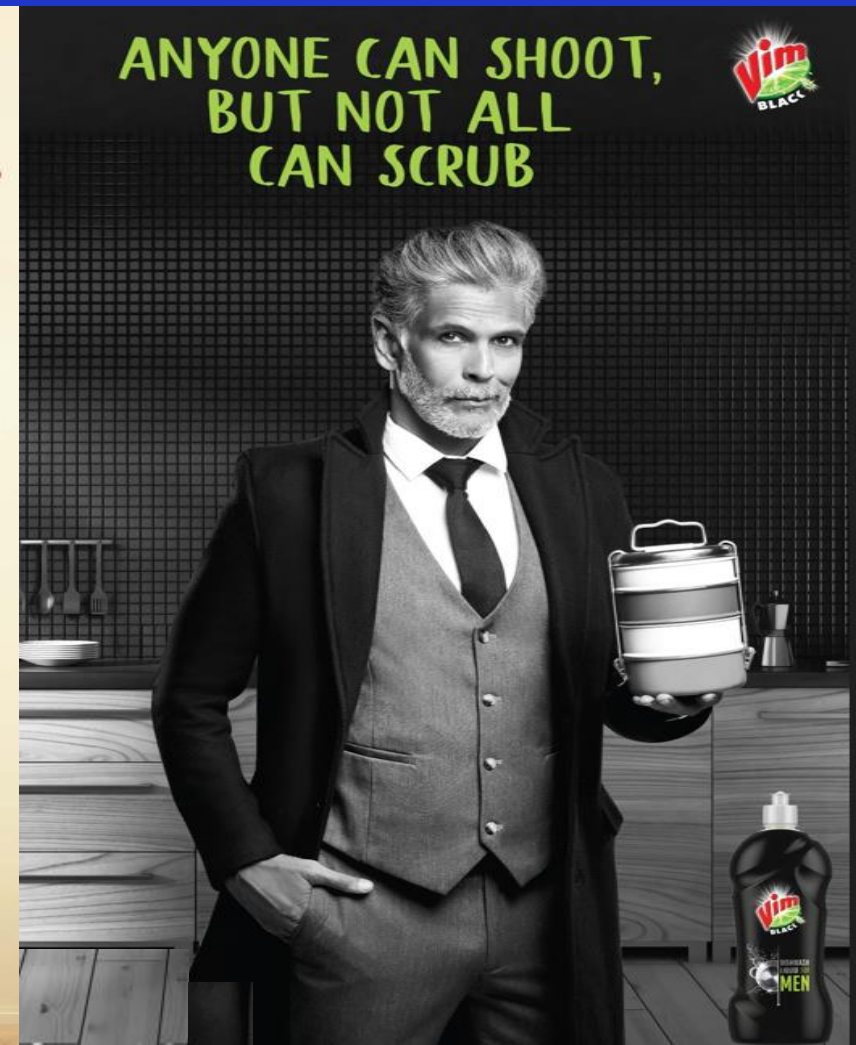


Hindustan Unilever Limited

DQ'22 Results : 19th January 2023

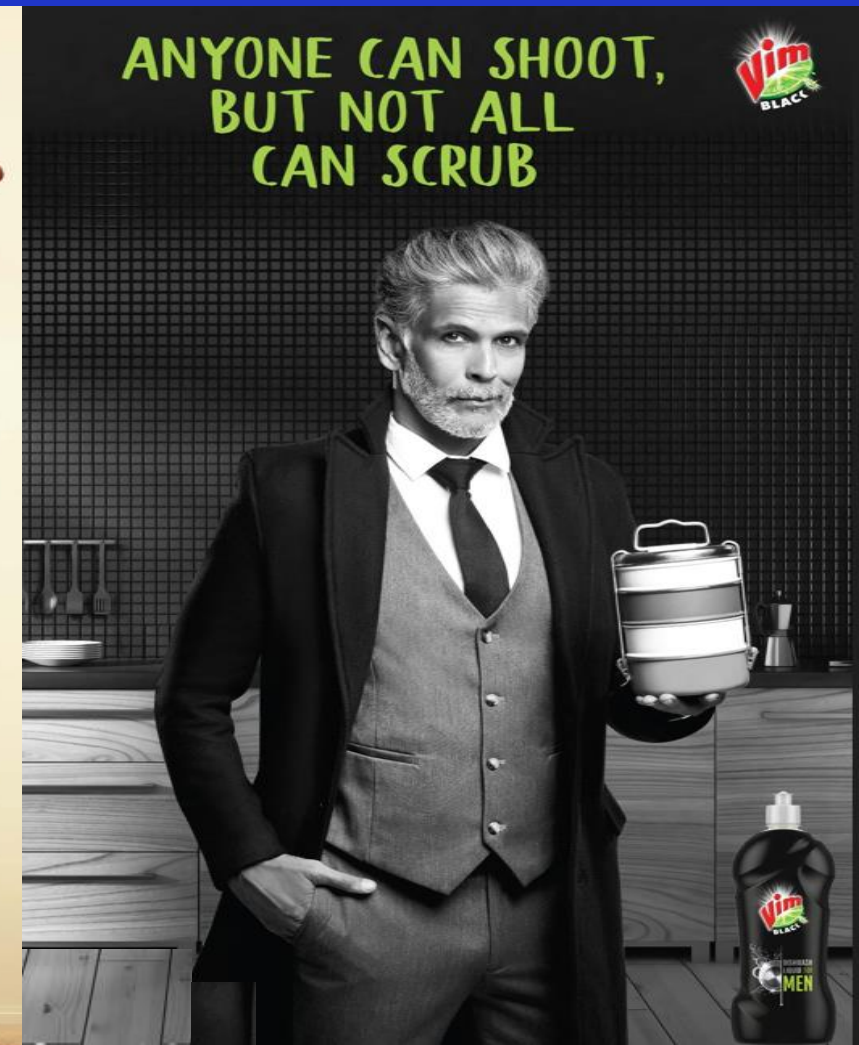


Safe harbour statement

This Release / Communication, except for the historical information, may contain statements, including the words or phrases such as 'expects, anticipates, intends, will, would, undertakes, aims, estimates, contemplates, seeks to, objective, goal, projects, should' and similar expressions or variations of these expressions or negatives of these terms indicating future performance or results, financial or otherwise, which are forward looking statements. These forward looking statements are based on certain expectations, assumptions, anticipated developments and other factors which are not limited to, risk and uncertainties regarding fluctuations in earnings, market growth, intense competition and the pricing environment in the market, consumption level, ability to maintain and manage key customer relationship and supply chain sources and those factors which may affect our ability to implement business strategies successfully, namely changes in