



Quiñónez Killers

COMPANY OVERVIEW

- **Ticker:** UL (NYSE)
- **Current Price:** \$55.80
- **Market Cap:** \$146.90 billion
- **Employees:** 150,000 people



COMPANY HISTORY



TIMELINES

1884: William Lever and Lever & Co launch the first branded soap

1930: Margarine Unie & Lever Brothers unite to establish Unilever

1971: Unilever acquires Lipton International



1927: The formation of Margarine Unie



1955: Unilever launches First dove bar



1983: Unilever launches Axe body spray



TIMELINES

1989: Unilever launches Magnum in Germany



2004: Unilever launches Dove Real Beauty campaign



2013: Unilever re-enters Myanmar



1997: Unilever acquired Kibon

2008: Unilever commits to sustainable palm oil

2020: Unilever completes Unification process.



RECENT NEWS

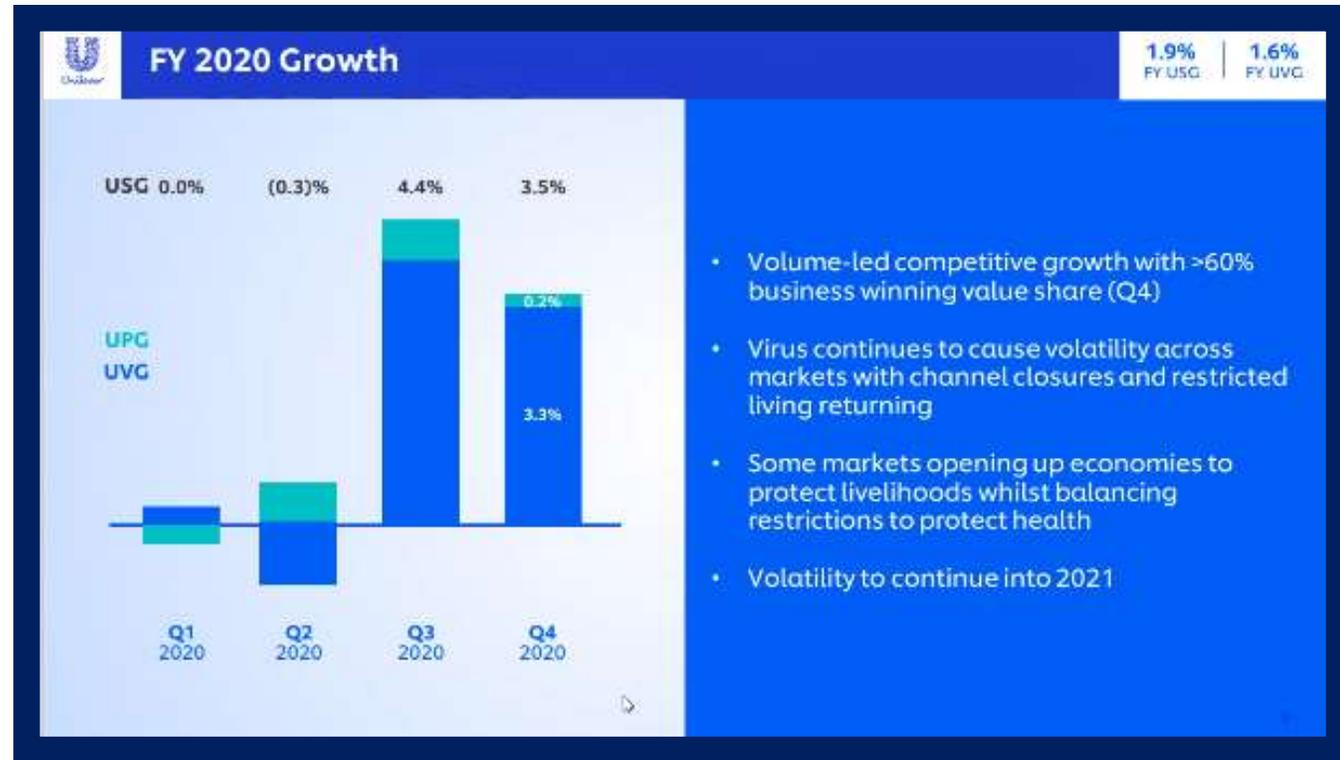
- September 1st, Unilever acquires GSK & Liquid IV
- March 9th, Continues Positive Beauty Campaign across the product lines.
- March 15th released plan to remove more than 100,000 tons of plastic entirely by 2025.



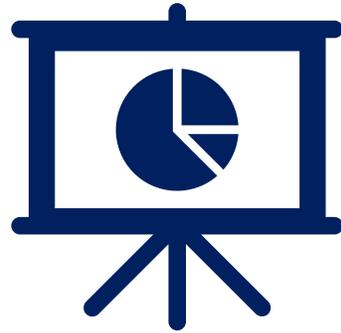
COVID NEWS

- Donating millions worth of soap and food
- Due to the bankruptcy & closures of niche companies there will be a reduction in competition
- Unilever is past the worst point of the pandemic (Q2). Now facing a strong recovery.

“Crisis drives demand back to big brands” -CEO Alan Jope

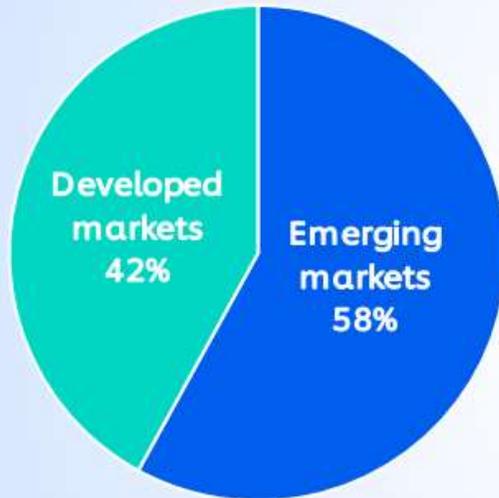


Company Breakdown



REVENUE BREAKDOWN

191 countries
2.5 billion consumers



Multi-category leadership

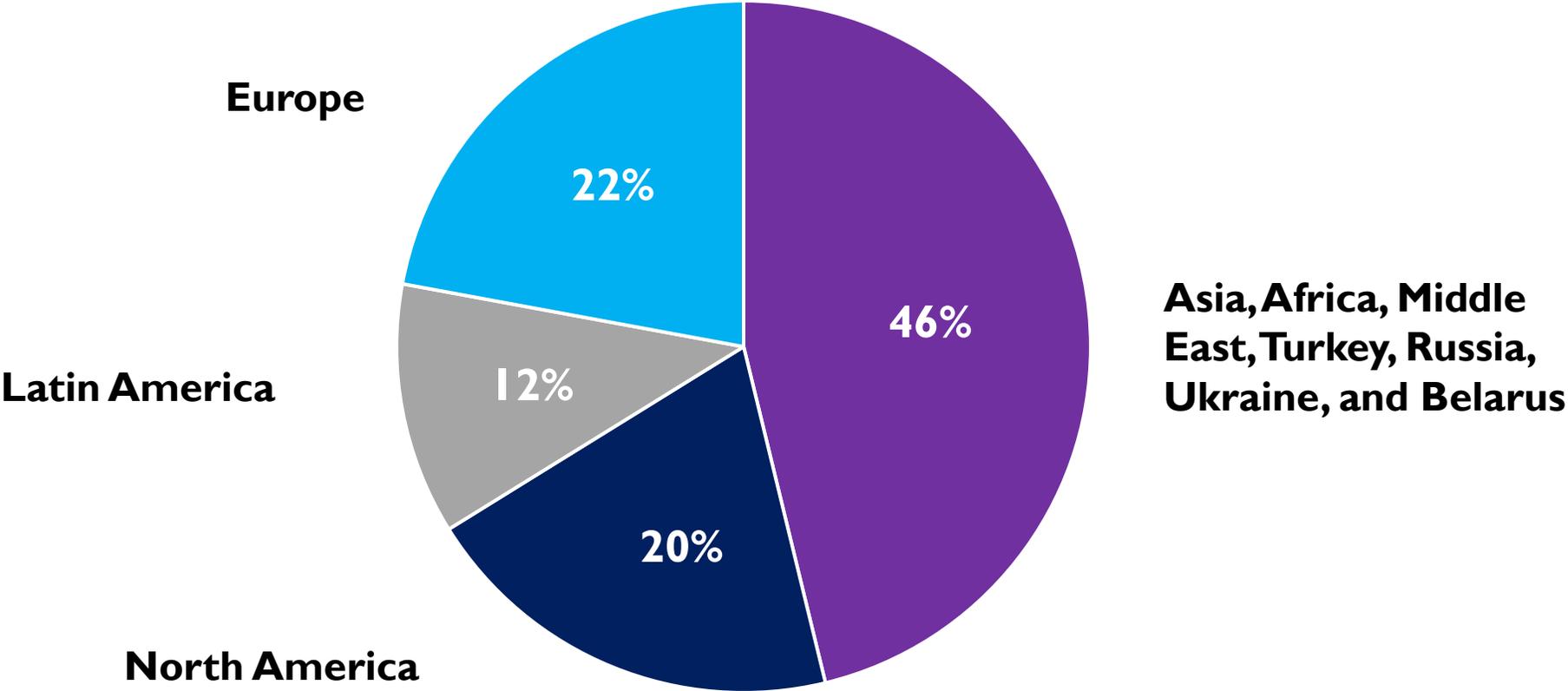


13 billion Euro brands



93% local leaders. #1 CPG employer in 54 countries

REVENUE BY GEOGRAPHIC REGION



BEAUTY AND PERSONAL CARE SEGMENT



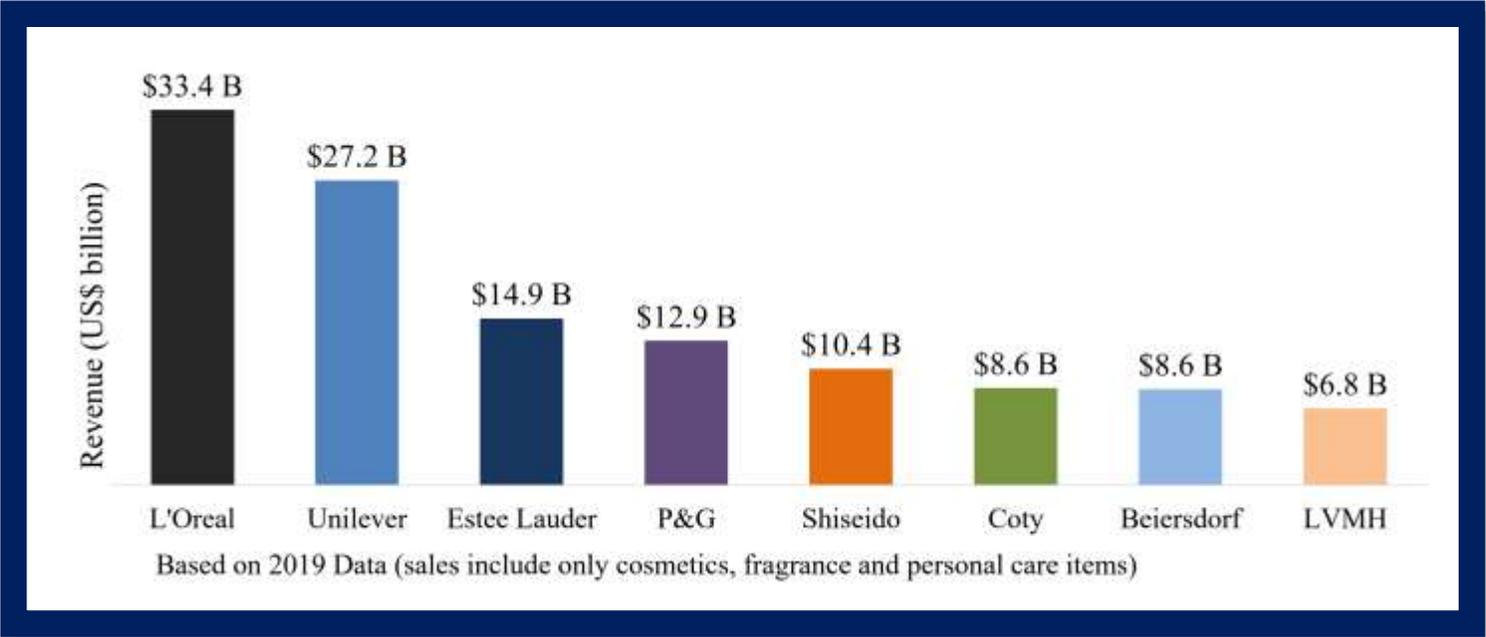
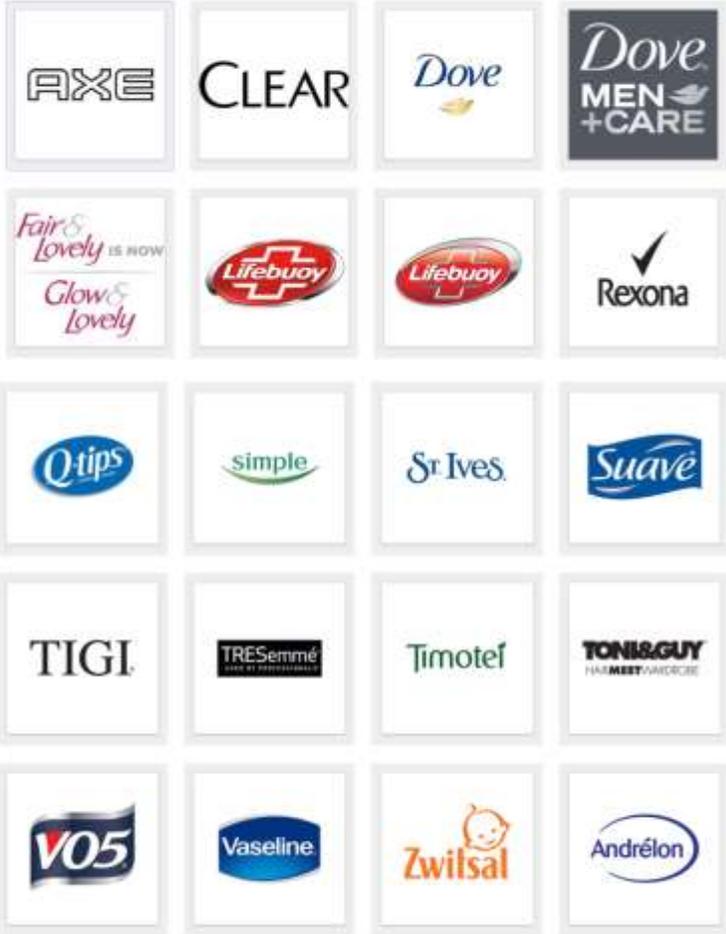
Consists of skin cleansing, hair care, skin care and deodorant categories

Highest margin segment due to relative switching costs

Insulation from private label competition

High Single-digit organic growth

BEAUTIFUL SCALE



FOODS AND REFRESHMENTS SEGMENT



Primarily consists of ice cream, seasonings, dressings, and tea categories

Sell their famous brands directly to businesses with Unilever Food Solutions, creating entrenched relationships

Low single-digit organic growth as management has shifted from decaying global brands to fast-growing local brands



DIVERSIFICATION THROUGH LOCAL BRANDS

The  **heartbrand logo**
Unilever
as it appears around the world

 <i>Algida</i>	 FRIGO	 GOOD HUMOR	 TÍO RICO
 STREETS	 HB	 MIKO	 GB GLACE
 <i>Frisko</i>	 OLA	 <i>Wall's</i>	 LUSSO
 LANGNESE	 KWALITY WALL'S	 ESKIMO	 <i>Kibon</i>

lingholic

HOME CARE

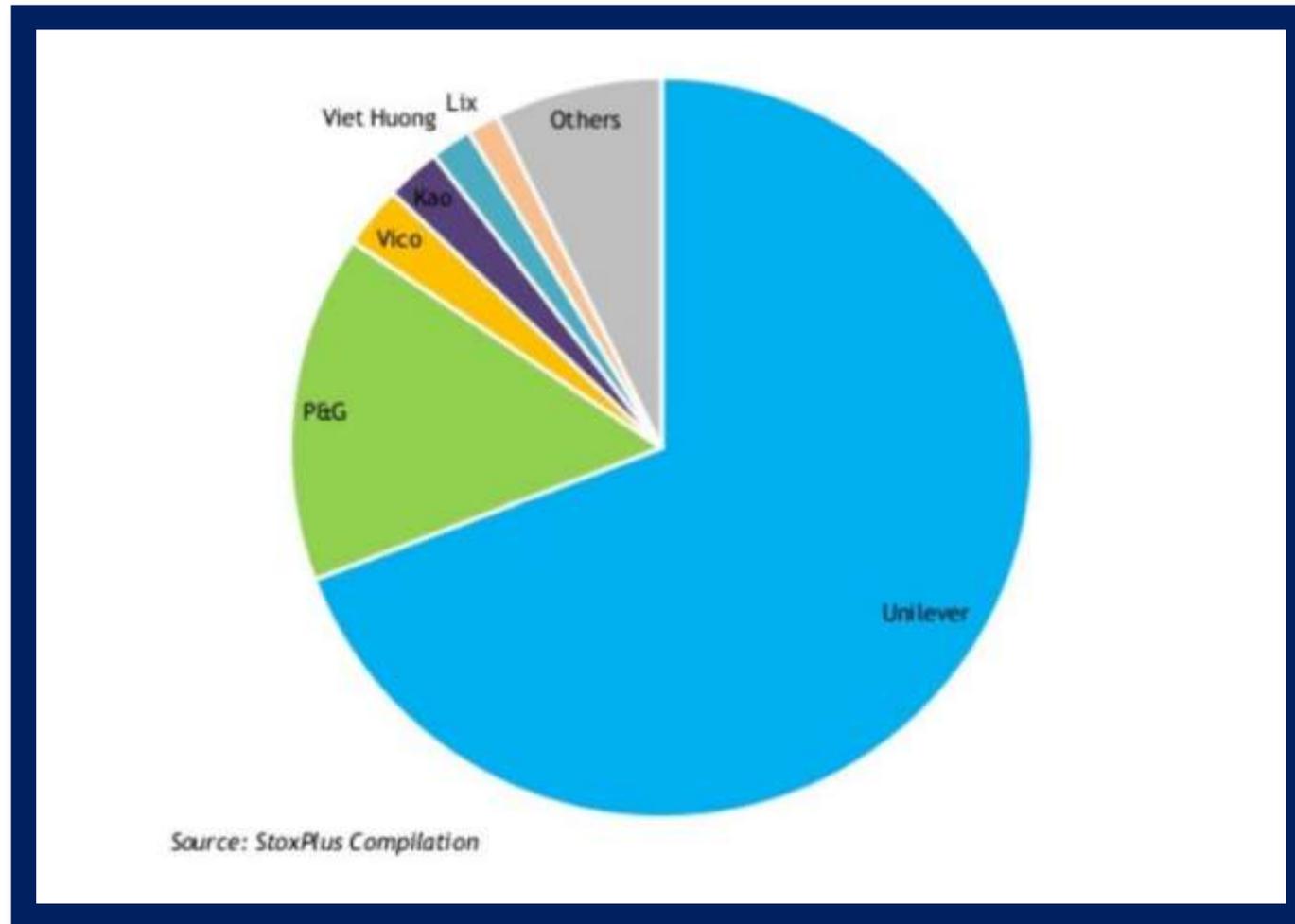


Primarily sales of fabric solutions (detergents), as well as other home and hygiene brands

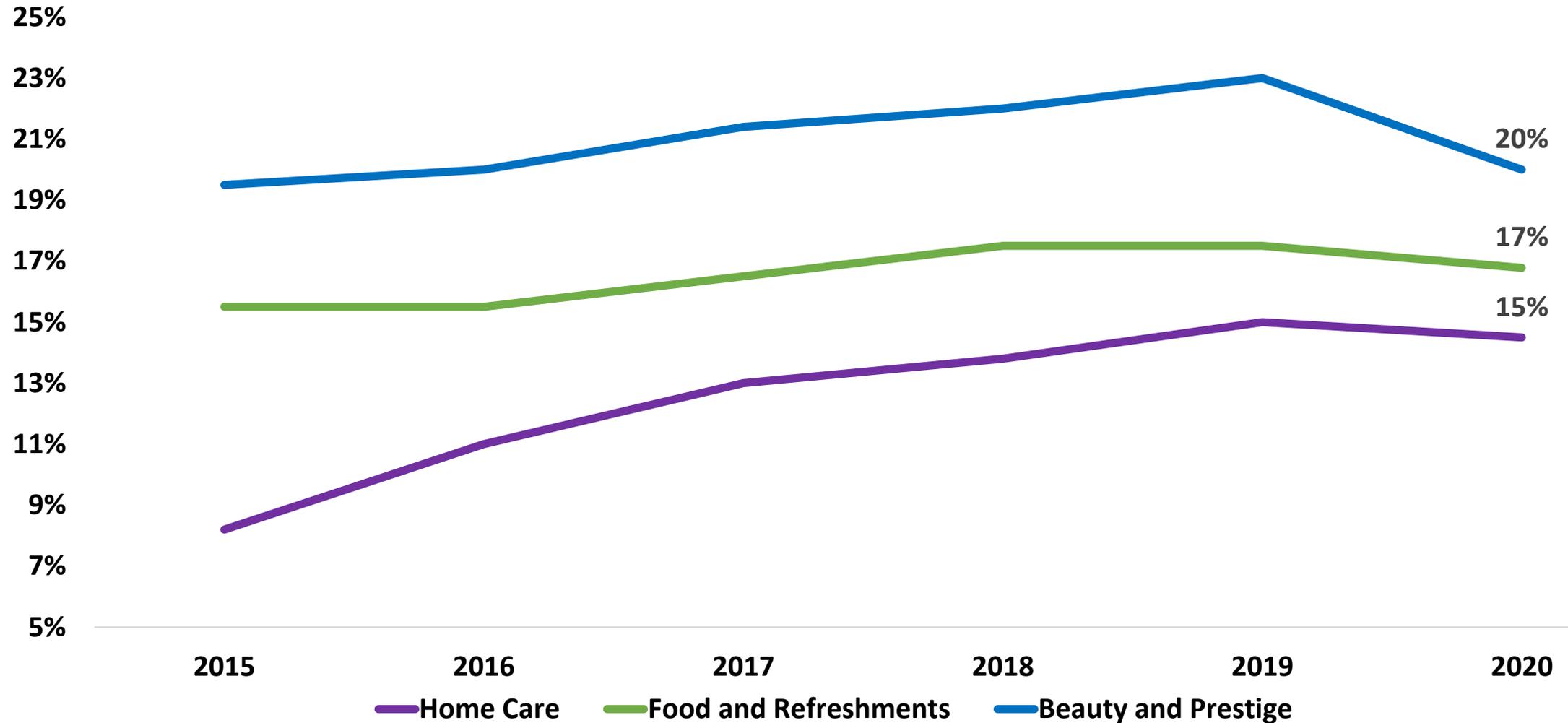
They are the leading brands in international regions, with 80% of this segment's sales coming from emerging markets

This segment is contributing mid-single digit organic growth

DOMINANCE IN EMERGING MARKETS



OPERATING MARGIN BY SEGMENT



MANAGEMENT



UNILEVER EXECUTIVES

Annual Bonus is Based on Unilever's:

Underlying Operating Margin
Expansion

Free Cash Flow Growth

Underlying Sales Growth



Chief Executive Officer:
Alan Jope



Chief Financial Officer:
Greame Pikethly



Chief Operating Officer:
Nitin Paranjpe



**President, Foods
and Refreshment:**
Hanneke Faber



**President, Beauty
and Personal Care:**
Sunny Jain



**President,
Home Care:**
Peter Ter Kulve

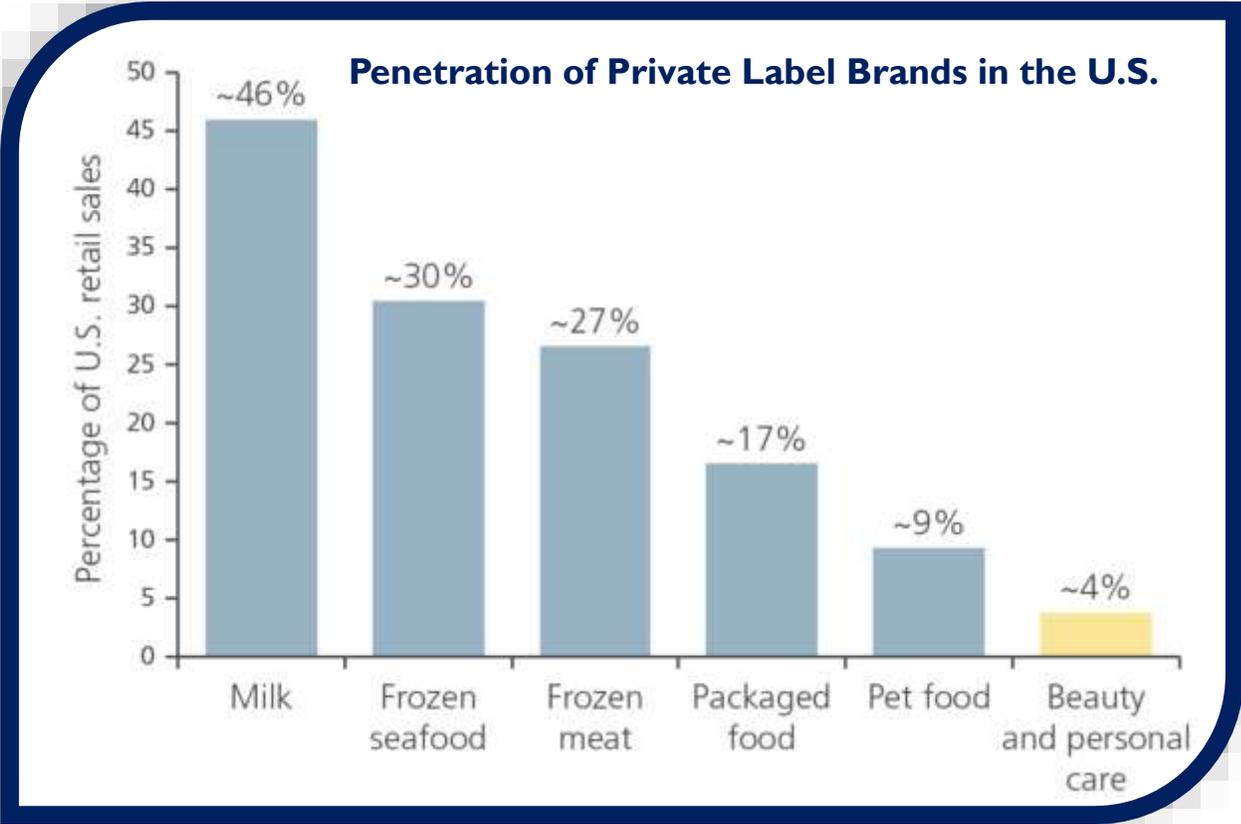
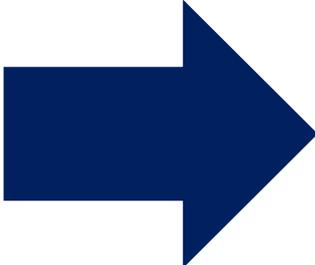
UNIQUE LEADERSHIP

- Former CEO of Prestige and Beauty
- Took over as CEO of the company in 2019
- Focused on internal cash flow generation
- History of executing on growth initiatives



CEO, Alan Jope

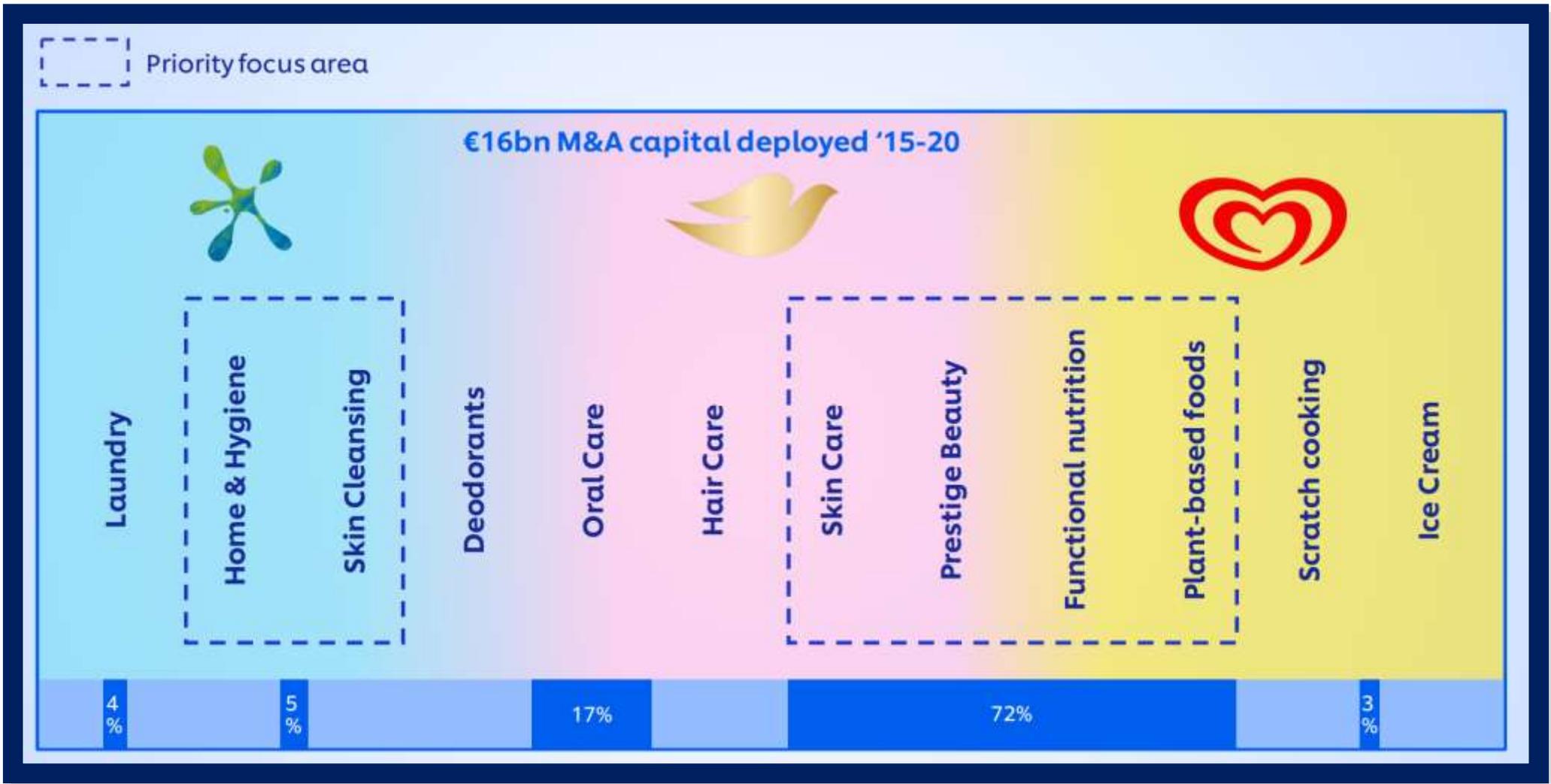
POWER SHIFT TO RETAILERS



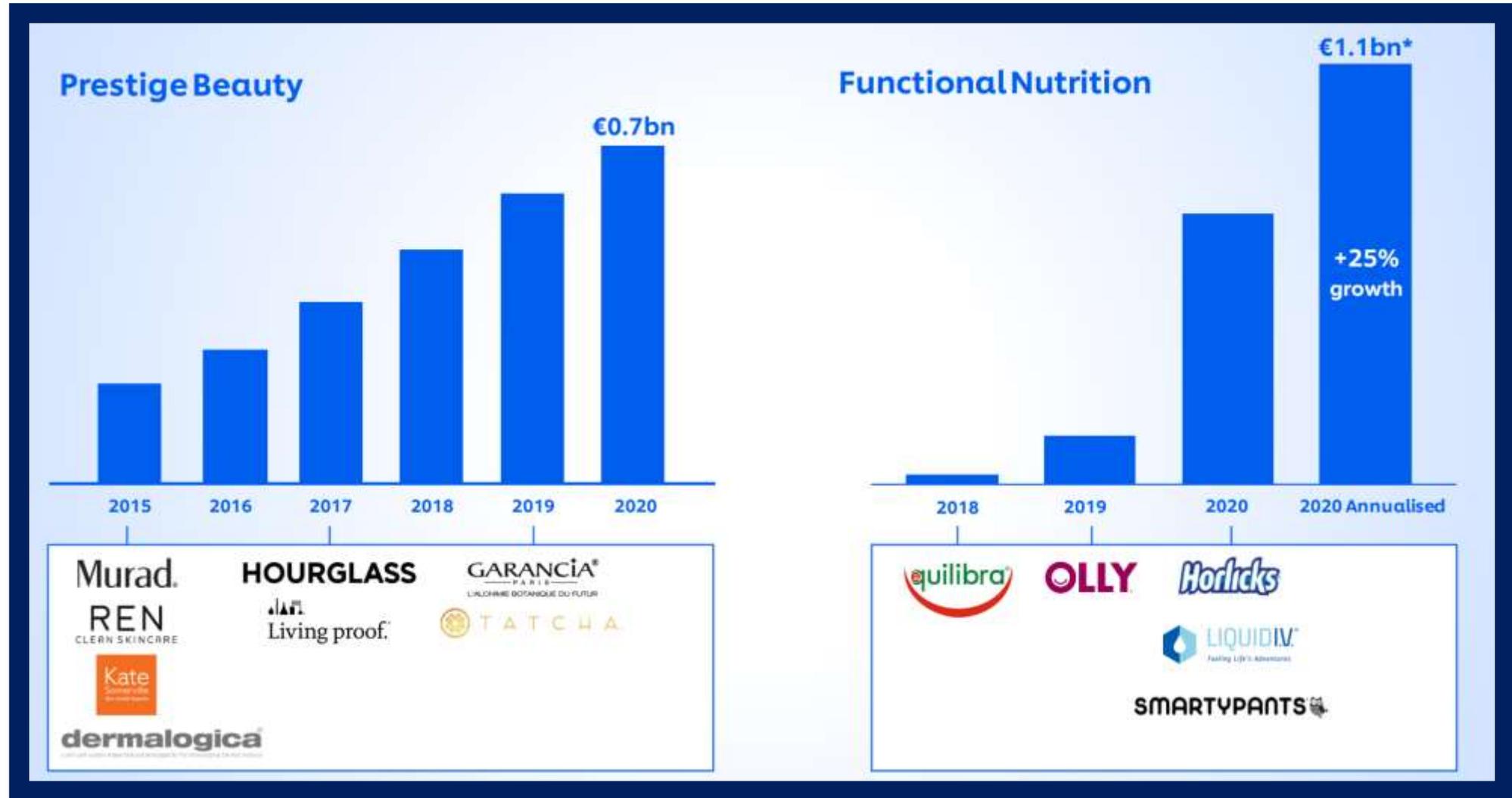
CHANGING THE PORTFOLIO



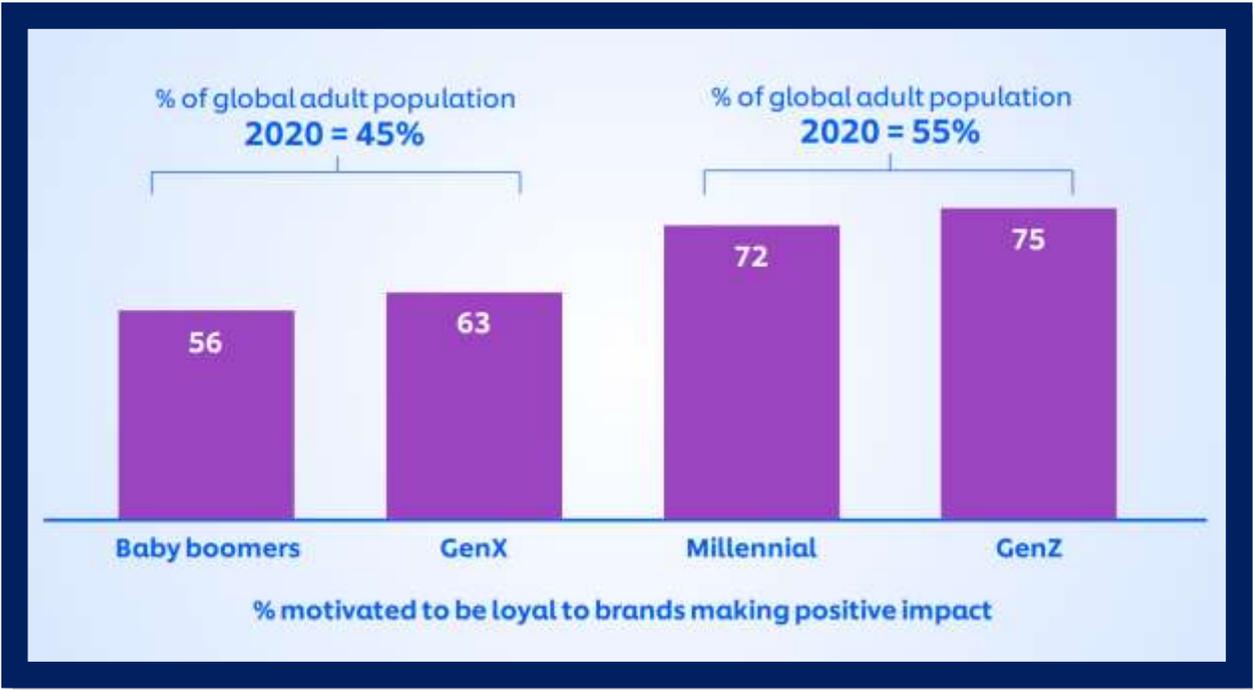
PRIORITY FOCUS AREAS



TRANSITION TO GROWING BRANDS

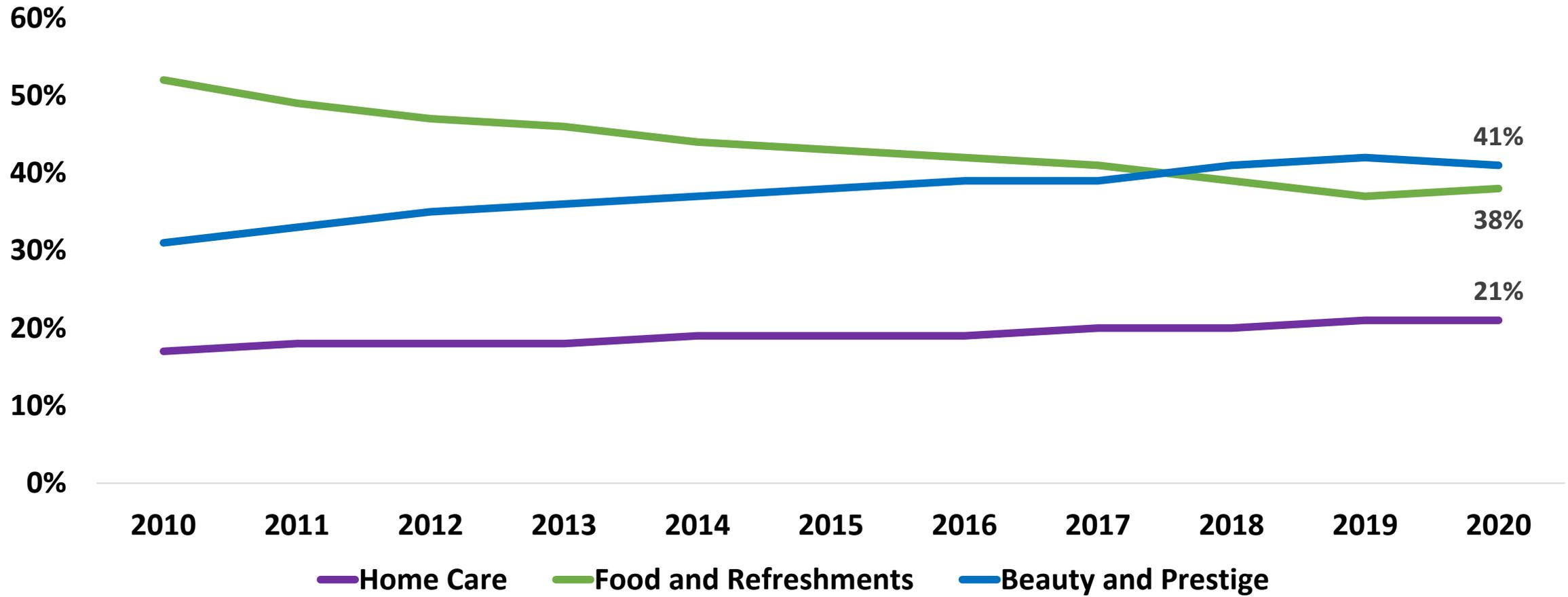


PURPOSEFUL BRANDS



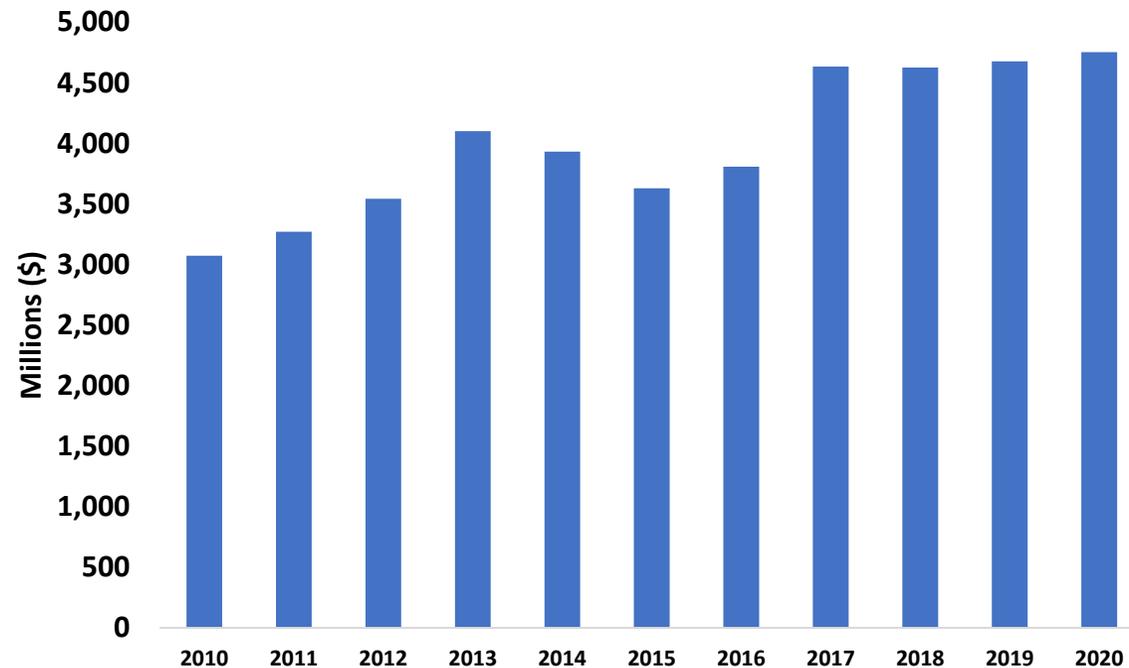
SHIFT IN REVENUE MIX

Segments as a % of Revenue



RETURNING CASH FLOW TO SHAREHOLDERS

Cash Used For Dividends

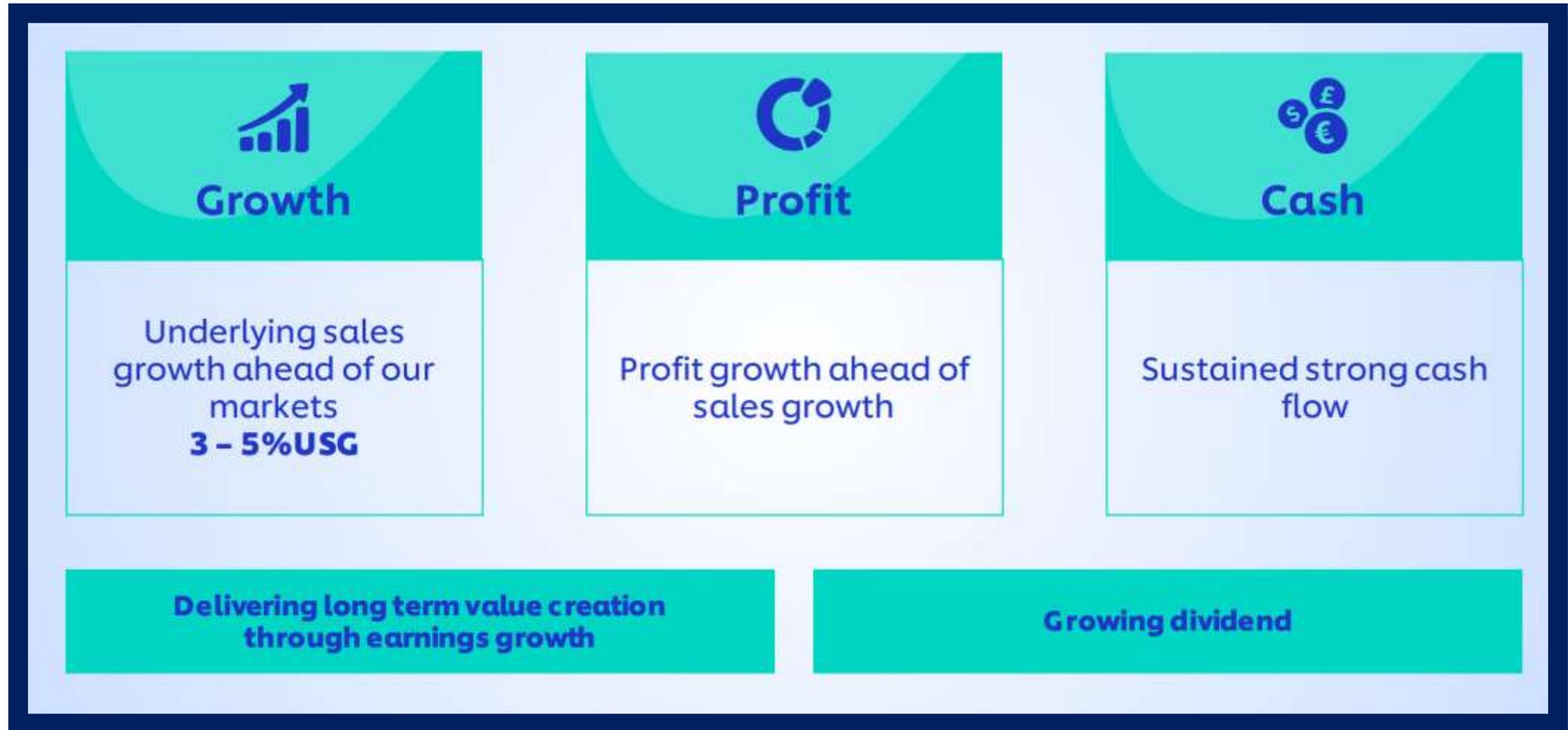


Increased their dividend by 4.5% on average

Current dividend yield is 3.4%

Bought back nearly 9.6% of total shares outstanding in last 10 years (almost 1% every year)

MANAGEMENT'S OUTLOOK THROUGH 2025



Growth

Underlying sales growth ahead of our markets
3 - 5%USG



Profit

Profit growth ahead of sales growth



Cash

Sustained strong cash flow

Delivering long term value creation through earnings growth

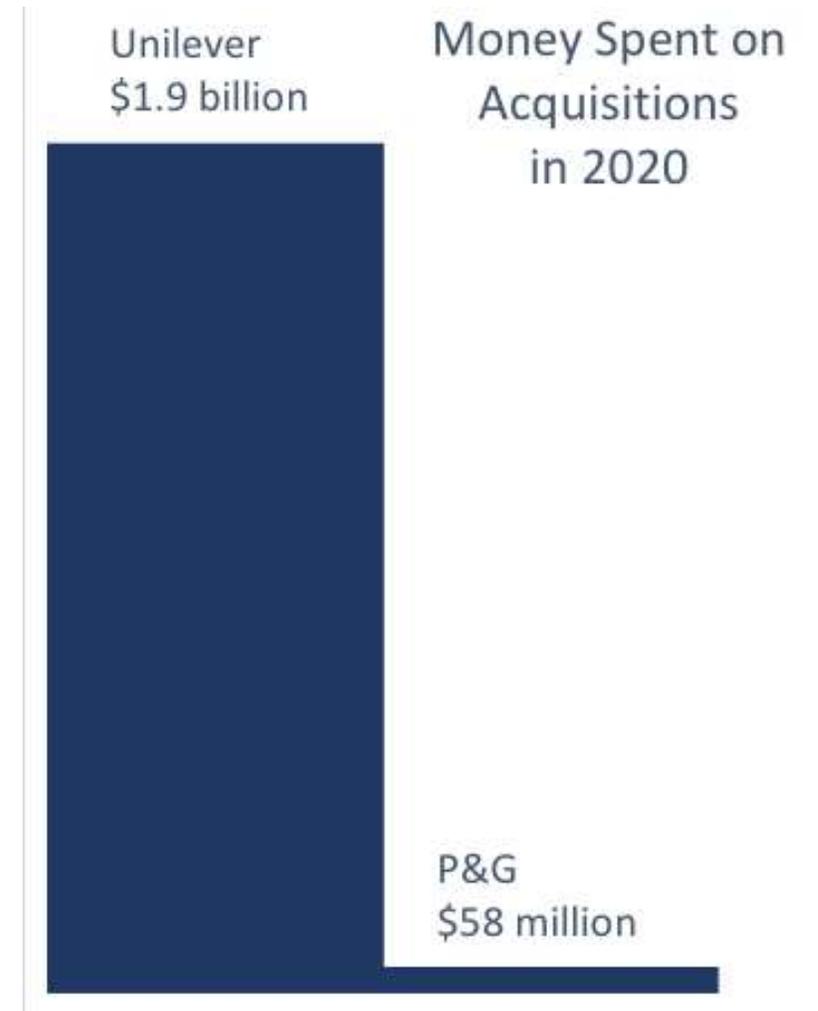
Growing dividend

Growth Opportunities



ACQUISITIONS

- Management has shown a willingness to pursue acquisitions.
- Scale allows them to acquire brands to expand shelf space and put innovative products in consumers hands.
- They have acquired 32 companies since 2015, with a focus on growth and innovation.



