



Nestlé

Good Food, Good Life

CAGNY 2017

February 23, 2017

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Disclaimer

This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Agenda

- ✓ Overview Of Nestlé
- ✓ Long-Term Value Creation
- ✓ Structural Cost Saving Initiatives
- ✓ Summary

Agenda



Overview Of Nestlé



Long-Term Value Creation



Structural Cost Saving Initiatives



Summary

The Nestlé story

150 years of portfolio evolution



Henri Nestlé
1867



George H. Page
Anglo-Swiss Condensed Milk Company
1866

1905



NESCAFÉ

1938



1960s



1980s



MÖVENPICK



2000s



2011



Nestlé Skin Health

2014

1929



1947



1970s



1990s



2010



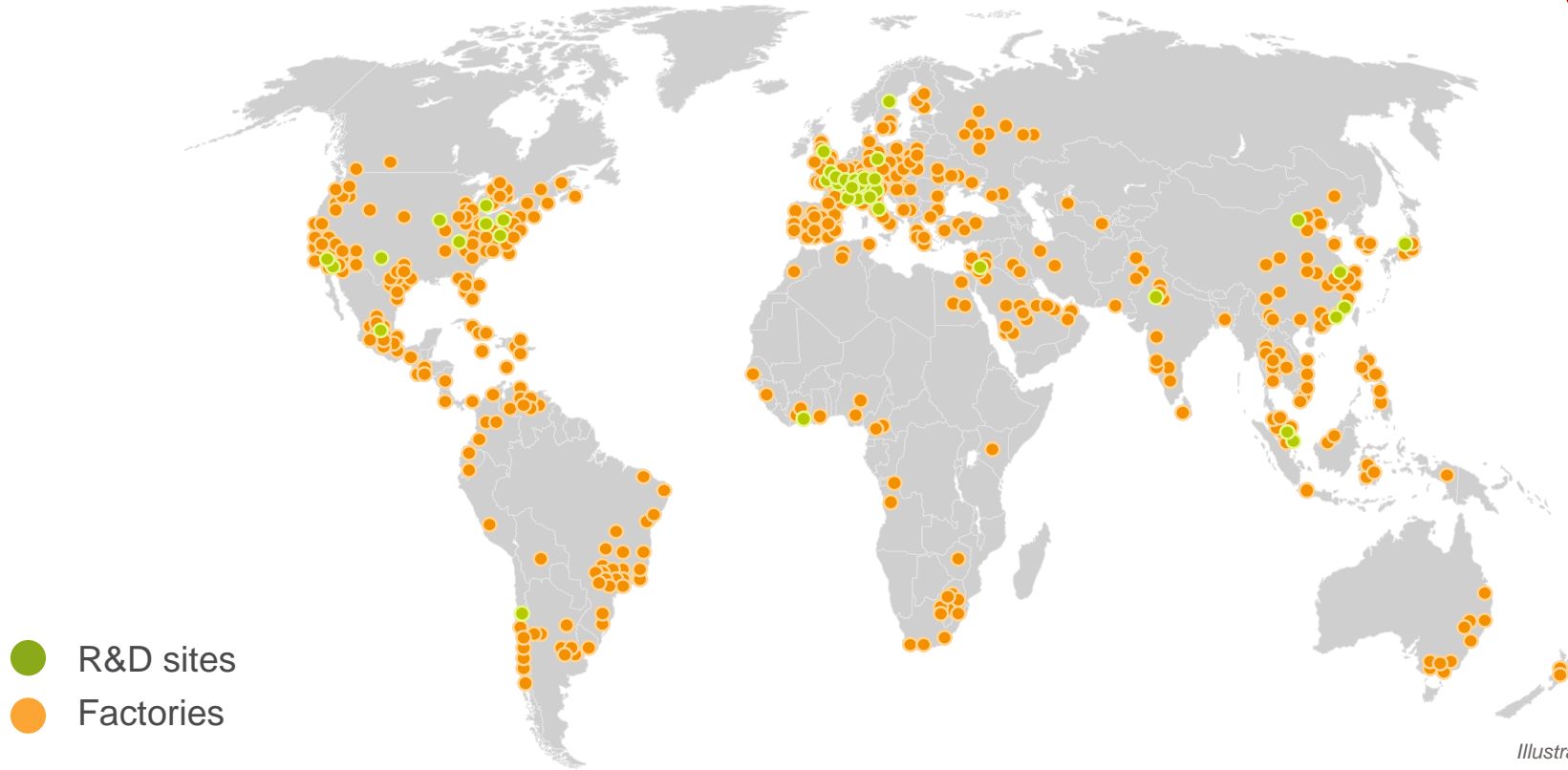
Wyeth|Nutrition

2012



A strong global footprint

Unmatched
geographic
presence



- R&D sites
- Factories

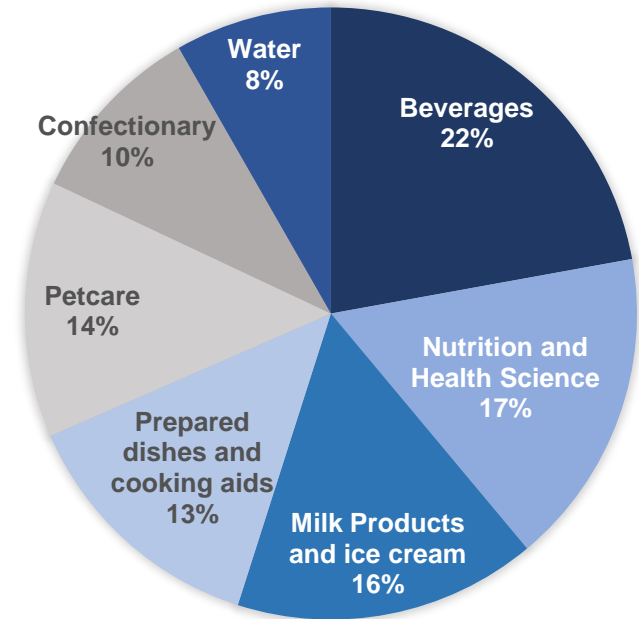
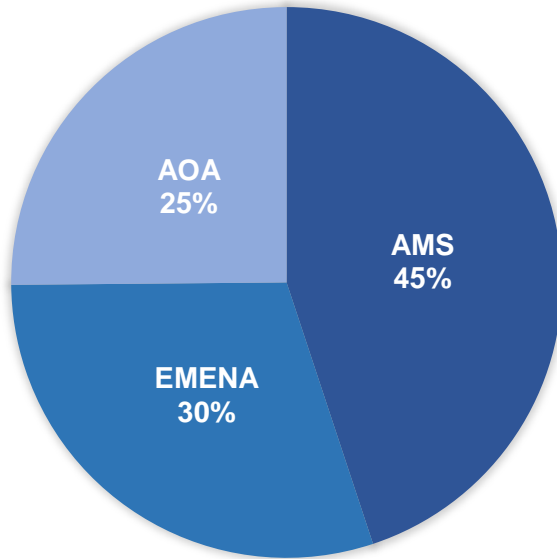
