

# Unilever - CAGNY

Graeme Pitkethly / Richard Williams

22<sup>nd</sup> February 2018





# Richard Williams



# 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. 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.

These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Further details of potential risks and uncertainties affecting the Group are described in the Group's filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including in the Annual Report on Form 20-F 2016 and the Unilever Annual Report and Accounts 2016.

# Enduring strengths



Unilever®

## **BRANDS**

Purpose-led global + local brands: 85% of turnover from #1 or #2 positions

## **GEOGRAPHIC PRESENCE**

Available in 190 countries. 58% of turnover in Emerging Markets

## **DISTRIBUTION**

2.5 billion consumers through 30 million outlets. Broad channel expertise

## **MANAGEMENT**

80% of leaders are local. #1 FMCG employer in 44 countries

# Our investment case



Unilever®

## Enduring strengths

**BRANDS**

**GEOGRAPHIC  
PRESENCE**

**DISTRIBUTION**

**MANAGEMENT**

## Value creation

**GROWTH:** Ahead of markets, Underlying Sales Growth 3-5%

**MARGIN:** 20% Underlying Operating Margin by 2020

**CASH:** 100% Free Cash Flow conversion

**RETURNS:** High-teens ROIC, growing dividends

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

# 2017: Good all-round performance

## Growth

Underlying Sales Growth  
excl. spreads

**+3.5%**

**+1.0%**

Underlying Volume Growth  
excl. spreads

## Margin

Underlying Operating Margin

**+110 bps**

**+40 bps**

Gross Margin

## Earnings

Underlying current EPS

**+11%**

**€2.24**

## Cash

Free Cash Flow

**€5.4 bn**

**+€0.6 bn**

**Whilst making our business more agile and resilient**

# 2017: Highlights



# Graeme Pitkethly



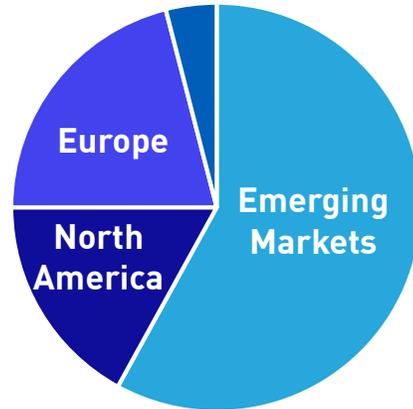
# Agenda for today

## The role of brands

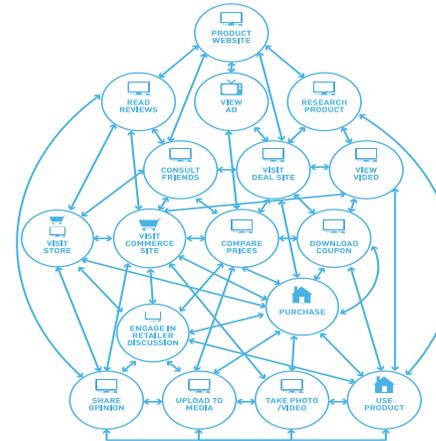


## Emerging markets

2017 turnover footprint



## Fragmentation



## Growth AND margin



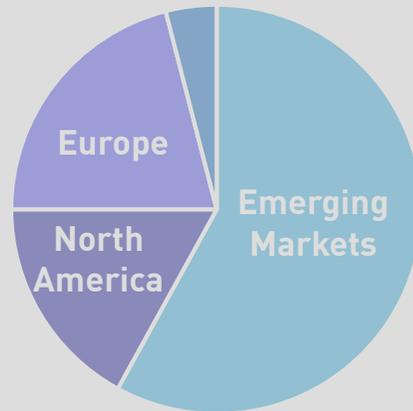
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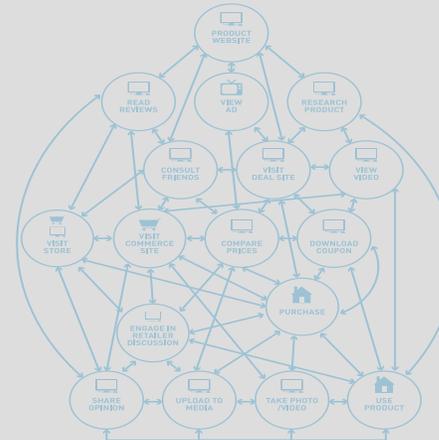


## Emerging markets

2017 turnover footprint



## Fragmentation



## Growth AND margin



# We have a strong portfolio of well-positioned brands

## Global Brands

70% of turnover



Breakthrough technology

## Local Brands

30% of turnover



Local provenance

## New Segments



TAZO



HOURLASS



Shifting consumer preferences

# Connected 4 Growth: More local

## Hijab Fresh



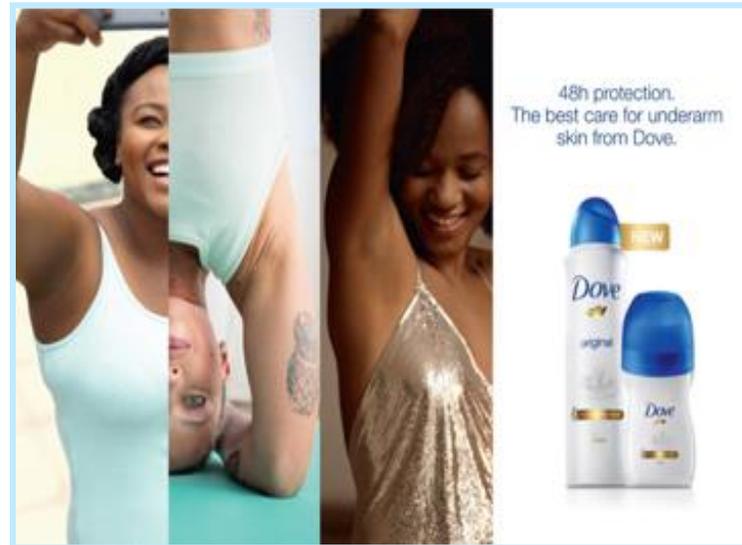
- Portfolio gap in Indonesia skin care
- Muslim millennials
- Cross-functional local team
- From idea to launch in 8 months:
  - Adaptation of Pureline formula and packs
  - Use of global encapsulated fragrance technology

# Connected 4 Growth: More global

Global Key visual



Brazil



Indonesia



Dove Deodorants: A strong global mix made even stronger by leveraging local insights

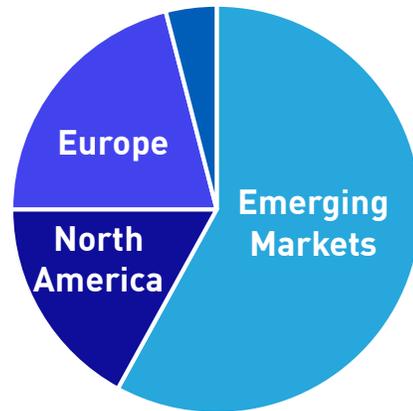
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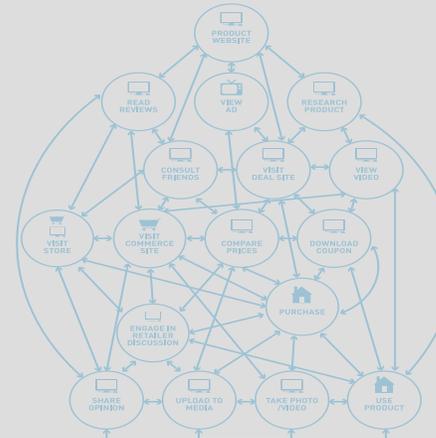


