

WHY ADVERTISING IS VITAL

AAM PRESENTATION

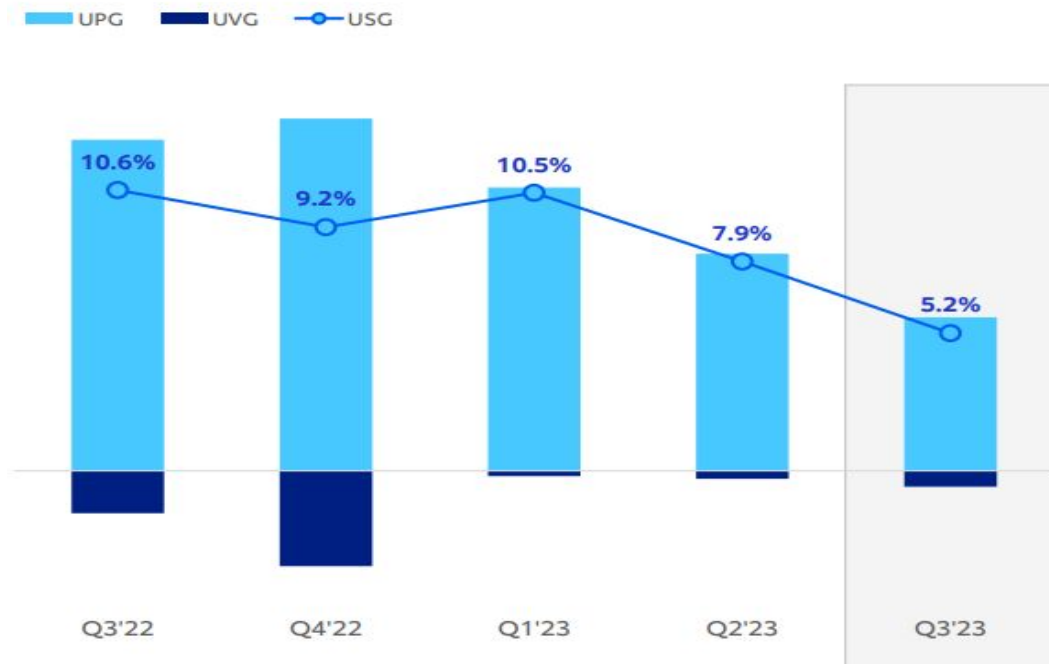
MAY 2025

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WHY CEOs / CFOs NEED TO UNDERSTAND ADVERTISING

ADVERTISING WORKS

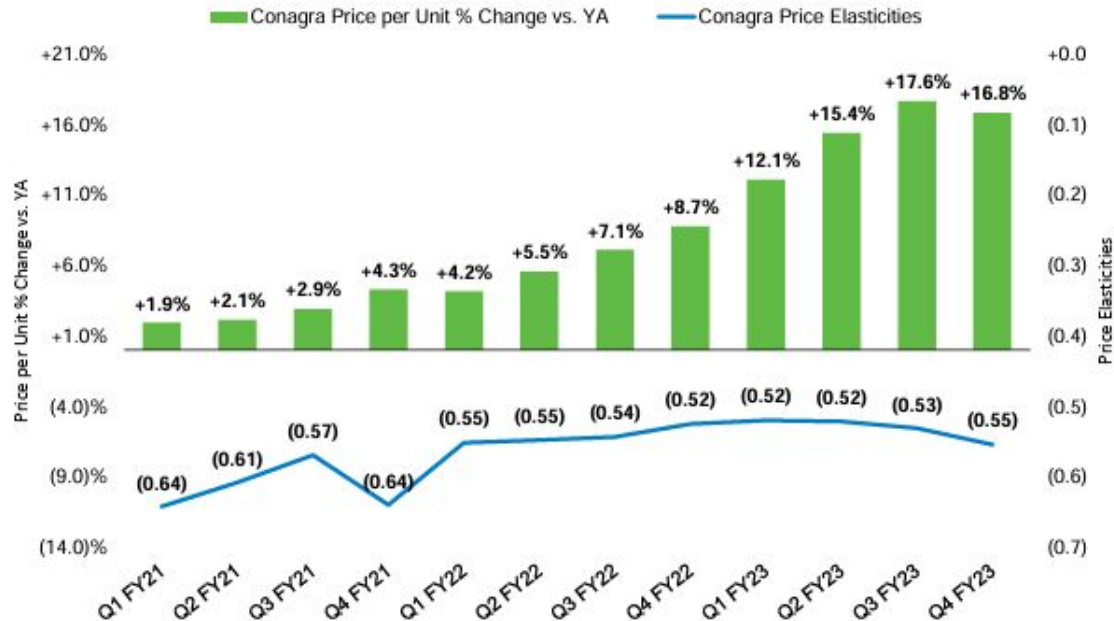
“THE HEIGHT OF INFLATION” - UNILEVER SALES GROWTH (USG) WITH PRICING GROWTH (UPG) AND VOLUME GROWTH (UVG) COMPONENTS Q3 2022 – Q3 2023



