Unilever Q1 2025 Trading Statement

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Speakers:

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Srinivas Phatak	Acting Chief Financial Officer
Jemma Spalton	Head of Investor Relations

Fernando Fernandez

Good morning and welcome to Unilever's first quarter trading statement. Thank you for joining us.

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

I will be joined by Srini Phatak, who took over as Acting CFO in March.

Srini has been a key partner for me as Deputy CFO and Group Controller, having previously been a very successful Hindustan Unilever CFO. I am sure you will enjoy your interactions with Srini in the near future.

It's a great honour to speak to you as CEO of Unilever.

As this is my first quarterly announcement since becoming CEO, let me address upfront the question of the recent leadership change.

As I have said on a number of occasions now, this was a forward-looking decision by the Board.

Organisationally, strategically and operationally, we have made significant developments over recent years. All of which are helping to make Unilever a stronger, better performing business, well prepared to face the future.

Underpinning these big moves, there has also been a renewed focus inside the company on performance and execution, the effects of which we see reflected in improving competitiveness and results.

In short, the fundamentals of the business are strong, and we have good momentum.

For the next phase of our transformation, our task is to make Unilever a world-class company in terms of brand demand creation and market execution - in a consumer goods environment where the traditional models of reach and persuasion are gone. These are the areas in which I have focused for most of my career, with a proven track record.
In taking on the role, I have made clear that I will be a frontline CEO, driving the company to look outward and forward.

What does that mean in practice?

- It means a ruthless obsession with the consumer – focussing on what it takes to drive demand and create desire at scale for our brands in an increasingly digitised world, where consumer choice – and expectations – are greater than ever before.

- It means portfolio quality over portfolio scale: making sharper capital allocation choices to organically double down on our most profitable strongholds, while enhancing the portfolio through disposals of non-strategic assets and bolt-on acquisitions in premium segments.

- It means building a marketing and sales machine that ensures the quality of our execution consistently matches the increasingly world-class quality of our innovation.

- It means completing our productivity programme ahead of plan and establishing productivity

- as a habit, to fuel investment behind our brands and build a virtuous circle of growth.

- And it means recapturing the spirit of pioneering that has defined Unilever for so much of its existence, but which in recent times we have lost by allowing ourselves to become too inwardly focussed.

These will be just some features of the frontline company that I intend to lead over the years ahead.

Of course, as we look ahead, market conditions are likely to be volatile and uncertain, with the global economy probably operating below its long-term potential, for some time to come.

But we are well prepared.

The delivery in the first quarter of the year gives us confidence, putting the business on track for full year results in line with our guidance of 3 to 5% USG.

This confidence is based on several factors:

First, we have a resilient portfolio, good momentum and, above all, a very clear sense of what we need to do.

Let me be crystal clear: topline growth with strong volume contribution is, and will be, our absolute priority, whatever the economic environment.

Second, we are putting strong investment behind our brands as reflected by improving competitiveness and topline growth.

Third, the quality of our innovation pipeline is the backbone of our topline growth. We see real evidence of this in the out-performance of our developed markets over several quarters, with premium innovations driving growth in both the US – with examples like Liquid I.V. and Dove's hair care relaunch– and in Europe, with the likes of Persil Wonder Wash and whole body deodorants.

Fourth, we have taken decisive action to improve our position in key businesses like China and Indonesia. These are not quick fixes, but we are determined to stay the course; and we expect to see the benefit of the targeted interventions we have made in both China and Indonesia come through in results from the second half of 2025 onwards.

And fifth, while the full picture on tariffs is still unfolding, our analysis suggests that, at this stage, the direct impact on our business will be limited, given the capital allocated in recent years to the US and supply chains that are predominantly local. Of course, the wider macroeconomic uncertainty will pose some risk and challenges to consumer confidence – but as I have said, we have a robust and resilient business, well placed to outperform.

I will come back at the end to sum up and touch on the outlook, but for the moment let me hand over to Srini to take you through the first quarter results in more detail.

Srinivas Phatak

Thank you, Fernando.

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

I joined the company in India as a chartered accountant and covered, over the last 25+ years, all parts of business and corporate finance, most recently, as Fernando mentioned, as Deputy CFO and Controller, responsible for managing performance and stewardship for the Group.

I am excited to partner Fernando to transform Unilever and drive significant value creation. And I look forward to meeting with you in the near future.

That said, let's get into the Q1 2025 performance.

Underlying sales growth in the first quarter was 3.0%, a resilient performance in market conditions which were – as expected – more challenging. Underlying volume growth contributed 1.3%, led by good performances of Personal Care and Beauty & Wellbeing. Price growth continued to improve sequentially to 1.7% as a result of higher commodity costs than in the prior year.

Underlying sales growth of our Power Brands, which contribute over 75% of our turnover, was in line with the Group at 3.0%, with 1.2% from volume and 1.8% from price. The Power Brands continue to have the first call on incremental resources. They have the biggest potential for growth, and we expect them to lead our growth. While our Power Brands in Beauty & Wellbeing, Personal Care and Ice Cream delivered good growth, there were specific reasons why others were weaker in the first quarter.

Across Beauty & Wellbeing, Personal Care and Ice Cream, growth in our Power Brands was over 4%, led by premium innovations and a particularly strong delivery in developed markets. Many Power Brands in these businesses, including Vaseline, Liquid I.V. and Magnum, grew well ahead of the Unilever average. Dove, our largest brand, grew over 8%. In Home Care and Foods, Power Brand growth was impacted by some specific challenges to some markets.