Illustrative



Very diversified and balanced portfolio

Diversified
by geography
& category

Sales Contribution 2016



Strong global and local brands

34 billionaire brands; local jewels



Agenda



Overview Of Nestlé



Long-Term Value Creation



Structural Cost Saving Initiatives



Summary

Commitment to long-term value creation



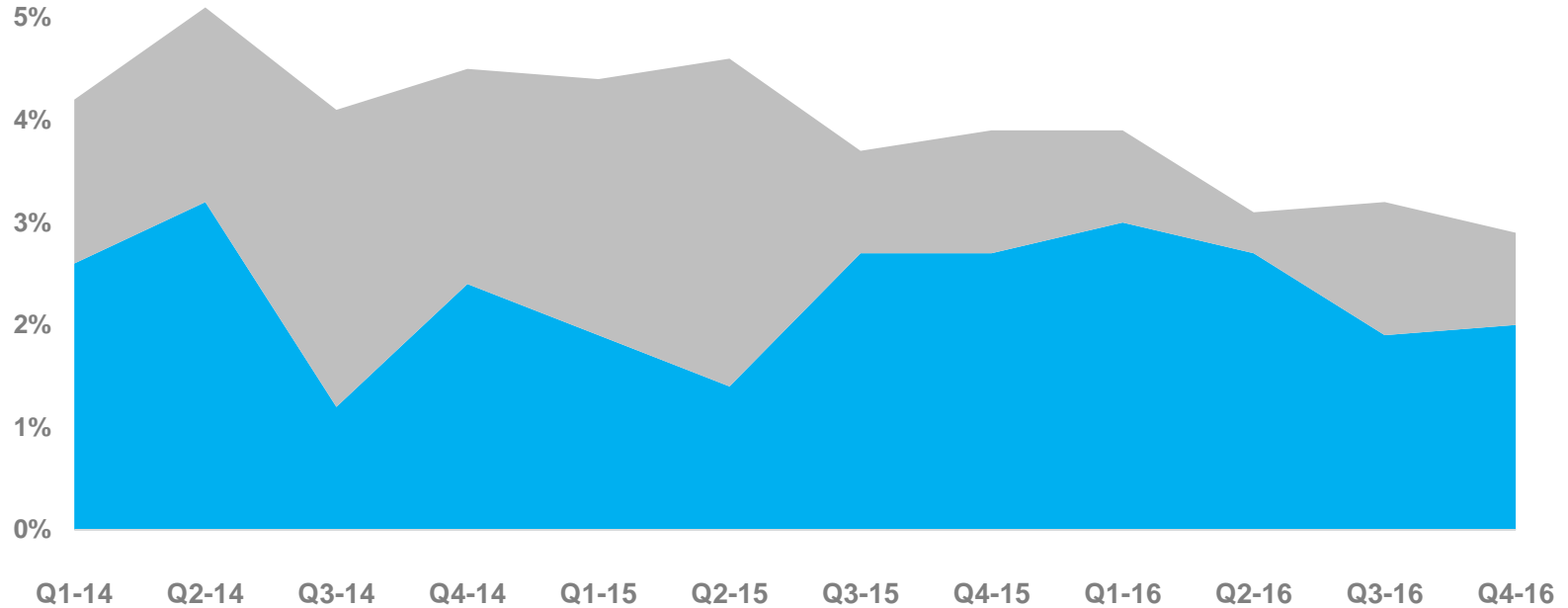
- Nutrition Health and Wellness Strategy
- Balanced top and bottom-line growth key to long-term value creation:
 - ❑ Invest selectively in fast-growing categories and regions
 - ❑ Address underperforming businesses
 - ❑ Portfolio management
 - ❑ Product and business model innovation; Embrace digital opportunities
 - ❑ Leverage existing efficiency culture; Execute structural savings projects
- Continuous FCF improvement to support sustainable, growth-oriented dividend
- Prudent approach to capital allocation, including M&A



