Last Price Fair Value Estimate Price/FVE **Economic Moat**[™] **Equity Style Box Capital Allocation** ESG Risk Rating Assessment¹ Market Cap Uncertainty 0.99159.40 USD Bil Wide (Large Blend Low Standard **@@@@** 65.01 USD 66.00 USD 4 Sep 2025 3 Sep 2025 05:00, UTC 4 Sep 2025 19 May 2025 17:35, UTC

Price vs. Fair Value Fair Value: 66.00 19 May 2025 17:35, UTC 63 Last Close: 65.01 Overvalued Undervalued 45 39 2020 2021 2022 2023 2024 YTD 0.99 0.91 0.99 0.87 1.01 0.99 Price/Fair Value 8.82 -7.53 -3.05 -0.03 20.81 17.32 Total Return % **Morningstar Rating**

Total Return % as of 04 Sep 2025. Last Close as of 04 Sep 2025. Fair Value as of 19 May 2025 17:35, UTC.

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Research Methodology for Valuing Companies

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The primary analyst covering this company does not own its stock.

The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

Unilever Earnings: Solid Developed-Market Performance Offsets Emerging-Market Weakness

Analyst Note Diana Radu, CFA, Equity Analyst, 31 Jul 2025

Unilever delivered first-half organic sales growth of 3.4% and an underlying operating margin of 19.3%, ahead of company-compiled consensus of 3.3% and 18.8%, respectively. Full-year guidance was reaffirmed.

Why it matters: Volume growth remains subdued at 1.5% for the first half, or close to 1% excluding the soon-to-be demerged ice cream business. This is below Unilever's midterm ambition of above 2% and reflects continued caution in consumer spending amid a volatile macroeconomic backdrop.

- ▶ Unilever continues to demonstrate a resilient performance in developed markets, with organic sales increasing by 4.3%. In North America, Unilever's recent portfolio transformation and innovations have contributed to superior performance compared with peers, with underlying sales growth of 5.4%.
- ▶ India showed solid momentum in the second quarter. However, performance in Latin America, China, and Indonesia was weak, with a decline in sales. In China and Indonesia, Unilever is implementing structural changes to better align the portfolio with local consumer preferences and refine its go-to-market strategies.

The bottom line: We confirm our GBX 4,940/EUR 59/\$66 fair value estimates for wide-moat Unilever. At current levels, shares trade around 10% below fair value.

The good performance in developed markets is encouraging. It suggests that Unilever's focus on



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Sector

Industry

Consumer Defensive

Household & Personal Products

Business Description

Unilever is a diversified beauty, wellbeing, and personal care (44% of 2024 sales by value), homecare (20%), and packaged food (36%) company. Its brands include Dove personal-care products, Knorr soups and sauces, Hellmann's mayonnaise, Axe and Rexona deodorants, and TRESemmé haircare. The firm has been acquisitive in recent years; notable purchases include Paula's Choice, Liquid I.V., Horlicks, and Wild deodorants. The company derives 58% of its sales from emerging markets and 42% from developed markets. The US is its largest market, accounting for around 20% of sales, followed by India, which accounts for 11% of sales.

- premium segments, personal care, beauty, and wellbeing, along with targeted innovation, is resonating with increasingly value-driven consumers.
- ▶ However, the mixed performance in emerging markets highlights some clear weak spots that need to be addressed. The transformation underway in China and Indonesia is expected to yield more tangible results in the second half.

Coming up: Management expects to complete the demerger of the ice cream business by mid-November. Unilever plans to retain a stake of under 20% in the new entity for up to five years.

Business Strategy & Outlook Diana Radu, CFA, Equity Analyst, 19 May 2025

Unilever saw a marked improvement in performance in 2024 following the implementation of the first phase of its Growth Action Plan — a strategic reset focused on restoring gross margins and laying the foundation for improved competitiveness and a return to volume-led growth. With the appointment of Fernando Fernandez as CEO in March 2025, the company is entering the next stage of its transformation. Tasked with accelerating organic sales growth, Fernandez's agenda centers on sharpening market execution and driving larger, more differentiated innovations to enhance the appeal of Unilever's brands in increasingly fragmented markets.

Following the planned demerger of the ice cream business, expected to be completed by the end of 2025, Unilever will operate through four similarly sized business groups: personal care, beauty and wellbeing, home care, and foods. The business groups will assume full responsibility for delivering top-and bottom-line results across the group's top 24 markets, which represent 85% of turnover. This marks a shift from earlier strategies that granted more autonomy in product development to regional management, which resulted in excessive complexity and market share losses in many categories. This setup should ensure more consistent brand communication and execution, as well as scaled innovation for the company's 30 most important brands. It will require higher levels of customer acquisition spending, which will be financed through the company's productivity program.

Unilever's scale makes accelerating growth in a low-volume-growth environment challenging, especially as competition from niche, local brands intensifies. However, we believe management's ambition of at least 2% annual volume growth is achievable. This is supported by the strategic shift toward faster-growing beauty, wellbeing, and personal care categories, as well as the company's strong presence in emerging markets (58% of sales), where population growth, urbanization, and rising incomes should support long-term demand. Additionally, the company's ongoing focus on premiumization is expected to help drive organic sales growth toward the mid-single-digit range over time.

Bulls Say Diana Radu, CFA, Equity Analyst, 19 May 2025

▶ Unilever has experienced a step-up in performance in recent years, given productivity initiatives,



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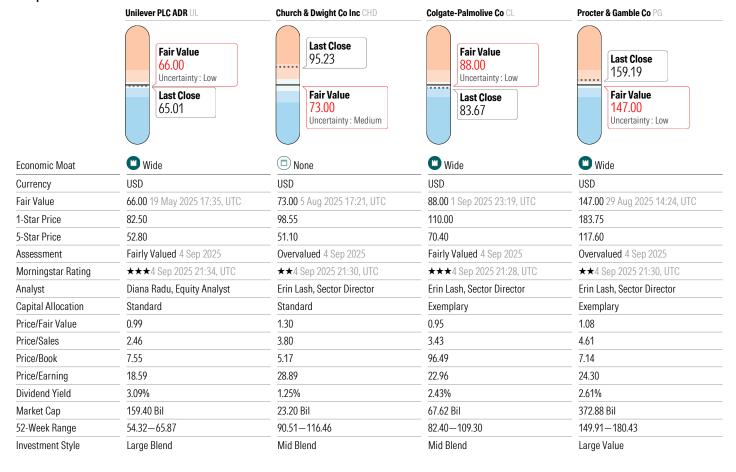
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Competitors



heightened focus on execution, and business reinvestment in key areas.

