

# Accelerating sustainable shareholder value creation

Paul Polman / Graeme Pitkethly

6<sup>th</sup> April 2017



Unilever®



# SAFE HARBOUR STATEMENT

This announcement contains forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995, including statements related to underlying sales growth, underlying operating margin, the benefits of corporate restructuring, restructuring costs, expected dividend increases, our cash conversion ratio and share buy-back. Words such as 'will', 'aim', 'expects', 'anticipates', 'intends', 'looks', 'believes', 'vision', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Unilever Group (the 'Group'). They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: Unilever's global brands not meeting consumer preferences; Unilever's ability to innovate and remain competitive; Unilever's investment choices in its portfolio management; inability to find sustainable solutions to support long-term growth; customer relationships; the recruitment and retention of talented employees; disruptions in our supply chain; the cost of raw materials and commodities; the production of safe and high quality products; secure and reliable IT infrastructure; successful execution of acquisitions, divestitures and business transformation projects; economic and political risks and natural disasters; the effect of climate change on Unilever's business; financial risks; failure to meet high and ethical standards; and managing regulatory, tax and legal matters.

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Paul Polman



# Accelerating sustainable shareholder value

Committed to our long-term compounding growth model

Opportunities to go further and faster:

**20% underlying operating margin\* by 2020**

- Accelerate Connected 4 Growth
- Combine Foods & Refreshment

**Accelerated portfolio evolution**

- Exit Spreads
- Simplify legal structure

**Increased leverage & returns**

- Net debt/EBITDA target of 2x
- Share buyback of €5 bn in 2017
- Raising dividend by 12%

\*excludes restructuring

# A simple, long-term growth model

- ❑ Consistent growth
- ❑ Competitive growth
- ❑ Profitable growth
- ❑ Responsible growth



