



Nestlé Good Food, Good Life

CAGNY 2019

François-Xavier Roger:
EVP, Chief Financial Officer



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.

This presentation contains certain financial performance measures which are not defined by IFRS. Management believes that these non-IFRS measures provide additional useful information to assess the financial and operational performance of the Group. Such measures may not be comparable to similar measures presented by other companies and are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in the Nestlé Group Alternative Performance Measures (APMs) document available on our Investor Website.

2017 figures have been restated to reflect:

- The implementation of IFRS 15 - Revenue from contract with customers, IFRS 16 - Leases and IFRIC 23 - Uncertainty over income tax treatments as well as other accounting policies and presentation changes; and
- The change in organization of infant nutrition business. Effective January 1, 2018 Nestlé Nutrition is reported in the Zones as a regionally managed business, with Gerber Life Insurance business reported in Other Businesses.

Our strengths



Global reach

- Presence in 190 countries
- Unparalleled channel and point of sale reach



Attractive product portfolio

- Active in 7 of the top 10 fastest growing food & beverage categories
- 85% of sales in categories with #1 or strong #2 market positions



Powerful brands

- Iconic global and local brands
- 34 billionaire brands



Industry-leading R&D

- Largest food & beverages science and innovation network
- R&D drives our innovation and nutrition, health and wellness journey



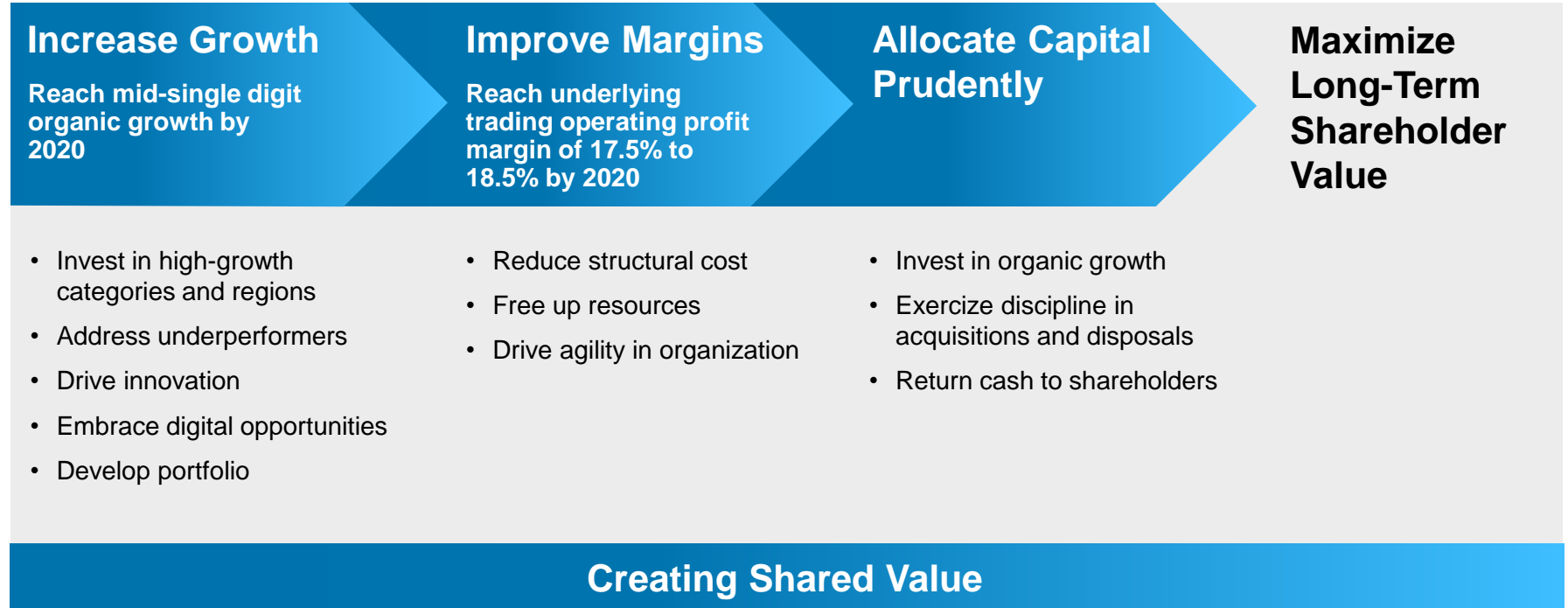
Talented people

- “World’s Most Admired Companies” 21 years in a row (Fortune)
- 40% of management positions held by women

