Unilever Q4 & Full Year 2024 Results

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Speakers:

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Hein Schumacher

Good morning and welcome to Unilever's full year results. Thank you for joining us.

In a moment, Fernando Fernandez, our CFO, will give a breakdown of the results for 2024, after which I will look at some of the key priorities for this year and beyond.

In total, we expect prepared remarks to last around 40 minutes, followed by 30 minutes of Q&A.

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

Before I provide a few reflections of my own on the results, I want to touch on some of the broader shifts we made in 2024 to set us up for higher, more consistent performance.

There are five, in particular, I want to highlight.

First, having been adopted and embedded across the business following its launch in October 2023, the Growth Action Plan, or GAP, was executed last year with speed and discipline.

We see this reflected across the company. A few examples…

- In the plans behind our top 30 Power Brands.
- In our Unmissable Brand Superiority framework.
- In the step-up in the size and scale of our innovations.

- Or in the embedding of net productivity in the Unilever supply chain.

In all these areas, and more, the GAP is critical to our work across Unilever, working on the same themes, on the same imperatives - bundling our energy, passion and resources together on the things that really matter.

Second, the wide-ranging – but necessary – productivity programme announced in March is being implemented at pace.

Actually, we are ahead of plan in creating a leaner, more accountable organisation. By the end of 2024, the number of full-time roles had been reduced by 4,300 – with an expected total reduction of 7,500 roles by the end of 2025.

Third, capital and resources are being deployed behind our keenest priorities and our biggest opportunities, whether that's: our top brands; our leading markets; our key capabilities; or in meeting our biggest net productivity opportunities.

On top of these investments, we returned €5.8 billion in capital to shareholders in 2024 in the form of dividends and buybacks.

Fourth, we are on track to complete a significant portfolio shift with the separation – by the end of this year – of our Ice Cream business. I'll talk more on that later.

And fifth, we are giving increasingly tangible expression to our desire to dial-up Unilever's performance edge and create a winning culture. For example:

- The productivity programme is being used to de-layer the organisation. People are finding their roles now come with greater scope – but also more accountability.

- Measures are being put in place to help motivate and incentivise for performance, whether through more stretching targets or through greater differentiation in reward.

- And the new organisation structure, with the Business Groups focusing on the top 24 markets and the 30 Power Brands – And that's bringing simplicity and much sharper category focus.

These five shifts represent just some of the ways in which – operationally, organisationally, and on the portfolio – we moved quickly and decisively last year to bring much-needed clarity and focus to the business.

And while these changes are intended to set us up for consistent, higher performance over the longer-term, the benefits are already apparent in improved performance, which brings me to our results for 2024.

First, a reminder. When we launched the GAP, towards the end of 2023, we said that our priority was to improve both the quality and the consistency of Unilever's top-line performance.

In fact, the GAP was a direct response to that challenge.

We also made clear that – central to achieving this – was restoring gross margin, as a first step, to pre-pandemic levels, thereby enabling us to step-up investment behind our brands and in the rest of the business.

The results we are announcing today reflect progress against each of these objectives.

Growth was volume-led.

Importantly, within that, underlying volume growth of 2.9% was broad-based - across *all* five Business Groups and across *all* four quarters.

This was supported by a significant increase in gross margin - up by 280bps versus the prior year, to 45%, exceeding the pre-Covid level in all Business Groups, except Ice Cream.

The increase in gross margin allowed us to increase brand and marketing investment by 0.9 billion Euros, to 15.5% of Group turnover.

Gross margin expansion also contributed to profit growth. Underlying operating profit growth was 12.6% versus the prior year, to €11.2 billion.

These results confirm the progress we are making against our most important – and immediate – priorities. They also enabled us to deliver top third total shareholder returns in 2024, in line with our ambition.

However, consistency is not about one good year. We know there is a lot still to do, and some way yet to travel - and in somewhat turbulent waters.

But as I have said, we laid some important foundations for the future in 2024, as well as delivering results in line with our objectives. And Fernando will now take you through those results in more detail.

Fernando.

Fernando Fernandez

Thank you, Hein.

Underlying sales growth in the full year was 4.2%, led by volume of 2.9% and with price contributing 1.3%. We delivered four consecutive quarters of underlying volume growth above 2%, with all Business Groups driving positive volume growth for the year.

Our 30 Power Brands, which represent more than 75% of our Group turnover, performed well with 5.3% underlying sales growth, driven by volume growth of 3.8%. While the Power Brands had the first call on incremental resources and led our growth, we did not neglect the rest of the business. This paid off as these brands also delivered improved volume growth of 0.7% in the second half, up from minus 1.6% in the first half of 2024.

As expected, given the favourable commodity cycle in the first half of 2024, underlying price growth slowed down to 1.3% for the year. However, with input cost inflation in our basket of commodities returning in the second half, we expect an acceleration of price growth through 2025.

Let’s take a closer look now, by Business Group.

Beauty & Wellbeing delivered a strong full year performance led by broad-based volume growth, particularly across its Power Brands. Underlying sales growth was 6.5%, with volume at 5.1% and price at 1.3%.

In the fourth quarter, underlying sales growth was 5.2% with 3.9% volume against a strong Q4 2023 comparator.

Beauty & Wellbeing’s strong performance reflects the ongoing premiumisation of our core Hair Care and Skin Care portfolio and the continued strength of our Prestige Beauty and Wellbeing portfolio, which combined now accounts for approximately 30% of Beauty & Wellbeing’s turnover.

Hair Care grew mid-single digit with balanced volume and price growth. Dove Hair delivered high single-digit volume growth, and our largest hair brand, Sunsilk, continued its positive momentum following the 2023 relaunch. Nexxus, our masstige proposition in the US, grew double-digit, while Clear's growth was muted due to its big exposure to a subdued Chinese market.

Our core Skin business continued to grow well with Vaseline achieving double-digit growth for the second consecutive year. This success was driven by the expansion of the Gluta-HYA range into more markets and new variants. Dove also posted double-digit growth, supported by new successful launches of body serums and face treatments across Latin America.

Wellbeing delivered double-digit volume growth led by Liquid I.V., Nutrafol and Olly. This performance reflects continued strength in the brands' core products and innovations, as well as the early benefits of our selective international expansion. Liquid I.V. entered seven new markets during the year, while Olly made good inroads in China.