regulatory environments, political instability, change in international oil prices and input costs and new or changed priorities of the trade. The Company, therefore, cannot guarantee that the forward-looking statements made herein shall be realised. The Company, based on changes as stated above, may alter, amend, modify or make necessary corrective changes in any manner to any such forward looking statement contained herein or make written or oral forward looking statements as may be required from time to time on the basis of subsequent developments and events. The Company does not undertake any obligation to update forward looking statements that may be made from time to time by or on behalf of the Company to reflect the events or circumstances after the date hereof.

Sanjiv Mehta

Chief Executive Officer and Managing Director



DQ'22 : Strong all-round performance

Turnover Growth YoY

16%

Underlying Volume Growth

5%

Market Share

>75%

Business winning shares

EBITDA Margin

23.6%

+30 bps sequential improvement

EPS

12%

YoY Growth

ESG

76



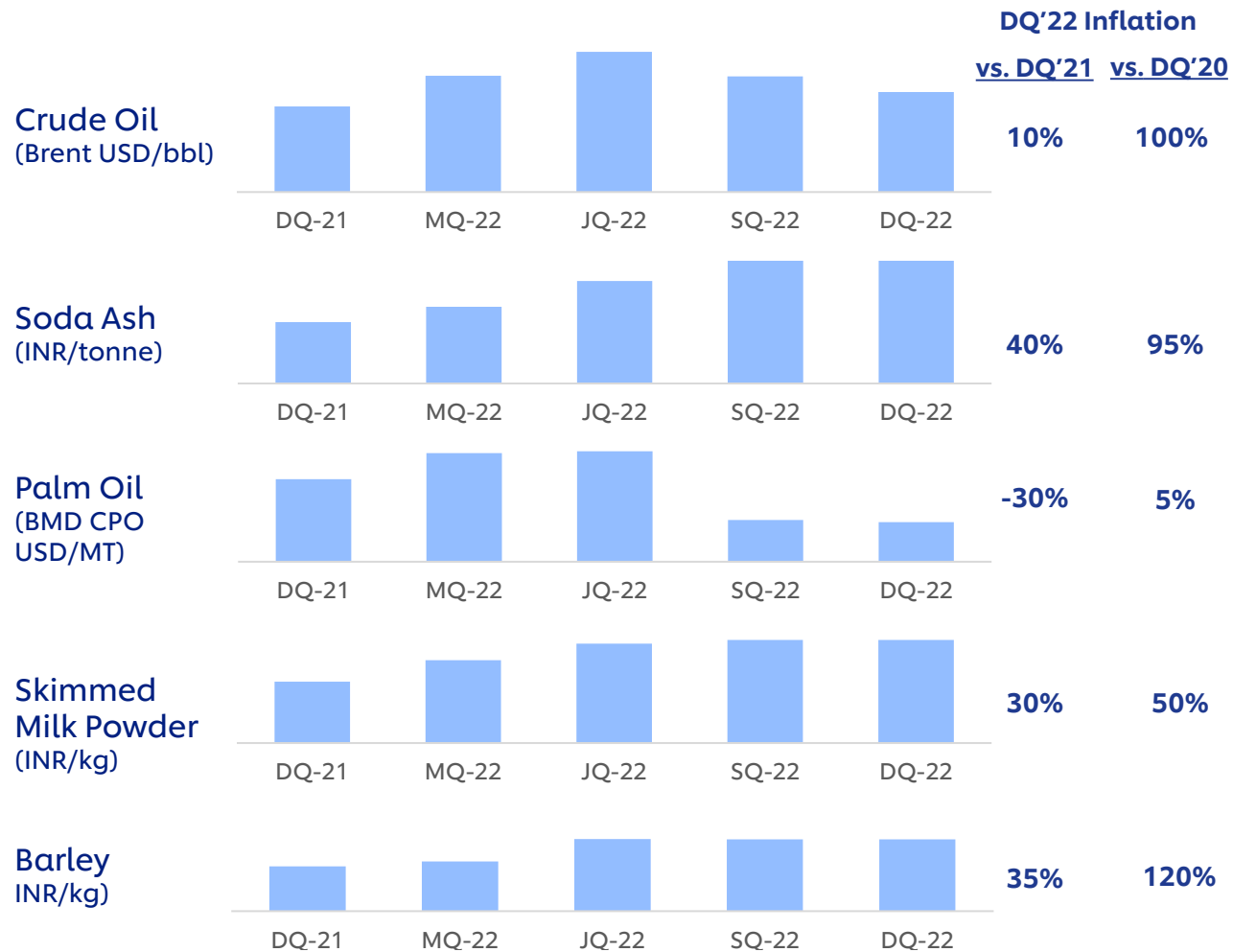
Best rated Indian FMCG co.