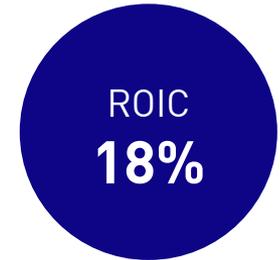
2009-2016



2009-2016



2009-2016



2016

**Compounding returns on investment**

# Sustainable competitive advantages

## Brands with purpose



## Global scale

2.5 billion consumers

85% of country category cells  
No. 1 or No. 2

85%

#1 or #2  
positions

60%

#1  
positions

40%

Relative market  
share > 1.5x

## Emerging market footprint

57% of our sales



**More people in middle income**  
Increased consumption



**More people in EM cities**  
More kitchens & bathrooms



**More women in the workforce**  
More PC, meal kits & laundry

**Broad and deep distribution**

# A fast-changing world

Consumers 

More global  
and more local



*Come in* We're  
**LOCAL!**

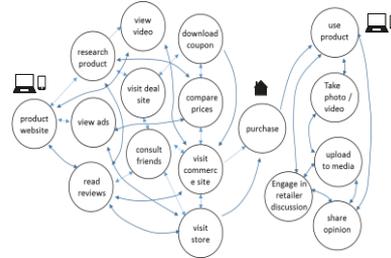
Channels 

Less reliance  
on Big Box



Media 

Radically different  
path to purchase



Competitors 

Disruptive  
new models

**FRONERI**

**KraftHeinz**

**PATANJALI**

**graze**  
nature delivered

