



22nd July, 2020

Stock Code BSE: 500696

NSE: HINDUNILVR

ISIN: INE030A01027

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Corporate Relationship Department,  
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Mumbai – 400 001

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Exchange Plaza, 5th Floor,  
Plot No. C/1, G Block,  
Bandra – Kurla Complex,  
Bandra (E),  
Mumbai – 400 051

Dear Sir,

**Sub: Investor Presentation**

Pursuant to the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith a copy of the presentation to be made on teleconference / webcast to analysts / institutional investors on update with respect to merger with GlaxoSmithKline Consumer Healthcare Limited today.

You are requested to take the above information on your record.

Thanking You.

Yours faithfully,

**For Hindustan Unilever Limited**

DEVOPAM Digitally signed by  
DEVOPAM  
NARENDRA NARENDRA BAJPAI  
BAJPAI Date: 2020.07.22  
15:42:53 +05'30'

**Dev Bajpai**

**Executive Director, Legal & Corporate Affairs  
and Company Secretary**

**DIN:00050516 / FCS No.: 3354**

# Hindustan Unilever Limited

## HUL + GSK CH Merger Update : 22<sup>nd</sup> July 2020





## Safe Harbor 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 realized. 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.

# 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

Turnover Growth%

1%

4,542 crs

Turnover

## EBITDA

Underlying EBITDA\*

28.1%

+229 bps

Underlying Margin Improvement\*

## PBT

PBT Growth

11%

1,675 crs

PBT

## Net Profit

PAT Growth

24%

1,221 crs

PAT

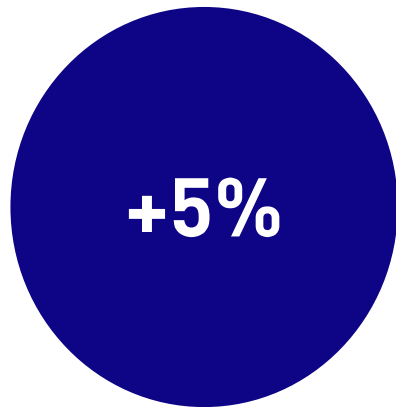
**Competitive growth - ahead of the market**