Source: Unilever Q3 2023 results presentation

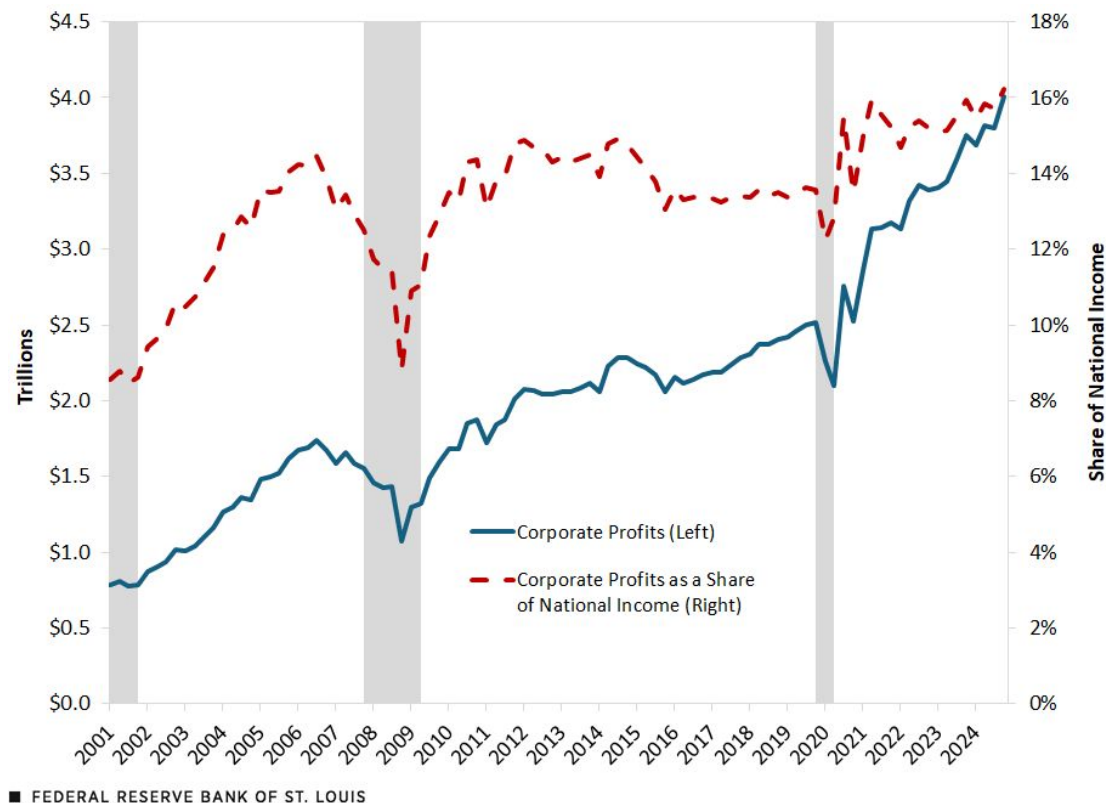
ADVERTISING REDUCES PRICE SENSITIVITY

Conagra Elasticities vs. Price per Unit
(Rolling 52 Week Periods)



Source: Circana POS and Circana Price Elasticity, Total US-MULO+C, Edible xBeverage, Rolling 52 Week-Periods Ended May 28, 2023

IT HELPS BOOST LONG-TERM PROFITABILITY



Source: Federal Reserve Bank of St Louis, 2025

ADVERTISING IS INTANGIBLE CAPEX...

