

Hindustan Unilever Limited

HUL + GSK CH Merger Update : 22nd July 2020



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Agenda

- ☐ **Deal Re-cap and recent results**
- ☐ **Strategy and Synergies**
- ☐ **Key financial and reporting aspects**

Recap & Results



Dec 2018 : Announced merger of GSK CH India with HUL

#1 HFD portfolio in largest HFD market



Nourishing Malt-based Drinks

20+ different products and flavors

Strategic Rationale

- ❑ **Market development opportunity**
 - ❑ Low penetration
 - ❑ Opportunity to drive premiumization
 - ❑ Leverage HUL distribution capabilities

- ❑ **Double digit growth potential for medium term and margin expansion of 800-1000 bps**
(on March 2018 financials)

Leverage on the Mega-Trend of Health & Wellness

FY 2020 : Resilient underlying performance

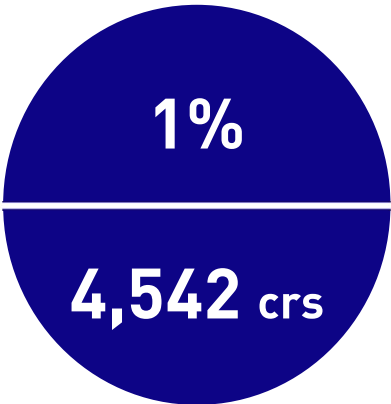
Growth

EBITDA

PBT

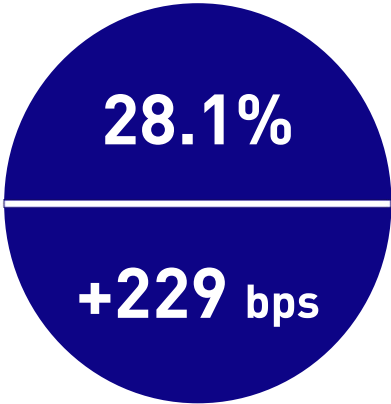
Net Profit

Turnover Growth%



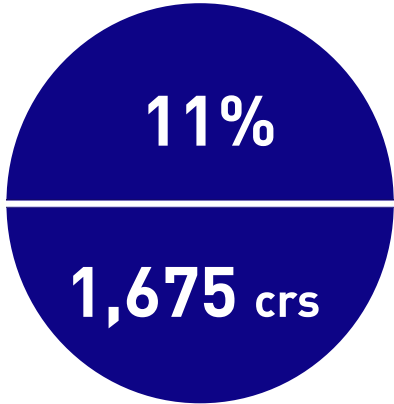
Turnover

Underlying EBITDA*



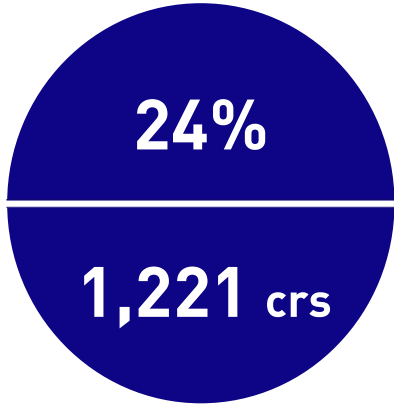
Underlying Margin Improvement*

PBT Growth



PBT

PAT Growth



PAT

Competitive growth - ahead of the market

* Underlying EBITDA = Reported EBITDA – One offs
Reported EBITDA margin 32.7%

JQ 2020 : Seamless virtual integration

Competitive growth

Domestic Sales Growth

+5%

Gaining Market Share*

Value-added innovations



Enhancing accessibility



*Market share basis volume for L3M May 2020 as per Kantar HH Panel

Strategy and Synergies



GROWTH : Strong structural drivers intact

25%+ of India's population is under 14 years ⁽¹⁾

Opportunity to grow by purposefully serving a young population with nutrition needs