EMERGING MARKETS

- Emerging Markets account for the biggest portion of revenue
- Growth is faster in these economies that are modernizing
- Unilever has positioned itself well to take advantage of this



POPULATION GROWTH

88 percent of the next billion entrants into the middle class will be in Asia

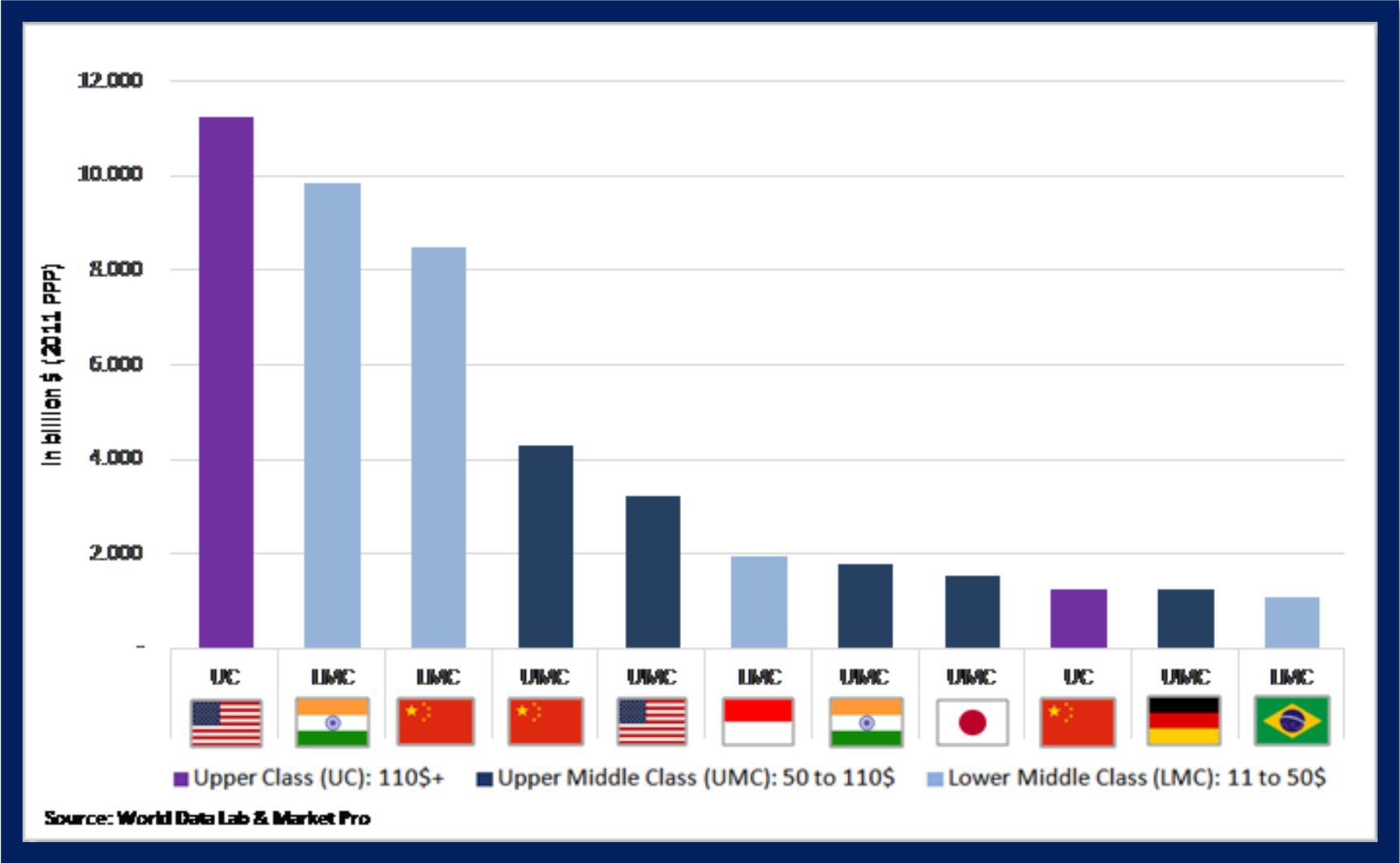
By 2030, Asia could represent 2/3 of the global middle class population.



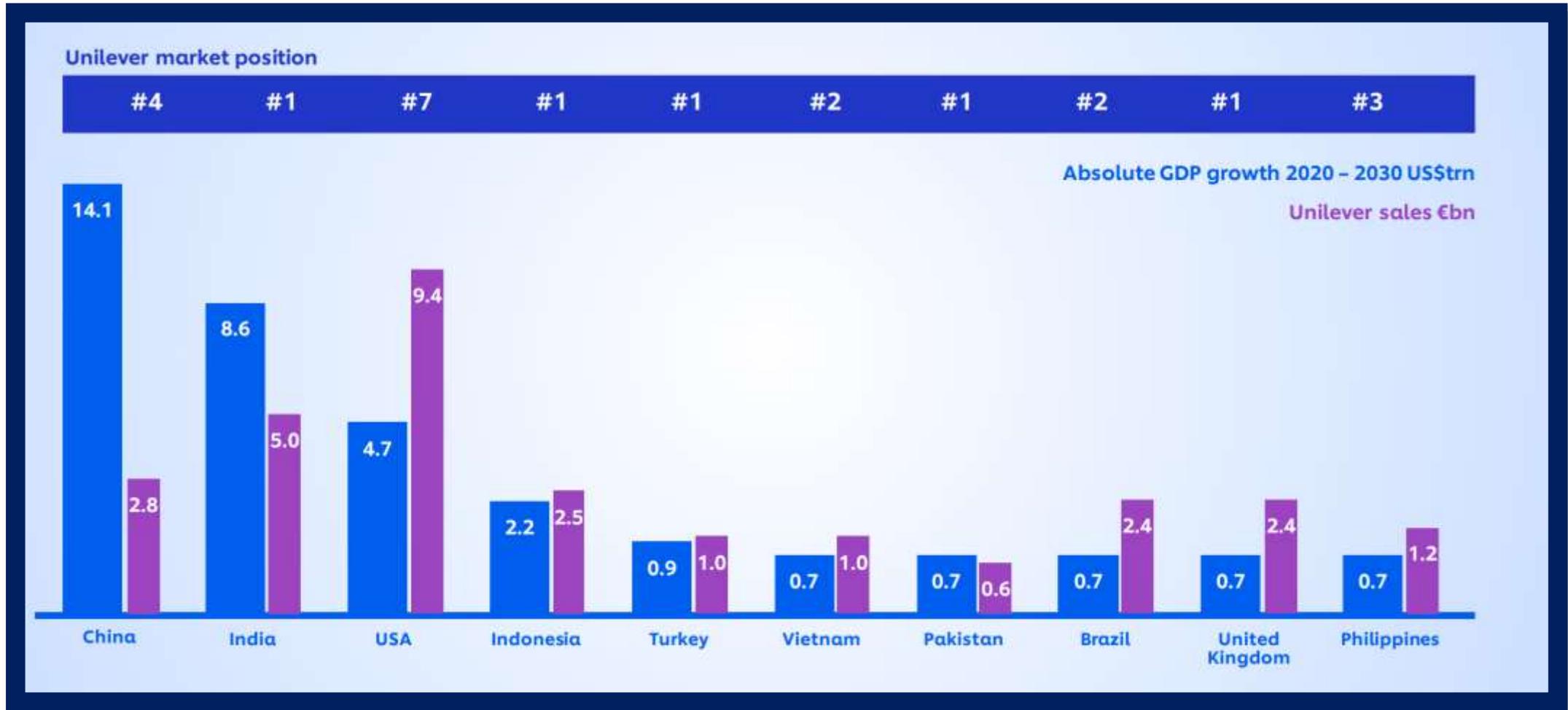
BROOKINGS



GROWTH OF THE MIDDLE CLASS

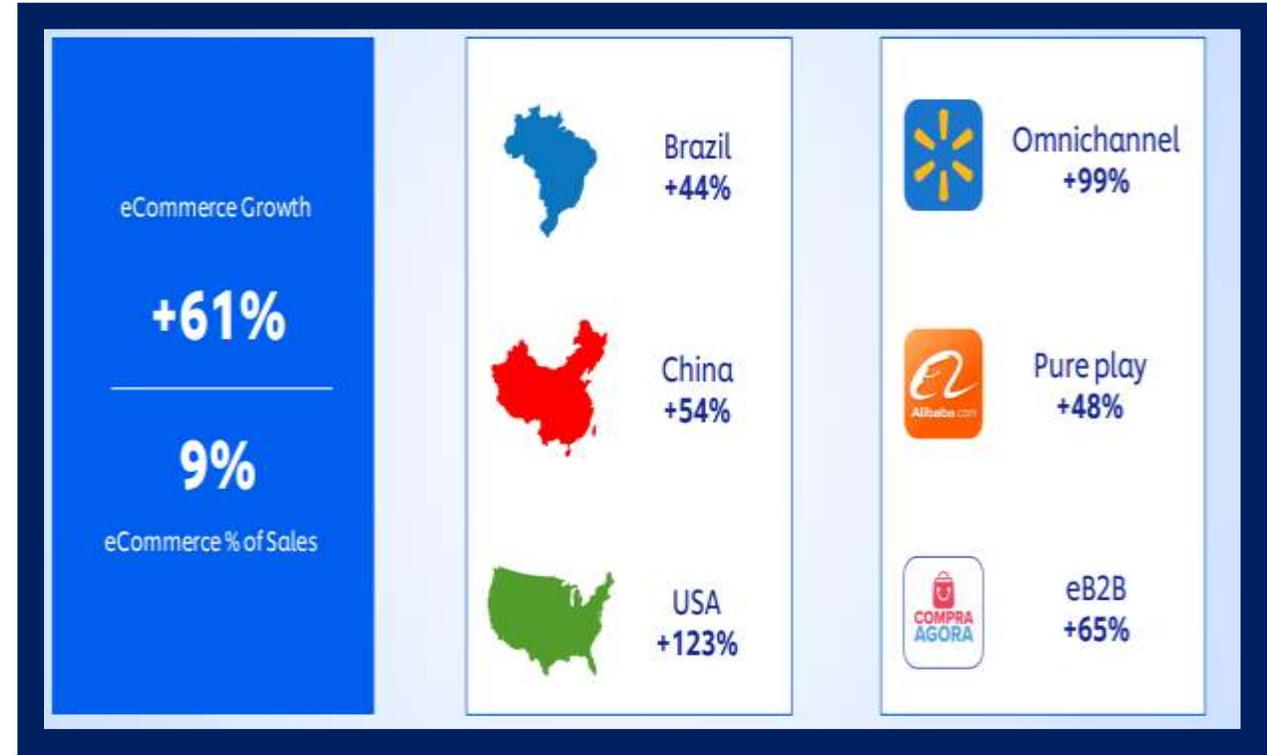


FIRST-MOVER ADVANTAGE



ENHANCING THE CUSTOMER EXPERIENCE

- Brands with a purpose growing 2x faster than other brands.
- Business to Consumer = Margin Expansion.
- Acquiring brands to make this happen.

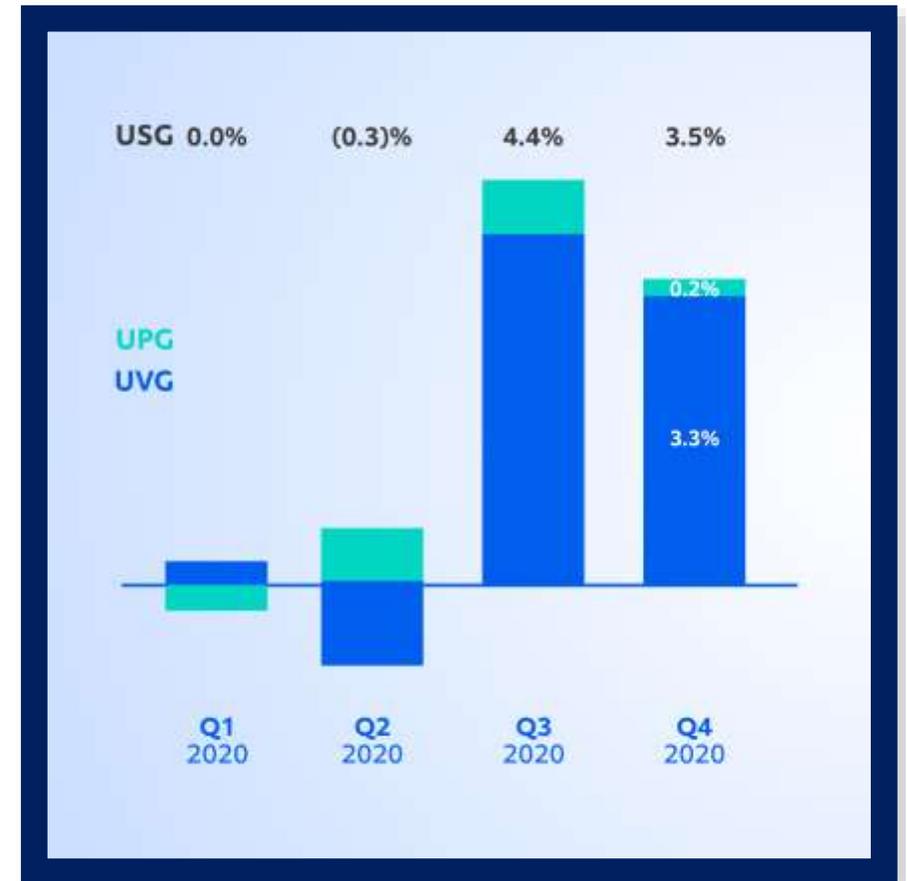


UNDERLYING SALES GROWTH

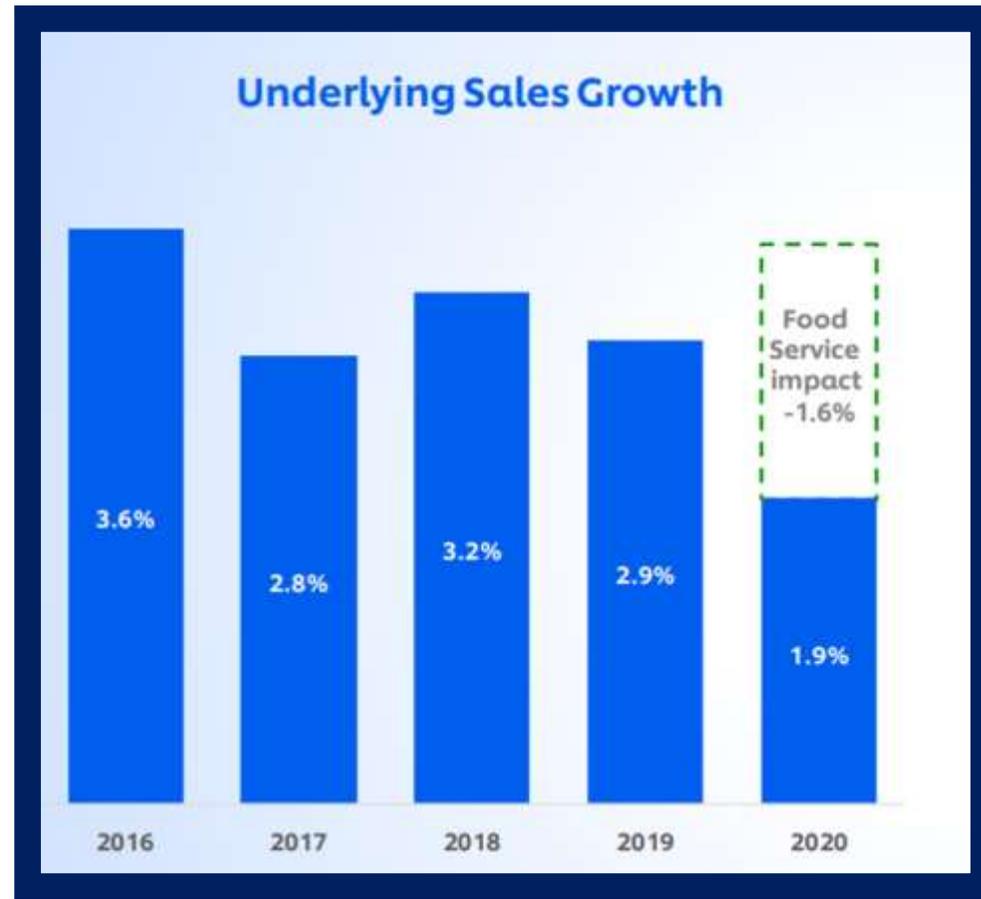
UVG = Underlying volume growth; more products sold

UPG = Underlying price growth; products sold at a higher price

UPG + UVG = USG (Underlying Sales Growth)



CONSISTENT ORGANIC GROWTH

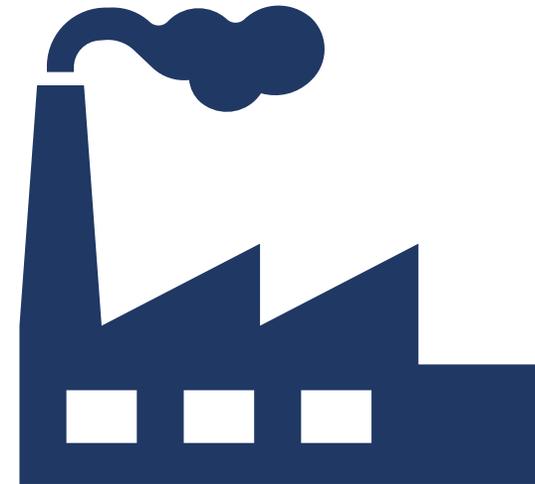


Risk Factors



Company Risks

- Commoditization of Brands.
- The consumer goods industry has notoriously been sensitive to macroeconomic issues.
- Few organic growth levers.



Investment(Stock)-Specific Risks

- This is a large, and mature international company.
- Large Dividend Payout
- Management not executing on said growth opportunities



Macroeconomic Risks

- Energy Costs
- Input costs increases
- Foreign Exchange



Economic Moat



ECONOMIES OF SCALE/COST ADVANTAGES



Global Business

- Brands available in 190 countries
- 400+ Different brands
- 2.5 Billion people use their products everyday



Supply Chain

- 56,000 direct supplier partners in 150 countries
- Spread manufacturing costs across wide array of products
- Entrenched relationship with retailers.



Marketing & R&D

- Over €7 Billion spent on Marketing in 2020
- €800 Million spent on R&D
- Scale facilitates this spend as well as slotting fees on new products

INTANGIBLE ASSETS

- 25 Million retail outlets
 - Large brick-and-mortar, online-only, family-owned shops, and value retailers
 - Retailers depend on sales volume; Unilever provides products that sell effectively
-

Retail Relationship Entrenchment



- Trusted brands fare well in emerging markets
 - Diversified portfolio allows for opportunity
 - Target different demographics
-

Brands



- Data from across the globe helps them create target demographics for brands and give them a purpose
- ECommerce accounted for 9% of sales in 2020 and is rapidly growing

Technology, Data



Competitor Analysis



Food & Beverage Companies

Company	Ticker	Gross Profit Margin	Operating Margin (TTM)	Profit Margin	Return on Invested Capital
 Unilever	UL	43%	18%	11%	16%
 General Mills	GIS	35%	18%	13%	11%
 Kellogg's	K	34%	13%	9%	11%
 Kraft Heinz	KHC	35%	21%	1%	0%
 Mondelēz	MDLZ	39%	16%	13%	8%
 pepsi	PEP	55%	14%	10%	13%

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ESTÉE LAUDER	EL	75%	15%	7%	9%
	ELF	65%	4%	2%	2%
L'ORÉAL	LRLCF	73%	18%	13%	12%

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 Kimberly-Clark	KMB	36%	17%	12%	27%
Procter & Gamble	PG	51%	24%	19%	17%
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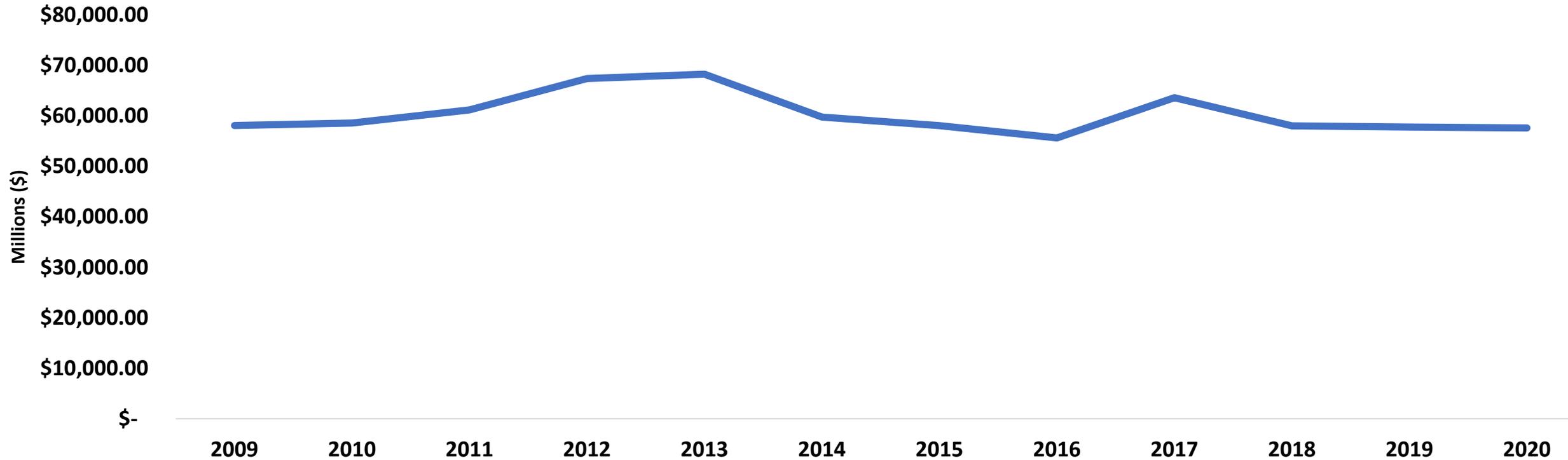
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Interpretation of Financial Statements

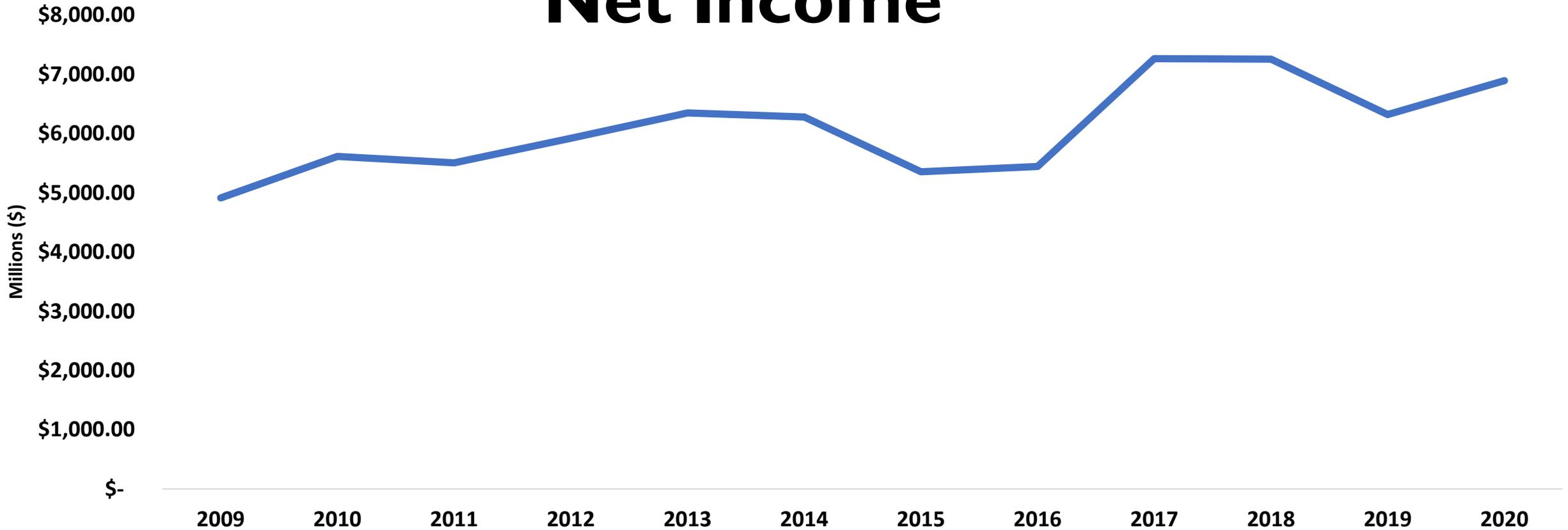


REVENUE



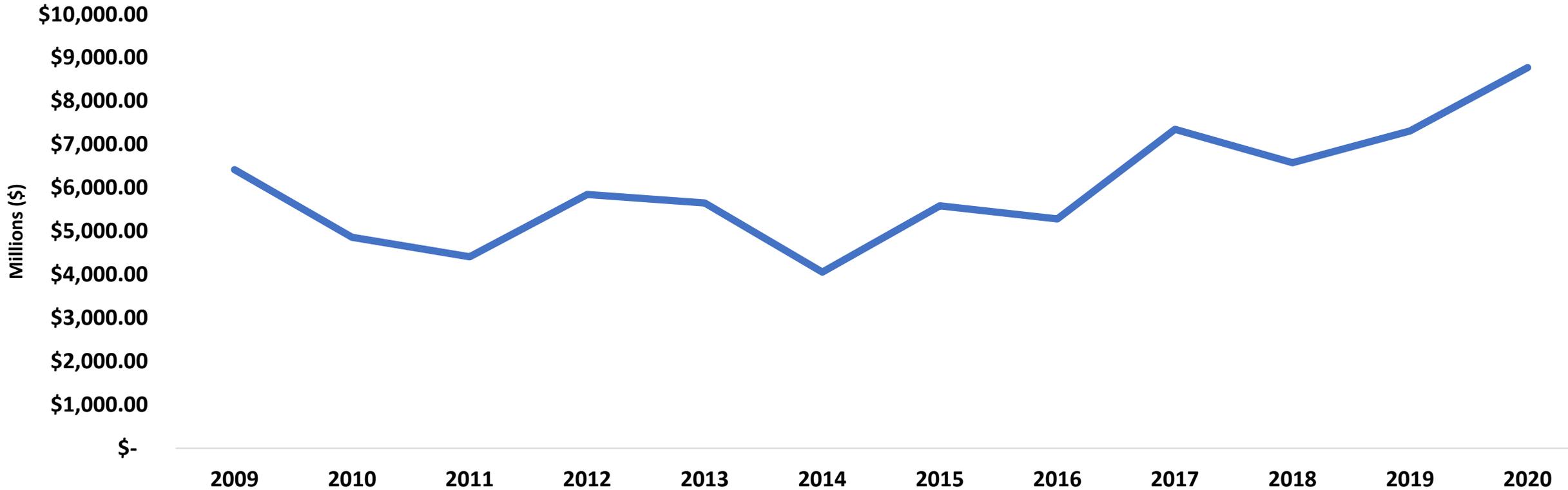
CAGR	10-year	5-year	1-year
Revenue	-0.17%	-0.16%	-0.32%
Sales Per Share	0.84%	1.52%	-0.34%