Prestige Beauty grew at a mid-single digit rate due to the beauty market slowing in the US and China. Growth remained lower in the fourth quarter but several brands still delivered good performances. Notably, Hourglass and Tatcha both achieved double-digit growth in the year.

Beauty & Wellbeing underlying operating margin improved by 70 basis points. Positive mix was a key driver of a strong 220 basis points gross margin expansion. This allowed further investment in BMI to support the continued strengthening of our brands in this Business Group.

Personal Care also had a strong year driven by Deodorants, which delivered double-digit growth, and Dove, our largest brand, which accounted for close to 40% of Personal Care turnover.

Underlying sales growth was 5.2% for the year, with 3.1% volume and 2.1% price. Volume growth accelerated in the fourth quarter to 3.6%, contributing to a USG of 5.3%.

Dove's strong growth was supported by the launch of Whole Body Deodorants, featuring our superior odour control technology. First introduced in the US in 2024, we will expand this innovation to new markets and brands in 2025. Dove also launched its new serum shower collection, bringing active face care ingredients to body wash formats.

The impressive growth in Deodorants was led by Dove but also with solid contributions from Rexona and Axe, both benefitting from disruptive technology introductions in the areas of odour control and fragrances, respectively.

Skin Cleansing grew low single-digit with positive volume and price, despite declines in Indonesia, China, and India. Lux and Lifebuoy are two Power Brands where our performance has been poor and in which we are making significant interventions in 2025.

Oral Care delivered mid-single digit growth, with solid results from, Pepsodent and Close Up, our Power Brands in the category.

Underlying operating margin improved by 190 basis points during the year. Significant gross margin expansion enabled us to continue re-investing in our brands, with special focus on our US business as we elevate our portfolio to a more premium offering.

Home Care delivered underlying sales growth of 2.9% driven by a 4.0% increase in volume. Commodity deflation was more significant in the powders format than in liquids, resulting in negative pricing in several emerging markets. Fourth quarter USG was 3.0%, with 3.3% volume growth and price growth getting close to flat.

In Fabric Cleaning, we introduced Persil's Wonder Wash, designed for the consumer trend towards short and cold wash cycles. Launched in eight markets, this product has shown excellent market share results, contributing to a significant turnaround in Europe during the year. We are continuing to roll it out to more markets and expect it to become a 100 million Euro innovation platform.

Comfort launched its new ranges, utilising our patented CrystalFresh technology. This product line brings superior fragrances to the fabric booster market, helping Comfort achieve nearly 10% volume growth for the year.

Domestos and Cif both grew double-digit, supported by strong format innovations in power foam, sprays and creams.

Underlying operating margins for Home Care improved by 220 basis points during the year, driven by strong gross margin expansion. This resulted in a 19% improvement in underlying operating profit, despite a step-up in brand and marketing investment behind our premium innovations.

Foods delivered growth of 2.6% in 2024, with 2.4% price and volume at 0.2%, amidst an overall deceleration in the market. In the fourth quarter, Foods grew 2.6% with 2.1% from price and 0.5% from volume.

Our two largest brands, Knorr and Hellmann's, which account for around 60% of Foods turnover, outperformed the Foods average. Knorr enhanced its global leadership in the bouillon and seasonings category.

Hellmann's achieved volume-led growth through the continued success of its flavoured mayo ranges and premium formats.

Our Unilever Food Solutions business continued to deliver good results outperforming markets in both China and the US. In 2024, we expanded our digital selling programme and drove unique product formats and sizes specifically designed for professional kitchens.

We continue to work on focusing and simplifying our Foods portfolio, anchoring it more and more in our Power Brands. In line with that goal, the disposals of Unox, Conimex, and Zwan were announced in the fourth quarter and will be completed during 2025.

In 2024, Foods significantly improved its underlying operating margin by 270 basis points, driven by a strong gross margin expansion. This improved profitability reflects our strategic efforts to streamline the business, focusing on our Power Brands, reducing the number of SKUs, and executing disciplined net revenue management.

Ice Cream delivered 3.7% underlying sales growth, with a return to volume growth at 1.6% and 2.1% from price. The fourth quarter saw underlying sales growth of 4.3%, with balanced volume and price.
Ben & Jerry's and Wall's were our fastest-growing brands in the category.

Ice Cream's improved performance in 2024 reflects operational improvements across much of our business, including enhancements to our supply chain, go-to-market strategy, and promotional activities. These efforts have strengthened our business and laid a foundation for continued improvements in the years ahead as an independent company.

Our results also reflect a step-up in innovation, including the launch of Magnum Bon Bons and Yasso Poppables, new bite-sized, premium formats that meet evolving snacking habits.

Ice Cream's underlying operating margin improved by 100 basis points in 2024. Gross margin expansion led by positive mix enabled further investment in brand and marketing.

The actions taken in 2024 have improved our results and during 2025, we will remain focused on strengthening our operational model while navigating the challenges brought by significant inflation in key materials like cocoa and dairy.

We run the business entirely through the lens of our five Business Groups, however we believe it's important to provide also some colour on performance across different geographies.

In 2024, we delivered broad-based volume and price growth, with positive contributions from all regions, from developed and from emerging markets, an imperative to deliver both volume growth and hard currency profit growth.

Developed markets, which accounted for 42% of Group turnover, grew underlying sales 4.4% with volumes up 3.3%. This reflected a strong, accelerating performance in North America, led by Beauty & Wellbeing, and a big improvement in Europe, driven mainly by Personal Care and

Home Care. A stronger innovation pipeline and increased levels of brand investment are evidence of our commitment to accelerate performance consistently in these important hard currency markets.

Latin America, one of Unilever's strongholds, grew 6.0% with positive volume growth across Brazil, Mexico and Argentina. Growth slowed in the second half, reflecting an increased currency volatility in the region that will require significant pricing corrections in the short term with potential impacts on volumes.

In Asia Pacific Africa, our biggest region, underlying sales growth of 3.1% was more subdued than in previous years. Our India business continued to increase market share during a period of modest market growth. We expect conditions to improve mid-term following recent fiscal and monetary stimulus. India grew 1.8% with 2.4% UVG, with tonnage volume growing mid-single digit, partially offset by adverse mix due to the strong growth in Home Care versus other categories.

