Unilever Q4 2023 Results

London, 08h00 UKT / 09h00 CET, Thursday February 8th, 2024

Speakers:

Hein Schumacher	Chief Executive Officer
Fernando Fernandez	Chief Financial Officer
Jemma Spalton	Head of Investor Relations

Hein Schumacher: Good morning and welcome to Unilever's full year results.

I am delighted to be here today with our new Chief Financial Officer, Fernando Fernandez, who as you know took over the role on 1st January. Fernando may be new to the role, but not of course to Unilever, having previously served as President of our Beauty & Wellbeing Business Group, and before that as head of Unilever's business in Latin America.

We expect prepared remarks to be around 45 minutes, followed by Q&A of around 30 minutes.

All of today's webcast is available live transcribed on the screen.

This is how we will run today. In a moment, Fernando will take you through the details of the results and our outlook. I will then give an update of our progress against our Growth Action Plan before we take your questions.

First, though, let me try to frame today's announcement with a few overall reflections of my own.

The results and our performance for last year give some cause for assurance - the strengths and the resilience of the business are clear.

But not enough cause for comfort – there are some real gaps that we need to close.

Most of all, however, they re-affirm the importance and the relevance of the measures we are taking now at pace to accelerate Unilever's growth and to step up the quality and the consistency of our performance.

Those measures were set out in the Growth Action Plan I shared with you at the end of October. Given its importance, I want to devote most of my remarks today to the plan and how we are implementing it.

First, though, let me highlight five important shifts that we have already made… some of which are reflected in the results we are sharing with you today.

First, we returned to positive volume growth of 1.8% in Q4 and gross margin expansion of 330bps in the second half.

Second, we tightened grip on operations and working capital leading to strong free cash flow.

Third, we stepped up brand and marketing investment, focused on the 30 power brands.

Fourth, we made significant changes in our Ice Cream business to address under-performance.

And fifth, we accelerated portfolio change with the acquisition of the premium hair care brand, K-18, and the disposal in the value segment of Elida Beauty.

I will come back to the Growth Action Plan in more detail later, but I wanted to flag these five shifts upfront, partly because they are significant in their own right, but also because they are indicative of the changes that we are making.

Changes that we need to make. And we know that.

Our competitiveness bottomed out but remains unacceptably low.

But, we are not waiting to take the action that is needed.

And on that note, let me hand over to Fernando to take you through the results.

Fernando, over to you …

Fernando Fernandez: Thank you, Hein.

I am very happy to be here with you today for the first time as Unilever's Chief Financial Officer.

Let me introduce myself. I joined Unilever in Argentina as an economist in the Finance function. For the last 16 years I have led some of our key operations, like the Philippines, Brazil and Latin America. More recently, I was the President of the Beauty and Wellbeing Business Group.

My long experience in high growth businesses, particularly in volatile markets, has always been anchored in one fundamental belief: drive brand and product differentiation to grow Volume, Positive Mix and to expand Gross Margin consistently. That recipe never fails in delivering long term competitive success and it is the one we will ruthlessly follow.

I am excited to partner Hein in embedding the Growth Action Plan to improve our financial performance, our competitiveness and drive significant value creation.

That said, let's get into the 2023 results.

Full year 2023 underlying sales growth was 7%, with all our Business Groups delivering growth. Price contributed strongly at 6.8% and volume returned to positive territory at 0.2%. The 30 Power Brands were growth accretive, with 8.6% underlying sales growth and 1.6% volume growth. Along the year we have seen a steady decline of price growth rates as cost inflation eased.

Fourth quarter growth was 4.7%, with a significant step up in volume growth to 1.8% and with price at 2.8%. Three of our five business groups posted volume growth – Beauty & Wellbeing, Personal Care and Home Care. The 30 Power Brands grew 6.5%, with 3.9% coming from volume. Going forward, we will be laser focused on driving volume growth and mix, as price growth returns to more normalised levels.

Beauty & Wellbeing delivered a strong full year performance with good balance between volume and price growth. Underlying sales growth was 8.3%, 4.4% in volume, 3.8% in price.

In the fourth quarter, we saw a strong acceleration in volume growth to 6.3%, underpinning sales growth of 7.9%.

Our Health & Wellbeing and Prestige Beauty businesses, both with significant exposure to the US market, continued to deliver double digit, volume-led growth. Liquid IV, Nutrafol, Dermalogica and Hourglass all performed exceptionally well. Combined, Health & Wellbeing and Prestige Beauty now represent 27% of the Business Group turnover.

Hair ended the year with good momentum and positive volume growth, reflecting strong performances from Sunsilk, Tresemme, and Nexxus, our masstige proposition in the US premium segment.

The core Skin businesses saw a strong performance from Vaseline – now a billion Euro brand – on the back of the Gluta-HYA innovation. Carver performance was weak, given a necessary reset of our Chinese route to market. Whilst we are disappointed with Carver's performance, we remain confident in the potential of the AHC brand across Asian markets.

Personal Care also had a strong year driven by mid-teens growth from Deodorants.

Underlying sales growth was 8.9% for the year with 3.2% volume and 5.5% price. Fourth quarter growth was 6.4% with 2.5% volume and 3.8% price.

The global roll out of our 72-hour non-stop protection technology across Dove, Rexona and Axe has given us significant product superiority and strong growth in all three brands. It will remain one of our major multi-year growth initiatives.

Skin cleansing grew well with positive volumes, despite slowdowns in India and Indonesia to which I will come back shortly. Dove benefited from the Dove Body Wash improved deep moisture innovation, and Dove Men+Care enjoyed strong double-digit growth.

Oral care also grew well in the fourth quarter, with solid performances in both Pepsodent and Close Up, particularly in our Asian strongholds.

Despite the strong financial performance of our Personal Care business, we are disappointed with the erosion of competitiveness in the US, where we have been too slow in responding to the consumer shift to an emerging super premium segment. We are taking decisive action to address this issue, but it will not be a quick fix.

Home Care saw volumes turning positive in the second half alongside a sharp deceleration in price growth.

Underlying sales growth was 5.9% for the year with 6.8% price and a 0.9% reduction in volumes. Fourth quarter growth was 1.7%, comprising 0.8% volume and 0.9% price.

Home Care has a significant exposure to emerging markets, where volatile commodities play a disproportionate role. In many Asian markets, including our largest, India, we benefited during the upward trend of commodities, with several local players in the value segment struggling. Now, with falling commodity prices, they are returning to the market, putting pressure on prices. We are, and we will, defend our position, and this explains the sharp deceleration of pricing we have seen as the year progressed.

Fabric enhancers and Home & Hygiene also grew, with good performances in Latin America, Turkey, and the successful introduction of Domestos Power Foam in Europe. This is another example of premium innovation based on differentiated technology which will drive both category growth and improvement in competitiveness. Hein will come back to this theme shortly.

Nutrition delivered price-led growth in 2023 as the business responded to higher input costs.

Nutrition grew 7.7% in the year with price up 10.1% and volumes down (2.2)%. Fourth quarter growth was 4.7%, with price up 5.9% and volume down (1.1)%. The main drag on volume was in Europe, where we have aggressively rationalised our assortment through the delisting of unprofitable items, and where we continued to see the impact of consumer down-trading to private label.

The two largest brands – Knorr and Hellmann's, which together represent 60% of the business group – grew well in the fourth quarter with positive volume. Knorr surpassed the €5bn milestone for the full year and Hellmann's benefited from the continuing success of the Vegan and flavoured ranges across key markets.

Our professional Food Solutions business delivered strong double-digit growth throughout the year. The business has now returned to pre-pandemic volumes with value well ahead.

Ice cream grew 2.3% in the year with 8.8% price growth and a (6.0)% decline in volume. The fourth quarter saw underlying sales growth of minus (0.4)%, with price growth slowing to 0.4% and a volume decline of (0.8)%.

It has been a very disappointing year for Ice Cream with price elasticity in the in-home channel much more negative than that seen in other categories, and strong consumer down trading to private label.