Home Care's growth was lower in Q1 due to significant exposure to Brazil, where high real interest rates prompted retailer destocking, impacting laundry more acutely. Additionally, exposure to China and Indonesia, where we are revamping our businesses, contributed to the slower growth.

In Foods, Power Brand performance was affected by our Food Solutions business in China, which lapped a strong prior year comparator that benefited from the timing of Chinese New Year.

Beauty & Wellbeing underlying sales grew 4.1% with volume at 2.5% and price at 1.5%. Growth was driven by a strong Wellbeing performance, while beauty categories were softer due to the market slowdown.

Our core Skin Care business grew low-single digit driven by volume. Dove and Vaseline performed strongly, backed by premium innovations. This was partially offset by modest growth in Pond’s and a decline of Glow & Lovely.

Hair Care was flat in the quarter, with varying performances by brand. Dove grew mid-single digit, helped by a relaunch which includes cutting edge fibre repair technology, new packaging and design. Nexxus grew double-digit, helped by the launch of its premium range. Our largest hair care brand Sunsilk was flat against a strong comparator, while Clear declined on the back of softer markets in China.

Wellbeing, which accounted for around 18% of the Business Group in Q1, delivered another quarter of strong, double-digit, volume growth led by Liquid I.V. and Nutrafol. This performance reflects continued strength in the brands’ core products and innovations, as well early benefits of our selective international expansion.

Prestige Beauty declined low-single digit reflecting the slowdown in the beauty market, this weighed on the performance of our biggest brands Dermalogica and Paula’s Choice. K18, a premium biotech hair care brand which we acquired in February 2024, and Hourglass, our premium colour cosmetics brand, both grew double-digit.

Personal Care had a good start to the year, led by Dove, which represents around 40% of the Business Group, and the continued good growth of Deodorants fuelled by a strong innovation programme.

Underlying sales growth was 5.1%, with 2.7% volume and 2.4% price.

Dove grew high-single digit, with continued success from premium innovations across Skin Cleansing and Deodorants. These included the serum shower collection, and whole-body deodorants. Having seen strong results in North America, where they were introduced in 2024, we are expanding these ranges into Europe, India and other markets this year.

Deodorants grew mid-single digit, as strong growth in North America was partially offset by softer performances of Rexona and Axe that have a large footprint in Latin America.

Skin Cleansing grew low single-digit with positive volume and price. Dove Men+Care introduced a new range of premium naturals and relaunched its core range with updated packaging and design. This contributed to strong growth in North America and Europe. However, Lifebuoy declined due to challenging markets in Indonesia, China and India. In India, we are addressing the decline by relaunching the brand with an elevated proposition for skin protection.

In March, we acquired the brand Wild, which further enhances our Personal Care portfolio in naturals and premium spaces.

Home Care delivered underlying sales growth of 0.9% driven by a 1% increase in volume. Growth was adversely impacted by macroeconomic challenges in key geographies.

Europe grew high-single digit, driven by the success of multi-year innovation platforms, including the expansion of Persil's Wonder Wash, which introduced new variants, Colour and Sensitive. We are continuing to roll it out to more markets and expect it to become a 100+ million Euro innovation in 2025. Comfort expanded the successful Botanicals and Elixir ranges. These utilise our patented CrystalFresh technology and bring superior fragrances to the fabric booster market.

Commodity deflation, particularly for the powders format, resulted in negative pricing in 2024. Deflation has turned into inflation in 2025 and we are beginning to see sequential improvement in UPG.

Our biggest Home Care category, Fabric Cleaning, declined low-single digit, navigating challenging market conditions in its biggest emerging markets. These included retailer destocking in Brazil, a market decline in China and increased promotional intensity and price reductions in India where we are responding to international competitors trying to grow demand through pricing.

Domestos and Cif grew well, benefitting from format innovations in power foam, sprays and creams. At the end of the quarter, Cif launched its new Infinite Clean range, powered by probiotics that continue to break down dirt and grime for up to three days.

Foods delivered a competitively resilient performance amidst slowing markets. Underlying sales growth was 1.6% in the first quarter, with volume at minus 1.1% and price growth at 2.7%.

Our two biggest Foods brands, Knorr, with more than €5 billion turnover, and Hellmann's, with around €3 billion turnover, performed well in retail. Knorr enhanced its global leadership in the bouillon and seasoning segments with new flavours, while Hellmann's grew mid-single digit growth on the back of its premium and flavoured mayo ranges, which are now available in 30 markets.

Knorr's growth in retail was partially offset by a softer food service channel. Our Unilever Food Solutions business was flat in the quarter. Sales in China, its largest market, declined against a strong prior year comparator that benefited from a later Chinese New Year. We remain confident in the strength of our food service business, in which we continue to expand our digital selling programme and drive unique product formats and sizes specifically designed for professional kitchens.

In India, growth in tea and coffee was offset by a decline of Horlicks.

Importantly, we continue to work on simplifying our Foods portfolio, anchoring it more in our Power Brands. We completed the sale of Conimex in April. After announcing the disposals of Unox, and Zwan in December 2024, we announced the disposal of The Vegetarian Butcher in March. All disposals will be completed during 2025.