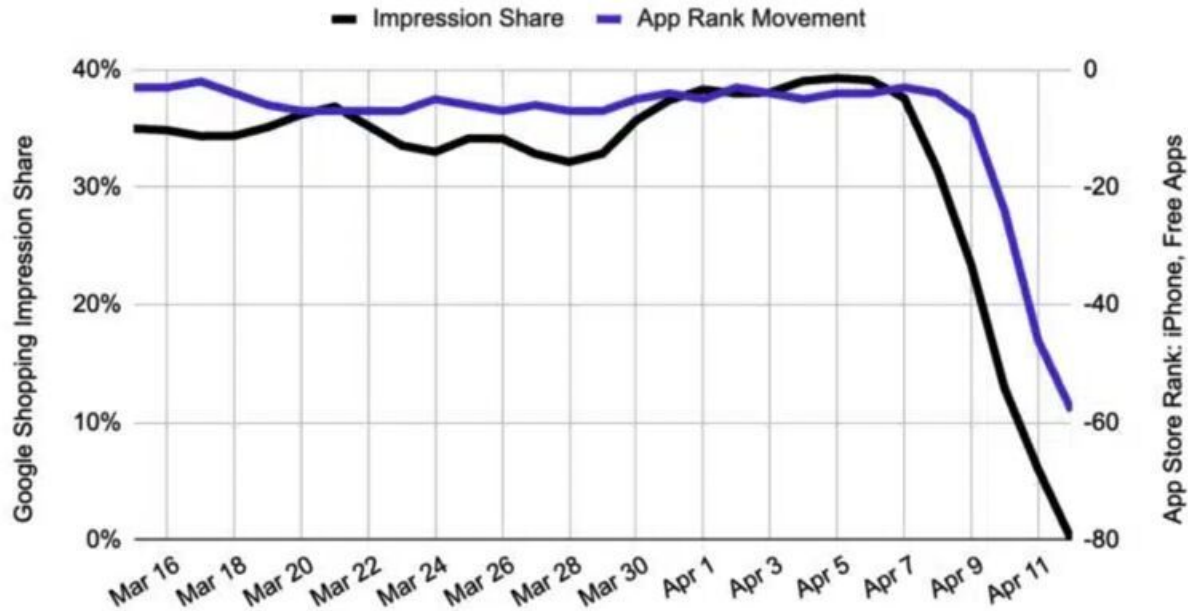


Source: Stock images

...AND IT NEEDS TO BE MAINTAINED

US: Temu Turned Off Google Ads, and App Rank Collapsed

Google data via Smarter Ecommerce; App data via Sensor Tower



CUTTING ADVERTISING SPEND IS A FALSE ECONOMY



$$2 + 2 + 2 + 2 = 8$$

$$2 + 2 + 1 + 2 = 7$$

$$2 \times 2 \times 2 \times 2 = 16$$

$$2 \times 2 \times 1 \times 2 = 8$$

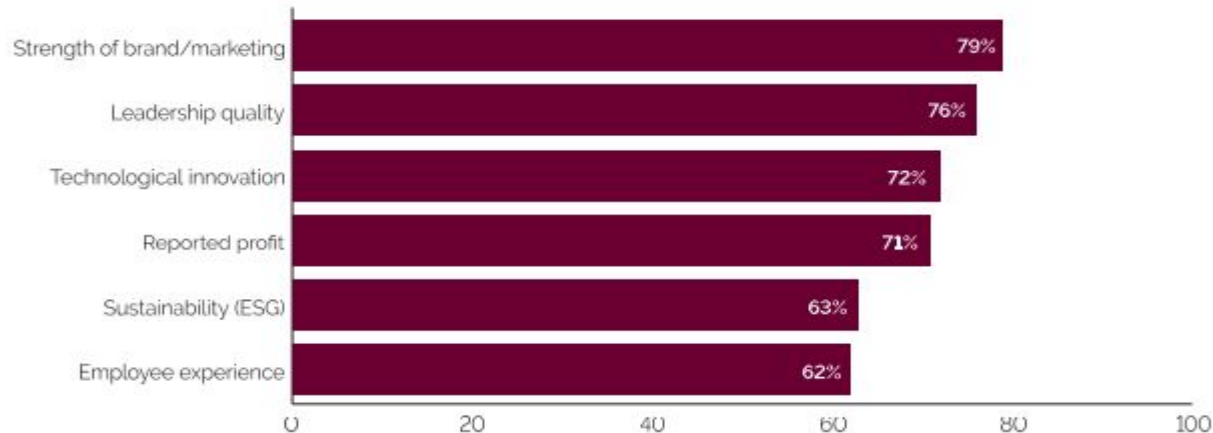
$$2 \times 2 \times 1 \times 4 = 16$$

Source: Stock Images, Liberty Sky Advisors

INVESTORS WANT BRAND STRENGTH

Strength of brand & marketing are cited more than leadership or tech innovation in analysts' appraisals

Q. Thinking about public companies in the industry or industries you cover, how important are the following factors to your appraisal and analysis. % responding "Very Important"



EFFWORKS

Source: Investment Analysts Research 2023 - IPA and Brand Finance Total sample; Unweighted; base n = 203

WHY ADVERTISING IS MORE IMPORTANT THAN EVER

WE ARE IN A NEW WORLD ORDER



INFLATION LIKELY TO BE PERMANENTLY HIGHER



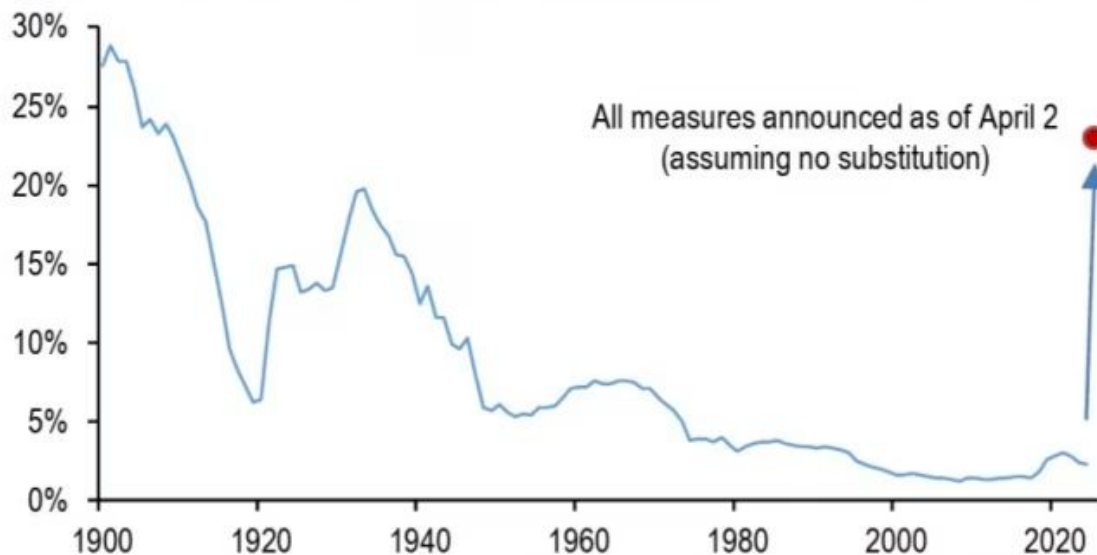
CHINA-PHILIPPINES SEA CLASH



TARIFFS LIKELY TO BE PASSED THROUGH TO CONSUMERS

Figure 1: The average effective tariff rate will go from what had been prior to Wednesday's announcement of around 10% to just over 23%

Tariffs collected as a share of imports, 1900-2024 as well as projected for 2025; %



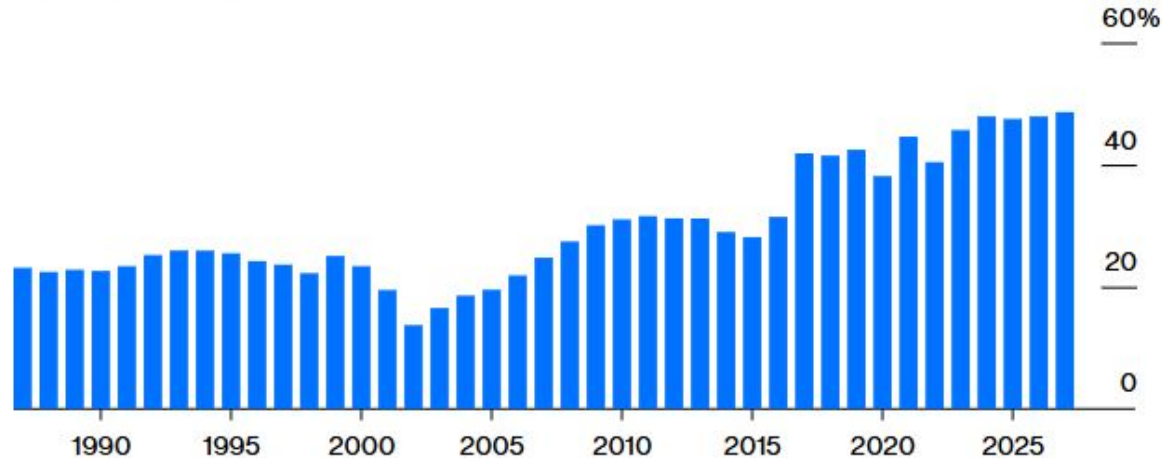
Source: J.P. Morgan, US ITC, Census Bureau