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## Fragmentation

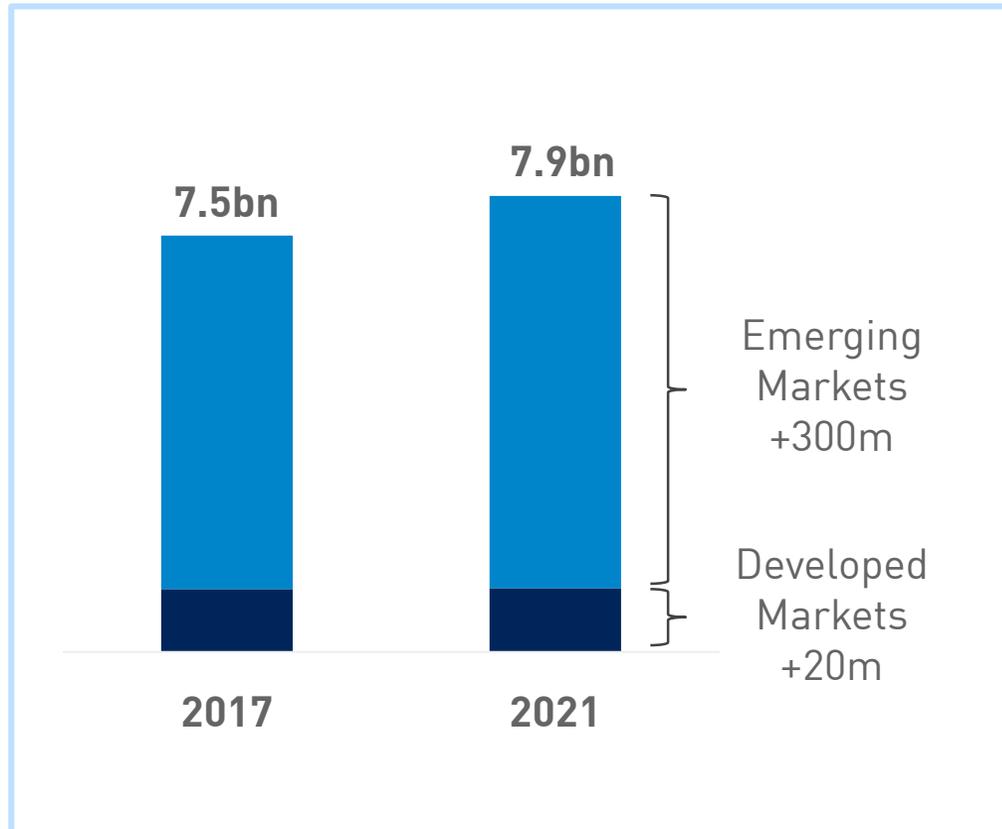


## Growth AND margin

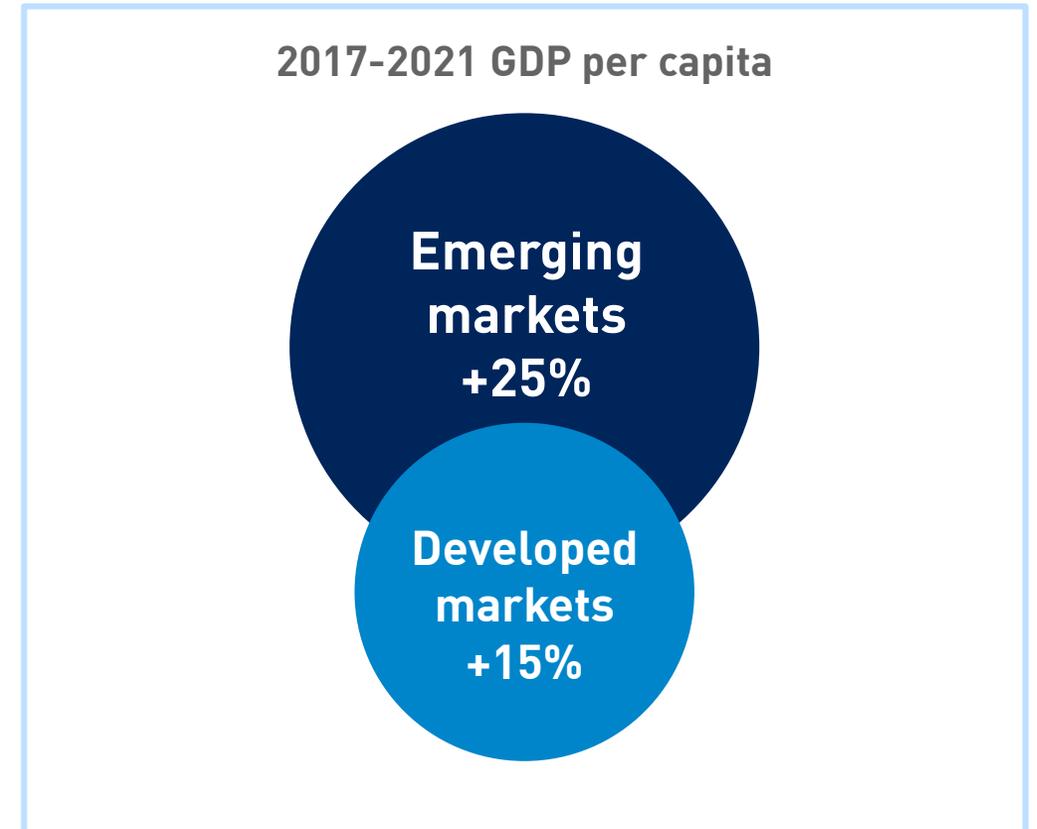


# Emerging markets: where 85% of the world population lives and grows

## Population growth



## Income growth



# We have unparalleled presence and breadth

## Increasing distribution in Tier 1 markets



**India:**  
+120k stores  
reached 2015-17

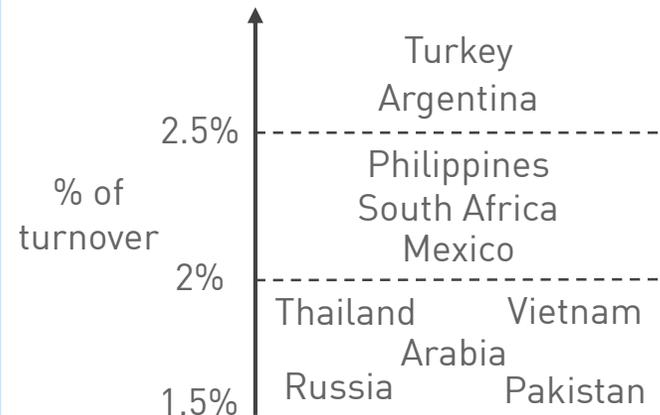
**Brazil:**  
Expansion into  
north-eastern region

**Indonesia:**  
Expansion into  
the outer islands

**China:**  
E-commerce now  
close to 15% of TO

## Rapid growth in Tier 2 markets

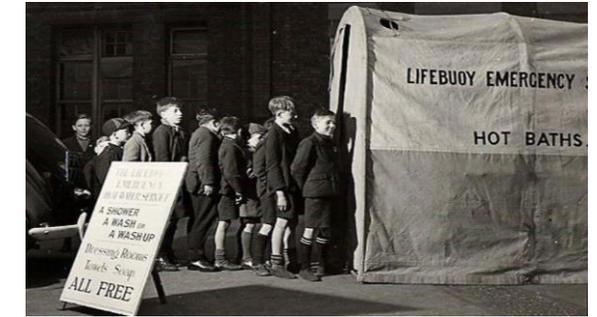
### Largest 10 markets



**20% of group turnover  
5 year average USG >8%**

## A proven model for market development

More Users    More Usage    More Benefits



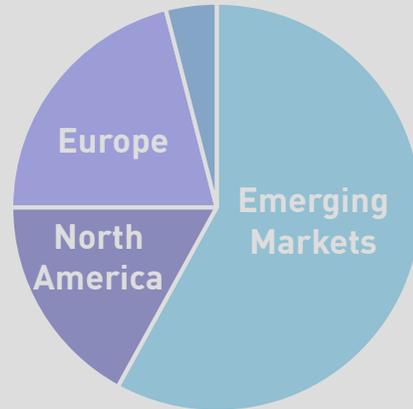
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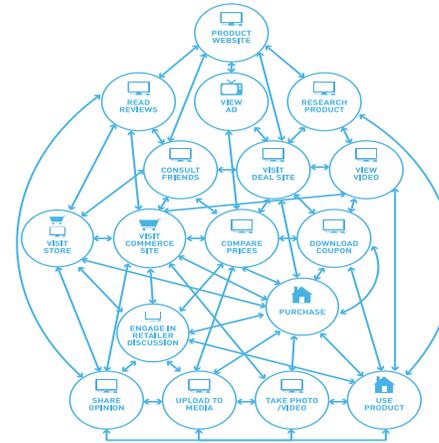


