't always get all the historic, it's a different scope. And I guess what I'm trying to get to is it looks like, you know, you've got two big players in the market yourself and Froneri and lots of smaller players who have, you know, low single digit global market shares.

Warren: Do you think the market is ripe for consolidation, or do you think that this level of fragmentation in the market will remain?

Peter: So two-part question. Yeah, let me let me first answer, the first one on the ice cream market, you know, obviously new in a role. You do look at 20 years of history in your category. And it is remarkable that the ice cream category over a very long period has grown 3 to 4%, of which half in volume, and there are very few consumer goods markets that have been so consistent. But when you unpack that, emerging markets grow 4 to 6%, which is penetration built up.

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You know, Turkey started at a half a litre, it moved to six litre.

India still at half a litre. Ice cream distribution not very wide yet.

So you can imagine penetration, distribution building up in emerging markets and that continuing for a very long period because most emerging markets are still very low consumption levels.

But also the growth rates in developed markets have been very steady at the sort of 2, 3%. What underpins that is premiumisation, people go to more delicious, more healthy, more expensive offerings, but also e-commerce, because when you think about it, ice cream is an impulse category. You either buy it when you see it, or you need to do plan buying, but plan buying is not an impulse buy.

Yeah, e-commerce now gives consumers the opportunity when they sit on the couch. I feel like Ben & Jerry's. Yeah, you press the button and you get to kind of Coca Cola called it the arms reach of desire. It's the thumbs reach of desire. Because the arms reach was that was the old school. But we now in some school of desire and this works brilliantly for ice cream. And that drives the continued volume in value growth even in the developed markets. But when you look at our performance, there was a whole period.

And when you look at sort of 2013 to 2023 that our business was growing below market growth. We were stable, losing a little bit of share. We were not driving distribution hard enough. We're not driving innovation hard enough. We started correcting that. And it is, clearly the growth is coming back in our business. And that led to the share growth that we discussed before. Before a consolidation in the market? You think the market is ripe for consolidation?

Peter : Yeah, consolidation is interesting. You know, you look at many different categories. I have worked in many different categories. Ice cream is

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a very interesting industry because you basically have two large players and a lot of players who are below the 4 or 5% market share, and this is actually linked to the dynamics of the ice cream market. It's very easy to start up a new company in your and the new ice cream business, in your town, in your street, in your region. But to scale it, you need distribution assets. We have 3 million. How difficult to build that up.

But you also need the whole cold chain from manufacturing to warehousing to the transportation. So what you see is there are a whole lot of startups in ice cream but very few really scale up. What mostly happens before they have to put in the big iron, build a new factory, start investing heavily in distribution. They come to us or our competition and they get consolidated. And interestingly enough, in our industry we saw 21% market share. I do believe that there are opportunities for acquisitions, but they tend to be relatively small bolt-ons.

Okay. Either very cool brands in Europe or the U.S or in China or very small regional positions in countries where somebody has built up capital leadership.

Warren: And, you know, what do you do? I want to move to the Day One operating model. When the listing actually happens.

Warren: The question I've got is how entangled will you still be with Unilever? How will the transitional service arrangements work, and how long would it take to re-establish the ERP systems in the business?

Peter: Very good question. I will try to unpack it. We already run the business as a standalone business. Since the 1st of July. Sales and supply chain were fully dedicated since the beginning of this year, but we will still have a relationship with Unilever in basically three areas: IT systems, some real

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estate which we can't separate and some transactional services. We actually, I really studied the spin offs of margarine and tea especially when it comes to ERP system. And you know, it hasn't been easy. What we said we need to de-risk is and we agreed with Unilever we'll stay for a while on the Unilever ERP system.

And since last year we have been designing a fit for purpose, way more focused tech stack for the ice cream company. And I think in the sort of two years' time, we will be totally separate and totally out of the TSAs. But we do it in a very de-risked way.

Warren: Okay, maybe moving to the organisation Peter, because obviously that's crucial in terms of a success factor for new companies. Can you maybe outline briefly how the business will be run day-to-day? Would it be geographic category matrix, and what will the key KPIs as a success look like? And I guess the question that then follows from that is what can you now do as a pure play ice cream company that you couldn't do under Unilever's ownership? You know, why is Magnum going to be a better company?

Warren: As a pure player? You might think it's obvious, but it might not be obvious.

Peter: Yeah, no, it is a good question. So, you know, I did a lot of work in Unilever on organisational design. I was the Chief Transformation Officer under Paul. The first question you need to ask yourself is what's the job to be done with the organisation?

A - you need to accelerate growth and become very competitive.

B- we need a massive margin unlock because we're not profitable enough in our competitive Umfeld.

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And C- you want to build an organisation that can last and that can attract great talent.

So we said we're not a big multi-category business anymore. We can design something that works for the ice cream category. So first thing we did we said ice cream is actually fundamentally very local.