1 in 3

Indian children are too short for their age ⁽²⁾



1 in 4

Indian adolescents are too thin for their age ⁽²⁾



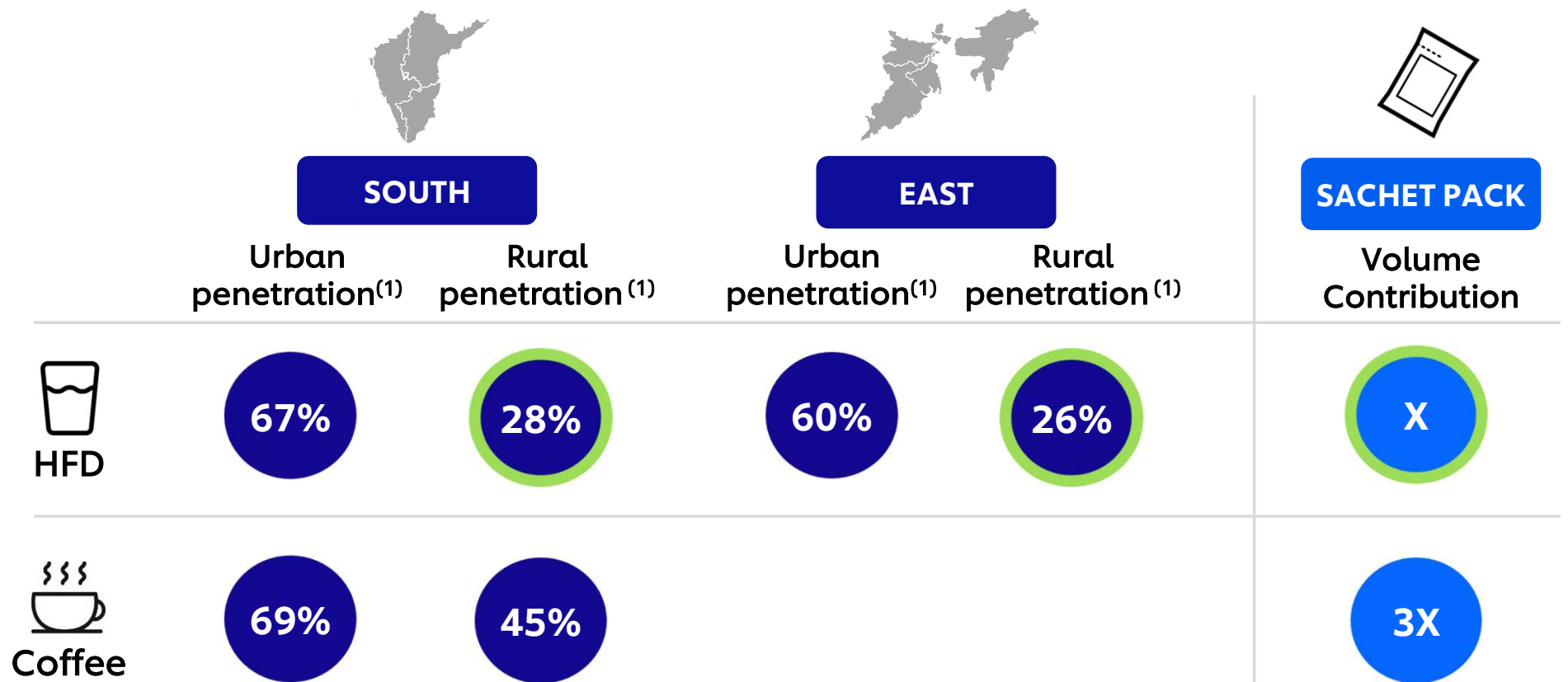
9 in 10

Indian children's* diets are deficient in micro-nutrients ⁽²⁾

A huge opportunity for a purposeful Nutrition portfolio

Rural India offers significant growth potential

Market Development will be a key growth driver



Building demand by increasing relevance and affordability

