The Magnum Ice Cream Company H1 2026 Results

Thursday, 30th July 2026

Lloyd Midwinter

Hello, and welcome to the webcast for the H1 2026 results of The Magnum Ice Cream Company. My name is Lloyd Midwinter, Head of Investor Relations. I am here with our CEO, Peter ter Kulve, and our CFO, Abhijit Bhattacharya.

Our press release and this presentation are published on our investor relations website, where a replay and transcript of this webcast will also be made available.

Before we start, I would like to draw your attention to the cautionary statement regarding forward-looking statements and assumptions. This applies to the presentation and webcast, including the Q&A session.

In a moment, Peter will share some key highlights on our business performance, showing how we are executing on our strategy. Abhijit will then run through our financial results and outlook. We will then be happy to address your questions.

So, Peter, over to you.

Peter ter Kulve

Good morning, everyone, and thank you for joining. Lloyd, it is nice to have you with us. Welcome to TMICC.

Let us start with the headline first. We delivered a solid first half. The ice cream category keeps growing, and we outperformed it by achieving growth of 4.7%. Growth was balanced across volume and value, every region, and each of our global brands. Importantly, our performance was driven by innovation and operational rigour, and this rigour meant we got off to a strong start for the summer season.

Disciplined execution of our productivity programme delivered €90 million savings during the first half, helping us deliver underlying margin improvement and providing fuel for growth.

Adjusted EBITDA increased to €880 million, 18.7% margin, and adjusted EBIT margin was 15.3%, 50 basis points. Transformation remains on track for end of 2027.

Looking ahead, while we are clear-eyed on the wider external challenges, we are committed to our strategy, confident in our ability to execute, and reaffirm our full-year outlook.

Before diving into the results of the first half, I want to take a step back and remind you of our vision and strategy. It has been almost a year since we presented this at our Capital Markets Day, and we are in the middle of our most important period of execution when you can see impact in action.

Our vision for The Magnum Ice Cream Company is simple. We want to make the most loved ice cream in the world to grow the market and build a highly competitive snacking business for our shareholders and customers. We will do that by delivering our strategy to grow the ice cream market as category leader.

We are executing against that strategy, and today's results show that it is starting to work. I really do believe that life tastes better with ice cream.

We have a simple but powerful value creation model that underpins our performance. Strong brands and innovation that create desire and demand, execution rigour that converts demand into results, and a culture and structure that empowers our colleagues to act like owners.

So, on innovation, we will generate demand through building and activating our brands like the best in the beauty industry. Because like beauty, ice cream is a marketing and innovation-led category, and we will leverage our unique capabilities and scale to create unmatched desire for our products.

Secondly, execution. Execution matters, especially in ice cream. We aim to have the rigour of our bottling and soft drinks peers, getting the right product to the right place at the right price every time, at thumb's length of desire.

And lastly, an ownership culture. None of this is possible without the right culture. It is the hardest thing for people outside the company to see, but it is the most powerful change we have made in the past 24 months. We are creating a culture with clear accountability, a simple structure, and aligned incentives that empower and enable every colleague.

Everyone at The Magnum Ice Cream Company is an owner, and everyone is here to sell ice cream. This model will enable us to deliver against our medium-term targets for growth and returns. We are off to a solid start.

Now, turning to our business performance during the first half.

In the first half, we delivered €4.7 billion revenue, achieving organic sales growth of 4.7%. We balanced volume and value to outperform the global ice cream category, with 2.5% volume and price up 2.2%. It is important to remember that this performance is against strong comparisons from the previous years.

In the first half of 2025, we delivered organic sales growth of 5.8%. I am proud of the team for delivering such a strong result. It shows our strategy is beginning to work.

All three of our regions contributed to growth, with Europe & ANZ up 4.1%, Americas 3.2%, and AMEA growing 7.6%. Our focus on operational rigour meant the key summer selling season got off to a strong start. We gained share in all regions, including the U.S., our biggest market, with €1.1 billion revenue for the first half.

France and the UK were key growth drivers for Europe. AMEA was driven by double-digit growth for Turkey and Pakistan, as well as India, included from Q2. However, we also have some markets not yet achieving their full potential, which we see as future opportunity, and we are working with the local teams to get it right into the detail of the challenges and fix the issues. For example, in Italy, we are making progress with our sales and share stabilising after taking action to address declines.