Operationally, local weather patterns, very local planning, very local channels, and customers, very local, basically competition. You know, we mentioned all these small players, very local. And we said we need to integrate the business at basically a country, level. And we created 23 fully empowered P&L units, with a GMM with a general manager and a full management team. Marketing, sales, logistics, a manufacturing guy. And they need to bring the growth, the margin, the cash all on a very simple yearly target construct target construct for which they will be rewarded. They will not be rewarded for global stuff, for regional stuff, for blue eyes No, they will be rewarded for bring home the bacon for their geography.

Warren: Okay.

Peter : A very simple construct designed for speed and agility. Then we kept the corporate center very small. We do governance very important capital markets, performance management and capital and talent allocation relatively small because we want to drive the business out of the markets, regional structures, are super super lean as well. That is how we want to run it. We hold ourselves centrally accountable for competitive growth. Because growth you always need to do in a competitive context. Otherwise, it doesn't count. It can't be priced; there needs to be a lot of volume. Margin, because this margin, uh, business is running on a big margin gap, and the

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margin gap needs to be closed in the midterm. And we need to bring home, the cash and the return on all the investments that we make. That is how we want to run this business.

Warren: I want to turn to market share, Peter. Obviously, it's a KPI- that investors look at very closely.

Peter : If I look over the ten years before 2023, the market share was kind of flat, flattish, flat, declining, maybe declining, but then it was up 80 basis points in 2024. And I think year today it's up over 100 basis points.

And what we're seeing is a short-term market share. The 12 week share is tracking above the 52-week share, which is normally a good sign about the near-term momentum.

Warren: Can you maybe just walk us through a little bit what's driven that inflection in market share?

Is there any regions or brands or other things are driving that? And how sustainable do you think that is?

Peter: Yeah. So, we are very happy because the market share gains are very broad based. The gains share in most markets with most brands, in most channels So it's broad based.

And why is it broad based? Because at the base is the pivot in the strategy. We started to focus on growing distribution shelf space in retail, share of promo share of out-of-home distribution, placing new cabinets which we

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hadn't done for a very long period. We started to rebuild our pricing capability. One of the problems we had in 2023 is we took a lot of price, but we did it in such a way that we lost a lot of volume. This year we are learning to price and gain volume at the same time. I'm very proud of Magnum becoming more disciplined with our, brand activation, with our brand support, as a more focused program after less, project, which is starting to kick in. And I think what really helps, we now have an organization that is focused on only ice cream.

And I imagine you used to be a salesperson you have to go to Albert Heijn or Walmart to talk about Dove, talk about detergents and talk about ice cream. We now have people who wake up thinking about ice cream, who go to bed thinking about ice cream, and they do that 365 days. Well I think this focus of this new organization is fundamentally driving to share gains, and we hold ourselves accountable.

I hold myself accountable for competitive growth.

You want to grow, but it needs to be competitive, for margin expansion, for the cash coming in and for really driving returns on this business. It's not only me, but I think it's now deep in the organization.

Warren: So, Peter, you're gaining market share most places, but where you're not gaining share in those markets, where you're not gaining share, what are the characteristics of those underperforming markets? What's different there compared to those markets where you are gaining share?

Peter: When a business is off the boil, you often need to get the fundamentals in place, get the people in place. It takes time. Make the strategy pivots work, land the plan with the customer. Yeah. Place the

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cabinets. These are not like off and on. When it would have been easy, it would have been done. So, you need to get the fundamentals in place, in a very disciplined way. You don't want to have quick wins.

You want to have a fundamentally stronger business. And we always prioritize fundamentals above quick wins. I'm sure we're making progress. I'm sure progress will accelerate, but it's hard work.

Warren: I want to move to Magnum. It's the name of your company.

It's two billion brand; it's growing double digit. Can you talk a little bit about where the growth opportunities are for Magnum going forward? Because I guess the one market when I look at it, it hasn't really, I want to say crack. So excuse the pun! But it hasn't really so hasn't really gain market share in North America.

Is there something about the North American market that doesn't suit Magnum because of the way the market is structured, or is it simply that your resource allocation for Magnum is in other places?

Peter: Magnum is an unbelievable success story. It was launched in 1989 by a guy called Klaus Dörrenhaus, who was mad about the television series Magnum PI, and only you and I remember Magnum. Magnum PI. It has gone from strength to strength, and every single year it outgrew the ice cream company, and it outgrew the markets, and we built it up to a two billion entity. How do we drive growth in Magnum now? By implementing a very, very, disciplined model. First, it's about product superiority. We spend a lot of time to make sure that Magnum, with its beautiful cracking chocolate, stays the best chocolate ice cream on the market. We are obsessed about quality.

Secondly, Magnum started on a stick, but we have moved it across formats. Cones. Ta da! Tubs, bonbons. So, we have a multi-format strategy, sandwiches, to capture different needs and different locations.