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

# JQ 2020 : Seamless virtual integration

## Competitive growth

Domestic Sales Growth



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 <sup>(1)</sup>**

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



**1 in 3**

Indian children are too short for their age <sup>(2)</sup>



**1 in 4**

Indian adolescents are too thin for their age <sup>(2)</sup>



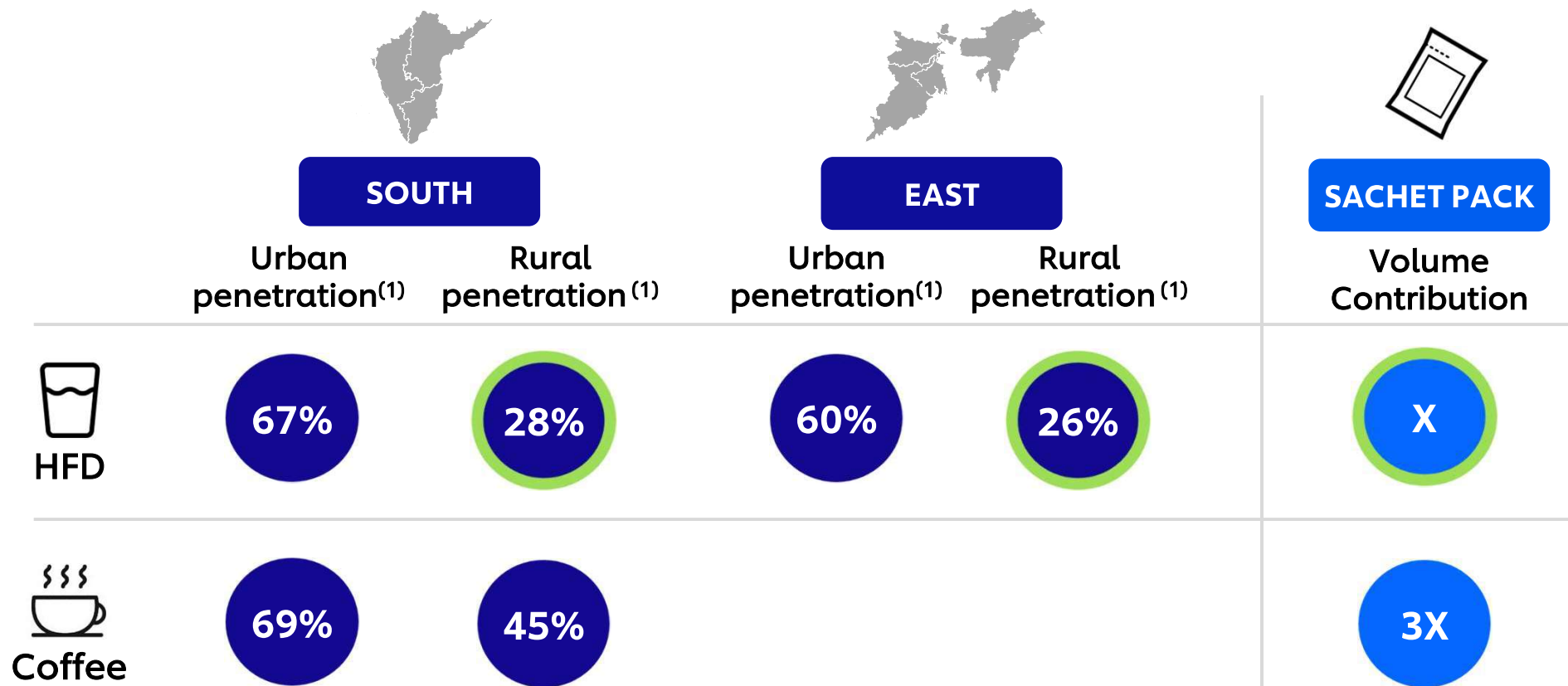
**9 in 10**

Indian children's\* diets are deficient in micro-nutrients <sup>(2)</sup>

**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



~0.5 Mn → ~18 Mn

Women's nutrition



~1.7 Mn → ~84 Mn

Adult deficiency & Wellness

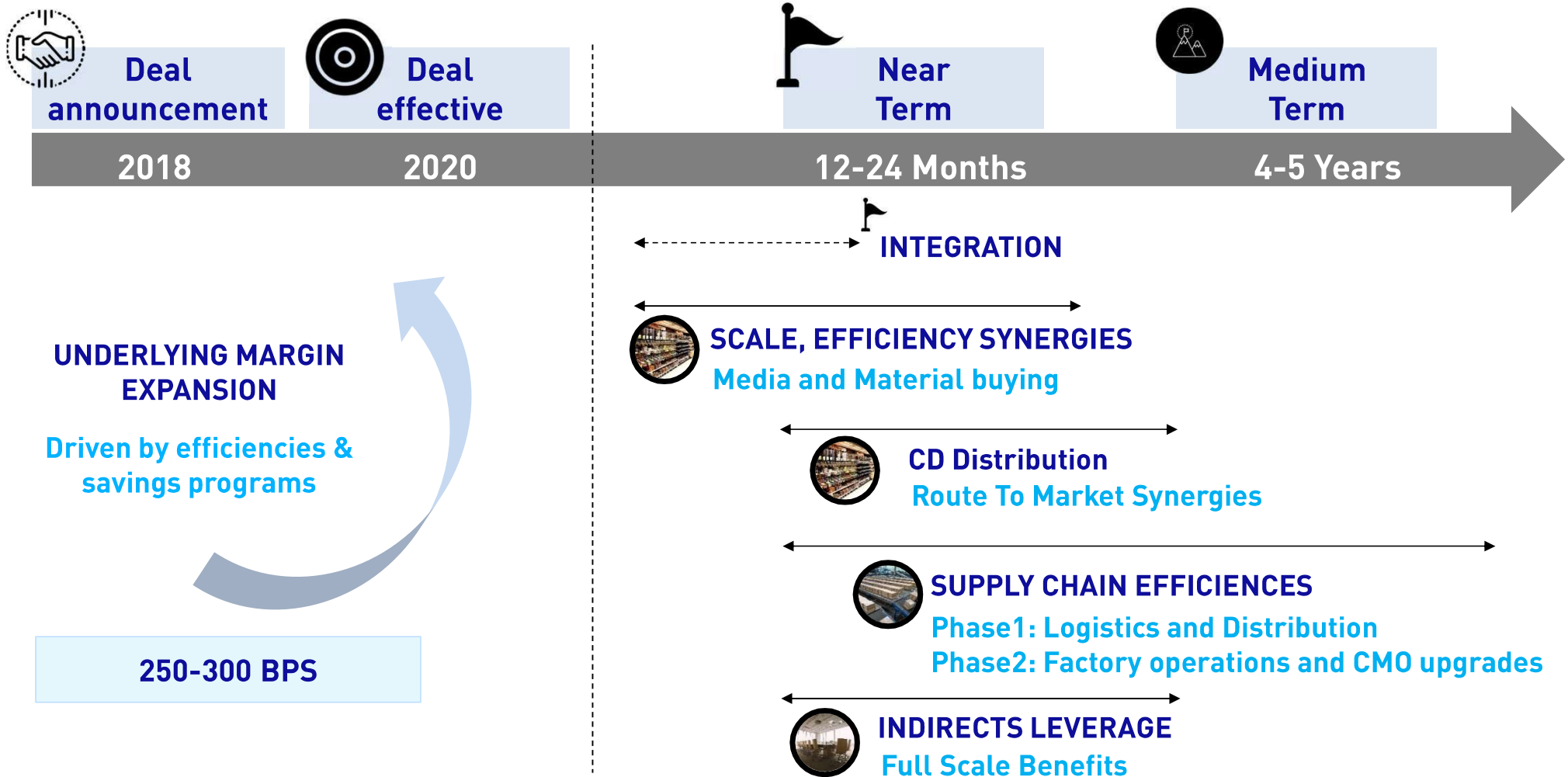


<1 Mn → ~89 Mn

## Key Drivers

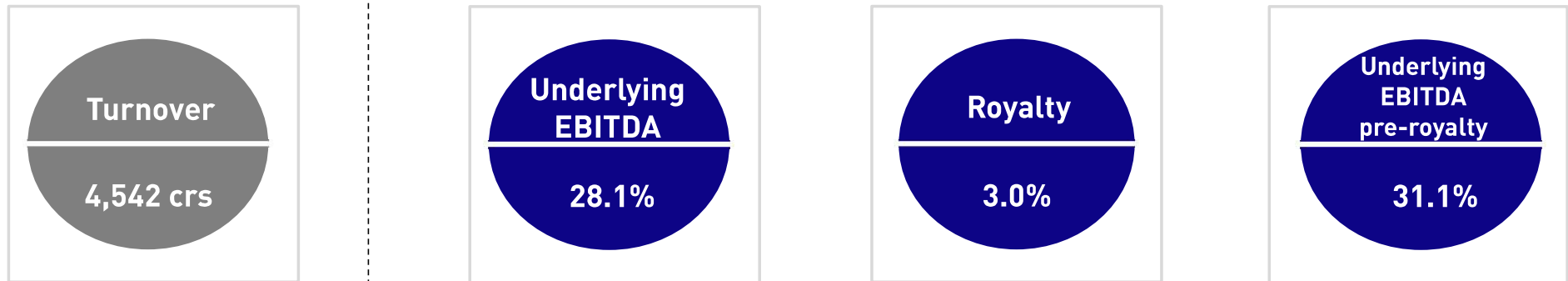
- ✓ Driving access
- ✓ Building relevance
- ✓ New Product development

