September 2024

Unilever pre-close aide-mémoire, Q3 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 Q3 2024 Trading Statement on 24 October 2024. Unless otherwise specified, the outlook comments below come from the H1 2024 results on 25 July 2024. No new information is given, and there will be no comment on current trading or further guidance provided.

Guidance

Topline

- In the full year 2024, underlying sales growth (USG) is expected to be within our multi-year range of 3 to 5%, with the majority of the growth being driven by volume.

Underlying operating margin (UOM)

- Underlying operating margin (UOM) for the full year is expected to be at least 18%, with increasing investment behind our brands. We expect that the year-on-year margin progression in the second half will be smaller than in the first half. Our gross margin progression in the first half reflected positive contributions from volume leverage, mix and net productivity but also factors that will not repeat in the second half, such as, a low prior year comparator, lower material costs, and carry-over pricing from a period of higher inflation.

Currency

- Expected currency impact on full year turnover around (1)% and around (20)bps on full year UOM.

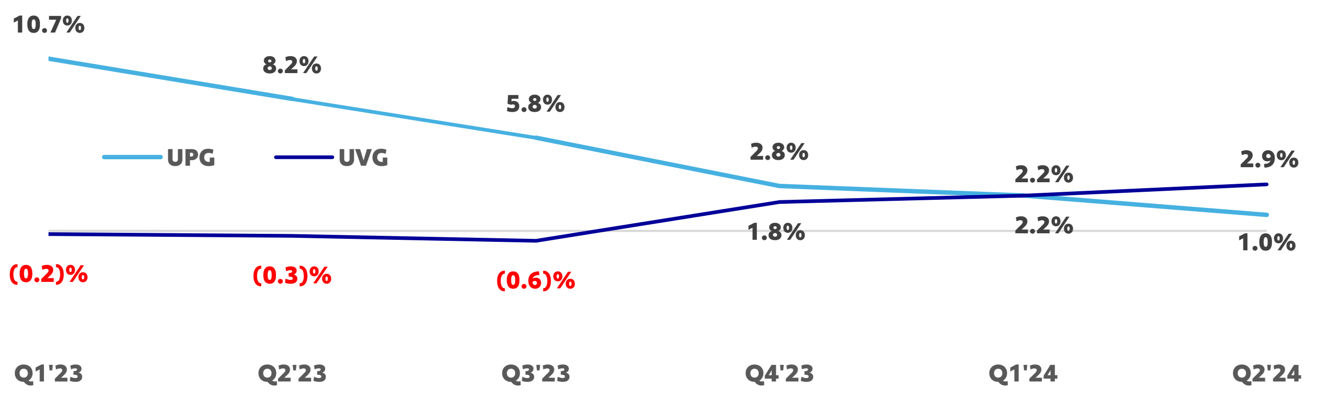
Other financial guidance for 2024

- Capex around 3% of turnover
- Restructuring around 1.2% of turnover
- Net finance costs around 3% on average net debt
- Underlying effective tax rate: around 26% for 2024
- Net debt around 2x net debt / underlying EBITDA

Noteworthy commentary on previous results

Group

- **H1 2024** USG was 4.1%. UVG increased to 2.6%, while UPG of 1.6% continued to moderate with easing inflation.
- In the comparator period, **Q3 2023**, USG was 5.2%, with price growth of 5.8% and volumes down (0.6)%.
- *UPG vs UVG trendlines in previous quarters*



Beauty & Wellbeing

- **H1 2024** USG was 7.1%, with 1.5% from price and 5.5% from volume, with softer growth in Prestige Beauty, reflecting a slowdown in the US beauty market.
- **Q3 2023** USG was 7.4%, with 3.6% from price and 3.6% from volume.

Personal Care

- **H1 2024** USG was 5.6%, with 2.6% from price and 2.9% from volume, balanced growth led by strong performance in deodorants.
- **Q3 2023** USG was 8.0%, with 4.0% from price, and 3.9% from volume.

Home Care

- **H1 2024** USG was 3.3%, with (1.3)% price and volumes up 4.6%, with volume growth more than offsetting the negative price growth linked to commodity cost deflation in some emerging markets.
- **Q3 2023** USG was 5.3%, with 4.8% from price and 0.4% from volume.

Nutrition

- **H1 2024** USG was 3.2%, with 3.2% from price and flat volume at 0.0%. Nutrition returned to positive volume in Q2 led by the Power Brands. This performance was partially offset by declines of our smaller brands.
- **Q3 2023** USG was 5.6%, with 9.8% from price and (3.8)% from volume.

Ice Cream

- **H1 2024** USG was 0.6%, with 1.6% from price and (1.0)% from volume. Ice Cream continued to focus on operational improvements, including service and optimising promotions, while continuing to drive investment behind our brands and innovations.
- **Q3 2023** USG was (2.8)%, with 8.2% from price and (10.1)% from volume.