We are taking actions to restore competitiveness in the category, and we started to see benefits of a sharpened pricing and promotional strategy in the United States, that brought in home volumes back to positive territory in the fourth quarter.

A difficult year calls for reflection and then action. We have put in place a new leadership team led by Peter ter Kulve, who has great experience in the category. This team is reviewing the end-to-end economics of the business, with the goal of improving operational grip and productivity.

This completes the review of the Business Group performance. Let me now reflect briefly on the fourth quarter performance through a regional lens.

Our largest region, Asia Pacific Africa grew 1.9% in the quarter with 0.7% volume and 1.1% price.

It is a testament to our strength in depth in emerging markets that we have been able to deliver positive growth in the Asia Pacific Africa region despite some headwinds in important markets like India and Indonesia.

In India, Hindustan Unilever remains a powerhouse with strong brands, unrivalled distribution, and exceptional talent. As has happened many times in the past, the business is navigating a commodity cycle, aiming to strengthen our long-term competitive position. We have decisively adjusted prices in categories more sensitive to commodity cost deflation such as fabric cleaning and skin cleansing bars. The outcome was a flat top line in Q4 but with volumes coming back to the long-term growth trajectory, and improving gross margin. We will continue investing behind our brands and capabilities, even if price is expected to remain negative in the near future.

In Indonesia, we saw a double-digit sales decline in the fourth quarter as sales of several multi-national companies were impacted by geo-politically focused, consumer-facing campaigns. The impact was significant in December, but we are managing the situation well and begun to see an improvement in our January sales.

Europe grew 2.5% in the quarter with price up 9.4% and volume down (6.3)%. With a large exposure to Nutrition and Ice Cream, we suffered from the consumer down trading to value. We have also consciously removed a significant number of unprofitable SKUs making us leaner and sharper. These impacted volumes and market share but with a positive mix contribution to gross margin.

North America grew 7% in the quarter with volume up strongly at 6.3%. This was a great performance driven by positive volumes in all Business Groups and, in particular, the strong performance of the brands acquired over recent years in our Health & Wellbeing and Prestige Beauty businesses.

I don’t want to sound biased, however let me say that Latin America remains a real Unilever stronghold. The region grew 13.4% in the quarter, successfully navigating the commodity cycle with a pivot from price-led growth to a strong volume growth of 9.1%. This reflects a well-positioned portfolio and the strength of both our brands and our in-market execution across the region.

A key feature of the financial statements in 2023 is the negative impact of currency, both at top and bottom line. This was driven by the weakness of most currencies against the Euro. Not only were the emerging market currencies down – led by Argentina, India and Turkey – but the US dollar also saw a negative impact.

Turnover for the year was €59.6 billion, down (0.8)% versus 2022. Underlying sales growth contributed 7%, and we saw a negative impact from acquisitions and disposals of (1.7)%, with the disposals of Tea and Suave partially offset by the inclusion of Nutrafol and Yasso.

Currency had a negative impact of 5.7% on turnover and, if currencies remain where they were at the end of January, the currency impact on full year 2024 turnover would be around minus (2)% and around minus (5)% on underlying earnings per share. This will no doubt change and we will update you as the year unfolds.

Underlying operating margin for the year was 16.7%, up 60 basis points versus 2022. The Gross Margin expansion of 200bps allowed us to significantly increase our Brand and Marketing Investment by 130bps to 14.3% of turnover. That investment in our brands, focused behind strong superior innovations, is a fundamental reason behind the acceleration of volume growth in the second half. The 10bps increase in Overheads reflect continued investment in R&D and key capabilities.

Three Business Groups increased underlying operating margin – Personal Care, Home Care and Nutrition – whilst Beauty & Wellbeing was flat as we keep investing behind our fast-growing Prestige and Health and Wellbeing business. Ice Cream was down 90bps reflecting the gross margin impact from continued cost inflation and volume deleverage.

In absolute euros, underlying operating profit was up 12% in constant exchange rates and 2.6% in current, reflecting the higher than normal drag from currency on the 2023 results. Absolute profit is a metric I follow closely, and something that you will hear us talk more about in the future.

Both Hein and I believe deeply that continued Gross Margin improvement must be the backbone of our plans going forward. The return of Gross Margin to pre-pandemic levels is an absolute priority. We are already making good progress, with Gross Margin up 200bps in the full year to 42.2% and a strong acceleration of 330 bps in the second half of 2023.

Net material inflation moderated in the second half, but we did not see deflation. Our price coverage improved as the year progressed, but we have not yet fully recovered the impact of cost inflation seen since 2020.

We continue seeing the benefits of mix coming from portfolio optimization in several areas, such as Acquisition and Disposals, premiumisation and removal of unprofitable SKUs.

Improvement in conversion costs will be a key priority going forward and one of the key areas where our new Net Productivity program will be focused.

Underlying earnings per share were €2.60, up 11% in constant currency and 1.4% in current exchange rates.

We saw a strong positive contribution of 10.3% from operational performance, as a result of combined top line growth and margin expansion.

Finance costs made a positive contribution to underlying eps of 2% at constant currency. Whilst we did see the impact of high interest rates on our debt, this was more than offset by higher interest income and a higher interest credit from pensions.

Tax was a drag of 1.6% on underlying eps as we saw our underlying effective tax rate increase to 25.6%. This was primarily due to an increase in non-deductible interest payments and lower benefits from tax settlements and other one-off items. Our guidance for the underlying effective tax rate remains around 25%.

The impact of our share buyback programme made a positive contribution which was mainly offset by higher minority interests.

The combination of the above resulted in underlying earnings per share increasing by 11% in constant currency. This strong operational performance was mostly offset by a negative currency impact of 9.6% to leave underlying eps up 1.4%.

Free cash flow for 2023 was strong at €7.1 billion, up €1.9 billion versus 2022, resulting in a cash conversion ratio of 111%. The main drivers behind this strong delivery were the operational profit and improved working capital, although we also benefited from a one-off €400 million tax refund in India. We increased capital expenditure to 2.9% of turnover, and going forward we expect around 3%, as we continue to upgrade our technology and accelerate savings.

Return on Invested Capital improved to 16.2%, slightly up against 2022 at 16.0%. This reflects the favourable working capital improvement which reduced total invested capital.

Finally, Closing net debt was €23.7 billion, in line with December 2022. Closing Net Debt to underlying EBITDA was 2.1 times, in line with our guidance of around 2 times.

Proper Capital Allocation for maximisation of value creation is an absolute priority for me. As laid out by Hein in October, we will allocate capital behind four key streams:

First, to drive organic growth. Investment in superior R&D technologies to support multi-year innovation programmes for our top 30 brands will be a key priority. R&D increased from 1.5 to 1.6% of turnover last year, and we are committed to increase spend again in 2024.

Secondly, we will prioritise investment to drive net productivity. Whilst part of our capital expenditure is dedicated to align production and distribution capacity with our growth plans, we will significantly increase the proportion of our Capex allocated to optimise our supply chain and unlock efficiencies.

Thirdly we focus on shareholder returns, through an ongoing attractive dividend, with payout ratios in the mid-60s. We will supplement dividends with share buy-backs when we have surplus cash available. In 2023 we returned €4.4 billion through dividends and €1.5 billion through share buy backs.

Finally, we will continue allocating capital to bolt on acquisitions to further strengthen our portfolio in premium segments and faster growing channels, particularly in the United States. During 2023, we have been active with five important transactions: the disposals of Suave, Dollar Shave Club and the recently announced agreement to dispose Elida Beauty, which we expect to be completed sometime mid-2024. We also acquired two exciting premium brands: Yasso in Ice Cream and K18 in Prestige Hair Care.

Before moving to 2024 outlook, let me tell you how we will measure competitiveness going forward.

Our current level of competitiveness is unacceptable, and we are investing and improving execution to turn it around.

The current metric, % of business winning, has fundamental flaws. It is a binary metric that does not take into account the size of share gains and losses, and it does not provide any colour about our performance versus market growth.