# Margins realization on track

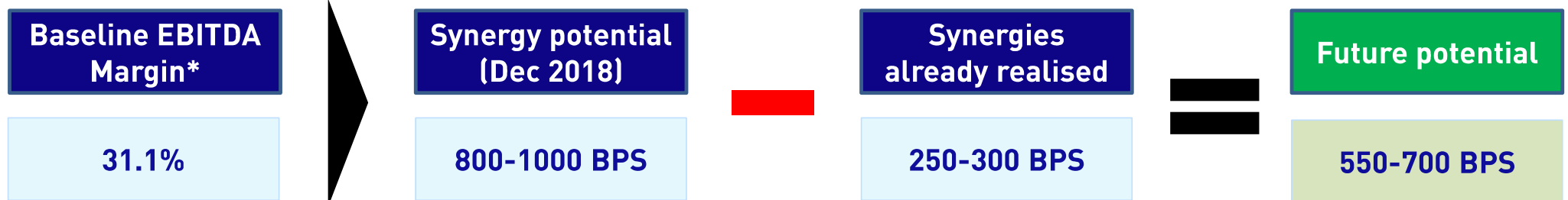


# And poised to deliver significant value

## Baseline Margins



## Future Synergy potential in Medium-Term



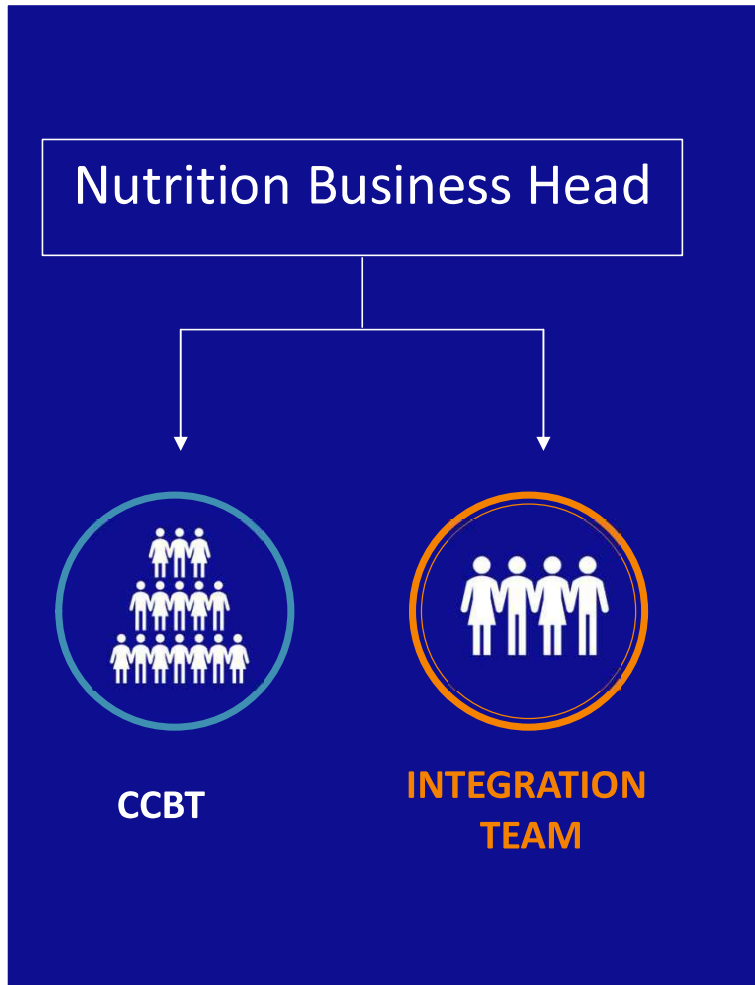


**Business plans  
well supported**

**leverage capabilities and  
focused organization**



# Investing for growth : Distinct Business and integration teams



The icon shows a circular group of 12 stylized human figures on the left, with a large grey arrow pointing to the right, leading to a circular icon on the right containing a stylized orange flame or drop shape.