Quality Organic Growth driven by Real Internal Growth

Industry-leading volumes (RIG)

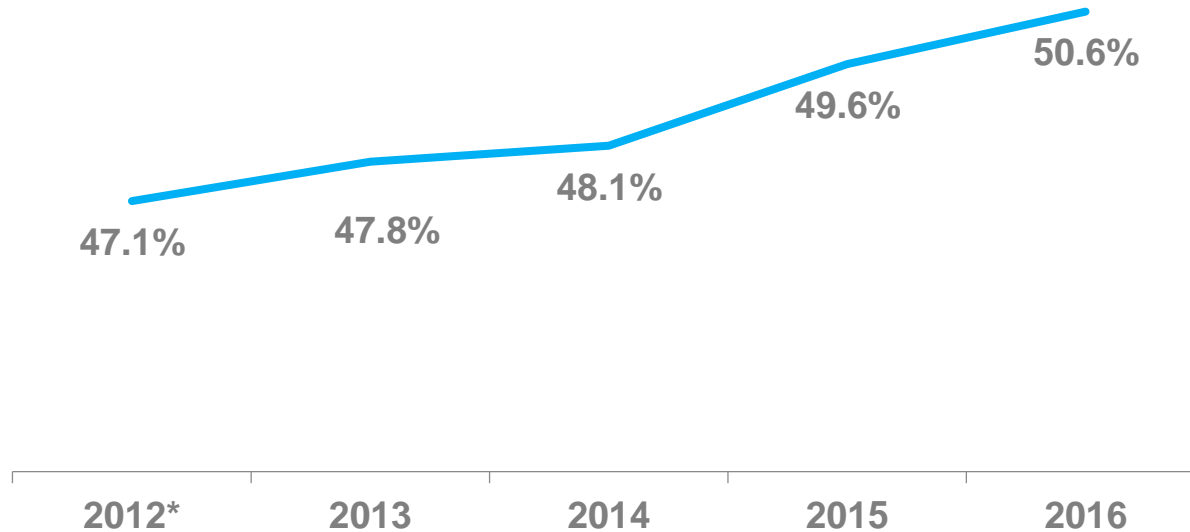
■ % Pricing
■ % Real Internal Growth



Cost efficiencies and portfolio management driving gross margin evolution

Gross Margin
+350bps in 4
years

Gross margin as a % of sales



*Re-stated

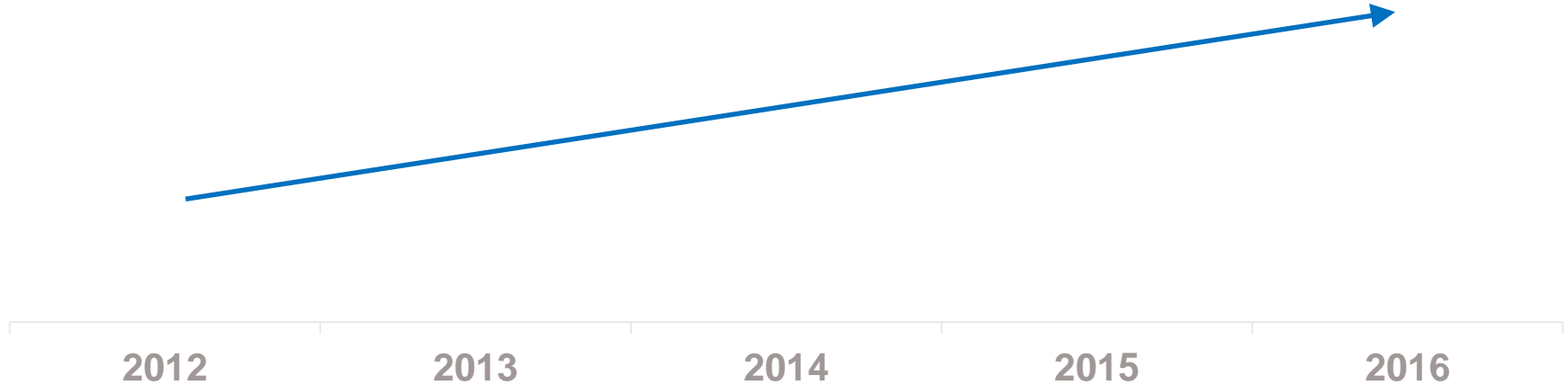


Continuous margin-improvement over time