Ice Cream delivered 4.0% underlying sales growth, with 1.8% from volume and 2.2% from price. The performance in the first quarter reflects good momentum driven by strong innovation and ongoing operational improvements across much of our business. These include enhancements to our go-to-market strategy, supply chain, and promotional activities. They will strengthen our business and lay a foundation for continued improvements in the years ahead as an independent company.

Magnum grew mid-single digit, supported by innovations such as the new Utopia range featuring Double Cherry and Double Hazelnut flavours, and the expansion of successful platforms like Bon Bons, our bite-sized, premium format that meets evolving snacking habits.

Ben & Jerry’s grew mid-single digit, helped by the launch of a larger, more shareable size and new Sundae Flavours.

We remain focused on strengthening our operational model while navigating the challenges brought by significant inflation in key materials like cocoa.

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

Developed markets, which accounted for 42% of Group turnover, grew underlying sales 4.5% with volumes up 3.3%, the third consecutive quarter of growth above 4%. This reflected a strong, performance in North America, led by Beauty & Wellbeing and Personal Care. North

America grew 6.2%, with volume up 4.0%, benefiting from the multi-year transformation of our North American portfolio which showed resilience during a period of declining consumer sentiment. Europe also delivered good growth, driven mainly by Home Care. A strong innovation pipeline and increased levels of brand investment are evidence of our commitment to accelerate performance consistently in these important hard currency markets.

Growth in Latin America, one of Unilever's strongholds, slowed to 1.5% with volume declining (3.0)%. Extremely high real interest rates are prompting retailers to reduce stock in the region. We have navigated situations like this in the past, and as always our focus is on protecting our leadership and boosting underlying sellout.

In Asia Pacific Africa, our biggest region, underlying sales growth of 2.0% was also subdued. Our India business grew 3% driven by underlying volume growth in Home Care and Beauty & Wellbeing, while increasing market share during a period of modest market growth. We expect conditions to improve in the mid-term following recent fiscal and monetary stimulus.

Our performance in Turkey was strong with double-digit growth driven by positive volume and price. Africa had a more muted start to the year, with a softer South Africa.

China declined high single digit as the result of broad-based market weakness and the short-term impacts of actions we are taking to strengthen our business for the long-term. We are shifting our portfolio towards premium and super-premium segments through innovations in our Power Brands. We are serving emerging channels better through social-first demand creation and setting up direct-to-consumer models, particularly in Beauty & Wellbeing. And we are transforming our go-to-market approach to serve smaller format stores in lower tier cities, particularly benefiting volume Business Groups like Home Care. 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 required some stock corrections in some channels and categories. However, we are encouraged by the progress in line with our plans.

Growth in South East Asia was muted as high-single digit growth in the Philippines was offset by a (6.6)% decline in Indonesia. We are making progress with the operational turnaround in Indonesia, correcting misaligned pricing across channels, resetting stock levels in retail, and addressing long-standing portfolio issues. We have largely completed customer stock reductions and price harmonisation. We are on track with the distributive trade digital transformation and with increasing the quality of our direct coverage through more and better stores.

With an improved innovation pipeline and stronger operational foundations, we expect our businesses in both China and Indonesia to contribute to growth from the second half of the year.

Let me return now to performance at the Group level.

Turnover in the first quarter was 14.8 billion Euros, down 0.9% versus the previous year. Excluding the effect of M&A actions to further sharpen our portfolio, turnover growth in hard currency would be 1.8%, primarily driven by underlying sales growth of 3.0%.

As result of our portfolio actions, the net impact from acquisitions and disposals was (2.7)%. Acquisitions added 0.1%, driven by one month of K18, which grew double-digit in the quarter. This was more than offset by a disposal impact of (2.8)%, driven by Elida Beauty, completed in June 2024, as well as Unilever Russia and our water purification businesses, which all completed in the second half of 2024.

The total currency movement in the quarter of (1.1)% comprises a negative impact of (1.8)% from the Euro strengthening mainly against key emerging market currencies, most notably in Latin America and Turkey, and 0.7% of extreme price growth capping in hyper-inflationary markets.

The currency volatility has been heightened by the tariff announcements. We currently assess that the impact of tariffs on our value chain will be limited and manageable, driven by the localised and flexible nature of our supply chain.

We are evaluating all options including further localisation and changes to material specifications to minimise the impact. If necessary, we will resort also to price increases.

Our full year margin outlook takes into consideration the current expected impact of tariffs.

Let me turn now to the separation of Ice Cream, where we are well on track.

The standalone business will be known as The Magnum Ice Cream Company. The demerger will take place in Q4. As previously announced, this will be via listing in Amsterdam, London and New York. The Magnum Ice Cream Company will be incorporated in the Netherlands and will continue to be headquartered in Amsterdam.

We expect to complete the operational separation by 1st July, a complex process involving the legal entities set up, implementing the standalone operating model and preparing the carve-out financials. Unilever will report Ice Cream as a discontinued operation from the fourth quarter.

Ahead of its demerger, the Magnum Ice Cream Company will host a Capital Markets Day on 9th September and we hope that many of you will be able to join us.

With that, over to you, Fernando.

Fernando Fernandez

Thank you, Srini.

Turning to the outlook… we reconfirm our outlook for the full year 2025.

Our absolute priority is driving top line growth, and we expect underlying sales growth for full year 2025 to be within our multi-year range of 3% to 5%.