We have also renewed our team in Brazil and are making structural changes to be ready for the next peak season.

This deep market focus work will take time to show in our results, but we are focused on setting ourselves up for long-term success in those countries rather than quick fixes.

Our four leading brands: Magnum, Ben & Jerry's, Cornetto, and the Heartbrand, continue to drive organic sales growth.

Magnum delivered mid-single-digit growth driven by the successful launch of Magnum Signature La Pistache, ranked as the top ice cream innovation in Europe, as well as La Peche, Bonbons in Europe & ANZ, as well as cones in multiple markets of Europe & ANZ, and AMEA.

Ben & Jerry's gained further momentum and grew mid-single-digit across the period, with performance accelerating to 9.2% in the second quarter for both the Americas and Europe, ANZ, with the new sticks in the US and sandwich formats bringing new consumers to the brand.

Stick and sandwich formats of Ben & Jerry's are as popular as our other brands, maybe even more so. It is an innovation for Ben & Jerry's which customers are loving. It is allowing consumers on-the-go snacking with one of their favourite brands with their favourite flavours, and they are in sizes that resonate with consumers on GLP-1s.

Ben & Jerry's social reach and engagements continue to grow, and our annual Free Cone Day was the most successful yet, with more than one million scoops shared with consumers. I also handed out scoops.

Cornetto delivered low single-digit growth, following high single-digit growth last year, supported by the launch of Pistachio MAX in Europe and Türkiye and an improved windmill structure for its famous topping, as well as on-trend fruit sorbet variants in Europe, China and selected Southeast Asian markets.

The Heartbrand delivered mid-single-digit growth, driven by strong performance of Solero within the core range and newly introduced Solero Bonbons, as well as continued momentum of Volcanix in Europe and Türkiye.

Our core portfolio superiority was enhanced with the success of new range additions. New pint flavours for Ben & Jerry's included strawberry doughnut-ee and churrifically churros-y are within the top 10 of new ice cream products in the UK, Netherlands, and Germany.

We are also taking our premium brands increasingly multi-format, expanding occasions. Magnum Sandwiches and Volcanix launched strongly in Türkiye. Ben & Jerry's sticks made up four of the top 10 super premium novelties in the US, and Ben & Jerry's sandwiches were the number one new impulse ice cream product in the UK.

I have spent a significant part of my career in ice cream, and I cannot remember a time when this much innovation was successfully delivered into the market for Magnum and Ben & Jerry's.

We also continued to create our perfect portfolio with a clear offer across all price points. This included new launches for Popsicle in partnership with Hello Kitty and Bluey in the US and reinventing Kwality Wall's to lead with a new improved dairy recipe in India.

This is really important in India, the biggest dairy market in the world. Our category expanding innovation continued with the launch of Yasso pints in the US, delivering six quarters of double-digit growth, and Ice Balls in Asia, or Hydra Ice, off to a good start in Iberia and the Benelux.

Our increased speed and rhythm in innovation is delivering results. We can do more than just flavour renovations.

Our frontline-first model and ownership culture is driving growth in all channels. The at-home channel grew mid-single-digit, supported by improved service level, which enhanced availability. Growth was further supported by stronger in-store execution, driven by more frequent visits from our dedicated sales force and a greater focus on merchandising. In the US, we continued to rebuild our business in the value and club segments.

The away-from-home channel delivered mid-single-digit growth, supported by continued expansion of our cabinet fleet in key markets, including India, Pakistan, China and Mexico, sets us up for a better key summer season.

Digital commerce maintained double-digit growth, driven by solid execution and supported by strong collaboration with key partners as well as improved digital assets. Across regions, we see dCom driving category growth, and we are positioning ourselves as the category partner of choice for leading players in the space as we partner on marketing initiatives. It is one of the biggest long-term opportunities we see, with dCom changing consumption patterns in a way that can be structurally supportive to the ice cream category.

I am pleased with the disciplined execution driving our productivity programme, which delivered €90 million of savings in the first half and remains on track to deliver the planned savings of €0.5 billion in the medium term.

Savings in the first half included €70 million in the supply chain and €20 million from overhead. We continued to reduce waste, improve factory utilisation, and debottleneck our supply chain, with a proportion of this saving being reinvested in growth.