From now onwards, we will measure and inform competitiveness through Turnover Weighted market share, with a coverage of around 70% of our revenue.

It is important to note that fast growing parts of our portfolio such as Food Solutions, Prestige Beauty and Health and Wellbeing, all accretive to growth, will not be covered.

As you can see, during the last two years, we have been growing above global market growth which reflects our favourable geographical footprint.

However, we will not lie to ourselves. Turnover weighted market share is the true measure of our competitive performance within the footprint in which we operate, and we are disappointed with a 75 bps share decline. Of this, 60% is explained by Europe and 20% by the shift to super premium segments in the United States Personal Care market.

Fixing competitiveness will take time. We do not expect to see an improvement in the first half of 2024, but we are committed to turnaround our competitiveness, and we will update you on a half yearly basis.

Let me close with the 2024 full year outlook our priority remains to drive organic top line growth.

We expect underlying sale growth to be within our multi-year range of 3-5%. Underpinning this we expect an improved contribution from underlying volume growth. The impact of the Growth Action Plan will start to be seen in the second half.

We expect to deliver a modest improvement in underlying operating margin for the full year. This will be driven by Gross Margin expansion through a step up in productivity while net material inflation returns to historic normalized levels.

In terms of capital returns, we remain committed to an attractive, sustainable dividend, that will be supplemented by a €1.5 billion share buyback programme starting in quarter 2, timed to coincide with the expected receipt of the proceeds of Elida Beauty disposal.

With that, let me hand back to Hein.

Hein Schumacher: Thank you, Fernando.

Let me turn now, as I said I would, to the Growth Action Plan.

To recap, this was the plan I set out at the end of October, following an intensive piece of work by a hand-picked group of senior leaders across the business…..

And it produced a growth action plan, which – with the benefit of more than seven months now in the business - I am even clearer is the right plan, at the right time, for Unilever.

Since October, we have been implementing the plan at speed.

Priorities have been set. Targets have been cascaded. Metrics have been revamped. Resources have been allocated. New leadership has been put in place.

So in short, we have been re-orienting the organisation behind the plan.

What I want to do today is to share with you in a little more detail what we are doing, but more especially where we are seeing signs of progress, recognising of course that we are at a very early stage and that the benefits will build steadily as we will go through the year, and beyond.

The plan has ten action areas under three broad headings, underpinned by one simple premise: the need to do fewer things, better, with greater impact…

….leading to a single overarching objective: the consistent delivery of high quality, top-line growth ahead of our markets.

And I would love to say that we are within touching distance of that objective. But we are not. We know that. We have work to do.

But I am confident we can get there. Everything is being directed to that effort.

The plan starts with the need to deliver faster growth.

We believe that we have the brands to do exactly that. Specifically, 30 of them, on which we'll focus first. Our power brands.

These are already proven drivers of growth. Last year they were up 8.6%, representing 90% of our total growth and 75% of Group turnover.

Growing strongly – and gross margin accretive.

When we talk about the core. This is it. And by any standards, it's a pretty strong core.

So we will focus on these brands first.

Now, what does that mean in practice?

Well, the vast majority of brand and marketing investment is going behind these 30 power brands, and that will continue. Very importantly, this includes investment in digital to continue the strong momentum behind our dCommerce business, which grew 16% last year.

Primarily, however, it is about stepping up execution and leveraging scale better. Hence, our brands – and especially the power brands - will benefit from two very important shifts we are making, in the way we develop, position and grow our brands in the future.

First, we are using a highly rigorous and quantifiable process to completely change the way we think about – and measure – brand superiority. Going forward, we will make our brands 'unmissably superior'; that is, able to win – not just on product superiority – but across multiple dimensions, all of them proven drivers of consumer preference.

The evidence for this is compelling. It is something that we have validated in 29 strategic cells where in each case, the correlation between improvements against our 6 P methodology and stronger brand performance was clear.

This has given us the confidence to move rapidly to the next stage - setting baselines for ambitious goals and developing gap closing plans. For the 30 power brands, these will be in place by the end of the first half in 2024. The new unmissably superior framework will then be embedded in the second half, and progress tracked against these goals.

Second, our power brands will also benefit from an equally new and distinctive approach that we are taking to the way we think about and systematise innovation.

The priority now is on multi-year, scalable programmes that will drive category growth and premiumisation - and expansion into new segments and geographies.

Again, the process being put in place to drive, track and measure this is rigorous. Scale and multi-year benefits will come from a focus on big platforms, not small projects. So, platforms that leverage differentiating R&D strengths, whether – for example - in biotechnology or microbiome; and which generate significant increases in incremental turnover.

This will be supported by a step up in R&D investment – which as you heard from Fernando now sits at 1.6% of turnover.

Let me illustrate the approach we are taking by reference to one example of how I see it working in practice. Vaseline Gluta-Hya. A great product from one of our power brands. It's flying. Why? Because it combines:

- Strong brand equity;
- A Breakthrough technology called gluta-glow which is a patented technology and it is clinically proven to be 10 times more powerful than vitamin C for boosting skin's brightness;
- It is delivered in a consumer-preferred, light sensory format
- With competitive levels of investment;
- And it is built on a multi-year global platform that is carrying it to new markets and to new - more premium – segments, such as serums, sun protection and a pro age range.

It is already in 12 markets. And this month it launches in China.

This is just the kind of scalable, multi-year, multi-platform examples that we want to replicate more extensively.

There are of course, other examples, like our patented and superior technology in Deodorants, which is driving premiumisation through the 72-hour non stop protection platform. This has now been rolled out across 3 power brands – Rexona, Dove and Axe – and 40 markets, driving the double digit growth we now see in Deodorants.

Similarly, Hellmann's. It is also benefiting from multi-year innovation platforms, like Hellmann's Vegan, supported by deep R&D expertise to deliver great taste in a plant-based product. Over six years, it has reached 34 markets and is on track to hit €100 million in turnover next year.

Hellmann's, by the way, has been growing double digit for four consecutive years now, adding €1 billion in turnover since 2019.

So, we have some great examples of scaling innovations through multi-year technology-backed platforms. We just need more of them, and that is what this plan is designed to achieve.

In fact, we are confident that - taken together - the increased rigour and prioritisation we are applying, both to brand superiority and innovation, will help to drive the performance of our power brands, and with it, the overall growth prospects for the business.

I want to turn now to the second element of the growth action plan – productivity and simplicity.

Let me go straight to Gross Margin. I make no apology for that.

Anyone who has heard me speak over recent months will know how much store I place on Gross Margin recovery, and on getting it back to at least pre-pandemic levels.

I can assure you that that message has landed loud and clear inside the business.

The fact is, we have been too slow in recovering the Gross Margin that we lost during the pandemic, which has constrained volume growth and depressed the bottom line.

But the good news is the position began to reverse in 2023, and accelerated in the second half of the year, by 330bps, as you heard from Fernando.

We are now building on this forward momentum.

First, by continuing to work price and mix, but also by shifting focus to the important cost side.

We've seen some progress here already:

- The organisation is fully focused on net productivity programmes, replacing the previous focus on gross savings.
- Business Group implementation plans are in place.
- We're striving for lower complexity with over 20% reductions in SKUs, raw and pack materials and number of suppliers.
- We have arrested the increases in cost per tonne of recent years.
- And, our integrated operations delivered significant working capital improvements.

So we will build on this momentum throughout 2024 and beyond with a relentless focus on a few, big ideas, and these include:
- Network optimisation of the kind we have undertaken recently in Beauty & Wellbeing in the US.
- Vertical integration of some key materials.
- Further cost per tonne improvements through operating discipline such as tight waste management.
- And, investing a higher proportion of capex behind net productivity savings, and, importantly,
- Pursuing further improvements in working capital.

When I spoke to you in October, I also signalled a significant shift in the way we intended to approach our sustainability commitments.

We deliberately included this under the productivity and simplicity section of the Growth Action Plan.

The fact is by limiting our corporate focus to four key platforms – climate, plastics, regenerative nature and livelihoods – we believe we can have a greater impact over a shorter timeframe.