We anticipate a modest improvement in underlying operating margin for the full year versus 18.4% in 2024, with H1 and H2 margins more balanced than in the prior year. The direct impact of tariffs on our profitability is expected to be limited and manageable. All this being said we are conscious that the macroeconomic environment, currency stability, and the consumer sentiment remain uncertain, and we will be agile to adjust plans if necessary.

With that, let me sum up.

In this uncertain environment, we believe we are taking the right actions to drive progress in 2025 and beyond.

But we are not complacent. We are aware of the external forces we know are creating risk, whether:

- the current macroeconomic uncertainty;
- the indirect impact of tariffs, not least on consumer sentiment; or
- the prospect of heightened commodity cost and FX volatility

However, we have a robust and resilient business, well placed to perform under such conditions.

And as we look ahead to the rest of the year, we have good reasons to feel confident.

- We have built a portfolio that is diversified across geographies, categories and price points, well-positioned to respond to changing consumer demand patterns.

- We have what I believe is one of our strongest multi-year innovation pipelines in a long time, which we are landing flawlessly. This innovation programme will continue to further improve our competitiveness.

- We are focused on brilliant in-market execution, supported by an organisation that is now much more agile, more focused and more accountable.

- The direct impact of tariffs on our business will be limited and manageable, although we will of course continue to monitor both the direct and indirect effects very carefully.

- And finally, we are confident we will benefit through the year from the targeted actions we have taken to improve our positions and drive performance in key emerging markets.

It's for these reasons, and more, that we are confident – despite the current volatility - to reconfirm our full year outlook for 2025.

Thank you for your attention. We look forward now to taking your questions.

Operator

Good morning everyone, 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

Thanks very much. Morning, everybody, our first question comes from Warren at Barclays. Go ahead, Warren.

Warren Ackerman

Good morning, everybody, good morning, Fernando, Srini, Jemma, it's Warren here at Barclays. I have a couple for you. The first one is about the organic growth acceleration story, Fernando. Can you maybe sort of set out the moving pieces around why you will accelerate in H2 and shall we also expect an acceleration in Q2 versus Q1, I guess pricing driven? I just want to get that confidence from you around the Asia piece. I mean, why are you so confident on China? And Indonesia and then Latin America, does it actually improve? Can you maybe just sort of set out the moving pieces around pricing and the key geographies in terms of where you think you will land on the organic sales growth for the back half and Q2? Then the second one is a bit more of a kind of - you know, you talk a bit about, we will adjust our plans as necessary, given macro, currency, consumer sentiment. Quite an intriguing comment. Could you maybe sort of set out a little bit for us how much leeway you have on things like cost savings and pricing and other metrics that you might have in the locker, assuming the macro were to get worse? What could you do? I mean, could you push the cost savings beyond 550 million this year? Are there other things that you could do on procurement in case the situation does actually deteriorate or we get a US recession, or, you know - that will be helpful, thank you.

Fernando Fernandez

Thank you, Warren. It is a pleasure to talk to you in my first call as CEO. First of all, I would like to highlight where I am focused in the short-term. I feel there are five fundamental points. One is landing a very, very strong innovation plan. We believe we have one of the best innovation plans in many, many years. We're continuing investing competitively behind our brands. Our level of support in the first quarter is within the range of 15-16% that we have had last year. We have started with a good gross margin progression that allows us to continue investing competitively behind our brands. We are shifting resources decisively to our best growth opportunities. We are 'divisionalising' our sales force to ensure focus in our top 24 markets and these are areas that we believe will continue improving our performance in the short-term. We are pleased we delivered in quarter one in a context that has been difficult and uncertain. We have, of course, some comparator issues that we believe that will help along the year. In the case of Latin America, in the quarter one last year, we have 12% volume growth in Brazil, 27% volume growth in Argentina and these comparators will be better. China and Indonesia in particular, that has been geographies in which we have been underperforming, and I have had with Srini very, very thorough reviews with the team recently and we are very pleased with the progress that we are doing there and we expect that these two geographies will contribute to growth in the second half of the year. Of course we are very pleased with the performance in developed markets. I believe that many of you follow Nielsen data and you will see we've had significant competitive progress both in Europe and the US and we expect this to be a feature of our competitiveness going forward. In terms of our comments in terms of adjusting our plan, we will not take operational decisions in a rush based on big swings in currency. But we are committed to deliver profit growth in hard currency. We confirm our ability to deliver around 550 million of savings on our productivity programme by the end of 2025. But of course we are looking at our levers in order to ensure that we add flexibility to our plan in case economic circumstances get tougher.

Jemma Spalton

Thank you. Our next question comes from Guillaume at UBS. Go ahead, Guillaume.

Guillaume Delmas

Good morning, Fernando, Srini and Jemma. I have two questions. The first one, Fernando, on your plan to accelerate the group's Growth Action Plan, I appreciate it has only been a few weeks since you've been appointed CEO, but can you maybe tell us the priority areas you have been - or you will be over the coming weeks focusing on and where you want to see a clear acceleration? I guess from the outside, for us, where do you think these changes will be the most visible over the next few months? Then my second question is on the, again, very strong performance of your Wellbeing franchise in the first quarter. We've been starting to hear from some of your peers that the VMS category is maybe showing some signs of slow-down, it seems maybe because it is a more discretionary category at a time when consumer confidence in the US is deteriorating. So, I'm wondering here if you've seen any early signs of that, or conversely if you assume this current strong growth for Liquid IV, Nutrafol will persist over the coming quarters?