Trading Operating Profit (TOP) margin improvement
in bps 2012-16 (constant currency)

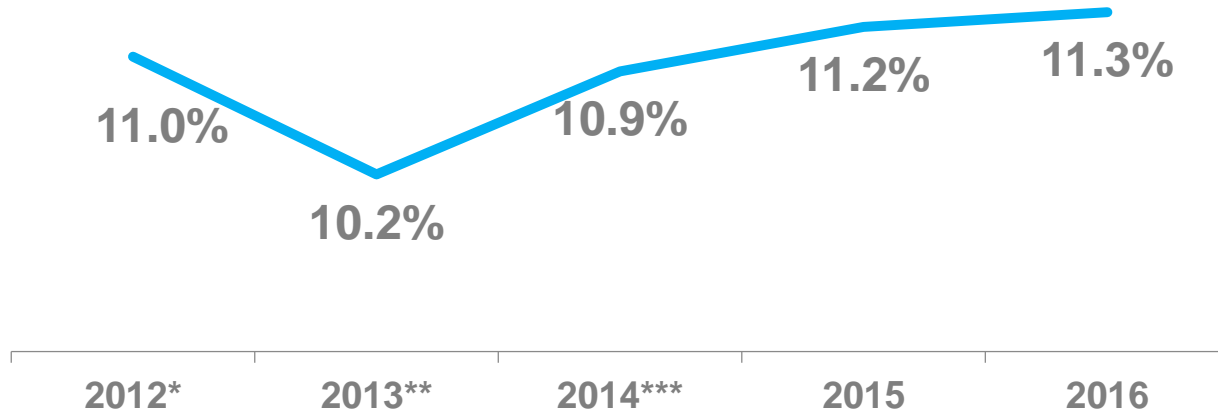
+28 bps / year



Consistent industry-leading cash flow generation



Free cash flow as a % of sales



*Re-stated

** Adjusted for exceptional income due to Givaudan disposal (CHF 1.1 bn)

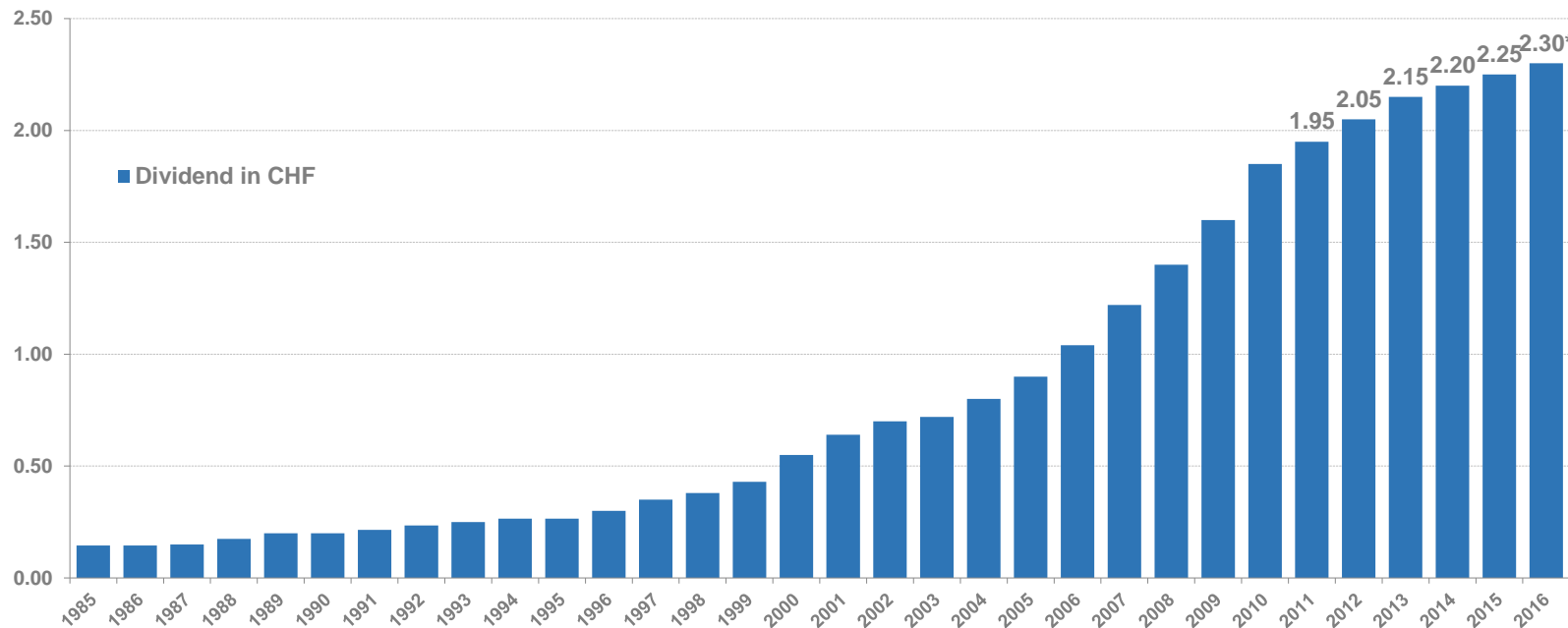
*** Adjusted for exceptional income due to L'oréal transaction (CHF 4.1 bn)