Our performance in Africa and Turkey was strong with double-digit growth driven by positive volume and price in each quarter.

China declined mid-single digit with market weakness across all categories apart from Foods. South East Asia declined low-single digit, driven by an 8.7% decline in Indonesia.

Both China and Indonesia are critical markets for us with significant long-term potential. We are taking decisive action in both markets.

In China, we are strengthening our business during a market slowdown. We are accelerating our portfolio premiumisation to drive growth in the premium and super-premium segments through innovations behind unmissably superior Power Brands.

We are serving emerging channels better through social-first demand creation models and direct-to-consumer models.

We are transforming our route-to-market approach to effectively address lower tier cities and smaller format stores. We have redesigned the sales organisation with separate sales teams and have leveraged digital selling tools for salesforce and distributors to improve our reach.

The transition to a tailored customer development organisation and to a digital route-to-market takes time and faces stock corrections in some channels and categories. However, we are encouraged by the executional progress in line with our plans.

In Indonesia, we have long-standing portfolio and brand proposition issues, which will take several quarters to fix. In the short term, we are correcting misaligned investments and price structures across channels and resetting stock levels in retail.

We are expanding our direct and indirect coverage with fewer and bigger distributors. We are paying particular attention to the health & beauty channel for which we are innovating in growing demand spaces. The reset is underpinned by a far-reaching cost savings programme that fuels brand investment.

As we said previously, we expect to see in our results the benefits of the changes in China and Indonesia from the second half of 2025 onwards.

Let me return now to performance at the Group level.

Turnover for the full year was 60.8 billion Euros, up 1.9% versus the previous year. Excluding the effect of M&A actions to further sharpen our portfolio, turnover growth would be 3.4%, primarily driven by underlying sales growth of 4.2%, with an adverse currency impact of (0.7)%, considerably lower than in 2023, when the Euro strengthened against most currencies.

As result of our portfolio actions, the net impact from acquisitions and disposals was (1.5)%. Acquisitions added 0.4%, driven by Yasso and K18, both performing well and in line with acquisition business cases. This was more than offset by a disposal impact of (1.8)%, driven by Suave, Dollar Shave Club, as well as Elida Beauty and Unilever Russia, which sales were completed in June and October 2024 respectively.

During the year, we expanded our gross margin by 280bps to 45.0%, building upon the improvement of 200bps achieved in 2023.

Within 18 months, we have rebuilt gross margin beyond the pre-Covid level in all Business Groups apart from Ice Cream. Gross margin is the backbone of our financial plan, and our new base is 45%. Our ambition is to improve from here.

In 2024, we made progress in transforming Unilever into a structurally higher gross margin business, by driving volume leverage, positive mix, and net productivity gains. These were enabled by procurement interventions in key materials and by allocating a significantly higher fraction of our capital expenditure to margin expansion, which resulted in lower production and logistics costs.

The very strong improvement of 420bps in the first half of 2024 was boosted by tailwinds, namely the strong benefits of deflation in some components of our commodity basket and the pricing carry-over from 2023.

This strong gross margin expansion gave us flexibility to both, increase investment in our brands and expand underlying operating margin.
We increased brand and marketing investment by 120bps to 15.5% of turnover, an increase of 900 million Euros. All additional investment was concentrated in our top 30 brands behind a much more focused innovation programme. Our brand and marketing investment has been the highest percentage of turnover in over a decade with an increase of 250bps or 1.6 billion Euros over the last two years.

Overheads reduced by 10bps, as a result of tighter cost control and savings in the second half from the productivity programme.

The combination of strong gross margin expansion, lower overheads and substantially increased brand support results in underlying operating profit of €11.2 billion, up 12.6% versus the prior year. The underlying operating margin improved 170bps to 18.4%.

Underlying earnings per share were €2.98, up 14.7%.

Our operational performance, the combination of sales growth and strong margin expansion, contributed 15.6% to underlying EPS growth.

An increase in finance costs had an adverse effect of (1.4)%. As expected, higher interest rates impacted the cost of debt, while interest income and interest credit from pensions were slightly lower than in the prior year. Net finance costs as a percentage of average net debt were 2.5%. For 2025, we continue to expect net finance costs to be around 3% of average net debt.

Tax was a drag of 0.6% on underlying EPS, as our underlying effective tax rate slightly increased to 25.8%. This was driven primarily by increases in non-deductible interest and in withholding tax, which were largely offset by benefits from tax settlements and other one-off items. We expect our underlying tax rate to be at around 26% for full year 2025.

The impact of our share buyback programmes made a positive contribution of 1.0%.

Net profit from JVs and associates as well as others increased versus the prior year, while minority interest decreased. Together they contributed 0.8% to underlying EPS growth.

Negative currency effect in underlying EPS was the same as the one experienced at the turnover level at minus 0.7%.

Our free cash flow in the full year was €6.9 billion versus €7.1 billion in 2023, that included a tax refund of €400 million in India. Our average working capital remained strong at minus 9% of turnover in 2024. Cash conversion, which indicates our ability to convert profit into cash, was strong at 106%, above our long-term ambition of around 100%.

Keeping a robust balance sheet is a key feature of our value creation model. Closing net debt was €24.5 billion, up €900 million. At year-end, net debt to underlying EBITDA was 1.9 times versus 2.1 times in the previous year, and in line with our guidance of around 2 times.

The step-up in underlying operating profit was the prime driver behind a 190bps increase in underlying return on invested capital to 18.1%. We maintain our medium-term expectation of high teens underlying ROIC, which is a key building block of our multi-year value creation model.

We have allocated capital during 2024 in line with our priorities: growth, productivity, portfolio reshaping and capital returns to shareholders.

Investing for growth and productivity are critical to ensure sustainable long-term economics of our business. It's investing in our brands, investing in R&D and investing in capacity expansion and productivity. We stepped up brand support by €900 million in 2024, up 120bps in % of turnover. Capex increased by 13.6% to €1.9 billion, resulting in 3.2% of turnover, up 30bps vs 2023, as we invest more capex for margin expansion. Our 3-year guidance of average 1.2% restructuring spend remains unchanged for the period 2024 to 2026. Due to the acceleration of the productivity programme, we increased restructuring costs to 1.4% of turnover in 2024, and now expect a similar ratio for 2025.