## Emerging markets

2017 turnover footprint



## Fragmentation

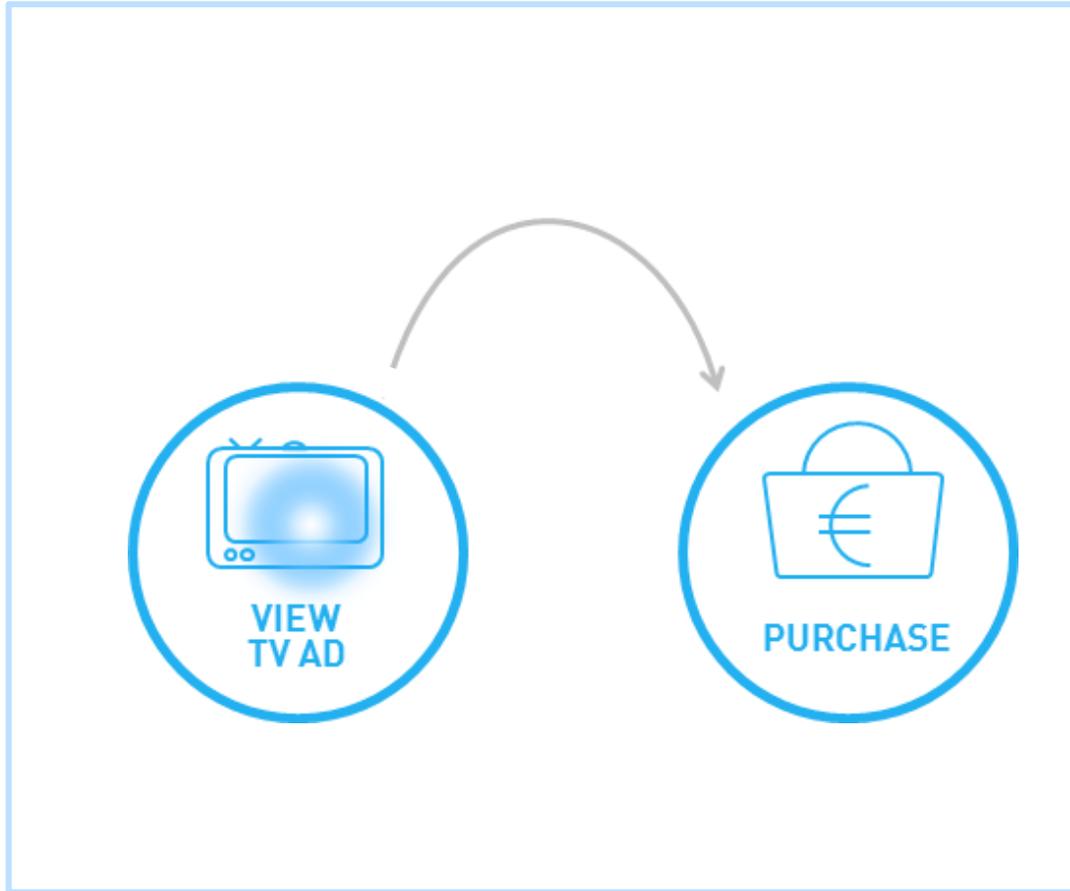


## Growth AND margin

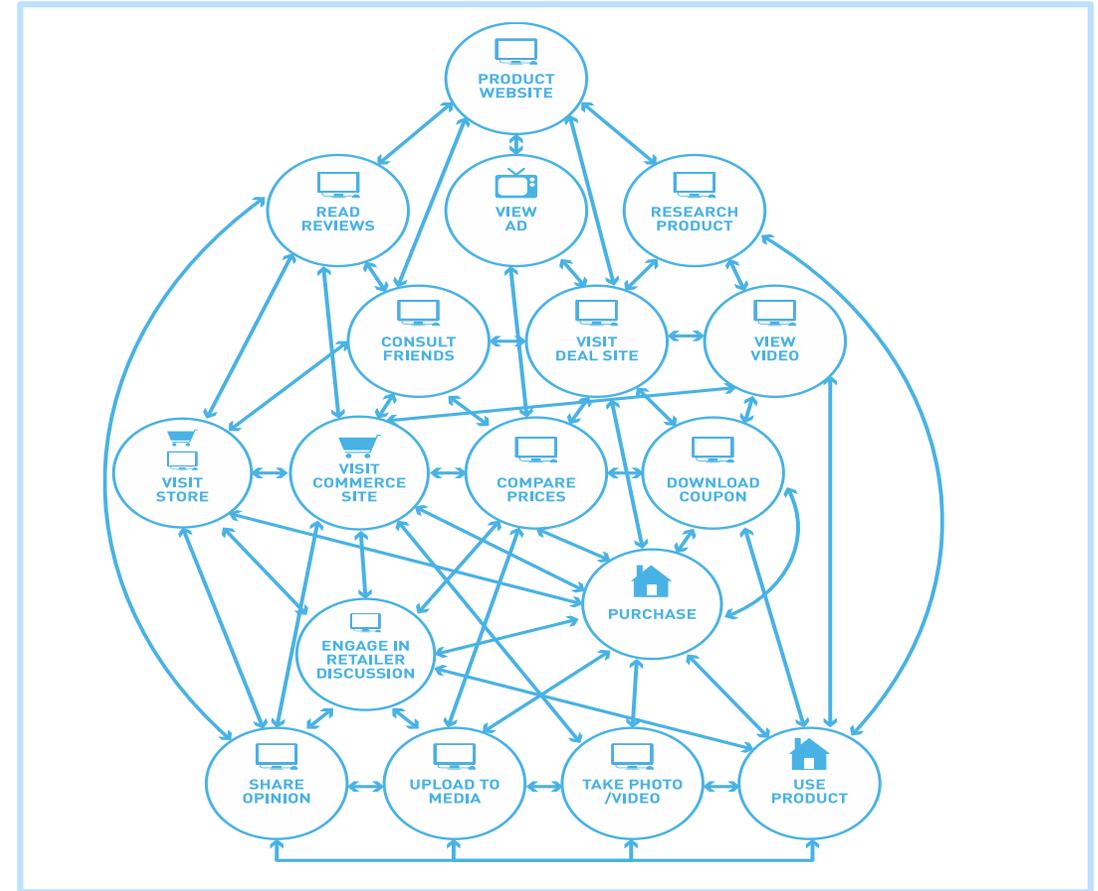


# Consumer journeys have become more complex and digital...

From: Linear path to purchase



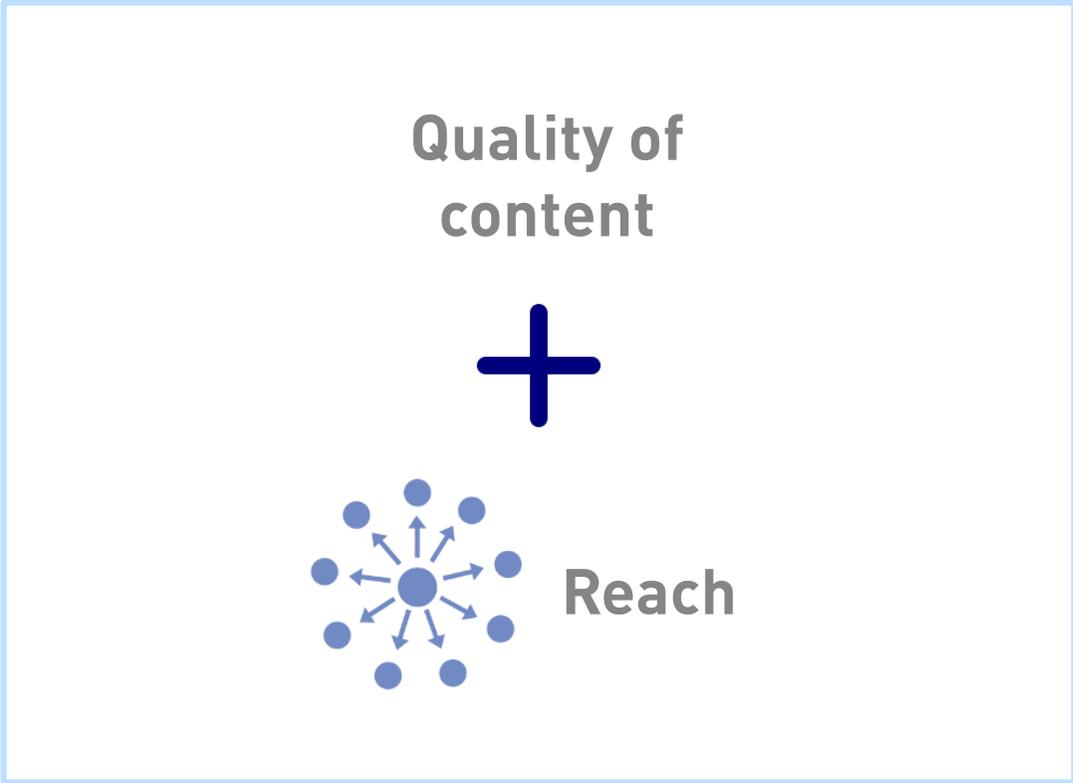
To: Multiple touch points



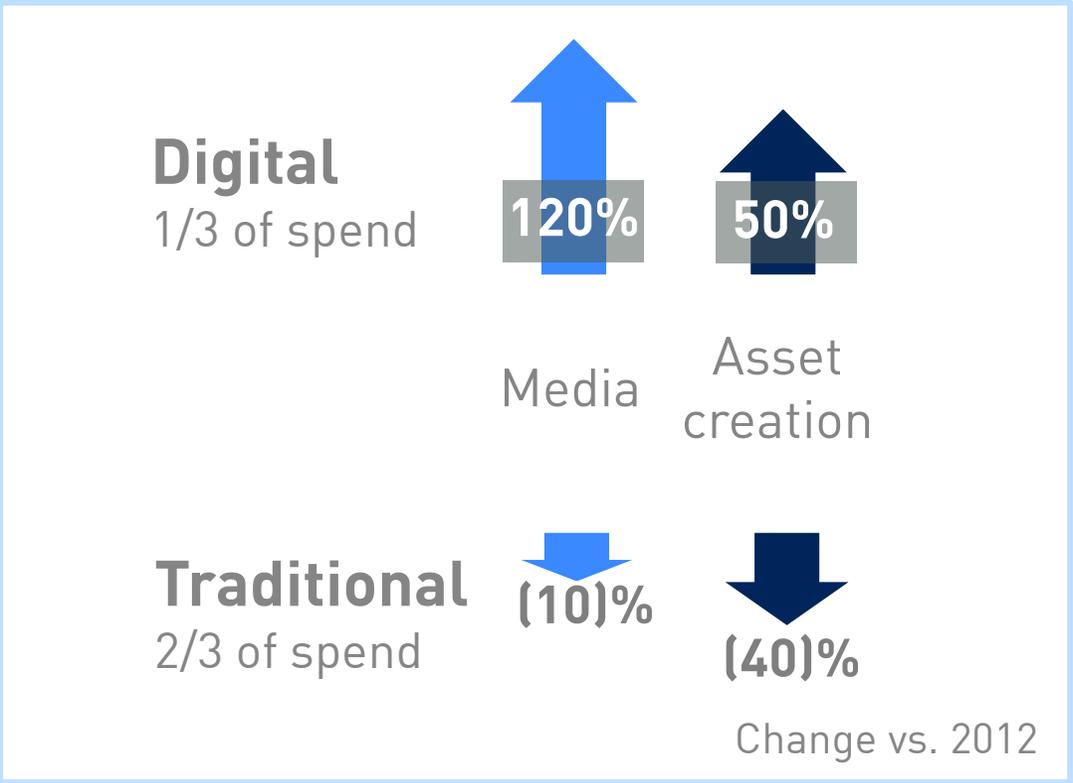
...enabling more targeted, personalised marketing driven by data