**Benchmarks are being re-set**

# Connected 4 Growth lands at just the right time

**Country Category  
Business Teams (CCBTs)**

**One marketing team**

**Innovation  
global & local**

**ZBB approach**

Increased category  
focus at a local level

Faster flow of local  
insights

Faster and more  
on-trend

Disruptive thinking  
on costs

**The foundation for faster change and greater category differentiation**

# C4G: Innovations landing faster to market

Faster global roll outs,  
to more markets

Rexona Anti-Bac



Omo global re-launch



Faster  
local launches

Flexi-packs in Latin America



Hellmann's BBQ sauce range



Faster response to  
consumer & channel needs

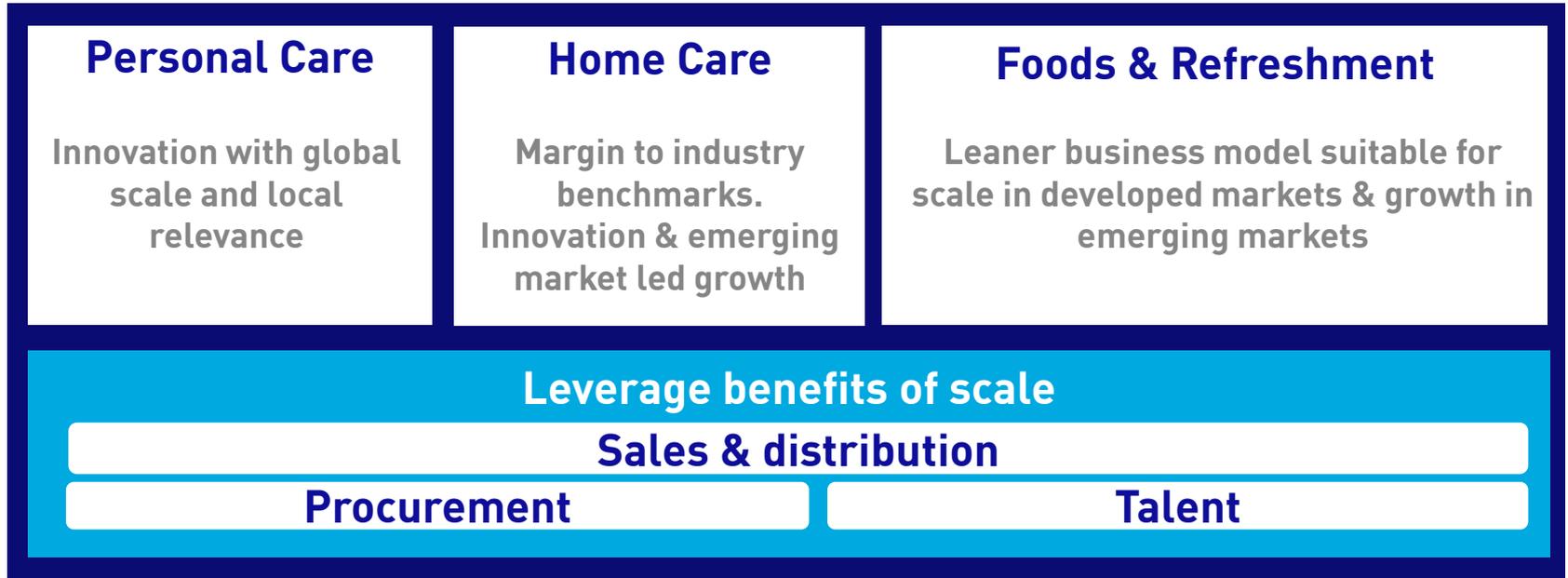
Ayurvedic trend in India



Sunsilk hijab recharge



# Greater differentiation now possible in our model



**Growth opportunity across all three categories**

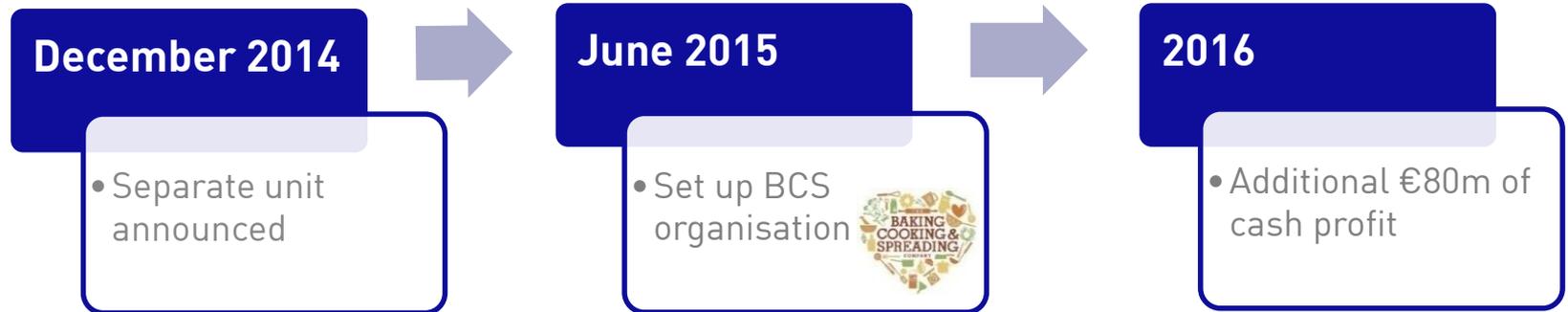
**Differentiated drivers of margin progression**