ADVERTISING IS CRUCIAL FOR MEETING MARKET FORECASTS

Profitability at McDonald's Is Soaring

Recent price hikes have outstripped the company's higher input costs

■ Operating margin



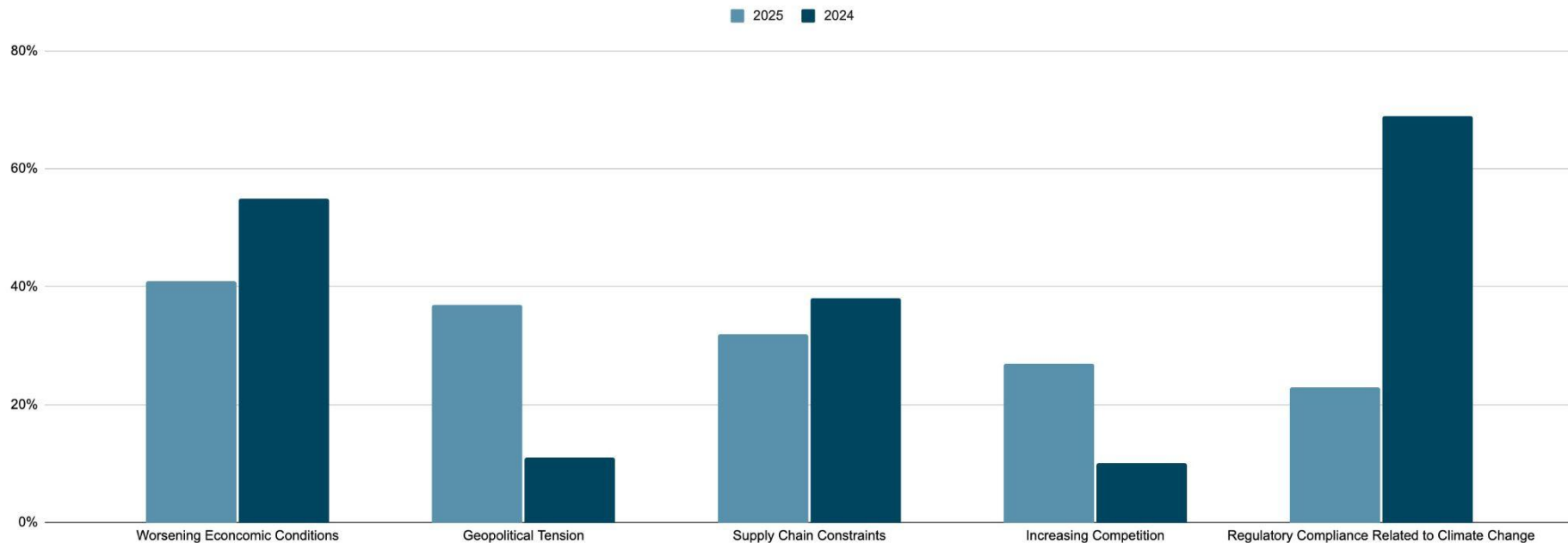
Source: Bloomberg

Note: Analyst estimates for 2024 through 2027.

Source: Bloomberg

ADVERTISING HELPS WITH CHANGING CORPORATE PRIORITIES

CFO's Top External Challenges



Source: SAP 2024 Global CFO Survey

THE FIGHT FOR SHARE OF WALLET

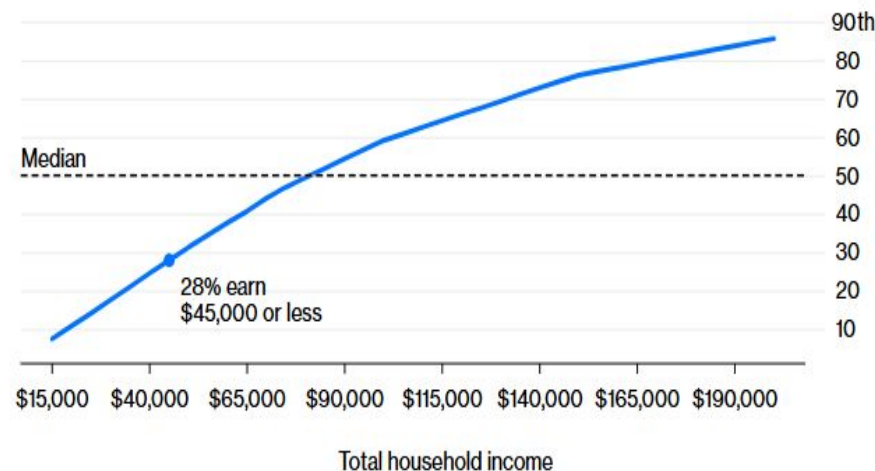
“What consumers will do when they start to pause on their spend is that they will concentrate on the master brand at the moment. If your brand is not really at the top of its form, the risk is that it will fall off shopping lists” *Source: Burberry Q4 23 results conference call*

BRAND STRENGTH NEEDS TO BE REPLENISHED



Many Households Struggle to Afford McDonald's

Household income by percentile



Source: Census Bureau

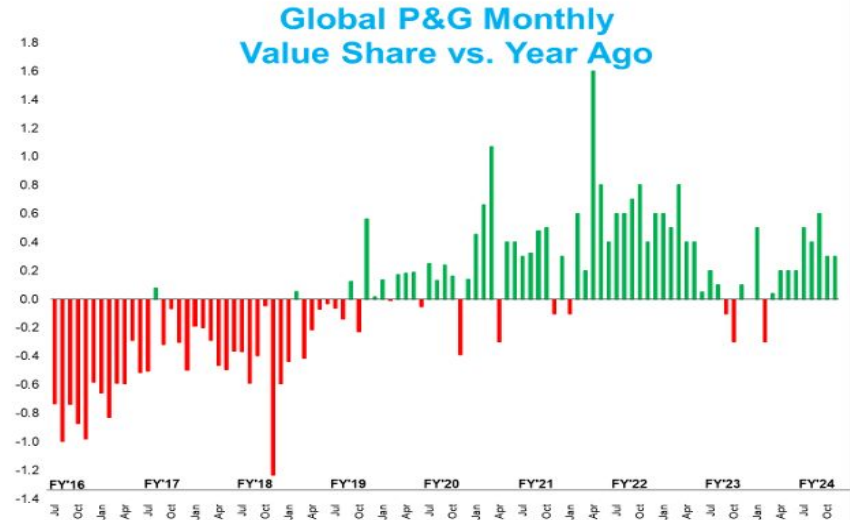
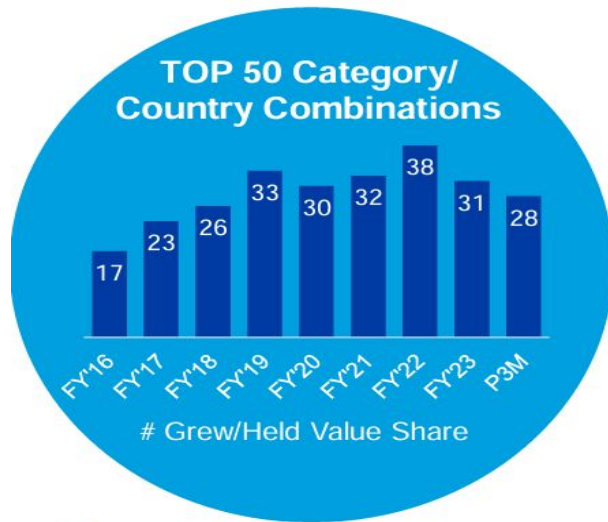
Note: Author's calculations based on 2023 data. Income rounded to nearest thousand.