**Nutrition a separate CCBT within F&R Division**

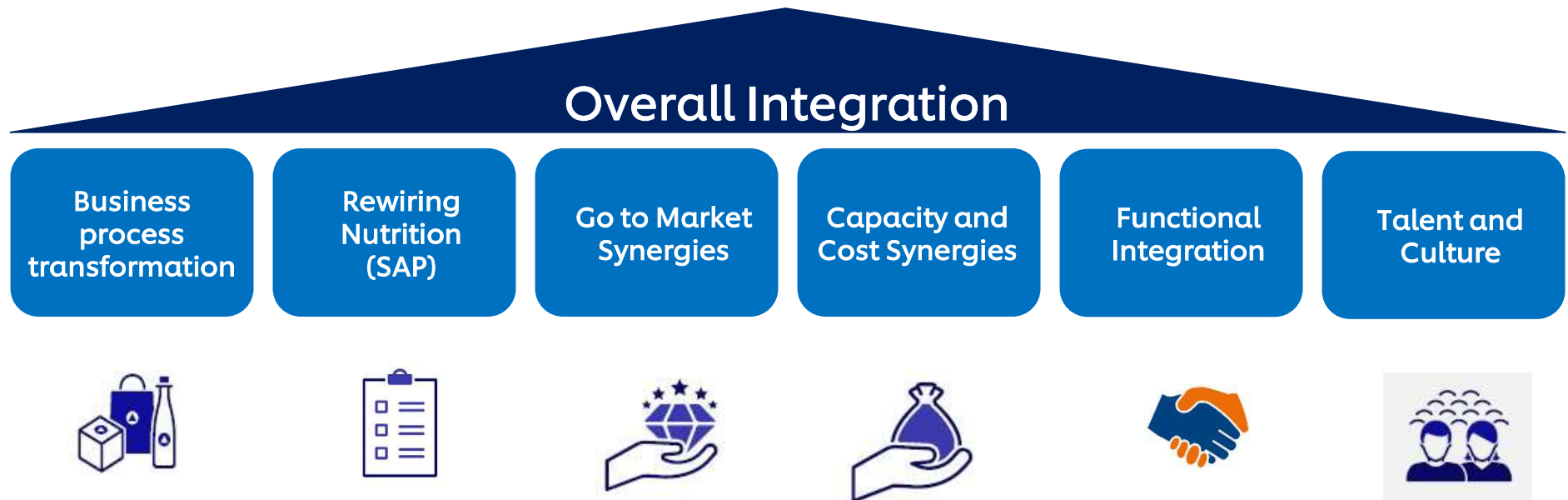
- Business strategy & execution – Unlock the market development opportunity

The icon shows a circular group of 4 stylized human figures in the center, with two large grey curved arrows forming a loop around it, one pointing right and one pointing left.

**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

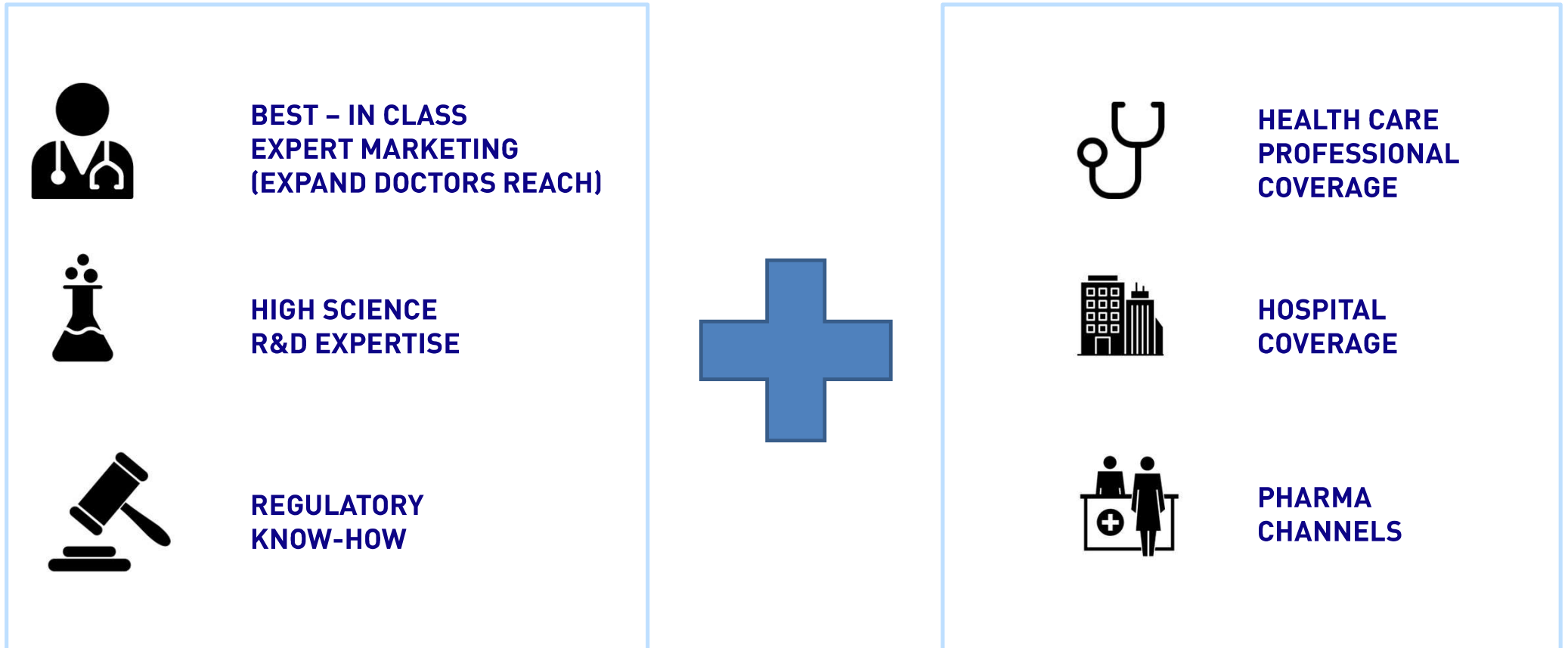
# With a framework that leverages technology & best practices