Net Income



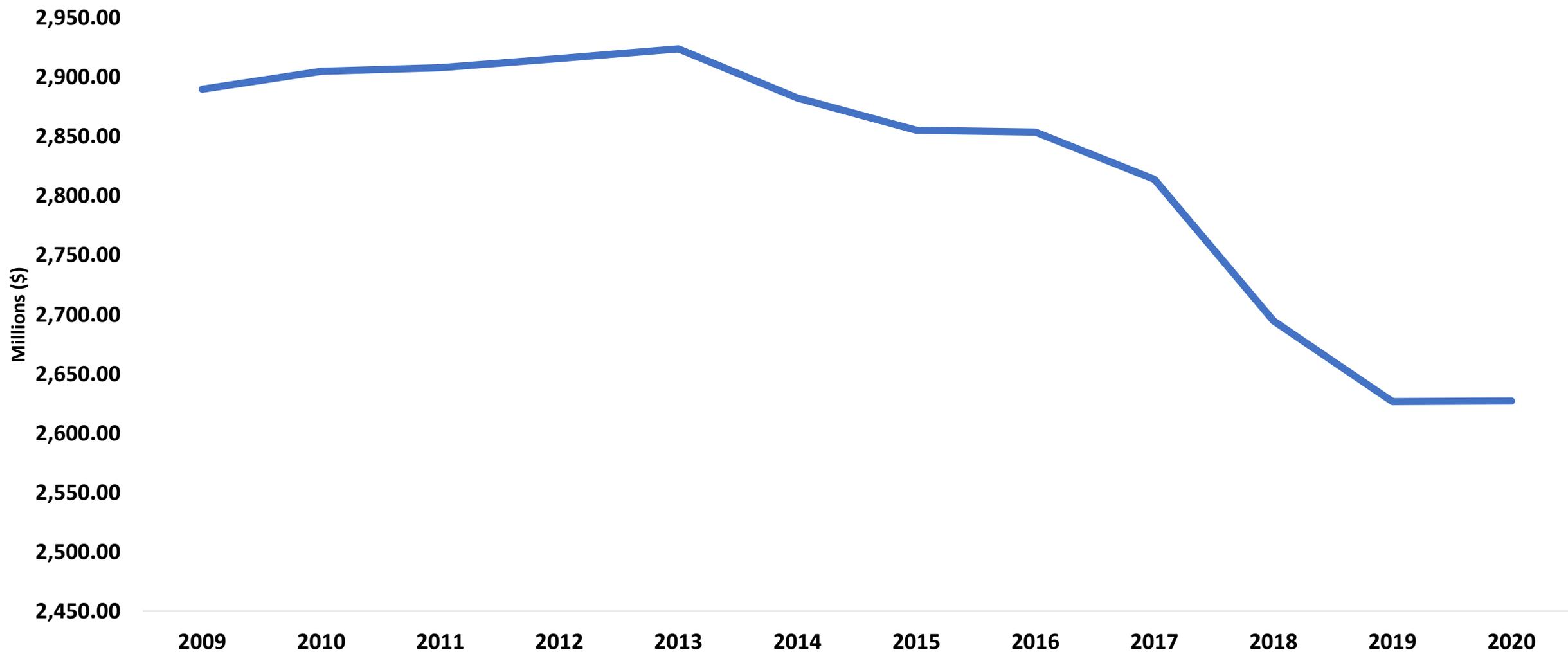
CAGR	10-year	5-year	1-year
Net Income	2.07%	5.18%	9.07%
Earning Per Share	3.11%	6.95%	-9.05%

Free Cash Flow

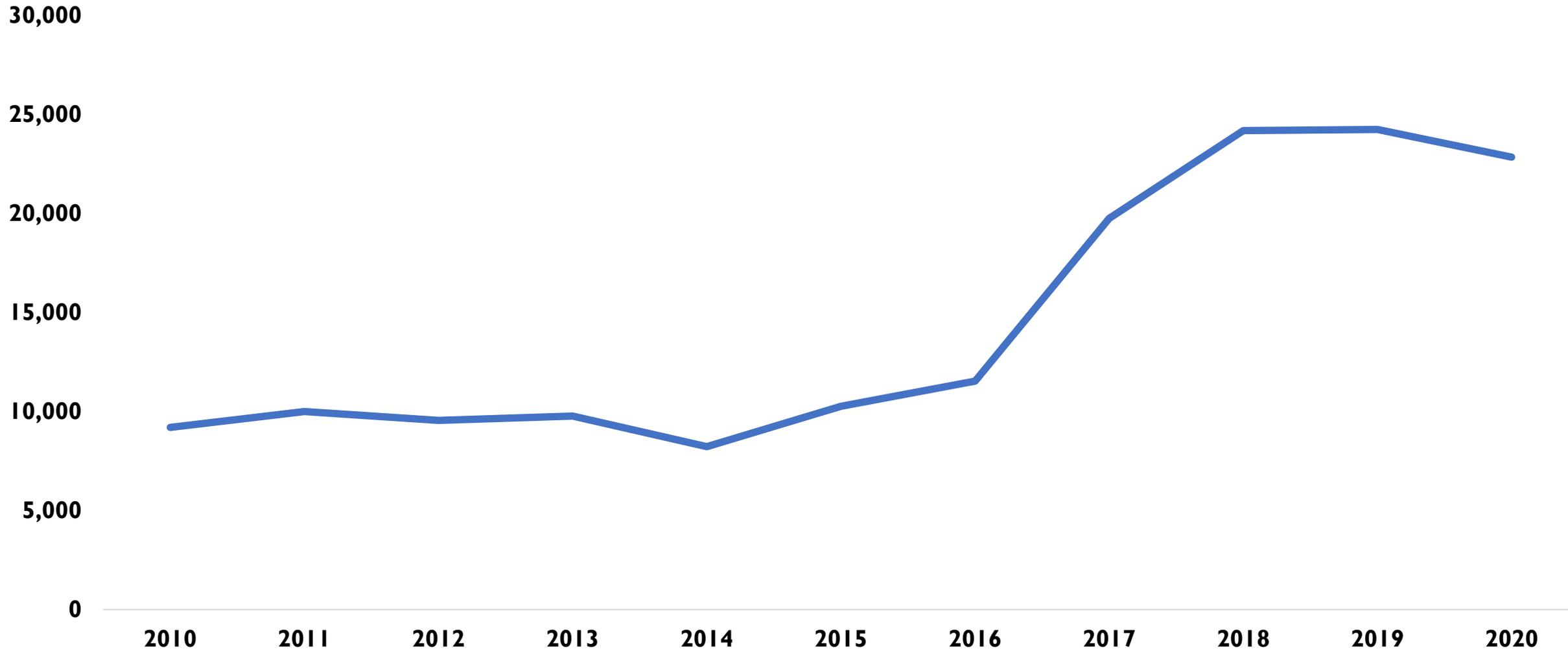


CAGR	10-year	5-year	1-year
Free Cash Flow	4.17%	9.45%	19.96%
FCF Per Share	5.22%	11.29%	19.94%