# Winning in the new consumer landscape

## Return on Investment



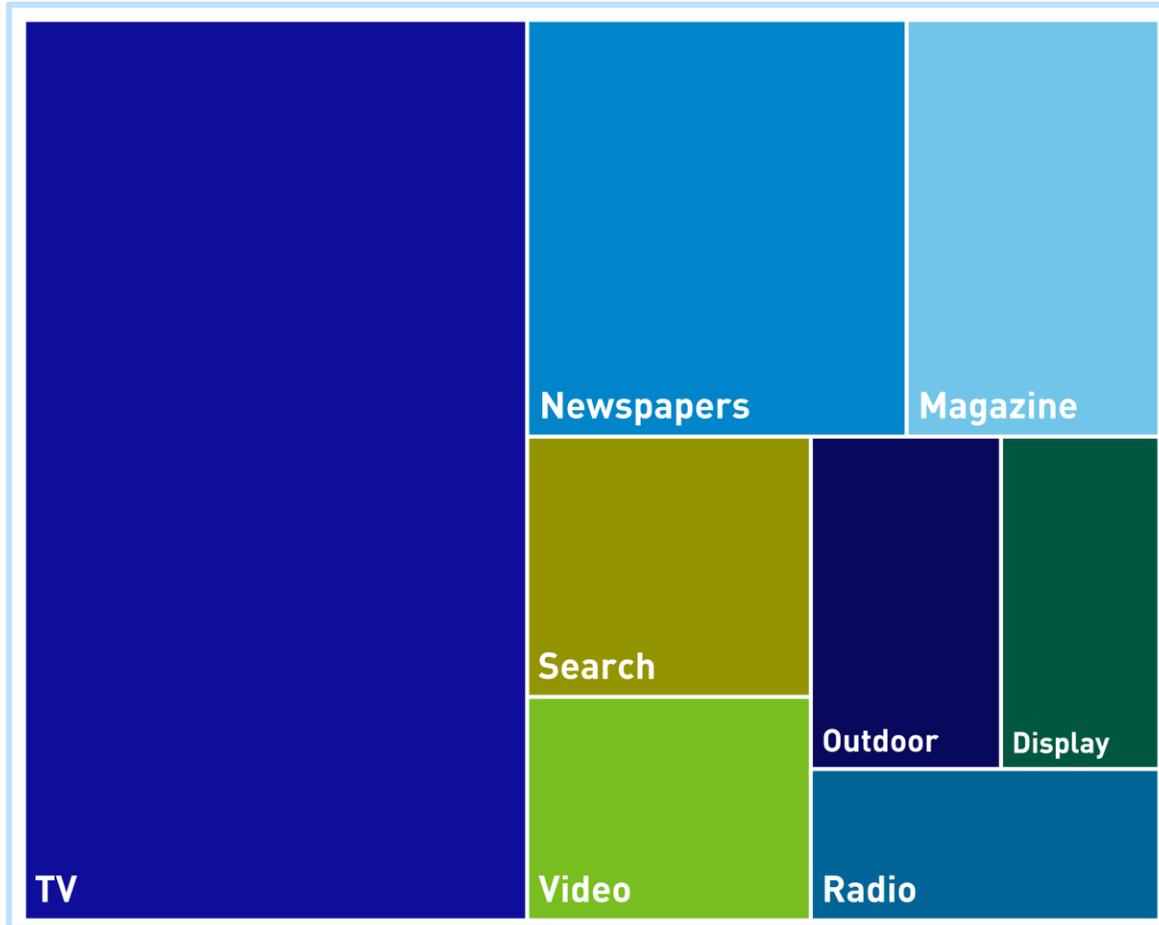
## Transformation of spend



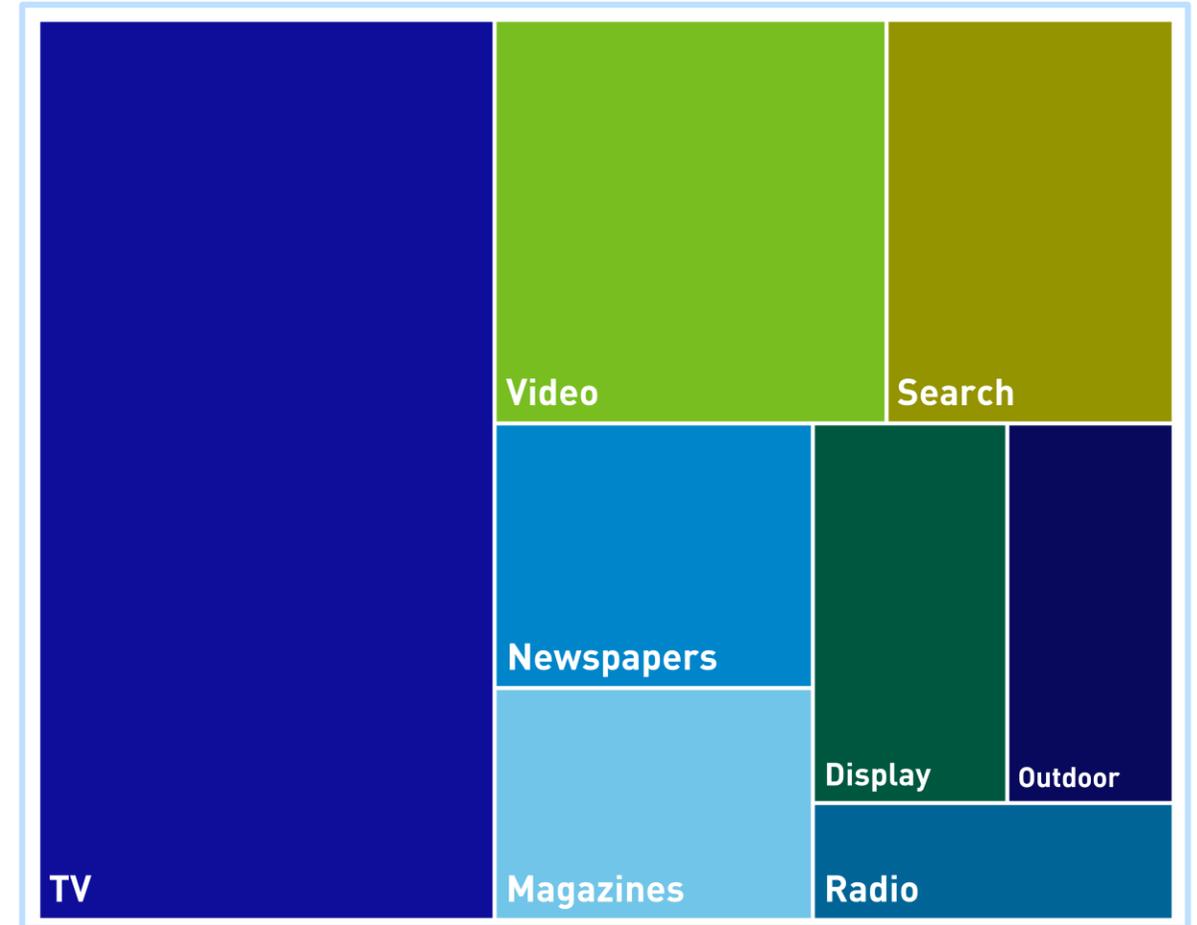
**Ensuring competitive media spend - always**

