Unilever Investor Event

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Q&A

JEMMA SPALTON

Welcome to the Q&A session now. We're looking forward to taking the questions from the room. If you could raise your hand if you'd like to ask a question, microphones will be brought to you.

If we could try and limit questions to two for each individual person, that would be great. First question I think coming from David at the back.

DAVID HAYES, JEFFERIES

Hey, thank you, and thank you for the presentations.

So my two questions: LLM and AI obviously a big theme. We've heard this idea that you put the R&D out there and that's a big advantage for the big branded companies. Have you looked at the risks of that, in terms of making it easier for replication by private label, local companies? I know it's patent protected, but it just feels like there's a bit of a two-edged sword to it. Is that something that you can weigh up, or feel is not an issue?

And then on the second question, just on the guidance, and sort of dive into another level. In terms of the four to six, which you've retained, the shape of that's changed a lot in the last three years. For a couple of years, it was very even between Developed and Emerging Markets. This year, it's 8% Emerging, flatter Developed. A, what do you think the four to six looks like? Is it more like the first two years or this year? And B, why will it be skewed? Thank you.

FERNANDO FERNANDEZ

Regarding LLM, I mentioned that they really favour big companies, big brands with big scientific budgets. Overall, I see retailer power increasing. I will not give the name of the retailer, but if you look at the profit of one retailer with Unilever today, in one important market - basically, you have around 30% of their profit coming from retail media. If you look at that, thinking about the return on capital of that versus the return on capital that you make in all the flow of

goods that Unilever has to do with this customer. It's a very important point. But overall, when it comes to specific categories, and the beauty of being in the HPC space is that brand differentiation, scientific performance really matters. And that's one of the reasons why private label never make it big in this kind of categories.

They make it big in some of the home care categories in which format upgradation, and interaction with home appliances is not relevant, but they have not done it in any other of the home care spaces.

Overall, I will not give the name of any retailer, but I don't see any lady in this room using a retailer mask or a retailer facial cleanser. So, we are in categories that are really insulated against retailers in that space. But overall, there is an increase in the power of retailers because they are becoming a significant driver in terms of retail media.

The second question was about the balance, and Srini will help me on that. I believe in the long run, of course, we expect more growth from Emerging Markets, but the differential that we are having this year is not normal. We have a couple of issues.

We have an issue with Hellmann's in the US that we are trying to sort out. We have an issue in Wellbeing in which we took some conscious decisions to rebalance our exposure to channels, and Nutrafol, that is a D2C brand, is going through some issues. I expect Wellbeing in the second half next year to be back into substantial growth. And that has affected a bit the growth of the US. But do I believe that the US is structurally 2.5 to 3% volume growth for us, with the portfolio we have? Yes. Do I expect a better performance in Europe in the long run? Yes, because our portfolio is exposed to at least 1% growth more than what we have had in the past.

So, I would say that the last couple of years are a better representation of the balance between Emerging Markets and Developed Markets. Of course, we are having a fabulous year also in India, I don't believe that India is naturally a 15% or 20% growth company. Probably, in the high-single digits to double-digit is a more normal expectation, assuming a 6% GDP growth and a 2% to 3% inflation in India.

I expect things to come more into place, and I would say the previous two years are more representative of the balance of growth between Developed Markets and Emerging Markets. Srini.

SRINIVAS PHATAK

I think you, in essence, covered it. We have to think about US as a mid-single digit over a multi-year. And not trying to get into 2027. Mid-single digit given volume, mix, premiumisation.

Europe will be positive, but select growth, quality growth, and it's important. We want to make it very clear and categorical that it's an important market. It's hard currency growth and hard currency earnings, but with the portfolio we have, we are absolutely in the right space.

Emerging Markets, given everything that we have spoken about, has the potential to be high-single digit. We're also conscious that we'll also have to cater to forex devaluation, but, in essence, what Fernando said in terms of the balance is right, a little more colour in terms of how we think about it.

JEMMA SPALTON

Thank you. Our next question, Nicolas?

NICOLAS CERON, BANK OF AMERICA

Thank you. It's Nicolas Ceron from Bank of America. Just coming back on AI. When you buy new brands, how quickly can you create the scientific data, the patents, the clinical trials to make sure that those new brands are also performing well when it comes to LLM searches?

And my second question is on the professional hair care. I think you've mentioned you wanted to get bigger in that category. I know you have Lakmé in India, but do you think that's enough to drive an organic growth or do you need to acquire in that space? Thank you.

FERNANDO FERNANDEZ

Yeah. Let me comment on the second and then Richard can help me in the clinicals.

What I mentioned is that professional expertise is an increasingly important dimension of building trust for our brands. We have done great work in social creators, that is one pillar that is important. I believe that we are very well-equipped with our science, with our knowledge, with our data points, with our scientific publications to really have very strong presence in agentic. But, the leading oral care company or the leading beauty company, they have done a better job than Unilever in the last ten to fifteen years in making professional endorsement a key driver of most of their portfolio.