Sustainable dividend per share in CHF



22nd consecutive year of increase



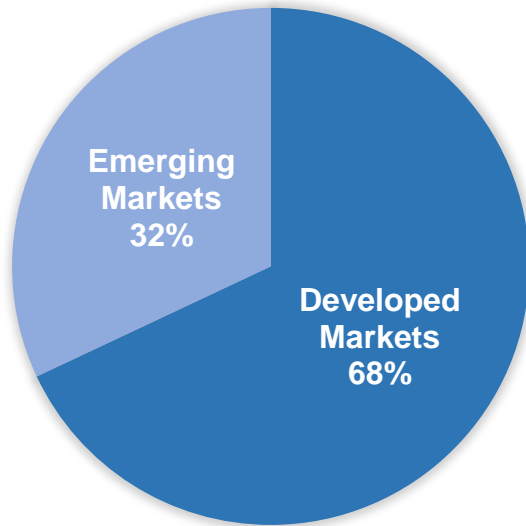
*Proposed dividend 2016



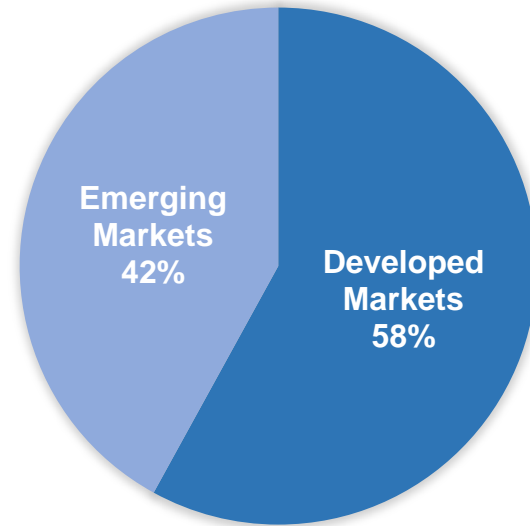
Balanced Emerging and Developed Markets



Sales contribution 2007



Sales contribution 2016



Driving our profitable growth in emerging markets



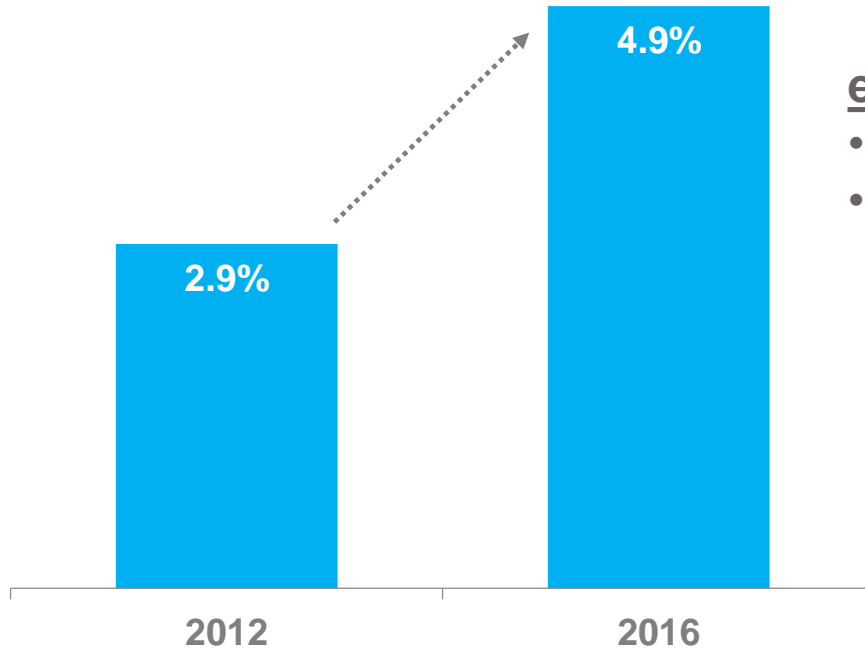
	Developed	Emerging
Sales	58%	42%
Annual Growth 12-16	+1.6%	+8.3%
Growth in Marketing Spend index	100	115
Profit		<