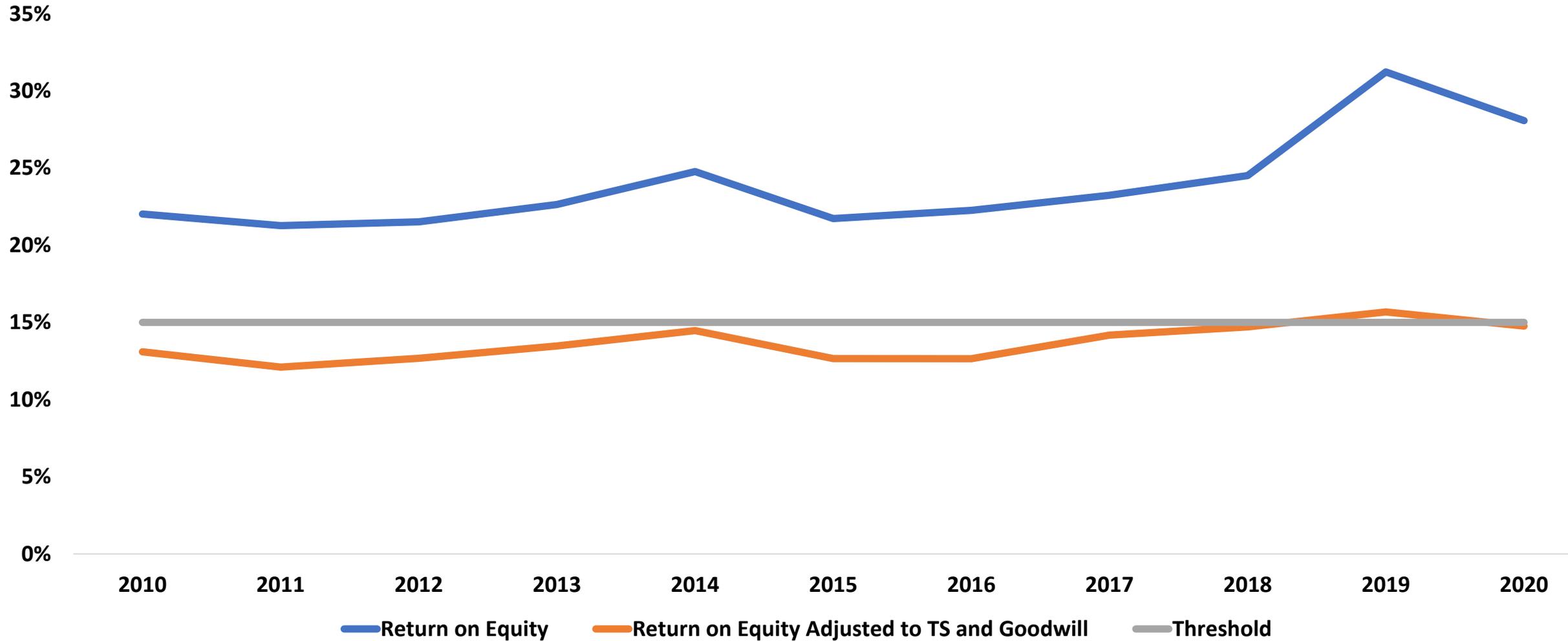
SHARES OUTSTANDING



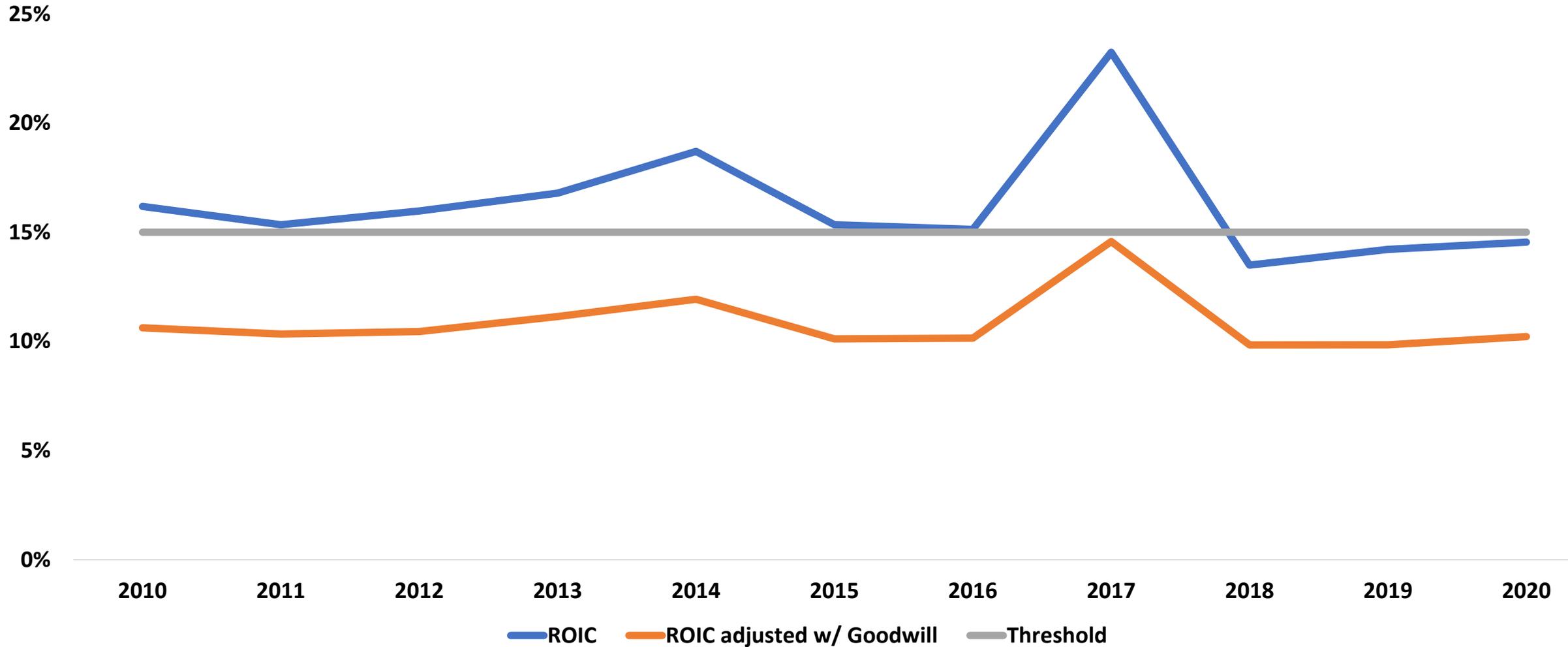
LT DEBT



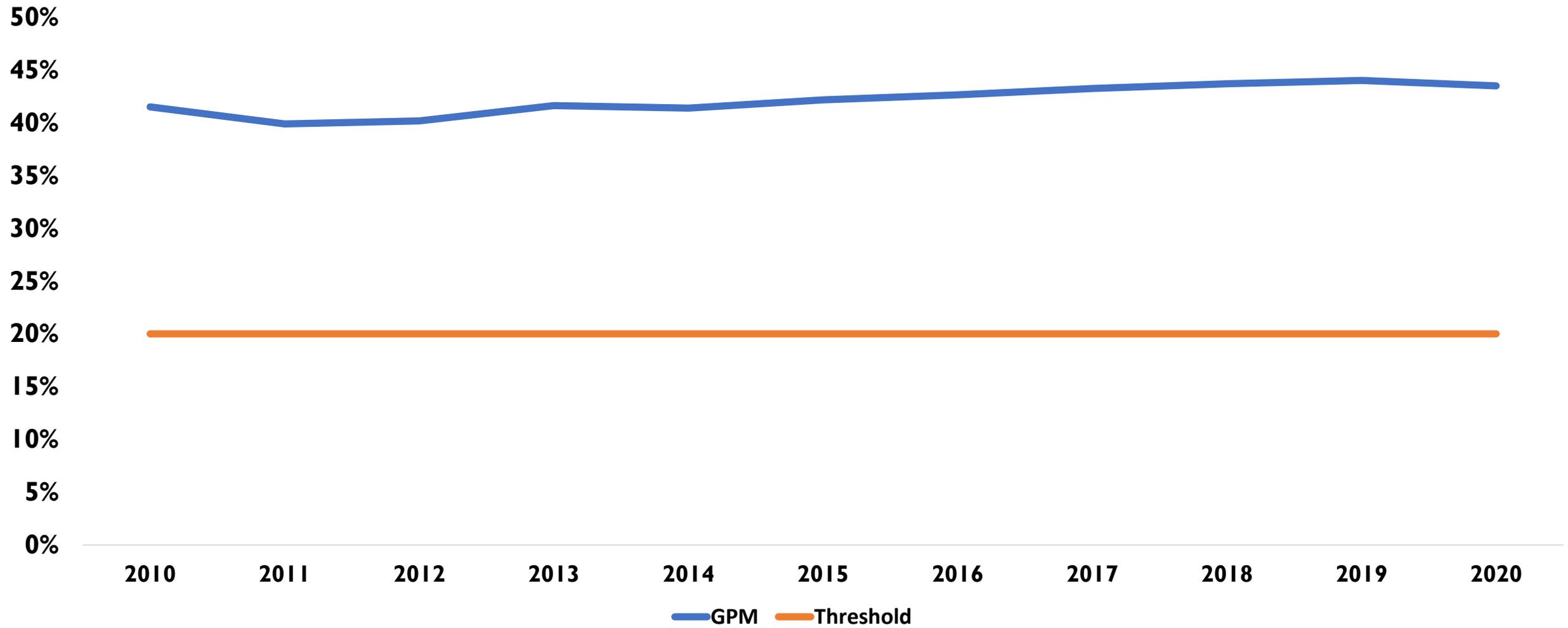
RETURN ON EQUITY



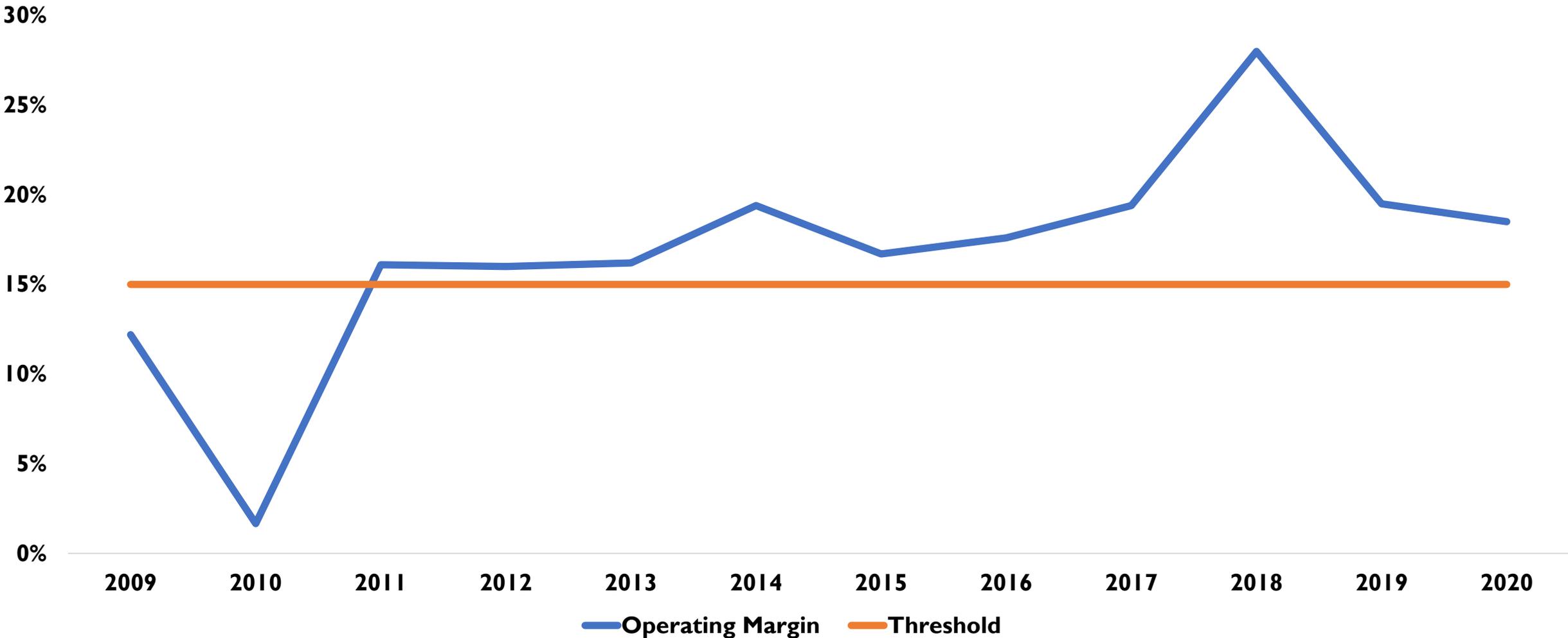
RETURN ON INVESTED CAPITAL



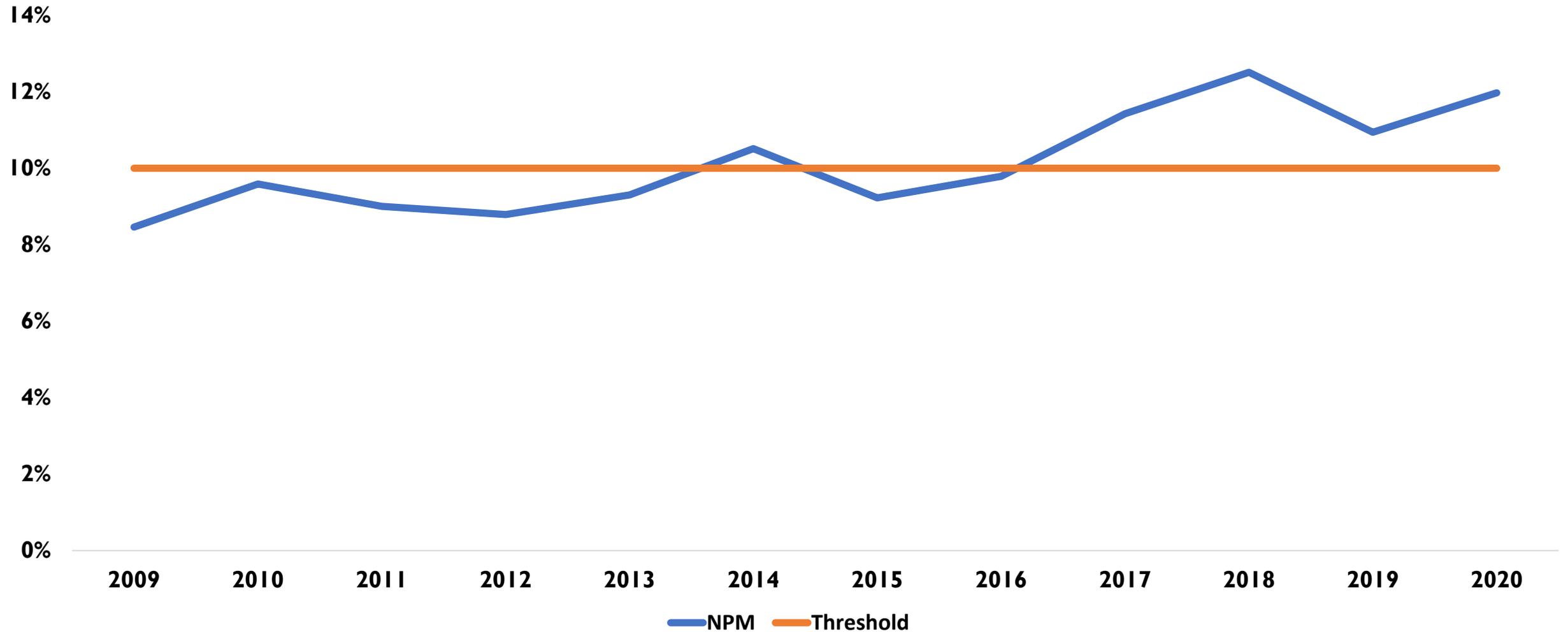
GROSS PROFIT MARGIN



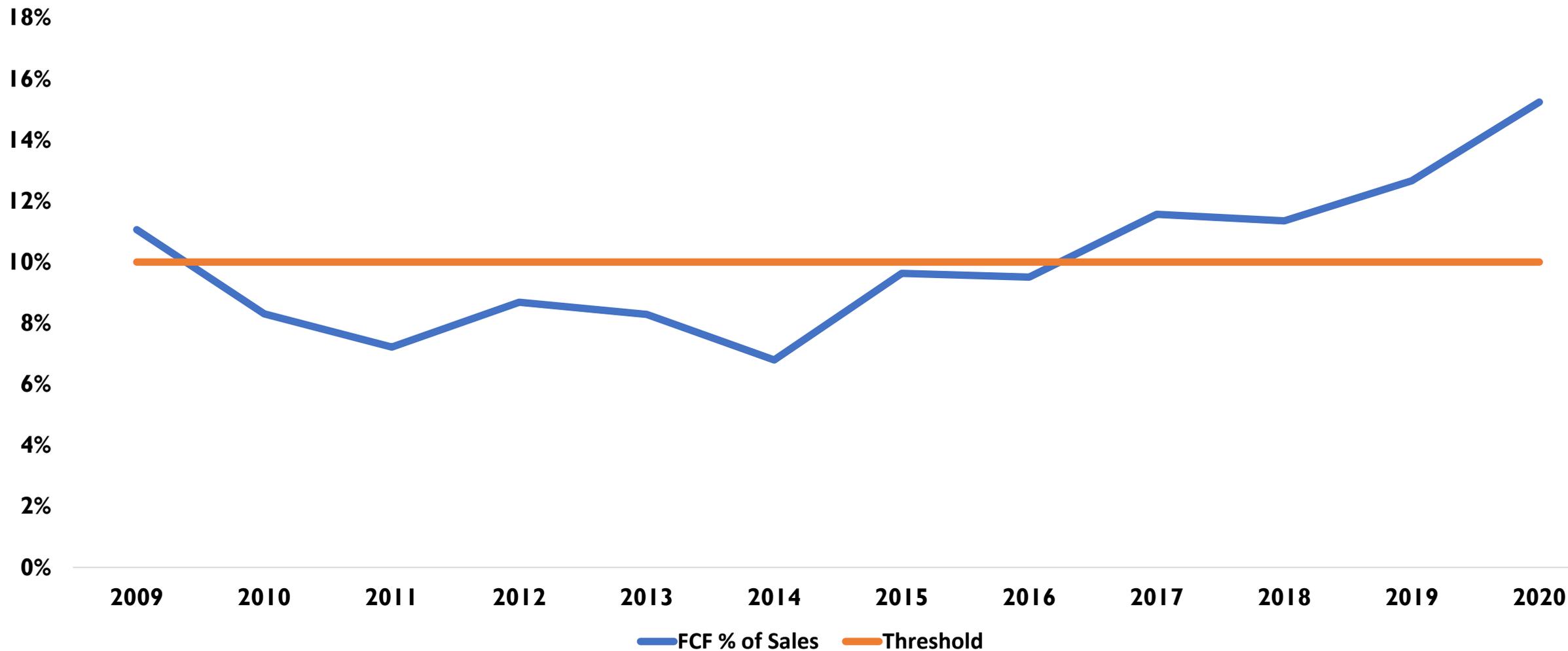
OPERATING MARGIN



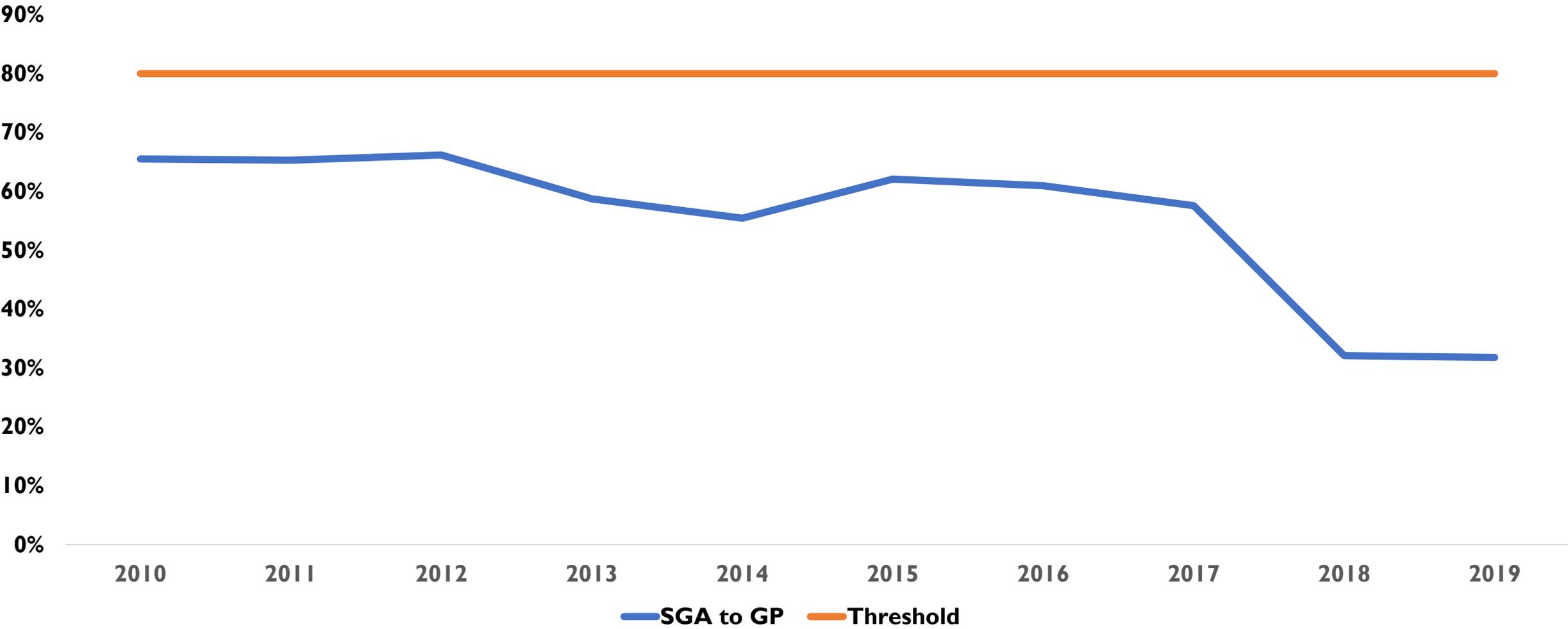
NET PROFIT MARGIN



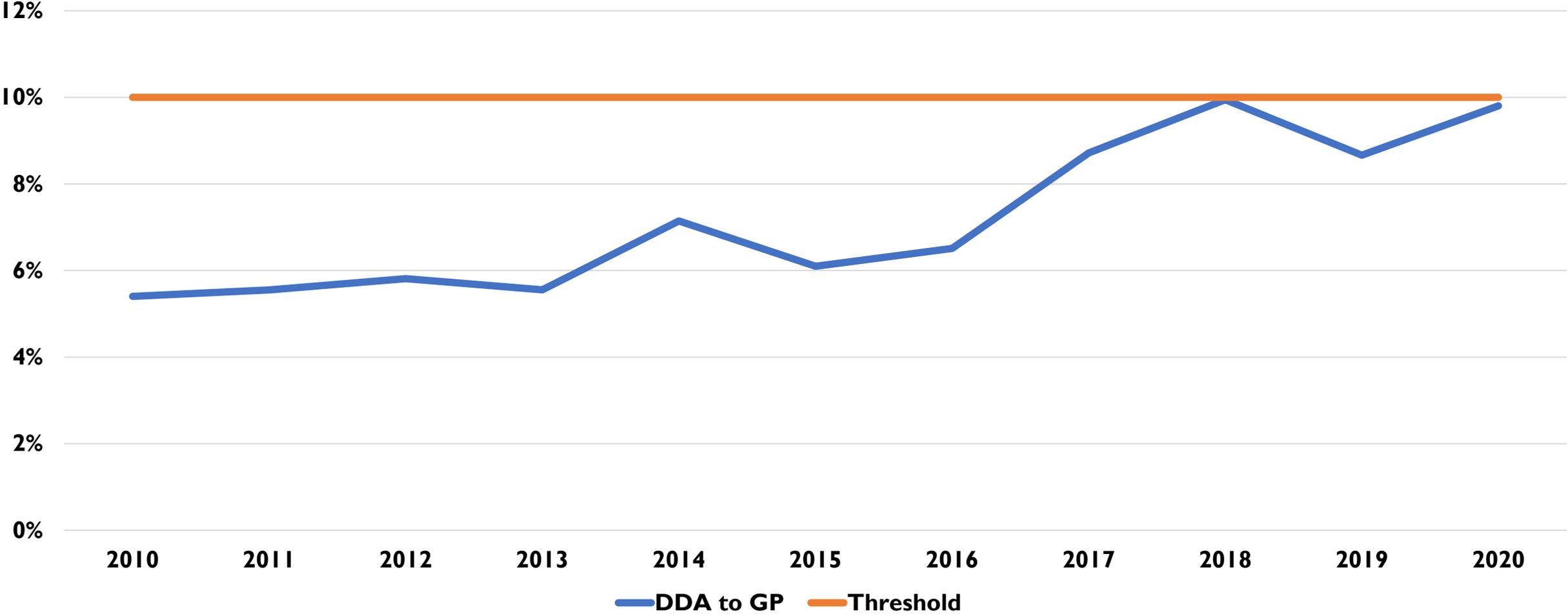
FREE CASH FLOW MARGIN



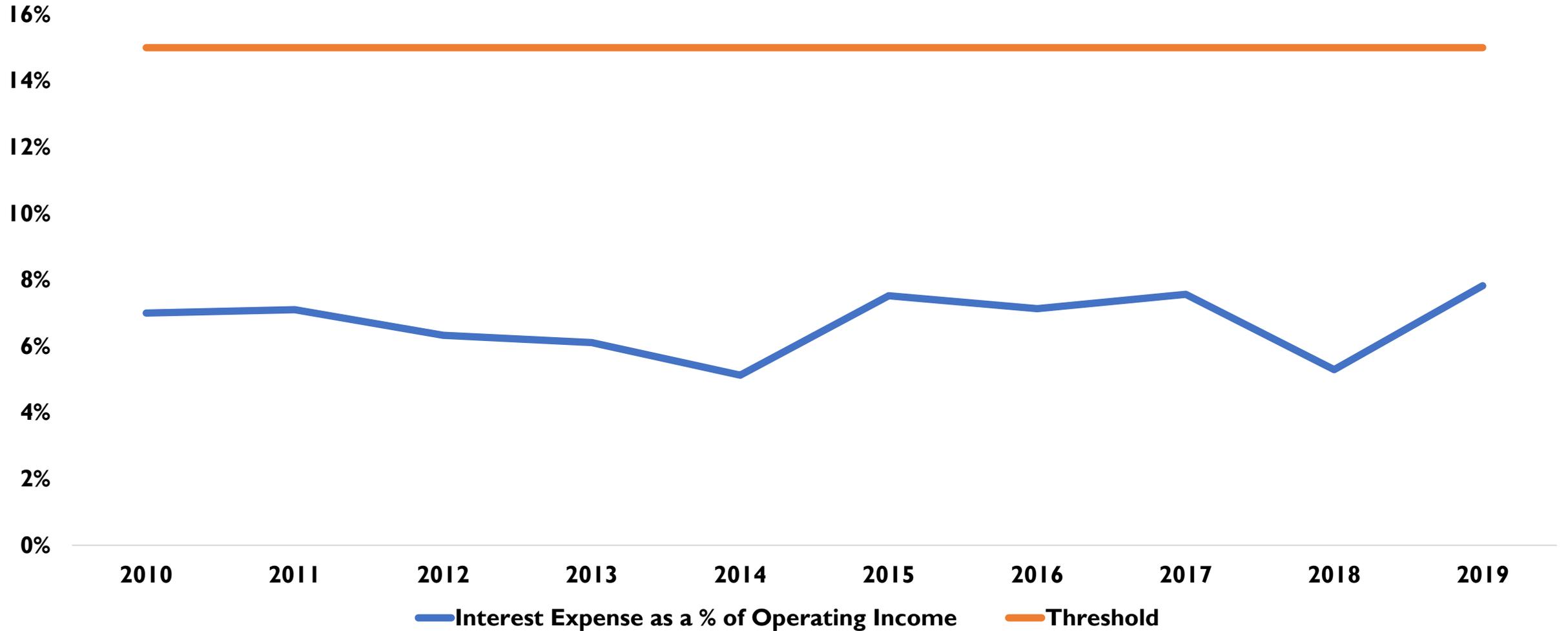
SGA TO GP



DDA to GP



INTEREST EXP. TO OPERATING INCOME



OBLIGATION RATIO

+ Total Debt	+ 30,409
+ Leases *7	+ 0
+ Pension Shortfall	+ 0
+ Preferred Stock	+ 0
- Cash Assets	- 7,661

Sum / Net Income = ____

22,748 / 6,790 = 3.35

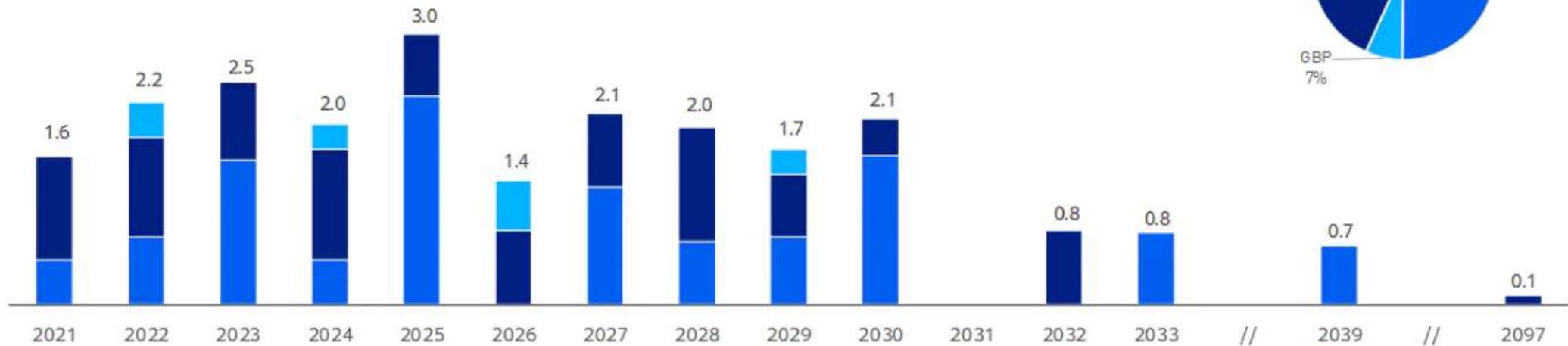
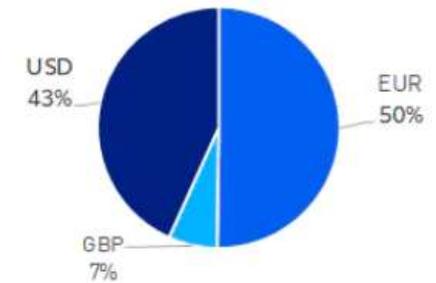
DEBT MATURITIES SCHEDULE

Outstanding Bonds (€22.9 bn) - 31 December 2020

€ bn

Total outstanding	€ 22.9 bn
Average Years to Maturity	6.0 years
Average Issuance Rate	2.01%