## 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

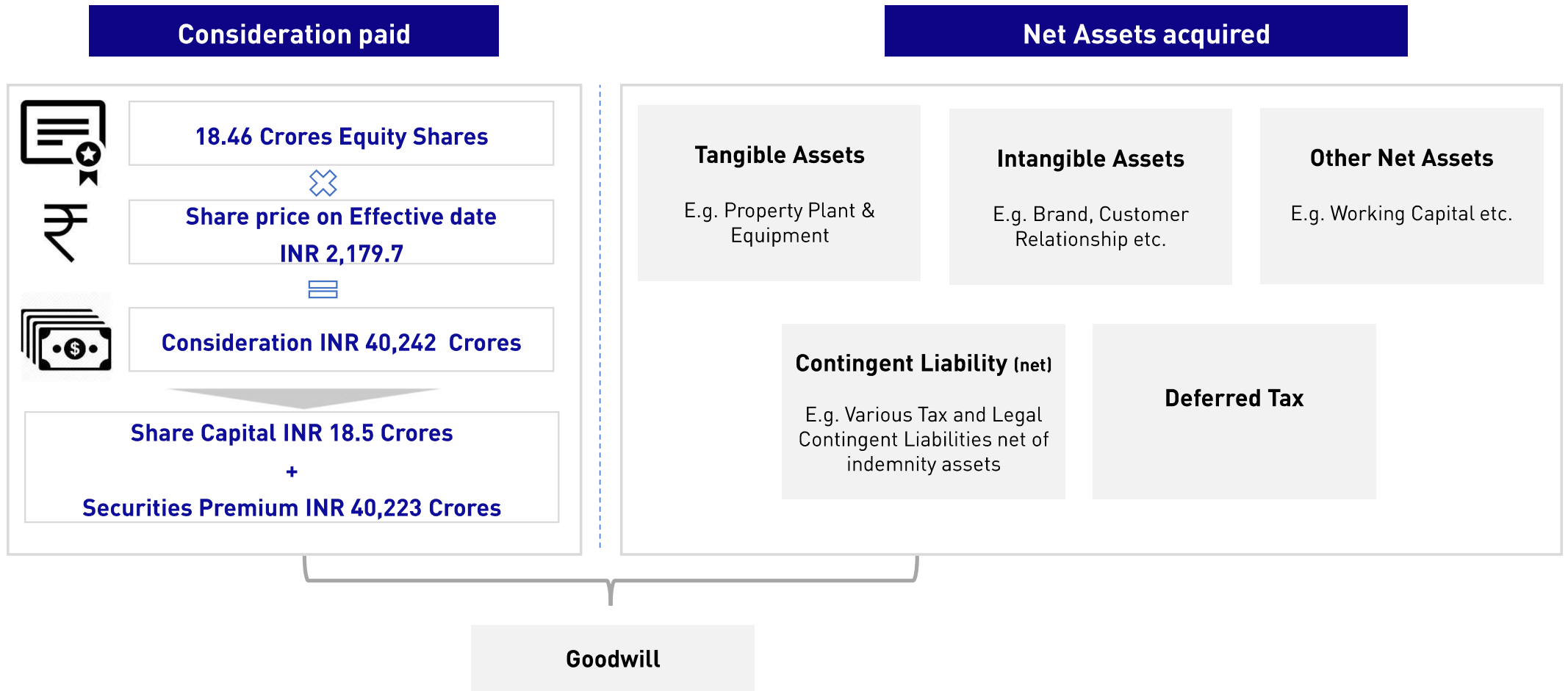
## Product Portfolio



## 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

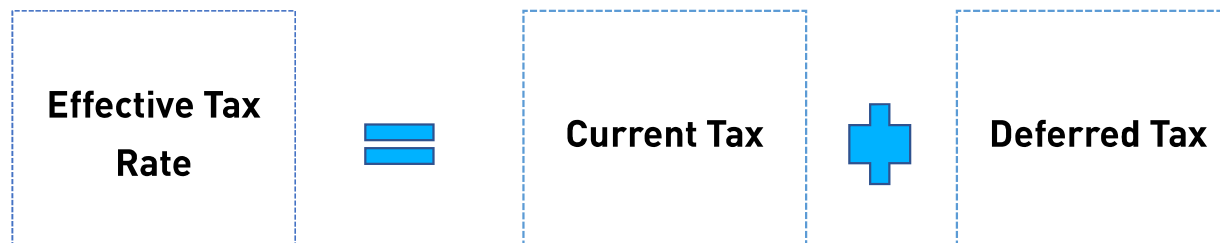