Quality growth: leading in eCommerce



■ eCommerce as % of Group Sales



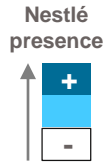
eCommerce Sales (FY15 vs FY16):

- Group: +18%
- Ex-Nespresso: +34%

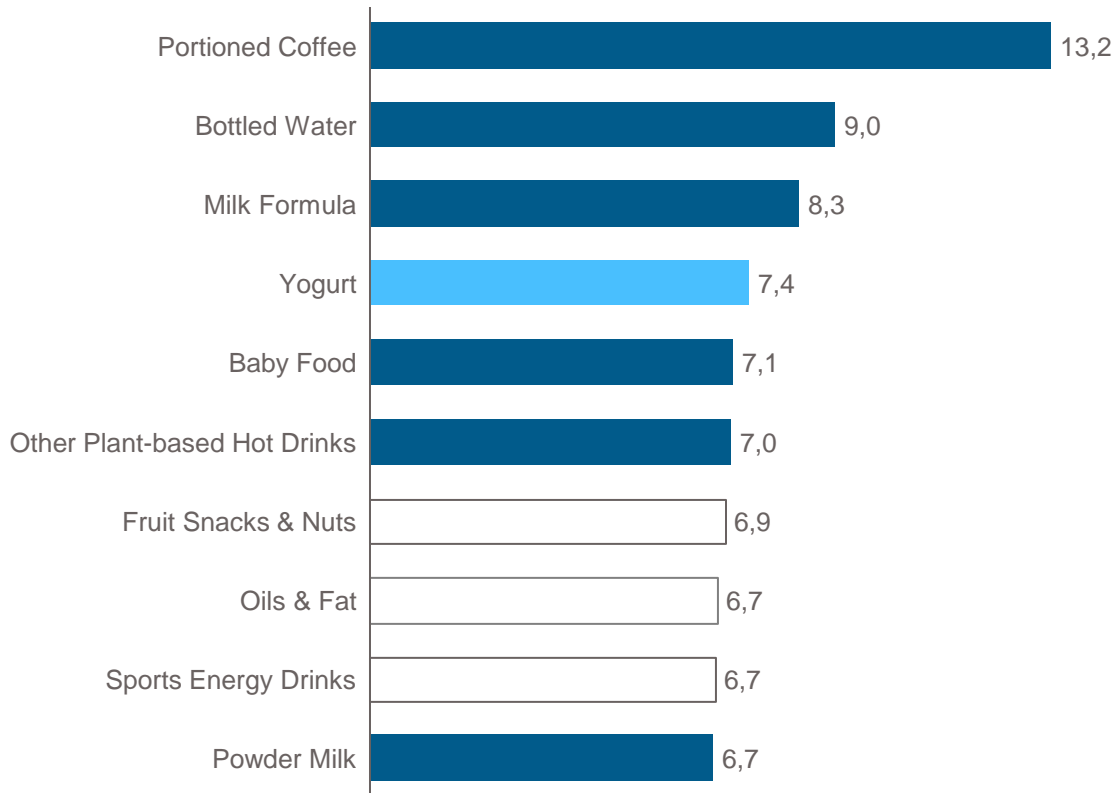


Playing in the right categories

Leading positions in growing categories



F&B fastest growing categories (CAGR 2013-16, %)

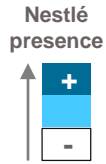


Source: Euromonitor
(categories above \$7 bn value RSP)