# Foods & Refreshment: Leaner business model



# More dynamic management of our portfolio

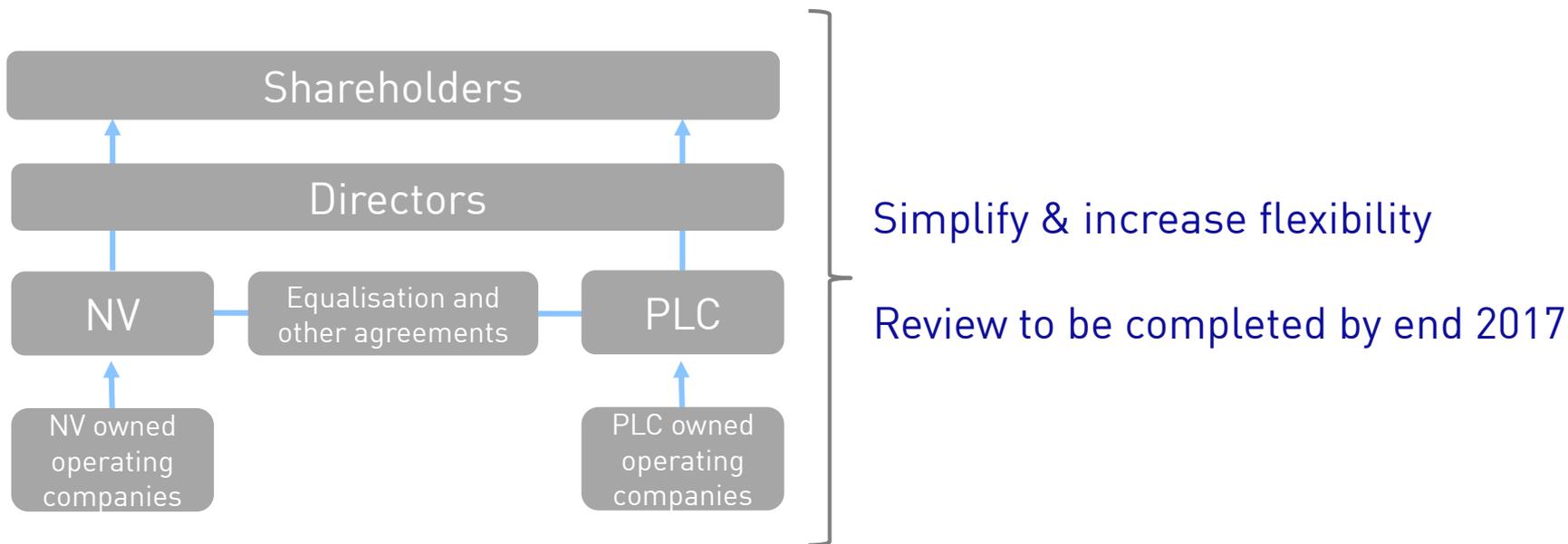
- Continue to pursue bolt-on M&A to reshape
- Sale or de-merger of Spreads



- Board review has concluded that Spreads now better outside Unilever
- €3 billion of Unilever turnover (includes BCS & rest of world Spreads)