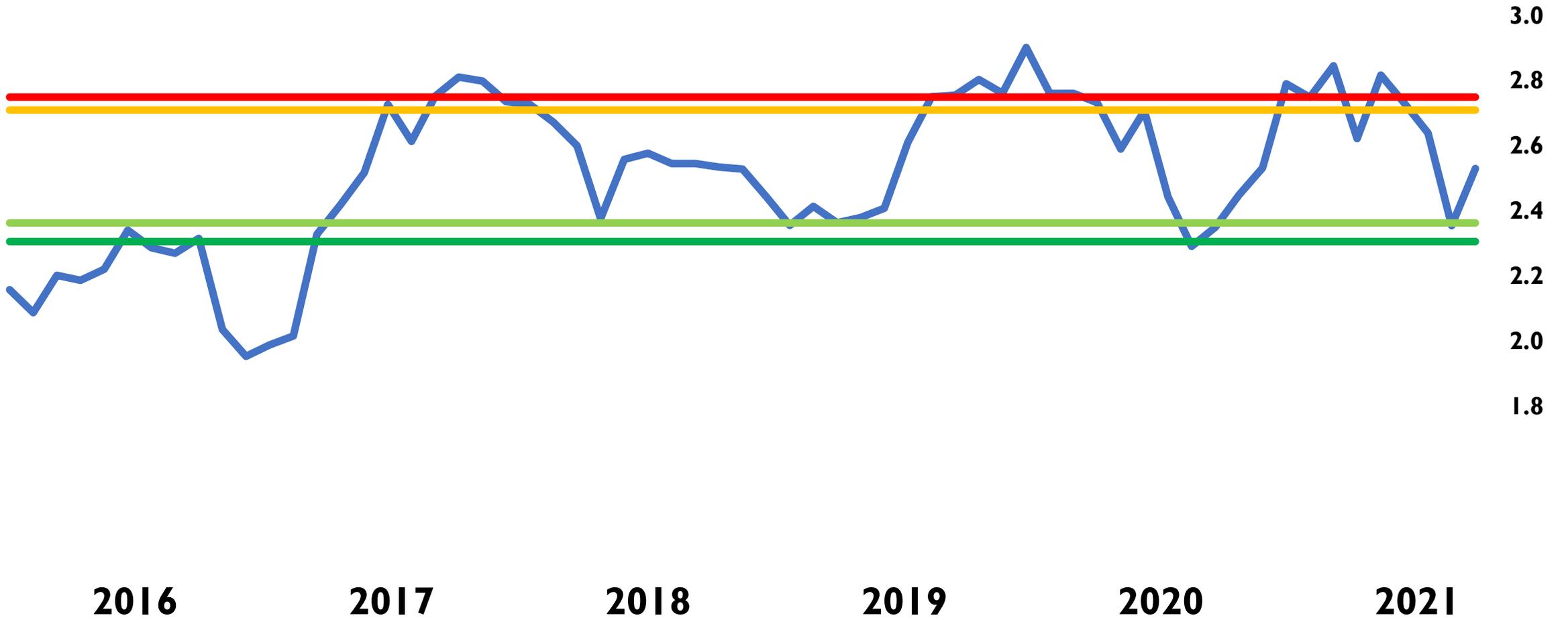
■ EUR ■ USD ■ GBP



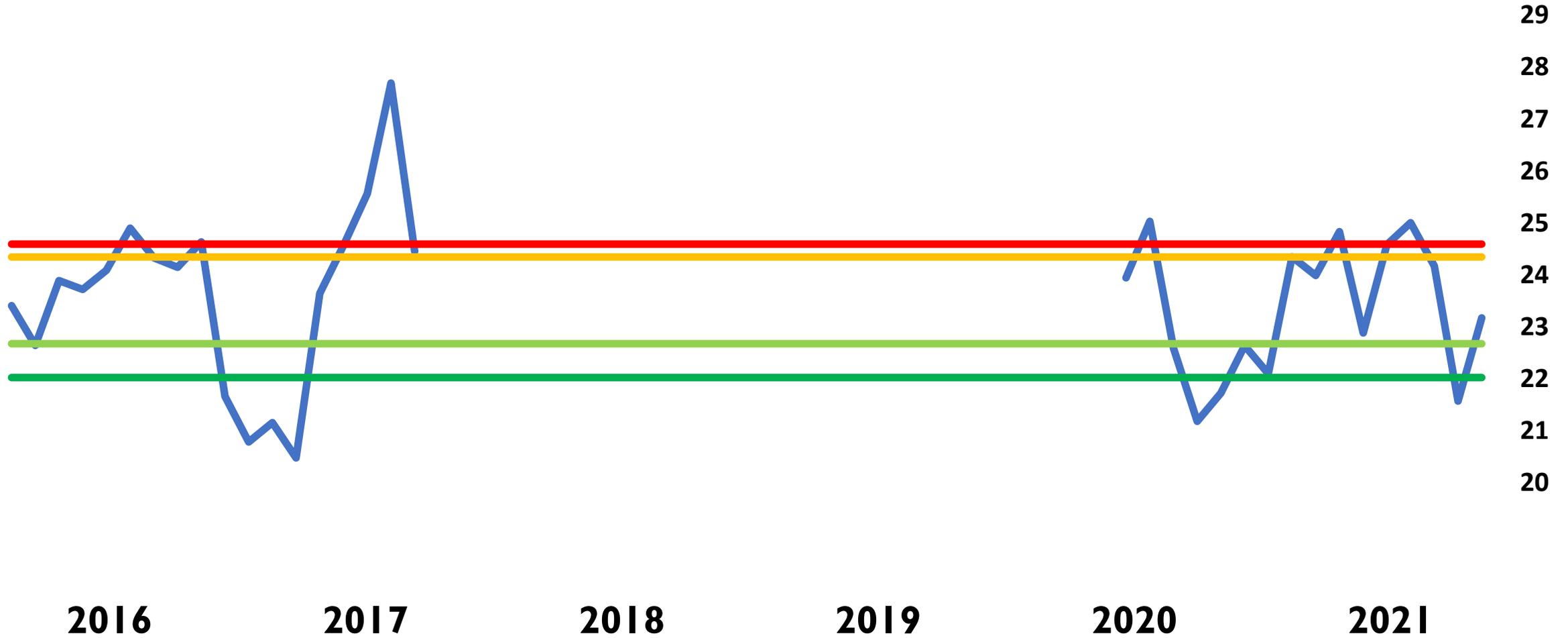
Value Bands



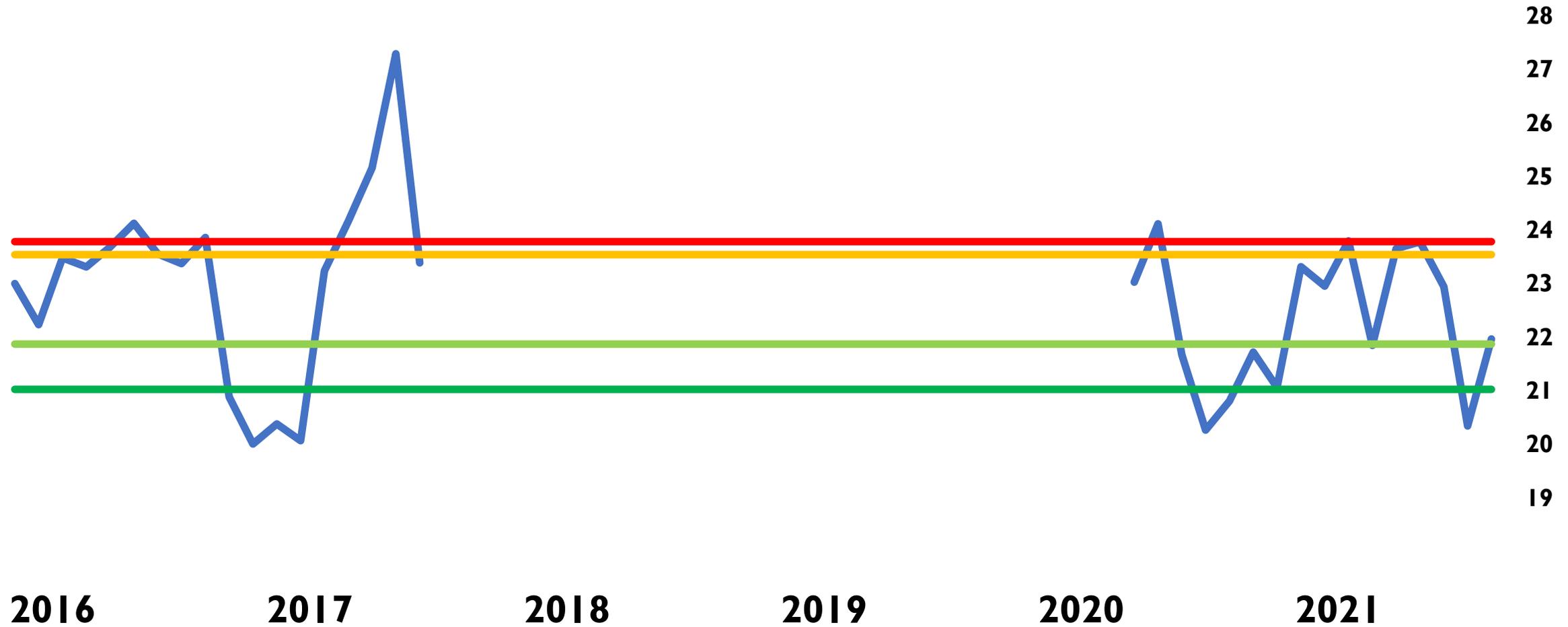
Price/Sales



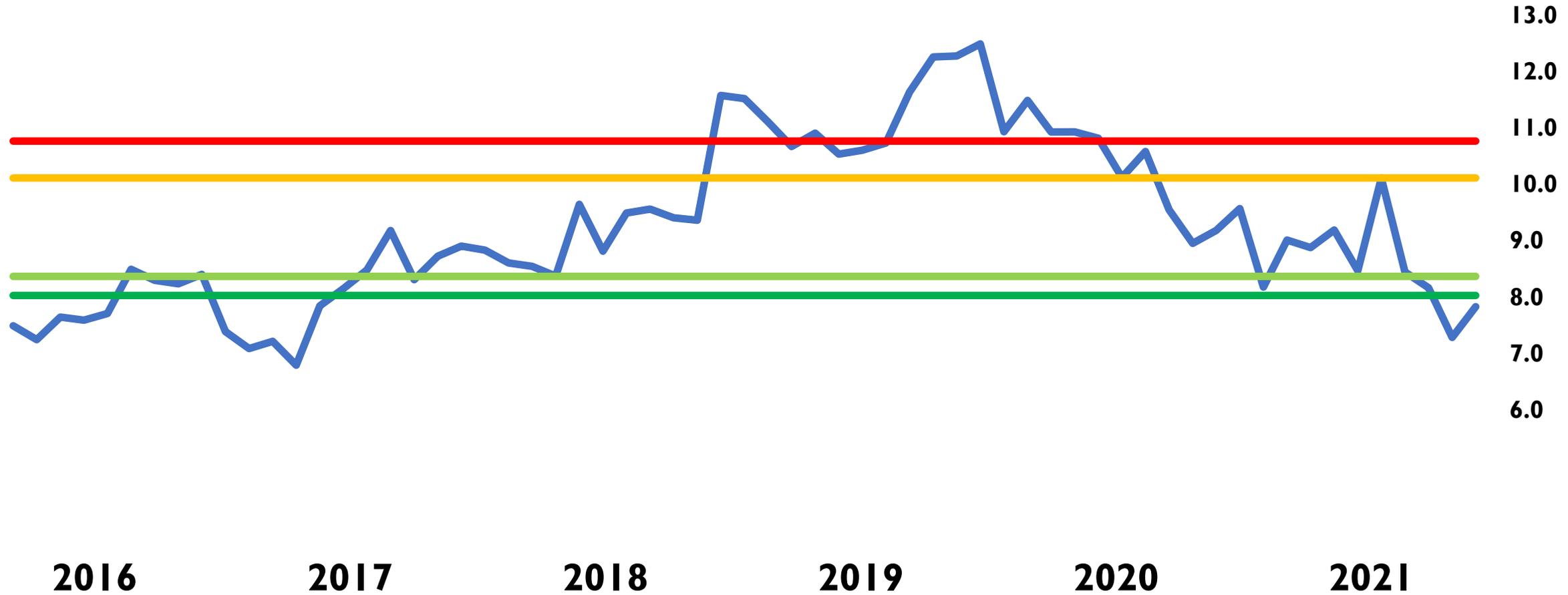
Price/Earnings



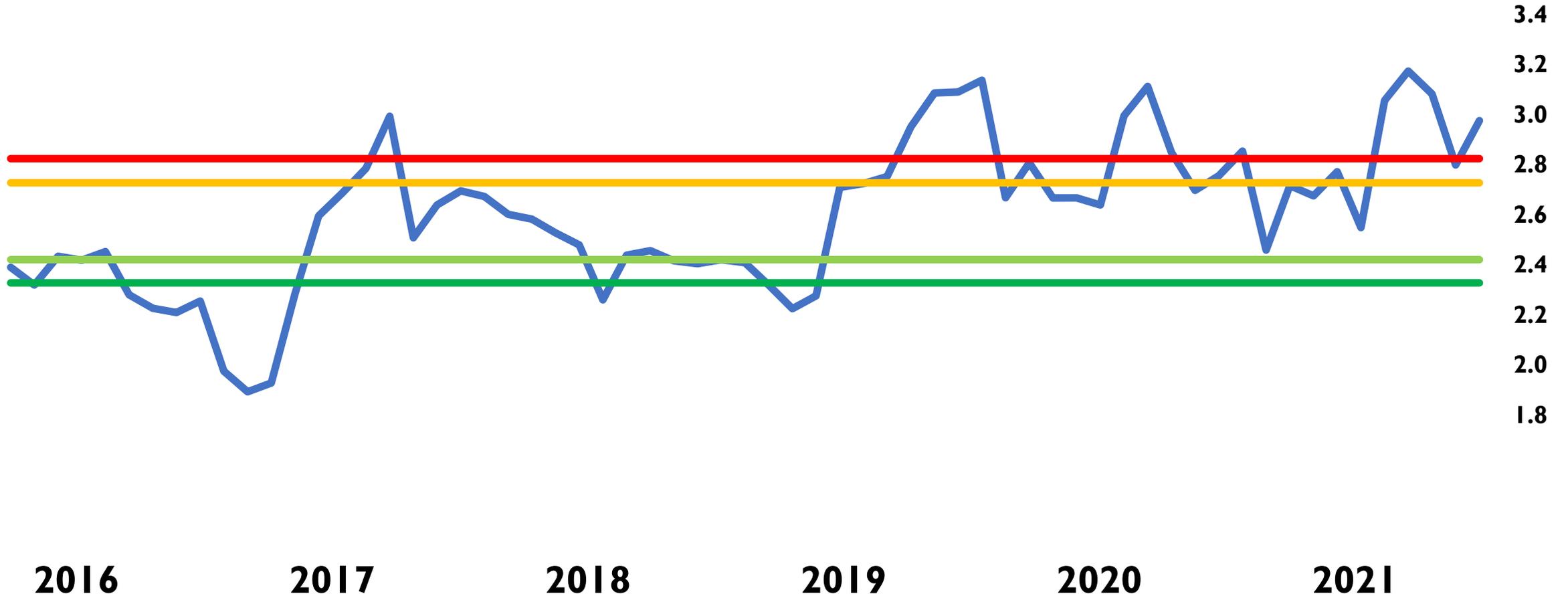
PRICE/EARNINGS LESS CASH



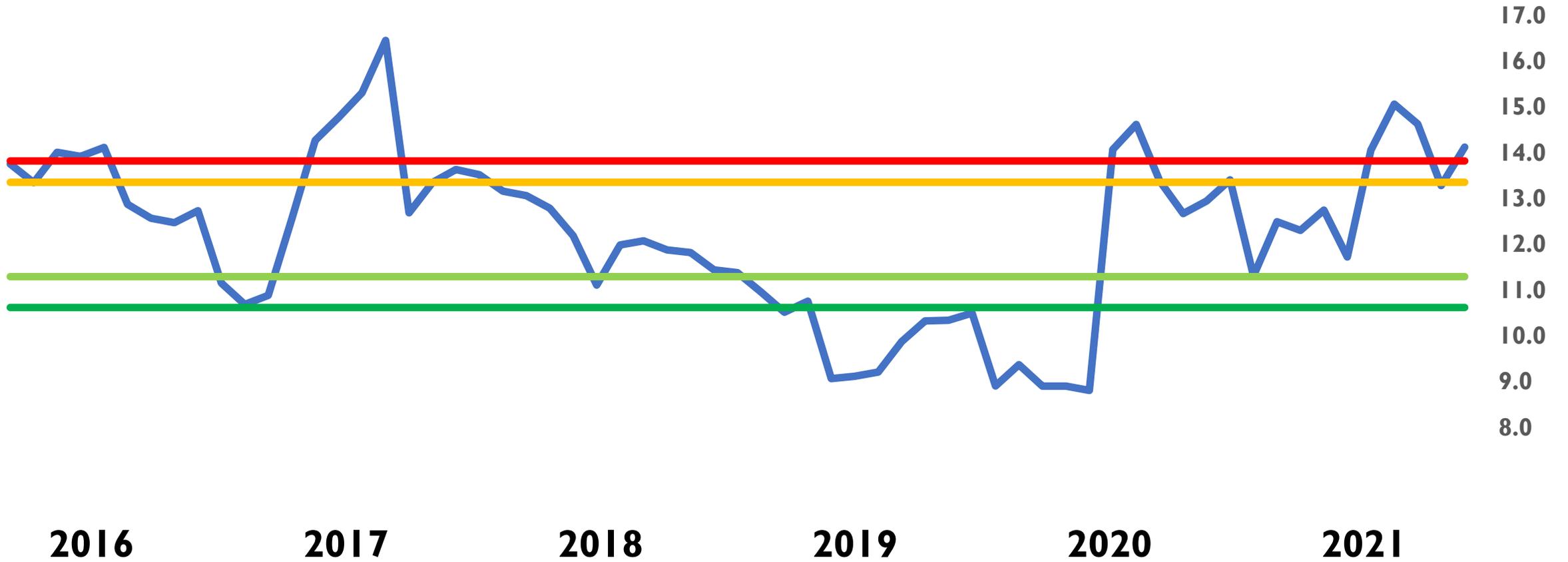
PRICE/BOOK



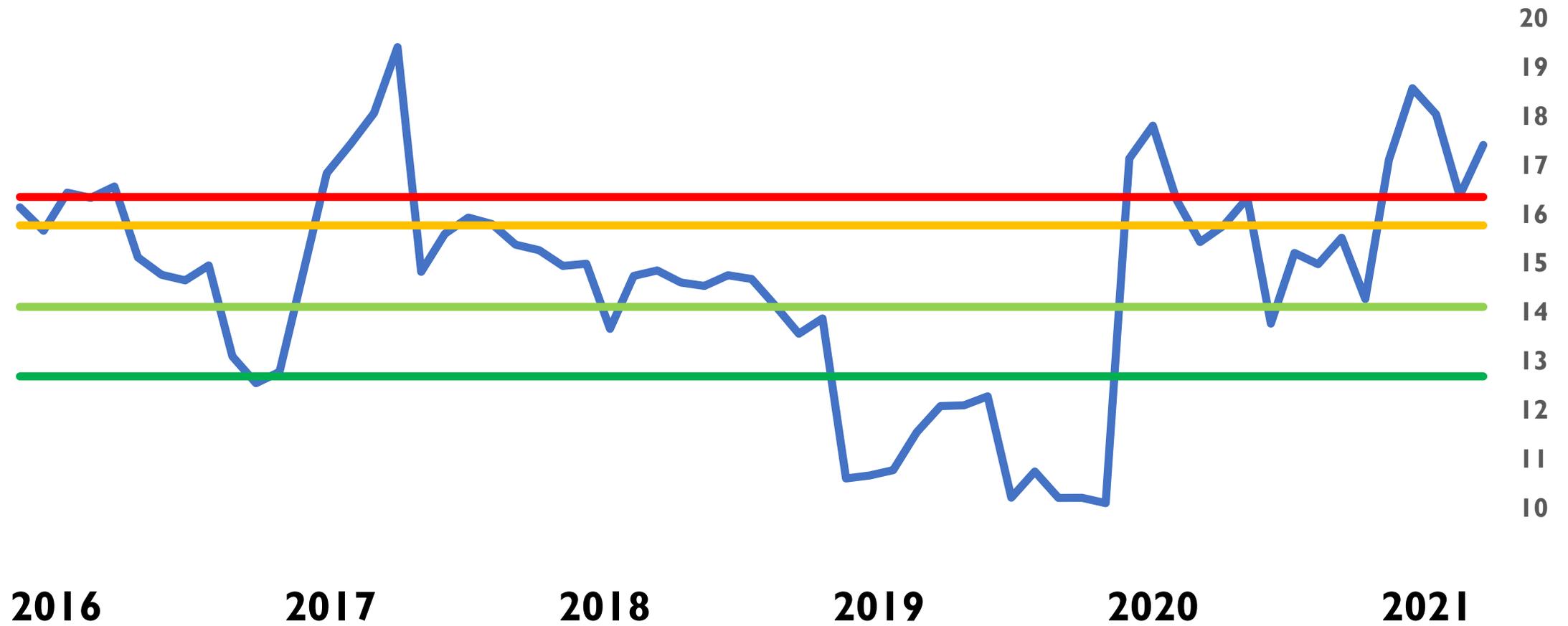
EV/REVENUE



EV/EBITDA



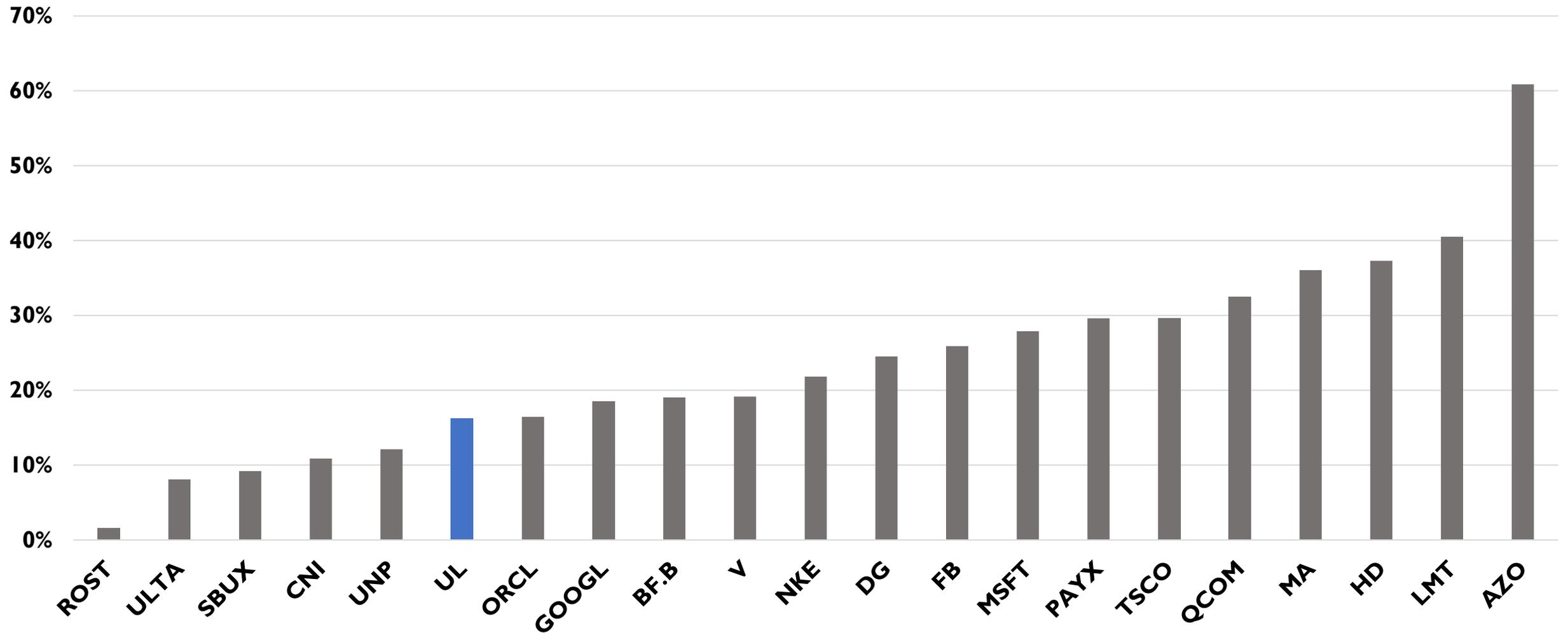
EV/EBIT



Intraportfolio Valuation



Return on Invested Capital



Price/Book

120.00

100.00

80.00

60.00

40.00

20.00

0.00

CNI

GOOGL

FB

DG

UL

UNP

ULTA

TSCO

PAYX

ROST

V

BF.B

MSFT

LMT

QCOM

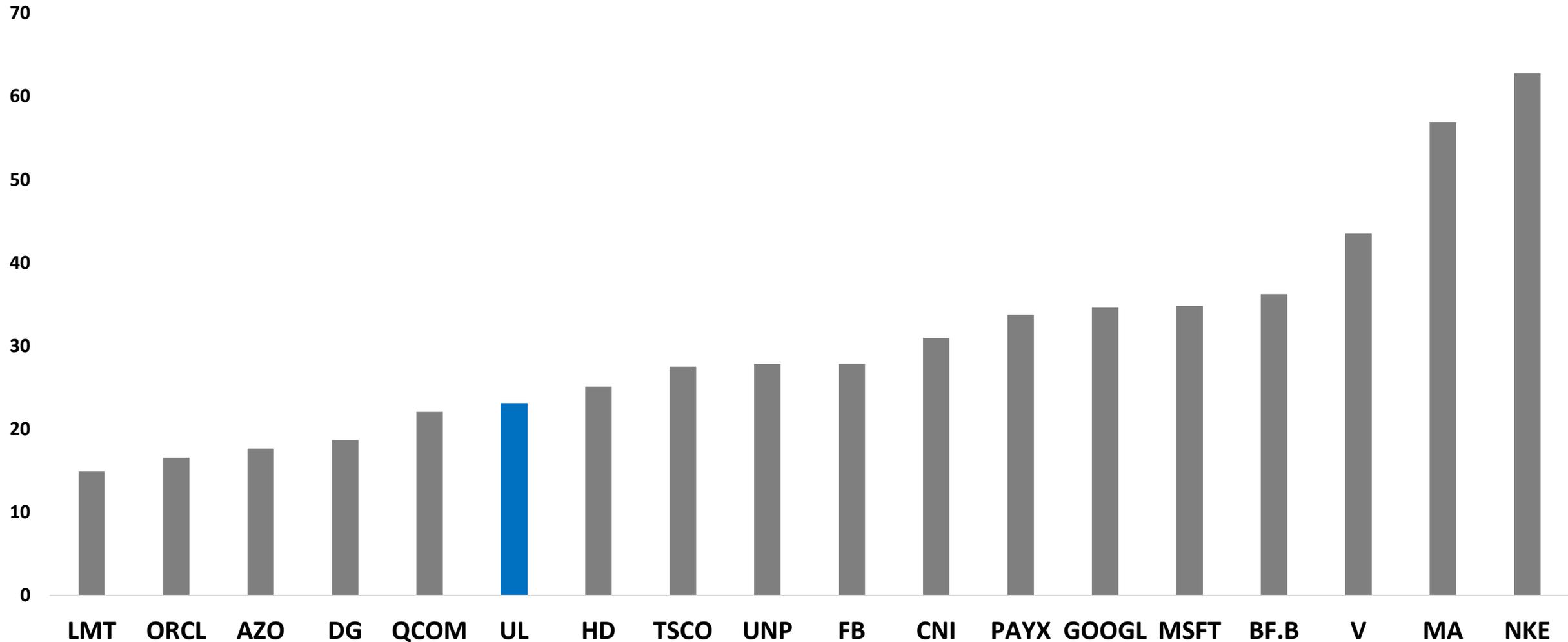
ORCL

MA

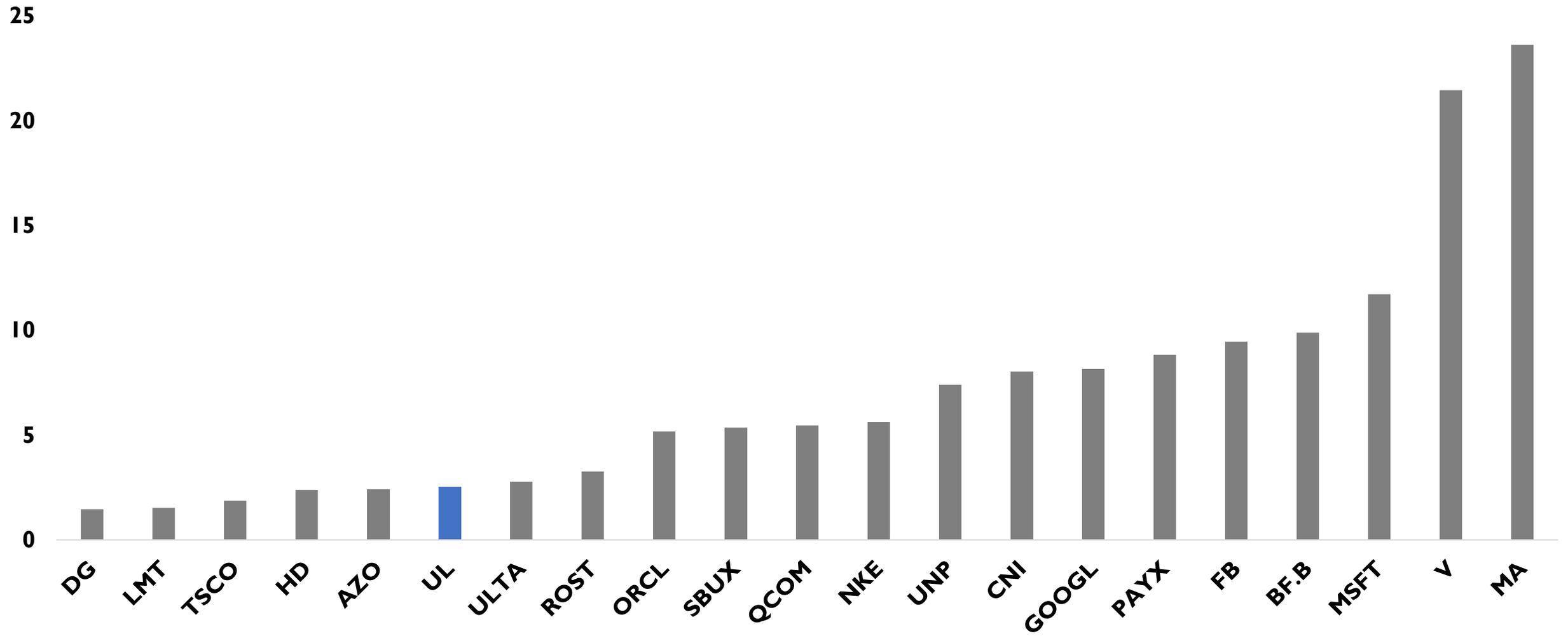
HD



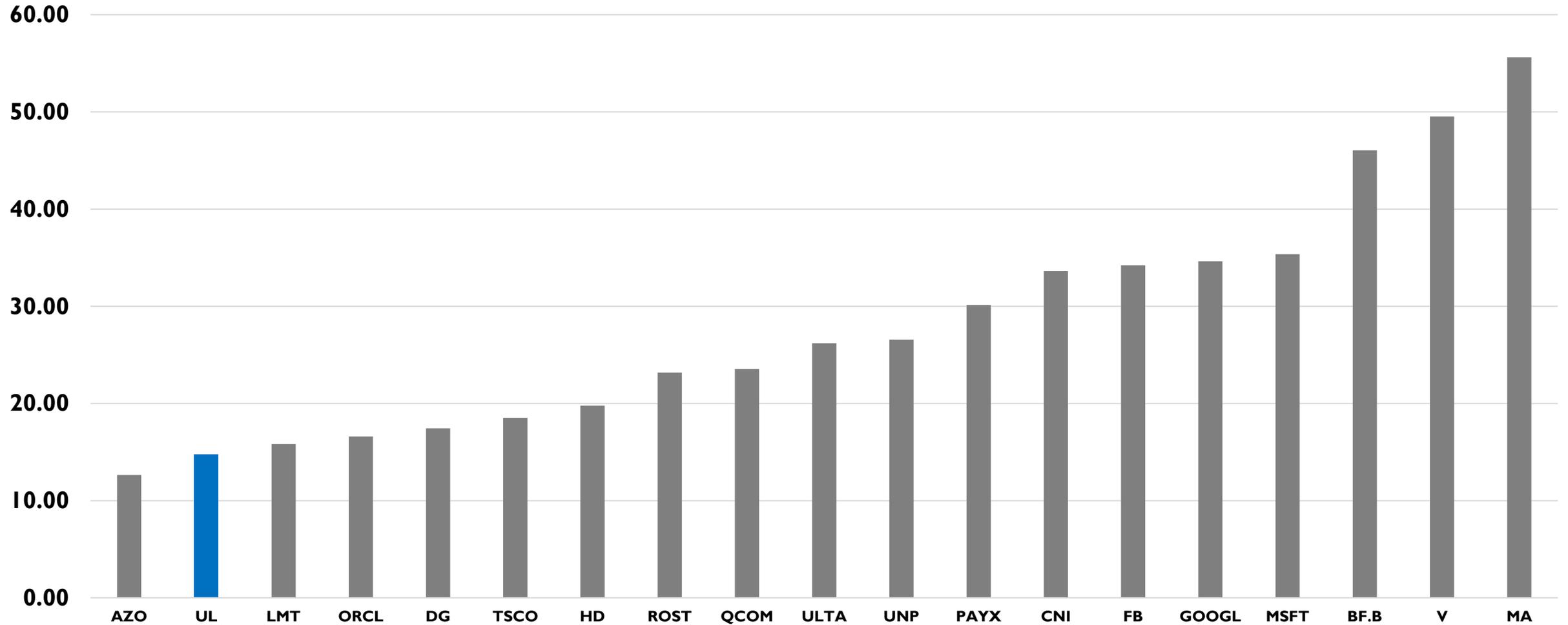
Price/Earnings Ratio



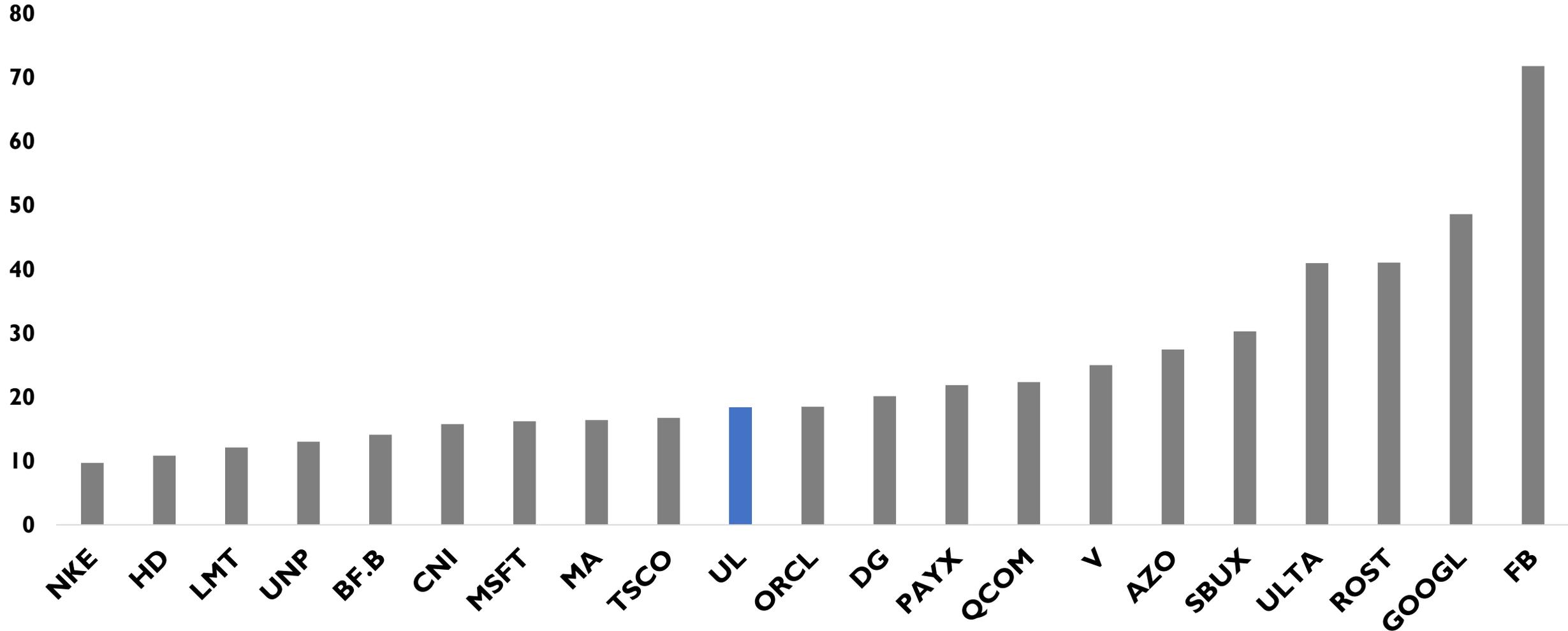
Price/Sales



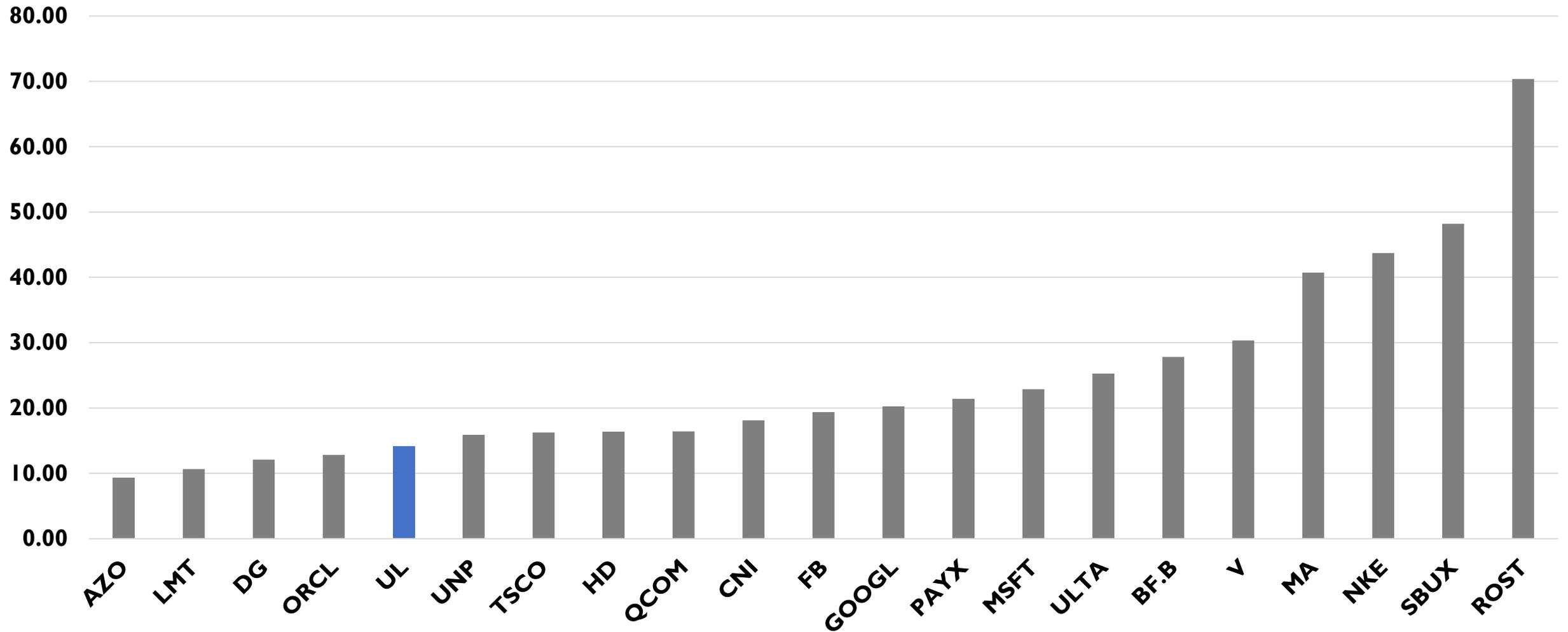
PRICE TO FREE CASH FLOW



EV TO EBITDA



EV-TO-EBITDA



Discounted Cash Flow



Discounted Cash Flows - FCF

Bear Case		Base Case		Bull Case	
FCF/Share	\$3.72	FCF/Share	\$3.72	FCF/Share	\$3.72
Growth Rate	4%	Growth Rate	6%	Growth Rate	9%
Years	10	Years	10	Years	9
Terminal Rate	4	Terminal Rate	4	Terminal Rate	4
Discount Rate	10%	Discount Rate	10%	Discount Rate	10%
Current Price	55.82	Current Price	\$55.82	Current Price	\$55.82
Fair Value	\$43.48	Fair Value	\$49.63	Fair Value	\$60.66
Margin of Safety	-28.38%	Margin of Safety	-12.47%	Margin of Safety	7.98%

Valuation Model



Bear Case

5 year FCF projection							Discount rate:					
							P/FCF	Projected total return price	PV	5 year Upside	annual return	
Bear	Current	2021	2022	2023	2024	2025	14.0x	\$ 72.65	\$ 45.11	29.8%	5.3%	
	FCF PS	\$ 3.72	\$ 3.87	\$ 4.02	\$ 4.18	\$ 4.35	\$ 4.53	18.0x	\$ 90.76	\$ 56.35	62.1%	10.1%
	5yr growth estimate	4%	4%	4%	4%	4%	22.0x	\$ 108.86	\$ 67.59	94.4%	14.2%	

Base Case

		Current	2021	2022	2023	2024	2025			Upside		
Base								14.0x	\$ 78.99	\$ 49.04	41.1%	7.1%
	FCF PS	\$ 3.72	\$ 3.94	\$ 4.18	\$ 4.43	\$ 4.70	\$ 4.98	18.0x	\$ 98.90	\$ 61.41	76.6%	12.1%
	5yr growth estimate		6.0%	6.0%	6.0%	6.0%	6.0%	22.0x	\$ 118.81	\$ 73.77	112.2%	16.2%

Bull Case

	Current	2021	2022	2023	2024	2025					Upside			
Bull							14.0x	\$	89.42	\$	55.52	59.7%	9.8%	
	FCF PS	\$ 3.72	\$ 4.05	\$ 4.42	\$ 4.82	\$ 5.25	\$ 5.72	18.0x	\$	112.32	\$	69.74	100.6%	14.9%
	5yr growth estimate		9%	9%	9%	9%	9%	22.0x	\$	135.21	\$	83.96	141.5%	19.3%

SENSATIVITY ANALYSIS

		Est. EPS growth rate		
		4%	6%	9%
Price/Earning	14.0x	5.3%	7.1%	9.8%
	18.0x	10.1%	12.1%	14.9%
	22.0x	14.2%	16.2%	19.3%

CONCLUSION AND RECOMMENDATION

Phenomenal business trading at a relative discount

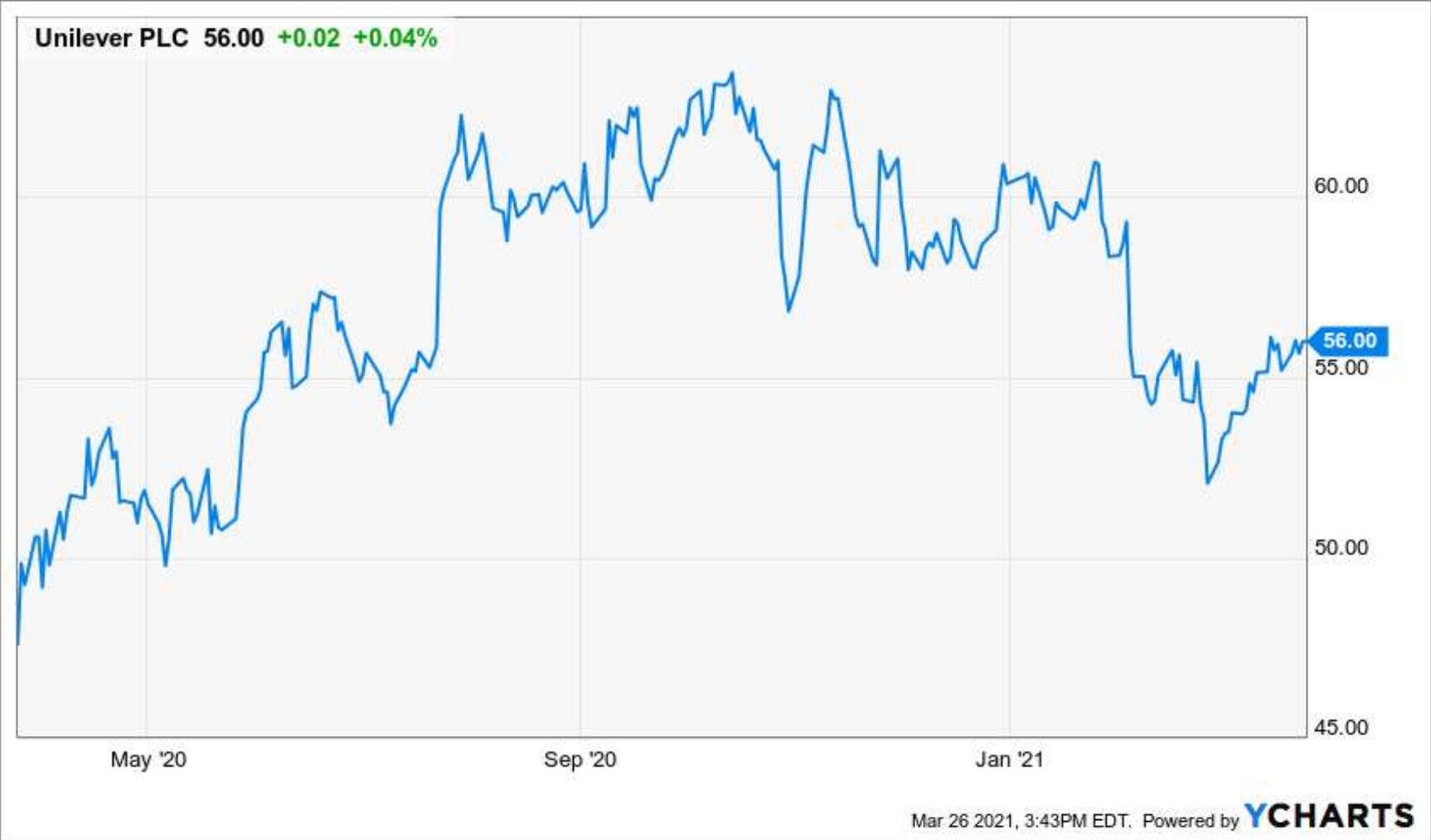
Buy 900 shares or 5% of the portfolio at a limit of \$56 per share

We could buy UL at a limit order, or use puts if we try to lower our cost basis and increase cash flow to the portfolio

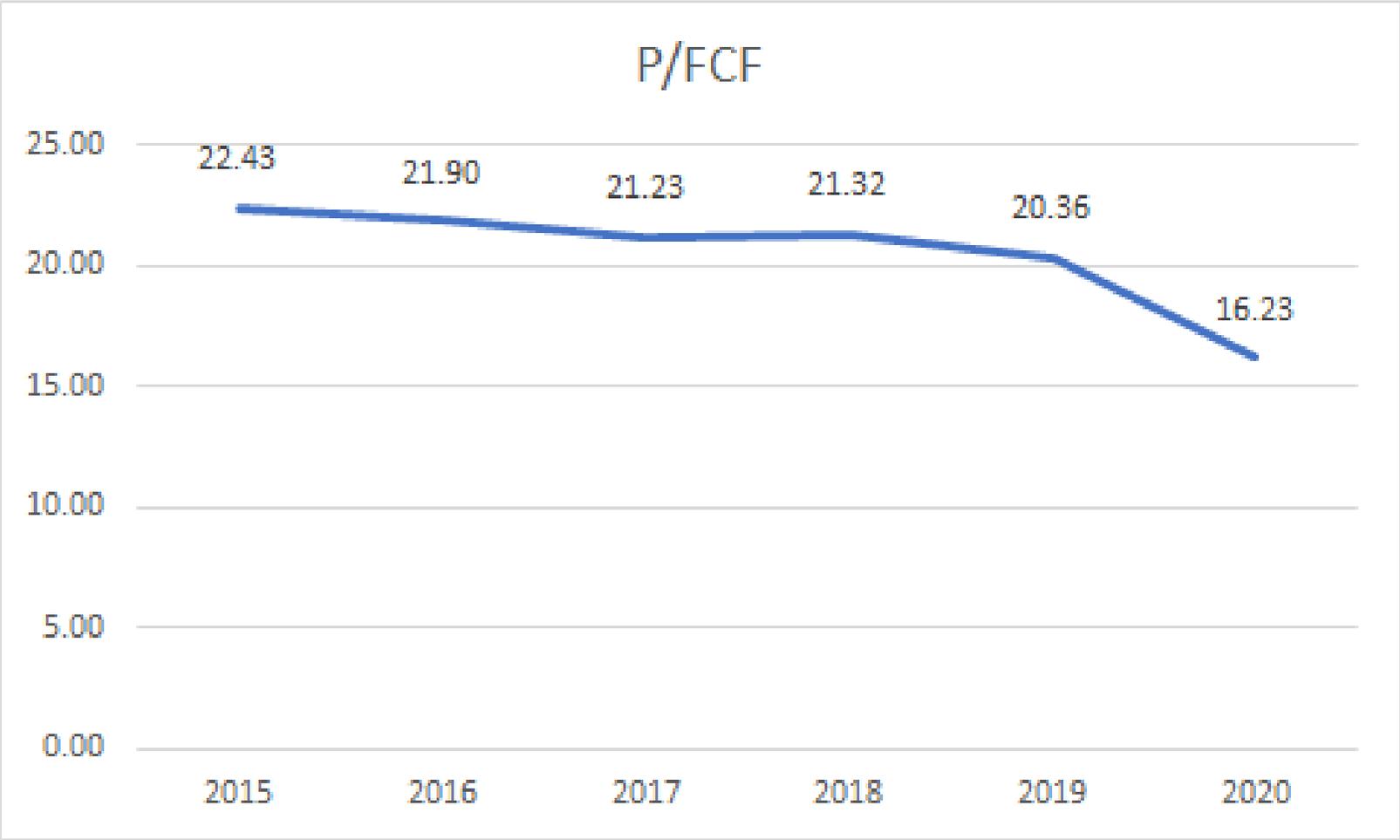
QUESTIONS?

APPENDIX

Price



Price/FCF



Maintaining high ROIC while changing the portfolio



- TTM EBITDA: \$12.3 billion
- Kraft bid: 15.1x EV/EBITDA