# Optimising media spend in a fast-changing landscape

5 years ago



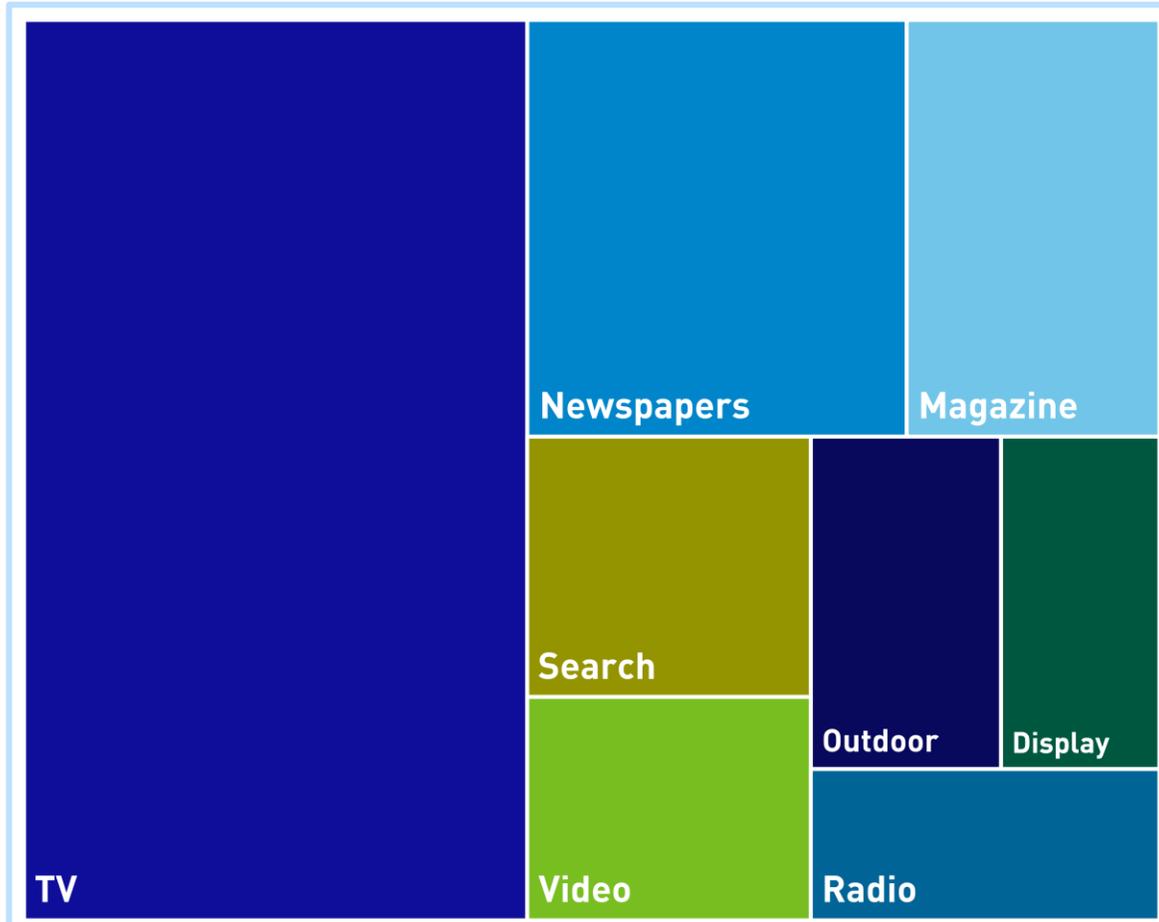
Now



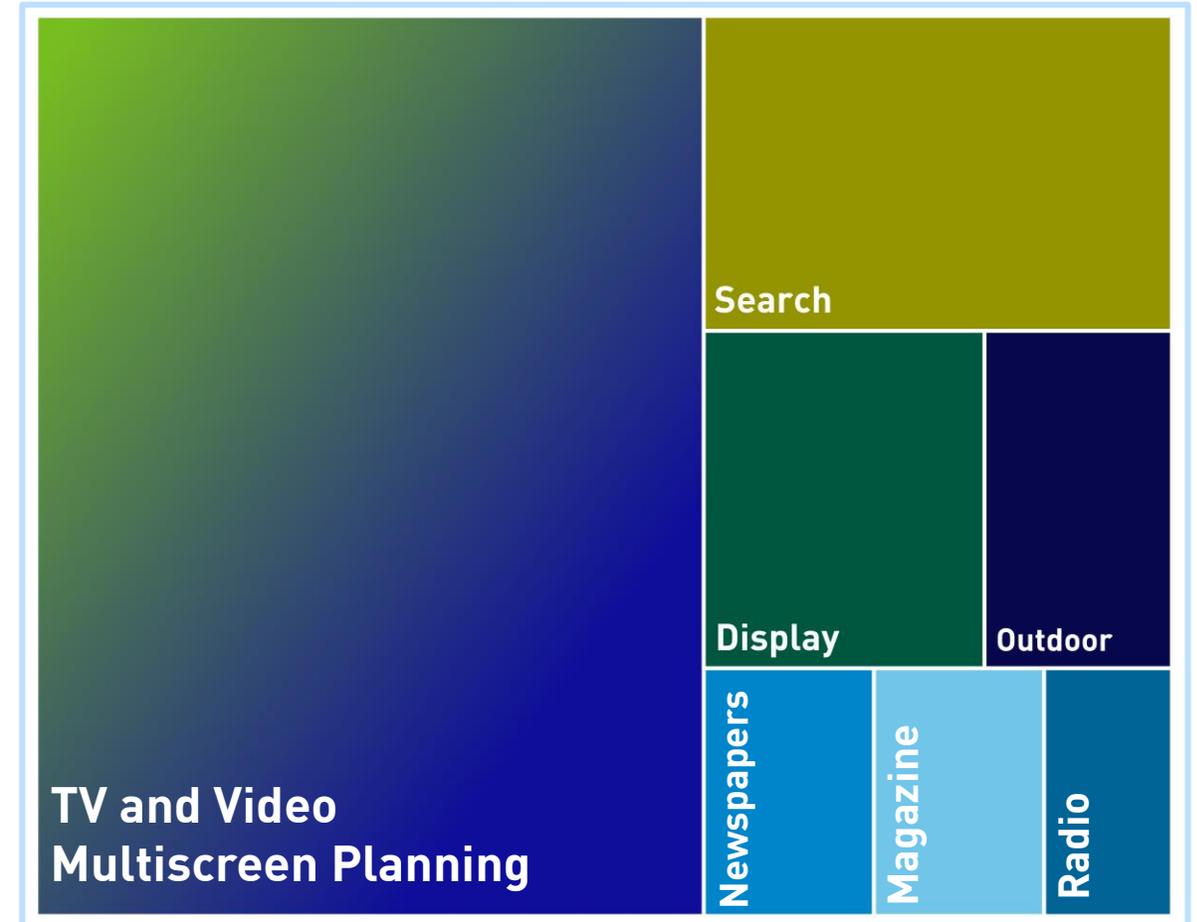
**Ability to cut through is crucial in a fragmented world**