# Review of our legal structure

Creating greater optionality for future, strategic portfolio change

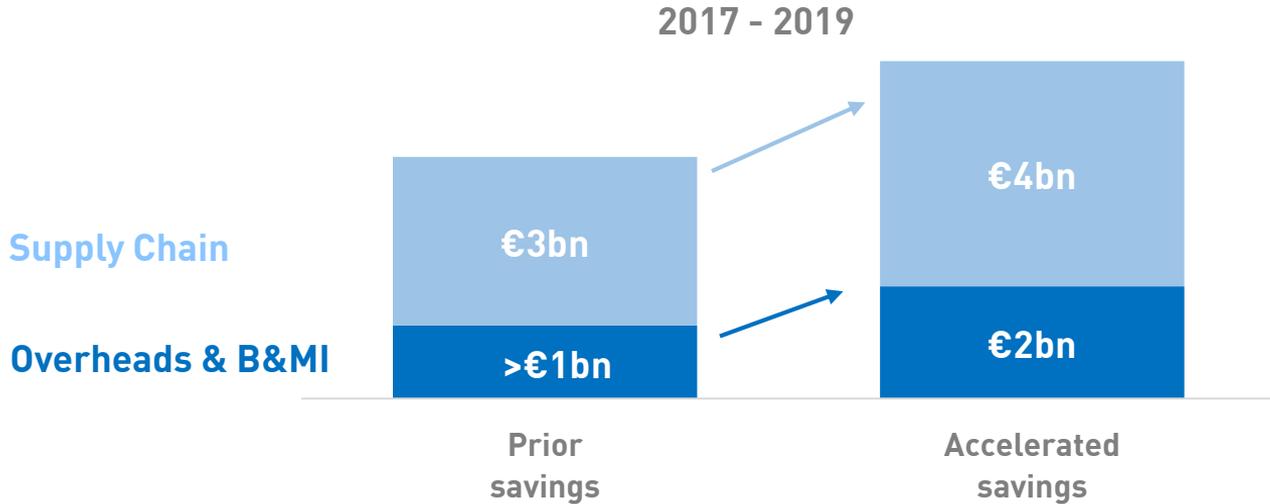


Graeme Pitkethly



# Accelerated savings programmes

Cumulative savings increased from €4bn to €6bn by 2019

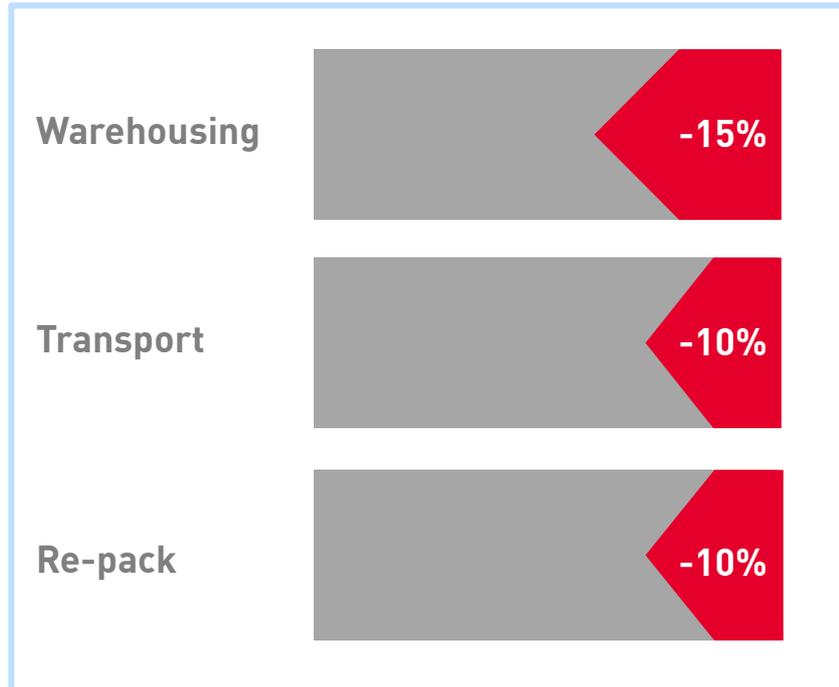


€3.5 billion of restructuring in 2017 - 2019



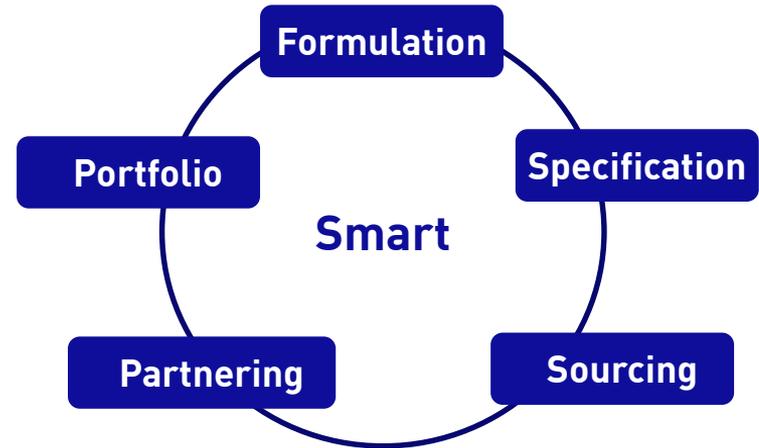
# Step-up in Supply Chain savings - examples

## ZBB driving Logistics savings



## 5-S savings programme

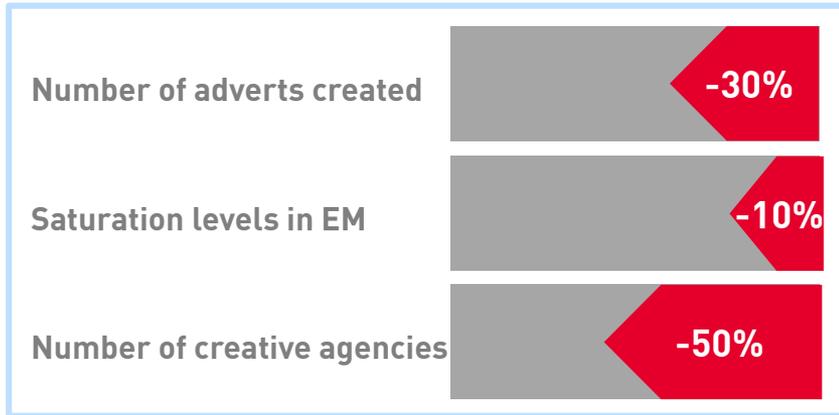
Holistic gross margin programme applied successfully in Home Care, now rolling out



# Brand & Marketing efficiencies & Overheads savings

For Example:

## B&MI: Efficiency drivers

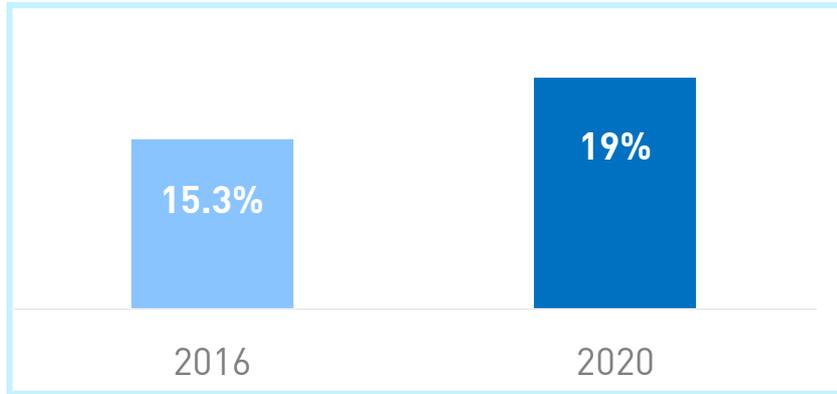


## Overheads: Savings drivers

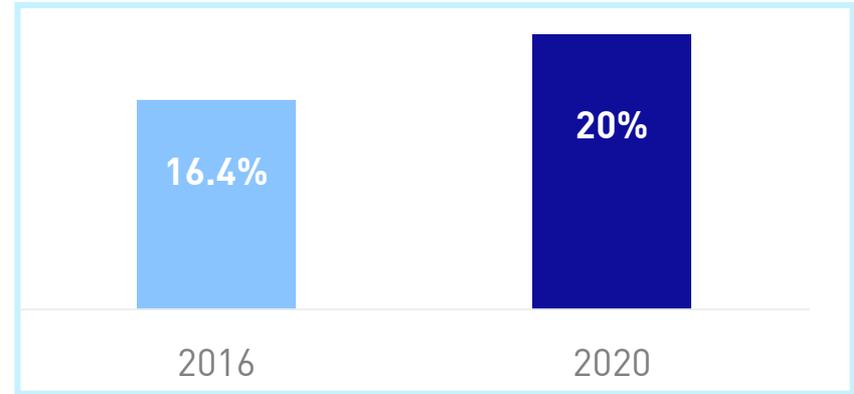


# Underlying operating margin to 20% in 2020

**Core Operating Margin  
(includes restructuring costs)**



**Underlying Operating Margin  
(excludes restructuring costs)**



From H1 2017 transparent reporting of:

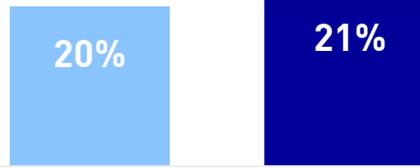
- Restructuring costs
- GAAP Operating Margin
- Underlying Operating Margin (before restructuring and other significant one-offs)

# Differentiated levers of margin improvement

## Personal Care

Underlying Operating Margin

**+100bps**



2016

2020

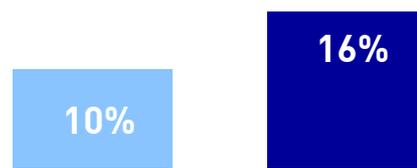
### Continued steady improvement

- Driving Gross Margin through premiumisation
- ZBB re-invested for Growth

## Home Care

Underlying Operating Margin

**+600bps**



2016

2020

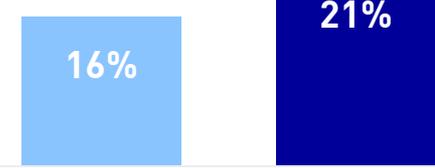
### Reach industry level profitability

- Step change cost base through '5S
- Driving Gross Margin through benefit-led innovation

## Food & Refreshment

Underlying Operating Margin

**+500bps**



2016

2020

### Re-designing the cost base

- From 'one size fits all' to an organisation and cost-base designed for Foods

# Leverage and cash returns

## Priorities:

### Re-investing in our business

- Investment in brands and capital expenditure (18% ROIC)
- Bolt-on M&A (€1-3bn per annum)
- Category strategies determine resource allocation