Reinforcing Horlicks Health credentials



Launch of pouch pack @ 20% discount



GTM ramp-up offers sizeable coverage & growth opportunity

Opportunity to improve physical reach by covering more stores



X



1.75X



2.25X

Leveraging HUL
Channel Expertise

MT & E-Commerce



Out of Home / HTS



Shakti Channel



Medium term opportunity : Expand the Nutrition category

Opportunity in underserved adult nutrition market

Maternal
nutrition



Women's
nutrition



Adult deficiency
& Wellness

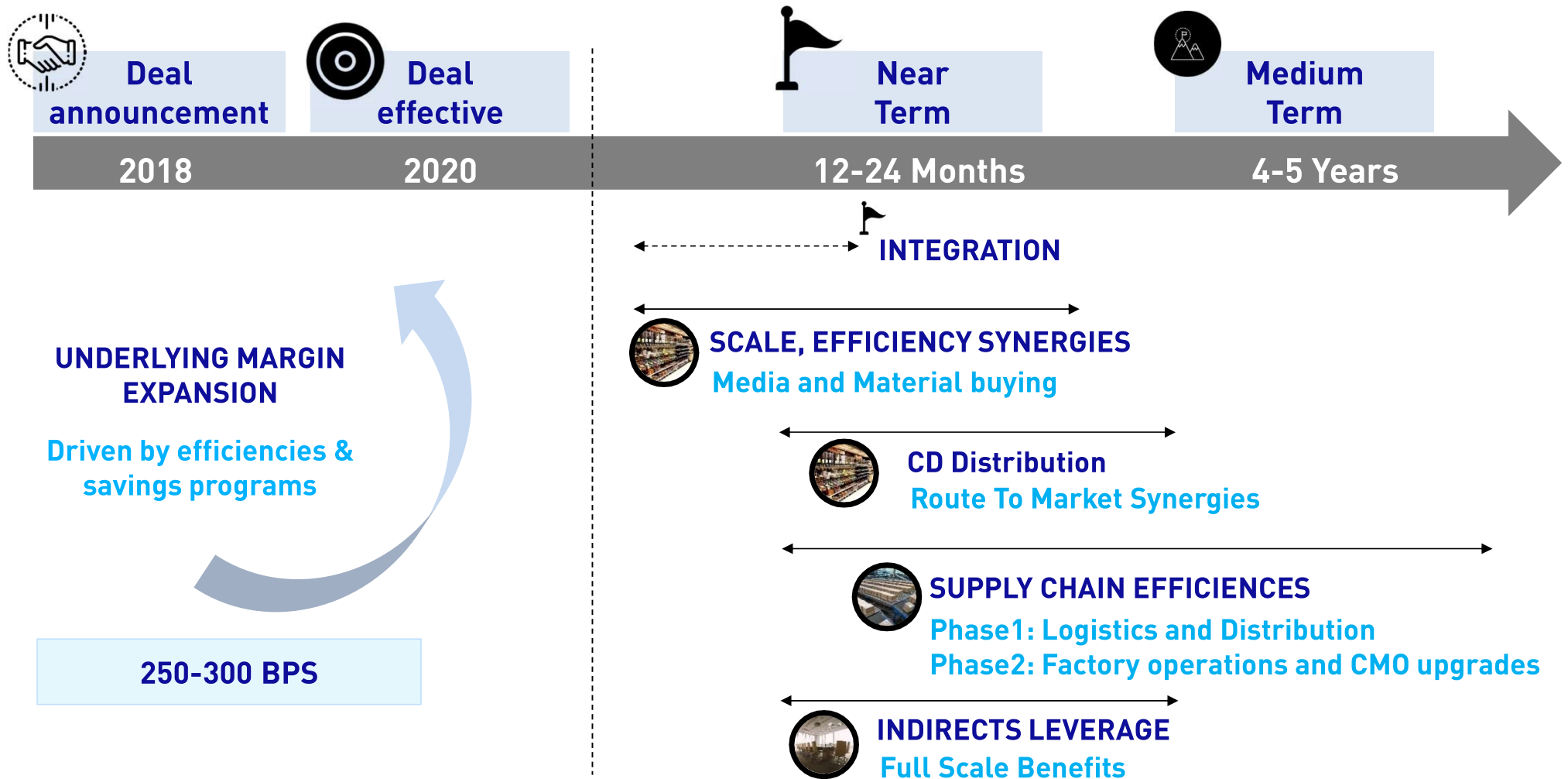


Key Drivers

- ✓ Driving access
- ✓ Building relevance
- ✓ New Product development

Margins realization on track

2

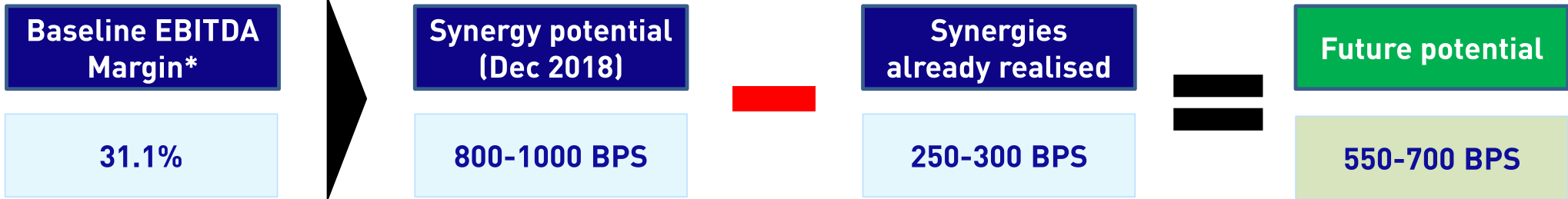


And poised to deliver significant value

Baseline Margins



Future Synergy potential in Medium-Term

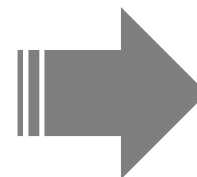
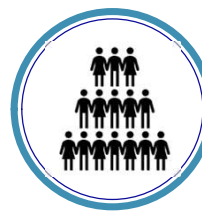
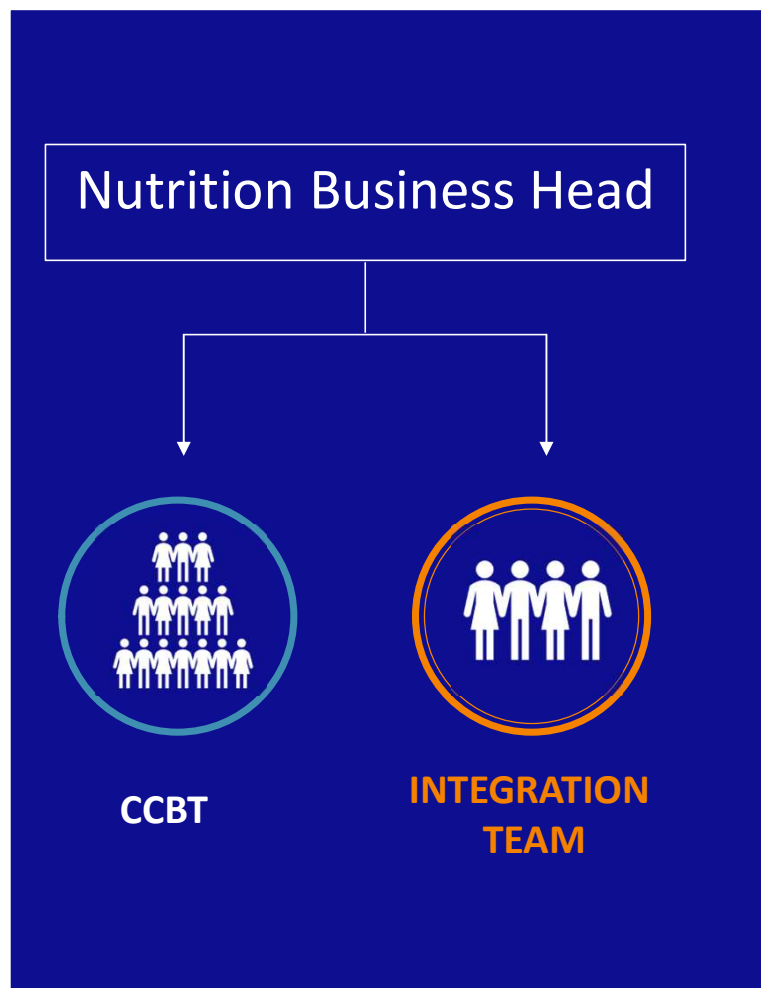


