



# Nestlé

## Investor Seminar 2014

### Confections & Snacks Nestlé USA

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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.

# An attractive category

**\$19 bn<sup>(1)</sup>**

**LARGEST CATEGORY IN WHICH NUSA  
COMPETES**

**+5.2%<sup>(1)</sup>**

**CONSISTENT GROWTH (2009-2013 CAGR)**

**1 OF 5 RECESSION<sup>(2)</sup>  
PROOF CATEGORIES**

SEAFOOD, BEER, **CONFECTIONERY**  
DRY PASTA, PASTA SAUCES

**RESILIENT CONSUMPTION BEHAVIOR**

**3.8%<sup>(1)</sup>**  
VS. 17%

**LOW PRIVATE LABEL PENETRATION**  
*(vs. Food & Beverage average)*

**\$5.8 bn<sup>(3)</sup>**

**FUTURE GROWTH** *(OVER NEXT 5 YEARS)*

# Understanding the confectionery environment

## Consumer

**Expandable** consumption

**Multiple brands** in the consideration set

Most purchases are **unplanned**

Highly **emotional**

Increasing awareness of **nutrition** and **health**



## Marketplace

**Multiple** points of interruption

**Heavy media** advertising and extensive **product portfolio** from competitors

**Displays** and **distribution** are critical

**New products** are essential for survival and driving growth

Confectionery is a **special** treat



# Two distinct segments, both growing above 4%

	Segment Size	Segment \$ CAGR <sub>2011-2013</sub>	Segment Dynamics
Chocolate	\$13 <sub>bn</sub>	+4.6%	<ul style="list-style-type: none"><li>• Top 2 represent 70%</li><li>• Long-standing brands dominate</li></ul>
Sugar	\$6 <sub>bn</sub>	+4.2%	<ul style="list-style-type: none"><li>• More fragmented</li><li>• Skews younger while appealing broadly</li></ul>
	\$19 <sub>bn</sub>	+4.5%	

# Nestlé Confections represents over \$900 million in sales

## Strategic Chocolate



Double-digit  
growth

## Strategic Sugar



High single-digit  
growth

## All Other

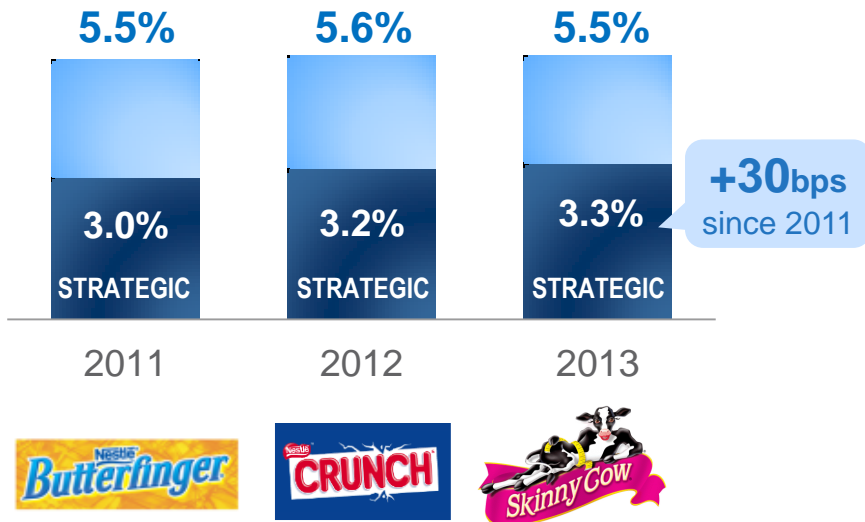


flat to  
declining

Total Division **+3%** CAGR<sub>2011-2013</sub> ; Strategic Brands **+9%** CAGR<sub>2011-2013</sub>

# Growing market share across our strategic brands

## Chocolate



## Sugar





# A robust strategic plan is in place to win in the USA



## Make choices

- Disciplined portfolio management
- Invest in strategic growth drivers
- Fix or divest underperformers



## Grasp opportunities

- Nutrition, Health & Wellness
- Bigger, Better, Bolder Innovation
- New channels & integrated P2P



## Value what consumers value

- Remove waste to reinvest
- Operate as ONE Nestlé in NA
- Master complexity



## Engage with the community and stakeholders

- Embody Nestlé in Society
- Create Shared Value
- Strengthen Nestlé brand equity



## Embrace digital

- Best-in-class Digital capabilities
- Step up on Digital Media
- Leverage e-commerce



## Have the best people

- Reflect our consumer diversity
- Best-in-class new capabilities
- Accelerate career development



# Accelerating growth



## Driving highly margin accretive *growth*

- Maintaining a focused & disciplined portfolio approach
- Investing in strategic brands
- Delivering platform-based innovation
- Executing business simplification