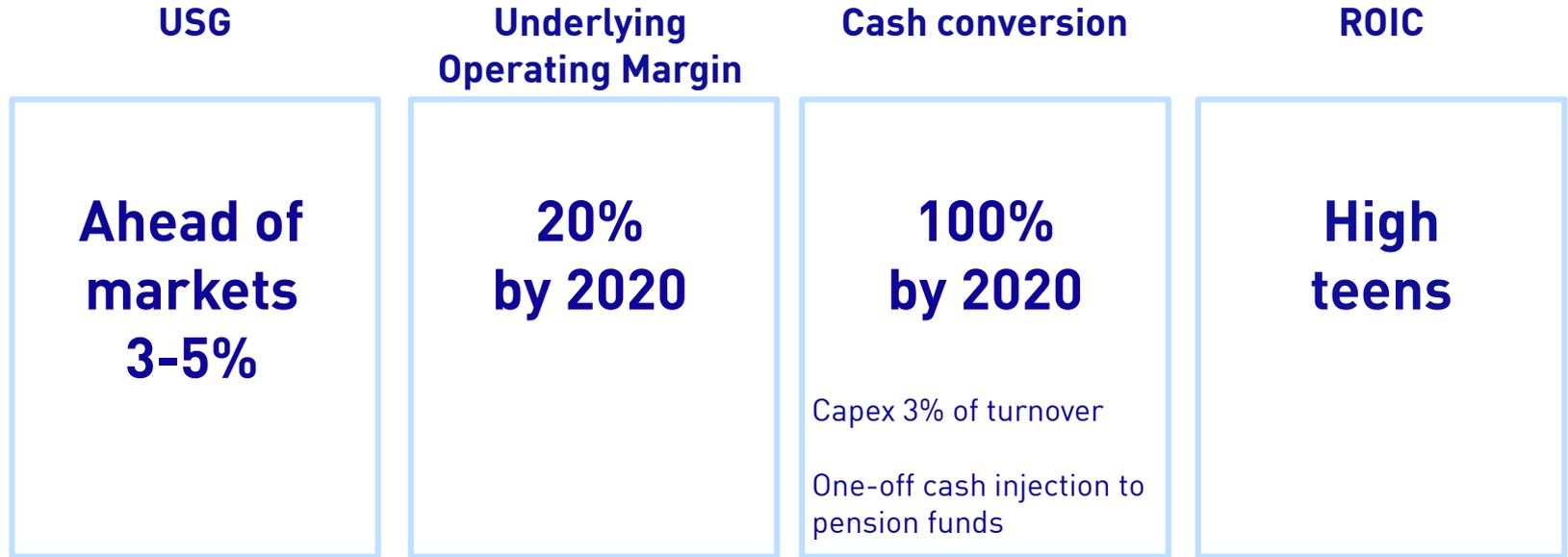
### Access to debt capital markets

- Targeted leverage level: net debt / EBITDA of 2X
- Strong credit rating
- Strategic flexibility and full access to commercial paper

### Rewards for shareholders

- Attractive, growing and sustainable dividend
- Initial €5bn share buyback in 2017
- Further returns to maintain leverage

# New financial targets



USG 3-5% based on current market conditions

Cash conversion defined as Free Cash Flow as a % of Net Profit before profits & losses on disposals

ROIC defined as Underlying Operating Profit after tax / Average (PPE + Working Capital+ Assets held for sale + Goodwill + Software)

Paul Polman



# Personal Care: A growth strategy

## Grow the core

### Global



### Local



## High-growth segments

### Naturals



### Muslims



### Male grooming



## Build premium

### Premium ranges



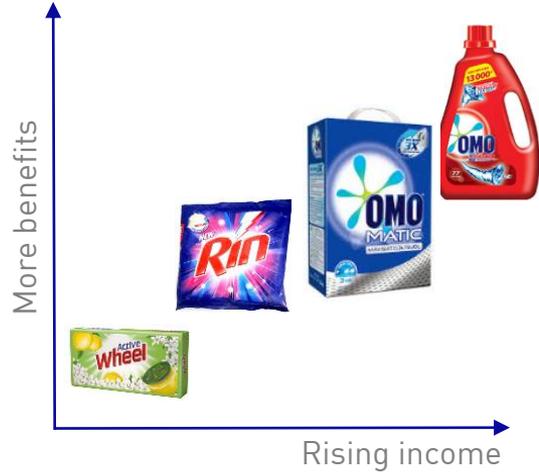
### Prestige

Kate Somerville  
REN Skin Health Experts  
Murad  
Living proof.  
**dermalogica**<sup>®</sup>