Source: *Stick image, Bloomberg*

A REAL-LIFE EXAMPLE

HOW P&G's MARKETING LEADS TO SHARE GAINS...

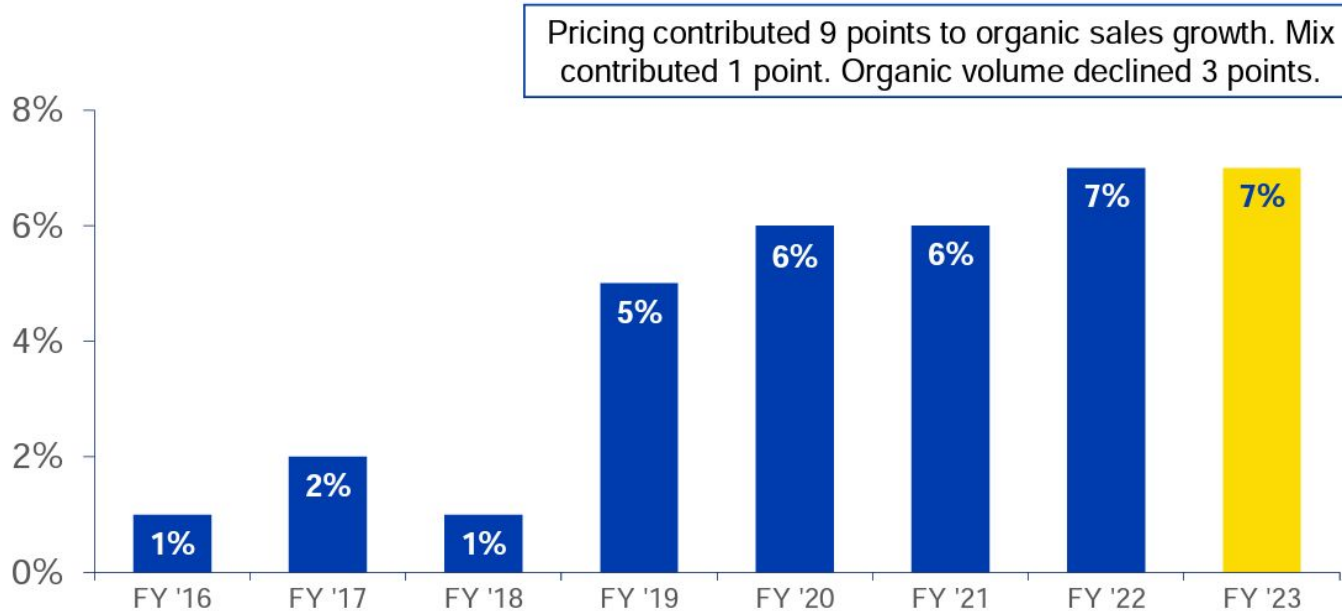
Global P&G Top 50 category / country combinations and Monthly Value Share vs a year ago



Share data through November 2023

...BETTER TOP-LINE GROWTH...

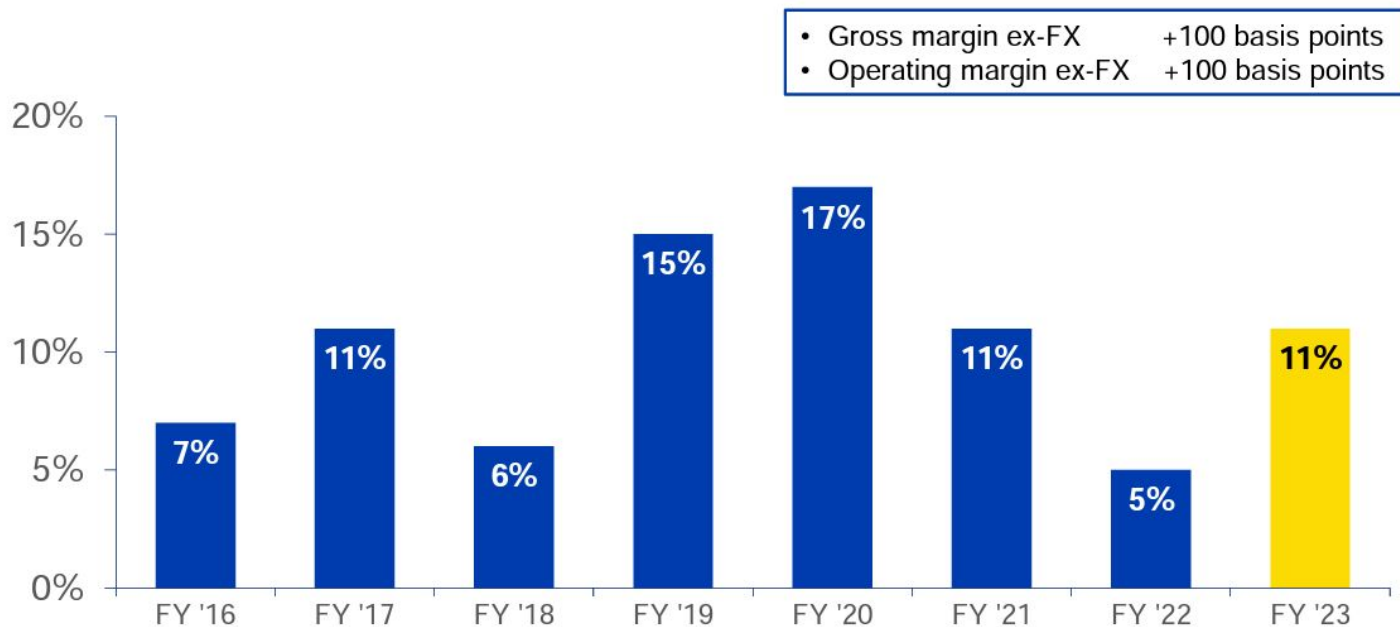
P&G organic revenue growth Fiscal 2016 - Fiscal 2023



Source: P&G FY23 results presentation

...BETTER PROFIT PERFORMANCE...