Over time, we plan to allocate around €1.5 billion a year to optimise our portfolio, as we rotate into more premium segments. 2024 was a year, in which we did more portfolio pruning through disposals than additions through bolt-on acquisitions. We remain very disciplined and value-rational in our M&A activities. The bar is high for any additions to our portfolio, and transformational acquisitions remain off the table. I will cover the completed and announced transactions in more detail in a moment.

We also delivered €5.8 billion of capital returns to our shareholders in 2024, through cash dividends of €4.3 billion and a share buyback programme of €1.5 billion. Our Q2 interim dividend was increased by 3%. Reflecting the full year performance, the Board increased the Q4 interim dividend by 6.1% vs the prior year.

We continued to optimise our portfolio, allocating capital to premium segments through bolt-on acquisitions and divesting lower-growth businesses.

In February 2024, we acquired K18, a premium biotech hair care brand. In January 2025, Hindustan Unilever Limited signed an agreement to acquire the premium actives-led beauty brand, Minimalist. This marks another step in the transformation journey of our Beauty & Wellbeing portfolio towards fast growth, premium demand spaces in India.

We completed several disposals during the year. These included Elida Beauty, and the water purification businesses, Qinyuan Group and Pureit. In October, we completed the sale of our Russian subsidiary to Arnest Group.

In addition, we announced several disposals that we expect to complete during 2025, including the sale of the Foods brands Unox, Conimex and Zwan.

Turning to the outlook for 2025.

We expect underlying sales growth for full year 2025 to be within our multi-year range of 3% to 5%.

Market growth slowed throughout 2024. We anticipate a slower start to 2025 with subdued market growth in the near term. We expect the market and our growth to improve during the year as prices increase, reflecting higher commodity costs. We expect for the full year a more balanced contribution between volume and price.

We anticipate a modest improvement in underlying operating margin for the full year versus 18.4% in 2024. We expect this improvement to be realised in the second half given the very strong first half comparator of 19.6%, which benefitted strongly from carry-over pricing and input cost deflation.

As we said at our Investor Event last year, our goal is very simple: Deliver absolute profit growth in hard currency that is in line with companies that consistently feature in the top third of the peer group when it comes to total return. We made a step forward in 2024 by increasing underlying operating profit by 12.6% to €11.2bn. And we are determined to grow profit from here, in 2025 and beyond.

We will deliver capital returns in line with our capital allocation framework. This includes an attractive, sustainable dividend, based on paying out around 60% of underlying EPS and returning surplus cash via share buybacks. In that vein, we have announced a new share buyback of up to €1.5 billion, which will commence today, and complete in the first half of 2025, well ahead of the separation of Ice Cream.

With that, over to you, Hein.

Hein Schumacher

Thank you, Fernando.

In turning now to the priorities for this year and beyond, it is important to note that the process of transforming Unilever continues.

We are thinking about this under three broad headings:

- Number 1, implementing our new strategy – the *Growth Action Plan 2030.*

- Number 2, continuing the wide-ranging productivity programme we have embarked on, and – as part of that – delivering the savings we have promised.

- Number 3, completing the separation of the Ice Cream business by the end of the year.

Let me take each of these briefly in turn, starting with the Growth Action Plan 2030.

As a reminder, this is a comprehensive five-year strategic plan, encompassing:

- A refreshed purpose, anchored firmly back with the consumer. *To brighten everyday life for all.*

- An ambitious goal to be a best-in-class performer, founded on the twin objectives of ensuring our brands are unmissably superior and market-making.

- At its core, the Growth Action Plan 2030 rests on three key strategic pillars. Where we intend to focus. Where we want to excel. And where we need to accelerate.

- And underpinning all of this are two critical – and defining – platforms: sustainability and culture.

Even though this is a comprehensive strategic approach, its beauty – in many ways – is its simplicity. It draws on Unilever's inherent strengths, while at the same time building on the changes - and the progress - we have made over the last 18 months.

Since unveiling GAP 2030 towards the end of last year, we have been focussed on aligning the organisation behind the new strategy...but already we see the process of 'strategy into action' taking effect.

Under the Focus pillar, for example, we said we would:

- double down in India as one of our key markets;
- that we would look to accelerate our Beauty & Wellbeing business;
- and that we would commit capital in support of these and other priorities.

Well, these came together with the announcement last month that Hindustan Unilever had signed an agreement to acquire the premium beauty brand, Minimalist, which Fernando mentioned earlier. This is an acquisition that strengthens our position in a high growth premium demand space in a key market, and is one we are very excited about.

As we go through the year, we will share progress with you on each of the different elements of the GAP2030. Today, I want to say something specifically about our work on sustainability.

As you know, since last year we have focussed our agenda on four areas. Climate. Nature. Plastics. Livelihoods.

These are the areas that have the most direct impact on the business, but also the ones where we can use our scale and influence to have the greatest positive change.

The commitments we have made under each pillar are stretching, ambitious, timebound – <u>and</u>, importantly, transparent. And while the figures that we are sharing today are subject to final assurance – and will appear next month in our 2024 Annual Report – I wanted to give you an indication today of where we are on some of the anchor metrics supporting each pillar.

- On climate, for example, at 76%, we are on target when it comes to the reduction of Scope 1 and 2 emissions coming from our own operations. Up from 74% last year.

- On nature, we've exceeded our target for this year of 500,000 hectares of land benefitting from our regenerative agriculture and protect and restore practices. Up from around 300,000 last year and well on our way to 2 million hectares by 2030.

- On plastic, we are on track in the reduction of our virgin plastic used in our packaging, at 23%. And, again, good progress versus last year where we were at 21%.

- And, on livelihoods, and the new target of the proportion of procurement spend with suppliers committing to the Living Wage, we are ahead of plan, at 32%.

As I hope you can see, we are *as* committed to making progress in the area of sustainability as we are in any other part of the GAP2030.

We also know we cannot achieve these commitments alone, and that we can benefit from external views to make us better. As such, we have refreshed our Sustainability Advisory Council to ensure we have access to the very best people and to the most up-to-date and relevant sources of advice and counsel.

The second key priority in 2025 is the continuing implementation of our wide-ranging productivity programme.

The significance of this to the ongoing transformation of Unilever cannot be overstated.

When we launched the programme last March, we said we expected to deliver cost savings of €800 million over three years – more than enough to offset the operational dis-synergies from the separation of Ice Cream.