I was very pleased to see that we were able to increase market share during the last week in June when there was a heatwave. Only when you get operationally the thing really tight, you gain market share in heatwaves.

Our acquisition in India and Portugal were completed on 30th March 2026 and 1st April, respectively, and they are successfully integrated to our results. We have appointed six strategic partners as the backbone of our future technology stack, and we are building our systems, processes and capabilities.

We are now in the heavy lifting phase, and the team are doing a fantastic job. All TSA exits planned for the first half of 2026 were concluded on time, and we continue working to exit remaining TSAs by the end of 2027.

We'll now share more details on financial results, and I will hand over to Abhijit, our CFO, to take you through the numbers.

Abhijit Bhattacharya

Thanks, Peter, and hello to everyone on the call. I am pleased to share we delivered solid financial results for the first half of 2026, driven by organic sales growth of 4.7%, balanced between volume and price.

Adjusted EBIT margin was 50 basis points higher than the same period last year, and adjusted EBITDA increased from €853 million to €880 million, although adjusted EBITDA margin was impacted by TSAs and our acquisition in India.

Free cash flow was €273 million, driven by working capital movements and higher EBIT. Based on this solid performance and looking ahead, we have reaffirmed our outlook for the full year.

Revenue was €4.7 billion for the first half, up from €4.5 billion last year, with organic sales growth across all regions. This was achieved through a competitive balance of 2.5% volume growth and 2.2% price growth, building on a solid comparator of 5.8% from the first half of 2025.

Reported revenue growth was 4.2%, including 2.3% favourable impact from acquisitions and 2.7% adverse foreign currency translation effects. Forex translation effects related mainly to the strengthening of the euro against key currencies, particularly the Turkish lira and the US dollar.

Adjusted EBIT was €716 million, up from €666 million last year, and adjusted EBIT margin of 15.3% was 50 basis points higher than the first half of 2025, driven by improved gross margin resulting from productivity savings, pricing, which was partly offset by cost inflation.

Adjusted EBITDA was also up at €880 million compared to €853 million in H1 2025. Adjusted EBITDA margin was 18.7% versus 19% last year, primarily impacted by TSAs of 70 basis points due to previously allocated depreciation charges, which are now charged as cash costs, and minus 30 bps due to the acquisition in India.

We offset most of the headwind thanks to our productivity programme and selected pricing actions.

Now turning to our regions. Europe & ANZ delivered a solid performance with 4.1% organic sales growth and share gains in key markets. Growth was volume driven, supported by innovation, better execution and favorable weather towards the end of the period.

France and the UK were the main growth drivers in the region, with France delivering double-digit growth and the UK posting mid-single-digit growth. In Italy, we continued to execute our turnaround plan, stabilising share and market share following a prolonged period of decline.

Magnum and Ben & Jerry's performed strongly, delivering high-single-digit and mid-single-digit growth, respectively, supported by new formats and flavors. According to Nielsen, our Magnum and Ben & Jerry's innovations, together with Volcanix, made up six of the top 10 ice cream innovations in Europe for the first half of the year.

Growth was also enabled by improved availability and on-shelf execution with key wins, including new listings. Adjusted EBIT margin improved by 100 basis points despite the 50 basis points headwind due to lower royalties from India. Strong gross margin delivery was partially offset by previously allocated depreciation charged as cash cost according to the TSAs, which adversely impacted adjusted EBITDA margin by 90 basis points.

The Americas delivered organic sales growth of 3.2% and continued to gain market share in both the US and Mexico, while executing our turnaround plan in Brazil, where the business remained in decline. Reported revenue was 1.1% lower than last year due to 4.1% adverse impact from forex translation.

In North America, growth was driven by our leading US brands, with Yasso and Popsicle continuing double-digit growth and Ben & Jerry’s outperforming the broader market, resulting in market share gains.

Innovations continued to revitalise our US portfolio. Strategic partnerships, including with Hershey and Disney, supported growth across key brands, while Popsicle benefited from successful collaborations with Hello Kitty and Bluey. Ben & Jerry’s delivered strong growth, especially during the second quarter, supported by the launch of stick and sandwich formats. These launches, plus Yasso pints, represented six of the top 10 ice cream innovations during the first half according to Nielsen.

Adjusted EBIT margin improved 140 basis points due to carryover pricing effect from the second half of 2025 and savings from our productivity programme, which more than offset increased distribution cost.