23.5

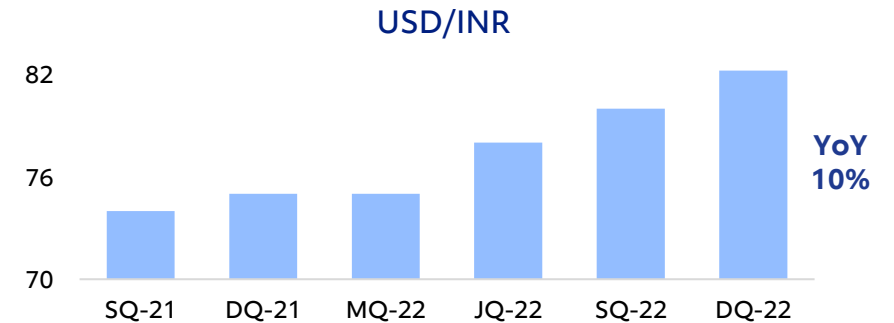


Inflation moderating gradually

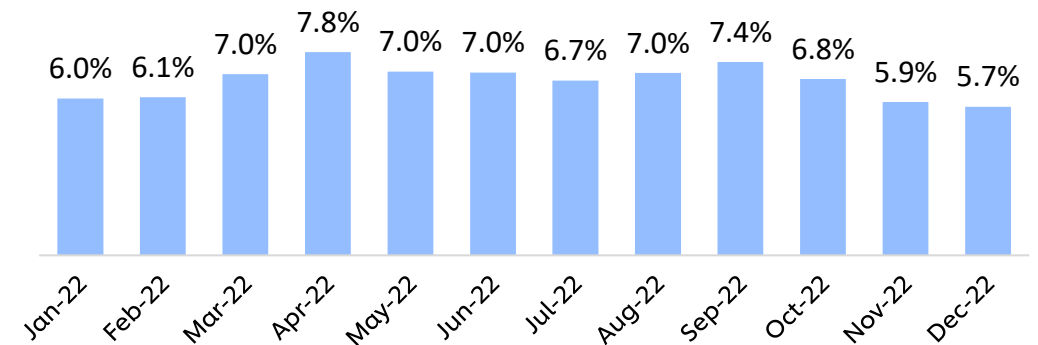
Softening in few commodities notably Palm; Crude and Food Ingredients still elevated



USD strengthening adding to inflation

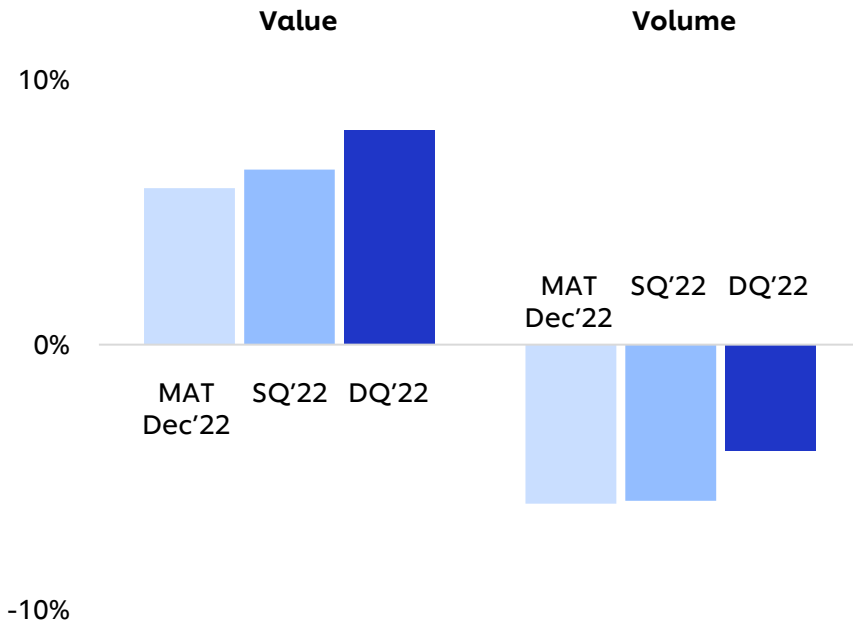


CPI inflation moderating



FMCG market growth improving sequentially; volumes still declining

FMCG market growth (Urban + Rural)



Delayed onset of winter

Last December India's warmest in 122 years: IMD

Jayashree Nandi

letters@hindustantimes.com

NEW DELHI: India recorded its warmest December in 122 years in 2022, the India Meteorological Department said on Wednesday.