We don't have a big portfolio in professional hair care. We are making big inroads with K18. We believe that this is a brand with a lot of potential, it's growing very, very fast, but we don't have the kind of portfolio that some other companies have. It's true that online has increased the frequency of purchase, has increased availability to professional hair. So, that's a gap we have in our portfolio, but you always have some gaps in the portfolio, you cannot cover everything.

I don't see at this stage any asset that over-excites me, so we will continue developing organically a masstige and prestige hair care portfolio, and if a good opportunity emerges, we will consider that. But I like the portfolio we have. Our portfolio now is not dependent on making significant acquisitions. You always have some gaps in your portfolio, we have it, other competitors have it, and you have to run your portfolio with what you have and extract as much growth as you can on that. Do you want to comment on clinicals and the time it takes?

RICHARD SLATER

So, first I'd say, when we're buying those sorts of brands, we do very careful due diligence that they've got a good solid base on the products, their science, the claims. Obviously, it differs by brand

how much that's part of the brand, but we're always making sure we're buying a good asset in that sense.

And then the second thing would be you can very quickly take what is there and make sure you're doing all the brilliant basics, I'd call it, to drive the right recommendations and algorithms. So, that's things like terminology of technologies, what's published where, how it's showing up. That can be done in days and weeks.

And then I think the third layer is how can Unilever bring fundamental science and technology platforms that help power it. If you look at Prestige, which we've been going at for a few more years, we've got examples of probably 100 innovations and technologies powered by Unilever technology that's gone into those businesses. While they retain their speed and innovation day in day out competing, we sort of bring the more fundamental long-term science and technology.

And in Wellbeing, we're starting to bring some of that through now, as well. Things like sugar-free in Liquid I.V. was developed by the central team. So, that would be kind of months and years to start bringing the science, but you can make a difference, I think, immediately with what we know and what we've learned on our other brands.

FERNANDO FERNANDEZ

I would add to that also that you shouldn't underestimate the importance of independent scientific endorsement close to the action. It's not only about building clinicals at global level, it's fundamentally replicating these clinicals in key markets, and I believe that can provide Unilever, given our footprint, given our strong presence in many markets, a lot of competitive advantage when these LLMs start to expand globally and when we can replicate these kinds of clinicals or, let's call it, scientific proof in general in many markets across the globe. But this is now intentional for us. Now we are intentional about building clinical proof in our portfolio.

JEMMA SPALTON

Céline.

CELINE PANNUTI, JP MORGAN

Thank you. One thing that I think has changed at Unilever is your ability to premiumise, which is something that we had not seen in the past. So, my first question is on premiumisation. What percentage of your portfolio would you call is in premium category

relative to the category? And what is the differential in growth and margin or gross margin of that premium portfolio? And how do you ensure, obviously you've shown us some amazing examples, that you've not gone too far? Like you seem to see a great opportunity, but we've seen, as well, companies have basically gone too far, and how you ensure that right now, Vaseline is doing amazing in emerging market at a time where emerging market are doing well, but that has sustainability in the long-term. So, that's my first question.

So, on the second, I mean lots of questions on AI, but so how do you see the shape of your P&L evolving? So, more gross margin, but how is A&P spend and R&D going to evolve? And I mean A&P spend in a world where, if there is more LLM, is there less search content, less A&P spent there, so I would be interested to have your perspective.

FERNANDO FERNANDEZ

I'll take the first one, and Srini can take the second one. We are very conscious of the limits that our brands cannot pass. And we are very conscious also in the adjacencies that is probably too far for a brand to go.

If you take a brand like Dove, for example, our biggest brand, I really believe, for example, that in face care, Dove has a real role to play in facial cleansers, but I'm more sceptical about going into higher hierarchy of benefits. And I believe some of the Dove competitors have overexposed themselves into areas in which the brand is not naturally placed to compete. I'm also very conscious, that a few years ago, Dove highest price point was in the $5 to $7. Now the highest Dove price point is in the $17, $18. I don't believe that Dove can go beyond the $20. So we are very careful of not overstretching our brands and putting our brands in areas in which the right to win probably is not there, because people are looking for a specialist, people are looking for higher hierarchy brands. We are very conscious about this, the same with Vaseline, the same with Rexona, et cetera.

With our brands, we want to inject aspirationality, but we continue thinking that Unilever is a fundamental democratiser of access. So, we bring premium benefits into mass and upper mass positioning.

When I look at the percentage of the portfolio that is now in premium, it's around 35%. I would like to have that into the 50% space. Usually, the margin difference at gross margin level could be between 500 and 700 basis points. But of course, it comes with a higher level of investment in BMI. So, part of that compensates when you are looking at EBITDA or underlying operating margin.

Srini?

SRINIVAS PHATAK

Absolutely. I think an important element also to highlight sometimes is that you need to have sensible gross margins at inception and what are gross margins when you scale.

The mistake to make is if you start with a premium innovation, you price yourself out, you don't expand that segment or the category. So, therefore, does it have a good gross profit, and with scale, do we have the ability to expand margins? I think that's one nuance I will add, and that's something we are consciously fine-tuning as we think about our innovations going forward.

FERNANDO FERNANDEZ

I'm a great fan of premiumisation, but probably the message I repeat more to our brand people is, don't be too greedy. Don't try to push the brand too far and take the brand out of what is the natural space.