- Implied Enterprise Value: \$186 billion
- Current Enterprise Value: \$168 billion
- **10% Discount**



**Unilever is a better business today and
should command an even higher multiple
in line with beauty peers!**

3. The global leader in sustainable business



Top

of GlobeScan
Sustainability Leaders
survey for last 10 years

Leader

in Dow Jones
Sustainability Index
since 2014

'A/A-'

Ratings in CDP: Climate,
Water and Forest

Strategy

fully embedded in
our business and brands
with purpose

Restructuring

November 2020 – Netherlands-based Unilever N.V. and U.K Headquartered Unilever PLC combined into one parent company Unilever PLC with only one class of shares.

Unification had 76% approval from N.V. shareholders and 99% approval from PLC shareholders.

Does not dilute effectiveness of regional managers.

Increases fairness of voting to shareholders.

Underlying sales growth (USG)

Underlying Sales Growth (USG) refers to the increase in turnover for the period, excluding any change in turnover resulting from acquisitions, disposals and changes in currency. We believe this measure provides valuable additional information on the underlying sales performance of the business and is a key measure used internally. The impact of acquisitions and disposals is excluded from USG for a period of 12 calendar months from the applicable closing date. Turnover from acquired brands that are launched in countries where they were not previously sold is included in USG as such turnover is more attributable to our existing sales and distribution network than the acquisition itself. Also excluded is the impact of price growth from countries where the impact of consumer price inflation (CPI) rates has escalated to extreme levels.

There are two countries where we have determined extreme levels of CPI exist. The first is Venezuela where in Q4 2017 inflation rates exceeded 1,000% and management considered that the situation would persist for some time. Consequently, price growth in Venezuela has been excluded from USG since Q4 2017. The second is Argentina, which from Q3 2018 has been accounted for in accordance with IAS 29, and thus from Q3 2018 Argentina price growth is excluded from USG. The adjustment made at Group level as a result of these two exclusions was a reduction in price growth of 111.8% for the fourth quarter and 32.4% for the year. This treatment for both countries will be kept under regular review.

The reconciliation of changes in the GAAP measure turnover to USG is provided in notes 3 and 4.

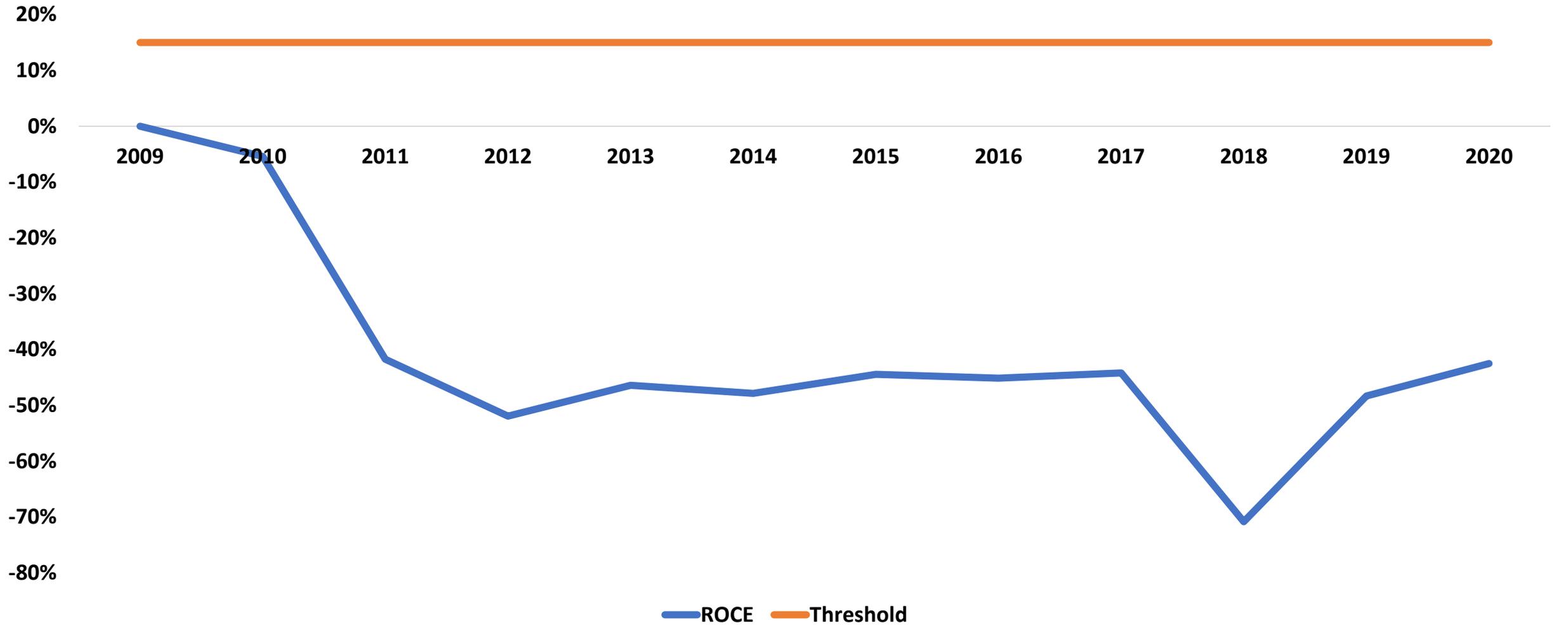
Underlying volume growth (UVG)

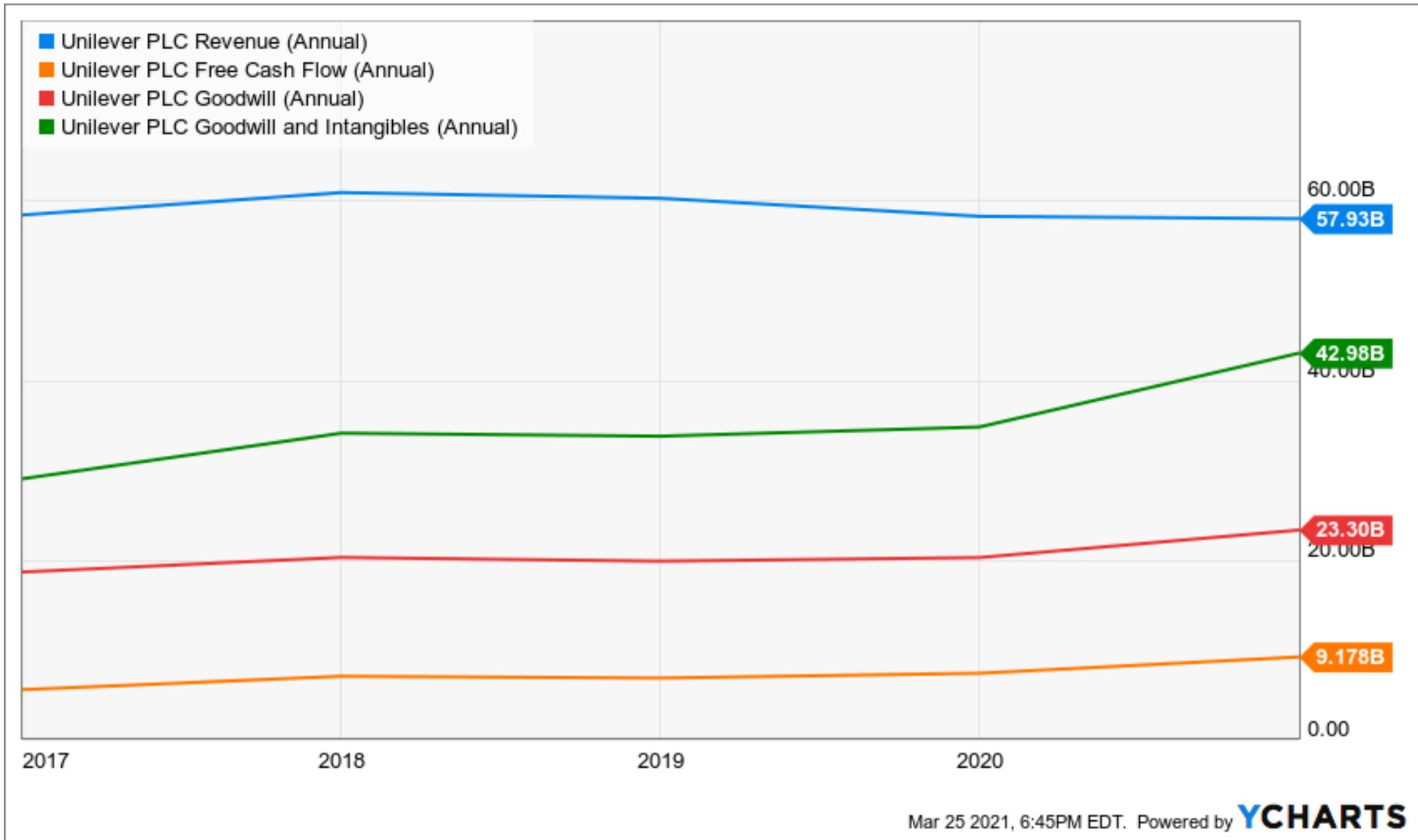
Underlying volume growth (UVG) is part of USG and means, for the applicable period, the increase in turnover in such period calculated as the sum of (i) the increase in turnover attributable to the volume of products sold; and (ii) the increase in turnover attributable to the composition of products sold during such period. UVG therefore excludes any impact on USG due to changes in prices. The measures and the related turnover GAAP measure are set out in notes 3 and 4.