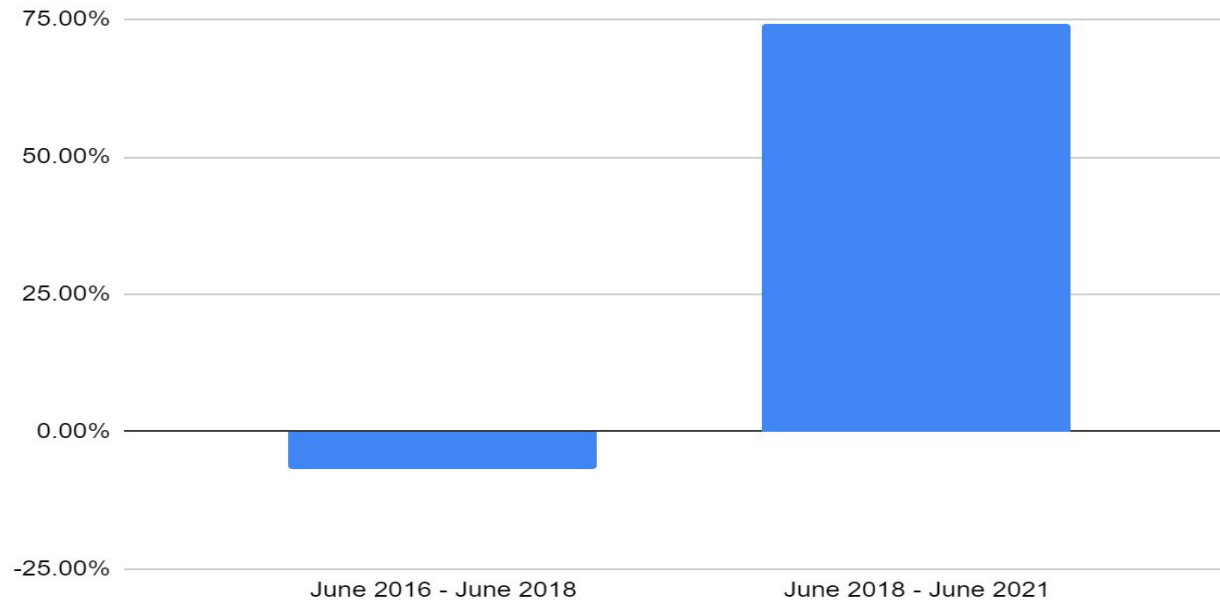
P&G FX neutral Earnings Per Share growth Fiscal 2016 - Fiscal 2023 (%)



Source: P&G FY23 results presentation

...AND A BETTER SHARE PRICE PERFORMANCE

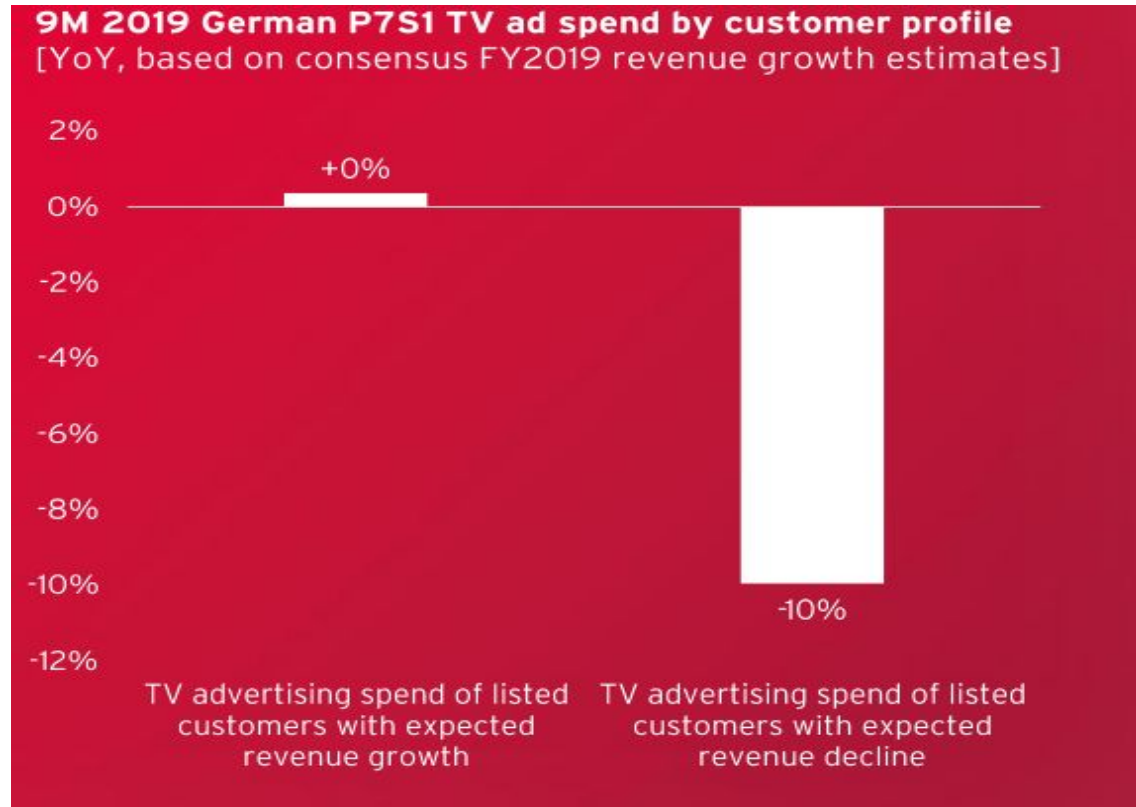
P&G share price performance relative to peers
June 2016 - June 2018 vs June 2018 - June 2021