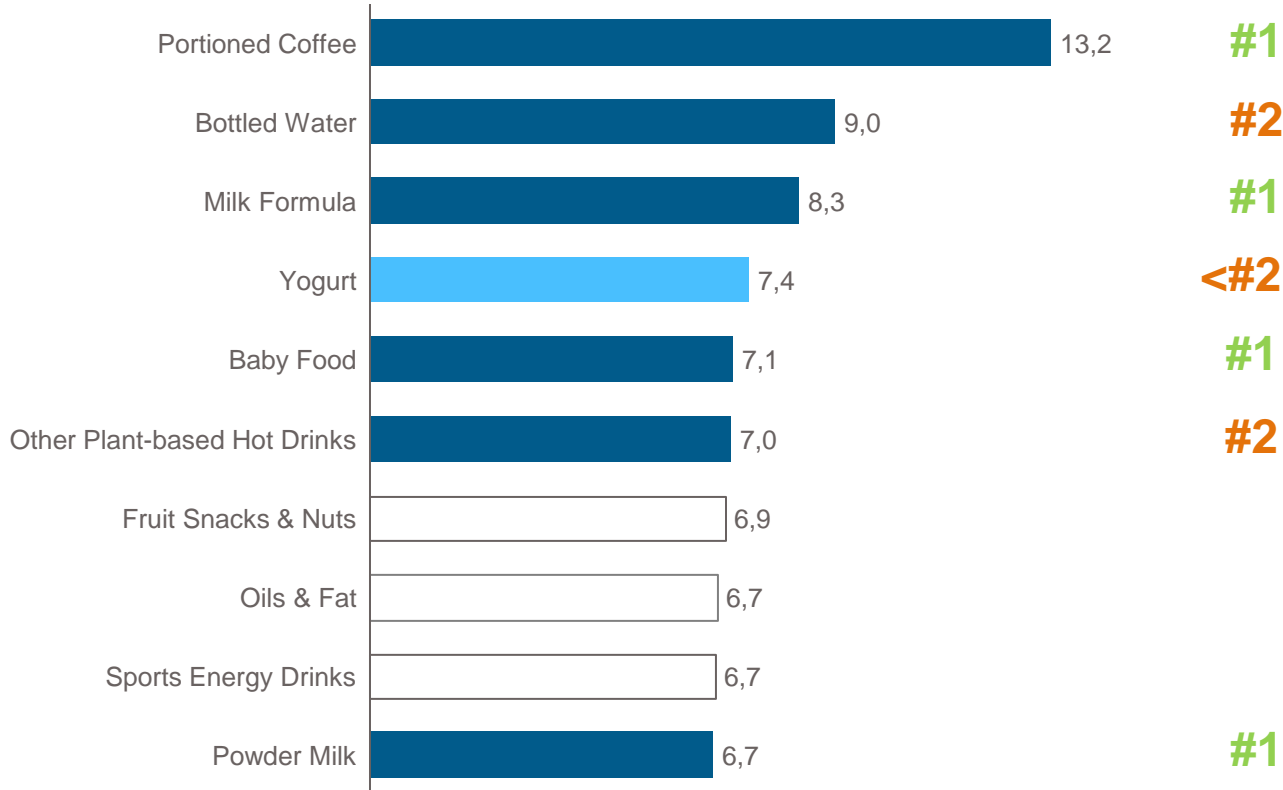


... and leading these categories

Leading positions in growing categories



F&B fastest growing categories (CAGR 2013-16, %)



Source: Euromonitor
(categories above \$7 bn value RSP)