Fernando Fernandez

Thank you, Guillaume. I have mentioned, regarding your first question, the, I would say five, six key priorities in the short-term. I tend to divide my action plan into what I call short-term performance and long-term transformation. In the short-term, I repeat, landing a strong innovation plan, investing competitively behind our brands, shifting resources decisively to our best growth opportunities, ensuring that the ‘divisionalisation’ of our sales force in the top 24 markets results in excellent market execution, completing the separation of Ice Cream by the end of the year and delivering our Productivity Programme in full and ahead of the schedule. These are my short-term priorities. Over the medium and long-term it is all about building desirability at scale and what I mean by that, I mean fundamentally improving the quality of our brands, combining science for superior functionality with a significant improvement in the aesthetics and sensorial of our brands, and very, very importantly building new models of reach and persuasion for our brands. A strong activity system of what we call ‘others say’ in social media. I have mentioned the need of really covering every zip code with influencers and other people talking about our brand. In the last few weeks I have spent a lot of time with my top marketeers defining what we call the 4V model of social media - variety of creators, volume, virality, and velocity of content - and really focus on that because the next stage in the transformation of Unilever is about creating a machine of demand creation both in marketing and sales. So, these are the short-term priorities and the long-term priorities I have. Of course, in the long-term, I believe that one of the issues of Unilever is that we are really a federation of local and regional brands, I want to attack that building a more coherent and consistent global portfolio. Making the US & India the 2 anchors of our portfolio and radically simplifying our business from a geographical point of view, from a technology point of view and from a processes point of view. So, these are the priorities I have. I will be a frontline CEO of a frontline obsessed company. Regarding Wellbeing, we continue having very, very strong growth in Wellbeing. It's fundamentally a US-centric business. We have not seen any significant slow-down in our brands. Liquid IV, Nutrafol and OLLY that are the three biggest brands in our portfolio, continue growing double digit and it is a key driver of the growth of our Beauty & Wellbeing portfolio.

Jemma Spalton

Thanks Guillaume, our next question coming from Jeff at BNP. Go ahead, Jeff.

Jeffrey Stent

Can you hear me?

Jemma Spalton

Yes.

Jeffrey Stent

Hello? Okay, great. So two questions if I may. The first one is on India which is guiding on an EBITDA margin decline in the next fiscal year and I'm just wondering why that might not be, if you like, a continual state of affairs now, given the very strong disruption we're seeing in that market. You know, so I guess the question is, you know, why are EBITDA margins at Hindustan sustainable at this level? And then the second question is just on the margin. You've sort of changed the wording, saying your margin balance H1/H2, previously you talked about the expansion being H2 weighted. Can you just elaborate on why the wording has been changed? Thank you.

Fernando Fernandez

Srini, do you want to take this one?

Srinivas Phatak

Absolutely. Thank you, Jeff. Let me start with the second question from a Unilever perspective first and then I will come to HUL. I think there is no change in our stance. Fernando has clarified we are committed to modest margin expansion, and we are absolutely bang on that. I think, just to add some colour, if you actually look at the base of last year, our margins in half one were more like 19.5 and half two was more like 17.5. It had its reasons, it had its reasons because of pricing, of commodity being at its lowest and the phasing of investments. All that we are calling out is there is going to be a more balanced position between half one and half two given the context in which we are operating. That's number one. Coming to India, I think it's important to really put into context it is a very strong business for us. It is a consistent performer for us. It has been gaining shares for the last three years and there is a lot to play for. When we really look at the macro-economic environment there, there is no new headwinds for us. I think that's an important element to call out. And there are potential tailwinds, there are benefits coming from the government incentives, tax relief, lower food and lower oil inflation, and many, many factors which are playing to really, not only drive core but also to lead market development. We have strong positions in Home Care and Hair where we will invest and accelerate. In some of our core, we have to address GAL, we have to address Lifebuoy, which in the short-term will mean we need to really invest behind these brands and in some categories we are seeing competitive intensity go up. And it happens, there are periods when the dial is down but the long-term economics of that market prevail and we are well positioned to do that and in defending some of these categories we will be unblinking. There is only one place that we need to address, which is Foods, and we will do that. When we look at it in its totality, I think this is a market where we will be unblinking in our defence, and when we get our growth engine moving up we know how to really make money here and how really to drive earnings ahead of growth. So all in all, we are very confident both on the growth profile, as well as on the margin profile for India.

Jemma Spalton

Thanks. Our next question comes from David at Jefferies. Go ahead, David.

Fernando Fernandez

We don't hear you, David.

David Hayes

Sorry, I'll start again. Hello, everyone. So just two questions from me. One on Power Brands and Dove and then on Home Care. So on the Power Brands you're obviously growing in line as you said in the quarter with the Group which wasn't happening last year. It seems to be where the brands are sitting and the weightings but I guess just to follow up on the questions about new strategy, is there a bit of a relaxation of the amount of investment and focus in the Power Brands to be a little bit more even so that the other brands are not going to become a drain on performance? I guess related to that, in terms of Dove, the huge success and investment that you had last year with the renovation of the brand, I think it was growing double digit all the way through last year, I think you said in the comments it is mid-single digit now. That's kind of like a 50 or 60 basis points lower contribution. Is Dove going to reaccelerate again to do more innovation or do you see other brands, or can you call out which brands, are going to step up to make up that drop-off in what is obviously your biggest brand? And the second question on Home Care. Obviously, the emerging markets skew on Home Care has been a bit of a struggle which you kind of talked a little bit about, but Europe has been incredibly strong since the beginning of last year, again with the successful innovation and spending. But it feels like that's lapping now and the volume dropped off. Is that Home Care business likely to go into flat to negative volumes as you continue to lap that rollout that you had from the Home Kay renovations last year? Thank you very much.