# Optimising media spend in a fast-changing landscape

5 years ago



Next 5+ years



**Ability to cut through is crucial in a fragmented world**

# Leveraging world-class capabilities

## Building data capability at scale



- Real-time insights in 20 markets
- Aim: 1bn direct relationships

## Reinventing consumer engagement



STUDIO

- In house creative
- 3000+ projects across 200 brands

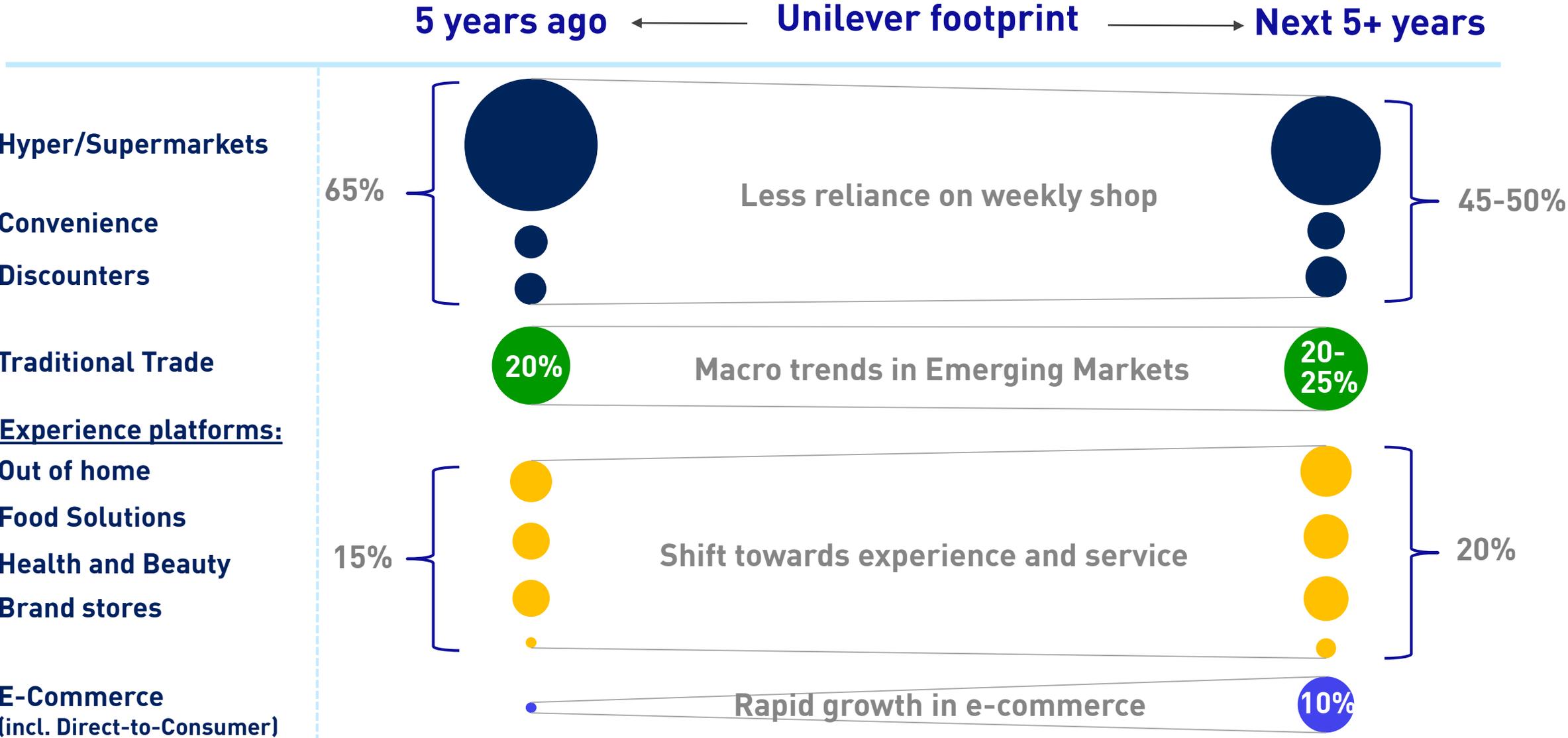
## Effectiveness in media buying



- Programmatic trading desk
- Proprietary Unilever tool

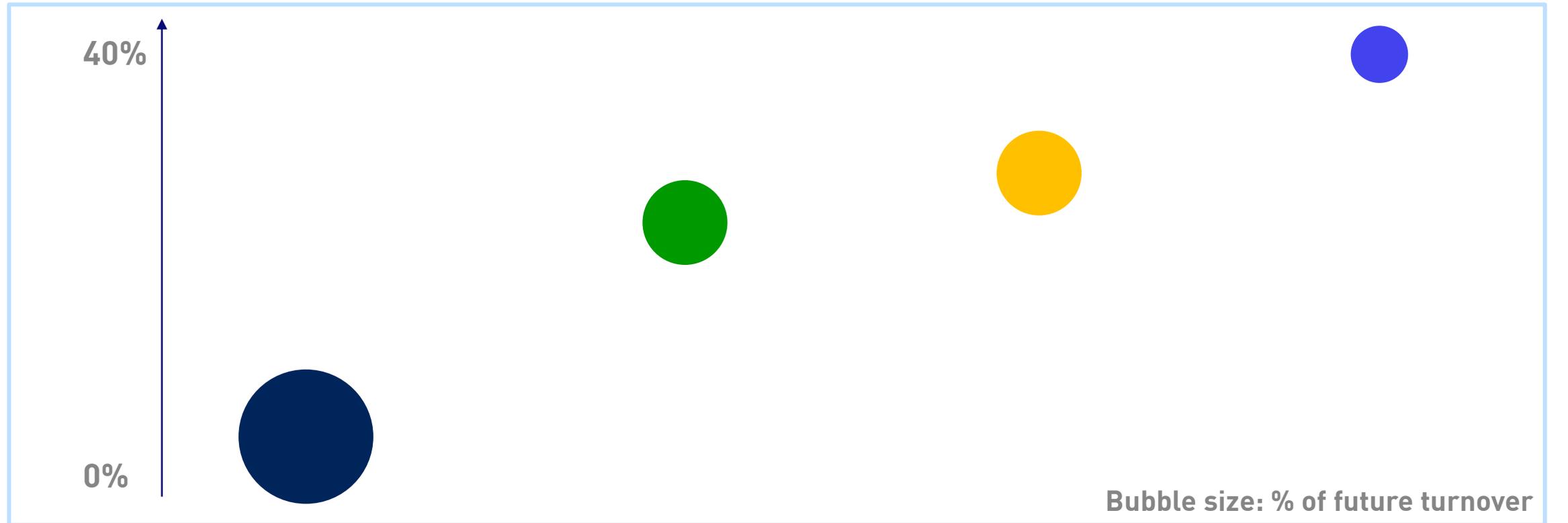
**Better, earlier insight. Faster response. Effective media.**