**Business plans
well supported**

**leverage capabilities and
focused organization**



Investing for growth : Distinct Business and integration teams



Nutrition a separate CCBT within F&R Division

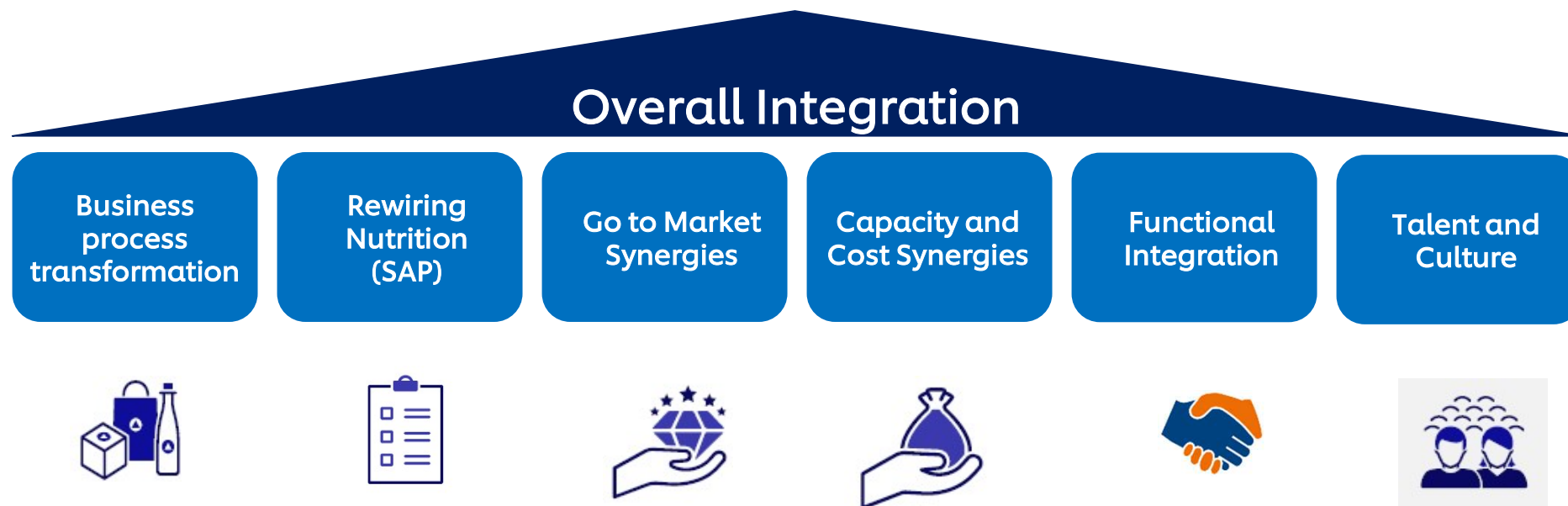
- Business strategy & execution – Unlock the market development opportunity



Integration team continues for next 18 months

- Charting of synergy plans
- Business Process and IT Harmonisation – full IT integration likely to be completed by June 2021