- ► Unilever has one of the largest emerging market footprints of all the global consumer staples manufacturers, which should be a long-term volume driver for the business.
- ▶ Unilever's move from a matrix structure to four business groups, each responsible for the top- and bottom- line delivery in the top 24 markets, should reduce complexity, sharpen execution and drive more scale in innovation.

Bears Say Diana Radu, CFA, Equity Analyst, 19 May 2025

- ► Unilever operates in some highly competitive categories, where consumers are increasingly navigating toward local or niche brands, challenging the company's ability to consistently grow volumes at a higher level than it historically has.
- ► Higher marketing and innovation investment, though necessary, could pressure operating margin if volume leverage or premiumization fails to offset the rising customer acquisition costs.



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▶ Although Unilever's emerging-markets exposure should be a long-term volume driver, it is likely to pose some near-term volatility, especially with regards to currency.

Economic Moat Diana Radu, CFA, Equity Analyst, 19 May 2025

We believe Unilever has carved out a wide economic moat, underpinned by intangible assets and a cost advantage. Intangible assets reflect the company's entrenched position with retailers and solid brand equity across key categories.

Unilever is a leading global manufacturer of household, personal care, and food products, with operations in 190 countries and a portfolio spanning deodorants, skincare, haircare, laundry care, surface care, cooking aids, and dressings. With over 50% of its EUR 60 billion revenue derived from emerging markets and a broad, diversified portfolio, Unilever is well-insulated against category-specific or regional volatility. This leads to a negligible likelihood of meaningful aggregate value destruction over a long-term horizon.

After years of underperformance compared with close peers, 2024 marked a clear inflection point for Unilever, driven by a renewed focus on execution, stepped-up brand and marketing investment, and a culture shift toward increased accountability. Returns on invested capital, including goodwill, rebounded to 17.5% in 2024, up from an average of 15.5% in 2022-23. While this improvement was achieved under the leadership of former CEO Hein Schumacher—who laid the foundation for the strategic reset through an extensive productivity program and the initiative to separate the ice cream division—the board opted for a leadership change to accelerate the next phase of the transformation. The new CEO, Fernando Fernandez, is a long-tenured executive who helped shape the current strategy in his capacity as CFO and has the mandate to sharpen brand and product differentiation and market execution. Fernandez has emphasized that the priority remains accelerating organic growth, with a disciplined mergers and acquisitions approach limited to bolt-on acquisitions that meet strict financial and strategic criteria. The internal target for ROICs was previously raised to the high teens from the mid-teens, which implies no major deals are on the horizon. We forecast an average adjusted ROIC of 19% over the next five years, comfortably above our 7% cost of capital estimate. We believe Unilever is well-positioned to earn economic profits for at least two decades, consistent with a wide moat economic rating.

Supply chain entrenchment is an important source of competitive advantage for Unilever. Its scale, top-selling brands across categories, and considerable resources make it a key partner for retailers across both developed and emerging markets.

In Western markets, category leaders tend to be in an advantageous position to gain and retain the limited shelf space in physical brick-and-mortar outlets by deploying category captains into the channel to share local and category-level data with retailers. The category captain recommends an



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optimal product mix, promotional strategies, and product placement, and both parties share data and analysis. This creates a mutually beneficial relationship in which the vendor becomes an important partner to the retailer, developing sales strategies to maximize volumes and retailers' margins while at the same time prioritizing its brands. This virtuous cycle, beginning with scale, gives the manufacturer a symbiotic relationship with the retailers.

In emerging markets, where the retail environment remains highly fragmented and dominated by traditional trade (small "mom-and-pop" stores), Unilever's supply chain entrenchment is arguably even more formidable. Unilever has spent decades investing in emerging markets like India, Indonesia, and much of sub-Saharan Africa, building a widespread distribution infrastructure that would be nearly impossible for new entrants to match. In India, the company's subsidiary Hindustan Unilever is the country's largest CPG firm. According to the company, Unilever has direct relationships with more than nine million small retailers, and an estimated 9 in 10 households use its products.

These emerging market retailer relationships are supported by an ecosystem of market development programs and services. For instance, Unilever provides small retailers with digital platforms that facilitate ordering and stock management, access to micro-financing, and development programs to improve selling and operational capabilities. Its presence stretches to deeply underserved areas. One example is its Shakti program in India, which has trained more than 200,000 rural women to sell Unilever products in remote villages. Overall, we believe Unilever's early entry and substantial investment in market development in emerging markets have resulted in tight retailer relationships and contributed to building strong brand loyalty among consumers, especially in areas where availability, brand familiarity, and trust play an essential role in the purchase decision. Unilever's solid competitive standing in India (11% of group revenue) is reflected in a healthy EBIT margin of 22%, ahead of the group average.

Even for a company deeply embedded in local supply chains, sustaining consumer loyalty and maintaining brand relevance requires continuous investment. Customer acquisition costs—primarily marketing and research and development—are rising across markets, as new business-to-consumer models lower entry barriers and give rise to niche and nimble competitors. In response, Unilever has recently stepped up its brand and marketing investment, from an average of 13.5% of sales over the five years between 2019 and 2023, to 15.5% in 2024, and expects to invest 15%-16% of sales consistently going forward. Aside from the prestige beauty manufacturers, this represents one of the highest levels of investment in the household and personal-care space. Notably, it excludes costs directly related to shelf space, which are deducted from gross sales. The firm spent a further 1.6% of its sales on research and development in 2024, around average for the group. These investments are essential for reinforcing product efficacy and distinctiveness—key levers in driving volume growth and premium pricing—and maintaining brand salience. To this end, the company is also shifting more investment toward social-media-driven marketing (expected to reach 50% of total spending from about 30% currently). This pivot



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aims to drive a more granular, data-informed consumer targeting to improve relevance, authenticity, and impact, which we regard positively. This is especially relevant in categories like beauty and wellbeing and personal care, which are seeing an influx of digital-native challengers, quickly capturing consumer attention and driving trial through social media.

We also believe Unilever exhibits brand strength across key segments, primarily in personal care, beauty and wellbeing, and home care. Categories with higher degrees of product differentiation are better suited for building strong brand equities. We assess brand strength through the lens of the Morningstar CPG Manufacturers Brand Strength Framework, a multitier test that scores businesses based on pricing power, the conspicuousness of consumption of the products, the risk aversion of the consumer to trying unbranded products, and industry structure.