# Home Care: A growth strategy

## Grow the core

### Market development



## Innovation with benefits

### Stain removers & pre-treaters



### Concentrated



### Sensorial



## Emerging Needs

### Naturals



### Sensitive



### Health & hygiene



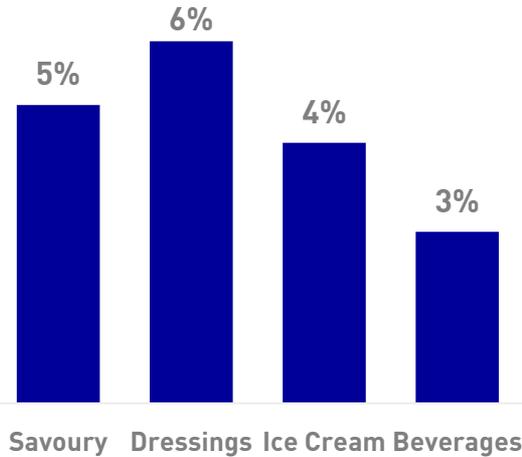
### Water scarcity



# Foods & Refreshment: A growth strategy

## Grow the core

2016 Underlying Sales Growth



## Accelerate emerging markets

### Nutrition



### Time-saving



### Iconic local jewels

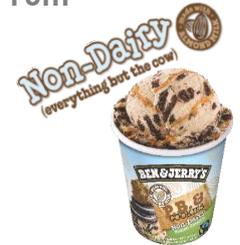


## Modernise the portfolio

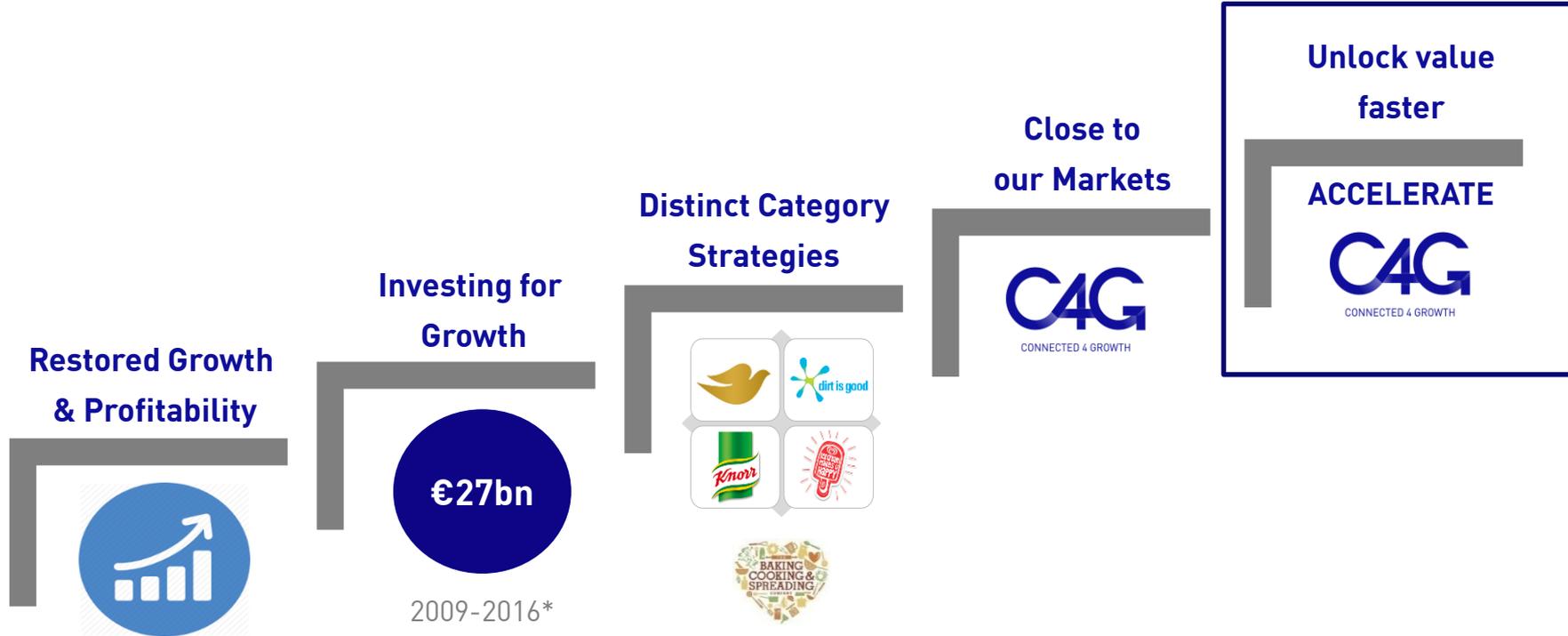
### Naturals



### Free-From



# Making Unilever a stronger company



**Sustainable Living: more growth, lower costs, less risk, more trust**

\*Investment in B&MI, CAPEX and M&A

# Outlook for 2017

- **Full year Underlying Sales Growth of 3-5% despite challenges in some markets**
- **Underlying Operating Margin improvement (before restructuring) of at least 80bps**
- **Raising dividend by 12% reflecting increased confidence in the outlook**

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