# Breaking rules to drive transformational innovation



**BREAK** THE RULES

MAKE IT **NEWSWORTHY**

**GROW** CATEGORY AND  
MARKET SHARE

# New Rule: “confectionery can be better-for-you”

SKINNY COW  
LAUNCHED IN 2011



Less  
than 130  
calories



62%  
Growth in 2  
years



Brought *new buyers*  
to the category

LEVERAGING  
GLOBAL R&D

Created an *extendable*  
platform



New  
technologies

AWARD WINNING  
INNOVATION



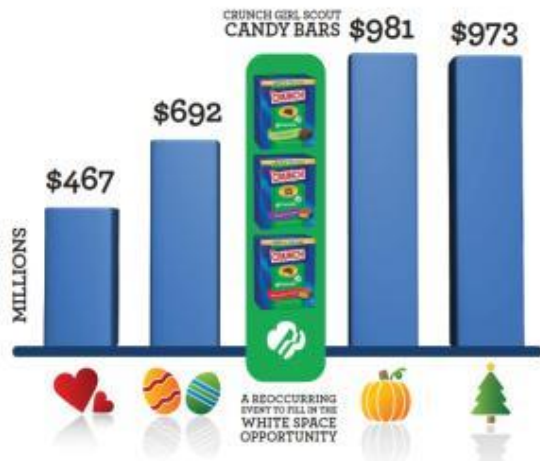
2013 Nielsen  
Breakthrough  
Innovation  
Award



*Higher repeat rate* than  
recent competitive launches

# New Rule: “we can create a 5th season”

## CREATING THE 5<sup>TH</sup> SEASON



Thin mints *outsold* key competitor in *1<sup>st</sup> month*

## EXPANDING THE CATEGORY

**90%** of buyers were *new* to the Crunch franchise



Drove significant *growth* in the category



**25%** growth in year 2

## SATISFYING CONSUMERS



2013 *Consumer voted* product of the year



# New Rule: “we make confectionery permissible”

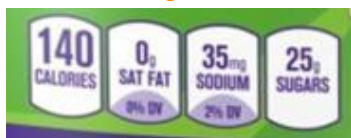
## PORTION GUIDANCE

Appropriate serving sizes



Recloseable packaging

Communicating nutrition facts



## NATURAL COLORS & FLAVORS

SweetTARTS all natural flavors



1st Major brand



all natural colors & flavors



## BETTER-FOR-YOU OFFERINGS

NESTLÉ PRODUCT TECHNOLOGY CENTER



Utilizing our proprietary technology & leveraging the R&D network



# New Rule: “leaders can be challenged”



**2x** market share  
of total **Butterfinger**  
franchise during Super  
Bowl month

repeat rates  
**2x**  
category average

Higher  
shelf turn  
than **#1**  
competitor  
in first 12 weeks

# Connecting emotionally with consumers

## CREATING SHARED VALUE



Sales coverage  
of sustainable  
*cocoa* greater  
than top 2  
competitors

## EMBRACING DIGITAL & SOCIAL

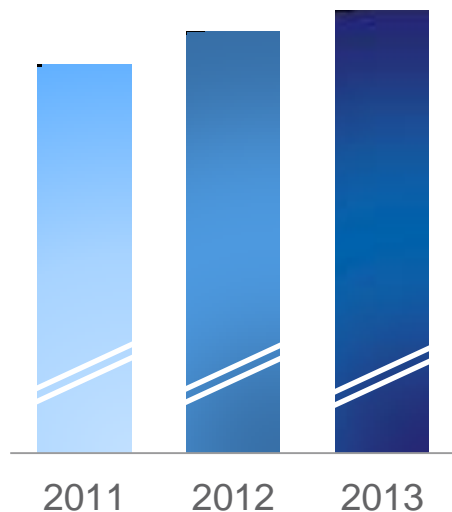
**24%** of media spend is on  
*digital*





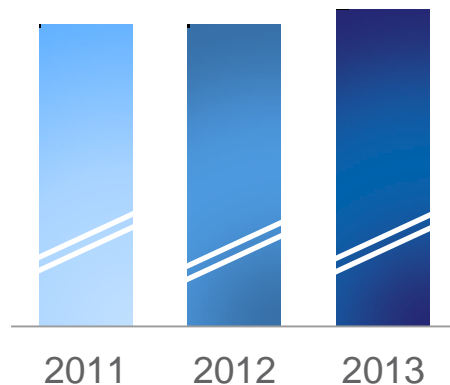
# Driving value-accretive growth...

**+3.0%** CAGR<sup>(1)</sup>



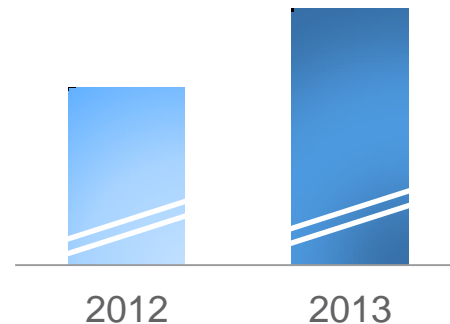
Sales  
(in USD)

**+2.4%** CAGR<sup>(1)</sup>



Trading Operating Profit  
(in USD)

**+350** bps<sup>(2)</sup>



Return on Invested Capital<sup>(3)</sup>

(1) 2011 to 2013 change

(2) Asset base was combined with Baking prior to 2012

(3) excludes Goodwill

## ... leveraging the turnaround from 2009





## In summary...

- ✓ Our **strategic brands** are growing faster than the category
- ✓ Highly successful **transformational innovation** strategy
- ✓ Nestlé is taking a **leadership position in NHW** helping consumers make good decisions
- ✓ **Leveraging our R&D** expertise to deliver more permissible products
- ✓ The **future for Nestlé Confectionery** is bright