Our analysis of pricing trends in recent years suggests that Unilever has successfully passed on price increases broadly in line with inflation trends, with price elasticities that are similar or even lower than close peers. At the group level, pricing increased by an average of 4.7% per year between fiscal 2019-24, while volumes grew 1.3% on average over the same period. This is broadly aligned with the performance of wide-moat Procter & Gamble (pricing CAGR of 4.3% and volume CAGR of 1.2% for fiscal 2019-24) and ahead of wide-moat Nestle (pricing CAGR of 2.7% and volume CAGR of 1.3% for fiscal 2019-24). Aside from differences in portfolio and geographic footprint, we believe this demonstrates moat-worthy pricing power given low sensitivities to pricing. When analyzing segment-level disclosures, this is especially evident across home care, personal care, and beauty and wellbeing.

Further, the industry structure is conducive to above-average brand strength across multiple categories. For instance, the deodorants category exhibits one of the highest concentration levels in the household and personal care industry, with the top three players commanding a joint share of nearly 60%. Unilever is the undisputed global leader with a 34% market share, almost 3 times larger than its closest peers, Procter & Gamble and Beiersdorf, with shares of 12% and 11%, respectively. At the same time, the share of private label is negligible in the category, at 1.6% globally according to Euromonitor, unchanged over the last decade.

In the bath and shower category, although less concentrated, Unilever is the global leader with a market share of around 19%, roughly 3 times larger than its closest peers, Colgate-Palmolive and Procter & Gamble, which have market shares of 7% and 5%, respectively. In India, it has a market share of 36% in the category, far ahead the 10% achieved by the second player, Wipro. Private label penetration is limited, at 6% globally, stable over the last decade.

Laundry care is another key category for Unilever, with a high degree of concentration. The top three players command a 50% market share. Unilever is the second largest player behind P&G, with a 15% market share, which has been stable over the last five years. Private label penetration is 4.9%, slightly



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increasing over the previous two years.

While Unilever's scale and category leadership provide structural advantages, market shares in select beauty and personal care categories have trended modestly downward in recent years, reflecting a period of brand underinvestment and weaker execution. This has left the company more exposed to the rapid rise of digitally native competitors and shifting consumer behaviors. However, recent intra-year market share trends shared by the company indicate sequential improvement from its updated strategy.

Finally, we see traces of conspicuous consumption—with consumers being less price-sensitive when it comes to products that represent a symbol of wealth and social status—in the beauty and wellbeing segment, especially in its prestige beauty business, which consists of premium skincare, haircare, and makeup.

Expanding its premium portfolio has been a key strategic focus for Unilever. Currently, the company's prestige beauty and wellbeing business represents around 30% of beauty and wellbeing segment sales, or 8% of group sales excluding ice cream. This position was built through the acquisitions of fast-growing brands, aligned with consumer trends. Key brands include Dermalogica, Paula's Choice, Hourglass, Tatcha, Living Proof, and Liquid I.V. According to management, the company has acquired approximately EUR 1.7 billion of revenue in this space, which was increased to EUR 4 billion in 2024, with an average tenure of five years for the various acquisitions.

While Unilever may not have the premium beauty credentials of Estée Lauder or L'Oréal, we do not view its expansion into these high-end segments as dilutive to its moat. The company has effectively scaled its acquisitions by leveraging its distribution and marketing infrastructure to accelerate growth. These businesses are also margin-accretive and, by our estimates, generate returns above the cost of capital despite their typically high acquisition multiples. Company disclosures related to goodwill, intangibles, and other assets in key units—such as beauty and wellbeing—indicate the segment delivers high-teens returns on invested capital, not far below the group average.

On top of intangible assets, we think Unilever benefits from a meaningful cost advantage over many of its competitors, especially smaller, regional players, given a combination of scale, strategic supplier relationships, flexible supply chains, and operational efficiency. Unilever has a massive procurement scale given global consolidation of purchasing, which allows it to source key raw materials like palm oil, surfactants (used widely in cleaning products, both in personal and household care), and packaging materials at competitive prices. Its size enables direct, long-term relationships with suppliers, bypassing intermediaries and securing favorable terms not afforded to smaller players. In many categories with a leading market position, such as deodorants, the company's scale in manufacturing results in substantially lower unit costs compared with competitors, allowing it to more effectively



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compete on price, especially in under-penetrated markets.

We see quantitative evidence of a cost advantage, as Unilever's direct operating margin—which excludes discretionary operating costs such as advertising and research and development, noncash costs including depreciation and amortization, and nonrecurring expenses—is around 38.5%. Comparisons with peers are complex given portfolio and geographic particularities, but Unilever's direct operating margin is aligned with that of wide-moats P&G and Colgate-Palmolive, fairly consistent with the 41% average for the household and personal care categories we cover (which is skewed to the upside by the robust direct operating margins of moaty beauty care firms), and substantially above the 23% packaged foods industry average. Taken across its portfolio, the data points to a quantifiable cost advantage.

Fair Value and Profit Drivers Diana Radu, CFA, Equity Analyst, 19 May 2025

Our fair value estimate for Unilever's ADR is \$66. This implies a euro/dollar rate of 1.12, 2025 multiples of 20 times earnings and 13 times enterprise value/EBITDA, a free cash flow yield of 4.5%, and a dividend yield of 3%. These valuation multiples are broadly in line with Unilever's own recent historical valuation range.

Over the last few years, Unilever has successfully led pricing while minimizing volume impact, a result of good demand elasticities and strong brand positioning. Over our explicit forecast period to 2029, we expect organic sales growth of 3.8%, comprising 2.2% volume growth and 1.6% from pricing. We expect the beauty and wellbeing business group to be the largest contributor, with an organic sales growth forecast of 5%, followed by personal care at 4.2%, home care at 3.5%, and foods at 3%.

Medium-term EBIT margin is another important valuation driver. The company targets modest improvements in operating margin, supported by gross margin accretion from the ongoing productivity program and operating leverage. We forecast a midcycle EBIT margin of 18.9%, which represents an increase of 50 basis points compared with 2024. This includes a 70-basis-point improvement in gross margin and a 30-basis-point reduction in the overhead run rate as a percentage of sales, half of which we assume will be reinvested in brand and marketing support, which we expect to reach 16% of sales by 2029, up from 15.5% in 2024.