# Building on our distribution strength



# Differentiated channel strategies

Medium-term contribution to Unilever growth



**Hyper/Supermarkets**  
(incl. Discounters/Convenience)

**Protect value**

**Traditional trade**

**Leverage strength**

**Experience platforms**

**Build equity**

**E-commerce**  
(incl. Direct-to-consumer)

**Build capability**

# Channel-centric innovations



Health & Beauty



ApotheCARE



Dove Face Care



Direct-to-Consumer



Dollar Shave Club



T2



E-commerce



KJU by Lux



Amazon bundles



Discounters



Packs fit for price



Right pack, right price, right channel

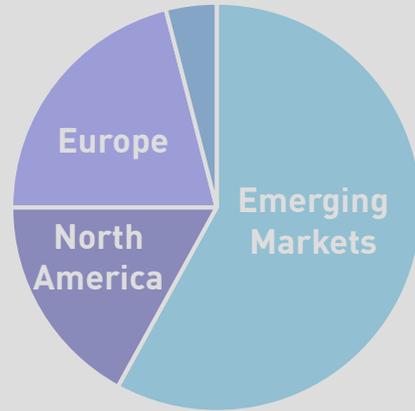
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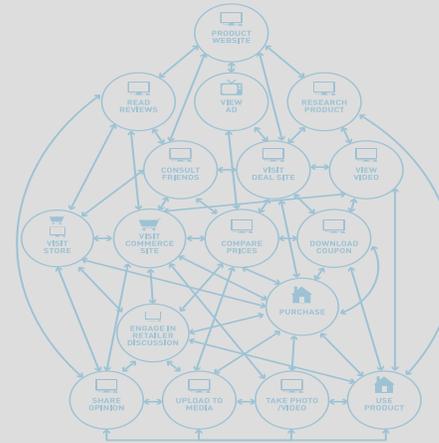


## Emerging markets

2017 turnover footprint



## Fragmentation

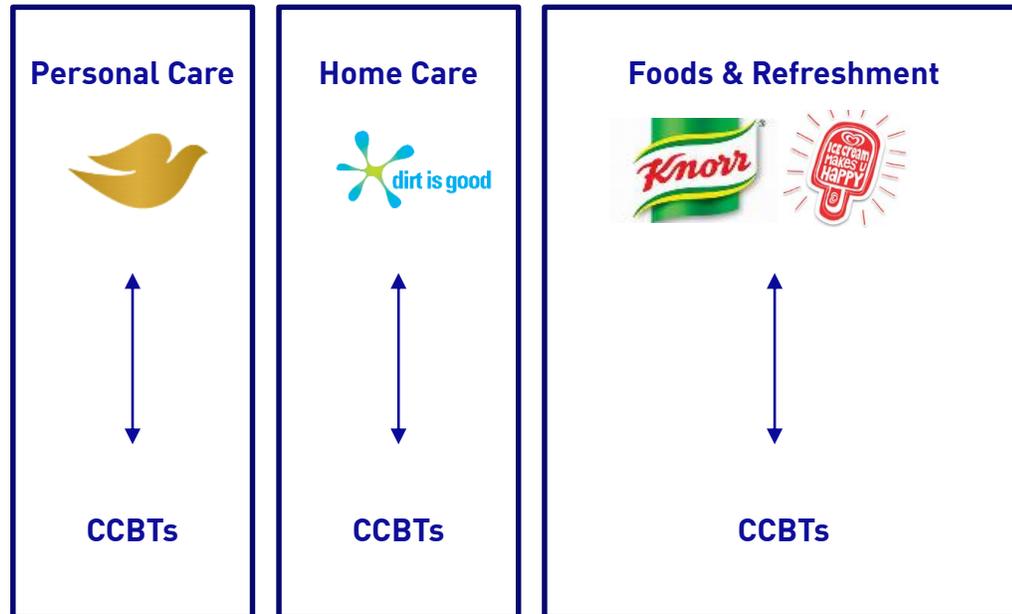


## Growth AND margin



# A simpler, faster, better-connected organisation

## Divisional focus



## Re-design of all functions

- **Consumer & Market Insight:** People Data Centres
- **R&D:** More open innovation, more digital
- **Marketing:** ONE team, ready for the Connected World
- **Sales:** More channel differentiation, early involvement
- **Supply Chain:** More 3<sup>rd</sup> party production, more agile
- **Finance:** Future Finance design, better analytics

# Shifting our portfolio through M&A

22 deals since January 2015

 <i>A Better Way to Beautiful since 1912</i>	Primarily in Personal Care	
 <small>a skin care system researched and developed by The International Dermal Institute</small>	Prestige	
	Premium price brands in mass	
	New channels	
	Naturals	
	Disposal of Ades and spreads	

By 2019 these add:

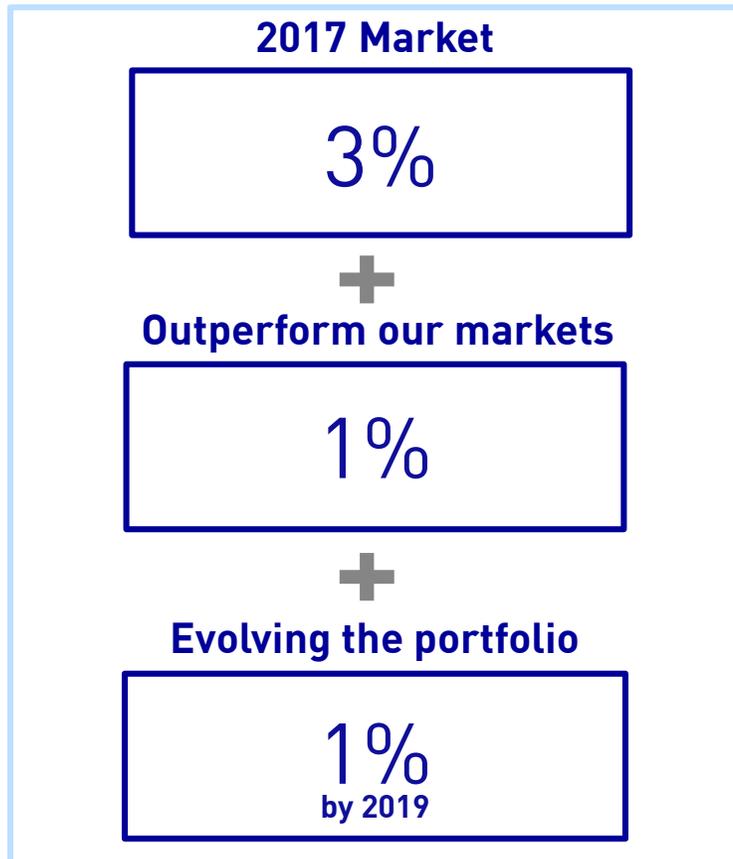
€3.5bn more turnover

- €3bn HPC
- €2bn in premium positions
- €1.5bn emerging markets
- €1bn e-commerce