## Accounting Books - Balance Sheet

- 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

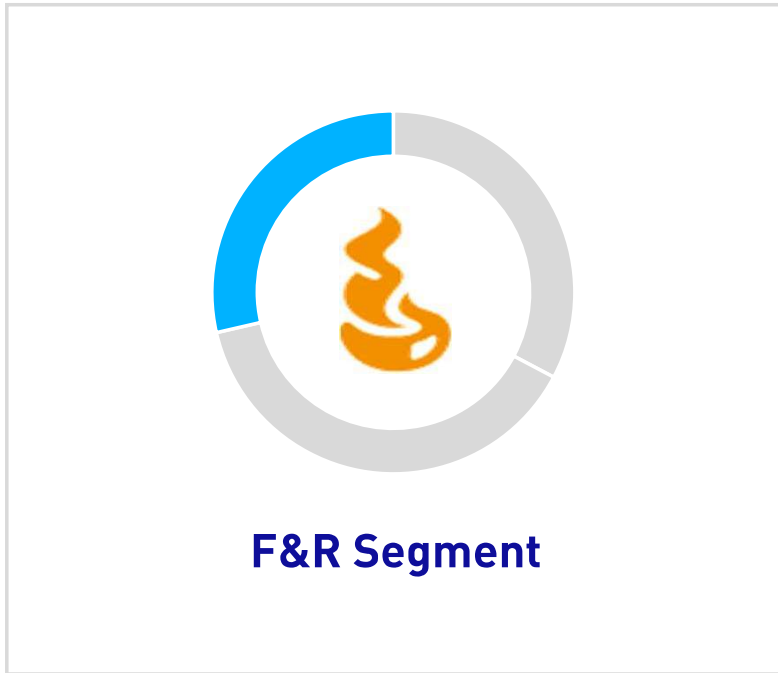
- All intangibles (including Goodwill) will be added to intangibles tax block
- Intangibles eligible for depreciation u/s 32 of the Income Tax Act.