SRINIVAS PHATAK

Absolutely. Look, the point is we will be where consumers are. You need to follow the money, you need to follow the consumers, which means that there is more content, there is more time of content, more quantity of content, differentiated quality of content.

So, yes, the costs with what we do today have crashed, but it also means that we will have to do a lot more, and many more different things. So, therefore, I will go back to the model of saying there is gross margin expansion. We should think about increasing BMI. We should think about increasing R&D, because at the end of the day, what we're leveraging a lot is what we already have. We've started to build new, but the difference in future is going to be multi-technology platforms, multi-R&D platforms.

And on a pureplay, HPC basis, and I'm not a fan of some of these benchmarks, but if you take it at face value, we are underinvested. If you really want to have a sustainable growth business, we will continue to invest there. Richard, that still means that you need to get efficiencies in the deploy part of the organisation. But, the best way to think about it is to get gross margins up, to invest behind our brands.

But given where we are, I don't believe we need to be wedded to percentages. It has to grow, and if that means that in some cases percentages increase, they absolutely will. In some cases, if there is

a reorientation to get it sensible, we will do that. Not at an aggregate, because aggregates never give the real picture. It's really going to be at segment. It's going to be at country, therefore the granularity.

The percentages made absolute sense. We were seriously uncompetitive and underinvested, but it's about investing right. Again, I don't want this saying that people are talking about lowering brand investment. I want to be categorical: We will invest. The model is gross margin, invest behind our brands, invest behind R&D, drive productivity across all lines, and therefore the value creation equation.

JEMMA SPALTON

Question from Warren.

WARREN ACKERMAN, BARCLAYS

It's Warren at Barclays. There's a lot to digest there. I might need the machines to help me out, but I've got two human questions.

The first one is on margins, Srini. You threw a lot at us on margins, so maybe you can unpack it a little bit more in terms of the some of the moving parts on the cost savings, the billion euros.

You talked about the interventions that you're making on palm oil, again, if you can try and put some numbers around that to try and sort of understand how we get to the 200 to 400 basis point gap between yourself and US HPCs. And how do you triangulate that with moderate margin expansion at the same time as 200 to 400 basis points. It'll take a long time to get there. That's the first one.

And then, the second one is just maybe going back to Europe, maybe for Fernando, it will still be 14% of your portfolio and Herrish will now be running it from the first of January, and it's always been kind of anchored down by Foods and Ice Cream. Is there a real possibility to reimagine Europe as a smaller portfolio, higher growth?

Is there any reason, for example, why you couldn't do in Europe what you've done in the US? So what would be your vision or Herrish's vision on Europe if you kind of look out? Or maybe Herrish can also touch on that. Thanks.

SRINIVAS PHATAK

Yes, there was a lot there, Warren, and rightfully so. Because, at the end of the day, what we said is that it’s good to anchor on the three

productivity levers. They're consistent, they don't change. Which is really thinking about volume, really thinking about mix, really getting productivity CapEx, and really focusing on buying. That's core.

What is differentiated is obviously, and it's an important element, when you compete with some of the regionals and the locals, they benefit from some of the backward value chain integration in some parts. What we have done with palm is structural and fundamental. It's not a today or yesterday's. It is something which Unilever has consistently built over many years. What we have really done in the last few years is amplify that, and that's also going to be followed with some of the structural interventions when we think about the material structures, which is work in progress, and it will not be opportune for us to talk about it at this stage.

There's fundamental shifts happening. We've spoken fragrances, we've also spoken about what it really means in terms of packaging and packaging hubs. So, there isn't a line in the P&L but obviously, the big interventions have to come back in gross margins, because that gives us the right to build, that gives us the right to invest.

Now, we've talked about productivity. Look, Ice Cream was relatively an easier job. We had an organisation which was not efficient over a period of time. This is hard yards. We don't take this

lightly because, end of the day, we will do what is right from an organisation model point of view. But there are plenty of opportunities when you think about a business like ours. There are non-people spends. There are non-core applications. In some ways, we have become victims of outsourcing everything to do with technology. It's time to bring the expertise back in. It's time to really be a bit more open whether it's an open model or a closed model, leverage it, and drive it well.

Coming back to the closing the gap question, we are not trying to get there in four quarters or eight quarters or twelve quarters. The worst thing to do, and I keep saying this, you underinvest, it's very easy to take up 100 basis points of margin in any period you choose, right? And then we will pay the long-term repercussions of what that is. I'd rather favour a model which is growth-oriented, gets consistent gross margins up, invests, and you consistently deliver earnings. We are a fan of earnings. At the end of the day, what matters to shareholders and makes a difference is earnings. But the margins are important. It's a multi-year journey. It's important to have that anchor point. It's not trying to get there today, tomorrow, but look, absolutely, we are resolute on that, because if you're a quality HPC company, you will get that growth, you will get that margin profile, and you will deliver hard currency earnings.