Growth driven by innovation

30% of sales come from products innovated or renovated in the last 3 years

Innovation
And
renovation

Premiumisation



Les Recettes de l'Atelier



Nescafé Gold Barista



Nespresso Vertuoline



Coffee-mate Natural Bliss

Nutrition and Added-value Science



Nido FortiGrow



ProNourish



Milo ready-to-drink



Wyeth Illuma



Focusing on our billionaire brands*

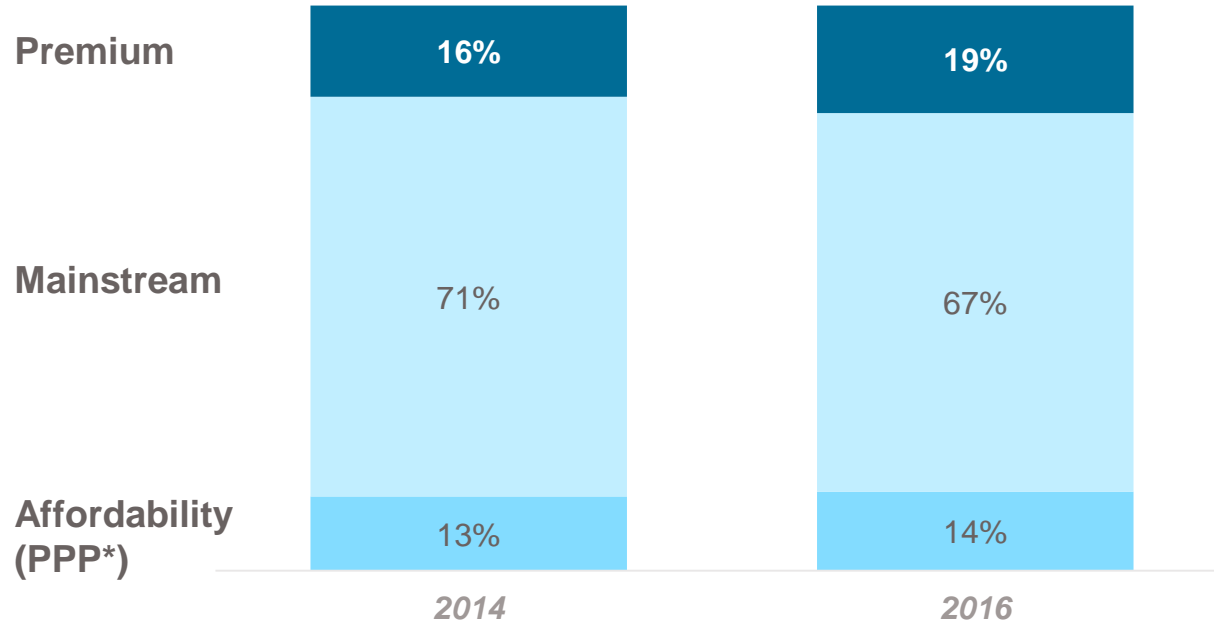


	Billionaire brands	Rest of the Group
Net Sales	77%	23%
Growth	+5.2%	+1.9%
Marketing spend	80%	20%
Profit	83%	17%

**Figures represent averages 2012 - 2016*

Addressing the polarization of consumer trends

Premium &
Affordable
grow >
mainstream



Average OG over the period 2014-2016
* PPP: Popularly Positioned Products



Driving our NHW profitable growth journey



Performance of businesses vs. NHW dimension*

	NHW below average	NHW above average
Sales %	50	50
Growth index	100	180
Marketing spend index	100	100
Profit index	100	150

* NHW dimension measured by % of Net Sales with 60/40 win and Nutritional Foundation – Analysis excluding categories which are 100% NHW



Agenda



Overview Of Nestlé



Long-Term Value Creation



Structural Cost Saving Initiatives



Summary

Identified eight structural savings beyond NCE

3 Pillars to our structural savings projects

Estimated structural savings by 2020

1

Operations

Raise our asset intensity by 10 percentage points

2

Procurement

Leverage on scale through global sourcing (from 40% today to 60%)

3

G&A Expenses

Consolidate Nestlé in the markets, delayer functions, improve facility management and increase shared services

>200bps



2016 Achievements: Operations

Sweating our
assets

Objective

“Sweat” assets:

- *Reducing conversion and distribution costs*
- *Optimize our industrial footprint*
- *Increase capacity utilization*

Achievements 2016

- Accelerated # of lines under TPM* from 12% to 22%
- Increased asset intensity by 400bps
- Full factory footprint review concluded
- 8 factories closed or sold

* TPM: Total Performance Management



2016 Achievements: Procurement

Leveraging
our scale

Objective

- *Implementing ONE procurement model across Nestlé*
- *From 40 to 60% of Global Buying*
- *Optimize purchasing back-office*

Achievements 2016


- 3 global hubs of purchasing organization set up: 60% of positions staffed
- 6 markets go-live
- 3 categories go-live: Dairy, Metals and Media



2016 Achievements: NBE

Simplifying
and
leveraging
scale

Objective



Business
Excellence

FUEL FOR GROWTH

SIMPLIFY · STANDARDIZE · SHARE

Optimize Global End-to-End Flows	Provide World Class Business Services <small>Global Business Services</small>	Support Demand Focused Organizations
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CONTINUOUS EXCELLENCE
ENABLE THROUGH PEOPLE
Alignment, Leadership and Lean ways of working

GLOBE
ENABLE THROUGH TECHNOLOGY
Processes, Data and Systems

Achievements 2016

- Four out of six new business process designs completed
- Increase in Shared Service Center coverage +60% (cost coverage from 6% to 10%)
- Set-up two new Shared Service Centres in China and Portugal, taking total to nine



2016 Achievements: Site Optimization

Site
optimization
commenced
in USA

Objective

- Consolidate Nestlé in the markets
- Improve facility management
- De-layer functions

Achievements 2016

- Announced consolidation of Nestlé USA HQ and support functions in East Coast and Ohio
- Commenced restructuring of US sales-force
- Commenced site optimization process at Group HQ in Vevey



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Long-Term Value Creation



Structural Cost Saving Initiatives



Summary

Summary

- Long-Term value creation through balance of top and bottom line growth
- Increased cost discipline and progress structural saving initiatives
- Continuous FCF improvement to support sustainable, growth-oriented dividend
- Prudent approach to capital allocation, including M&A
- Manage change, faster decision-making and execution



Nestlé

Good Food, Good Life

Thank you !