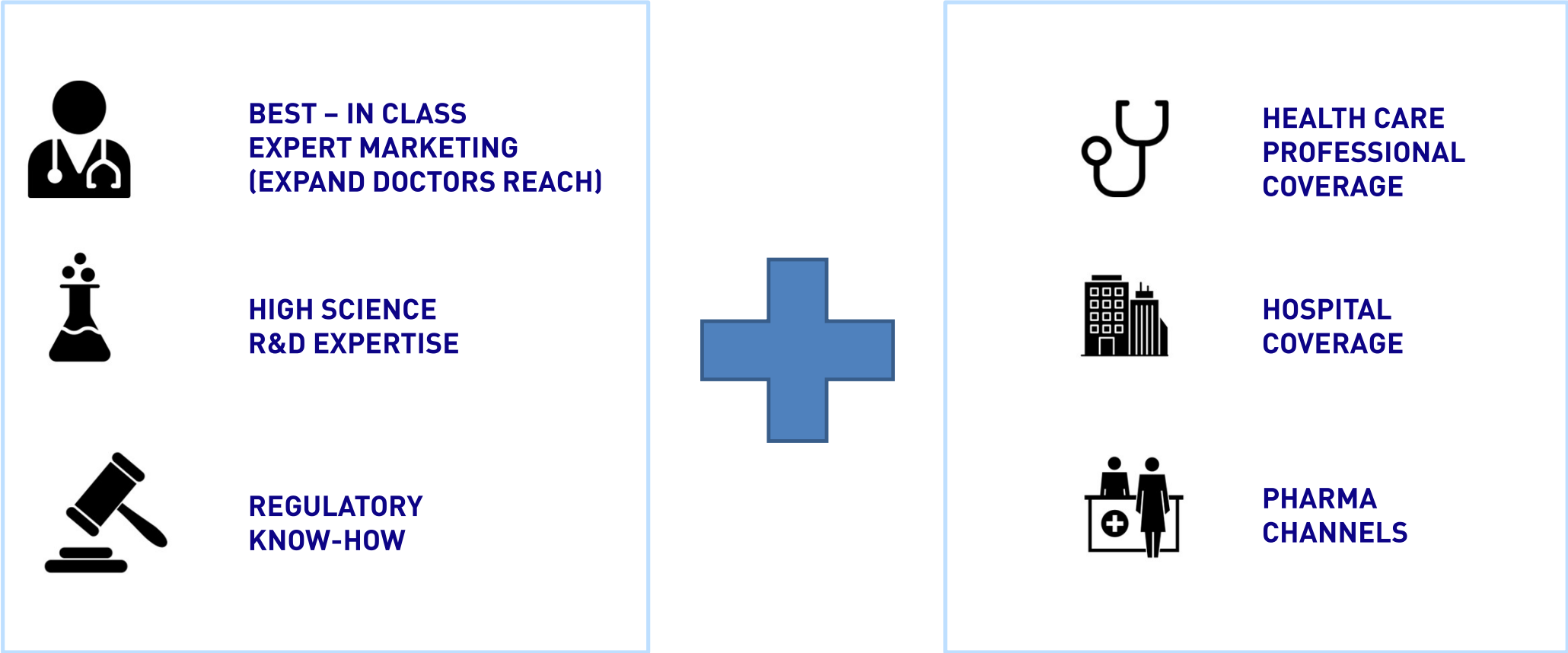
With a framework that leverages technology & best practices



Key programs to unlock value creation

Anchored end to end by Integration Board

While embracing new capabilities



Potential to create value across HUL categories

Financial and tax implications from the merger



Key Financial Call-Outs

Transition Costs (Y1)

- Business has an IT Transition Services Agreement with GSK Plc for 12Months: ~ Rs 80 crs

Exports Reporting

- Exports to move to HUL subsidiary UIEL - visible in Consolidated results

Integration costs

- Investments to realise synergy benefits in near-to-medium term (reported under exceptional items)