In doing that, we identified 7,500 roles that would be impacted. But by the end of 2024, the programme had led to a reduction of 4,300 full-time roles - and to in-year savings of close to 200 million Euros.

As I said earlier, this puts us ahead of the plan – so much so that we are now confident of completing the programme of 7,500 role reductions by the end of 2025. As a result, from 2026, we expect levels of restructuring spend to be substantially lower.

But the significance of the productivity programme goes beyond the savings it will generate. A leaner, more accountable organisation is also a key enabler in creating the kind of winning culture I spoke about earlier.

These are big but necessary changes. And we will continue to implement them, in 2025, with the combination of care, speed, and discipline that characterised our approach in 2024.

Let me turn now to the third key priority for 2025 – the separation of Ice Cream.

Again, we are well on track.

Today, we have set out the progress we are making towards the demerger of the business by the end of 2025. This includes the appointment of a highly experienced Chair Designate, Jean-Francois van Boxmeer.

Currently Chair of Vodafone, and previously CEO of Heineken, Jean-Francois brings vast knowledge of the consumer goods industry, as well as considerable experience as a non-executive. We are delighted he has agreed to take on this important role.

We are also announcing today the route to separation. Ice Cream will be separated by way of demerger, through listing of the business in Amsterdam, London and New York, the same three exchanges on which Unilever PLC shares are currently traded. Ice Cream will be incorporated in the Netherlands and will continue to be headquartered in Amsterdam.

This decision follows a full review by the Board of separation options, focused on maximising returns for shareholders, setting the Ice Cream business up for success, and ensuring execution certainty by the end of 2025.

We will give further updates on progress at Quarter 1, but are confident that - with the decisions we are announcing today - we remain firmly on track to complete separation by the end of the year.

Let me sum up before moving to questions.

We have made clear that our aim is to deliver higher performance on a consistent basis. One is no good without the other. We know that.

And we are not there yet. There is a lot to do.

But as our performance in 2024 suggests, we are on track.

As an operational intervention, the GAP *is* working for us. The quality of our execution is getting better and our grip on the organisation is getting tighter. We are moving with new levels of speed, clarity and precision to address areas of weakness, and to open up areas of opportunity.

The priority now, in 2025, is to give effect to the revised strategy, 'GAP 2030', and we look forward to sharing progress with you as we go through the year.

This is also a vital year in delivering the leaner, more accountable, more productive organisation – together with the stronger, better-positioned portfolio – on which our model depends.

We are resolutely focussed on delivering both of these in 2025, and – with a highly motivated Unilever team now fully in place – we are confident that we will.

On that note, thank you for listening. We look forward now to taking your questions.

Operator

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, press *2 to exit the queue. When it is your turn to ask a question, I will call out your name then please go ahead.

And finally, please keep your questions to a maximum of 2.

Jemma Spalton

Thank you very much. I see our first question on the line is from Warren at Barclays. Warren, please go ahead.

Warren Ackerman

Yes, good morning, Hein, Fernando, Jemma. Warren Ackerman here at Barclays. A couple of questions: can you just comment on category growth, please, and market share trends, and what you expect in 2025? It sounds like Q1 is a slower start. Can you maybe explain what is driving this more subdued Q1, and just to check in you're comfortable with 2025 organic growth consensus? That's the first one. The second one is, again, maybe moving to margins: can you perhaps comment on the margin phasing of gross margin and the underlying trading profits margin? Can you confirm, for example, that gross margins will up for the year, and perhaps give us some help on what you expect on COGS inflation, cost savings, and perhaps brand and marketing in 2025 from that slightly higher base — I think 15.5%. Thank you.

Hein Schumacher

Thank you, Warren. Let me take the questions one by one. There were quite a few, and I will hand over to Fernando to fill in the missing parts. I think first of all on market growth, as we said, we pointed to slower growth. We did see slower growth in Q4, and we see that continuing overall in Q1. Now, there are differences, though, per category, as you say. So, first of all, Beauty & Wellbeing and Personal Care continue to see market growth that is sort of close to mid-single digits — slightly below — but decent growth in Europe as well as in the US. Of course, these are important markets for us. We showed, therefore, some good growth in these different markets in Q4, and we have a plan to continue that streak going forward. We do see softer growth in Home Care — that was mainly on the back of lower pricing in Q4, and that is also something that we see continuing. Nutrition also was somewhat subdued. Ice Cream as well, and that is mainly because of some sharp increases in commodity costs in Ice Cream, and that put pressure overall on volume. So that gives probably some colour on the different categories. We do see it back-weighted, though, as we said, in terms of our growth, and that's primarily because, as I said, some of the commodity costs are increasing, and, if we start to price that usually comes with a bit of a time lag, so there will be room for pricing throughout the year. We will obviously will be taking the necessary actions there, and we will execute overall on the Growth Action Plan. Our shares are certainly not dipping; we remain very competitive. In fact, we see opportunity to grow ahead of the market, which you may recognise from the Q4 numbers, and that is of course our ambition going forward as well. If you look at the margin and the phasing, look, as we said, our key goal was to get to a gross margin above pre-Covid levels, and, initially, we said we were going to do that by the end of 2025, 2026 or so. We pulled that forward. We are there now at a margin of overall 25%, and that is what we consider a new base. I wouldn't guide specifically to a gross margin per quarter but I would say that 45% level is a level that we feel comfortable with from where to grow. There I want to point to a few very clear parts of our Growth Action Plan. Number one: Net productivity. Yes, we realise net productivity in terms of cost per tonne in 2024 and will realise net productivity in 2025. Pricing will be important, but that will come in the course of the year. Then, of course, there is the drive towards some more premiumised portfolios, so the volume-in-the-mix effect should kick in as well, but these things are not going to come very fast — you know, that is something that builds over time. When it comes to BMI, we didn't guide on BMI. I've never done that as the perfect percentage of 15.5%. We feel that's a lot more competitive than where we were. With the overall growth of the top line, and, you know, sort of staying around that number, it is probably right. It makes us very competitive, but, when we feel that we need to invest, you know, to accelerate growth, like, for example, we did in the fourth quarter behind our Personal Care products in the US, where we really increased competitiveness, we see good growth in hard currency. You know, that's the kind of stuff that we like. So, there is a bit of a market slowdown across the globe — we see that in most markets — but we are battling that through improved competitiveness, driving the Growth Action Plan with determination around the things that we can control — net productivity, a very clear story, we will continue that next year — and the gross margin of 45% for us. We are happy with that accomplishment, but we need to take it from there and continue to improve. Fernando.

