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Feedback from India

We attended Hindustan Unilever's CMD in Mumbai on Friday, and also met with a number of local investors as well as the CEO of Intercos' India business during the week. We share some key takeaways from the trip below.

Key Takeaways

- Neither corporates nor local investors are seeing concerning signs of consumption slowdown, with inflation pressures manageable and indicators still supportive
- Structural factors continue to present a growth opportunity, driving more users and usage frequency, as well as premiumisation
- The go-to-market landscape in India is rapidly evolving, with the rise of quick commerce in particular requiring strategies to adapt
- Beauty continues to offer significant opportunity, particularly in make-up which remains a relatively underpenetrated category

Focus on "Winning in New India" for Hindustan Unilever. Management highlighted how decisive actions taken in the last year are resetting the business for stronger growth, while structural drivers (including demographic/population shifts, increased female participation in the workforce, rising internet access, and rural transformation via government investment) continue to present an attractive growth opportunity. Hindustan Unilever (HUL) outlined how the business will pursue distinct growth pockets, with strategies tailored to the diverse range of consumer types and channels.

- HUL expects 40% of growth to be driven by consumption and premiumisation (more usage/more benefits, respectively), 40% from market development (more users), and 20% from select new spaces.
- In Home Care, management framed the opportunity as less of a share battle and more one of market development, with the business' market leadership, brand equity, and distribution strength positioning it to grow the overall market. Consistent with the group framework, management set out the growth opportunities from consumption/more usage (with laundry consumption increasing with affluence and washing machines), premiumisation/more benefits (via format upgradation, with the market still heavily skewing towards powders/bars, as opposed to liquids), and market making/more users. The Personal Care division offers similar types of growth opportunities - for example, management noted how premium bars are already growing at 2x the rate of mass bars, while management believes that the body wash category is now approaching an inflection following years of investment. Functional deodorants were also highlighted as a new market development opportunity, with rising female workforce participation

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increasing the relevance of the category and Unilever's global leadership supporting a right to win. Within Foods, HUL discussed reimagined portfolio opportunities - for example, introducing the newly launched Horlicks protein drinks/powders, and developing cold coffee beverages to cater to younger consumers.

- In order to invest behind growth opportunities, HUL aims to generate 500bps of 'fuel for growth' via growing premium mix (higher GM portion of portfolio expected to grow 1.5x faster than the rest), maximising operating leverage (fixed cost growth 0.8x that of revenue growth) generating +100bps of savings ahead of historical averages, and driving 10% better media effectiveness. HUL raised its medium-term capex expectation from 2% to 3%, of which >85% will be allocated towards growth and productivity savings (>75% previously). The business also widened its medium-term EBITDA margin guidance range from 22.5-23.5% to 22-24%, with the upper end reflecting the portfolio mix shift while also leaving flexibility to invest in growth from time to time.

Indian consumer remains resilient. Commentary from both local investors and corporates indicated no concerning signs of a consumption slowdown, with government measures seen as effectively cushioning the potential impact from inflationary pressures. HUL noted that, while inflation remains elevated, CPI at ~5% is still within a range that does not destroy demand, and key indicators also continue to hold up well (GDP print, GST collections, advance income tax figures). HUL also specifically highlighted the relatively low price elasticity of its everyday categories. While commentary over the course of our trip remained constructive on demand stability in the market, feedback from local investors in fact expressed disappointment that CPG growth in general has not been stronger this year, particularly given tailwinds such as GST-driven reductions in overall consumer basket costs.

Quick commerce changing the game. The growing prominence of quick commerce in India is reshaping the go-to-market landscape in India, with some investors highlighting concerns that quick commerce could drive greater market fragmentation by lowering distribution barriers for smaller brands, potentially eroding the structural advantage that larger incumbents have historically enjoyed through their distribution scale and strength. At its CMD, HUL highlighted how the company is adapting to the transformation in the market, with breakout sessions on go-to-market strategy detailing how India's evolving channels require different tailored strategies, as well as how the company is leveraging AI to win in quick commerce. This includes its "Nano DC" warehousing and dispatch hubs, which utilise AI to support inventory alignment and improve last-mile availability. HUL management's view is that barriers to scale in the market have in fact never been higher, given the increasing complexity in the market which requires different skills depending on the type of consumer/channel/location.

Beauty opportunity ahead. While skin and haircare remain the largest beauty categories in India, our industry conversations highlighted a significant opportunity for the development of the make-up category, with HUL also noting that colour

cosmetics presents a significant opportunity as a still underpenetrated category in India. Our discussions with local contacts pointed to e-commerce and relocations during the Covid period supporting wider product visibility, while the consumer is also increasingly moving from festive/occasion focused usage towards daily usage. HUL sees beauty's next wave in India as being driven by two distinct consumer segments: (i) democratisers and (ii) power spenders/premiumisers - and while the latter category is expected to grow at a 30x index vs the former, management noted that the headroom opportunity at the lower end of the market still remains larger than the top segments, given the scale of the segment and HUL's right to win. For the democratiser segment (e.g. Lakme, Dove, Pond's brands) HUL noted it has the largest offline distribution network, which it sees as a highly defensive competitive moat. Separately, we note clear signs of K-beauty also gaining traction in India, corroborated by industry feedback - we also noted dedicated K-beauty stands in beauty retailers during our local channel checks.

Unilever's Indian subsidiary Hindustan Unilever is covered by Archana Menon - see Archana's key takeaways from the HUL CMD here.

in relation to their definitive agreement with McCormick & Company Incorporated ("McCormick") to combine McCormick with Unilever's Foods business excluding India and other excluded businesses, as announced on March 31, 2026. The transaction is subject to approval by McCormick shareholders, receipt of required regulatory approvals and the satisfaction of other customary closing conditions. This report and the information provided herein is not intended to (i) provide voting advice, (ii) serve as an endorsement of the proposed transaction, or (iii) result in the procurement, withholding or revocation of a proxy or any other action by a security holder. Unilever has agreed to pay fees

Please refer to the notes at the end of the report.