Our long-term value creation model



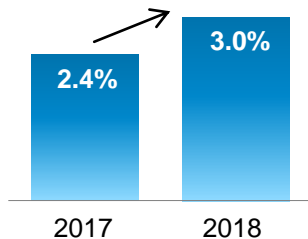
Balanced pursuit of top-line and bottom-line growth with capital efficiency



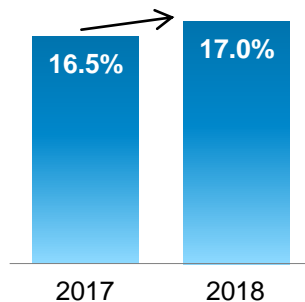
Strong 2018 financial results



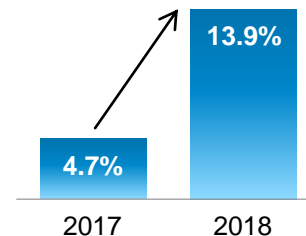
Organic growth



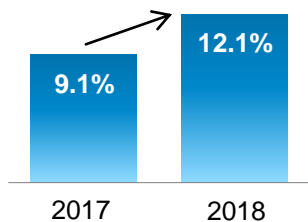
Underlying trading operating profit margin



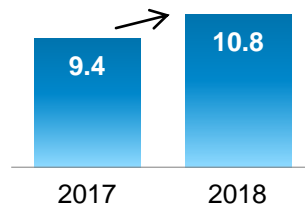
Underlying EPS (% annual increase in constant currency)



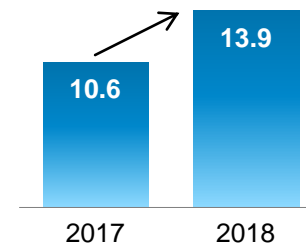
Return on invested capital



Free cash flow (CHF bn)



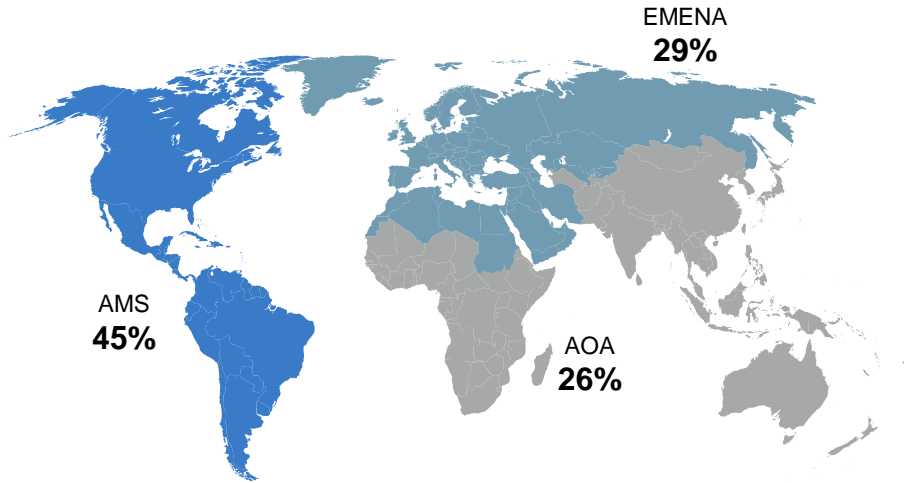
Cash returned to shareholders (CHF bn)