Fernando Fernandez

Yes. Good morning, Warren. I believe that what I would add is basically we've seen some return of inflation to our basket of commodities. It is not a general increase, it is really concentrated in a few families of materials. I would call three of them: palm oil and surfactants that are affected, and HBC liquids, cocoa with a significant impact in Ice Cream, and that affects our Indian business, you know? It is very difficult with the start-stop of tariffs and the significant moderating currencies to predict the material inflation, with the current information we have now, we see inflation around 0.7 billion, which half is currency related. This will drive some acceleration of pricing, hence our guidance of more balance between volume and pricing, and we expect that pricing to materialise from Q2 onwards.

Jemma Spalton

Thank you. Our next question comes from Celine at JP Morgan. Go ahead, Celine.

Celine Pannuti

Thank you, Jemma. Good morning, everyone. My enquires question is on what you said you can control in the market that is slowing. You are talking about the balance of volume and pricing. So, I understand the pricing accelerates through the year. I would like to understand, on volume, what ability you have of achieving, I don't know, a number which I presume would be around the 2% mark? If you could talk about innovation, launches, market share — what is it that makes you confident that you can stay at this level, despite potentially pricing as well eating on elasticity? My second question is on Europe. Last year, you said that 70 & of your market share gap was due to Europe. Can you talk about your performance in that region, and how you see 2025? Thank you.

Hein Schumacher

Thank you. Very clear: let me first talk about volume and pricing. I mean, look, first of all, in the second half of 2024, we actually stepped up on volume-led growth, so we realised 3.2% volume UVG, and at 1.1% UPG, and, in the fourth quarter, we continued to be volume-led. That was very broad across all of the Business Groups. This was so important when we laid out the Growth Action Plan, that we wanted to become that company where we would restore a healthy balance between volume and mix, and price, and I think, you know, we are sort of demonstrating that. But, of course, going forward, you've indicated around 2%, we believe that 2025, with the spikes on commodity that Fernando talked about, will be a bit more balanced between volume and price, but we remain laser-focused on continuing that volume and mix growth. So, look, I mean, if you look at the trend, the Q3, Q4, and then going forward, what do we do? Innovations, fewer, bigger, better. We saw already big progress in 2024 on that, but, in 2025, we have again identified around 12 big bets that we are going after. This one should all become €100 million platform for us. I think we indicated a few in the video — think of Wonder Wash, for example, is one of them; think of Gluta-Hya, which is continuing, and so forth, and we will continue to invest behind those. If you think of Europe, look, we have indeed improved market shares in Europe quite considerably, mainly behind Home Care. That was a true trend change. We also improved and increased market share and leadership in Personal Care. We're very positive about the developments in deodorants in Europe. The Dove brand has shown very solid growth. Europe is around 18% of our turnover. We've said, from the very beginning, because it's important, we want to make sure that we are also competitive in Europe, and we are determined, again on the back of innovation, and the European consumer is actually responding to that, to continue to grow our volumes there. So, Europe is certainly not a part of the world in which we are actually negative about. We will continue to invest behind it and improve on margins. The last word, yes, I think on volumes, as said, price will probably mount — volume versus price. We do see price developing in 2025 but more back-weighted. Pricing takes a bit of time. We are implementing that. We are also talking at this moment in time, it's the beginning of the year, you talk to retailers, you're doing all the actions, we expect that to follow from Q2 onwards, and that will of course contribute to overall top-line growth.

Jemma Spalton

The next question comes from Jeff at BNP. Go ahead, Jeff.

Jeff Stent

Good morning, everyone. Two questions, if I may: the first question is, excluding Ice Cream, would you expect the business to achieve 4% to 6% growth this year, i.e. in line with the mid-term guidance? And, secondly, with respect to the three exchanges where the Ice Cream business will be listed, will one of these be sort of primary listing, i.e. you know, most of the trading will happen on one venue, and, if that is right, where will that be? Thank you.

Hein Schumacher

Thank you, Jeff. When it comes to the guidance, look, what we've said is that, after the merger of Ice Cream, we have guided towards the 4% to 6% growth. That is still what we are shooting for. We said, look, there is a bit of impact on Ice Cream, but we also said that, by then, the Growth Action Plan would be in place for a considerable amount of time. We've been able to get our investments behind the core brands really right, and innovations in the platforms that I talked about should mature before that time, and leading to that growth. So I would rather stick to the guidance of the 3% to 5% that we are looking for this year, and then relook at that after the merger of Ice Cream. When it comes to the three exchanges, look, the country of incorporation is the Netherlands, and that means that, in your words, Amsterdam, or Euronext would be a primary listing location with our listings in London and New York, and that is of course to mitigate any technical flowback.

Jemma Spalton

Thank you very much. The next question comes from Olivier at Goldman Sachs. Go ahead.

Olivier Nicolai

Good morning, Hein, Fernando, and Jemma. Two questions, please: could you give us a bit more detail on COGS inflation? You mentioned cocoa and dairy inflation, but obviously that relates to the Ice Cream business only. What is the outlook for the rest of the community basket which would be the four divisions left? Then, on LiquidIV, I mean, growth has been phenomenal. You've boosted production in the US due to strong demand. You had some capacity constraint which was preventing you from growing as much as you wanted, and how much white space do you see for the brand globally? Thank you.

Hein Schumacher

Thanks, Olivier. I will pass the question of inflation and COGS on to Fernando. Just a few words on LiquidIV. LiquidIV is, we believe, the number-one powdered hydration brand in the US. It has gone through very steep growth. It is about seven times larger than when we acquired it, and, we have expanded it into seven other markets than the US alone. Throughout the year 2024, we started — I mean, obviously, we need to expand on capacity which we've done in-house. We are also working with others. It may have been a few weeks, or whatever, that we may have had some disruptions of not being able to fully to meet demand, but I would say that is resolved, and we are confident that we can service our service our customers to the appropriate levels. We are obviously very excited about LiquidIV, the expansion to the other markets. It is not to the extent that it is in the US because it's a habit-change for consumers, but we see lots of opportunity for growth still even in the US in itself, so we remain very bullish behind LiquidIV, and we will continue to invest levels on or above the company average of BMI of 15.5%.

