

Unilever pre-close aide-mémoire, Q1 2024

This document sets out public information previously provided by Unilever PLC, or else widely available in the market, which may prove helpful in estimating the financial performance of Unilever ahead of its Q1 2024 trading statement on 25 April 2024. Unless otherwise specified, the outlook comments below come from the Q4 2023 results on 08 February 2024. No new information is given, and there will be no comment on current trading or further guidance provided.

Unilever would like to highlight the following considerations and prior disclosures.

Unilever on 19 March 2024 announced steps to accelerate its Growth Action Plan (GAP) through the separation of Ice Cream and the launch of a major productivity programme.

Guidance

Topline

- In the full year 2024, underlying sales growth (USG) is expected to be within the range of 3 to 5%, with more balance between volume and price.

Cost inflation / net material inflation (NMI)

- We expect net material inflation (NMI) back to more normal levels in 2024.

Underlying operating margin (UOM)

- In the full year 2024, we anticipate a modest improvement in UOM, through further Gross Margin expansion.

Currency

- Based on the spot rates at the time of our Q4 2023 results reporting, we expect a negative currency impact of around (2)% on turnover and around (5)% on underlying EPS for the full year 2024.

Other financial guidance

- We will continue to invest for growth through increased levels of absolute investment in BMI and R&D.
- Capex expected around 3% of turnover.
- Restructuring around 1.2% of turnover [updated from around 1% of TO on 19 March 2024].
- Finance cost (including pension interest credit) on average net debt: 2.5 to 3% for 2024.
- Underlying effective tax rate: around 25% for 2024.
- Net debt around 2x net debt / underlying EBITDA.

Noteworthy commentary on previous results

Group

- **Q4 2023** USG was 4.7%, with 2.8% from price and volume growth of 1.8%.
- In the comparator period, **Q1 2023**, USG was 10.5%, with price growth of 10.7% and volumes down (0.2)%.

Beauty & Wellbeing

- **Q4 2023** USG was 7.9%, with 1.5% from price and 6.3% from volume, driven by continued strong growth in Prestige Beauty and Health & Wellbeing.
- **Q1 2023** USG was 9.3%, with 6.5% from price and 2.6% from volume.

Personal Care

- **Q4 2023** USG was 6.4%, with 3.8% from price and 2.5% from volume, with deodorants growing double-digit for the fourth consecutive quarter.
- **Q1 2023** USG was 12.7%, with 9.4% from price, and 3.0% from volume.

Home Care

- **Q4 2023** USG was 1.7%, with 0.9% from price and volumes of 0.8%, with growth in Fabric Enhancers driven by Turkey and Latin America.
- **Q1 2023** USG was 10.2%, with 13.4% from price and (2.8)% from volume.

Nutrition

- **Q4 2023** USG was 4.7%, with 5.9% from price, offsetting lower volume of (1.1)%. Knorr and Hellmann's both delivered positive volume growth, whilst Europe remains challenging.
- **Q1 2023** USG was 11.9%, with 13.4% from price and (1.3)% from volume.

Ice Cream

- **Q4 2023** USG was (0.4)%, with 0.4% from price and (0.8)% from volume, driven by consumers downtrading to value formats.
- **Q1 2023** USG was 6.0%, with 10.5% from price and (4.1)% from volume.

Reminder of the Growth Action Plan update in Q4 2023 announcement**Faster growth**

1. Focus first on 30 Power Brands – these Gross Margin accretive brands representing around 75% of turnover delivered USG of 8.6% and is where we concentrated our incremental brand and marketing investment.
2. Drive unmissable brand superiority - addressing all elements of consumer preference, now validated in 29 strategic cells.
3. Scale multi-year innovation - driving market making and premiumisation.
4. Increase brand investment and returns - focusing investment on areas that drive impact.
5. Selectively optimise the portfolio – Continue to reshape the portfolio, with the announced acquisitions of K18 and Yasso, and the disposals of Elida Beauty, Dollar Shave Club and Suave.

Productivity & simplicity

6. Build back Gross Margin - shifting from a gross savings focus to net productivity, we drove a 200bps improvement in Gross Margin for 2023.
7. Focus our sustainability commitments - driving impact in four priority areas, with short term targets to drive progress against our longer-term commitments.
8. Drive benefits of the new organisation - ensuring single point accountability, to enable sharper choices to accelerate growth and digitalisation.

Performance Culture

9. Renewed team – Since October, over half of our executive leadership team has changed.
10. Drive and reward outperformance – We have implemented a new reward framework with metrics more closely aligned to value creation.