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That's the second one. Then we drive Magnum distribution very hard across the world. So, you continuously need to build distribution and shelf space. But very interestingly, we have a very advanced demand creation model, which is largely digital. We have very bold campaigns where we work with influencers to activate the brand in a model that is actually codified, easy to repeat country by country.

That is the Magnum. That is the Magnum success story. Now for us. And I will get to your American question for us when we needed to select a name, I think that, the idea of taking a fancy name, people who have come back of that because it confuses people. So you take your big brand, you should have taken Wall's. But we have Wall's, Langnese...

Warren: It doesn't roll off the tongue quite quickly....

Peter: It doesn't roll out of the, the tongue. We thought about Breyers, but in the end said, let's take our most proud premium brand, Magnum. And it works basically everywhere, a little bit more complex in the US. In the U.S, our strategy has been very much around premiumisation and managing our local jewels. And the biggest dairy brand in the world is Breyers with its Purity Pledge. Driving these local jewels very well and drive premiumisation. We do that with Ben & Jerry's. We do it with Yasso, which is super premium with a health benefit. High protein yogurt, ice cream, and with a gelati brand called Talenti. Magnum has a more the Magnum segment is, of course, better developed in the States, with the Häagen-Dazs bar, the Dove bar. So we need to have a more distinct strategy with more distinct SKUs. The Double is the nitrogen dipped product too, double. Dip product where you get multiple layers. chocolate, sauce, chocolate does really well. We now we come with multi-packs, do really well. But it is not the classic Magnum strategy. But it's also not needed in the US because we have other premium brands.

Warren: Okay. I want to talk about emerging markets.

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Peter, you mentioned it. I was in Istanbul. I saw your business with my own eyes in Turkey. Amazing market shares, 80% I think it was, but in your other EMs, it's nowhere near as strong. Like, if I look at China. Not all of them. But Turkey is a bit of an outlier. I agree. And, you know, I noticed you've been in China and you've been in Thailand. Yeah. I'm not I'm stalking you on LinkedIn, but I do, I do see where you are. Can you maybe explain a little bit to investors why is the business so strong in a market like Turkey with that dominant market share but relatively weaker in some of these other emerging markets and perhaps in China, you mentioned local brands.

But when I look at the market in China, and I did look at some data yesterday, in fact, the market down in China, I don't know why. Last year, this year is picking up again. Where there is affordability, there is local brands. So how can you actually sort of shape the market in China for your business going forward. So one is about Turkey versus the other EMs. And you know, maybe a little bit deeper just on China, what you're seeing in the market and what your plans are?

Peter: Okay. Very, very good. Turkey is indeed a remarkable business. That's why we took you there. What we see between markets that do really well? And what do I mean by doing really well? The markets where we were able to grow per capita consumption in a very disciplined, structured way and keep large market shares at good profitability versus countries where that was not the case.

The difference is actually how much rigor did we apply to the playbook execution. What is the Turkish playbook? A- you need to be growth obsessed about building occasions and penetration for ice cream. When people don't eat ice cream, they don't know when to eat ice cream, where to eat ice cream. So you need to build occasion and that needs to be left right, front and center. Secondly, you need to be very disciplined on pricing. There is

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already an established pricing letter in the snacking industry. You can buy cookies for five lira, ten lira, chocolate, 15 lira, soft drinks 20, 25, 30 and when you built your ice cream portfolio, you need to make sure you have an interesting competitive ice cream product at all these different price points. And you need to do that. And it sounds very easy. But of course these are very developed snacking categories. So getting real value in ice cream requires you to manage your cost exceptionally well. So occasions, pricing, and then you need to do distribution. You mentioned that arm's length of desire. In Turkey we now have a cabinet for every 250 people. But in India it's every 2000 people. So you need to make sure that you make this product available because you're going to have great products, but people can't find it. It doesn't really help. So you get physical availability. You get mental availability.

They need to know about your brand so you and your products. And then last but not least, and maybe that is one of the most important. It's an execution culture. You know ice cream is highly intense from an execution point of view. And you need to build a team that enjoys granular execution, not for one year, not for two years, but for decennia. So that's the playbook. Now, what for us is great. You know when you look across Pakistan, India and Bangladesh there are 2 billion people but per capita consumption is half a litre a head.

We have never implemented the Turkish playbook in this market.

Now we started to do so even more.

We put our strong Turkish leaders on these opportunities. Who is running the Indian business, has run the Turkish business for seven years. It's all about disciplined implementation from a codified, well-defined playbook. So, this is the emerging market game.

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Warren: Yeah.

Peter: Now to China. As you know, I lived and worked in China for six years. And the Chinese industry is different because you have very strong local dairy companies that actually started in ice cream, but basically do half of the Chinese ice cream market. Our strategy in China is basically being a disruptor on the premium end of the portfolio. Magnum, Cornetto, Premium Wall's SKUs And being a digital disruptor, now that playbook is now working well for many years. Last year there was a reset in the industry. Normal game. Everybody had pumped in too much stock. It needed to get de-stocked. This year we are on a good growth trajectory again, but we changed everything. We changed teams. We changed our distribution strategies and our margin structures for the trade, basically our innovation portfolio. And we went in very aggressively and we got the Chinese business humming again.