We discount our cash flow forecasts at 6.9% and assume a 4% stage two EBI growth rate, which we think appropriately balances Unilever's emerging-market presence and advantaged category exposure.

Risk and Uncertainty Diana Radu, CFA, Equity Analyst, 19 May 2025

We assign Unilever a Low Morningstar Uncertainty Rating. We think its portfolio breadth across geographies and product categories means that no single brand or market can materially affect its excess returns.



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Unilever faces risks from changing consumer preferences and channel shifts as online retail and private-label focused discounters capture an increasingly larger share of consumer baskets. Failure to stay ahead of consumer trends through value-added innovation and effective advertising and marketing could result in weak volume growth and a deteriorating competitive position over the long term.

Unilever reports in euros, which creates some translational currency risk (strengthening of the euro). Additionally, the company has significantly higher exposure to emerging markets than some of its peers, with 58% of its group sales originating from these geographies. This further exposes the company to currency-driven volatility.

Mergers and acquisitions will remain a key strategic pillar in the medium term as the company is focused on gaining more critical mass in some fast-growing but fragmented beauty and wellbeing categories. The strategy of portfolio-tweaking through M&A comes with the risk that management could overpay for targets or not realize fair value for assets for sale.

We don't see any material environmental, social, and governance issues affecting our uncertainty rating for Unilever. However, we highlight one source of potential ESG risk, namely single-use plastic (environmental and social impact of products and services). While ESG risks are pertinent for all consumer goods firms, we believe Unilever's response/mitigation plan is stronger than average.

Capital Allocation Diana Radu, CFA, Equity Analyst, 19 May 2025

We assign Unilever a Standard Morningstar Capital Allocation Rating based on our assessment of the balance sheet, investment efficacy, and shareholder distributions.

Unilever has a strong balance sheet, with a 2024 leverage ratio of 1.9 times net debt to EBITDA, a level that compares favorably with its peers and aligns with the company's long-term target of around 2 times.

We see investments as fair. The new CEO, Fernando Fernandez, has emphasized the need to accelerate organic sales growth, in part by ensuring more competitive levels of brand and marketing investment. Over the medium term, the brand and marketing investment is targeted in the range of 15%-16% of sales, up from an average of 13.5% of sales over the five-year period between 2019 and 2023.

We believe this is appropriate to support Unilever's continued portfolio rotation toward beauty and wellbeing categories that require a higher level of media support. Further, we believe the planned shift to more social-media-driven advertising should ensure more granular, impactful, and authentic brand communication, which is required in highly fragmented categories, dominated by niche, local players.

Although Unilever has been relatively active on the M&A front in recent years, it has financed a substantial portion of its purchases through asset sales. The firm's spending on acquisitions (net of



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disposals) has totaled around EUR 2 billion over the last decade, less than 3% of the cumulative free cash flow to the firm over the same period. On balance, we think Unilever's activity in mergers and acquisitions has been value accretive. The \$3.7 billion Alberto Culver deal, for example, was executed at a fairly high 15 times EBITDA, but significant geographic white space for the brand allowed Unilever to roll it out in some large markets, including Brazil. The \$1 billion acquisition of Dollar Shave Club is an example of a suboptimal capital allocation decision carried out at a rich multiple. Following underperformance versus initial expectations, Unilever sold 65% of its stake in Dollar Shave Club to Nexus Capital Management in 2023. Conversely, the disposal of the spreads and tea businesses rid Unilever of some highly competitive and commoditized categories that were unlikely to contribute positively to growth in the medium term. We also regard the ice cream demerger positively, given its limited strategic alignment with the rest of the portfolio. Its complex cold chain logistics and higher capital intensity reduce the scope for go-to-market synergies with Unilever's core business groups.

Further, we believe most of the company's recent acquisitions in the beauty and wellbeing space have been largely carried out at fair prices. These deals have brought in some high-quality, high-growth brands that Unilever successfully scaled using its global distribution and marketing and R&D capabilities. According to management, the company has acquired approximately EUR 1.7 billion of revenue in this space, which was increased to EUR 4 billion in 2024, with an average tenure of five years for the various acquisitions.

We think shareholder distributions are appropriate. Dividends have been the preferred vehicle for returning capital to shareholders, and Unilever has delivered slightly above-industry-average payout ratios of around 60% over the last decade. Share repurchases have also been an important use of surplus cash, especially following more sizable asset sales, and we think they have generally been carried out at a level that has created value for shareholders. We expect the firm to maintain its high dividend payout ratio and to be opportunistic when it comes to repurchasing shares. However, tuck-in acquisitions will probably remain a higher priority, particularly in the beauty and wellbeing space. Larger, transformative acquisitions are off the table.

Analyst Notes Archive

Unilever: Sharpened Execution and Scaled Innovation to Define New Chapter for This Moaty Stalwart Diana Radu, CFA, Equity Analyst, 19 May 2025

We are transferring coverage of Unilever, a leading global player in home and personal care, and packaged foods, with significant exposure to emerging markets, accounting for 58% of revenue in 2024. The bottom line: We raise our fair value estimate by around 3% to EUR 59/GBX 4,940/USD 66. We maintain our wide economic moat, standard capital allocation, and Low Morningstar Uncertainty ratings. At current levels, shares offer a modest upside of around 6%. Over the past 18 months, Unilever's shares have risen about 25%, driven by a strategic reset focused on driving productivity



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savings and stepping up brand and marketing investment and innovation efforts to rekindle volume growth. The wide moat rating reflects Unilever's strong retailer relationships, brand strength across some key categories, particularly in personal care, and cost advantage stemming from its scale and operational efficiency. Big picture: Under new CEO Fernando Fernandez, the company is embarking on the next stage of its transformation. Fernandez's agenda focuses on sharper market execution and more impactful, scaled innovations to improve brand appeal in an increasingly fragmented competitive landscape. Management targets consistent volume growth of at least 2%, supplemented by premiumization efforts to drive mid-single digit organic sales growth, alongside modest operating margin accretion led by gross margin gains. This is supported by continued portfolio rotation toward higher growth categories like beauty and wellbeing, as well as the company's strong presence in emerging markets where population growth, urbanization, and rising incomes should support long-term demand. Key stats: We model 3.8% organic sales growth, including 2.2% from volume. Our 2029 operating margin forecast is 18.9%, 50 basis points ahead of 2024, reflecting a 100-basis-point contribution from gross margin and overhead reduction, partly offset by brand and marketing reinvestment.

