



BUSINESS COMMENTARY

## Unilever's Russia exit strategy is better late than never

Alistair Osborne

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**S**ome publicity money can't buy. How about being branded an "international sponsor of war" by the Ukrainian government? Or having the self-styled Moral Rating Agency calculate that a company's enduring presence in Russia, and the taxes it paid, could finance "46 bullets per second"?

It's the flak that's been fired at Unilever since [Putin began his latest assault on Ukraine](#) in February 2022 — all the more deservedly, too, because it exposed the consumer goods group's prize hypocrisy. How could a company boast about its brands being on "a global mission to do good", while also ensuring the Kremlin was kept in steady supply of Magnum ice creams, Pot Noodles and the whiter-washing powers of Persil? Not to mention Dove, the soap with the ironic peace sign.

The mental gymnastics required to keep up such doublethink must have been exhausting. And why couldn't it see that its continuing presence in Russia delivered Putin both a propaganda coup and cash?

Last year Unilever had around €600 million sales in Russia, making net profits of about €70 million. On that it paid about €35 million in taxes to Putin's killing machine: a similar sum to 2022.

So, after all that, [at last some good news](#). Hein Schumacher, the Unilever boss in charge since July 2023, has finally brought this sorry saga to a close. He's managed to sell the Russian business, with four factories and 3,000 employees, for €520 million — not far shy of its €600 million net assets. The shares, at £47.85, barely budged.

The buyer is the local perfume and household products maker Arnest, owned by the industrialist Alexey Sagal, whose war gains have included carrying off Heineken's Russian business

for a token €1. Unilever's assets in Belarus are included in the sale. And with Sagal not facing sanctions, it says there are no issues taking his money.

Still, the deal approved by Moscow does raise a key question. How come Schumacher has found an exit from Russia when his predecessor, Alan Jope, had always maintained that the "least bad option" was to stay in and let the business atrophy? He'd argued that closing it down put local managers at risk, with Putin declaring that such action amounted to a criminal bankruptcy. And that any sale to a local business could see Russia "seize the intellectual property". Far better, he said, to stop marketing, bar imports and exports and see a shrinking business become less valuable to the Kremlin. Seeing Russia seize the assets of Danone and Carlsberg reinforced his case.

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Schumacher was on the board as a non-exec from October 2022, so was no stranger to Jope's stance. But shortly after taking charge he responded to a letter from Oleh Symoroz, a 26-year-old war veteran who had to have both legs amputated after fighting for his nation's freedom. Schumacher told him he would look at the issue "with a fresh pair of eyes".

Unilever's exit is proof he did — helped by Ian Meakins, the chairman since December. As Schumacher put it, "over the past year" Unilever has prepared the business for sale: a "very complex" task that's involved "separating IT platforms and supply chains, as well as migrating brands to Cyrillic", so getting round the intellectual property problem. Maybe it's easier nowadays to sell a business in Russia too. But surely it could have tried harder to get out sooner.

Still, credit to Schumacher for getting there at last. You can't run a company "making sustainable living commonplace" when you're selling to a bloke doing the precise opposite in Ukraine.

## Healthy deal

Finally, a chance to get back on the drugs. Dame Emma Walmsley has had her highs and lows at GSK. But little proved such a downer as having to spend her time with roomfuls of lawyers, dealing with US litigation over its former blockbuster Zantac: the drug tens of thousands of Americans claimed had caused their cancer.

It was enough to give anyone heartburn, not least the GSK boss. So, what better way to make the problem go away than [write a cheque for up to \\$2.2 billion](#)? It looks a lot of money, when GSK maintains that "scientific consensus remains that there is no

consistent or reliable evidence” that ranitidine, the active ingredient in Zantac, “increases the risk of any cancer”.

Yet, when the issue first worried the market in 2022, Morgan Stanley analysts reckoned GSK could be in for the bulk of a \$45 billion industry hit. There’s been a share price overhang since.

True, estimates have come down, with analysts lately putting the likely damage to GSK at “\$2 billion to \$8 billion”. But you can still see why it reckons it makes sense to settle with 80,000 cases, 93 per cent of the total, and “remove significant financial uncertainty, risk and distraction”. GSK shares rose 3 per cent to £15.05: a swift £1.95 billion gain in market value.

Walmsley can now focus on the real job: proving GSK really does have a profitable pipeline, spanning oncology, HIV and respiratory drugs. The one downer? From now on, she won’t be able to blame a flagging share price on Zantac.

Money for nothing

How time flies on the starfish enterprise. Rewind to 2021 and Softbank took out an option valuing THG’s “Ingenuity” e-commerce wing at \$6.3 billion. Now? Far from being the group’s star turn, bringing everything from logistics to “deep consumer insights”, the THG boss Matt Moulding is inviting investors to cough up £75 million just to get shot of it. Even after that, the demerged cash-hungry business will only have “an equity valuation” of “up to £100 million”. It’d be cheaper to close it down. Don’t boldly go on this trip.

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Re GSK. If they're innocent they should fight their corner. Expediency is all well and good, but settling the cases is effectively admitting they had an issue.

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Settling a dispute can be sensible whether or not there is an "issue" because it allows people to move on. GSK also had to factor in the dubious jury system in the US, which deals out verdicts largely based upon partisan principles. It is why, for example, US owners of US patents nearly always choo...  
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Exit strategy: there are hundreds of western companies still either fully trading in Russia or knowingly trading in countries who pass sanctioned goods to Russia. Just one example, among 26 companies in France still trading in Russia, is the Mulliez Group. They continue to gain 18% of their glob...  
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Pleased to see the GSK situation move forward, but at quite a price. We should hear more later this month. There has been some good momentum recently and we just might see GSK turn around years of under performance in 2025. It's possible.

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**Simon Price**

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THG's Ingenuity from £6B+ to minus £75M is some going. Until very recently it was always the jewel in the crown, massive potential etc. Now can't even give it away. Any remaining shareholders from the IPO will be even more disillusioned with the abilities of the senior management team.

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