FERNANDO FERNANDEZ

Regarding Europe, Warren, it's very clear with the separation of Foods, our ambition for Europe changes. But strategy is the art of sacrifice, and you cannot get exceptional growth in 70% of your portfolio. You have to look for exceptional growth in 25 or 30% of our portfolio. And Europe, like in China, is a region in which we will apply what I call a selective growth strategy.

We have 82% of our revenue in Europe in number one or number two positions. We have now 50% of our revenue concentrated in three markets, and we will be very selective about the category and geography cells in where we will go for significant growth in Europe. Let me give you an example, and I give it for free to our competitors, we have 56% share in Deodorants in UK. I want 65. And we will go for that.

But differently to the case of US, what Herrish will have to work his magic on is that we will not allocate capital in Europe for acquisitions. We will go for organic growth. That organic growth has to be around our leading positions and around the progressive expansion of our premium digital disruptors of the US in Europe. Brands like Tatcha, like Hourglass, like Paula's Choice, Dermalogica already has a significant presence. We will do the same with Liquid I.V.. I have the intention to do the same with Grüns.

So, our expectation for Europe is higher growth and at least grow with the market in the future, while, in the past, we have been declining. But it's a different situation to the one of US, and we need to respect that. But what Herrish can bring into place here is the model of very strong partnership with key retailers that, particularly in some places like UK, is absolutely replicable there and the model of a really digital-first company that he put together in the US, and all of this applies to Europe.

But I repeat, strategy is the art of sacrifice. You cannot go for everything in the company, and Europe, we will go for a selective growth strategy that has worked well for us in China, because it has helped us to stabilise China in a decent level of growth, but with a significant contribution to profitability across time. So, that's basically the approach. Herrish, if you want to add something.

HERRISH PATEL

Firstly, the European team deserves a lot of credit. I think the amount of change over the last three, four years, think Ice Cream, think Foods, and the size of the business.

So, if you take the Foods numbers out, the PC performance or the Home Care performance is relatively solid. Beauty's growing at six. So, I'd say they've done the hard work, the next is where to take it.

The second piece is to start with the consumer, right? The UK consumer, 50% are already on agentic solutions. 60%-70% of growth in the UK is e-commerce, right? So, this is similar where the trends are going to the US.

And I'm with Fernando: focus, focus, focus. We're number one on Deos, we're number one on Skin Cleansing, we're number one on Cif. And then, the benefit I've got is we don't need acquisitions in Europe, but I've seen the future in the US and we've got to play it selectively with the consumer space work, but it fuels me with confidence.

And then lastly, I'll say it more from emotional point, my number one criteria is to bring the pride back into Europe. It is the home of Unilever.

JEMMA SPALTON

Tom?

TOM SYKES, DEUTSCHE BANK

Hi, Tom Sykes from Deutsche Bank. Could you please, just reconcile the comments you gave on fewer, bigger, better in the innovations to then the whole faster, content-driven innovation and what seems like a faster cadence of innovations? Is that bigger ones and then more tweaks and et cetera, and do you make this distinction between the two?

And then you've mentioned male grooming, men's products a lot. How much of your products do you think are actually consumed by men and how much are actually targeted directly using marketing directly to men and what's the sort of relative growth rate of male BPC products to female for you, please?

FERNANDO FERNANDEZ

Let me start by the male question. In the US today, 29% of the households are single households. And in Europe it is around 37% if I'm not wrong, but I believe it's in that space. So this point that females buy for men is disappearing. And I believe that targeted products to men, with targeted communication to men, in targeted channels to men is becoming more and more important.

This is a segment in which, of course, the categories like skin cleansing or deodorants are clear entry categories for men, and there is potential also to expand into areas like facial cleansers and

other categories in which our brands can play. We are really elevating dramatically, Herrish showed some of the elevation of Dove Men in the US. That 60% of our Dove Men business is in the US is abnormal, so we need to really continue expanding Dove franchise in Men globally.

Opportunities in Male Grooming are massive for us, definitely anchor initially in skin cleansing and deodorants, but with the potential also into going into other adjacencies with four brands at the core: Dove Men, Dr. Squatch, Rexona, Axe, and potentially Vaseline. Because, Vaseline Men in some geographies where Vaseline is a stronghold is a logical expansion also. Your first question, Tom, was about–

SRINIVAS PHATAK

Bigger, better.

FERNANDO FERNANDEZ

Bigger, better, it's a very good question because, I really believe that the core of our growth will continue coming from disruptive, big innovations like Wonder Wash that you can roll out into 40 markets, et cetera.

But increasingly, you see channels like Douyin in China, or TikTok Shop, growing the model of creating demand in TikTok. And materialising what it works in TikTok in other channels, like could be Tmall in China or could be Amazon in US, is a model that will continue developing.

You need to do the two things. I believe that in the case of the TikTok Shop model, you don't develop special technology for this kind of activities. You deploy your existing stock of technologies, science, packaging, et cetera, et cetera. When you look at something like Wonder Wash, it's a completely different way of washing. It requires deep, deep scientific superiority. The same when you look at things like, Dove UV filter in hair care. So, you have to do the two things, but particularly in markets where social commerce is gaining ground, the second layer of content-driven innovation will gain more prominence in the future.

JEMMA SPALTON

Olivier?

