# Unilever Rises Most in Six Years After Hiring Nestle's Polman

By Celeste Perri and Jeroen Molenaar

Sept. 4 (Bloomberg) -- Unilever, the second-largest consumer-products company, rose the most since 2002 in Dutch trading after hiring Paul Polman from bigger rival Nestle SA to lead the company as consumer spending slows.

Polman, 52, is the first outsider to become chief executive officer in Unilever's 78-year history. He was Nestle's chief financial officer before he was passed over in the contest to lead the Swiss company a year ago. Current CEO Patrick Cescau will retire at the end of 2008, said Rotterdam- and London-based Unilever, which makes Dove soap and Lipton teas.

Analysts praised the Dutch-born Polman for executing the largest buyback at Nestle, whose shares slumped when the company chose Paul Bulcke as CEO. Polman takes over as soaring costs for commodities prompt food companies to raise prices, with Nestle's sales holding up better than those of Unilever.

``Polman is probably the best candidate in the world to become CEO,'' said *James Amoroso*, a food industry consultant at *Amoroso* in Walchwil, Switzerland. ``He was probably the only logical choice.''

Unilever, whose other brands include Ben & Jerry's ice cream, rose as much as 6.9 percent and was 1.27 euros, or 6.7 percent, higher at 20.10 euros as of 13:11 p.m. in Amsterdam. A close at today's high would represent the biggest gain since July, 2002. Nestle shares were little changed in Zurich.

## Cescau's Tenure

Cescau, 59, was named the company's first sole CEO in 2005 after a plan to restore growth failed. He sold Unilever assets with weaker sales growth, including European frozen foods and perfumes. The detergent maker, which maintained its goal for annual revenue growth last month, is eliminating 20,000 jobs.

``Unilever has made enormous progress under Cescau,'' Polman said in an interview from Geneva today. ``The company has clearly gained dynamics under him and it will be a great challenge to continue that.''

Polman is the third outsider to take one of Unilever's top three jobs in two years. James Lawrence, who formerly worked at General Mills Inc., was named chief financial officer a year ago. Michael Treschow, former head of Electrolux AB, last year took over as chairman from Antony Burgmans, who presided over a five-year plan to shed 1,200 brands.

Unilever scrapped its dual chairman structure in 2005 in order to quicken the management decision-making process and allow the company to respond to consumer demand more quickly.

## Challenges

The new chief will face ``rising input costs and a tough economic environment,'' Cescau said in a telephone interview. He repeated an August forecast that the increase in raw-material costs will be about 2 billion euros this year. Unilever has seen some slowing in cost increases in the past months, he said.

Polman was the board's ``first choice,'' Cescau said, adding that the timing of his departure was his own decision. He won't become a non-executive director after he leaves.

Unilever, formed in a 1930 merger between U.K. and Dutch companies, fell the most in five years in July after the company missed analysts' second-quarter earnings estimates. Volumes declined in both Europe and the U.S., where the company said revenue growth came entirely from price increases. Nestle's volume growth has decelerated rather than suffering a decline.

Before today, Unilever had slid 25 percent this year in Amsterdam trading, compared with Nestle's 6.5 percent drop. Unilever had risen 12 percent since Cescau took the helm on Feb. 10, 2005, compared with Nestle's 54 percent gain in that period.

## Stock `Kickstart'

``I'm glad Polman's coming,'' said Felix Lanters, who helps manage about 12.5 billion euros ($18.1 billion) including Unilever shares at Amsterdam-based Theodoor Gilissen Bankiers NV. ``Unilever's stock hasn't been doing too well lately. This could be a kickstart.''

Prior to Nestle, Polman worked at Cincinnati-based Procter & Gamble Co., the world's largest consumer-products maker. He was Vevey, Switzerland-based Nestle's CFO until January. He resigned from the company today with immediate effect.

``He has a deep knowledge of Nestle and the food industry as well as three decades of P&G and home and personal care experience,'' said *Amoroso*, the food industry consultant.

Still, not everyone is convinced.

``He was passed over at Nestle,'' said Martin Deboo, an analyst at Investec Securities in London. ``Therefore Unilever is sort of buying damaged goods. Unilever's challenge now is to try and hold the existing senior team together. There will be some disappointment there.''

Luis Cantarell will replace Polman as head of the Americas, the Swiss company said in an e-mailed statement today. Cantarell has led Nestle's business in Europe since 2005.

``Polman was very popular with investors, and his departure had been feared,'' said Patrik Schwendimann, a Nestle analyst at Zuercher Kantonalbank, after today's announcement.

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