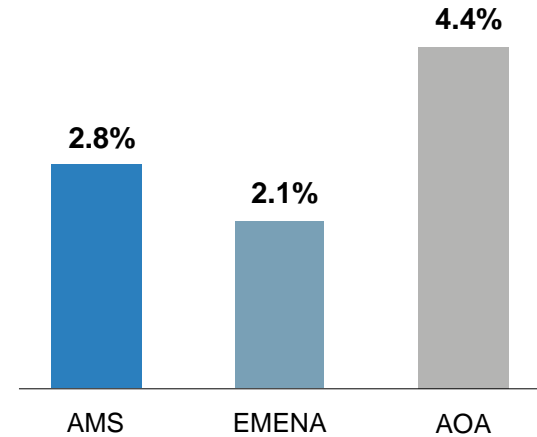
Balanced and diversified portfolio



2018 Sales: CHF 91.4 bn



2018 Organic Growth



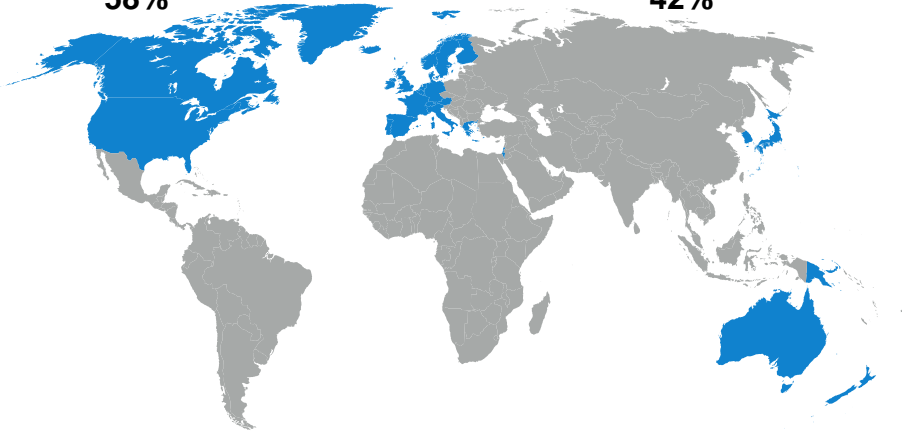
Strong emerging market footprint delivering profitable growth