OLIVIER NICOLAI, GOLDMAN SACHS

Thank you, Olivier Nicolai from Goldman Sachs. Just two questions. First, could you give us an idea of where you see the biggest upside for the K18 brand? It's still very strong in the US. Do you still see the US as the main focus or are you planning to, make it travel, as you said earlier on the other brands?

And secondly, the only category in Beauty where Unilever is not participating is fragrances. Now we've heard the word today a few times. Is it something that you will consider as a new category?

FERNANDO FERNANDEZ

Yeah, I never liked fine fragrances a lot, because I always saw fine fragrances with significant volatility. I believe that hair care and skin care were categories with much more solid growth across time, and fragrances, you have seen a lot of volatilities across time. We don't have any interest in at this stage, and we don't have any plan of getting into fine fragrances, even if I have to recognise, looking at some of the results of our competitors, it has been a key driver of growth.

And it's true that Gen Z is adopting Fragrances at pace and at scale. But I see a role for fragrances within our portfolio in areas like body mist, in areas like hair fragrances, and even some of our brands that are present in colour cosmetics can travel into fragrances. I cannot

give details, but of course we will do some of that. But is this a fundamental driver of performance in the long run? No, I don't believe so.

In the case of K18, we have big plans for the brand. I cannot disclose, but any market of more than 250 million population should have a big K18 franchise. I will not disclose what are our plans, but K18 is moving internationally now at pace. I really believe it is a great brand with incredible superior products and it's one example of how Unilever technology can support a very strong initial concept of a brand. Because when you look at the top three key products that make 70% of the revenue of K18, it's all Unilever science. You know, in mask, in what they call AirWash, but we call it dry shampoo. It's a wet dry shampoo. And increasingly now, in what we have launched called Future IQ, that has a significant impact in increasing density of the hair, and even grey reversal after three months.

All this is technology of Unilever that was in our shelves, in our lab shelves, but it was impossible for us to deploy it, because we didn't have brands with the ability to travel into price points like the one of K18. Future IQ is a $120. AirWash is $40. The Mask is a $70-$80 price point.

So, the growth that we're having in this brand also shows that we are developing capabilities to really manage this kind of Prestige

business with success and after one year that it was a bit uncomfortable for us last year. Prestige has come back with a lot of strength, and if I'm not wrong, we are at 12% growth year-to-date, that I believe the luxury sector in hair, skin is at around six, so, we are growing close to two-times the rate of the market in prestige beauty.

JEMMA SPALTON

There's a question over here.

BETHAN DAVIES, BERENBERG

Hi, thank you. Bethan Davis from Berenberg. I just have two questions on your LLM information provided today.

The first one just relates to the actual category growth. We've mainly focused on your strategy, but I was wondering if you'd be able to share any insights in terms of how the precision sort of mechanism of how LLMs work can translate into underlying category growth. Any sort of comments on conversion rates or impressions made for consumers around that would be interesting.

And then secondly, kind of coming off of the question earlier about fewer, bigger, better innovations, I think you mentioned earlier that you're simulating maybe 1 million prompts related to LLMs. That would suggest that, obviously, consumer requirements for products is becoming increasingly fragmented. So, how should we marry fewer, bigger, better innovations with a potential fragmentation of consumer needs?

FERNANDO FERNANDEZ

Clear. Regarding market growth, so turnover-weighted market volume growth, we see it to date at around 2%. We see fundamental volume growth coming from emerging markets. On average, there is no growth in developed markets, on average. There are fast-growing segments, but there are fast-declining segments. And I believe this dispersion between top performers and low performance in developed markets will continue exacerbating. That's one of the reasons why our US business has grown. It's because we are in the right segments. Even today, that our Wellbeing this year is flat, we are flat because we are losing share. But the growth of our Wellbeing footprint is 9% in the US this year, and most of this 9% is volume growth. So overall, good growth in emerging markets in volume terms, in average, no growth in Developed Markets, but with a very clear distinction between segments that grow very fast and segments that decline very fast.

And of course, significant opportunities for premiumisation in developed markets because the K-shaped economy in developed markets is a reality. And there is a lot of people with a lot of money that is prepared to spend more. And, funny enough, when interest rates goes up, durables go down, consumer goods go up. So there are things like that are really plain. So I would say that at this stage, 2% volume growth is what we see as category growth. And with, let's say, one point more in emerging markets or one and a half, one point less in developed market in average terms.

LLMs will play a significant role in defining a short list, more for consumer benefit platforms than for particular innovation, because their search is more on consumer benefit basis. So, I believe that LLMs will play an increasing bigger role in discovery. Personal assistants, if I'm not wrong, I was in US last a couple of weeks ago, and there are 10, 15 million users of Muse already. Willem is a heavy user of Instinct in the UK that does something similar to Muse. So, the role of these LLMs, personal assistants, in defining a relatively short shelf from which you buy will be very, very important. I believe this plays in favour of big brands, as I mentioned before, with big budgets and with big scientific proof. And it will make this kind of clinical evidence, scientific evidence more important and more important, and that scientific evidence has to be made available for consumers on a local basis.