Why is China very important? Because it is probably the most competitive ice cream market in the world. And when you can make it there, yeah, you can make it in other places as well. But it is also a source increasingly of great innovation, because there are products in China that can travel to the rest of the world.

But I want to just pick up on one thing you said about building consumption occasions in new markets, you know, taking the Turkish playbook to other markets. You mentioned in Istanbul about like a festival around Diwali.

Yeah.

How you make ice cream an occasion for Diwali. How do you how are you going to do that though? I mean, how long is that going to take to build and

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change habits that have been inbred for, you know, years if not decades? I mean, I get that that's what you want to do, but it's going to take a long time, right?

Yeah, but it doesn't take a long time. But the rewards are enormous. You know, over the years, the sugar fest, Ramadan has become an ice cream period in Indonesia and India, in the, in the Gulf.

Because together with the retailers and with our demand creation efforts, we create portfolio Ramadan SKUs. We promote them in retail stores. We advertise them. You do it year in, year out, and people start to believe you can't have a good Ramadan without ice cream.

But there are of course many more festivals. And in India we haven't even started.

Warren: Okay, I want to turn to benchmarking, Peter.

Can you talk about who you think your peers are? Because obviously investors will be looking at that off the bat. You know who Magnum benchmarking against out-of-home in home is. And then secondly, when I look at Froneri, which is the obvious peer, although it's not quoted.

They've got a much or they've had a much better track record in terms of margin growth. And I think they've trebled their EBIT over five years. You guys over the same period pretty flat.

Peter: Yeah.

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Warren: So, two questions there. One is on the benchmarking. And secondly what is it about your business versus their business. Where their operating performance is better?

Peter: We benchmark ourselves against the broader snacking refreshment industry. From Mondelez, Lindt, Red Bull, Coca-Cola, Pepsi, And we do that on finances, ratios, but especially also on operations because all these companies are good in something.

You know, Red bull is very good at influencer marketing. Coca-Cola is extremely good at pricing and out-of-home digitalisation. And you try to pick up the parts and say, when we hold ourselves to these standards, what is possible? Froneri is obviously an obvious one. They did a tremendous job with profitability because they had organised their supply chain way more efficiently than us and set up a very lean overhead structure. We internalised these learnings and said, what should we do differently?

In the supply chain we were optimising for the lowest possible manufacturing cost and lowest possible Capex, but not for lowest, possible end-to-end supply chain cost.

We are changing the model, produce more locally, get stuff out of factory into customers quicker, less kilometers, travel less handling, less warehousing and there are massive saving in this space.

Likewise in overheads. Our overheads costs were just too expensive for the type of business we are. We now created a de-layered, lean system, with a lean corporate centre, and very fit for purpose country organisation. And that takes cost out which will flow to the P&L. I think benchmarking is great, because where you compare yourself to yourself, you become way too pleased.

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When you compare yourself to the best, you always discover new opportunities. In the end, it's about setting standards, setting ambitions, and driving execution extremely hard to achieve this margin unlock and this growth step up.

Warren: Switching gears, Peter. I want to talk about Ben & Jerry's, one of your big brands. Can you tell investors how big is the brand? Maybe give us some idea of the geographic splits of Ben & Jerry's.

Warren: And then I guess, secondly, you've changed the CEO recently and there's been some noise around legal issues.

Peter: Yeah.

Warren: Can you maybe just touch on that and reassure investors that there aren't any kind of tail risks?

Peter: Yeah, Ben & Jerry's has been an amazingly successful acquisition. and is a super proud part of The Magnum Ice Cream Company. Since acquisition we grew it with a factor of six. It is now well over €1 billion turnover. It has gained market share year in, year out. It's a leader in pint. We took it from two countries to now I believe 46 countries. We have a real Ben & Jerry's operation. And we invested more than 400 million in the social mission. And what is the model of Ben & Jerry's that drives this success? It's the three part mission. The business is obsessed about product quality. The formulations are as good as they were 25 years ago. Very rich, very indulgent, super care in the product with very strict standards, no cutting of corners. And we have a social mission. It's a digital brand, a founder letter. We activate the business via influencers and social campaigns, and we run a very disciplined economic ship, and that is fully run by Unilever folks.