Adjusted EBITDA margin improved 50 basis points, driven by higher EBIT, partially offset by previously allocated depreciation now charged as cash costs.

AMEA continued to deliver strong growth with sales 7.6% higher. Türkiye performed strongly with double-digit growth despite being impacted by measures imposed by the Turkish Competition Authority or TCA.

These interim measures are focused on the use of cabinets in small retail outlets where no other freezer cabinet is directly accessible to consumers. 30% of our freezers need to be allocated to competing products or left empty. We are cooperating with the TCA to comply with the measures imposed.

Elsewhere in the region, Pakistan continued double-digit momentum while Indonesia achieved mid-single-digit growth and significant share gains. India, which is included in the perimeter from the second quarter onwards, also delivered double-digit growth. Growth was moderated by China, which was impacted by unfavourable weather towards the end of the period.

Reported revenue increased 9%, including 6.8% favourable impact from our acquisition in India and 5.2% adverse forex translation effects. Growth was driven by innovations from our global brands, such as the Magnum Sandwich in Türkiye and market specific launches, including the Cornetto multi-layer sticks.

This was underpinned by driving consumption occasions and expanding market penetration through festive activations, as well as joint business plans with retail partners, resulting in greater product availability and consumer reach.

Adjusted EBIT margin declined by 190 basis points due to significant external headwinds, including material cost inflation and measures imposed by the TCA, as well as our acquisition in India. Material cost inflation had a more significant impact in AMEA during the first half when compared to other regions due to the more lengthy supply chain, which means that cocoa consumption in the first half was done from purchases made at higher prices.

These impacts were partly mitigated by selective pricing actions and disciplined execution of our cost management programme.

Adjusted EBITDA margin decreased by 270 basis points, also reflecting previously allocated depreciation charged as cash costs.

I will now take you through the key margin developments compared to last year. Adjusted EBITDA margin increased 70 bps for the first half, excluding the impact of 70 bps related to TSAs, with previously allocated depreciation now charged as cash cost and 30 bps from our acquisition in India.

Operationally, 190 basis points saving from our productivity programme and 160 basis points from select pricing actions more than offset 200 basis points commodity and other supply chain cost inflation, with 80 basis points in reinvestment and other costs, including advertising and promotion, TSA markup and double-run costs.

Moving to cash flow, it is important to remember the company was a division of Unilever during the first half of 2025, and we are now a standalone company. Free cash flow was €273 million for the first half of 2026, up from €138 million last year, with the year-on-year increase primarily driven by favourable working capital movement and EBIT.

Interest cost was €80 million higher and tax charges €38 million lower, reflecting our standalone financing and operating structure for H1 2026 compared to operating as a division of Unilever, with limited interest cost and allocated tax charges.

Also as already mentioned, previously allocated depreciation is now charged as cash costs, resulting in €24 million lower depreciation and amortisation. Excluding the factors related to the separation from Unilever, comparable free cash flow for H1 2026 would have been €99 million, up from €72 million last year. This was driven by higher EBIT, partly reinvested as additional CAPEX, with around 40% of CAPEX for the first half related to freezer cabinets.

The working capital movements were mainly related to the interim operating model with Unilever. Our net debt-to-adjusted EBITDA ratio was 2.5 times at the end of H1, in line with our capital allocation policy.

We are mindful of continued uncertainty in the global environment, and we are taking mitigating actions. Our focus is on executing our growth strategy and productivity programme, and we are reaffirming our full-year outlook.

We expect organic sales growth to be between 3% and 5% and adjusted EBITDA margin to improve by 40 basis points to 60 basis points on a comparable perimeter basis with 2025. Reported improvement in adjusted EBITDA margin is expected to be between 0 and 20 basis points, primarily due to the impact of our acquisition in India.

This transcript may have been edited for clarity and brevity.

For the full-year, we expect adjusted items to be in line with previous estimates and the adjusted effective tax rate to be around 27%, excluding the impact of prior year tax settlements, which is at the upper end of our mid-term plan, while net finance cost is estimated to be around €160 million compared to the €180 million previously communicated.

One housekeeping point, in Q3 2026, expected customer season end returns will be accounted for in the same quarter as related sales rather than when the returns occurred. This mainly relates to Türkiye and shifts a portion of revenue between the quarters, reducing Q3 and increasing Q4 by equal amounts.