Subsidiary guidance and commentary on geographical areas from H1 2024 results

- **India:** With FMCG and rural demand gradually improving, expect near-zero price growth if commodity prices remain where they are. Focused on driving competitive volume led growth with continued investment behind brands and long-term strategic priorities.
- **Indonesia:** Expect price growth to remain negative if commodity prices remain where they are. Our longstanding issues in Indonesia have been exacerbated by the reaction of groups of consumers against multinational brands in response to the geopolitical situation in the Middle East. Fixing Indonesia will require significant portfolio initiatives and the reset of our route-to-market strategy. It will take time and we do not expect to see significant benefit of operational changes in 2024.
- **China:** China declined mid-single digit, due to market weakness across all categories apart from food service.
- **Developed markets:** The return to positive volume growth reflected a continued resilient performance in North America and a marked volume improvement in Europe. Price growth continued to moderate from the peak in Q2 2023.

Appendix

Quarterly topline evolution

	2022			2023					2024	
	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2
Unilever	**10.6**	**9.2**	**9.0**	**10.5**	**7.9**	**5.2**	**4.7**	**7.0**	**4.4**	**3.9**
UVG	*(1.6)*	*(3.6)*	*(2.1)*	*(0.2)*	*(0.3)*	*(0.6)*	*1.8*	*0.2*	*2.2*	*2.9*
UPG	*12.5*	*13.3*	*11.3*	*10.7*	*8.2*	*5.8*	*2.8*	*6.8*	*2.2*	*1.0*
Beauty & Wellbeing	**6.7**	**7.7**	**7.8**	**9.3**	**8.8**	**7.4**	**7.9**	**8.3**	**7.4**	**6.8**
UVG	*(0.6)*	*(0.6)*	*0.3*	*2.6*	*4.9*	*3.6*	*6.3*	*4.4*	*5.6*	*5.4*
UPG	*7.3*	*8.4*	*7.5*	*6.5*	*3.7*	*3.6*	*1.5*	*3.8*	*1.7*	*1.3*
Personal Care	**8.9**	**9.1**	**7.9**	**12.7**	**9.0**	**8.0**	**6.4**	**8.9**	**4.8**	**6.4**
UVG	*(4.1)*	*(3.5)*	*(3.7)*	*3.0*	*3.4*	*3.9*	*2.5*	*3.2*	*1.4*	*4.4*
UPG	*13.5*	*13.0*	*12.1*	*9.4*	*5.4*	*4.0*	*3.8*	*5.5*	*3.4*	*1.9*
Home Care	**13.6**	**12.3**	**11.8**	**10.2**	**6.7**	**5.3**	**1.7**	**5.9**	**3.1**	**3.4**
UVG	*(3.6)*	*(3.8)*	*(3.5)*	*(2.8)*	*(2.1)*	*0.4*	*0.8*	*(0.9)*	*4.3*	*4.9*
UPG	*17.8*	*16.7*	*15.9*	*13.4*	*9.0*	*4.8*	*0.9*	*6.8*	*(1.1)*	*(1.4)*
Nutrition	**11.8**	**10.1**	**8.6**	**11.9**	**8.9**	**5.6**	**4.7**	**7.7**	**3.7**	**2.7**
UVG	*0.1*	*(4.1)*	*(2.1)*	*(1.3)*	*(2.6)*	*(3.8)*	*(1.1)*	*(2.2)*	*(0.4)*	*0.4*
UPG	*11.7*	*14.7*	*10.9*	*13.4*	*11.8*	*9.8*	*5.9*	*10.1*	*4.1*	*2.2*
Ice Cream	**13.2**	**2.9**	**9.0**	**6.0**	**5.6**	**(2.8)**	**(0.4)**	**2.3**	**2.3**	**(0.5)**
UVG	*1.0*	*(9.9)*	*(0.7)*	*(4.1)*	*(5.8)*	*(10.1)*	*(0.8)*	*(6.0)*	*(0.9)*	*(1.1)*
UPG	*12.0*	*14.2*	*9.7*	*10.5*	*12.1*	*8.2*	*0.4*	*8.8*	*3.2*	*0.6*

Reminder of transactions

- 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 completed the acquisition of the **K18** brand on 1 February 2024. Turnover for the brand was more than €0.1bn in 2023.
- Unilever completed the disposal of **Elida Beauty** on 01 June 2024. The business generated turnover of around €0.8bn in 2023.
- Unilever announced in July agreements to sell the water purification businesses **Pureit**, to A.O. Smith, and stake in **Qinyuan Group**, to Yong Chao Venture Capital Co., Ltd. The deals are expected to complete in the second half of 2024. The combined turnover was less than €0.3bn in 2023.

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.