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Unilever, appoints the officers, appoints the CEO and is responsible for running a really proper 1 billion plus business. What is now different in Ben & Jerry's? That in Ben & Jerry's, we agreed during the merger agreement, the acquisition agreement that there would be an independent social mission board. It's a special purpose board that focuses on brand integrity and basically the direction of the social mission. For many years, that worked very, very well. More recently, we have a governance dispute with this board, not with the Ben & Jerry's company, because that is us, the Magnum Ice Cream company, but with the board around the nature of the social mission, that by contract should be progressive. but nonpartisan and about the roles and responsibilities of this board. This legal dispute runs in the Second District Court of New York. There are no financial claims. So in this respect, I feel comfortable about the court case because the contracts are clear, it will run its course. There are no claims. The Ben & Jerry's business because you argue is this bad for the brand The Ben & Jerry's business is actually doing really well. And the brand goes from strength to strength, not only in the States but also in Europe. I'm now working with Jochanan, the new CEO on the Asia expansion plans, and I believe that will be a new growth S-curve for Ben & Jerry's.

Warren: Peter, I want to ask you about barriers to entry in ice cream. I think you described it in Istanbul was a hard yards category. Yeah. Can you talk about what the R&D barriers to entry are?

Because when I saw it in my own eyes, all the freezer, the frozen distribution, the fact that the product had to go directly into a freezer cabinet and then straight into the vans, that seems to be very different to other FMCG categories. And so, you know how big a moat is that for an ice cream business?

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Peter: So we always talk about four modes. That's of course the sales and distribution infrastructure. Difficult to, you know, build it.

Warren: Yeah.

Peter: Because it's humongous. Secondly, it's the cold chain manufacturing, warehousing, logistics and the skills you need to run an ice cream factory because it ain't easy, it's not just a manual on TikTok. Can you run an ice cream factory? Deep embedded skills. And then of course you have the brands, because we don't sell vanilla, as a chocolate layer, we sell Magnum. And you've built it over a 20-year period. And last but not least, R&D. Actually, making high quality ice cream consistently safe across the world is quite technical. We have fantastic R&D facility in the UK with real science and they not only look at, you know, sort of new flavors because that's relatively easy. You can almost do that at the factory level. But how do you design product? For example, we now have a huge, research project. Can we reduce sugar levels in ice cream because you use sugar not only for flavoring but also for structuring.

Can we structure ice cream in a slightly different way? This is serious. Our research. And we are the only one in the industry with a proper research base. And I believe it's an entry barrier because it ain't easy to innovate on core science in ice cream. And we do see a lot of seasonal brands popping up all the time in different countries?

Absolutely.

How do you actually combat that? You know, ice cream, the entry barriers, at small scale ice cream are very low. You can buy a Carpigiani freezer and you say, I'm all into savoury ice cream and you throw your broccoli through

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it and and you build your own niche. And you can sell it from your own shop or from your own house. So relatively easy to get in very difficult to scale because when you want to scale it, you need the distribution assets.

Making ice cream in a kitchen versus making ice cream in a factory is a huge change of process, so there are lots of small people, but scaling it is difficult.

And this is also the beauty of the type of business that we are in, because when we see a very successful innovation in the south of India or in the north of Italy or somewhere in China, we can pick it up before it is scaled and say, okay, can we improve on this and roll it out to the rest of the world? That is how the system works.

And that's why it's skewed to big global players. And there are two. There are not four. Yeah. Two big ones and lots of tiny ones. And thanks God there's a lot of innovation and good ideas in the ice cream world, a lot of brands have started very small. Yasso, Ben & Jerry's and they either die, or they get picked up.

Warren: I'm going to ask you about seasonality Peter. You're obviously a seasonal business. I think you said 50% of your sales come in the summer months. You said that in Istanbul, and you also said that your growth is less volatile than beverage and bottling peers Can you just explain that in a bit more detail?

And how do you mitigate seasonality? Why is the volatility lower, even though the seasonality might be higher?

Because the obvious question you're going to get is, given the heat wave in Europe this year does that not simply create a super hard comp for you next year? Yeah. So that's three questions in one. So yes, we sell 53%, 54% of our

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volume between May and September over the last 20 years. Okay. Super stable, super predictable. What of course changes is sometimes you have good weather in June somewhere, or sometimes you have it in July.

So within the summer it shifts a little bit between months and sometimes between quarters because it's caught in between Q2 and Q3. But it is super predictable.

What do we do to further de-seasonalise the business and what have we done over the last 20 years to further de-seasonalise. It started as a Northern European business. Then we built an American business, which is mainly retail. And grocery retail is less seasonal and out of all leisure park, cabinets, American business less seasonal. The Asian business is seasonal, but in a very different way because you have monsoon and non-monsoon, but it is different from the summer and winter seasons in Europe. So you have a geographic hedge against seasonality. Then there is a channel component, because out-of-home, impulse is more seasonal than grocery. And actually, e-commerce is hardly seasonal at all. And this is the fastest growing channel that we have in the ice cream industry. And then last but not least, there is a portfolio angle because warm eating chocolatey indulgent ice cream is less seasonal than water ice cream. So, we see our business as seasonal but predictable and not volatile.