SRINIVAS PHATAK

If I can add to that, I think there was an important point which Leandro covered during the course of his presentation, and that's this concept of invisible packaging.

Historically, we were all constrained by what claims you would put on a pack, but the fact of the matter is our brands deliver a lot more and the big brands actually deliver a lot more benefits. As we are now working along with the Google partnership and working with retailers, these actually become machine-discoverable. And when you combine that with patents, technology, R&D, papers that we publish, discoverability of the big brands also gets significantly enhanced. Which therefore doesn't mean that for every benefit, you need to think about launching a new SKU or proliferating SKUs.

FERNANDO FERNANDEZ

Machine-readability of items is a big thing. And if we show you, what does it take to code the presence of one item in one retailer, you would be shocked. The lines of coding that is required for one item in one retailer. And this machine-readability is a big thing. Honestly, without the partnership that we put in place with Google, it would have been impossible for us to make it happen. It's a pity that we couldn't put a video on that, but it's just incredible. When you have to do that for many thousand items, it's a lot of work. But

imagine the power for a company like Unilever of developing this capability with Walmart in US and deploying it in Atacadão Brazil, or in SM Philippines. It's just a huge, huge potential competitive advantage. We don't have to learn again how to do this machine-readability for a retailer in Philippines or a retailer in Brazil. So this is a big part of our program now.

JEMMA SPALTON

Callum?

CALLUM ELLIOTT, BERNSTEIN

Thank you, Callum at Bernstein. You spoke a lot about Dove, Vaseline, the blueprint for brand building. I think the volume growth data that you provided for those two brands implies that half of all group volume growth has come from just those two brands. And that must imply that there are still a number of the big brands that are struggling from a volume growth perspective.

So, I want to ask you more about the replicability of the model. Where are you in rolling that out? And I think you highlighted Lux, Rexona as two sort of incoming priorities. How long do you expect that model being rolled out to those two brands to take before you

start to see the improvement? And maybe is it ever realistic that you could be firing on all cylinders, so to speak, or do you have to be selective with how you apply the model?

And then the second question is maybe related. 4.4% volume growth for the Power Brands, 3.3% for the group. If you do the maths, it implies the remaining 20% is at -1%. Is that a problem? Is that fixable if you think it's a problem? Or is it just something that you have to accept for the scale, for the portfolio resilience that Srini was talking about, that that tail brings to the table?

FERNANDO FERNANDEZ

Let me start with the first one. You know, it's true, between Dove and Vaseline, they make 20% of the revenue of the company, and, in average, they must be growing around 8-9%. So, basically, you have around 0.8% of growth that we have done in this brand. And we have many other examples. Dirt is Good now growing high-single digit. The quality of our innovation in laundry has been elevated dramatically. Wonder Wash in 40 markets is a big success. Comfort was a flat brand for Unilever. In the last few years has been growing around 8%. Cif at 15% growth in the last few years. Domestos, this year is around 5-6%, but last year was double-digit. We have many other brands really performing well. Do you have some dogs in your portfolio? Yes, you always have some dogs in your portfolio.

Some of them have only three legs. So, that happens. But overall, the model is repeatable.

Some brands are more difficult, and, let me give you an example. You know, we have done many mistakes in Lifebuoy, but it's true that Skin Cleansing is moving out of hygiene and travelling into care and experience. So, that plays naturally in favour of Dove and Lux, and plays naturally against the like of Lifebuoy. So, there are some times that your brands are very clearly positioned in a space that is difficult to grow. Or take a brand like Glow & Lovely. Glow & Lovely is a great brand, is a super-profitable brand for Unilever. It has been a key driver of growth for Unilever for many, many years. But it's very clear that the face care market in India is premiumising, and this plays in favour of Dove facial cleansers, Simple facial cleansers, Pond's facial moisturisers, or Minimalist, and it doesn't play in favour of Glow & Lovely.

So, you have to accept that sometimes some of the brands are in spaces that are structurally challenged, and I'm, personally, always more keen in accelerating the winners that fixing the bleeders. So, if the other 20% of Unilever is flattish in growth, and we continue growing, our Power Brands at 4-5%, that's a nice balance to have.

You have to think also that the non-Power Brands, given the exposure to emerging markets, and given the exposure to the value

segment, they tend to perform better in high-inflationary periods. Because people down-trade, and we collect in our portfolio some of that. If I give you the example of Brazil again, our two Power Brands of Laundry make up 50% share. The other two non-Power Brands of Laundry Brazil make 20%. These brands tend to perform well in high-inflationary periods. When there are low-inflationary periods, we trade up consumers again, and we put the focus in Power Brands.

So, we are happy with the balance we have. You always like all your brands to fire. But, it is natural that you would have parts of the portfolio growing faster. And let me repeat what I said when I refer to Europe. You can go for exceptional growth only in 25%, 35% of our revenue. In the rest of the portfolio, if you grow with the market, that's a good performance. Because I prefer to really gain the kind of share that we are gaining in laundry India now, that is transformational.

How much share you have grown in laundry India in the last 12 months? 300 basis points, from 46% share to 49% share. That's a structural step change of our competitive position. I prefer to get that in a $2 billion business like India than gaining one basis points in the whole of Unilever. So, concentrating resources is very, very important.