However, we'll only achieve that greater impact if we apply – as we are - exactly the same rigour, discipline and stretch to our sustainability targets as we are to other areas of the plan. And – importantly – that we hold ourselves accountable to very transparent and measurable goals. You will get a sense very soon on how we intend to do that when we publish our second Climate Transition Action Plan for shareholder consideration.

The nature of sustainability reporting is such that it lags financial reporting. Therefore, we can’t say too much more at this stage about the most up-to-date position. However, given its importance, it is a subject we will return to regularly. For the moment, I hope the direction of travel is clear, namely…and again:

Fewer priorities, done better, with greater impact.

Now let me turn now to third element of the plan – dialling-up performance culture.

Specifically, we said that we would:

- Refresh the team
- Find ways to drive and reward outperformance

We’ve made good progress on both.

You will have seen this morning’s announcement of a further change to the Unilever Executive.

Nitin Paranjpe, our Chief People and Transformation Officer, indicated to me some months back that he wanted to retire from Unilever in June. I am grateful to Nitin for all he has done over a long and distinguished career. And I am very pleased to bring in a worthy successor in Mairéad Nayager, currently Chief Human Resources Officer of Haleon and prior to that Diageo. I am confident that Mairead will play a key role in delivering this plan and helping to drive Unilever forward.

We have one position left to fill and that is for Nutrition, which we anticipate announcing shortly - it means that since last summer, over half of our executive leadership team will have changed, either people or roles.

The new team is already working to put in place the means necessary to sharpen the company’s performance edge.

And on driving stronger performance, we have for example put in place a new, more stringent goal setting process.

- We have introduced greater transparency in the way performance is measured and assessed.
- And we have streamlined leadership behaviour standards. These are now focused on those areas most likely to lead to a step up in performance.

And then on reward for performance, our approach is being guided by three principles:

- 1. A better line of sight;
- 2. Greater differentiation;
- 3. More focus on in-year performance.

These principles have already been brought together in a remodelled reward structure for approximately 15,000 of our managers.

Of course, the full impact of these changes will take time.

But I am confident we are moving with the right level of urgency in making the changes that are necessary and in putting in place the framework needed to hasten a step-up in performance culture at Unilever.

So let me bring this to life a little further.

- We identified a performance issue in Ice Cream. We moved quickly to change the leader, but that was only the beginning because since then, we have refreshed the entire leadership team, replacing 80% of country and regional leaders in Ice Cream.
- We have reduced the overall size of the leadership team.
- We have externally benchmarked our overheads, with a target to bring them to industry leading standards.
- We have kicked off an end-to-end restructuring programme of the supply chain in the US and Europe to become more competitive.
- And we have significantly rationalised our SKUs, taking out more than a third in 2023
- And we're doubling down on meaningful, scalable, big bet innovations.

Now, I mention this just to demonstrate that we won't hesitate to move decisively – and surgically – whenever we feel it is necessary to address underperformance or root out inefficiencies. We will not wait.

So, that is our growth action plan. And as you can see, it's all about stepping up execution in order to improve the quality, the speed and the competitiveness of our growth.

Let me try to sum up briefly before we go to questions.

The results for last year confirm that we have pockets of real strength, which yield some great returns.…

….but they also highlight that there are important gaps to close and opportunities to be better scaled and exploited.

And our Growth Action Plan addresses those very gaps and opportunities.

But with a scalpel not a bludgeon. This is a very operational plan.

It is based on a simple premise – the need to do fewer things, better, and with greater impact – underpinned by real rigour and discipline in the way we go about everything.

Inevitably, the full benefits will take time to work through.

But I am confident that they will.

The plan has given rise to a huge amount of activity in the company, but the principles and the objectives underpinning it – on which I am totally focused – are very clear.

- A switch to net productivity to drive Gross Margin and thereby boost our volume performance.
- A greater operational grip to drive our competitiveness.
- All leading, ultimately, to more consistent delivery.

Thank you for listening. We look forward to updating you further throughout the year on progress against the plan. And in the meantime, I hope this has provided a little more colour on how we are implementing the plan, and where we are seeing the early signs of progress.

And now I look forward to taking your questions.

Jemma Spalton: Good morning. Many thanks for joining the call. If you would like to ask a question, please press *1 on your keypad. If you no longer wish to ask a question, please press *2 to exit the queue. When it is your turn, I will call your name and please go ahead. Finally, please keep your questions to a maximum of two. Our first question is from **Tom Sykes at Deutsche Bank**. Over to you.

Tom Sykes: Good morning, everybody. On the guidance of the 3 to 5%, the mix of price and volume growth and the cadence of that in the year, you've obviously got some quite strong volume growth in categories that might be a little bit more seasonal — often things like Beauty, possibly Wellbeing. Would you be able to replicate that volume growth in those slightly more seasonal areas again in H1, or should we think of some of the volume mix improvement with the difficult to replicate the performance number in H1, but more H2-weighted.

Sorry, on the sort of culturally changing the business, and you obviously mentioned the different aspects to that, do you think you have a proper difficult cultural problem in changing the competitiveness in DMs versus EMs at all across your business? What has been the response internally to some of the remuneration changes you've put through, please?

Hein Schumacher: Thanks, Tom, and good morning. Thanks for your question. Let me first come back on the — it's Hein speaking by the way. Let me first come back to the question on growth, and I will talk about the cultural change. Look, I mean, if you think about it, at Q4, we realised a 1.8% volume growth, three out of five Businesses Groups in positive volume territory, so that is a good thing. We saw sequential improvement throughout the year with Q3 — somewhat minor Q3, and Q4 more convincingly. If we step into the year, I wouldn't say there is a massive first half, or second half development. We're looking for a healthy composition of our guidance between mix, price, and volume. And, obviously, with easing inflation, clearly, volumes have to play a part in our overall gross story. If you look at the guidance in itself, the 3 to 5%, we've been quite consistent about that, and our internal ambition is obviously higher. We are always seeking at the upper end of the range, but it is still a bit early in the year. Clearly, we are balancing it out with our gross margin improvement. You've picked up on the 360 basis point improvement in the year, and that is an important metric going forward. And, yes, let me leave it there on the growth side. If you think of the cultural Ps, the cultural performance and improvements, and what it means to our people, we've implemented the remuneration changes we talked about at Q3. We did it at pace. I would say I'm seeing a really improved momentum in the company. You know, people are getting increasingly familiar with the Growth Action Plan, you know, we've obviously talk about it a lot. I see a renewed momentum, a renewed level of energy in the company, and I wouldn't say that our employees in emerging markets would be less inclined to drive the priorities that we've set out in the developed markets. Obviously, it's a sizeable company, and we have many people, so it may change. It may take a little bit before everything takes effect, but I'm very positive on the momentum that we have, but of course, much more to do, and that is what we are working on every day.

Jemma Spalton: Our next question from **Guillaume at UBS.** Please go ahead.

Guillaume Delmas: Thank you very much. Good morning, Hein and Fernando. Two questions from me, please. Firstly, on your pricing outlook, if you could shed some light on your expectations for 2024? Because we've seen already seen some negative development in India, Indonesia, there seems to be some quite tense negotiations in Europe, particularly with French retailers. You mentioned some trading done in the US. How shall we think about it at this stage? I mean, more pressure on price growth this year meaning that we could actually see some pockets of negative pricing development here and there, and in which categories do you think would be the most vulnerable to some price caps or heightened levels of promotional activities?

My second question, on your operating margin for 2024, can you touch on the key moving parts and assumptions which lead to your modest underlying operating margin development guidance, because, given the strong growth margin recovery, you should get this year, it seems you're signalling another year of triple-digit basis-points increase in DMI. Lastly, on this also, what do you mean when you talk about net material inflation back to normal levels for 2024? Do you mean you're still going to get some inflation, or could we actually have some deflation on NMI? Thank you very much.