2018 Sales: CHF 91.4 bn

Developed
58%

Emerging
42%



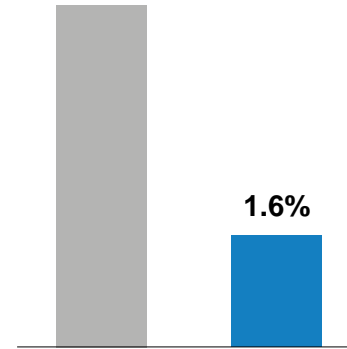
2018 Organic Growth

4.9%

1.6%

Emerging

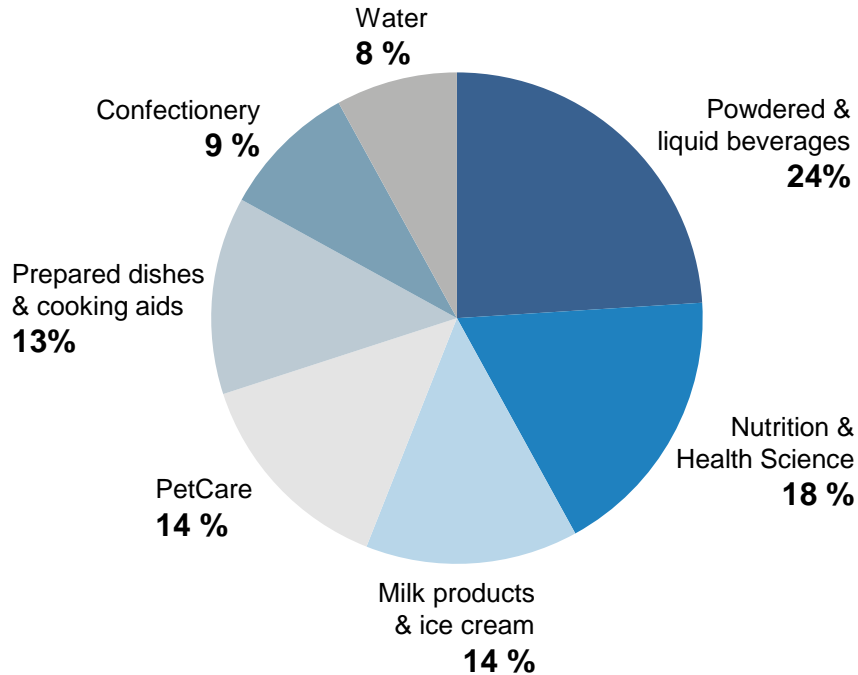
Developed



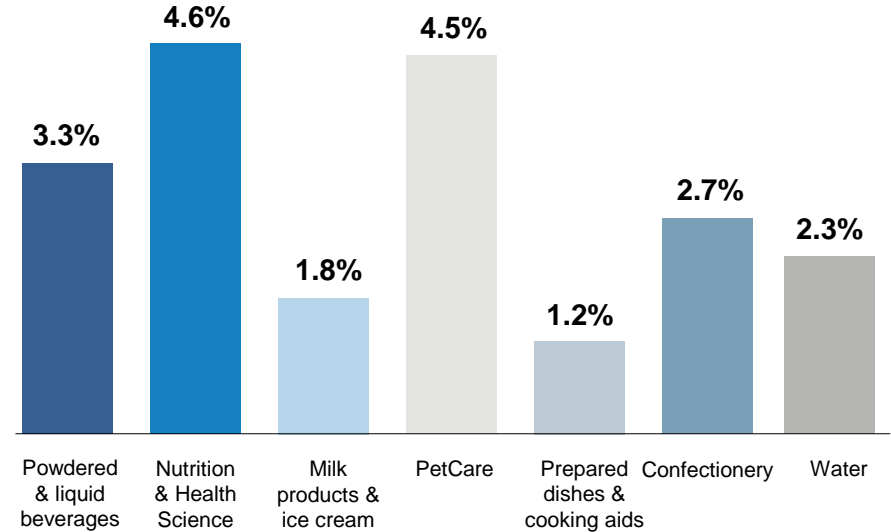
Growing in all product categories



2018 Sales: CHF 91.4 bn



2018 Organic Growth

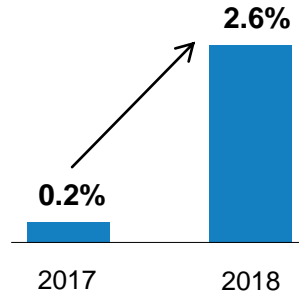
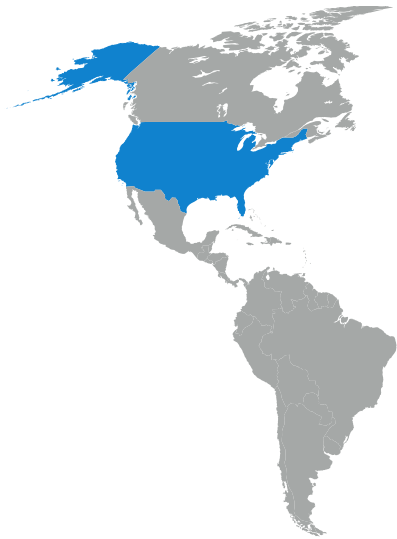


Revived growth in key markets

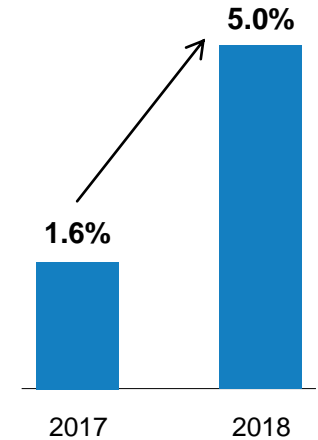


Geographies

USA
Organic Growth



Greater China region
Organic Growth

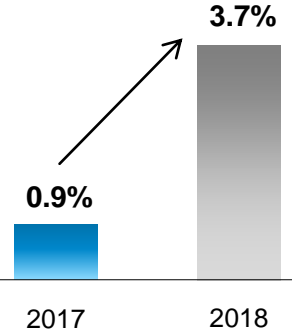


Strong growth in key categories and channels



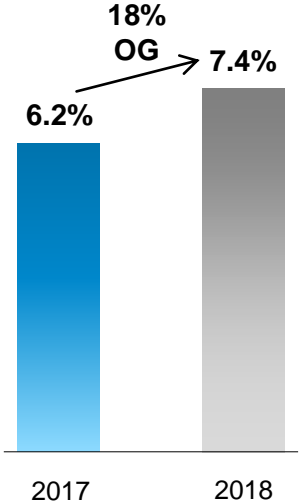
Categories

Infant Nutrition
Organic Growth



Channels

E-Commerce
Intensity (as % of sales)