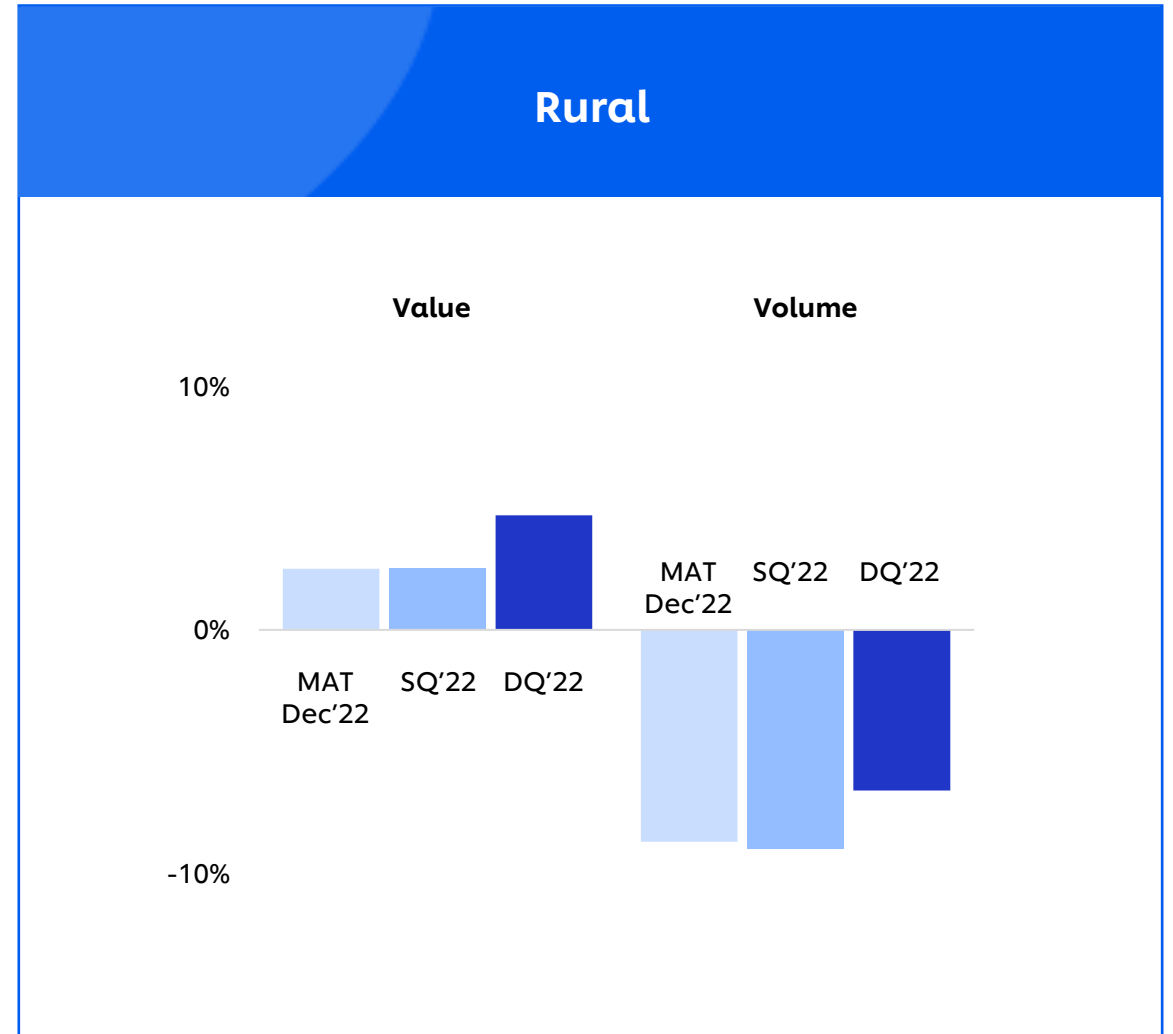
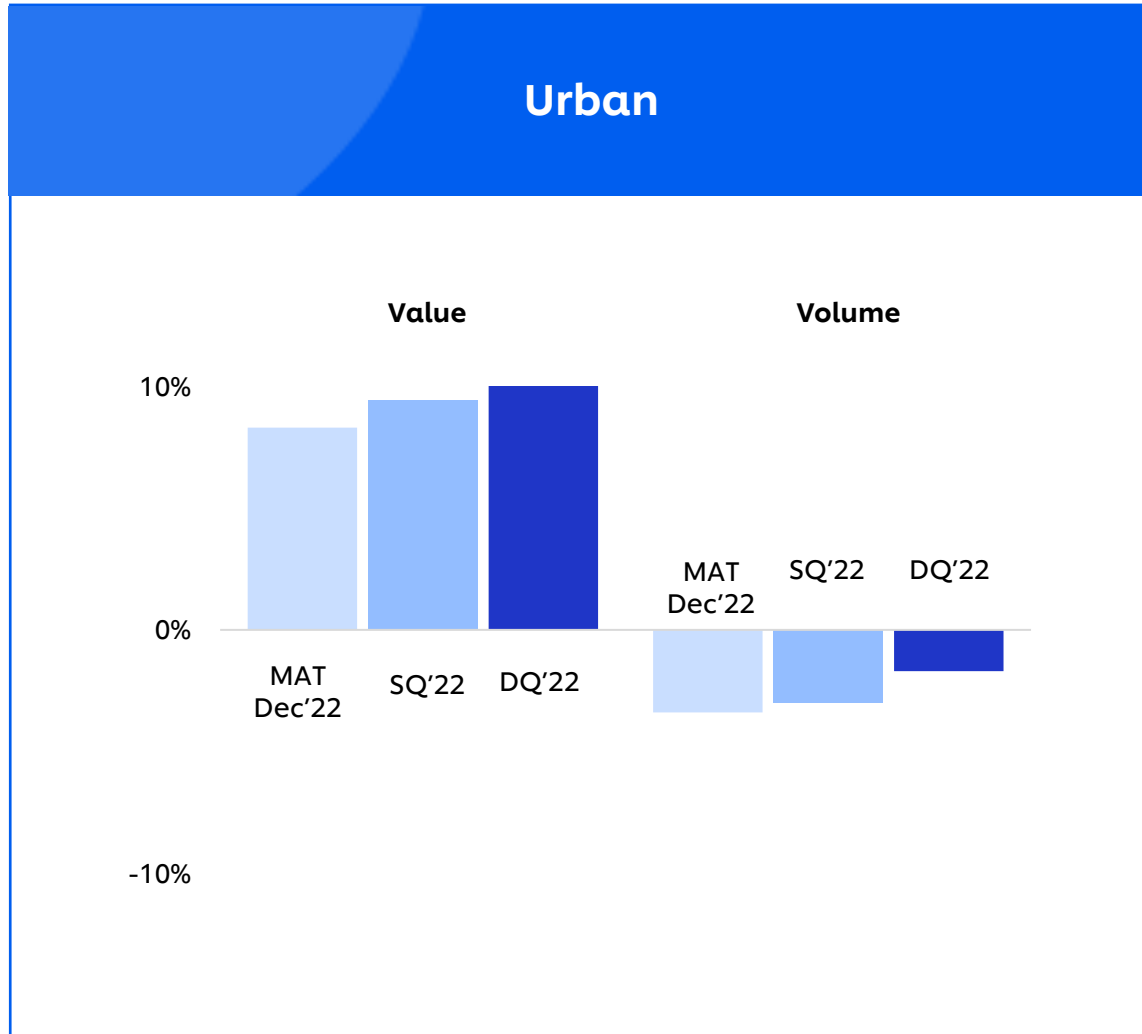
The average maximum, minimum and mean temperatures for the country as a whole during December 2022 were 27.32°C, 15.65°C and 21.49°C respectively, against the normal of 26.53°C, 14.44°C and 20.49°C. Climate experts and meteorologists said such records are to be expected in the context of climate crisis.