Fernando Fernandez

Thank you very much. First of all, we are very pleased with the progress in the rest of the portfolio. If you remember early last year we were declining in the rest of our portfolio and we have, quarter after quarter, been improving the performance in these brands. We have always said that we will not neglect the rest of our portfolio. It is important, it is 25% of our revenue. That's close to €15 billion. Of which, of course, there are around 2 billion that we plan to dispose at the right moment of time but the other 13 billion of revenue we consider an integral part of our portfolio. Regarding the Power Brands, they continue and they will be the largest opportunity for our turnover growth and our profit growth and it will be the primary focus of our investment. We have had in the first quarter our power brands in Beauty, Personal Care and Ice Cream grow significantly ahead of the rest of the portfolio but that was not the case in Foods and in Home Care. The main reason in Foods is that when you look at Power Brands, that represent around 60% of our Foods portfolio but when you look at food service they represent 95% and the comparator was very, very strong in the prior year for food service, due to the Chinese New Year calendar, and that basically has had an impact because food service was flat this year, versus what has been mid-single digit growth in the previous quarters. So that is the main reason why Food's power brands didn't grow ahead of the rest of the portfolio. Regarding Home Care, we are very pleased with the results that we are having with our innovation, particularly in developed markets. I feel, David - I see you have published our shares in Europe recently and you have seen we are moving from strength to strength. We are launching new innovations as we speak, particularly in the case of Cif Infinite Clean, and we are very bullish about the progress that we are doing in brands like Domestos and Cif in Home and Hygiene. Of course there has been a bit of pressure in emerging markets, particularly in Brazil, where, as I mentioned before, we have been more - we have been increasing prices in the short-term. That basically in the context of very significant real interest rates have prompted some retailers to destock after they have seen the materialisation of the price increases. We believe this situation will improve with time over the year so we expect our Home Care performance in emerging markets to be better along the year. There is another factor. In India we have seen one of our international competitors resort to significant discount particularly in the liquids format and we have responded to that and that has also weighted down our performance in Home Care, but as Srini said before, we will not blink when it comes to the defence of our position there. In the case of Dove, and sorry I forgot to mention before, our growth in the first quarter was 8.8%. It has grown mid-single digit in Hair Care, but the core of that is in Personal Care - it's 40% of all Personal Care business - and as you have seen our Personal Care business grew more than 5%. Growth has been a fundamental driver of that. So we continue having excellent momentum in Dove. We have seen the results of some of our competitor brands in the same segment as Dove and clearly this is a market out-performance of Dove versus our competitors in the segment where the brand competes.

Jemma Spalton

Our next question comes from Olivier at Goldman Sachs. Go ahead, Olivier.

Olivier Nicolai

Hi, good morning, Fernando, Srini and Jemma. Just on the Wellbeing and Liquid IV, that was clearly a massive growth driver for the Beauty & Wellbeing division. Perhaps could you give us a bit more of an idea of what the plan is to stimulate the growth in core beauty and innovation in the different regions there? And just following up on that division again, on Prestige Beauty there was a small decline in Q1. Do you think you need more brands in that segments to get a bigger critical mass or are you okay with the portfolio you have today? Thank you.

Fernando Fernandez

Thank you, Olivier. Let me start by talking about Beauty and then I will mention a bit more about Wellbeing. I feel our core beauty business when you exclude China and Indonesia, it grew 3.5% globally. So it is a very, very competitive performance. Of course, in Indonesia and China we are really resetting the business. We believe that business will make significant progress along the year. I feel Beauty also was a bit affected in Brazil, where our price increases in the quarter one were close to 7% and as I mentioned before in the context of high real interest rates that prompted some destocking. Prestige Beauty - sorry, in core beauty some of our key brands, I mentioned Dove, very, very strong. Vaseline is one of our key brands and in the Skin Care space is doing really well. In the case of Prestige Beauty we have seen a slow-down. We have not been immune to that. It is true also that we have lapped the double-digit growth in the quarter one last year, but if you segment our portfolio in Prestige Beauty, our more expensive brands have performed strongly. So, the likes of Hourglass and Tatcha have had double digit growth in the quarter. We have suffered more in two particular brands, Paula's Choice, in the entry price points of Prestige in which we have seen some down trading into masstige propositions and Dermalogica that more than 50% of the business is in the professional channel and we have seen some reduction of foot fall in the professional channel by the American consumer recently. Regarding the portfolio and we are always alert, market conditions now doesn’t seem very conducive to really seeing significant targets of acquisition. We have a very, very clear set of criteria to go for acquisitions and we will respect that and if there are good opportunities and good targets we will go for that, because Prestige Beauty and Wellbeing are both a core priority for us in the future. Liquid IV and Nutrafol and OLLY growing very very strongly in Wellbeing, Wellbeing is now 18% of our Beauty & Wellbeing business, and we continue seeing that business going from strength to strength.