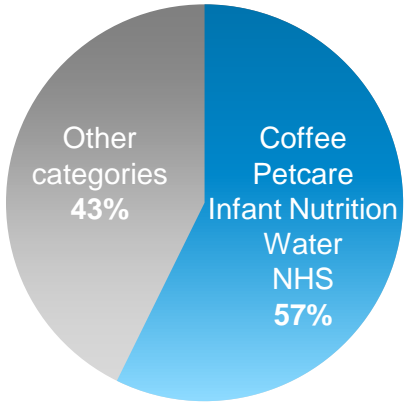


Investing selectively in high-growth categories

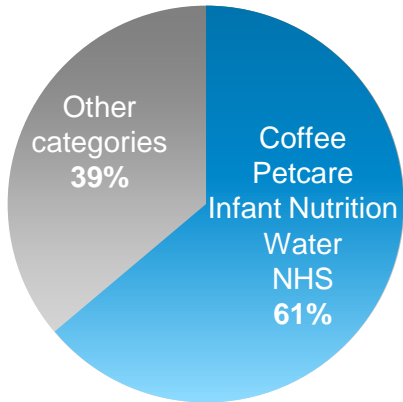


High growth categories account for:

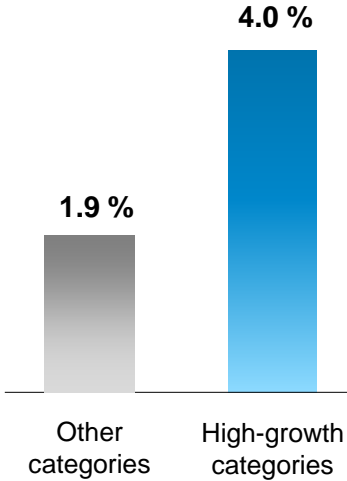
57% of sales



61% of underlying trading operating profit



Already deliver growth around mid single-digit



Growth supported by meaningful innovations



NAN HMO

(Human Milk Oligosaccharides)



Reached > CHF 600 m of sales
across 40 markets in the first year
of launch

Nespresso Vertuo System



Reached > CHF 400 m of sales
with growth of > 60% in 2018

Coffee-mate natural bliss



Reached ~ CHF 150 m of sales
with growth > 30% in 2018 driven
by plant-based innovation

Developing our portfolio



Sold

Main criteria for divestiture

- Non-core to business
- Limited ability to win

Under strategic review

U.S. Confectionery



Nestlé Skin Health



Herta charcuterie
(cold cuts and meat-based products)



Acquired or invested

Main criteria for acquisitions

- Fit with strategy and culture
- Sound financial model; disciplined and thorough financial valuation

Starbucks – Consumer & Foodservice products



Atrium Innovations



Sweet Earth



Tails.com



Terrafertil



Blue Bottle






Chameleon



Savings programs on track



		Expected savings (2020 over 2016) (in CHF bn)	Savings delivered (2016-2018) (in CHF bn)	Savings Delivered (2016-2018) (in %)
Initiatives	 Manufacturing	0.6 – 0.8	0.2	~30%
	 Procurement	0.5 – 0.6	0.5	~90%
	 General & Administrative	0.9 – 1.1	0.5	~50%
	Total savings (CHF bn)	2.0 – 2.5	1.2	~50%

Key structural savings projects are delivering results



Manufacturing

- Review of our manufacturing footprint completed
- 24 factories closed or sold 2017-2018
- Fixed factory overheads reduced by ~2% in 2018