The average maximum temperature, minimum and mean temperatures were above normal by 0.79°C, 1.21°C and 1.00°C respectively. Across India, during December, the average maximum temperature was the second highest after the year 2016 and the average minimum temperature was also the second highest after 2008. The mean temperature was the highest. East, northeast, and central India recorded exception-

maximum temperature was the sixth highest (29.49°C). The average minimum temperature was the second highest (15.88°C) after 1967 (16.50°C). The mean temperature was the highest at 22.69°C. Over south Peninsular India, the average maximum temperature was the fifth highest and the average minimum temperature the third highest. Over northwest India, average maximum temperature was the 20th highest (21.23°C) and the average minimum temperature was the 24th highest (7.14°C) since 1901. Rainfall over the country for December was 13.6mm — 14% less than Long Period Average of 15.9mm.

There was no cold wave, cold day and dense fog conditions over northern and central parts of India till December 15. "This was mainly because no strong western disturbances impacted the northwest region which mainly causes a drop in temperatures in winter. So, temperatures continued to remain above normal through the month," said M

Market growth led by urban; rural slowdown likely bottoming out



Clear and compelling strategy

Navigating the short term challenges with agility



Growing our consumer franchise

&



Protecting our business model

While progressing well on our long-term strategic choices



Developing our portfolio



Win with our brands powered by purpose and innovation



Lead in the channels of the future



Build differentiated structures and capabilities



Build purpose-led, future-fit organisation

Responsible growth : Doing well by doing good



**Our community development initiative
'Prabhat' made a positive difference to
nearly 9 million people**



**Lifebuoy has reached over 500
million people to educate healthy
habits**

Foray into Health & Wellbeing

Our strategy

- Build a portfolio of fast growing, lifestyle-led, science-driven brands
- Focused on attractive segments and product formats

Strategic partnership



Deals completed

Underpinned by our capabilities

- Consumer and Customer understanding
- Leading R&D and innovation capability
- Data & Analytics
- Rigorous Regulatory & Quality Assurance
- Best in class Supply Chain operations

From 'health as the absence of disease' to 'health as a lifestyle pursuit'

Ritesh Tiwari

Chief Financial Officer



DQ'22 : Strong all-round performance

Turnover Growth

Growth

16%

5%

Underlying Volume Growth

EBITDA

Margin

23.6%

-180 bps

Change YoY

PAT (bei)*

INR

2,581 cr.

13%

Growth YoY

Net Profit

INR

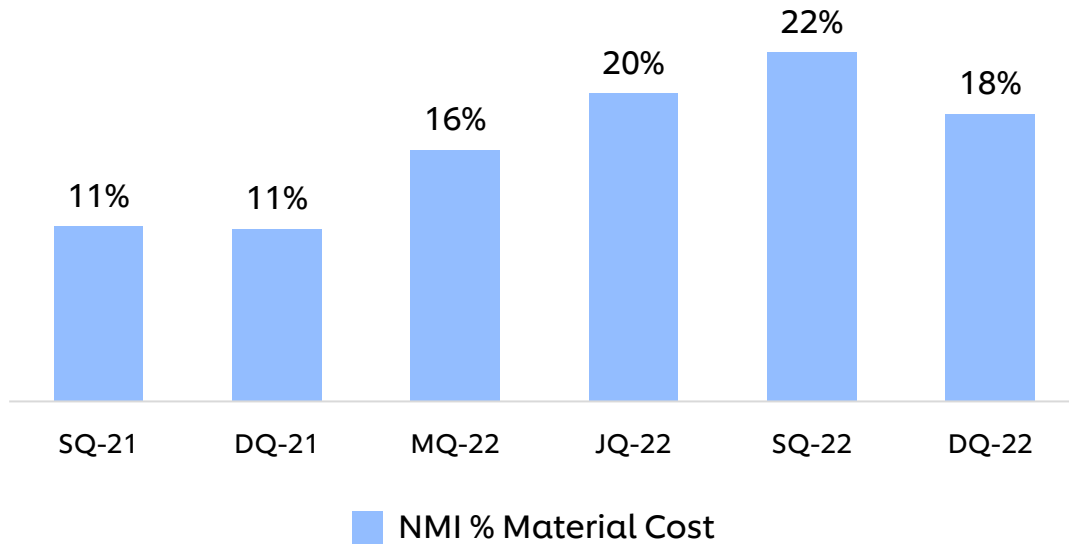
2,505 cr.