SRINIVAS PHATAK

Look, our dogs are getting better, let me start there. The point is, during the course of the year, we've also made some corrections, in terms of taking resource allocation out because we've started to play more value. We've de-listed some of the brands, placed it in our Power Brands. I also spoke to you about the 1 billion of disposals that we talk about, it's also actually going to come out of that 8 billion. We're really talking about a billion coming out of there.

I believe we'll go through some more correction, but I definitely see that what remains will be a growing business. It's not something which I foresee, at least on a multi-year basis, to be a negative USG business. But do we really want to grow them at the same levels of Power Brands on a consistent basis? No. There could be some periods where some of them can do well for the reasons he explained. But I think what you should think on a multi-year basis, with the changes, it will be back to that.

FERNANDO FERNANDEZ

25 Power Brands, 80% of our revenue, give us enough diversification and enough focus. We like that. And if you ask me, would you like to

have 25 brands representing 85% of your revenue in four or five years' time, as we have moved to from 75 to 80 in the last four to five years? Yes, I would like that.

JEMMA SPALTON

I think we have a question from Sarah.

SARAH SIMON, MORGAN STANLEY

Thanks, Sarah from Morgan Stanley. I've got two.

The first one was on-- back on beauty. there's obvious crossover between personal care and skin care and skin cleansing. How do you think about colour cosmetics in that context? I mean, you've obviously got some in India, you've got Hourglass. It's a great brand, but does it really fit?

And the second question was on marketing. Just if we're thinking about mix change, so you've got more premium, which, as you said, requires more BEI, you've got more Beauty & Personal Care, which is more than Home Care, but on the flip side, you've got the 10% to 15% better ROI, which is coincidentally very similar to another AI platform.

So, on the 10% to 15%, do you think that's kind of what is needed in this environment to execute, or do you think we should think about that as actually a financial benefit? Thanks.

FERNANDO FERNANDEZ

Let me answer the first question.

Do we have an ambition to expand into colour cosmetics more than what we are? No. We have a selective play in colour cosmetics. We have a great brand in India with Lakmé. We have an incredible brand in Hourglass, in high-end prestige colour cosmetics.

Colour cosmetics is a special category because, everybody looks at the profit, but you have to look at the cash. And I like the hybrid between colour cosmetics and skin care, but I don't like pure colour cosmetics propositions.

If you ask me, "Are you interested into this kind of colour cosmetics brands with 300, 400 items?" No. I like a brand like Hourglass with 30, 40 items. And I like some of the hybrids that we are building in Lakmé between foundation and skin care, for example. We see hybrids between face care and colour cosmetics as a very interesting territory, we believe several of our brands can play into

that. By the way, we have a big success with one mix in Vaseline in India that is called Vaseline Soft Cloud, that people use it as a foundation, no? So, we like this kind of things. We like colour cosmetics hybrids with skin care or with face care. We don't like this kind of very fragmented colour cosmetics proposition with an incredible amount of working capital. That doesn't fit with our business model. Second question?

SARAH SIMON, MORGAN STANLEY

It was about marketing. So, you've got well, the basic nub of it was the 10% to 15% is a number that is also talked about by another of your big competitors. So, the question is really is do you need that for this model to work? Is this a basic requirement to play in the new environment, or do you think it's additive? Because if we add up all of the sort of mix benefits of going more premium, going more into beauty, I'm not sure whether that adds up in terms of your BEI as a percentage of revenue formula.

FERNANDO FERNANDEZ

No, it's a fundamental insurance to play. So, that 10% to 15% higher return compensates for a fundamental change in the balance of power between a very concentrated media platform landscape and the industry. So, I don't believe that this is something that will

flow to the P&L, to the bottom line. This is something that will be necessary to continue boosting our top-line growth in a context in which, in the past a company like Unilever, buying big media in Brazil to TV Globo has a significant competitive advantage. But now you are buying from Meta, or from Google, or from Amazon, or from Walmart, or from TikTok, and that model doesn't favour a scale of purchase. It favours quality of engagement you generate in the platform. So, I believe the improvement in our return of investment is a fundamental driver to keep our business model working in terms of continuing to boost our top-line growth and deliver a modest margin expansion every single year.

JEMMA SPALTON

I think we have a question here from Robert.

ROBERT MOSKOW, TD COWEN

Hi, thank you. Srini, I was intrigued by the comparison chart you had for operating margins versus US peers, there's about 300 basis points of a gap. There's also a valuation gap between your stock and your peers. I think the people who believe in that valuation gap also believe that the margin gap can't be closed. Have you done any benchmarking on just the categories that you're in versus your

peers, the countries that you're in, is there any structural reason for why this gap is there?

SRINIVAS PHATAK

So, we have done a complete, very good understanding. Parts of the gross margin gets explained by just the category footprint that they have, the premium portfolio that they have and where they play. That's not a like-for-like comparison, and therefore, say we keep it outside.