Warren: Okay. I'm going to ask you about the topic of GLP-1. Obviously, a big topic for investors. You got asked about it in Istanbul. You seem relatively relaxed, I would say, but people will obviously look at the category and say it's intrinsically unhealthy. You might challenge that. So, can you talk a little

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bit about, you know, especially in the US, are you seeing a headwind already in terms of volume for ice cream? Does that headwind get bigger as GLP-1 availability increases? It's only going one way. And I guess the second part to that is how do you balance indulgence with the growing demand for wellness and sustainability in the category over the next 3 to 5 years? So one around the GLP-1 and then one around the balance.

Peter: We obviously studied GLP-1 very, very carefully. That had a big impact on food share prices. So it's a very relevant topic. It's mainly at this moment in time a US issue. We have calculated that for 11% penetration of GLP-1 drugs, that ice cream volume growth goes down with half a percent.

Warren: Okay.

Peter: We've analysed it with many different data sources. But I think actually something really interesting is happening. Because ice cream versus many other snacks is actually very calorie efficient. You know, a bar of chocolate potato chips, cookies, it's sort of 600 cals per 100 gram.

Yeah.

Ice cream, fully loaded. Ben & Jerry's that we all love, Cookie dough, 350 with the super delicious water ice cream.

Yeah.

So it offers a broad range of pleasure related to the calories. And actually, the heightened awareness around health is actually working for ice cream because people realise that ice cream is actually a very

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efficient snack to take. But there is more to that than that, because we also have an opportunity to make ice cream more healthy and play in these specific trends. Yasso, a beautiful acquisition that we made a couple of years ago has grown more than 20% a year for the last five years. It plays in high protein, relatively low cal, yogurt ice cream Breyers Carb Smart again, high protein product does extremely well And you could also think about fortification of products.

You know, when the market would be there you can put fiber in water ice. You can put vitamins and minerals. So there's still a lot to play for. But the market needs to be there because lots of people claim that they want a healthy ice cream. But at the moment of purchase, they say, I don't eat ice cream every day. I just want to indulge myself.

Warren: Yeah, I want to talk about innovation because that's the lifeblood of staples companies and particularly ice cream and, you know, Unilever talks about making markets, not stealing market share. Would that be the same for Magnum? Are you going to be shaping categories? I mean I look at Magnum Bonbon's Yasso Poppables, Wall's Bites. You know, Magnum Utopia, Cornetto Max, Talenti Layers and now the new Hydro ice, which I just spotted. It's very interesting. So, which of those are you most excited about? And what percentage of sales would you say new products represent? Has that number stepped up? Because that's a key thing that investors are focused on. So you could maybe talk about the innovation journey. Feels like it's stepped up.

Yeah.

Peter: You started with market makers. You know we have 160 years of history and experience. Most ice cream markets around the world were built by us. We are the original market makers. When you talk about innovation, I

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see innovation broader. I will get to products and brands, but I'll take it broader. I think some of the more interesting innovation at this moment happens around digitalisation, the way we digitalise our out-of-home fleet, where we place the cabinet based on AI, cameras in cabinets that do auto fulfillment. Robotics in factories. I believe the Chinese will have a humanoid working in the factory next year. So there's a lot of innovation across the business system. For products I think innovation is a sort of more interesting part of being in consumer goods. Because innovation is not about, can you make a new flavor of Magnum?

Everybody can. Can you make a copy of Magnum? Many people do. Innovation is fundamentally based on what are the big consumer trends? What are the big channel and customer trends? What are the technology trends? And where will the puck be in five years time? Build scenarios around that and then put your money there. So that is the process, how we run it. In service of the gross and margin expansion plans of this business. What I do now see happening, in our innovation portfolio. First is very important, but a little bit more mundane. That's portfolio filling. I go to markets and look at that price pyramid and say, okay is everything cluttered at a certain price?

And Unilever was maybe a little bit too premium. We're now trying to pull it open. Do we have products at all price points? Do we do all benefit areas? You only have a Magnum stick, what about the cone? What about the sandwich?

What about the bonbon? So, this portfolio filling is innovation drive number one. It's basically led by the markets and our performance management on that. The second area of innovation is shaping of the future. What is the new technology that is popping up in the field of Ice Cream?

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Why is biotech, for example, not yet a big driving force in Ice Cream? What is in the pipeline in academics, in new research with our suppliers? How do we apply? And with our occasion drive, what type of occasions are currently under serviced by our portfolio and by the industry? And can we break it open? You mentioned, Hydro Ice. At this moment, I feel that there is a lot of innovation in the last couple of years around indulgence, even around health, but not around refreshment. Where you come off your bike and you eat a standard water ice cream, it's too sweet. Can you hydrate people with ice cream? So you have all these new benefit areas that we are breaking open.

Warren: But also younger consumers, I mean, Gen Z is reshaping the ice cream market with demand for variety, innovation, authenticity. How can you best work with influencers and reinvent brand engagement? I saw in Cannes you were working alongside Charli XCX. of Brat fame. What were your learnings from Cannes, and how can you bring Ice Cream out of the freezer and into fashion and lifestyle?