Unilever: Pricing Leads to Modest Consensus Beat, but Volume Growth Lags Diana Radu, CFA, Equity Analyst, 24 Apr 2025

Unilever reported first-guarter 2025 underlying sales growth of 3%, slightly ahead of companycompiled consensus' 2.8%, driven by pricing. The company confirmed full-year 2025 guidance. Shares were broadly flat at the market open on April 24. Why it matters: Like other European consumer staples peers that reported first-quarter sales, volume growth was weaker than expected, rising just 1.3% versus company-compiled consensus' 1.5% and below Unilever's midterm ambition of more than 2%. Developed markets posted solid organic sales growth of 4.5% compared with 2% in emerging markets. This was supported by mid-single-digit organic growth across beauty and well-being, personal care, and ice cream, with improving competitiveness in Europe and North America. Management expects organic sales growth to accelerate as the year progresses, underpinned by a robust innovation plan and stepped-up brand and marketing investments, expected to reach 15%-16% of sales. China and Indonesia, which have been underperforming recently, are expected to contribute more meaningfully to growth in the second half with improved execution. The bottom line: We don't expect to materially change our fair value estimate for wide-moat Unilever. At current levels, shares are fairly valued. The stock is up 2% year to date with some volatility driven by a fourth-quarter 2024 consensus miss, the abrupt departure of CEO Hein Schumacher, and tariff-related uncertainty. Unilever's portfolio diversification across categories and geographies positions it well to adapt to a shifting macroeconomic backdrop, with limited direct tariff exposure due to its localized manufacturing footprint. Still, Unilever is not immune to indirect effects from tariffs, particularly on currencies, commodities, and consumer sentiment. This could lead to some changes to its short-term plans as the largest growth opportunities



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Uncertainty Low Capital Allocation Standard ESG Risk Rating Assessment¹
(1) (1) (1) (2)
3 Sep 2025 05:00, UTC

may shift in the face of pronounced consumer weakness.

Unilever: CEO Departure Comes as a Surprise Act in Ongoing Transformation Story Diana Radu, CFA,Equity Analyst,25 Feb 2025

Unilever announced CEO Hein Schumacher's departure after less than two years with the company, appointing CFO Fernando Fernandez as his successor. Why it matters: The unexpected departure comes a little more than a year after Unilever unveiled an action plan meant to accelerate growth and unlock the portfolio's potential. We believe the execution so far had been successful in stepping up the group's performance. The market had reacted negatively to the group's fourth-quarter 2024 results, which marginally missed expectations and featured a slightly more cautious guidance for the first half of 2025. We think investors might have taken this as a sign that transformation was stalling. But taking a longer-term view, we have been impressed with Unilever's cultural shift that drove increased accountability in the organization and disciplined execution, resulting in a substantial performance step up in 2024. We do not believe Unilever's recent performance would warrant this move. The bottom line: We confirm our EUR 57 fair value estimate and Standard Capital Allocation Rating for wide-moat Unilever. We don't expect the CEO change to materially alter the course of the strategic reset, with Fernandez likely to attempt to accelerate the transformation set out by Schumacher. For a company the size and complexity of Unilever, consistent performance turnaround takes time. There is a risk that rushed decisions and aggressive cost base or portfolio trimming could be taken too far and be hard to reverse beyond the short-term gains they might provide. Still, we expect the clarity and focus we have come to appreciate over the last 18 months will be maintained as Fernandez takes the helm next month, given his impressive 37-year Unilever track record and his key role in driving recent performance improvements as CFO.

Unilever Earnings: Volume Growth Runs Out of Steam Slightly; Transformation Plan on Track Diana Radu, CFA, Equity Analyst, 13 Feb 2025

Unilever reported fourth-quarter underlying sales growth of 4.0%, slightly below company-compiled consensus of 4.1% due to worse-than-expected volume growth (2.7% versus 3% consensus). Shares were down 6% on the news and were also hit by management's cautious stance on first-half 2025. Why it matters: Volume growth, despite being solid compared with peers, did not accelerate compared with previous quarters. The market is concerned that Unilever will be unable to maintain its stellar performance streak from the last four quarters despite making good progress on its transformation plan. Investment in marketing increased to 15.5% of sales compared with 14.3% in 2023, the highest level of support for its brands in over a decade. Despite this, 2024 underlying operating margin improved by 170 basis points to 18.4%, supported by net productivity gains and tailwinds such as input cost deflation, volume leverage, and positive mix. The bottom line: We confirm our fair value estimates of EUR 57, GBX 4,750, and USD 59 for wide-moat Unilever. At current levels, shares are fairly valued with



Last Price65.01 USD
4 Sep 2025

Fair Value Estimate 66.00 USD 19 May 2025 17:35, UTC Price/FVE 0.99 Market Cap 159.40 USD Bil 4 Sep 2025 Economic Moat™
Wide

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Large Blend

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3 Sep 2025 05:00, UTC

slight upside following the postannouncement correction. We believe the reaction by investors is overblown. Market weakness in the first half of 2025 is likely to be offset during the year, given Unilever's continued efforts to improve the effectiveness of its innovation and marketing and a slightly higher price contribution. To that end, management guided for 3%-5% organic sales growth and a modest operating margin improvement in 2025, aligned with midterm guidance. We forecast 4.2% organic sales growth for 2025, which would still represent a good result given the challenging market environment. Coming up: Unilever has also announced further details on the listing structure for the soon-to-be-demerged ice-cream business. The primary listing will be in Amsterdam with additional listings in London and New York. The demerger is expected to be completed by the end of 2025.

Unilever: Investor Day Lays Out Path for Long-Term Value Creation Diana Radu, CFA, Equity Analyst, 25 Nov 2024

Unilever's investor day delivered a long-term update to the company's value-creation model. Through 2030, the group plans to substantially increase total shareholder returns by delivering consistent volume growth, gross margin improvement, and a step-up in marketing investment and execution. Why it matters: We believe management has taken the right steps to address Unilever's lackluster returns over the last decade to 2023. The simplified growth algorithm to 2030 targets at least 2% volume growth and modest operating margin expansion driven by gross margin improvement. An enhanced focus on India and other emerging markets where Unilever has a significant presence should support volume growth. On the downside, this will likely result in a substantial currency hit, weighing on the company's targets for profit growth in hard currency. In Europe and North America, Unilever plans to focus on shifting the portfolio into more premium segments through higher-value innovation. This will be critical in driving a positive contribution from pricing and product mix, supporting its ambition of mid-singledigit revenue growth. The bottom line: We expect to update our model to reflect wide-moat Unilever's progress. The simplified financial outlook and clear capital allocation are positive. Execution will be crucial, but the company is making strides in changing its culture by enhancing accountability within the organization. Management has emphasized product superiority as an important area for improvement. We believe this, together with meaningful innovation, will be key to strengthening the value proposition for consumers as they continue to feel the pinch from the high price of everyday items. Unilever's approach to capital allocation includes an attractive dividend with a 60% payout ratio, continued share buybacks, and bolt-on acquisitions, particularly in the US and India. Transformational acquisitions are off the table.