The action plan will strengthen our performance within our multi-year financial framework:

- Underlying sales growth of 3-5%¹
- Modest margin expansion
- 100% cash conversion
- Mid-teens return on invested capital
- EPS growth and an attractive dividend
- Delivering total shareholder returns in the top third of our peer group

¹ Post separation of Ice Cream, Unilever aims to deliver mid-single digit underlying sales growth

Appendix

Quarterly topline evolution

	2022					2023				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Unilever	7.3	8.8	10.6	9.2	9.0	10.5	7.9	5.2	4.7	7.0
UPG	8.3	11.2	12.5	13.3	11.3	10.7	8.2	5.8	2.8	6.8
UVG	(1.0)	(2.1)	(1.6)	(3.6)	(2.1)	(0.2)	(0.3)	(0.6)	1.8	0.2
Beauty & Wellbeing	7.4	9.5	6.7	7.7	7.8	9.3	8.8	7.4	7.9	8.3
UPG	5.4	8.4	7.3	8.4	7.5	6.5	3.7	3.6	1.5	3.8
UVG	2.0	1.0	(0.6)	(0.6)	0.3	2.6	4.9	3.6	6.3	4.4
Personal Care	6.8	6.7	8.9	9.1	7.9	12.7	9.0	8.0	6.4	8.9
UPG	9.3	12.3	13.5	13.0	12.1	9.4	5.4	4.0	3.8	5.5
UVG	(2.3)	(5.0)	(4.1)	(3.5)	(3.7)	3.0	3.4	3.9	2.5	3.2
Home Care	9.2	12.2	13.6	12.3	11.8	10.2	6.7	5.3	1.7	5.9
UPG	12.5	16.6	17.8	16.7	15.9	13.4	9.0	4.8	0.9	6.8
UVG	(2.9)	(3.8)	(3.6)	(3.8)	(3.5)	(2.8)	(2.1)	0.4	0.8	(0.9)
Nutrition	6.2	7.0	11.8	10.1	8.6	11.9	8.9	5.6	4.7	7.7
UPG	7.7	10.1	11.7	14.7	10.9	13.4	11.8	9.8	5.9	10.1
UVG	(1.4)	(2.8)	0.1	(4.1)	(2.1)	(1.3)	(2.6)	(3.8)	(1.1)	(2.2)
Ice Cream	7.1	9.5	13.2	2.9	9.0	6.0	5.6	(2.8)	(0.4)	2.3
UPG	5.7	8.5	12.0	14.2	9.7	10.5	12.1	8.2	0.4	8.8
UVG	1.3	0.9	1.0	(9.9)	(0.7)	(4.1)	(5.8)	(10.1)	(0.8)	(6.0)

Reminder of transactions

- Unilever completed the disposal of the **Suave** business in North America on 1 May 2023. The brand accounted for around €0.5bn of turnover in full year 2022.
- Unilever completed the acquisition of the **Yasso** brand in North America on 1 August 2023. The business generated around €0.2bn of annualised turnover prior to acquisition.
- Unilever completed the disposal of the **Dollar Shave Club** brand in North America on 1 November 2023. The brand's annualised TO is below €0.2bn.
- Unilever announced it received a binding offer from Yellow Wood Partners LLC to acquire **Elida Beauty** on 18 December 2023, with completion expected by mid-2024. The business generated turnover of around €0.8bn in 2022.
- Unilever completed the acquisition of the **K18** brand on 1 February 2024. Turnover for the brand in 2023 was more than €0.1bn.

Hyperinflationary economies

The Unilever business in Turkey accounted for around 2% of Group turnover and Argentina accounted for more than 1% of Group turnover in 2023.

The Argentinian economy was designated as hyperinflationary from 1 July 2018 and the Turkish economy was designated as hyperinflationary from 1 July 2022. As a result, application of IAS 29 'Financial Reporting in Hyperinflationary Economies' has been applied to all Unilever entities whose

- assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date.
- Adjustment of the income statement for inflation during the reporting period.
- Translation of income statement at the period-end foreign exchange rate instead of an average rate.
- Adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

From Q2 2022 reporting, Unilever has capped the growth metrics UPG and USG in Turkey, using the same methodology applied for other hyperinflationary countries.

As part of the Unilever practice, a normalised level of price growth is included in USG, which is capped at an annual rate that is equivalent to approximately 2% per month compounded. This cap is derived

from one of the indicators of hyperinflation cited in IAS 29 and ensures that any price growth above this level will be excluded from USG. This definition allows the full volume impact and limited price growth to be included in USG but avoids the distortion of hyperinflationary pricing beyond the capped level. We believe this definition reflects our normal pricing actions, distinct from those taken to respond to hyperinflationary conditions.