HEIN: Thank you, and a good mix of questions here. Let me start, and then I will hand over to Fernando on some of the details, particularly on pricing. As I mentioned to you before, you know, we're looking within the guidance of 3 to 5%, we're looking at a healthy composition. Clearly, when inflation eases — and that is what we are currently seeing across the globe — we tend to increase promotional activity. I mean, that's usually what consumer companies do, and that will have a bit of pressure on our pricing — you know, on growth from pricing. But, look, I don't think at this point that I want to signal a real reduction. We are seeing some deflationary tendencies in South Asia and Southeast Asia in our non-food business, and obviously, we are responding to that, and we want to remain competitive.

We've seen promotional activity in Ice Cream in North America and also here to drive competitiveness. You know, these are more targeted pricing actions that we take, but, if you look overall for 2024, we still expect some level of inflation. When we talk about inflation more to normal levels, you know, think of in the range of somewhere between 2.5 and 3% or so — that is at least what the expectation is. That means there is ongoing inflation, but it differs by category, and it differs a little bit by geography, and where there will be ongoing inflation is somewhat in food in less so in the non-food side of the business.

When it comes to the operating margin, yes, we are guiding towards modest improvement, and we are laser-focused on improving on gross margin, as you said. We have had some good improvements on gross margin in the second half. This is a super important agenda item for us going forward. I think I've talked about it since October. We are seeing opportunities for productivity enhancement, and then of course there is the whole mix on the top line. We still believe there is room for increased investment behind our core brands, but, at the same time, you know, we don't want to waste it, so, you know, plans need to come together for our brands around market development, around category development, around lending multi-year and scalable innovations — that is an important part of the Growth Action Plan — and I'm seeing increasingly an opportunity to do so, but we will only start really spending it when we feel that the plans are coming together. So, at this point, I feel good about the guidance on our overall margin development, but, clearly, if there is opportunity to do more, hey, then we will go for that. Fernando, is there anything on pricing you wanted to add?

Fernando Fernandez: First of all, just say that it is a pleasure now, you know, I'm sure there are a lot of opportunities to interact frequently. A bit of a colour on pricing, and particularly in the D&E markets like India or Brazil. It's true we've seen a significant deceleration of pricing along the

2023, but we've seen this before. Take the example of India, for example, we've seen this in 2008 and 2009, we've seen this in 2012 and 2013. The reason behind that is a significant substantial part of the market trade at fixed price points, and we are in a commodity inflationary cycle in categories where commodity pay key role in cost constructions like laundry or skin-cleansing bars, seeing many competitors abandoning or using their presence in the market. When the commodity cycle reverses, we see these players returning, given the expansion in gross margin putting pressure on pricing. We are navigating this commodity cycle in places like India or Brazil like we have done many times in the past, always preserving long-term competitiveness. It will take a bit of time for our pricing to stabilise, so probably one or two more quarters. At in stage, our priority is to be competitive in these markets and we will price in line with the objective of preserving our market share. In terms of outlook, I would like to highlight a couple of things — I think Hein has touched base on that. At this stage of the year, we prefer to remain cautious for a few reasons. The first one is price growth, volume growth dynamic will take time to normalise. Second is we want to confirm the positive trajectory of our gross margin, and the third one is that we need to assess what is the cost of recurring competitiveness, particularly in Europe, particularly in Personal Care US, and really kind of assessing what kind of resources we need to make that happen.

Jemma Spalton: Our next question comes from **Warren at Barclays**. Go ahead, Warren.

Warren Ackerman: Good morning, everybody. Good morning, Hein, Fernando. I've got two questions, and one observation. The questions are firstly: can you dive a little bit more into Prestige Beauty and Wellness. You say a six or seven volume growth in the quarter. That is for the whole division. What was the volume growth for the new Beauty and Wellness units? I'm specifically interested in some of the bigger brands: Dermologica, Paula's Choice, Nutrafol, Liquid IV and maybe if you can talk about the K18 acquisition and your ambition for that? Can you just dive into that whole topic, that would be super.

Secondly, Indonesia and India: can you maybe tell us what is going on on the ground? Hein, you mentioned the consumer boycott in Indonesia already, and you talked about an improvement in January. Can you put some numbers around that in Indonesia? And also, in India, it seems to me Indonesia and India in 2023, pretty disappointing for both geographies. What is your outlook for Indonesia and India in terms of top line and margin for 2024 and maybe in terms of competitiveness as well? And then the observation quickly: this new market share metric, I get turnover weighted makes sense, but why does it still only include 70 persons of the portfolio?

I get it is different channels, but it seems to me all the parts of the portfolio like Prestige Beauty are not included in this new metric. My question is why are you not able to measure market share in the other 30% of your portfolio?

Hein Schumacher: Thanks, Warren. Very clear questions. I will start off, but, and then again, what we just did, Fernando will add. I mean, first of all, on Prestige, and, obviously, Fernando, having left the Division until the end of last year, will probably add a bit more colour, but I would say, if I look at the brands, and the brands that you called out, in Prestige Beauty, all of them have been growing double digit, and particularly the ones that we acquired at a later stage, not just in Prestige Beauty, but also in the Health & Wellbeing space. We are off to a very good start — well, not start, because we acquired them a while ago — but on going performance, I would say. I think we are in the small verticals in which we are operating, I feel we are outgrowing competition, so that is really a good thing, and we are very, very pleased with that, but also very optimistic on the future. Obviously, fuelled with significant investments.

So it is pretty broad, I would say. I would not call out one brand specifically, but it's truly across the board, with particularly strong performance on Hourglass and Dermologica. Probably, I would call out those, but, hey, all in the double-digit space. On Indonesia, we've seen a 15% decline there, and you've seen the Indonesian numbers that were reported separately. There is indeed improvement. In the month of January, I'm pleased to see actually quite a strong improvement, but here we are cautious, so we are guiding for first quarter somewhere mid single digit declines potentially. Obviously, the team is working on it very hard, and we are seeing some upside.

Once again, we are taking a fairly cautious approach and that is included in our overall guidance. If you look at India, as you say, the good thing about Q4, with the price pressure that is there in India, and Fernando alluded to one of the impacts of deflationary pressure in some categories could be with increased competition and so forth, we've seen a volume

growth, so the -2% on pricing was balanced by 2% volume growth.
I think that's a positive for India. We do see that situation continuing for Q1 and Q2, and we do see improvement opportunities in Q3 and Q4, so we believe in the balance of the year, India should see a slowly changing trajectory, but, in the short-term, it will probably be around the levels that we mentioned. I think that answers most of the questions. Fernando, maybe a few words on the Prestige Beauty side?

Fernando Fernandez: Of course. First of all, I would like to say, you know, Prestige Beauty and Health & Wellbeing, now they will represent — they represent already 27% of our turnover in the Beauty and Wellbeing Business Groups. Both pillars, both Health & Wellbeing and Prestige Beauty, have been growing at mid-teens, and, if you look at our top five brands — Liquid IV, Nutrafol, Hourglass, Dermologica, Paula's Choice — all of them give a double digit, both in the year, and in the fourth quarter, so really, really top performance. I would say that behind the success of these brands, I would say some of the pillars behind the success of these brands are exactly the same that Hein has laid out for the Growth Action Plan.

You know, we are shifting resources to the most profitable brands, and we are increasing a proportion to premium segment, to fast-growing channels to the United States, and we are optimising the portfolio through bolt-on acquisitions, like this one that gives us very good exposure. We have just completed acquisition on the 1st February, very, very exciting brand, just anchoring the intersection between biomedic science, a very strong socially strong engagement programme, very, very strong presence in TikTok, and we are excited about the gross profits the brand is bringing to the company with an excellent founder that has put together a very, very solid company and a very solid management team. We will ensure we can have in the Prestige Beauty and Health & Wellbeing a lot of science into its brands to really boost our innovation programme.