2015-2017 A&D will add around 1% to USG, by 2019

# Our value creation model

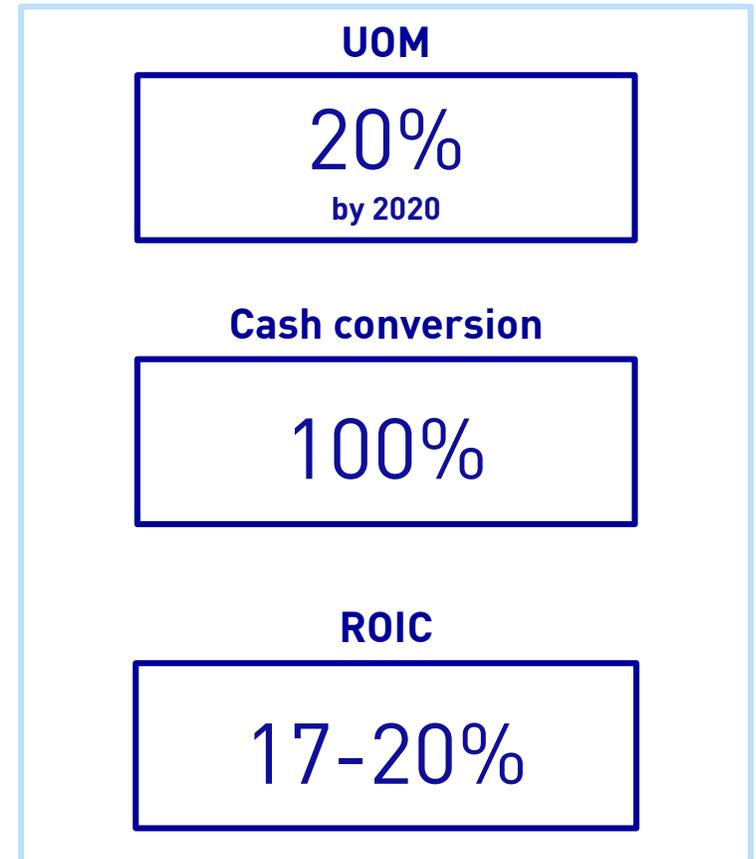
## Growth



## Savings



## Margin, Cash & Returns

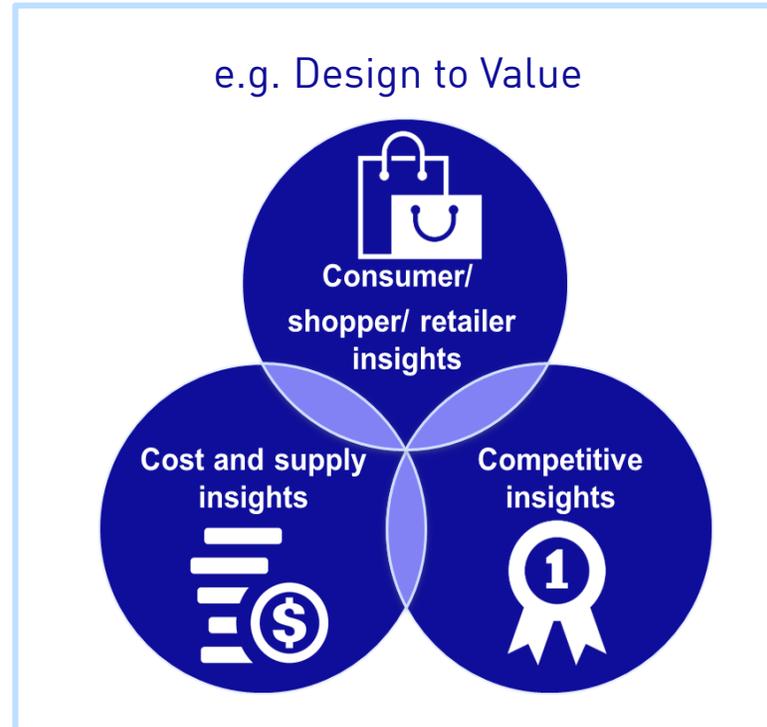


# Gross Margin: 5-S

## A holistic programme



## Leading to targeted interventions



## Delivering results

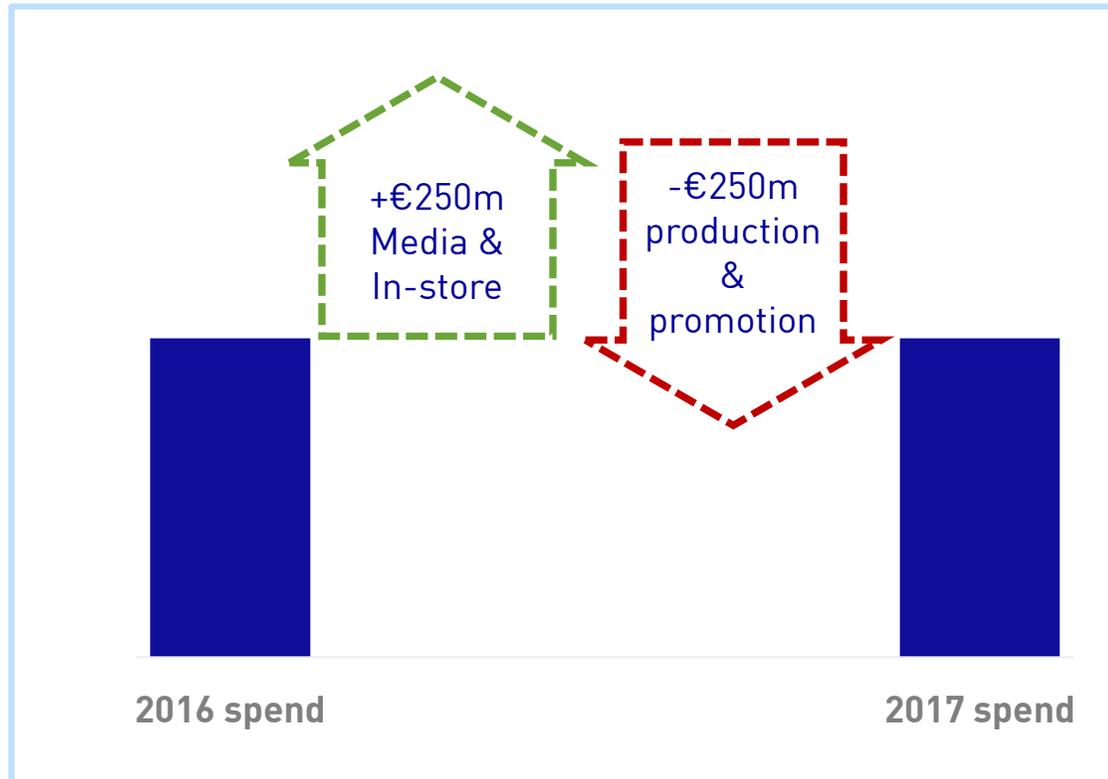
A photograph of various Lux soap bars in different colors (blue, white, pink, purple, green) arranged on a dark surface with purple flowers in the background. The Lux logo is visible on each bar.

- Bar shape
- Fragrance
- Formulation

} **GM%**  
**+900bps**

# B&M and Overheads : A better quality mix of spend

## Brand & Marketing Investment



## Overheads

### Savings in base overheads

- 15% reduction in middle and senior management
- 14% reduction in travel costs, 20% reduction in cost per flight

### Re-invested into capabilities

- New business models
- 800+ dedicated e-commerce team

# In summary

## The role of brands



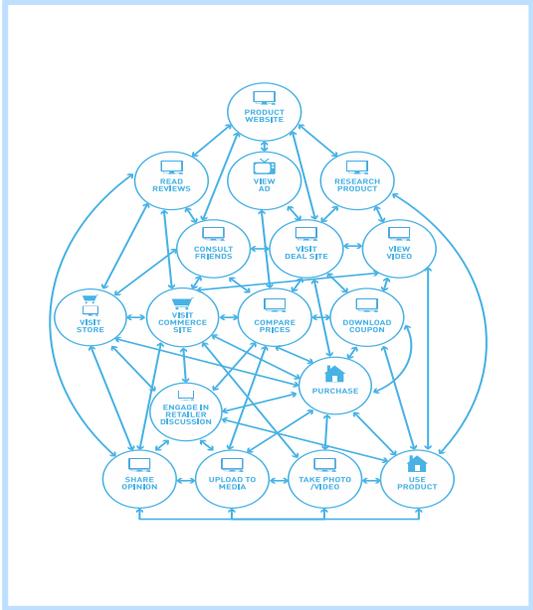
**Strong portfolio of global and local brands**

## Emerging markets



**Unparalleled presence and breadth**

## Fragmentation



**World-class capabilities for media and channels**

## Growth AND margin



**C4G organisation, savings programmes and M&A**

# 2018 outlook

## ❑ **Underlying sales growth in the 3-5% range**

- Ahead of market
- Greater contribution from volume
- Lower price growth early in the year

## ❑ **Underlying Operating Margin: continued progress to 20%**

- Continued benefit from savings programmes
- Stepped-up restructuring – spreads stranded costs and F&R integration
- Competitive B&M spend with a step-up in the first half

## ❑ **Strong cash flow**

- On track for 100% cash conversion by 2020

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