This has no impact on half year or full-year reported results. We have published comparable growth rates in the Appendix D of our press release to help with your modelling.

Our capital allocation policy is unchanged. We will focus on delivering organic growth, productivity and cash.

I will now hand back to Peter for a short summary before the Q&A session.

Peter ter Kulve

Thanks, Abhijit. Our solid performance for the first half of 2026 was driven by innovation and operational rigour. We delivered 4.7% organic sales growth, balancing volume and value, and €90 million productivity savings, resulting in underlying margin improvement.

Looking ahead, we are committed to our strategy, confident in our ability to execute, and reaffirm our full-year outlook.

Our key summer selling season got off to a strong start, and we look forward to sharing future updates.

Lloyd Midwinter

We would now be happy to answer your questions. Please ask no more than two questions at one time so others can participate. If you have further questions, please feel free to contact me and the Investor Relations team. The operator will now provide instructions and coordinate the Q&A session.

Q&A

Warren Ackerman (Barclays)

Good Morning. I hope you can hear me well. Good Morning, Peter. Good Morning, Abhijit, Lloyd. Two from me. First one is just on the trading on the top line. Obviously, very strong in the quarter, but you do actually have a tougher comp in the third quarter on a two-year stack. I was just wondering how much of that volume beat we should move across to the third quarter.

Maybe you can talk about the exit rate in July, given the heatwave. I assume it has been very strong. Maybe any updated market share, how you are seeing market share data, what is happening on the 12-week data versus 52-week data? Just to really understand that piece, would be helpful.

The second one actually is a little bit around emerging markets. On this Türkiye thing, with the TCA, is there any risk that your super normal margins in Türkiye actually need to come down now because you have to open up freezers to some of the competitors? How do you feel about the margin dynamic between very high Türkiye margins and very low margins in India and Brazil and the investment that you need to make? Should we be expecting a bit of a step down in rest of world margins? Obviously, that is going to be offset by Europe and other places. Is there an issue on Türkiye, and how do you feel about that versus India and Brazil?

Peter ter Kulve

Hi, Warren. Hi, everyone. Good morning. You know, the ice cream market is going from strength to strength. We always expected that increased penetration and new occasions and increased distribution would drive emerging markets. You know, we were not sure, but the trend towards portion control and calorie control is driving developed markets as well, most notable in the US.

All the hard work, stepping up execution and innovation is starting to pay off. We had share gains nine out of 10 quarters since we started. We are innovation leader in the US and Europe. Last year, we had a massive share tick up, as you will remember. This year, we started a little bit weaker in a number of European countries, but we gained share in the US, we gained share in Europe overall, massive step-ups in some country.

In China, still we are a little bit weak, but we gained share. We gained shares in China. All in all, we feel good about shares, but as expected, it is a competitive market, it is hard work, and takes the best of us.

When you look at the second question, one second.

Warren Ackerman

It was just on the Türkiye and the margins, and then what is going on.

Peter ter Kulve

Yes. Good. A couple of years ago, we had an investigation by the antitrust authorities, and we complied with all this investigation, but our shares kept on growing. We believe that one of the core strengths of the Turkish business is actually its innovation rates and the way they develop new brands and expand their portfolio.

We now have to open up our cabinets in the small outlets. We fully comply with that. We gained a little bit of share in hard discounters and e-commerce. Yes, our Turkish business is extremely healthy. We believe it will go back over the full year to both volume growth and continues at high value growth level.

We are in good space. Margins in Türkiye indeed are very healthy. There is no reason why they should not stay healthy. We are very committed to our investments in India. Whilst we are building the business, the profitability will improve. That is actually not the main thing. We need to build a stronger business. We need to grow very fast.

In Brazil, we are in the middle of a turnaround. Yes, it is going a little bit slower than I had hoped to. These are all structural changes it will take. It is fine. Brazil is also not our largest country. Does that answer?

Warren Ackerman

Yes, it does. On Brazil, are you able to tell us, Peter, how it did in the quarter, just sequentially, just to understand that part as well?

Peter ter Kulve

Yes. Brazil was still flattish, slightly down, but we are now making structural changes to the portfolio, pack price channel. Hopefully, next season the results will come through.

Warren Ackerman

Super, thank you!

Peter ter Kulve

Okay, next question, please.