12%

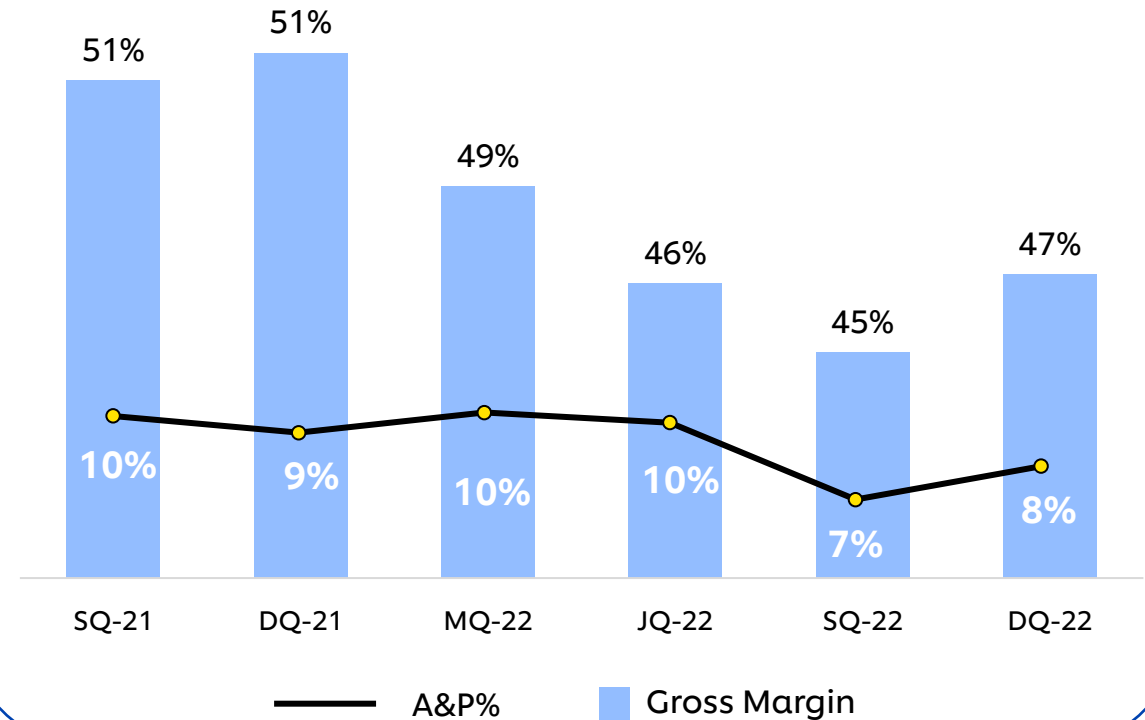
EPS Growth YoY

Protecting business model through dynamic financial management

Net Material Inflation (NMI) moderating sequentially



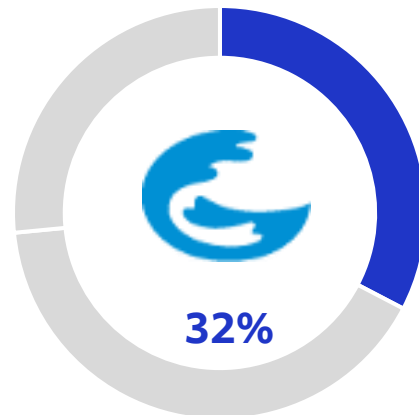
Gross Margin up QoQ; step-up in A&P



Continue to drive productivity improvement and pricing agility

DQ'22 : Segmental performance

HOME CARE

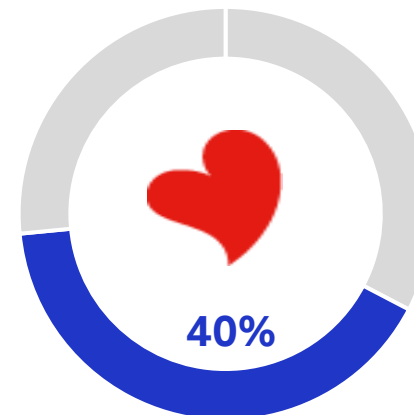


INR 5,518 cr.

32%

19%

BEAUTY & PERSONAL CARE

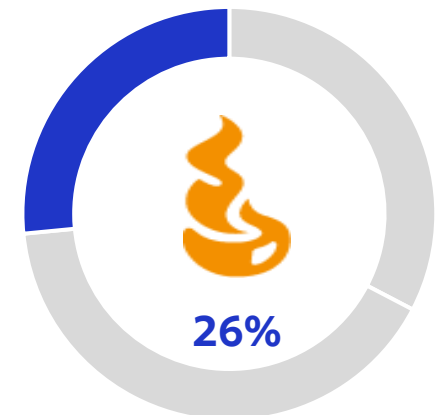


INR 5,718 cr.

10%

25%

FOODS & REFRESHMENT



INR 3,700 cr.

7%

18%

Segmental Revenue
Growth

Segmental Margins

Segment Revenue Growth = Segment Turnover growth + Other Operating Income, Segment Margins (EBIT) excludes exceptional items

Excludes 'Others' segment, proportion of segments for same period last year

Sensitivity: Public

DQ'22 : Innovations (1/2)



DQ'22 : Innovations (2/2)





Hindustan Unilever Limited

DQ'22 : Activations and communications



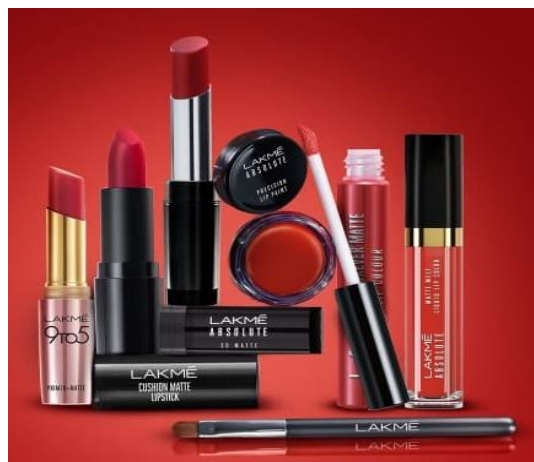
HC : Stellar performance continues, double digit volume growth