Fernando Fernandez

Phenomenal growth in Liquid IV, and I would highlight also our launch has been the most successful launch for the year in Unilever. In COGS, I mentioned that the inflation, the impact of inflation is 8 billion with the information we have today, and it is very concentrated. As I mentioned, palm oil and surfactants are part of liquids in Beauty, Personal Care, and Home Care. This is around 55% of inflation, and 25% of the total inflation is around cocoa, chocolate, which is fundamentally used in Ice Cream.

These other categories are more affected. Of course, in percentage terms, the impact in Ice Cream is significantly higher than the other categories due to the cocoa and chocolate effect.

Jemma Spalton

Next question from Guillaume at UBS.

Guillaume Delmas

Good morning, all. I've got one point of clarification, and one question. In terms of the product clarification: Hein, when you talk about a slower start to the year, just to be clear: are you effectively guiding for a sequential slowdown in Q1 relative to the 4% achieved in Q4, or not necessarily? And, likewise, on margins: does your guidance of modest margin expansion with the improvement of realising the second half effectively mean your margins should be expected to be down in the first half of the year? And, also, on the margin front, does your guidance bake in a benefit, a potential benefit, from having Ice Cream as discontinued operations from Q4? And then my question is on North America, because that is the second consecutive quarter of the region group by 7% with volumes in excess of 6%. Could you maybe shed some light on this very strong volume performance, both in terms of categories, but also where you are seeing the biggest share gains, and I guess, looking ahead, how sustainable is that strong mid-single digit underlying sales growth performance? Thank you very much.

Hein Schumacher

Thank you, Guillaume. On the guidance that we've given, first of all, we are looking for the full year to remain within the guidance, and we are confident about that. We have indicated an overall slower start of the year. Let me just elaborate a little bit on that. You know, market growth, as I said, slowed down a bit in Q4 and we see that also in Q1. I talked about pricing. That will take a bit of time before that fully takes effect. And there will be, as a result of commodity spikes, and so forth, there will be some volume instability overall. With all that said, we are continuing behind our Growth Action Plan and the actions we take. We are not going to deviate from that trajectory, but we do guide sequential slowdown, so, yes, 4% in Q4, and that means slowdown in Q1, and then we expect it to ramp up during the year. When it comes to the margin, we are not guiding margins for the quarter or for the first half of the year as such, but we do say 45% gross margin is a good base, that's where we want it to be, it came earlier than what we said. The second thing that we said was we are ahead in our overall restructuring, or the productivity exercise with already 4,300 full-time roles less in the company. We expect that full productivity programme to end by the end of 2025, which is well ahead of expectations by almost a year. When it comes to restructuring spend, for example, we have spent 1.4% of turnover in 2025. We expect a similar percentage — sorry, 2024. We expect a similar percentage in 2025, but we still aim for 1.2% over a course average on three years, and that means significantly reduce spend in 2026, so I think that gives some colour on where we are. We are here to make sure that we fulfil commitments on the medium-term basis, and also on the full-year basis, but there may be some sequential slowdown from Q4 to Q1 as we mentioned in the very beginning.

<u>Fernando Fernandez</u>

Yes, North America, you know, two quarters at 7% with volume up 6%. You know, we believe this reflects the fundamental transformation of our portfolio in the region. We delivered an important role for businesses like Wellbeing that is growing. Prestige also has a role in the region. I feel good news also for the development of Personal Care in 2024. We have been increasing performance, and it has been a contributor to growth in Q4. So, fundamentally, you know, we believe that our business in North America is a very different business to the one we had a few years ago, and with much more underlying growth potential, so good performance in a business that is of much better quality.

Hein Schumacher

I agree with that. Before we go to the next question, there was one other question on Ice Cream which I wanted to mention. So, in the guidance that we have given, Ice Cream is fully part of the Group for 2025. What we've said before is once Ice Cream is demerged, it will have a technical effect on margins overall of around 90 basis points, but that is not included in our guidance remarks we are making today, so guidance remarks simply include Ice Cream for the year.

Jemma Spalton

Next question from Jeremy at HSBC. Go ahead.

Jeremy Fialko

Good morning. A couple of questions from me. First of all, on some of these competitive metrics that I know we've had in previous courses, can you give me detail where you think the Unilever grew versus its markets in kind of 2024, and perhaps in the more recent period, and then also some colour on what your market share sales gaining or losing market share is? The second question is on your China business. Obviously, you put the slide up about some of the changes that you're making there. Perhaps you could talk more about your portfolio in China, and the competition in that market, so, are there areas that you've seen become dramatically more competitive, where you think you might have to withdraw or deprioritise, or even divest certain parts of your business in that market? Thanks.

Hein Schumacher

Thanks a lot, Jeremy. A few points on competitiveness. Look, what we've said, I'm taking you back to the beginning of 2024 because it is important to talk about what did we say and what did we do. We expected turnover weighted market shares to improve in the second half of 2024 and that is exactly what we have seen. We have seen improved shares, particularly over the last six months, and we believe that, in the last quarter, we are certainly back at a fairly neutral market share situation. That means no gain, no loss on the universe that we measure. That's only about two thirds of the total business. One third of our business is not measured in that sense, so think about our Wellbeing business, think about our Prestige business, think about our out-of-home Ice Cream business, or our Food Solutions business, and we believe that these businesses, with some alternative calculations that we have made, we are in market share gain position. I think, if you look at our reported numbers, versus peers and versus market, I think that is a good evidence of that, and we expect that for 2025 to continue on the back of once again clear plans in the Growth Action Plan, a significant step up on BMI to the 15.5% level. Maybe just to highlight, if you take that 15.5% level, that means an increase in 2024 of 900 million, then that comes on the back of a 600 million increase that we did in the second half of 2023, so around €1.5 billion euros step-up in support to our brands, fewer and bigger and better innovations, and that is the trajectory we will continue to work on. So where is competitiveness better? I can give you some geographical colour here. As I said before, on the question, we believe Europe was actually stronger for us. Good and positive developments — Home Care particularly, and also Personal Care. US, in Personal Care, positive developments, and positive market share developments. I mean, that means gaining in our Foods business, in Condiments as well as in Cooking Aids, and I would talk similarly about Latin America. Where do we see softness? We see softness in China because of the reset we're doing, and also the consumer shift to channels which we don't have fair share, and that includes, for example, the Doyen channel. We see softness in Indonesia where we are making a significant reset. Overall, India I would qualify as relatively neutral. I would like to leave it there, but that probably gives you a feel. Zooming in on China, I talked about Doyen. Our portfolio is quite concentrated in China. We have a Beauty and Hair Care, important brands around Clear, and then of course Home Care with the Omo fabric-cleaning proposition and Food Solutions. I think it's a concentrated portfolio. We feel good about those. Those are strong brands. We have good innovation plans behind them. We are making the necessary but also profitable inroads, and you will see the positive effect of that in the second half of 2025 on a comparable basis.