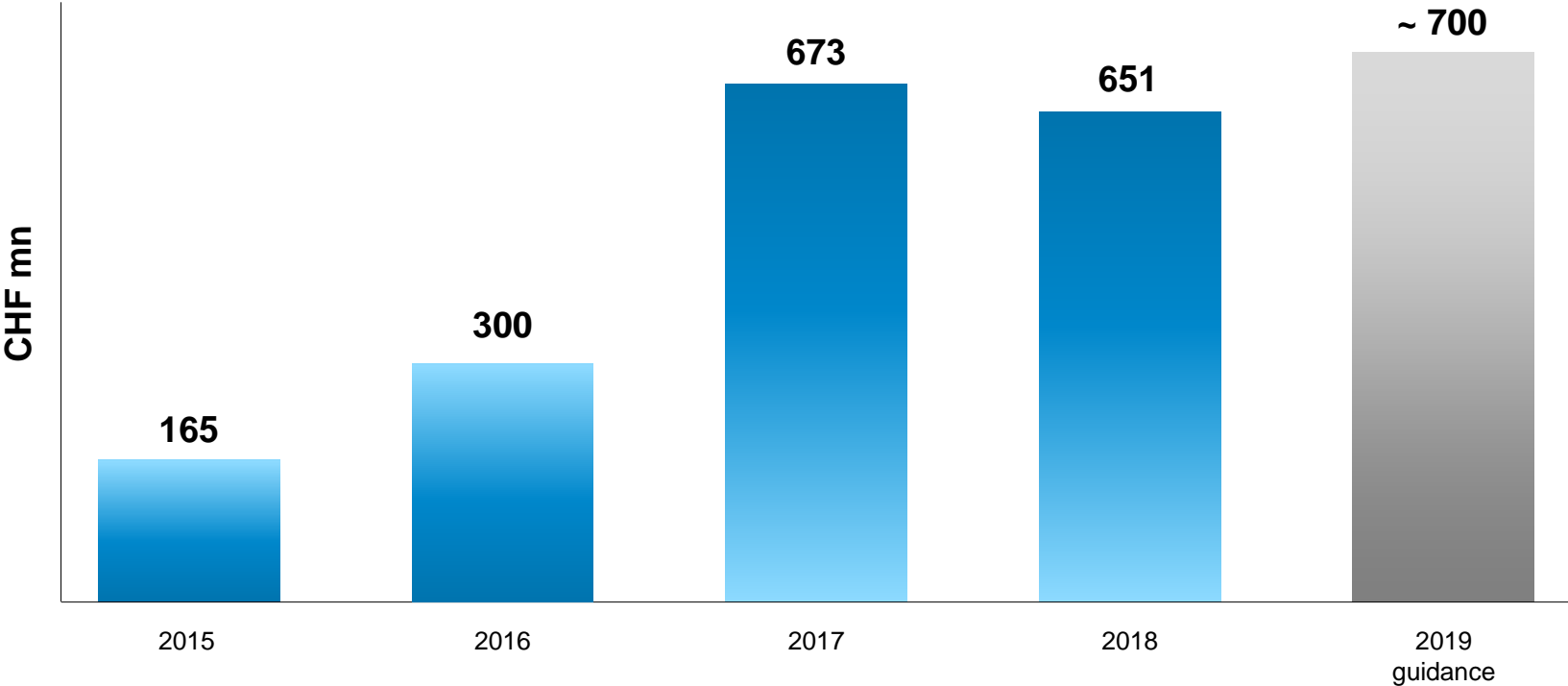
Procurement

- Global buying increased to 55%, from 40% in 2015
- Reduced suppliers by >10% since 2016
- Print and point of sale agencies reduced by 37% since 2016

G&A

- Head Office costs reduced 16% vs 2016 and consolidation of HQ's in markets
- Shared service centre penetration increased to 35%, from 17% in 2016
- Exited asset management for pension