In our view, we clearly, when we look at it between 300 to 400 basis points of gross margin gap is a function that we can handle. That we can control, we can improve upon. It comes back to some of our pricing discipline. We have to do a job of premiumising it. We need to get some of our SPIs right. There is a level of savings which is available there. As we are thinking about productivity across the value chain, there is money to be really made. We spoke about some of the examples between backward integration, investing for productivity, there is value to be taken there.

There is an underneath complexity in our business. While Fernando showed the significant progress that we have made. Even when we think about the chassis of perfumes that we use, the chassis of some of the chemicals and formulations that we use, there is again a

value that we can extract there in a meaningful manner and in a sensible manner. Therefore, premiumisation again becomes an important point. Even in the categories and the segments that we play, as we've continued to increase our share of premium, and we also spoke about it earlier that it's going to come with higher gross margins, there is that room to play.

There are multiple levers for us which give us the confidence to get to that. But it needs to be clear that this is an everyday compounding story of how you're going to close these gaps and build this advantage. I'll always give you a proof point for all the naysayers, if you really look at the last couple of years, it's still a 260 basis points of gross margin expansion. One needs to be clear that anyone who signs up for 100 basis points of gross margin year on year, is actually hoping for commodity deflation. Because if you really operate in our industry, the ability to price 100% of cost inflation sustainably is not demonstrated, yeah? Competition, different players coming in. So, you can recover a certain portion of that inflation through pricing. The rest, the levers have to work hard.

So, it’s a two part answer. One, we're conscious of that. That's really our operating model. Two, we have a clear point of view on the 300 to 400 and the levers and the drivers to work through that. But, we are clear, it's a multi-year journey. It it's not a here-and-now short-term fix.

FERNANDO FERNANDEZ

And, to your question, if you look at category footprint, geographical footprint, segment footprint, channel footprint, probably of the 400 basis points there is around 40% that is structural, that is not so easy to kill. But, all the rest is in our hands.

It's important, the best way of improving your margin in the long run is strengthening your equities. Because strengthening your equities drives volume growth at marginal contribution of 60%, or drives a potential repositioning of the brand into a higher price point, because normally, you cannot go with pricing ahead of the market.

So, if we continue strengthening our equity, if we continue having 65% of our brand equity is strengthening every single year, the margin will continue approaching the best in class. And some of these people that have higher margins have been growing less than us. So let's see if that margin stays where it is.

JEMMA SPALTON

We probably have time for one more question. Jeff?

JEFF STENT, BNP PARIBAS

Jeff Stent, BNP. If I could sneak two, if that's possible, Jemma. The first one is on oral care. I don't think you've really mentioned it at all, during today. So just what your thoughts are on your presence in that category, and how you see the evolution of your presence in that category.

And the second one, I think the CMD's been great. So, thank you, and thank you, Jemma, because I know these things take a lot of work. But you're kind of saying that you'll deliver what you said you would deliver previously. So, I'm sort of wondering, were you previously being ambitious? Or are you not being ambitious now? You know, which is it? Because it all sounds really good, but you're basically telling us you're going to deliver exactly the same stuff you told us you were going to deliver a couple of years ago. So, if you could reflect on that, thank you.

FERNANDO FERNANDEZ

Well, in the second question, we are saying that we will deliver what we said we were going to deliver two years ago, at a moment in which nobody is delivering what they were delivering two years ago. And there is a real change in the situation of the sector.

You know, if you look at the growth rate of most of our peers today it is not what they were thinking in their mid-term guidance and not what they were delivering a couple of years ago.

So, we are very pleased with the performance we are having with the HPC business, and it's true, this year, we are growing above the 6% range. We have delivered 3.3% volume growth in the last three quarters. But, I feel you have to combine ambition with some level of cautiousness, because, some things can really not work at one moment in time, the context can change. We are in a period of extreme volatility of cost. You don't know if that will have an impact. Usually, in inflationary periods, our categories tend to be inelastic and Unilever portfolio tends to be inelastic, but, I would be silly if I consider that the elasticity that we used to see four, five years ago is a good proxy for the elasticity of the future, because the cumulative inflation we have seen in consumer goods has been very, very high.

So, take our guidance as a kind of ambitious, but solid, and with high level of confidence, mid-term range ambition. With a level of volume that we believe, at 2%, is what we should deliver. In more inflationary periods, it should be a bit higher than in normalised inflationary periods.

Regarding oral care, we like our oral care business, it's a very strong oral care leadership position in several geographies, our Vietnam

business, our Indonesia business, some of our European business are very, very strong. We have a good presence in India. Do we have any plan to expand our presence in oral care? No. Do we need to continue innovating to ensure that that position remains solid? Yes, in a category where incumbency and a strong authority system matters. And we play in all these geographies the role that the leading brand in other markets play. So, nothing more to say about oral care. We like the financials of oral care, we like the contribution they make to some of our most important emerging markets geographies. Do we plan to expand the presence of oral care in other geographies? No.

JEMMA SPALTON

Thank you. So, that leaves it to me to say thank you so much to all of you for spending the time with us today. It's been great to see you all. Please do join us for lunch and some opportunities to interact with the booths and experts after this if you are able. And if you travelled here to see us today, safe travels home. Thank you all very much.

FERNANDO FERNANDEZ

Thank you.