Source: Factset. Peer group = Unilever, Nestle, Reckitt Benckiser, Mondelez

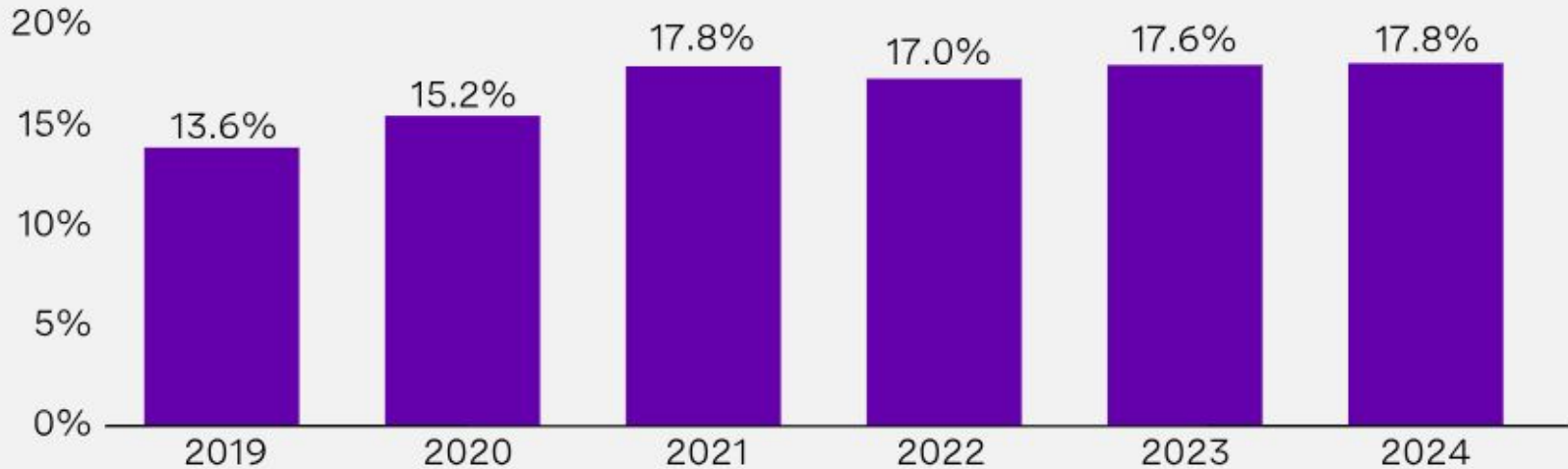
WHAT MARKETERS NEED TO UNDERSTAND (ABOUT CEOs, CFOs AND LIFE...)

CORPORATE PROFITABILITY DETERMINES (LARGELY) SPEND



CHANGE AT THE TOP IS INCREASING

Trending CFO Turnover: 2019-2024



CEOs AND CFOs ARE UNDER PRESSURE TO DELIVER

“Boards face a huge amount of pressure. And because of the need to look at quarterly results, they often take a very short-term view. And this has been a problem for marketing. It really comes down to accounting. Marketing is often seen as a cost.”

Source: Ian Whittaker, Liberty Sky Advisors quoted in “The X Effectiveness Equation” Google, 2025”

THE FINANCIAL CONSIDERATIONS

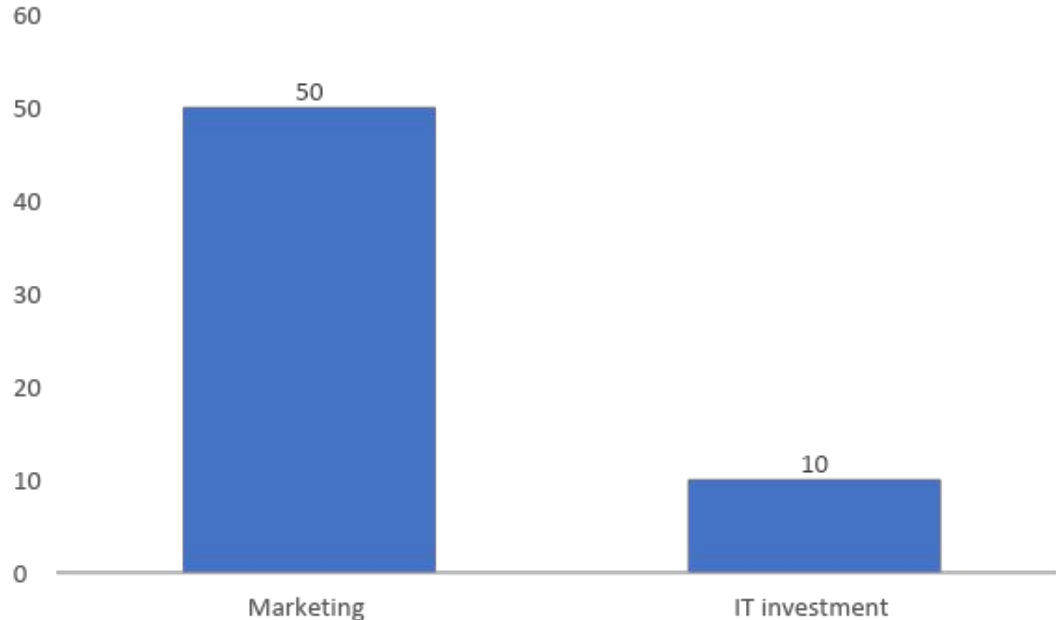
- THE HOLY TRINITY OF FINANCIAL STATEMENTS
 - The Profit & Loss (P&L) - revenues and costs;
 - The Balance Sheet - assets and liabilities;
 - The Cashflow statement - movements in cash.
- INVESTORS LOOK AT ALL BUT **P&L THE MOST IMPORTANT**
- P&L IS **NOT** CASH - CATEGORIES DICTATED BY THE ACCOUNTING STANDARDS (US GAAP / IAS)
- FOR LISTED COMPANIES, ANALYSTS PROVIDE FORECASTS ON EXPECTED PERFORMANCE.