Jemma Spalton

The next questions comes from Victor. Go ahead.

Victor Ma

Hi, good morning. This is Victor. Thanks for the question. I want to ask about US Personal Care, specifically deodorants. It seems trends are improving. They haven't talked about challenges here, demerging the ... segment in the US. Can you tell how that has improved? Maybe what you did behind brands like Dove to address this, and the consumer attraction behind new innovation. My other question given egg prices are more than 100% higher this year, how much of the 0.8 billion commodity inflation outlook is this? How do you see the effects of higher costs impacting into P&L, specifically like in ... . Thanks.

Hein Schumacher

Just a few remarks on the US, on the PC business, and then Fernando will take some remarks on inflation. So, you know, on deodorants, as well as on skin cleansing, by the way, so it's on both, we've seen positive developments. On the innovations that are playing a role are whole-body deodorants. It's only an early introduction, but we believe we have a very exciting portfolio going forward as well as strong market activation on that one. On skin cleansing, you know, it's the serum collection of body washes behind Dove. It's really a much more premium product, really off to a great start, so we are very excited about that, and it really hits it home. It is behind a big Power Brand, more premium product, great product superiority, but also I think the execution that we did entirely through social and digital, you know, we are very positive about that, so, you know, we are seeing improved momentum in the US business MPC and expect that to continue. When it comes to inflation, particularly in the US, Fernando.

Fernando Fernandez

Yes, our plan is to protect the P&L shape, and we are committed to continue to invest in our brands which requires pricing to offset commodity inflation. We will do that. Of course, there is always a lag between the hit of the material inflation and the time at which you really learn the pricing in the market, but we are committed to really protecting the entirety of the P&L shape.

Jemma Spalton

Thank you. Our final question comes from Tom Sykes at Deutsche Bank.

Tom Sykes

Thank you, good morning. Trying to square the guidance a little bit more, and the shape of the year, in that you are seeing a slowdown before you're putting pricing through, and then you're saying that growth will improve as you put pricing in. I mean, when you think about the volume mix, are you also assuming or budgeting for volume mix to improve in the second half of the year, even though you're pushing pricing through? I suppose, therefore, what are the particular drags on volume mix that you expect to annualise out? Then just following up on the US growth, and I suppose, slightly more widely, but you've got this project Sky which you piloted with Wal-Mart Mexico, and I believe that might be going into Wal-Mart US this year. Where you are putting that system in, is there a sell-in that is slightly greater before you go live with that, and is that at all contributing to the strong performance in North America, and what improvements from rolling out that system do you think you will get in 2025, please?

Hein Schumacher

Thanks, Tom. I mean, on the Guidance, let me just make a few overall remarks on volume, and on pricing. I may be a bit repetitive here, and then Fernando can give some more colour, and I will come back on you then on the customer question. First of all, as we said, you're right, and I'm being a bit repetitive here, but what we are seeing is that pricing indeed will come, but it will come with some lag in the second quarter and beyond. We will see some volume mix volatility in the first quarter probably as well. But, overall, don't forget, we have a few areas that we have already hinted to that we are repairing and resetting, so think of China and Indonesia, where we expect overall positive results year on year in the back half of 2025. That will contribute to a better UVG at that moment, and, yes, in those quarters. We will continue with the strategy that we talked about in the US and in Europe, also on the first quarter, so there will be no change to that, but pricing will very likely evolve. Then, when it comes to timing issues, such as, look, you know, it's a whole myriad of things, whether it's timing of the Chinese New Year, timing of Easter, trading days. We are seeing a high-interest environment in Latin America, you know, leading retailers to deplete their socks to a greater extent. You know, there is a lot going on in the world, and I would say it all has some effect on the volatility on volumes in the first quarter, but, again, we are navigating through that, putting the necessary actions in place, and pricing that will evolve in the course of the year. We want to be realistic on the slope of the business and how it will develop. Your question on the Sky programme, yes, we are very positive about that, and I think this is really part of digitalising the company more. Using AI, it's one of our bigger bets with AI to significantly improve planning and forecasting overall. We've talked about that. We are rolling this out with many customers around the world. I can't give you a precise number, but it's basically in Europe as well as in the US, and we are getting, yes, we are getting very enthusiastic responses, and seeing a clear uptick in service as well as forecasting precisely. Yes, we are very positive about that, and we will continue to roll forward.

Fernando Fernandez

Without having that discourse in our advantage, the way that key retailers measure different players in the industry, we have seen a big improvement in the discourse of Unilever and in the relative position of the company.

Hein Schumacher

Yes. I think one of the best ones we've seen at least in more than a decade, and we are very positive about that, and execution is at the heart of our Growth Action Plan. So, if I wrap it up, in summary, 2024 has been a year of improved performance. We said it in the video, and it reflects therefore a year of a lot of activity, but we want to make sure that whatever we say, we do, and I think you got that sense in 2024, and that is also our mantra going forward. For us, it is all about delivering higher performance on a consistent basis having a multi-year programme in mind. We believe that the Growth Action Plan is working for us. We see it in competitiveness, we see it in cost control, we see it in driving innovation and mix. The quality of execution is getting better, and we believe the grip on the company is getting tighter, and therefore we are determined to move with new levels of speed and clarity and precision to address the weaknesses that are there, but also to open up great opportunities. So, we believe we are in a better position today than where we were a year ago and we are confident of delivering ambitions in 2025 and the years ahead. Thank you very much for joining on this call, and obviously we are very much looking forward to speaking to you in person in the next couple of days, or in the next couple of weeks. Thank you.