- ❑ **Fabric Wash:** High double-digit growth with robust performance across brands and formats. Double-digit volume growth.
 - Handsome market share gains continue, both value and volume
- ❑ **Household Care:** Grew in high double-digit with strong performance in both dishwash and surface cleaning
 - High-teens volume growth



BPC : Double digit growth led by Skin Cleansing



- ❑ **Skin Cleansing:** Strong double-digit growth, broad based across the portfolio, volumes grew in mid-single digit. With softening in Palm Oil, price reductions taken in soaps portfolio
 - Market development actions in bodywash yielding good results
- ❑ **Hair Care:** High single-digit growth led by strong performance in Clinic Plus. Innovations and future formats continue to gain consumer relevance
- ❑ **Skin Care and Color Cosmetics:** Delayed winter impacts performance; double digit growth in non-winter portfolio
 - Continued focus on innovations & market development actions in emerging/ on-trend demand spaces
- ❑ **Oral Care:** Steady performance driven by Closeup

F&R : Steady performance led by Foods, Coffee and Ice Cream



- ❑ **Beverages:** Continued value and volume market leadership in Tea. Business grew volumes in mid-single digit, price cuts soften overall value growth. Coffee continues to perform well delivering double-digit growth
- ❑ **Health Food Drinks:** Grew in mid-single digit with strong performance in Boost and Plus range. Market share and penetration gains continue on the back of focused market development actions
 - Market remains subdued due to the impact of inflation
- ❑ **Foods:** Volume led high teens growth driven by strong performance in Ketchup, Jams and Unilever Food Solutions (UFS)
- ❑ **Ice Cream:** Continues to perform well and delivered double-digit growth

DQ'22 : Results summary

Rs. Crores

Particulars	DQ'22	DQ'21	Growth
Sales	14,986	12,900	16%
EBITDA	3,537	3,279	8%
EBITDA Margin	23.6%	25.4%	-180 bps
Other Income (Net)	202	66	
Exceptional Items – Credit / (Charge)	-102	-66	
PBT	3,377	3,024	12%
Tax	872	781	
PAT bei	2,581	2,292	13%
Net Profit	2,505	2,243	12%

FY'23 : 9-month performance

Turnover

INR

43,516 cr.

17%

Growth YoY

EBITDA

INR

10,161

10%

Growth YoY

PAT (bei)*

INR

7,249 cr.

13%

Growth YoY

Net Profit

INR

7,410 cr.

14%

EPS Growth YoY

Outlook



Hindustan Unilever Limited

Looking ahead

- ❑ Cautiously optimistic in the near-term
- ❑ Worst of inflation likely behind us, will aid gradual recovery in consumer demand
- ❑ YoY material inflation still elevated, growth will continue to be price-led
- ❑ Focus on right price-value equation and building back gross margin
 - Step-up in A&P investments

Our focus remains on delivering Consistent, Competitive, Profitable and Responsible Growth

Royalty and Central Services agreements



Hindustan Unilever Limited

Overview of current arrangement with Unilever

- ❑ Current Technology & Trademark licensing and Central Services Agreement with Unilever was entered into in 2013. Term expires on 31st Jan 2023
- ❑ Contract grants right to use Unilever owned trademarks, technology, corporate logo and gives access to central services provided by Unilever Group
- ❑ Effective pay-out for this arrangement is c. 2.65% of turnover [FY'22]
- ❑ Unilever's global brands, innovations, technical know how, centralised services and functional expertise enables us to win in the marketplace
- ❑ During the contract tenure we doubled our turnover and improved our EBITDA margin by c.1000 bps

Access to world class brands, technology and services

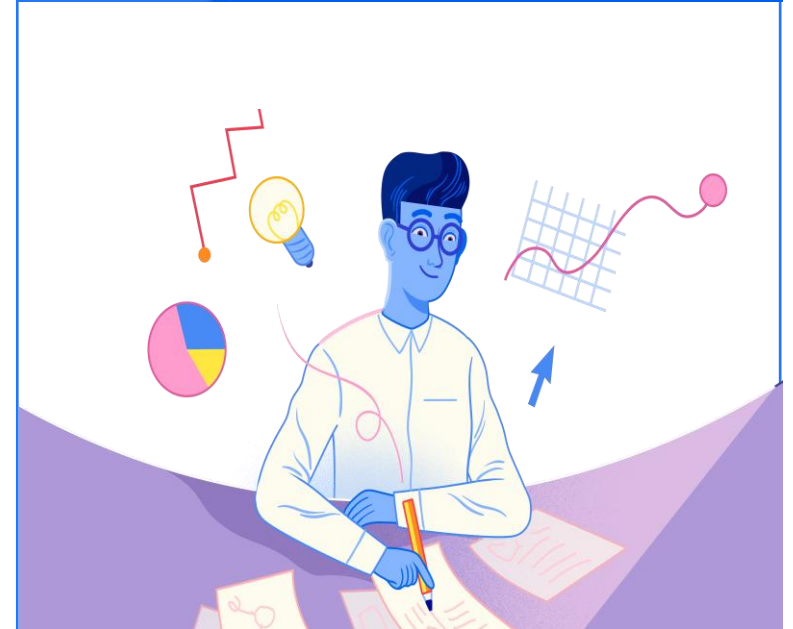
Unilever brands



Cutting edge technology and innovation



Centralised services and expertise



Enabling HUL to meet emerging consumer needs with agility and win in the marketplace