Peter: I have a photo-op with Charli and my kids were seriously impressed, you old man, you don't belong there. But it felt really good. The Magnum model is super codified, and for the codified, and we worked with influencers to push the brand. But obviously when I started working in consumer goods, everything was about television and outdoor and old radio and print that. But consumer goods are now driven by influences on social. For Ice Cream, this is really, really helpful because think about it, in the past you would plan a campaign, a year in advance. It runs from May to June, you would buy the media, you would run your ad and then hope for the best. Nowadays, with the digital tools, we can dynamically optimise test assets but also run it in the times that work for us. Because I don't want to run an Ice Cream ad when it's raining because it's useless. So dynamic optimisation through influencers and digital media, creates a

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much more efficient demand creation ecosystem.

In Magnum, we have been ahead of the curve and Magnum is really a front runner in our industry for many, many years. We apply it now to the totality of the portfolio. You will probably ask me a question, when it comes to investment, we are only moderately stepping up our A&P budget. The reason for that is because the main game is actually not more money, but moving from traditional media investments to dynamic demand creation, in these digital channels.

Warren: I've got a couple of financial ones for you, in terms of in-home versus out-of-home ice cream. How do the economics differ?

Peter: Yeah, the in-home market tends to be lower margins on the gross margin level, different by lots of pricing activity. Pro-bos, shelf investment. Margins in out-of-home are higher. But you have the cost system of the cabinet and the distribution system. Think about it, an out-of-home Magnum is sort of three, three and a half euro.

In Pro-bo you buy one from €1 in the supermarket. For us, out-of-home is a margin accretive business system, just like e-commerce and therefore we try to focus on these channels as a gross engine.

Warren : And in terms of the balance between in-home and out-of-home, in your portfolio is?

Peter: It's 60% and 40%, 60 in-home and 40% out-of-home. When I look at margins again, when I look at the margins by region, it's very striking that your rest of the world margins are much higher, than your US and your Europe margin, even though your market share in Western world is much lower than the other two regions.

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Warren: So why is that? And will the emerging market margins need to go down, as you invest more to unlock that EM growth opportunity?

Peter: The margin differential is very channel differentiated. In Europe and the US, the main business is grocery at a lower margin.

In emerging markets is more away from home, out of-home at higher margins. As channels shift, the margin profile of the totality of the business changes. Interestingly in emerging markets, is not clear yet where the supermarkets will be the dominant channel. The fastest growing channel or e-commerce. When you think about quick commerce in places like China and India, it is actually growing way faster than the big box retailers, and a margin profile again. In this channel is better than in the supermarket channel.

Warren: Can you talk about freezer economics? You mentioned 3 million freezer cabinets. That's double your nearest competitor.

Can you discuss the economics of freezers and the returns profiles? How do you decide to allocate freezers and presumably to grow volume you need to grow freezers, a number of freezers.

And so I'm just interested in that. And then maybe a second question around AI, I see you've got a target to get to 350,000 freezers that are AI enabled. When you do that, how does that change the returns of the freezers.

Peter: So I'll start with your last question, because freezers are not just about the boxes, it's about the ecosystem. You need technology and nowadays it's AI, where to place the cabinet, based on traffic data, seller-use data, income level, what type of phone people use.

So you say, which spots do I want to place a cabinet? It's an AI driven game and we have this methodology now ruled out for the world. We call it wrap printing. And the second phase is, that actually you only do one sales, on the out-of-home cabinet. That has convinced a retailer that it is a good deal for him to sell Ice Cream. Actually you don't have to sell products the whole

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time, because you have your own shelf space. You need to do replenishment. Nowadays, we use technology for replenishment, we have sort of 10% of the cabinets, and many of the new cabinets have a camera in them making a photo. And you know when you go out of stock, a bus of Germans has passed by and all the Magnums are gone.

A signal goes to the retailer, a signal goes to the distributor. There is a stock opportunity. So lots of technology there. Maintenance technologies. Nowadays these cabinets are connected cabinets. You put a temperature meter on the compressor. When the compressor heats up, you know there is a problem with the compressor, and you can do preemptive maintenance, instead of waiting to the whole thing is molten and you have an angry customer, and you don't you don't sell. So it's becoming a big technology game. Just buying cabinets is useless, you need to have the system and then you can invest. Historically, the last years we were declining, our fleet was approximately 2% a year. Now we are growing our fleet again, with a much better system, which also helps with better allocation of these cabinets. That's the big difference, we believe in this as a gross drive for all the business. It's coming through in last year and it's coming through this year. The second part of your question was, sorry?

Warren: Was around the actual KPIs you look at on the freezers.

Peter: So basically, a freezer is an asset it's Capex, So you need to manage it tightly. The payback, depending on where you place it, then the nature of the freezer is sort of 2 to 3 years.