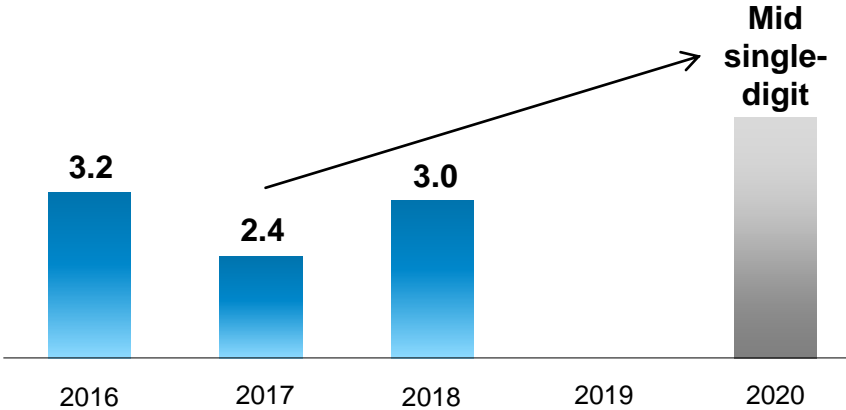
Restructuring investment needed to support efficiency programs



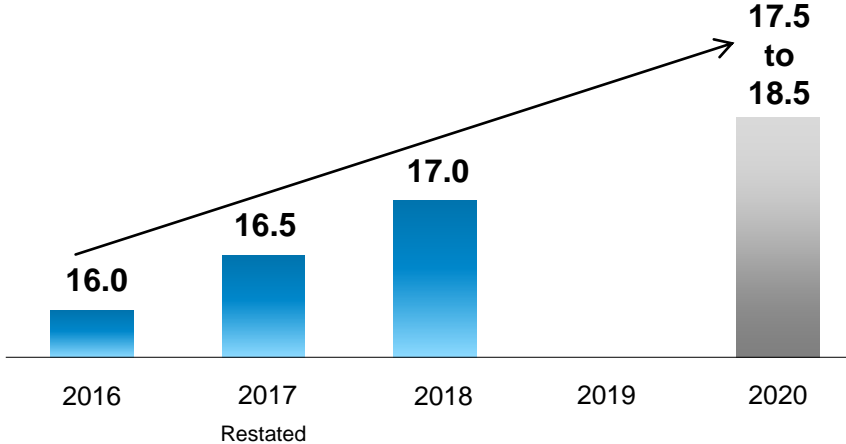
On track to achieve our 2020 targets



Organic growth (%)



Underlying trading operating profit (% of NNS)



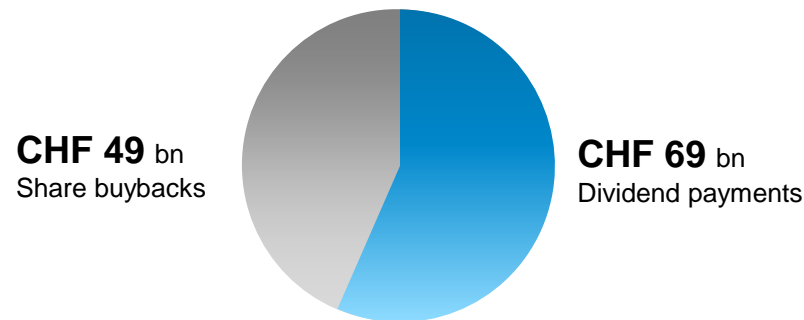
A long-term approach delivers strong total shareholder returns



Consistent TSR* Performance

	10 year	5 year	3 year	1 year
Nestlé	250%	55%	13%	2%
STOXX F&B	216%	49%	5%	-4%

CHF 118 bn returned to shareholders since 2008 2008-2018



- *Total Shareholder Returns: Share price appreciation plus dividend reinvestment. Both Nestlé and peer median STOXX 1800 Global Food and Beverage are calculated in EUR. All data is gross except STOXX 5 and 10-year where net data is used per benchmark history.
- Source Bloomberg Data as of 28.12.2018

Key takeaways



Improving growth

- In key geographies, categories and channels
- Driven by faster innovation



Increasing margins

- Savings program on track
- Further savings to come in manufacturing, procurement, G&A



Managing portfolio

- ~ CHF 14 bn of transactions completed in 2018
- Skin Health and Herta charcuterie under strategic review



On track to reach our 2020 targets

- Mid single-digit organic growth by 2020
- Underlying trading operating margin between 17.5-18.5%



Delivering strong returns

- Consistent TSR outperformance
- CHF 13.9 bn cash returned to shareholders in 2018



Nestlé Good Food, Good Life



Thank you!