Celine Pannuti (JP Morgan)

Good morning, everyone. My first question is on the guidance. Obviously, right now on top line at H1, you came at the top end of your range. H2, as you said, you face slower, easier comp versus last year. You mentioned that you are off to a strong start in the summer, and we can clearly see that the summer has been so good so far in Europe.

First of all, am I right to expect you to be at the top end of the range, and why you did not want to qualify that in your outlook?

My second question probably is related. On the margin front, margin came better. I presume that better top line should translate as well in better operational profitability. It looks to me that it is quite conservative now, the margin guidance of 0 basis points to 20 basis points. Could you take me through what are the incremental negative versus the beat in H1 and the potential upside from the operational benefit?

Peter ter Kulve

Thanks, Celine. We have made good progress in H1. It is encouraging, but we still have half a year to go. Today, we affirmed our outlook to achieve 3% to 5%. We were in guidance in the first half. We have said that we will improve EBITDA in line with guidance. We are committed to our strategy, and we are confident in our ability to execute.

Yes. As we previously communicated, we expect improvement in H2. We still do. We basically stay within the guidance.

Abhijit Bhattacharya

Maybe, Celine, just to add a bit on your question about the margin in the second half. It is important to know that we are 30 basis points behind at the end of the first half. To improve for the full-year, we have to have a margin improvement in the second half. That is why we still hold to our outlook for the year.

Celine Pannuti (JP Morgan)

Thank you.

Guillaume Delmas (UBS)

Good morning, Peter, Abhijit, Lloyd. Two questions from me as well. The first one is on your commodity cost outlook. To what extent it has changed since you last updated us at the end of April, since we have seen energy prices coming down. Looking at the back half, do you expect a net benefit, thanks to cocoa, or still some headwinds? If so, how will it compare to the 200 basis points adverse effect we saw in the first half? That is my first question.

The second one, question on your Cornetto brand. Out of your four leading brands, Cornetto is the one reporting a more muted organic sales growth in that first half. Wondering what has been weighing on the brand's growth and what are your ambitions for Cornetto going forward? I would assume some nice acceleration. Thank you very much.

Peter ter Kulve

Yes. Thanks for the question. As we have also indicated at the beginning of the year, in the first half, we were basically still running with relatively high chocolate prices. They will be easing off in the second half of the year. We had TSAs in the first half of the year, which will reverse back in the second half of the year.

Energy has gone up and down, and then up again. Overall, we therefore stick with guidance and will deliver a modest profitability step up in the second half year.

Cornetto is very interesting. Cornetto is the leading cone brand in the world, whilst we not even sell cones in the US. The last two months in China were relatively weak. Weather was poor. Shares were good. That waited on the Cornetto growth figures. We actually have a really interesting innovation funnelling cones. We have premium cones, which we now do via Magnum, which is a massive 50% price up versus normal Cornetto cones. We have now a good, better, best portfolio.

We also branched out Cornetto into sandwiches and sticks, which helped drive the brand. It is all about creamy and crunchy. Yes, it is a very successful global brand, but it is skewed towards Europe and Asia. Cornetto, by the way, is on fire in India, which is very good to see.

Guillaume Delmas (UBS)

Thank you very much.

This transcript may have been edited for clarity and brevity.

Jeff Stent (Exane BNP Paribas)

Just a quick accounting question. Could you just elaborate on what this change is to the treatment of customer returns and also that seems to impact pricing, which I cannot quite get my mind around. If you could just help us understand that, that would be great.

Peter ter Kulve

Abhijit, can you take that?

Abhijit Bhattacharya

Yes. Typically what happens in Türkiye is, what we sell partly in Q3 and in Q4, what remains unsold, we take back at the end of the year when we also redo our cabinets. Now, in the past, those returns were all accounted for in Q4, and what we are doing now is we change that to account for it in Q3 partly and in Q4, so that the returns are accounted for matching with when the revenue is booked.

Then, of course, when you do that, it has a bit of effect on volume and a bit of effect on price. For the half, it has no impact at all. It is just more to help you in modeling Q3 and Q4.

Peter ter Kulve

It is also the correct accounting treatment for this.

Abhijit Bhattacharya

Exactly.

Jeff Stent

How did you book a return when it is not been returned?

Abhijit Bhattacharya

Sorry?

Peter ter Kulve

Sorry, I cannot hear you, Jeff.