In terms of competitiveness, I would like to highlight a couple of things, you know? Our intention today was fundamentally to tell you three things: you know, we measure share in our 70% of our turnover. What is not included there, it is not included, because there is no reliable measurement, because, you know, the metrics are not reliable. Businesses not included there include some of our fastest growing businesses likes Prestige Beauty, Health & Wellbeing, and Food Solutions. You can see that basically in the difference of under lying growth between the business we measure and the business we don't measure. The second thing to say is that our organic sales growth compares favourably with the global market growth, will highlight the attractiveness of our category and our geographical footprint, and the third thing, and probably the most important, is that we are disappointed with our competitive performance in the footprint in which we operate. We will use turnover weighted sales to measure our performance going forward, fundamentally for two reasons. It gives a clear indication of the gap between organic sales growth and turnover-weighted market growth, and it takes into account differently to what happened with the business metric, the depth of the share gains and the share losses. So, just to reaffirm that we are not happy with our performance in terms of competitiveness, it's a burning platform for both Hein and myself, and we will really attack decisively on that.

Jemma Spalton: Our next question comes from **Celine at JPM**. Go ahead, Celine.

Celine Panuitti: Thank you. Good morning, Hein and Fernando. My first question would be to understand what happened in the volume growth in LATAM, which was quite strong — 9 per cent — and also in the US. Could you shed some light for those two markets? It's well above the market growth. Could you explain that, and trying to understand whether there was another factor, or what kind of volume we should be looking for this region.

Then my second question is to come back to some of the questions, frankly, first on cost. You said that cost is 2 to 3%. Could you kind of help me understand that, because, if I look at many of your raw materials, I see them being done quite a lot. Yes, food are up, and the olive oil and that done a lot, and you mentioned the price slowing down in some emerging markets, so, yes, I'm trying it difficult to understand how it is not flat or even negative for the year.

And then maybe as well as a follow-up on that price-volume equation, are you signalling that pricing will constantly decelerate fast and I think we are fitting peak pricing of H1 2023, and I was wondering whether that means, what it means in terms of elasticity of volume, some regions like Asia, or price comes down, volume is up 2% in India, but hardly up a lot. I just want to understand a bit of the equilibrium of price and volume. I know you've been asked that it is a bit unclear to me. Thank you.

Hein Schumacher: Thank you, very clear three questions. First of all on the volume growth in US and Latin America. A couple of words on those. You know, of course, we are implementing the action plan with enormous speed and decisiveness. I first want to point out that a number of trends we are seeing in the US and LATAM are in that sense good inspiration for what should happen across the globe.

First of all, we are seeing strong expansion of the Prestige Beauty and Health & Wellbeing space. Fernando talked about that. That is about a quarter of the US business, and that has been double-digit. That helps on the total US side.

Secondly, we've been implementing strong innovation in both North America as well as in Latin America, and particularly around deodorants which has been growing double digit for us, actually, globally, but very much spurred by the development in the Americas. That is all by the 72-hour protection behind some of our core brands, and, once again, we are using that technology, but applying it to Dove, Rexona, Sure, et cetera. So a strong performance in Deos.

Also, premiumisation: we are landing at this point premiumised portfolios in Dove but also in our Nutrition portfolio. I was very pleased when visiting Latin America recently, on Brazil, very good performance on Hellmann's where we introduced a premium mayonnaise product but also line extensions in other mayo-based sauces. I think all of these things come together — premiumisation, good innovation, and, of course, the growth in our prestige and Health & Wellbeing businesses. Those are the most important reasons behind it. Is it structural? Look, these types of volume growth rates are hard to maintain forever, of course, but we are seeing a good momentum in the Americas, and we are briefed with that, and keen to benefit from that globally. If you look at it from a cost perspective, the 2.5 and 3 that I pointed out, you're right. In the short-term, there are some — it is probably for the company a bit more flattish, so, you know, the prediction for the year that I gave is, you know, it might be a bit more towards the balance of the year if we see inflation picking up.

I already talked about India where we believe there will be some happening going forward. At the same time, there are of course also forex impacts here, transactional forex, for example, that are not always playing to — well, you simply buy in the emerging markets a bit more expensive, and that has some headwind that needs to be offset and that will lead to cost in. Look, if you look at pricing, is there a fast deceleration? I mean, I don't think we are saying that. As I said, in some areas in the world, we are adapting our pricing. We see additional promotional activity. I already talked about the examples. India, we talked about -2 and then +2 on volume. Then Southeast Asia, so to some extent, significantly increased our efforts to be more exceptive, for example, on Ice Cream in North America. Those are the tactical things we're doing but I wouldn't point to a fast deceleration on pricing.

Fernando Fernandez: I would add only that of course the price deceleration has been higher in categories of higher elasticity, like Home Ice Cream, laundry, or skin-cleansing bars. That's one important point. The other point I feel that is important, we don't see or expect negative pricing for the whole group. It can happen in some of our categories.

Jemma Spalton: Our next question comes from **Fulvio at Berenberg**.

Fulvio Cazzol: Good morning. Thank you for taking my questions. My first one is on the Power Brands growth which implies that the rest declined slightly. I was wondering if you're seeing any cannibalisation effects benefitting the Power Brands as you redirect investments there, or is there limited market overlap between the top 30 brands and the rest? My second question is on capex: I'm just trying to understand how you can only spend only 3% of sales, of which half will go to productivity and you also expect to generate higher volume growth. Is capacity — you've got — or do you expect it to reduce with SKUs and simplify operations. Could that explain the low capex spend relative to your peers?

Hein Schumacher: Thank you for your two questions. First of all, on Power Brands, we laid it out in the speech. It is very important to re-emphasise: we are not neglecting brands outside of the Top 30. It's not that with a 6.5% that the other ones are in decline. What we've said with the Top 30 proposition was we are directing our funds first and foremost behind those Power Brands to place bigger bets behind multi-year and scalable innovations. We want to ensure that the superiority framework we talked about and the brilliant execution around that is we measure that consistently and very well for the Top 30 power brands because that will ensure better execution in the company. It will make it better when we declare all of that for all of our brands.

We just want to make sure that we phase and pace that well, and feel we are well on the way. Our power brands, now 75 persons of the company, and with accelerated growth. I'm sure some of the other strong brands beyond the top 30, they will clinch on pretty fast to the teams we talked about.

If you think about the capital expenditure and the productivity agenda, we have guided towards an increase in capital expenditure from 2.7% that we had last year to somewhere between 3 and 3.5 in 2024. We are stepping up capital expenditure. That is number one. Secondly, within the capital expenditure bucket, we are looking for a greater spend on productivity. You know, productivity was a very important part of the Growth Action Plan, and historically, we've just spent less on that, so we are going to spend more and a greater percentage of the total capex amount on productivity. We are seeing good opportunities there to reduce control of the cost.

Fernando Fernandez: Yes, I would add only that of course we will invest for aligning production and capacity with our demand, but we will put constraints to ensure we focus ourselves in increasing assets and operational effectiveness where we see opportunities.

Jemma Spalton: Our next question from **Bruno at Bernstein**. Go ahead.

Bruno Monteyne: Good morning. I'm listening to the presentation and your numbers. There seems to be material disconnect between the language of the results of data and what consumers are saying or doing, right? Just quoting from your words, it's about unmissable superiority, innovation, holistically superior products, and unmissable marketing campaigns, but obviously, that's a big clash with your competitors, not just bad, but worse than before, you know? Down to 37. Even on your new measures of sales-weighted market share, it's still awful or worse. I see a big language disconnect: On the one hand, this amazing business; on the other one, consumers not buying it. One of those things can't be totally right. I notice you're disappointed in that. You were not providing anywhere an analysis of this poor underperforming of the competitors. You say you're disappointed, but keep saying business is amazing. When I look at what Peter is doing in Ice Cream, he's taken the axe to pricing and started to change directional volumes. That obviously suggests that profitability was still too high and pricing needs to be adjusted, and it makes me wonder, given the disconnect that is so obvious in the results, is your margin simply just too high, and you keep talking about gross margin targets, gross margin targets. Is that going to stop you doing the right thing on pricing if you're suddenly so focused on gross margin? That is the first question. The second one is sustainability: you talk about its priorities, and it's been an ongoing theme, but you see a lot of new European Union laws coming in, moving the bar higher and higher, more news about palm oil supposedly sustainable but not being that sustainable. Should we start expecting material inflations in terms of really paying for truly sustainable commodities in the next coming years? Should that be part of our margin modelling going forward? Thank you.