THE ACCOUNTING OF ADVERTISING

- MARKETING = OPEX (OPERATING COSTS)
 - 100% recognised immediately in P&L in the year that occur
 - Other examples = Cost of Goods Sold, Staff Costs
- IT / R&D = CAPEX (CAPITAL EXPENDITURE)
 - Deferred / capitalised in the balance sheet
 - Value written down over time via depreciation and amortisation
 - Other examples = factories, buildings etc.
- KEY PERCEPTION - OPEX ARE COSTS, CAPEX ARE INVESTMENTS

WHY ADVERTISING GETS CUT

OPERATING PROFIT UPLIFT IN YEAR 1 FROM CUTTING £50M IF MARKETING SPEND VS CUTTING £50M OF IT SPEND AMORTISED OVER FIVE YEARS



WHAT MARKETERS NEED TO DO TO HELP THEIR CEOs / CFOs

RECOGNISE WHAT YOU HAVE IN COMMON

Marketing and finance decision-makers are aligned on the importance of marketing for growth

Marketing is a key driver of long-term growth



Marketing is essential for driving profitability



Marketing is a key driver of short-term growth



Marketing decision-makers



Finance decision-makers

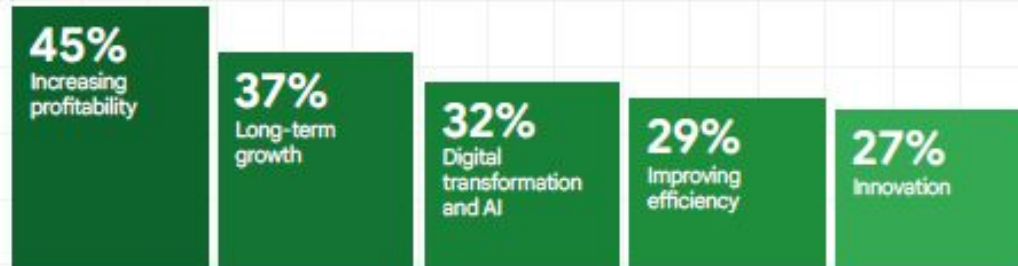
SPEAK THE LANGUAGE OF THE CFO

Company priorities for marketing and finance decision-makers

Marketing decision-makers



Finance decision-makers



KNOW YOUR COMPANY, KNOW YOUR INDUSTRY

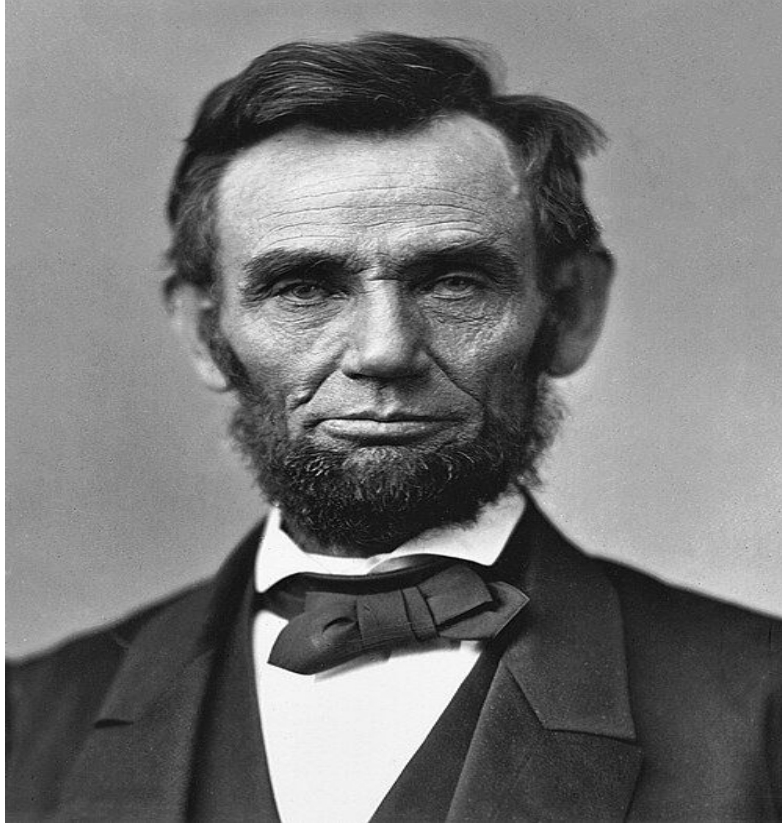
**Brightening
everyday
life for all**

**Unilever Annual Report
and Accounts 2024**



Source: Unilever 2024 Annual Report

KNOW THE DETAIL



"Give me six hours to chop down a tree and I will spend the first four sharpening the axe."

Abraham Lincoln

CONFIDENCE IS KEY

“If I saw a solid business case from marketing, I would sign the cheque right away.” Source: CFO to a CMO, quoted in “Source: “The X Effectiveness Equation” Google, 2025”

DON'T GET LOST IN THE DATA



Source: United States Army

DEVELOP A NARRATIVE



Source: Stock images

POINTS TO REMEMBER

- FORECASTS NEED CONSTANT UPDATING AND REVIEW TO ENSURE THEY REFLECT THE LATEST DATA, FINDINGS, PRIORITIES ETC – IT IS AN ITERATIVE PROCESS;
- NO FORECAST IS EVER EXACTLY 100% RIGHT – WHICH IS WHY COMPANIES UPDATE THEIR GUIDANCE CONSTANTLY (AND ANALYSTS THEIR FORECASTS);
- THERE IS NO MATHEMATICAL FORMULA THAT GUARANTEES SPENDING X WILL GENERATE Y;
- MUCH OF THE VALUE IN AN INVESTMENT COMES IN THE OUTER YEARS SO IT IS IMPORTANT TO HAVE ACCURATE DATA TO REFLECT THE LIKELY TRUE VALUE OF AN INVESTMENT;



THANK YOU