Unilever Earnings: Strong Performance With Continued Volume-Led Growth Diana Radu, CFA, Equity Analyst, 24 Oct 2024

Unilever's third-quarter results for 2024 reflected ongoing positive momentum with underlying sales growth of 4.5%, driven by a 3.6% increase in volume. This marks the fourth consecutive quarter of



Last Price65.01 USD
4 Sep 2025

Fair Value Estimate 66.00 USD 19 May 2025 17:35, UTC Price/FVE 0.99 Market Cap 159.40 USD Bil 4 Sep 2025 Economic Moat™
Wide

Equity Style Box
Large Blend

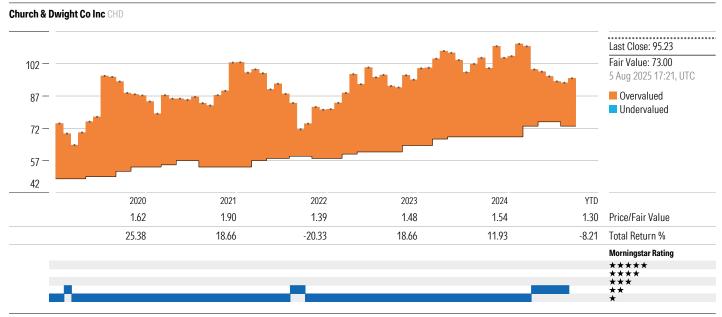
Uncertainty Low Capital Allocation Standard ESG Risk Rating Assessment¹

3 Sep 2025 05:00, UTC

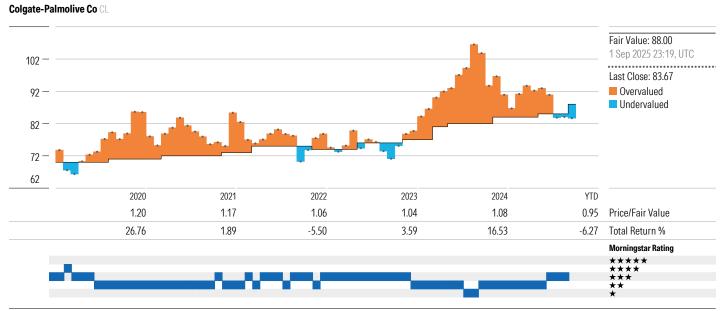
volume-led growth, reflecting broad-based improvements across categories. Beauty and well-being led the charge, growing 6.7%, largely due to 5.7% volume growth. Health and well-being and prestige beauty contributed double-digit growth, though prestige beauty was hit by softer US and Chinese markets. Personal care delivered 4.4% sales growth, propelled by solid volume increases from Dove, particularly in deodorants and skincare. Home care achieved 1.9% growth with a significant 3.3% volume increase, offset by price deflation due to commodity cost declines. Nutrition lagged slightly, growing just 1.5% with modest volume growth of 0.4% amid pricing adjustments and market normalization. In contrast, ice cream outperformed with robust 9.8% growth, bolstered by 6.7% volume gains, benefiting from innovation in premium formats and better execution in distribution. On the margin front, Unilever maintained its outlook for underlying operating margin of at least 18% for the full year. However, marketing investments weighed on margins in specific categories such as ice cream. Overall, margins were supported by gross margin improvements and the company remains on track with its productivity and separation initiatives, including the planned spinoff of the ice cream business by 2025. The company reiterated its guidance for 2024, expecting 3%-5% growth and moderate margin expansion in the second half of the year. Given the unchanged full-year outlook, we maintain our fair value estimates for Unilever at EUR 52/\$56/GBX 4,380, with the shares screening as overvalued. IM



Competitors Price vs. Fair Value



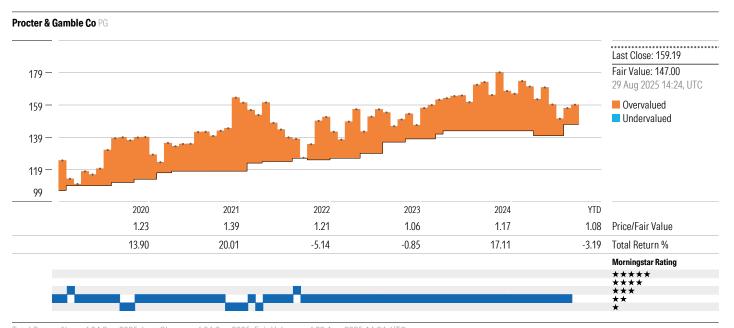
Total Return % as of 04 Sep 2025. Last Close as of 04 Sep 2025. Fair Value as of 5 Aug 2025 17:21, UTC.



Total Return % as of 04 Sep 2025. Last Close as of 04 Sep 2025. Fair Value as of 1 Sep 2025 23:19, UTC.



Competitors Price vs. Fair Value



Total Return % as of 04 Sep 2025. Last Close as of 04 Sep 2025. Fair Value as of 29 Aug 2025 14:24, UTC.