Jemma Spalton

Thank you. Our next question comes from Tom at Deutsche Bank. Go ahead, Tom.

Tom Sykes

Yes, thank you, good morning, everybody. Firstly, just on the phasing of margin, to what extent was H2 over-costed at all last year, given you obviously had such a high H1 margin in your target for the year and you've given the view of 15-16% A&P to sales in Q1 but would you expect A&P to sales to be relatively flat this year, you know, A&P as a proportion of sales? Then just on the rollout of Project Sky, I think you've done that with maybe a large customer in North America this year. To what extent has there been any phasing of sell-in as you roll out that platform and is that something to think about for the back half of the year at all, please?

Fernando Fernandez

Okay, let me take the question on Sky, and Srini will talk about margins. We continue rolling out the Sky programme. It started in Mexico, moving to the US and now it's moving into Europe. No impact at all in the phasing of our sales. So you can consider that absolutely neutral. But we believe it's a fundamental initiative to really grow categories with retailers. We are very happy with the impact it's having with our main retailers in the US and Mexico. I believe it's one of the fundamentals that I want to really roll out across markets globally in the next few months. But Tom, to your point, no impact in our sales of the rollout of Sky. Srini, on margin?

Srinivas Phatak

Thanks for the question. On margins it's important to call out a couple of elements. The first half of last year is when we had a good carryover pricing and we also saw significant commodity benefits. That was starting to equalise and we were well aware of that when we had our plans for prior year. Important is we don't manage margins for a half. I think we start to invest behind our plans. When we looked at innovation plans we saw significant and a sequential step-up to our BMI in line with how we got our gap going and our investment and innovations going. So in the second half of the base year we also saw a big step-up to our BMI investments. So that starts to give you a bit of a flavour of how this works. Actually if you look at the long-term our margins have always been more equally balanced. What you see in the base year 2024 and 2023 to an extent is an anomaly from the long-term trend. Coming back to the question on BMI, we're absolutely committed to investing behind our initiatives. Fernando has reiterated that. While this is a trading update, even as we speak we have increased our BMI in absolute money and we will do that. We are committed to spending between 15-16% behind the right innovations. But what you are likely to see, we could shift resources, depending where we haves momentum versus where there could be less momentum in this current macro-economic context.

Jemma Spalton

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

Celine Pannuti

Yes, good morning, thank you for taking my question. Well, two questions. First, Fernando, I was surprised to hear that you said - I mean I know you've said that before you are committed to hard currency EPS growth but you also mentioned the volatility in FX and commodities and I don't know if you've said it but maybe you could comment on what do you think to be the FX impact on Unilever for the fiscal year 25 at the current spot. But could you elaborate on your comment on delivering hard currency EPS growth this year, given what you guide on top line and margin, and how we get to that bottom line growth? Then my second question is on emerging markets. Obviously, you mentioned some key emerging markets as being a drag in Q1 and should contribute to growth in H2. There is a comp effect and there is probably as well the underlying macro and obviously there is as well some question marks about the underlying or the secondary impact of the macro environment in those regions. So, can you elaborate here as well on what you think is within your control and gives you confidence of that H2 recovery in EM, please? Thank you.

Fernando Fernandez

Cool, let me kick off with the emerging markets question and Srini will take the profit and hard currency and the impact on FX. We are confident of the progress we will make in emerging markets along the year. Of course we have seen some slow-down particularly in Latin America, you know, the Brazilian economy was at 3.5 first last year and is at 2% now. The Mexican economy has slowed down to below 1% growth. We see some Asian economies also slowing down but overall, you know, we believe that we have a very strong innovation plan. We have a portfolio that is very resilient in emerging markets. We have demonstrated in the past that the coverage that we have in terms of categories, segments, price points, really give us a lot of resilience and we tend to get out of difficult economic environments, you know, with a stronger competitive position. So we believe that this will be the case in this year again. Of course, comps play a role. We have been resetting our business in Indonesia and China and as I mentioned before the problems are much, much stronger. In the case of Indonesia in particular we have really made significant operational improvements from August last year until now. We used to have serious issues of price conflict of channel and now the price compliance is at 97%. The quality of the distribution is improving. The service levels have recovered and we are really establishing a very strong digitisation programme that is being rolled out to more than 40% of our distributors already. Now we will relaunch most of our brands in Indonesia. The social first programme that we are putting in place will be a key contributor to growth. The same in China in which the grip of the company has improved a lot. So overall through a combination of easier comparators plus significant improvements and interventions we're making in our operations we expect emerging markets to get better along the year. Of course the economic environment is a bit more difficult. Of course, we will have to adjust our pricing based on the impact that devaluation or currency swings are having, but that remains very, very volatile. In the last 15 days we have seen swings of 5-7% in some emerging currencies against the dollar, so that's something that is very volatile and we will not rush to take decisions, operational decisions, based on that. Srini?