And we constantly work with our sales force to get maximum return on these cabinets. What you cannot do, is just take the least performing cabinets out and end up with just a very small base, because then you can't grow your business anymore. But it is a dynamic optimisation game. We

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look at the sort of two, three-year payback, which is pretty good. Sometimes you're lucky you earn it back in six months. Sometimes you are less lucky, and you earn it back in four years. But we believe it's a very cost-effective growth driver for The Magnum Ice Cream Company.

Warren: And your Capex is going to go from 4% to 5%, and you're A&P's going to go from 12% to 13%. Where's the extra investment going? How can we be confident that you won't need to spend more on Capex? What stops Capex going to 6% or 7% of sales, given the unlock that you need to tell the localising production. So can you maybe just talk about where's the money going in? This is a really important one for the algo. More of that will, of course, come through the capital markets day.

Peter: Let me explain at a high level. We were spending sort of 3% and 4%, at this very high return on invested capital. We were under-investing in our factories. And we were under-investing in distribution. By bringing it up to 5%, we can actually optimise our factory. Maybe in a couple of years we will need to build one new factory in the US. But basically, we can optimise current assets. And that's where it goes by making sure that we have lines in the right place, we need to shift lines a little bit, and we can go to a much more local for local system. That's what's happening in manufacturing. In the distribution area, the biggest opportunity is to digitise the whole system, make it much more efficient. And then make appropriate investments to grow it. You know, we did extremely granular modeling on Capex, because we were fully on top of all the money and all the investments. And we believe that we have budget, this thing very correctly, for the coming couple of years. And we believe that at this 5% level that we fully cover to make all the investments that we want to make.

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Warren: At the Istanbul event, you talked about a €500 million savings opportunity. I don't want to go through all the different buckets. The one I'm interested in is on procurement. And specifically what benefits do you get by having a Magnum dedicated procurement team? Relative to a procurement team as part of the bigger Unilever team. And so how much of a driver is that in terms of the way you buy?

Peter: I think it comes back to the premise of the whole company. By being dedicated, I recently had lunch with the CEO of Lindt. It was very interesting, because Lindt has been an amazing company, and they have just become Olympic champions in chocolate, because they focus, everybody understands all elements of the value chain. This focus is for us, is also the big opportunity. Imagine you would have a salesperson, who would go around with the full Unilever portfolio. You have a buyer who would have done, a senior buyer with all these different categories. Now we have a senior buyer, who only does Ice Cream. The chocolate team all of a sudden has an ex-Mondelez, and an ex-Barry Callebaut person in there, we have deep, deep, deep chocolate expertise. And actually, the benefits come in very quickly. So I'm a really big believer on focus, specialisation and getting very good at the trade we're in. Also in procurement.

Warren: So Peter, before I let you go, I'd love to know what the employees are feeling about the upcoming separation and spin? I know, I've done a few surveys. What's the feeling about the company?

Peter: Obviously, for me as the leader of the business, this is the most important, do people believe in our mission? Do people believe that we can unlock the margin?

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Do people believe we can grow competitively? Because when the people are with us, then landing the plan is much more realistic.

In June we did a people survey, where we asked people the question, would you recommend this business to family and friends? NPS score on The Magnum Ice Cream Company. And we were surprised; we got an amazing 82% NPS score. Which is unheard of in the industry, it is super, super high. But we also asked another question, which is very interesting and it's such a relevant question. And it was do you believe in the short- and medium-term economic prospects of this business? And 92% of the people said, yes we believe in this, this will work.

Which was for us really important. And I believe in the story of The Magnum Ice Cream Company. You would sort of expect that, but that our 3500 managers believe in the story. Where did that number come managers, believes it increased? We did one at the beginning of the year, at the end of last year. It was lower than this. But as the business gets momentum, as the teams get more stable, the momentum is really strong.

Warren: We're running out of time Peter. So final question for you and it's on returns, because you showed a chart in Istanbul that the return on invested capital is actually much higher than Unilever.

The number was 23%. I know some of that is related to allocation of goodwill, and there's some sort of maybe some accounting adjustments. But people might be surprised that the returns are so high for what is deemed to be quite a capital-intensive business. What do you put that down to? Why are the returns so high?



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Peter: When I took over this job, this was a surprise to me as well because it feels...Counterintuitive. You know, you're seasonal, but you're not volatile. This is sort of counterintuitive, because this is a weather business. This is to say it was counterintuitive, but the reasons have been already covered in this talk. This industry is not based on acquisition. It's based on organic growth. The Magnum Ice Cream Company is based on organic growth. There's very little goodwill on the balance sheet. There's a little bit of Yasso, there's a little bit of Talenti, but for the rest it's clean. Then the business had been under-invested in Capex, boost the supply chain, as well as distribution assets. We expect that when we start investing a little bit more. But at the same time margin and volume improve through the system that the return of capital will come down a little bit but will still be very competitive in the broader snacking and refreshment industry.

Warren: Well, thank you for your time, Peter. Always super interesting and best of luck and I look forward to you in London. Thanks very much.

Peter: Thank you.