OTC OH Arrangement

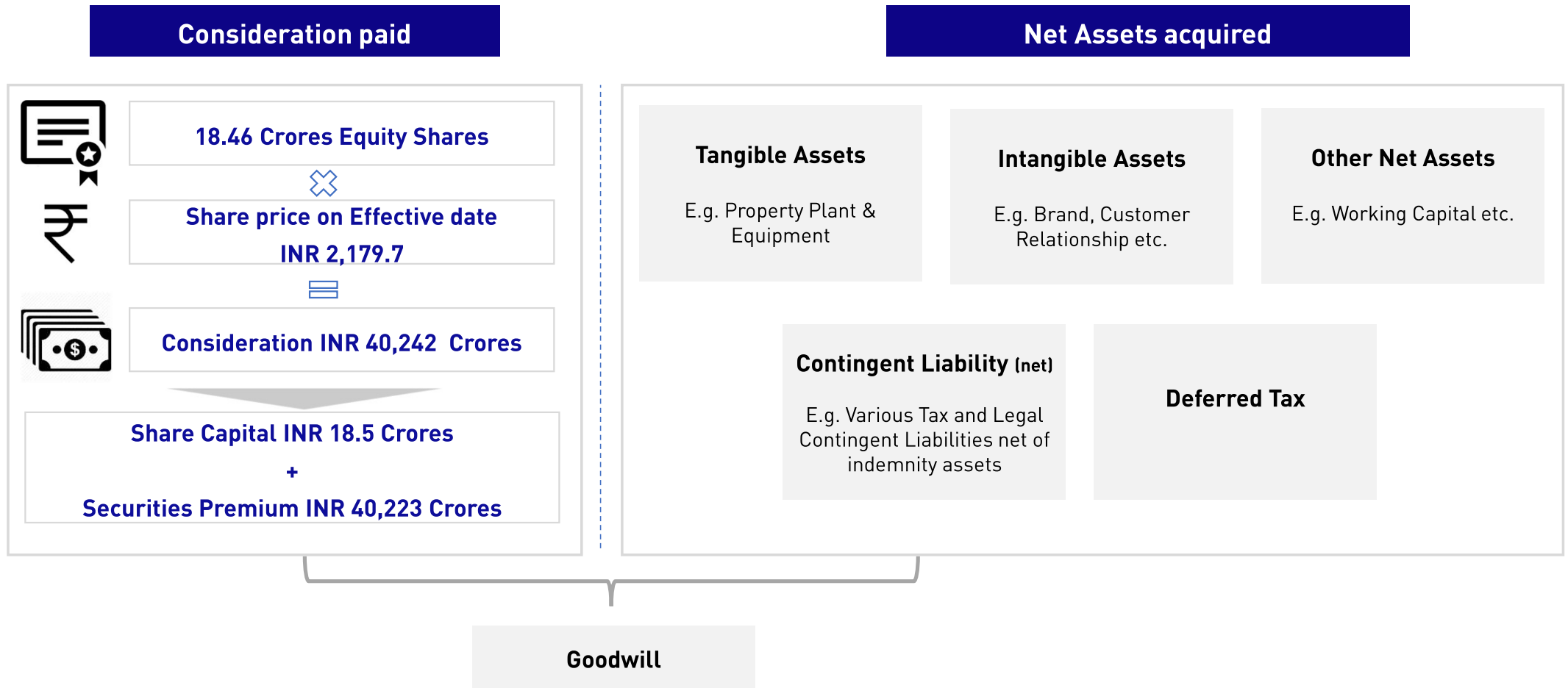
Product Portfolio



Distribution arrangement

- Consignment Services Agreement signed between both parties with clearly agreed roles & KPIs on both sides
- For 5 years, mutually renewable at the end of term
- Net Margins protected

Accounting for merger



Excess of Consideration over identified Assets & Liabilities to be recorded as “Goodwill”

Intangibles – Accounting & Tax Impact

Accounting Books - Balance Sheet

- Infinite life intangibles will be recorded at Fair Value and tested for impairment
- Finite life intangibles will be recorded at Fair Value and depreciated over useful life.

Tax Books – Balance Sheet

- All intangibles (including Goodwill) will be added to intangibles tax block
- Intangibles eligible for depreciation u/s 32 of the Income Tax Act.

The difference in the value of intangibles in financial and tax books is in the nature of “temporary difference” and will be subject to deferred tax at every period end. No impact of ETR



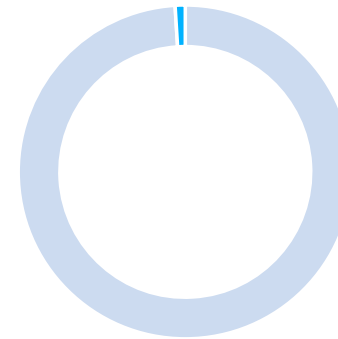
Future reporting

Domestic Business



F&R Segment

Exports Business + OTC



Others Segment

In Summary



- **Structural opportunity intact, COVID uncertainties in the near-term**



- **Seamless cutover completed, Successful first quarter**



- **Medium Term - Growth in double digit, Incremental margins of 550-700BPS (250-300BPS synergies already realised)**




- **Return on Capital Employed (RoCE) and Return on Net Worth (RoNW) to drop on account of increase in shareholder's equity**



- **OTC/OH: a win-win arrangement**

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