**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**

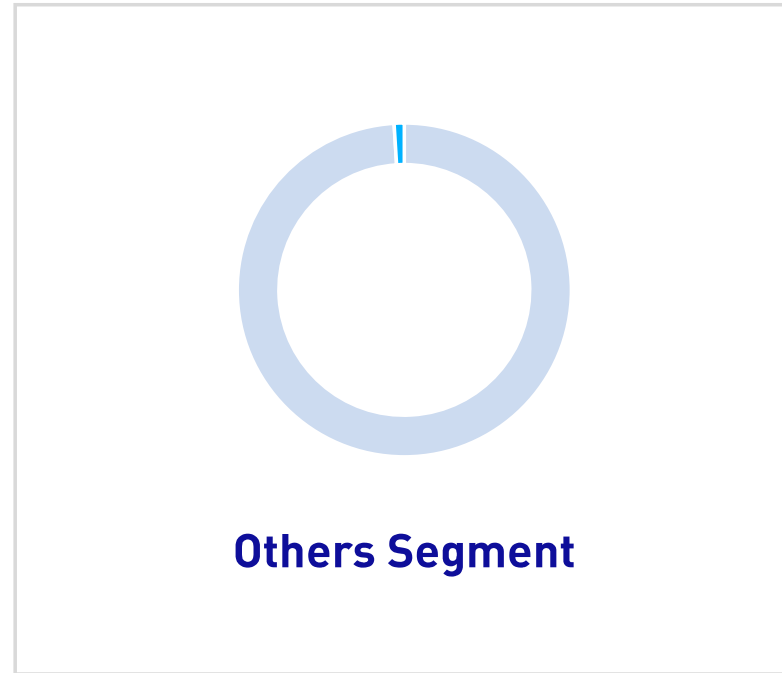


# Future reporting

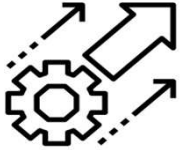
## Domestic Business



## Exports Business + OTC



# 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)**



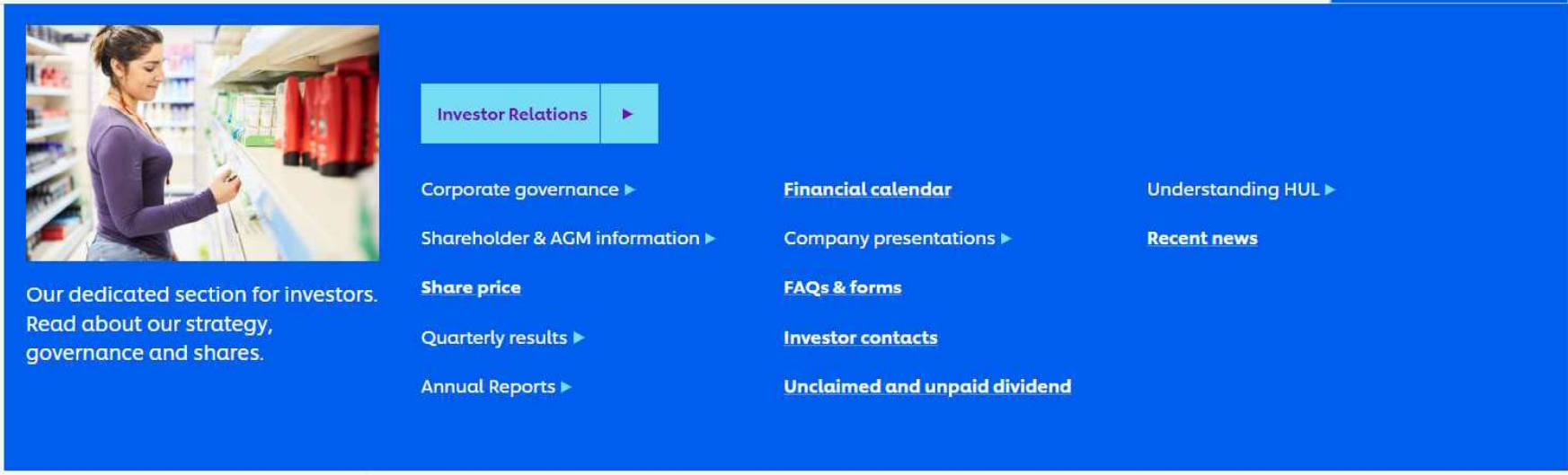
- **Return on Capital Employed (RoCE) and Return on Net Worth (RoNW) to drop on account of increase in shareholder's equity**



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

# For more information and updates

Visit our website



Our dedicated section for investors. Read about our strategy, governance and shares.

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