Jeff Stent

I am saying how do you book a return when the product has not been returned? Are you making estimates of the returns in Q3 or?

Peter ter Kulve

It is a provision.

Abhijit Bhattacharya

Yes. Exactly.

Peter ter Kulve

It is a provision.

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Robert Jan Vos (ABN AMRO-ODDO BHF)

Hi, good morning. I have two questions as well. First one is on the Americas. Volumes were about flat in the second quarter, same as Q1. Can you provide some colour on that? For example, in Q1 you said that volume growth was 1.8% in the US. I understand that Brazil is down still, but maybe elaborate on how volumes developed in the US in the second quarter.

My second question is on AMEA, and then particularly on China. You posted high-single-digit organic sales growth in China in Q1, according to what you said at Q1. What was it in Q2? Was the drag purely weather or did you also see some other impacts that held back growth in China? Those are my questions.

Peter ter Kulve

Okay. Thank you very much. Two interesting questions. In the US, we see structural changes to the ice cream market. Historically, there is a lot of vanilla ice cream that is used as a topping on apple pie. They put it in soft drinks, they call it a float. That market is declining, and there is very strong growth in handhelds, calorie control, portion control, and that is driving the American market. As you can imagine, this is really good for us because that is where we have the core strengths of our portfolio.

Our 3.6% growth in the US is driven on the growth of handheld ice cream in America. You do not get a lot of volume, but you get a lot of pieces and price because handheld is more premium than buckets of ice cream.

The second question on China. I spent two weeks in China this year. Let me talk a little bit about what happened this year and the structural changes in China. We had a very good first quarter, and then the weather in May and June, especially in the East, where we are strong, was not very good, and that impacted sales.

Structurally, you see something very interesting that the growth in the convenience channel is leveling up, and there is a new channel called the snacking channel, which is growing like gangbusters. Number of store opened, growth of the channel, and we are pivoting our portfolio and sales approach to these channels.

What you also see, which is very interesting, that the growth in tier one and tier two cities, the Chongqings, the Beijings, the Xi'ans is more muted, the growth in tier four, five cities is very strong, and we are pivoting our machine more to lower tier cities. That is why we are still very confident and bullish on the potential of the Chinese market.

Maxime Stranart (ING Bank)

One question on my side. If we look at the improvement in adjusted EBITDA margin in H1, actually on a like-for-like basis, way above what you expect on the medium term. Could you elaborate on what actually went well in H1, and what do you believe are the challenges going forward?

Secondly, maybe moving on TSAs. Could you maybe a bit elaborate on what has been done so far, and what are the main building blocks that is still to be achieved? That would be all from me.

Abhijit Bhattacharya

If you look at the margin improvement in the first half, it is in line with what we had expected, primarily driven by the productivity programme that is running. A little bit from pricing, of course. Those are the two big drivers. We had some impact on energy prices, which were also in the first half. It is not way above the mid-term expectation. It is in line with what we had planned.

If you look at the TSAs, what we have exited so far has been most of the service TSAs, which Unilever was providing us. What is left to be done is to move out of the IT-related TSAs. As we roll out our new IT stack from November and December onwards, we will then, on a country-by-country basis, start exiting from those TSAs as well, which will run till the end of next year.

Bingqing Zhu (Rothschild & Co Redburn)

Hi, Peter, Abhijit and Lloyd. Thanks for taking my question. I have two. The first one is about India. You posted double-digit growth in India in Q2. That is the first period in the parameter. Can you unpack what drove that? In the last quarter, you mentioned some cabinet expansion, quite a lot of cabinet expansion in the market, shift to dairy ice cream, price reset. How sustainable is that pace? At what point do you think that India will become a meaningful contribution to the Group growth? That is my first question.

The second question I want to ask about the US distribution. In the press release, you flagged rebuilding the value in a club segment and also growing digital commerce. Can you give us an update on the progress in these channels? Again, when we might see a meaningful contribution from these underrepresented channels in the US? Two questions there.

Peter ter Kulve

Thank you, Bingqing. Yes. On India, we basically did the following thing. A, we built a new team. All the people now running the business are new, a new structure. We put more resources in it. Lots of work on organisation. Then we changed pricing, and we brought pricing more in line with core snacking price points.