Underlying price growth (UPG)

Underlying price growth (UPG) is part of USG and means, for the applicable period, the increase in turnover attributable to changes in prices during the period. UPG therefore excludes the impact to USG due to (i) the volume of products sold; and (ii) the composition of products sold during the period. In determining changes in price we exclude the impact of price growth in Argentina and Venezuela as explained in USG above. The measures and the related turnover GAAP measure are set out in notes 3 and 4.

ROCE





Improve the health of the planet



- Clean Future: fossil-free formulations in Home Care
- 100% recyclable plastic packaging by 2025

Improve people's health, confidence and wellbeing



- Dove Self-Esteem Project: >65m young people. Aim to reach 250m by 2030
- Sunsilk 'Explore More' – inspiring girls in the classroom

Contribute to a fairer, more socially inclusive world



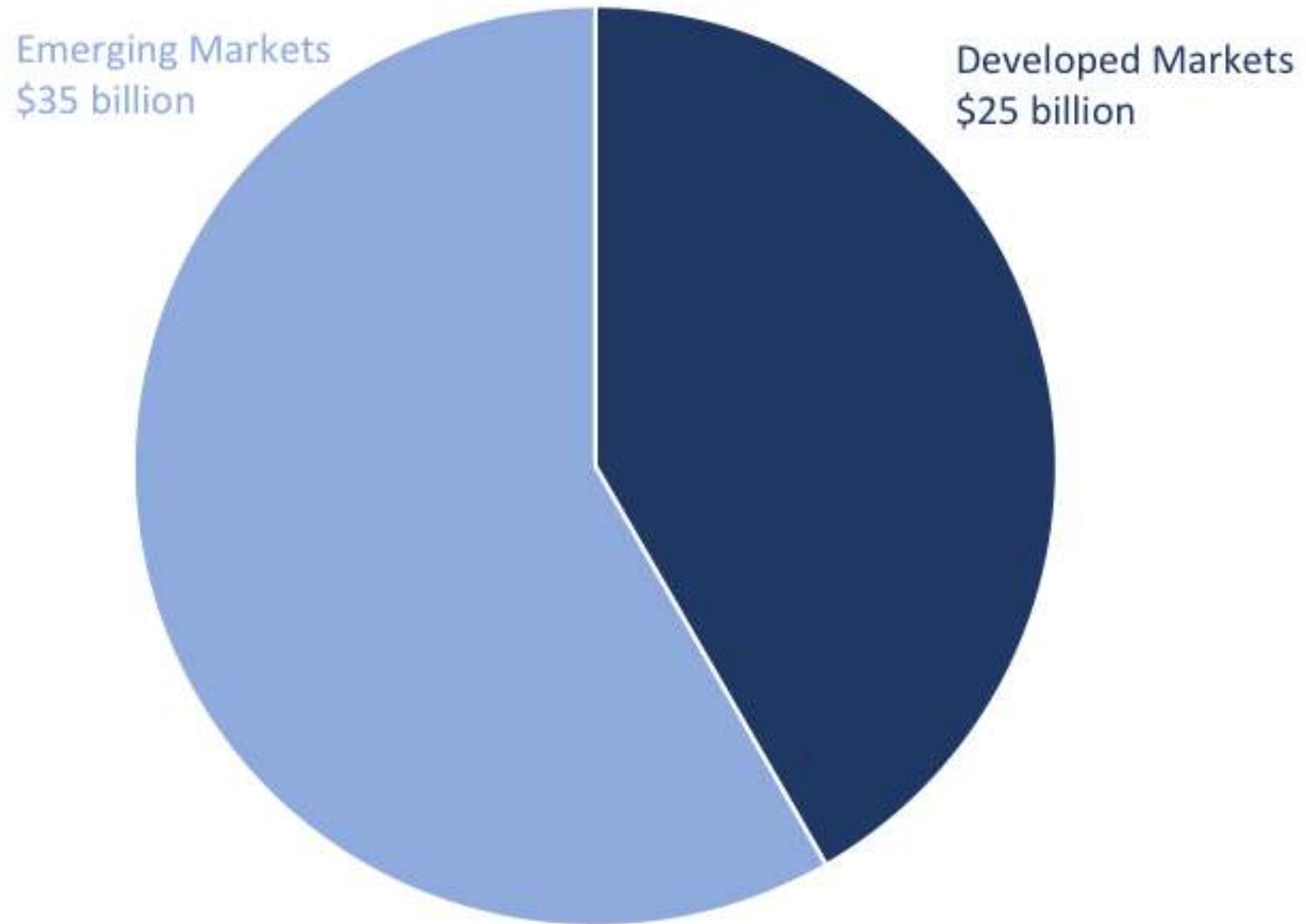
- Ben & Jerry's: campaigns for racial justice and refugees' rights
- #Unstereotype campaign

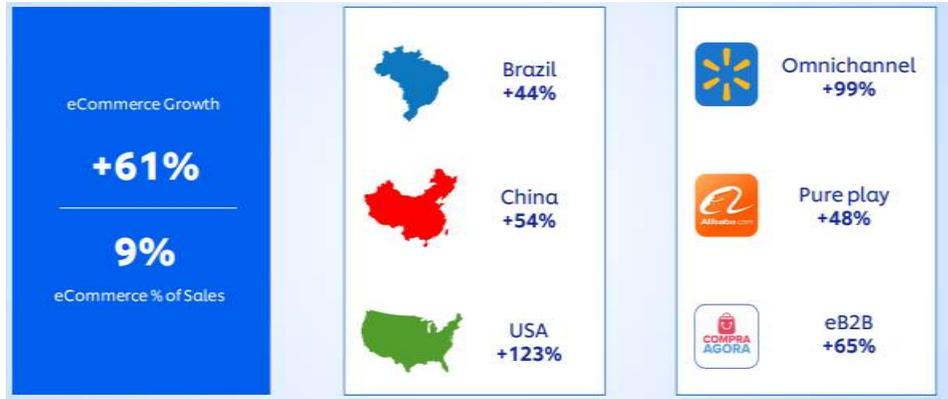
Win with differentiated science and technology



- Proven effectiveness against SARS-2-CoV
- Three-year step-up in investment
- €85m investment in Wageningen R&D centre

Sales by Markets

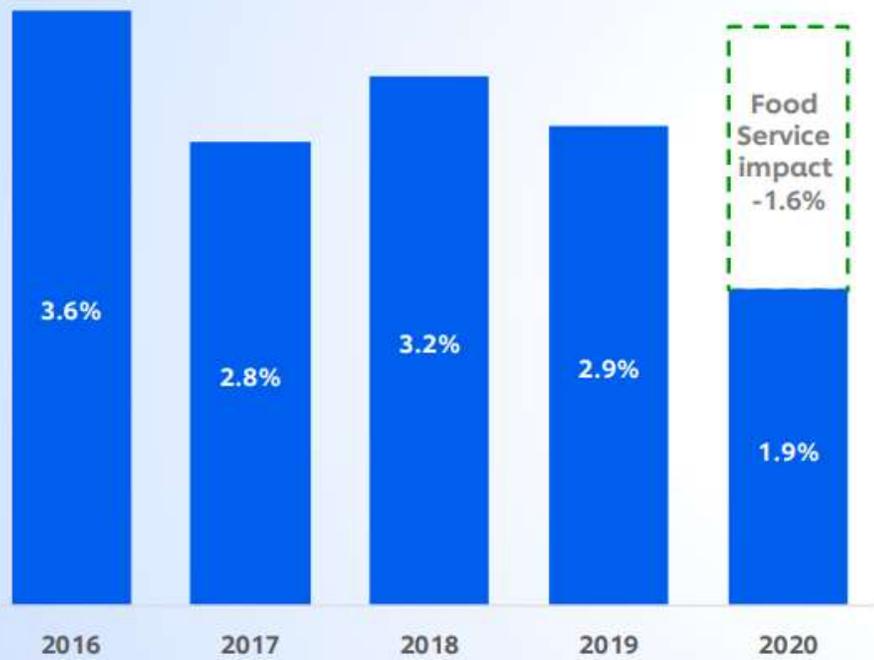




OPERATING MARGIN



Underlying Sales Growth



Underlying Operating Margin





Growth

Underlying sales
growth ahead of our
markets
3 - 5%USG



Profit

Profit growth ahead of
sales growth



Cash

Sustained strong cash
flow

**Delivering long term value creation
through earnings growth**

Growing dividend

Savings

€2bn
per annum

**Restructuring
investment**

€1bn
for 2021 and 2022,
lower thereafter

ROIC

**Mid to
high teens**

Leverage

2x
approx

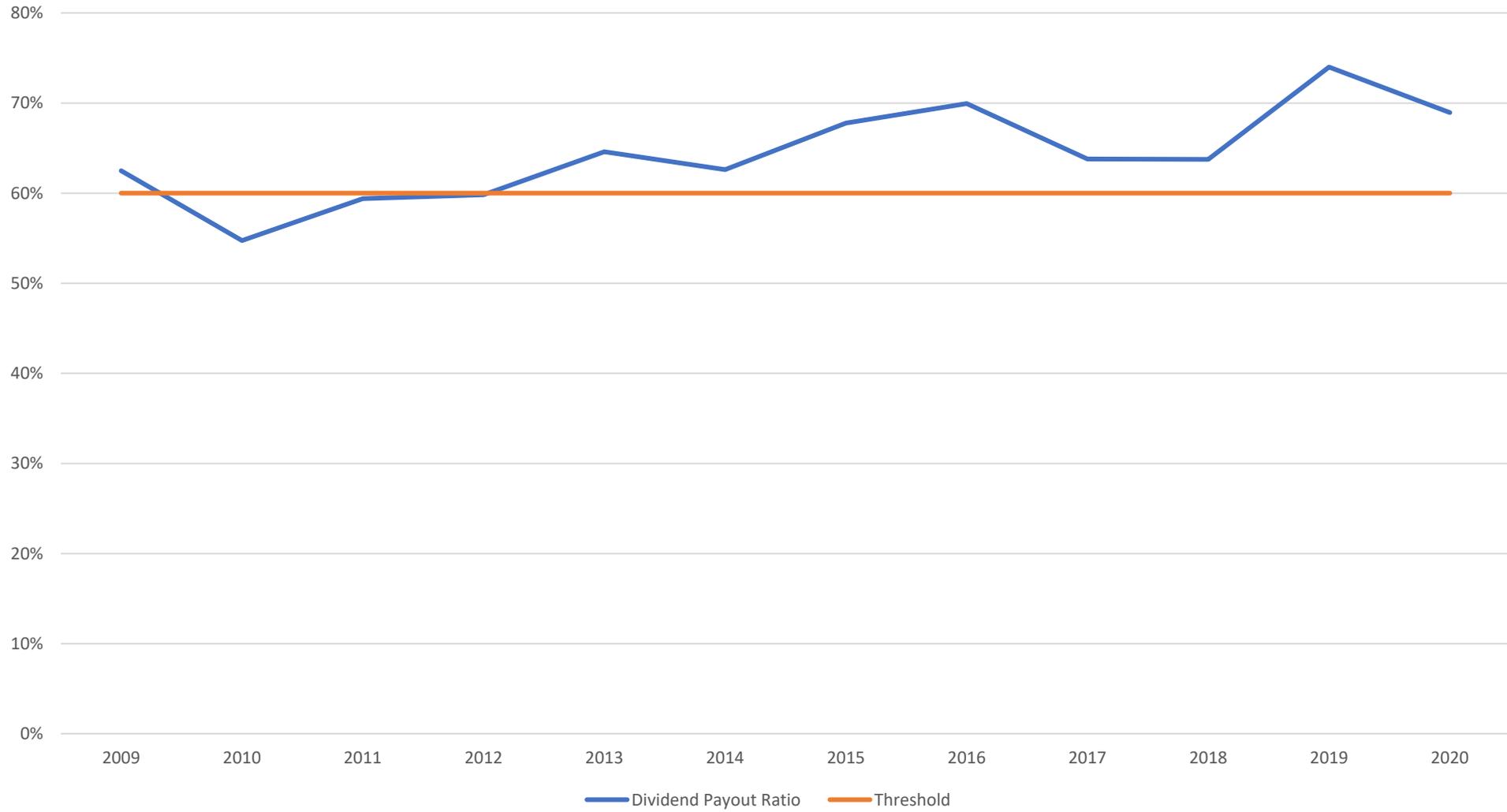
Performance: Annual Bonus

Performance metric (weighting)	Threshold 0%	Target 100%	Maximum 150%	Result vesting (% of target)
Underlying Sales Growth (50%)	1.5%	1.9%	4.5%	20%
Free Cash Flow (€bn) (25%)	€5.0bn	€7.0bn	€7.7bn	150%
Underlying Operating Margin Improvement compared to prior year (25%)	0bps	-60bps	+80bps	0%
Overall performance ratio (based on actual performance bonus formula) and endorsed by the Committee after quality of results assessment	0%	48%	150%	48%

Board tenure

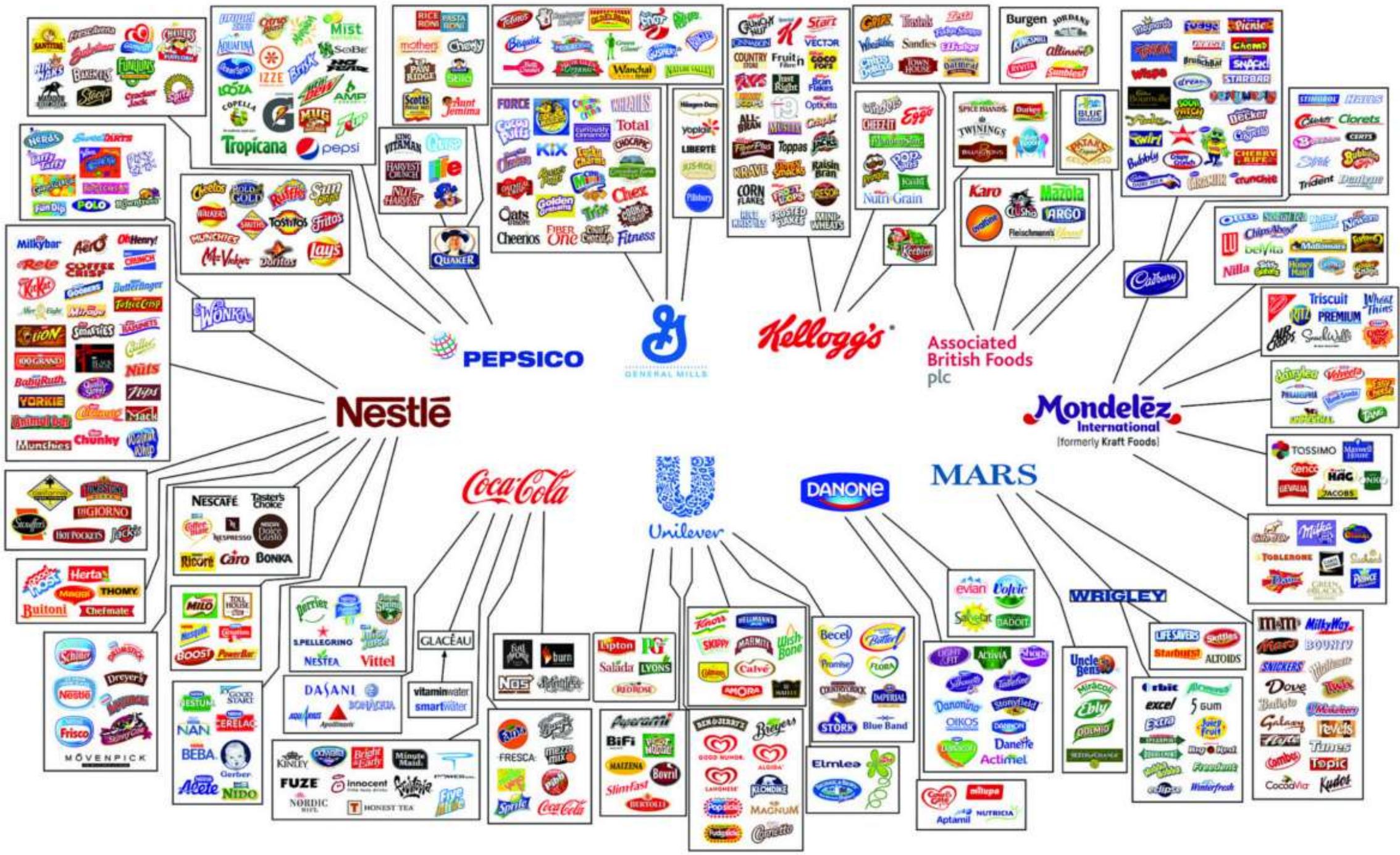


Dividend Payout Ratio

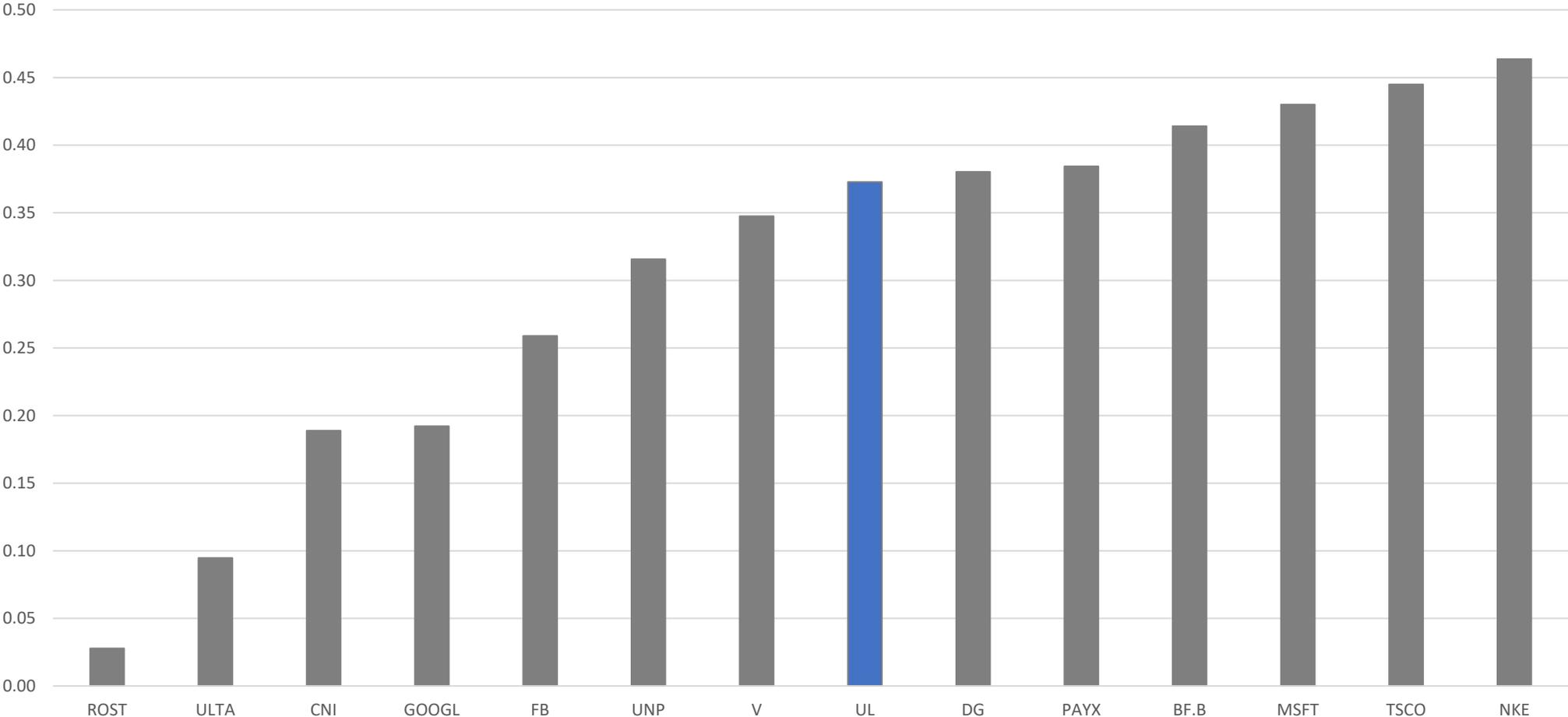


View European Union's Long Term Interest Rate from Jan 1970 to Jan 2021 in the chart:

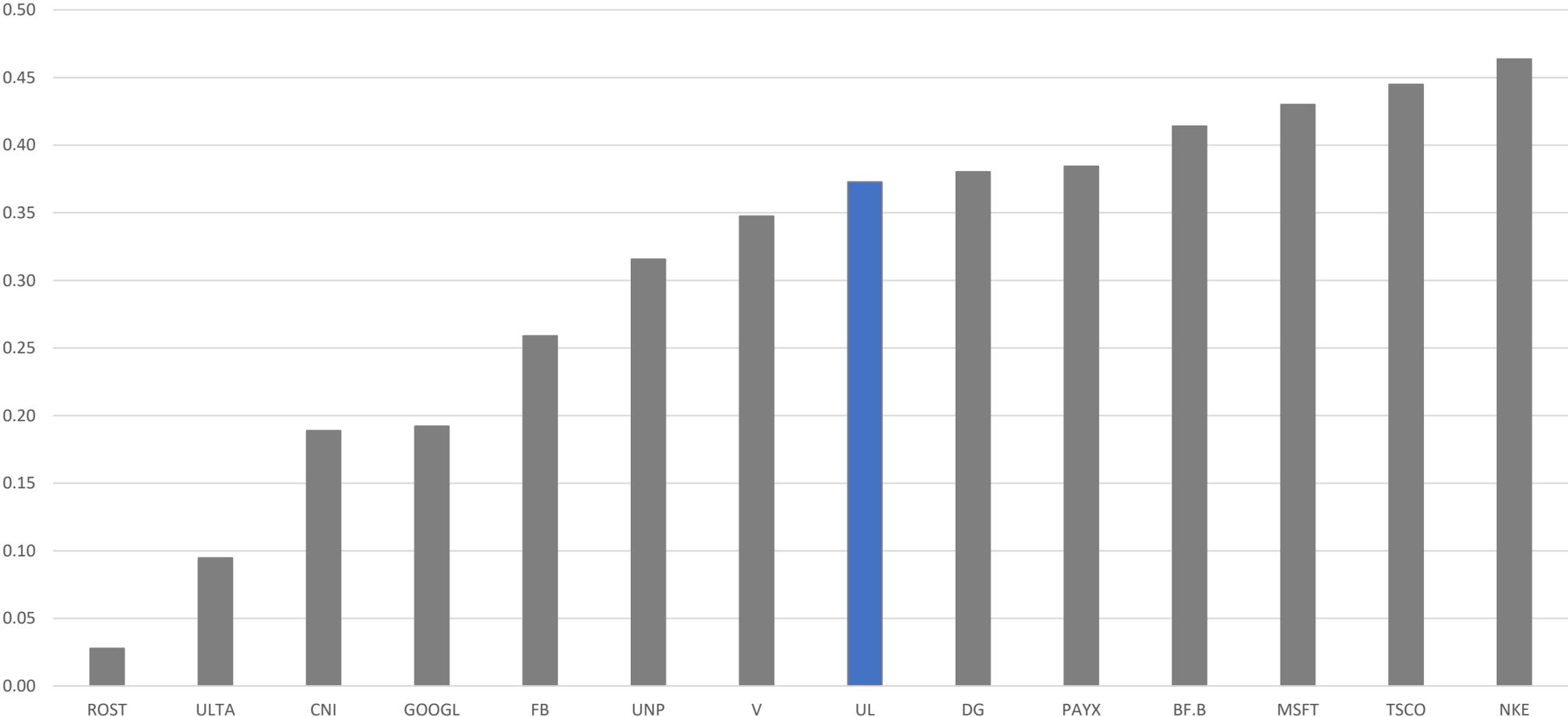




Return on Equity



Return on Equity





Hygiene

€9bn
TO FY 2020



Laundry

€8bn
TO FY 2020



Prestige

€0.7bn
TO FY 2020



Personal care

€14bn
TO FY 2020



In Home

€15bn
TO FY 2020



Out of home

€4bn
TO FY 2020



Cash

Free Cash Flow

€7.7bn

+€1.5bn

Vs 2019

Cash Conversion

Cash Conversion

129%

Above 100%
since 2018

Net Debt

Net debt/EBITDA

1.8x

€20.9bn

Net debt

ROIC

ROIC

18%

Maintained in
high teens