Last Price 65.01 USD 4 Sep 2025

Fair Value Estimate 66.00 USD 19 May 2025 17:35, UTC Price/FVE 0.99

Market Cap 159.40 USD Bil 4 Sep 2025

Economic Moat™ Wide

Equity Style Box Large Blend

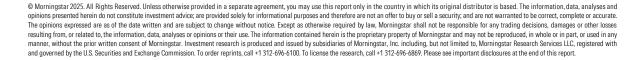
Low

Capital Allocation Standard

ESG Risk Rating Assessment¹ **00000**

3 Sep 2025 05:00, UTC

Morningstar Valuation Model Summary										
Financials as of 16 May 2025		Actual			Forecast					
Fiscal Year, ends 31 Dec		2022	2023	2024	2025	2026	2027	2028	2029	
Revenue (EUR Mil)		60,073	59,604	60,761	60,709	63,091	65,480	67,936	70,517	
Operating Income (EUR Mil)		9,683	9,931	11,179	11,256	11,790	12,274	12,783	13,314	
EBITDA (EUR Mil)		12,701	11,565	11,532	12,057	12,957	13,714	14,278	14,865	
Adjusted EBITDA (EUR Mil)		13,693	11,984	12,385	12,926	13,525	14,042	14,618	15,218	
Net Income (EUR Mil)		7,642	6,487	5,744	6,835	7,542	8,025	8,393	8,778	
Adjusted Net Income (EUR Mil)		6,568	6,588	7,480	7,486	7,968	8,271	8,648	9,043	
Free Cash Flow To The Firm (EUR Mil)		6,890	5,835	7,120	6,671	7,827	7,888	8,759	9,120	
Weighted Average Diluted Shares Outstanding (Mil)		2,560	2,532	2,507	2,494	2,480	2,480	2,480	2,480	
Earnings Per Share (Diluted) (EUR)		2.99	2.56	2.29	2.74	3.04	3.24	3.38	3.54	
Adjusted Earnings Per Share (Diluted) (EUR)		2.57	2.60	2.98	3.00	3.21	3.33	3.49	3.65	
Dividends Per Share (EUR)		1.69	1.71	1.76	1.81	1.93	2.00	2.09	2.19	
Margins & Returns as of 16 May 2025		Actual			Forecast					
	3 Year Avg	2022	2023	2024	2025	2026	2027	2028	2029	5 Year Av
Operating Margin % EBITDA Margin %	16.6	16.1 21.1	16.7	18.4 19.0	18.5 19.9	18.7	18.7	18.8	18.9 21.1	18.0
Adjusted EBITDA Margin %	_	21.1	19.4 20.1	20.4	21.3	20.5 21.4	20.9 21.4	21.0 21.5	21.1	21.
Net Margin %	11.0	12.7	10.9	9.5	11.3	12.0	12.3	12.4	12.5	12.
Adjusted Net Margin %	11.4	10.9	11.1	12.3	12.3	12.6	12.6	12.7	12.8	12.0
Free Cash Flow To The Firm Margin %	11.0	11.5	9.8	11.7	11.0	12.4	12.0	12.9	12.9	12.1
Growth & Ratios as of 16 May 2025		Actual			Forecast					
Revenue Growth %	3 Year CAGR 5.0	2022 14.5	2023 -0.8	2024 1.9	2025 -0.1	2026 3.9	2027 3.8	2028 3.8	2029 3.8	5 Year CAGI 3.0
Operating Income Growth %	5.1	0.5	2.6	12.6	0.7	4.7	4.1	4.2	4.2	3.0
EBITDA Growth %	4.1	21.4	-8.9	-0.3	4.6	7.5	5.9	4.1	4.1	5.
Adjusted EBITDA Growth %	3.8	23.5	-12.5	3.4	4.4	4.6	3.8	4.1	4.1	4.:
Earnings Per Share Growth %	-0.4	28.8	-14.2	-10.6	19.6	11.0	6.4	4.6	4.6	9.
Adjusted Earnings Per Share Growth %	-0.4	-2.1	1.4	14.7	0.6	7.0	3.8	4.6	4.6	9.
Valuation as of 16 May 2025		Actual 2022	2023	2024	Forecast 2025	2026	2027	2028	2029	
Price/Earning		18.4	16.9	18.4	18.6	17.4	16.7	16.0	15.3	
Price/Sales		2.0	1.8	2.2	2.2	2.1	2.0	2.0	1.9	
Price/Book		6.3	6.1	6.9	6.7	5.9	5.2	4.6	4.2	
Price/Cash Flow										
EV/EBITDA EV/EBIT		10.6 14.9	11.0 13.3	12.8 14.2	12.1 13.9	11.6 13.3	11.2 12.8	10.7 12.3	10.3 11.8	
Dividend Yield %		3.6	3.9	3.2	3.3	3.5	3.6	3.8	3.9	
Dividend Payout %		65.9	65.6	58.9	60.3	60.0	60.0	60.0	60.0	
Free Cash Flow Yield %		_	_	_	_	_	_	_	_	
Operating Performance / Profitability as of 16 May 2025		Actual			Forecast					
Fiscal Year, ends 31 Dec		2022	2023	2024	2025	2026	2027	2028	2029	·
ROA %		9.5	8.6	7.2	8.6	9.3	9.6	9.8	9.9	
ROE %		35.3	31.2	25.5	29.2	28.9	27.5	25.9	24.6	
			15.2	17.3	16.9		18.2	18.9		





65.01 USD 66	r Value Estimate 0.00 USD May 2025 17:35, UTC	Price/FVE 0.99	Market Cap 159.40 USI 4 Sep 2025	· <u> </u>			Jncertainty _OW	Capital Allocation Standard	ESG Risk Rating Asses (1) (1) (1) (2) 3 Sep 2025 05:00, UTC		essment ¹	
Financial Leverage (Repo	orting Currency)			Actual			Forecast					
Fiscal Year, ends 31 Dec				2022	2023	2024	2025	2026	2027	2028	2029	
Debt/Capital %				19.2	20.7	18.4	17.1	16.2	15.2	14.2	13.3	
Assets/Equity				3.7	3.6	3.5	3.4	3.1	2.9	2.7	2.5	
Net Debt/EBITDA				1.8	1.9	2.0	2.1	1.8	1.5	1.3	1.0	
Total Debt/EBITDA				2.1	2.4	2.5	2.4	2.2	2.1	1.9	1.8	
EBITDA/ Net Interest Expe	nse			27.8	24.7	20.5	21.4	23.7	23.6	26.1	29.2	
Forecast Revisions as of	19 May 2025			2025		2	2026		2027			
Prior data as of 10 Feb 2025				Curren		Prior	Cur	rent	Prior	Currer	nt	Prior
Fair Value Estimate Chang	ge (Trading Curren	cy)		66.00		57.14		_				
Revenue (EUR Mil)				60,709	9	62,642	63,	091	64,891	65,48	0	67,089
Operating Income (EUR M	lil)			11,256	5	11,562	11,	790	12,046	12,27	4	12,478
EBITDA (EUR Mil)				12,926	5	13,034	13,	525	13,539	14,04	2	13,988
Net Income (EUR Mil)				7,486	5	7,793	7,	968	8,116	8,27	1	8,460
Earnings Per Share (Dilute	ed) (EUR)			2.74	4	3.01		3.04	3.13	3.2	4	3.27
Adjusted Earnings Per Sha	are (Diluted) (EUR)			3.00)	3.13	:	3.21	3.26	3.3	3	3.40
Dividends Per Share (EUR)			1.8′	1	1.99	,	1.93	2.07	2.0	0	2.16
Key Valuation Drivers as	of 16 May 2025			Discounted Cash	Flow Valu	uation as of	f 16 May 2025					
Cost of Equity % Pre-Tax Cost of Debt % Weighted Average Cost of Long-Run Tax Rate %	f Capital %		6.9	Present Value Sta Present Value Sta Present Value Sta	ge II		•					EUR Mil 31,271 70,990 66,908
Stage II EBI Growth Rate 9 Stage II Investment Rate 9 Perpetuity Year			13.0	Total Firm Value Cash and Equivale	ents							169,168 6,136
Additional estimates and scenarios available for download at https://pitchbook.com/.			Debt Other Adjustment	S							32,053 0	
				Equity Value								143,251
				Projected Diluted	Shares							2,480
				Fair Value per Share	e (USD)							66.00