Hein Schumacher: Thanks, Bruno, for your provoking questions. Look, let me be quite clear: I don't think there's a disconnect at all. You know, we are obviously — we're the business winning percentage that we talked about in Q3, which is about the same level now, and even though that is not a perfect metric, we've talked about that but we wanted to be consistent in laying it out. That competitiveness number is bottoming out. We are not happy with that. We've been very, very clear on that. However, we are not sitting on our laurels. We've presented a clear action plan by the end of October, and exactly around the themes that you talked about, which is about unmissable brand superiority, making sure we develop the market and the categories, making sure that we drive up our margin, and so forth. That is what we are doing. That is what we are executing against, and that is not something that you turn in one quarter. We've also signalled that we are going to — that you should see improvement on this in the balance of 2024, so I think you've given a very clear guidance towards that, and, hey, it is never one-size-fits-all.

So whilst we are not super excited about the competitiveness number, if you look at our overall reported growth numbers of the company, which are helped by roughly 30% of our business, that is doing actually very well, that is the higher growth part of the business, we should also highlight that, you know? This is not a story that we are all disappointed — no. There are some real pockets of strength in the company that serve as wonderful and strong examples and that will help us going forward, but we are focused on improving those things that can be improved, and that is truly what all our actions are about. Again, when we do that well, we do see some early signs of success, and we will continue to report to you about that in the next quarters.

I mean, your question on Ice Cream: what was important, and we talked about that at the end of Q3, Peter approaches the Ice Cream Business Group as a system, and that is super needed. You have to connect your supply chain, your buying, distribution, obviously, investments in cabinets and freezers, and then the whole price mix and top-line strategy. You need to tie that even more than in any other Business Group, you need to tie that strongly together, and that is what we are doing. That meanings you get leverage for volumes. There was a clear and conscious decision to drive promotional activity in North America but that was a surgical way of going about it. Already, volumes are on a comparable basis were picked up in the fourth quarter were better. North America actually posted positive volumes for Ice Cream, and our out-of-home Ice Cream business in the fourth quarter posted positive volume growth numbers. Now we need to see that improving going forwards in 2024. We believe that there will be a better 2024 for ice cream, than what 20 if looked like, both on the top line and margin.

On sustainability, you're absolutely right. The bar gets higher, but, hey, on that sense, I've got good news. All the efforts that the company has made over the last few years, that really helps us now, and when we laid out our sustainability framework, and we talked more about that in our new climate transition action plan in the AGM in May, it's all about transparency. It is all about realising impact in the short-term, and it is all about making sure that we — again, we report behind a more transparent framework on a regular basis about our progress, and we are very well prepared for that. You know, on the deforestation-free and palm oil, we are leading in the world, and this is something that we continue to do so I wouldn't expect major downsides from that.

Jemma Spalton: Our next question from **Olivier at Goldman Sachs**. Go ahead.

Olivier Nicolai: Hi, good morning, Hein and Fernando. Going back to slide 16 on gross margin, should we expect gross margin in 2024 to recover at the 2019 level considering that you have a much better product mix, and you have implemented some portfolio changes as well, over the last four or five years? Could you then break up the 200bps gross line improvement between mix and changes. That is a follow-up on Ice Cream, if I may. You flagged down trading in Europe. Could you give us a bit more detail as well if you see the same downturn in the US, and do you expect any impacts in the mid-term from GLP-1?

Hein Schumacher: Thanks for the question. I mean, on gross margin, I will make some general comment first and hand over to Fernando and come back on Ice Cream. Look, you're right. Our gross margin is improving behind not just mix and premiumisation, but also from increased productivity. This was a major priority for us in the Growth Action Plan, and we are moving forward with that with an enormous dedication in 2024. When we talked earlier about the Growth Action Plan, that we would like to see gross margin, we turned to pre-pandemic levels in the planned period, pre-2025/26. With the plans on the table, we are seeing a deceleration of gross margin growth and we aim to get back to pre-pandemic levels earlier. Clearly, some things need to play out in the year, but I'm positive about the progress that we are making there. Fernando, anything you want to add?

Fernando Fernandez: No, just the only point is we see our price coverage going up, our mix improving, and the impact of portfolio chain all contributing to the gross margin improvement, so there are different levels all working in the right direction. As Hein said, this is the backbone of our financial plan going forwards, and we will put a lot of focus on that, particularly in investing to increase our net productivity.

Hein Schumacher: I wanted to make some comments on Ice Cream, and I'm afraid some may sound repetitive because we made them before. Is there downtrading in the US like we've seen in Europe, for example, the migration to private label? This is something that I talked about at the end of Q3? No, I wouldn't say so. I mean, I think it's a different dynamic in the US. We stepped up promotional intensity to address competitiveness, and I feel with the numbers we are getting in that, that is working, and volumes, as I said, we turn to positive in North America in Q4. Clearly, we will price competitively in ice cream. We are very determined on that. Some key ingredients in Ice Cream remain inflationary been so think of sugars, think of cocoa, for example, in the forex effect, for example, in Turkey. The actions in ice cream really should come from a much stronger execution, a new look at the total supply chain and transforming our distribution, and our network into a very competitive set. We believe there is opportunity to do so. Peter has taken some very drastic action when it comes to leadership change — around 80% in the Business Group of the key leading positions have changed. We were not sitting still, we're addressing issues with enormous speed and decisiveness, and I expected better Ice Cream in 2024 along with the key metrics.

Jemma Spalton: Our next question comes from **Jeff at BNP**. Go ahead, Jeff.

Jeff Stent: Good morning. Firstly, just a word of thanks, Julie, to Nitin, who I think has been an incredible servant to Unilever over, frankly, longer than I think any of us can really remember, so, I hope he has a very — I hope he enjoys his downtime, if I can say that. So two questions. The first one is somewhat curiously, you put on one. Slides that vertical integration on key materials is going to be a priority. Could you just explain what that actually means? And the second thing is, you also commented that focusing more on absolute profits would be a priority. Now, if I take consensus, and I apply your -5% currency gain on earnings, that would sort of imply that EPS won't really grow this year. So I just want to get your comments on that. You know, is that what you're guiding to, that there should not be meaningful current currency EPS growth this year? Thank you.

Hein Schumacher: Thanks, Jeff. Three points. Let me just respond to and just echo your words about Nitin. Thank you, by the way, for making those. An illustrious career. Really great to work with, and I'm grateful to Nitin for everything he has done in the company. By the way, he will continue as the chair of Hindustan Unilever for the foreseeable future, and I'm grateful that he will, and will use all his expertise and experience in that key role. Handing it over to Fernando on the two questions. One is on key materials, and the other one was on absolute profit in relationship to EPS guidance. Fernando?

Fernando Fernandez: Yes, vertical integration is — let me give an example. If you look at our surfactant costs in North America, we have a significant disadvantage. We are one of the few payers that are not vertically integrated in the sulphonation and that has a significant cost to our business. We believe this is an opportunity we can really materialise in the future. There are other materials in which I will not go deeper at this stage because of confidentiality reasons, but they will improve our levels in our procurement, have a significant impact in our gross margin, going forward.

Let me go now into the absolute profit growth. Every time I get into any new role, I try to look at the long-term trends. There are two things looking at the last ten years' performance of Unilever, that I'm sure it is not a surprise for you, but, really, I would like to highlight. The first one is that our volume growth has been below what our footprint in terms of share categories allow, and the second is, in the last five years, our profit in hard currency, in currency, has stagnated, and we know we need to fix these two things. I will not get into it now, the outlook and the guidance, you know, but I want you to be very, very clear we are very conscious of the negative effect that currency headwinds have, and we are working hard on that.

Jemma Spalton: Our next question from **David Hayes at Jeffries**.