Unilever : A global FMCG powerhouse

€ 52 bn

Turnover



12

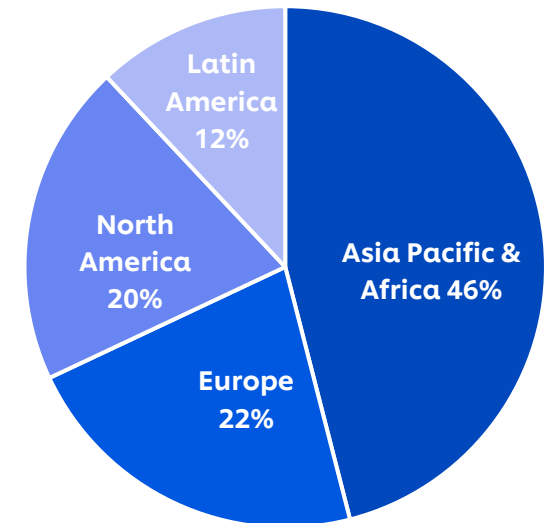
€1 bn brands

Wide portfolio of iconic & on-trend brands



12 of the top 50 global consumer brands

Worldwide presence

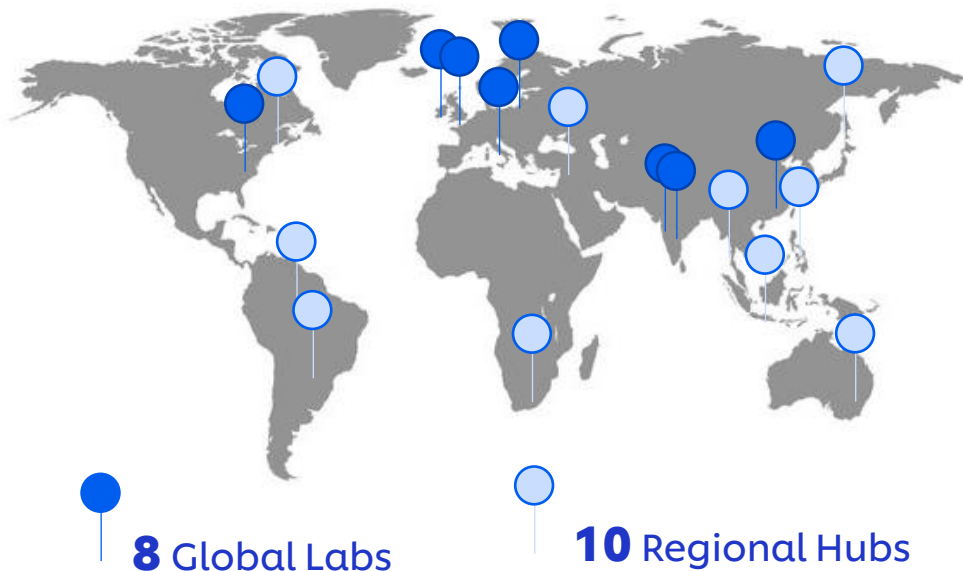


**190 countries,
c.60% business in
emerging markets**

Turnover for January-December 2021

Deep science and technology expertise

Global Scale, local knowledge



**5000 +
R&D experts**

**>20,000
Patents**

**€ 850m p.a.
R&D Spends**

Cutting edge R&D (examples)

Renewable Ingredients

Bio-Surfactants
& Eco-Design

Carbon Rainbow

Concentration
& New Formats

Next Generation Biology

Microbiome
& Immunity

Skinification

Neurosignaling
& Deposition

Positive Nutrition

Non Dairy
Plant Protein

Low Fat &
No Saturated Fat

Low Sugar
& Low Salt

Unilever expertise : Access to best practices, standards and tools

Illustrative examples

Supply Chain



OEE Improvement Programmes



World class manufacturing capabilities



AERA Deeper Planning



Global Technical authority framework

Marketing

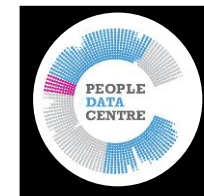


Digital HUB



In-house creative agency

STUDIO



People data centre



Procurement

Net Revenue Management

Talent Management



Leveraging Global scale and Commodity Risk Management practice



net revenue management



Learning and capability development

Review of existing arrangement

❑ Request for review received from Unilever

- Expiry of current contract
- HUL receiving steady stream of benefits from Unilever - faster innovations, superior products and technology, greater expertise and enhanced services

❑ India : Priority market for Unilever

- Largest emerging market business for Unilever and second largest worldwide
- One of the top 3 strategically prioritized markets for Unilever with dialled up access to innovations, investments, capabilities, and talent development

❑ Review and evaluation

- Detailed due diligence led by senior HUL management and guided by HUL's Audit committee and Board
- Independent external benchmarking with comparable transactions

New arrangement approved by HUL Board

- ❑ **HUL Board has approved new royalty and central services arrangements effective 1st February 2023 for a period of 5 years**
- ❑ **Staggered increase in effective rate over a period of 3 years from c. 2.65% to c.3.45% of Turnover**
 - c. 45 bps increase from Feb to Dec 2023, c. 25 bps from Jan to Dec 2024, c. 10 bps from Jan 2025
 - Rates continue to be competitive versus comparable transactions post factoring above increase
- ❑ **Positions HUL well to continue delivering Consistent, Competitive, Profitable and Responsible growth**
- ❑ **Subject to appropriate regulatory approvals**

In Summary

1. DQ'22 :

- Strong growth momentum : Topline growth 16%, Underlying volume growth 5%
- Gross Margin sequentially up 170 bps, A&P stepped up
- Healthy EBITDA margin at 23.6%, sequential improvement of 30 bps

2. Outlook:

- Cautiously optimistic in the near term
- Worst of inflation is likely behind us, will aid gradual recovery in consumer demand
- Priority is to ensure right price-value equation, build back gross margin, and step-up A&P investments
- Focus on delivering Consistent, Competitive, Profitable and Responsible growth

3. HUL Board approves new Royalty and Central Services arrangement with Unilever group

- c. 80 bps increase in effective rate staggered over next 3 years
- Positions us well to meet consumer needs with agility and win in the marketplace

Hindustan Unilever Limited

DQ'22 Results : 19th January 2023