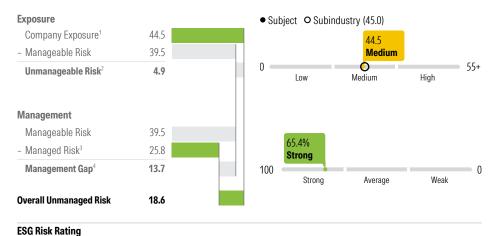
18.60 Low

Low

Last Price Fair Value Estimate Price/FVE Market Cap **Economic Moat**™ **Equity Style Box** Uncertainty **Capital Allocation** ESG Risk Rating Assessment¹ 0.99159.40 USD Bil Wide (Large Blend Low Standard **0000** 65.01 USD 66.00 USD 4 Sep 2025 4 Sep 2025 19 May 2025 17:35, UTC 3 Sep 2025 05:00, UTC

ESG Risk Rating Breakdown

Negligible



Exposure is assessed at the Subindustry level and then

risks driven by their business model

specified at the company level

► Exposure represents a company's vulnerability to ESG

- ► Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure
- ► Management measures a company's ability to manage ESG risks through its commitments and actions
- ► Management assesses a company's efficiency on ESG programs, practices, and policies
- ► Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating Assessment⁵











ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

Medium

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 65.4% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating is of Sep 03, 2025. Highest Controversy Level is as of Aug 08, 2025. Sustainalytics Subindustry: Personal Products. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/

Peer Analysis 03 Sep 2025	Peers are selected f	Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values							
Company Name	Exposure		Management		ESG Risk Rating				
Unilever PLC	44.5 Medium	0 55+	65.4 Strong	100 0	18.6 Low	0 40+			
Church & Dwight Co Inc	43.9 Medium	0 55+	52.0 Strong	100 0	23.6 Medium	0 40+			
Procter & Gamble Co	44.9 Medium	0 55+	48.3 Average	100 - 0	25.7 Medium	0			
Colgate-Palmolive Co	43.4 Medium	0 55+	52.9 Strong	100 - 0	23.0 Medium	0			
Reckitt Benckiser Group PLC	47.8 Medium	0 55+	70.2 Strong	100 — 0	18.1 Low	0 — 40+			

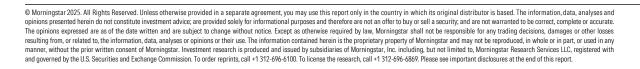
High

Severe

Appendix

Historical Morningstar Rating

Jnilever PL	.C ADR UL 4 Se	p 2025 21:34, U	TC								
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—		★★★	★★★	★★★	★★★★	★★★	★★	★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★	★★	★★	★★	★★	★★★	★★★	★★★		★★★	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★★	★★★	★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★	★★★★	★★★★	★★★	★★★	★★★	—	★★★	★★★	★★★	★★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Church & D	wight Co Inc C	:HD 4 Sep 2025	21:30, UTC								
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	★★	★★	★★	★★	★★	★	★	★	★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★	★	★	★	★	★	★	★	★	★	★	★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★	★	★	★	★	★	★	★	★	★	★	★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★	★	★★	★★	★	★	★	★	★	★	★	★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★	★	★	★	★	★	★	★	★	★	★	★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★	★	★	★	★	★	★	★	★	★★	★	★
Colgate-Pa	Imolive Co CL	4 Sep 2025 21:2	28, UTC								
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	★★★	★★★	★★★	★★	★★	★★	★★	★★	★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★	★★	★★	★	★	★★	★★	★★	★★	★★	★★	★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★★	★★★	★★★	★★	★★★	★★★	★★★	★★	★★★	★★	★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★	★★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★★	★★	★★	★★	★★	★★★	★★★	★★★	★★★★	★★★	★★★





Procter &	Gamble	Co P	G 4 Sen	2025	21:30 I	ITC:

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★	★★	★★	★★★	★★	★★	★★	★★	★	★★	★	★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★	★	★★	★★	★★	★★	★★	★★	★★★	★★	★★



Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, indepth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a

long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest,

after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")-to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10-15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology



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outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, companyspecific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

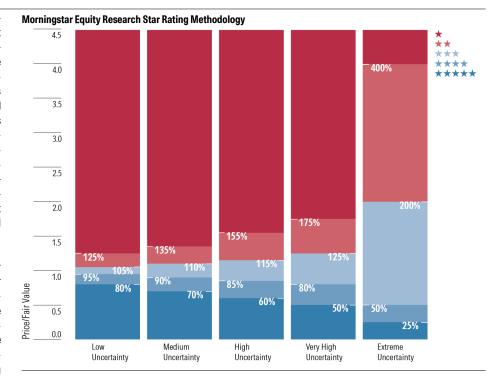
	Margin of Safety	
Qualitative Analysis Uncertainty Ratings	*****Rating	★ Rating
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

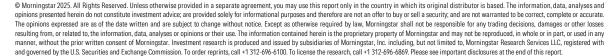
The Morningstar Star Ratings for stocks are defined below:

- ****
 We believe appreciation beyond a fair risk adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.
- ★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.
- ★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).
- ★★ We believe investors are likely to receive a less than fair risk-adjusted return.
- ★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,





and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

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Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score.

Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

Ratings should not be used as the sole basis in evaluating a company or security. Ratings involve unknown risks and uncertainties which may cause our expectations not to occur or to differ significantly from what was expected and should not be considered an offer or solicitation to buy or sell a security.

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