David Hayes: Thank you, good morning. The divisional heads planning process, and the second one SKU escalation. Can you talk us through the timing and the process of these new divisional heads in their presentations to exco in terms of the 2024 and mid-term plans, and, during that process, what were the biggest surprises and identified challenges that came out of that? Are there plans to come back agai, given they are new in those roles to elaborate and be more detailed as what they see as the ambition of what they see in the next few years to deliver?

On SKU rationalisation, is that done now, done that over the last couple of years, but the 30%, or 25% of sales in the Power Brands, is there a lot more to do both in terms of SKU and brand value rationalisation to streamline that so it doesn't become a drag on the overall performance? Thank you.

Hein Schumacher: Thanks, David. On your first question of the divisional heads, I'm not sure that I fully got the question. Let me just elaborate a bit, but please come back if you feel that I'm not answering it. Last year, in October, we refreshed the leadership team of the company, and we made a number of internal appointments, so Priya heading up Beauty & Wellbeing, Eduardo heading up the Home Care Division, Peter ter Kulve took over Ice Cream, and I believe we appointed people with a proven track record, and very hungry of course to take on the challenges that we have.

The targets and the goals for them for 2024 are completely aligned with the Growth Action Plan. We've cascaded that rigorously, I would say, and in a much more rigorous fashion than probably was the case prior. We have just made the appointment of Mairéad. There was one outstanding position on the ULE, and that was the President for Nutrition. We are finalising the stages of that, and I expect to announce in the last couple of weeks. There are some technicalities why we couldn't do it today, but it is what it is, but we are moving quite fast. I aim for a good mix between internal and external views, that's why we made the appointment of Mairéad today, and, hey, I would say everyone is really — is on to it, started on the 1st January, formally their new roles, I'm happy so far. On SKU, we've done significant rationalisation to simplify operations and help our procurement teams in particular, and the global category teams, which have are the primary access to which we manage the company, they have taken a hard look at how can we simplify our business going forward and make our propositions more scalable? Mid-20% also in terms of SKU rat has harmed competitiveness and volumes, but happy with the actions taken. Going forward, I would not expect similar reductions of course. I think we have bottomed out, and we need to grow from here.

Fernando Fernandez: Let me add only that I would see — I would look at this and see one of the key benefits of the Business Group-led organisation, it was very difficult in the past when we were organised on a geographical basis to take decisions and simplify an assortment. We've done it. It has a cost in terms of volume, and it has a cost in terms of competitiveness, but makes us leaner, faster, sharper, and we've been decisive on doing that.

Jemma Spalton: The next question comes from **Karel at Kepler.**

Karel Zoete: Good morning. Thanks for taking the question. Two questions: one on the beauty and the Health & Wellbeing and one on Hair Care. Start with the Beauty & Wellbeing and Health & Wellbeing, that's been in the North American market field for a while. At the same time, I don't see these brands travelling very quickly across the globe. Is that part of the plan of these brands, or are they so far going to be predominantly leveraging on the growth opportunity in their North American home markets? The other question is in relation to Hair Care. That's been a difficult category for you for a bit longer. I said that we've seen quite some action on the portfolio last year. How should we think about your Hair Care performance in the 24? Thank you.

Hein Schumacher: Thank you, Karel. I will take part of the first question. Given Fernando's role in that business, both responsible for Hair Care and Health & Wellbeing and Prestige Beauty side, he will add. Clearly, these prestige brands, roughly quarter of a business group of the beauty and wellbeing, of course, we want to scale. This is an important theme of our growth action plan — scalable propositions, multi-year bets and so forth — and these brands fit that extraordinarily well. However, we want to make sure that we put them on a very solid footing. The United States, or North America, is a very significant market, so we were really keen to drive growth there initially, and we are looking for expansion. But, let me tell you, in fact, we've expanded on Liquid IV, introduced it in a number of countries, Canada, but also looking for more internationalisation — more on that to come, so stay tuned. Dermologica, in fact, available in multiple countries, now available in the UK as well. Paula's Choice, I hear from your accent you are in the Netherlands. In fact, been our European operations for Paula's Choice is based in the Netherlands. All digital, very strong growth, similar growth rates we are seeing in North America, so we are actually very excited about that. We will do it very targeted, and where we feel that the moment is right, and that we have sufficient and a sufficient presence, and base, in the United States, and then we will look for internationalisation. Fernando, maybe, a few words to that?

Fernando Fernandez: Yes, I feel one of the powerful features of the portfolio that we have been dealing in Health & Wellbeing and in Prestige Beauty is the fact that North American brands travel. These strong brands in the US give us the possibility of building a more harmonised portfolio across the globe in the future, so definitely global realisation of this brand is something we will pursue with decisiveness in the future.

There are differences when you look at Prestige Beauty, in the case of Health & Wellbeing, there are regulatory constrints that has is to be overcome, but overall, judgment the decision is to go global with most of these brands. I feel at one point Hein touched on that, and I feel it is important: we wanted to solidify our position in the US first. You can see our growth there is really very, very competitive. Particularly, at the moment, in which many companies, particularly in the beauty space, are shifting back focus from China into the US. We thought that was important to focus until we find a position there. In healthcare, good performance, positive — we had a bit of difficult time in North Asia despite Clear in particular is doing very, very well there, and it is reducing the gap with the antidandruff leading the market. The importance of hair care has improved significantly in the last couple of years, and we believe that these strengths will continue going forward.

Jemma Spalton: Our final question comes from **Sarah at Morgan Stanley**. Go ahead, Sarah?

Sarah Simon: [Inaudible].

Jemma Spalton: Sarah, are you there? I think we may have lost you there, Sarah, I'm afraid.

Sarah Simon: Can you hear me now?

Jemma Spalton: You're back.

Sarah Simon: Okay, sorry. I don't know what happened there. It was two questions. One was on restructuring. You've obviously had fairly significant restructuring costs for quite some time. Can you take us through how much of those are going to be cash in 2024 and how long you would anticipate continuing to charge restructuring? And the second one was just on the gross margin question: in terms of price coverage of NMI since things started to — since we started to see significant inflation, where do you think you've got to in terms of price coverage maybe as a percentage, or something like that? Thank you.

Hein Schumacher: Thanks, Sarah. On restructuring, we have — we are guiding towards roughly one persons of turnover on restructuring for 2024. Fernando and I were seeing some real opportunity for productivity improvement, so I already talked a bit about Ice Cream. We are looking at some other pockets that we will come back to you on. We are doing it as mentioned in the video surgically, and I think that is right. But at this point, we would guide towards that 1%.

On gross margin, if you look back, in the last couple of years, since the inflation started, I would say we are at roughly 80% coverage, give or take, and we would obviously, with some momentum behind gross margin and the productivity plan there, and I already mentioned earlier in the call that we are leaning in a bit more on gross margin in terms of faster recovery to pre-pandemic levels than the earlier communicated.

Fernando Fernandez: Price coverage now for the first time in four years is about 100%.

Sarah Simon: You're at over 100%.

Fernando Fernandez: For the first time in four years, our price coverage has gone beyond 100%.

Sarah Simon: Great, thanks.

Hein Schumacher: Thanks, everyone, for joining the call. That was indeed the last yes. As you've all heard, we've reorientated the company behind the Growth Action Plan, and this is resulting in some important shifts. First of all, a laser focus on growing volumes and gross margin expansion. I mean, two themes that we've discussed during this call. A tight grip on operations, resulting in 2023 particularly strong working capital performance, and thereby strong cash generation and pleased with that. Increased investment behind our growth and, of course, behind our Power Brand. We stepped up investment in 2023 and aim to do more in 2024 but obviously based on the strong plans. The right level of urgency that we have now within the organisation to address that competitiveness, and under performance in the pockets where that is valid. We are also continuing to look at the portfolio. We need done some important changes in 2023, and we will continue to look at the right portfolio going forward. So, you know, all in all, clearly, we are all focused on value creation and increasing shareholder returns. It's super important that we do that. We are very clear, and as Fernando said, we know what to do. We look forward to update you on the progress through the course of the year, and for now, have a very, very good day.

Thank you.