Srinivas Phatak

So I think you captured some elements. First is, look, we are committed to hard currency earnings and I it is a multiyear framework that is the sustainable model and we are absolutely committed to delivering that. Currency, given our footprint, tends to be negative. In the past ten years if you look at the long-term averages we are negative 2% and we had a similar one prior year. Even if you see quarter one for us it was about

1.8. And therefore, from a transaction perspective, we know how to handle this. We will manage it, whether it's through cost initiatives, whether it's through pricing, whether it's through our productivity, whether through mix. Therefore, we will continue to deliver on our growth and margins and manage that. I think what's important to call out is some of the translational effects which is really what's also happening between the Euro and Dollar, which are having a big magnitude. Fernando touched upon it. If we just look at the translational effects of some of it, end of March it would be negative 2% on our business. By about April 10, it was more like 3.5%. If I were to look at April 17, it's upwards of 5%. These are unprecedented moves within a period of three weeks. It is important for us not to get swayed by some of these short-term elements. We will be focused on doing fundamentally what is right for the business and I think we should wait for some of this to play out before we really think of any change to our operations or strategy. In essence Celine, I think let's play this out, but overall we are committed to our hard currency earnings, but we shouldn't really get swung by short-term movements.

Fernando Fernandez

Let me add to that that we are very pleased with the progress that we have had in gross margins. We consider that the 45% we delivered last year as a structurally normalised level and we are pleased with the progress we have done in quarter one. We continue having four fundamental levers of gross margin expansion, volume leverage, positive mix, procurement interventions in some key elements of the value chain for our bill of materials and the net productivity and production and logistics costs. This remains the same and we are pleased with the progress we are seeing that allow us to keep investing significantly behind our brands.

Jemma Spalton

Thank you. Our next question comes from Sarah at Morgan Stanley. Go ahead, Sarah.

Sarah Simon

Hi, I just had one question in terms of clarification. You've reiterated that you expect growth in the underlying operating margin but when you talk about FX you've said it'll take 20 basis points off the underlying operating margin. So if FX rates hold where they are, are you basically saying margin on a reported basis is going to be kind of flat year on year? I just wanted to clear that bit up, thanks.

Srinivas Phatak

So this is where we don't want to get swayed into some of the short-term currency swings and movements. When you really look at a normalised basis and that's where we would end up last year at the end of quarter one, we were very clear that from an underlying operating margin perspective we will drive that expansion and we believe we can still do that. We just have to work through some of the operating profit levers, because there is a growth effect of forex and there is a margin effect of forex in current money and we will work that through. To be honest, I think it's best when we come back to you in the half year, and we will have more clarity on some of those elements to provide more colour. But at this stage, just given the way we are working through, I think we are fine with the overall guidance that I've spoken about.

Jemma Spalton

Thank you. Our final question comes from Ed Lewis at Redburn. Go ahead, Ed.

Edward Lewis

Yes, thanks very much. Just a couple of quick ones on North America. I guess the strength there is probably at odds with what we can expect to hear from peers so just wondering whether there's any retail destocking you could talk to or whether it's the channel mix of your North American business that's helping you relative to peers. Then I guess just in terms of sort of early learnings on the rollout of the new Business Group led market and One Unilever market approach and also how you would assess morale across the company considering the elements of change that have been introduced over the past couple of years, obviously with yourself, Fernando, being made CEO?

Fernando Fernandez

Thank you, Ed. Regarding North America I believe the performance we have shown during several quarters now I believe is a reflection of the significant transformation that we have driven in our portfolio in North America. The portfolio now is close to 85% in Beauty and Personal Care, with the significant contribution of Prestige Beauty and Health & Wellbeing. Overall, we believe this is structurally high growth categories.

On top of that, we have really made significant interventions in the organisation with a 'US for US' model and all the marketeers that are serving North America are now located in North America. Our teams, our leaders in North America, are increasingly driving jointly with customers significant category market creation, value creation, and we are really pleased with the performance that we are having there. So it's just - I have mentioned this several times before, you know, this performance in North America is not by chance. It is a reflection of a fundamental transformation of the portfolio into more premium, more beauty, more personal care and a more focused portfolio with a significant contribution not only from the acquired businesses but also from brands like Dove and Vaseline and even Hellmann's in condiments. In the case of the One Unilever market, it's a very important part of our portfolio. It has started the year very, very well. It has delivered significantly ahead of the average of the company. We are radically simplifying that organisation. They cover from market 25 onwards, so it's a very wide footprint, but it's a footprint that has to be simplified, radically simplified, in terms of processes to ensure that they are only focused in marketing and sales. This is what we are doing under the leadership of Reggie, performance has started very well in the year and we are very confident of the prospects there. Regarding morale in the company, there has been lot of change. I am a great believer that the two organising thoughts that we have put in front of our leadership - the first one is around brands that are defined at scale and the second around people and organisation that I call it 'performance is care' - have landed well in the organisation. We are trying to reinstate in the company the joy of winning in the marketplace. You know, we will be uncompromising on the talent and we believe that morale is improving. Also we are in the latest phase of the productivity programme, and 6,000 of the 7,500 exits have been completed already and these help because the team that is in the company is the one that will be there for the long run.

Jemma Spalton

Thank you. That is the end of our questions.

Fernando Fernandez

Cool, probably I can wrap with a few messages. I believe that our quarter one was solid and I would like to highlight also the two-year top line growth CAGR of 3.7% with close to 2% in volume. We believe that this is a very competitive performance. We are confident in delivering the full-year plan based on the good momentum we are having, particularly in developed markets, and the strong innovation plan that we are putting in place. We are conscious that our emerging markets performance has to improve and we have plans to deliver that. Driving top line growth with a strong volume contribution is our absolute priority. We will be ruthless on that and we will invest in line with that ambition. As I mentioned during the call, we will not take operational decisions in a rush based on big currency swings, but we are committing to deliver profit growth in hard currency. With that, thank you very much. Good morning.