Our ice cream was a little bit overpriced. Then we moved from vegetable fat to dairy, which is very meaningful in an Indian context. We then doubled down on our premium brands, Cornetto, Magnum, and the Indian market is responding very well on that. Last but not least, we rebuilt our sales system.

Historically, ice cream business was selling in industry cabinets at retailers, and we are turning it in a more Türkiye-like cabinet-driven model, where we place cabinets, last year, 50,000, this year, 50,000. We rebuilt our distributor base, put the sales reps in. Wholesale change of the Indian system, and it seems to be working. It is obviously also still a big investment. It is therefore a loss-making business. That will improve as we get more scale and as we are building out on new factories in India.

What is the limit in India? I have said at earlier occasions, we now have approximately 250,000 cabinets. I can imagine we have one million, because ultimately, India will be the largest ice cream market in the world.

In the US, in Unilever, the business had pulled out largely out of club and the value channel. We are building a value channel. We are building distribution. In certain accounts, we are back to our historic levels. Other accounts, we still have a little bit to go. In clubs, we do a pretty decent job in Sam's. I would still like a broader portfolio in Costco, and we are working that with our account teams.

Good progress, but we are not there yet. Over the coming years, that still is a good growth opportunity for us.

Bingqing Zhu (Rothschild & Co Redburn)

That's really helpful. Thank you.

Tom Sykes (Deutsche Bank)

I just had a couple of questions on pricing. When do you start the pricing negotiations with major retailers for next year's sell-in, please? And then on out-of-home, what is the difference in pricing power that you see in out-of-home versus large retailers? I guess, if cocoa falls, do you tend to hold on to that a little bit more in the product you sell to out-of-home versus the product that you sell to larger retailers? I know it is early, but when we think about that sell-in for next year, are you expecting next year's growth to be a bit more volume-led than pricing-led, given what is likely at the moment to have happened to raw materials? Thank you.

Peter ter Kulve

Thanks, Tom. Yes. Basically, we start discussing our full portfolio plans and marketing plans with retailers in September. That is where we evaluate the season before, take the learnings, and these are also learnings on stocks and out-of-stocks, portfolio, what worked and not worked. We mostly conclude it at the beginning of the year after.

I expect that it will be this year the same as it was last year. The pricing strategies in out-of-home and in-home are a little bit different. In out-of-home, you mainly price versus broader snacking price points. You want to be in line with the bottle of Coke, the bag of chips, the bar of chocolate, and that drives out-of-home pricing. Obviously, a very fragmented channel where we have three million cabinets. The pricing power of the individual retailers is a little bit lower, but you still want to be in bands of consumer acceptance.

As you know, this business is volume-driven. We now have eight quarters of volume growth. This is also what we like because it drives the economics of the business. That is the out-of-home pricing. In-home pricing, we have strategic pricing brands versus competitive products, versus retailer-owned brands, and we stay very disciplined to that.

Jeremy Kincaid (Van Lanschot Kempen)

I will make it quick. Just with your organic growth, it was positive on the volume side and the price side for all of your regions except for organic price growth within Europe, which was negative. I was just hoping if you could talk to that a little bit more.

My second question was on your innovation rates. It is clearly very high at the moment. I am just wondering if you have any measure of how much growth those new products contributed to your bottom line or even your organic growth this quarter? Do you think this rate of innovation is required going forward?

Peter ter Kulve

Yes. Clearly, innovation is one of our core growth drivers. We said that the most important thing is that your core products are better than the same likewise products of competition. There is always a lot of renovation to keep quality lead.

Then we expand. We look country by country, what are the formats? What are the price points? Do we have a good portfolio fill in? Then we have this strategy of taking the core brands in different formats to address different occasions. Last but not least, we address new benefits.

We believe 40% of our growth of the business is driven by innovation. Clearly, very important. We have created an engine that we can deliver this year-on-year, hopefully every year a little bit better, but time will tell.

On pricing in Europe, we are a volume-led growth business. We are very focused on getting our pricing right. It is a little bit up, it is a little bit down. It is dynamic. As you know, we were very proud that also last year, we grow volume even in the chocolate segment. For me, it is a sign that we are quick on the wheel dealing with pricing issues to keep the volume growing. We will continue to do that.

Lloyd Midwinter

Okay. That is it for the questions. Thank you very much to everyone for joining the call. If you do have follow-up questions, please get in touch with Investor Relations and we would be happy to help.

[END OF TRANSCRIPT]