



Nestlé Good food, Good life



Nestlé's long-term value creation model

François-Xavier Roger
EVP, Chief Financial Officer
Nestlé, S.A.

Bernstein Conference
London, September 2018

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.

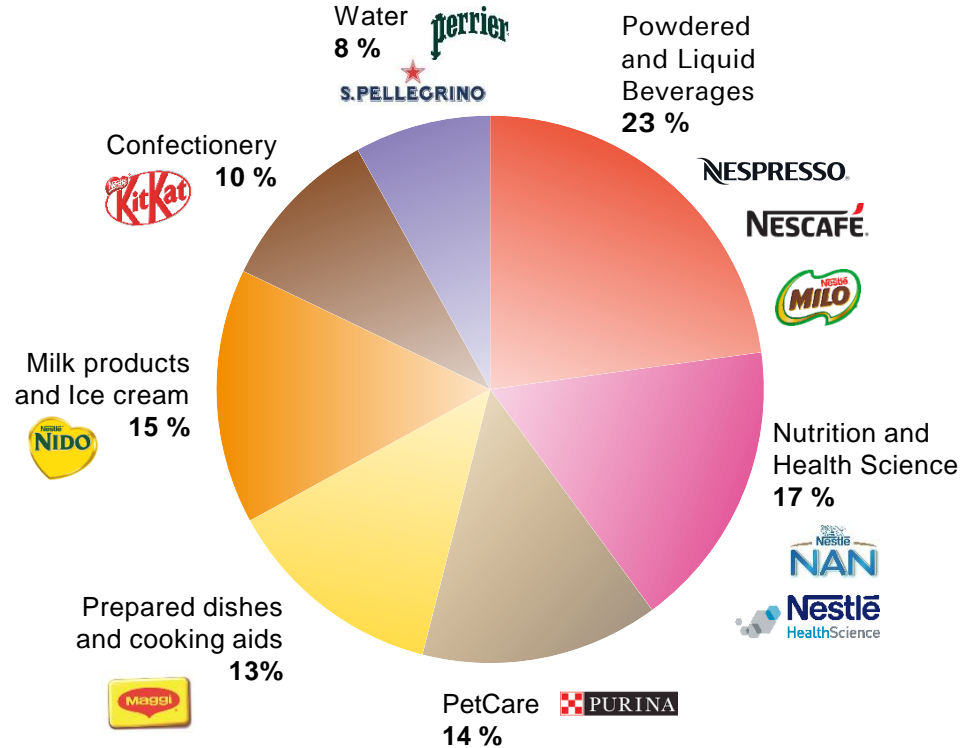
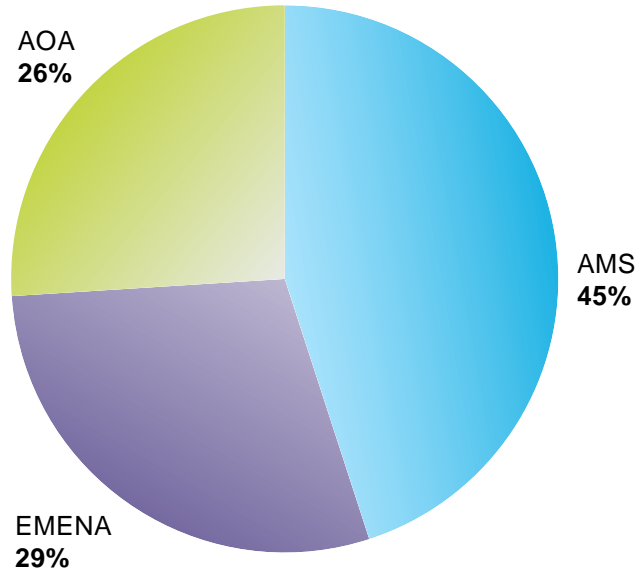
2017 figures have been restated to reflect:

- 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.
- 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.



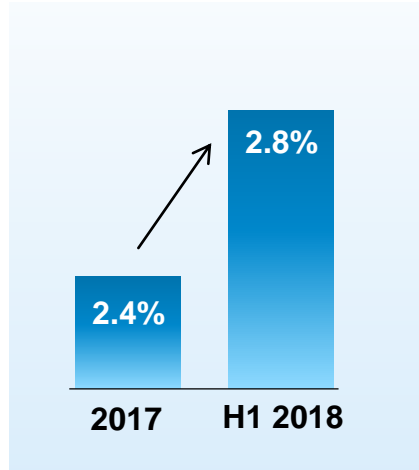
Balanced and diversified portfolio in fast-growing geographies / categories

2017 Sales: CHF 89.6 billion

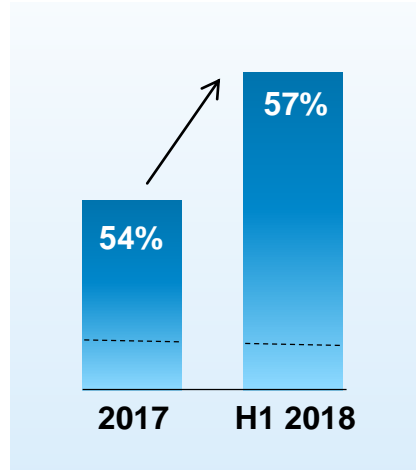


First half 2018 performance

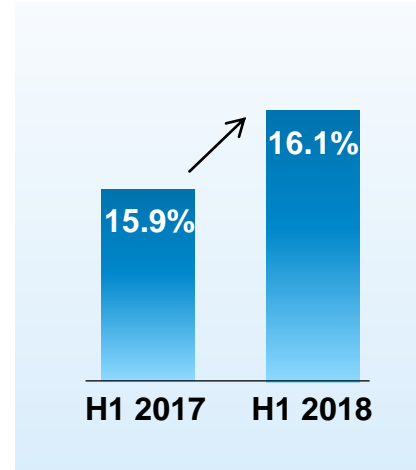
Organic growth
+2.8%



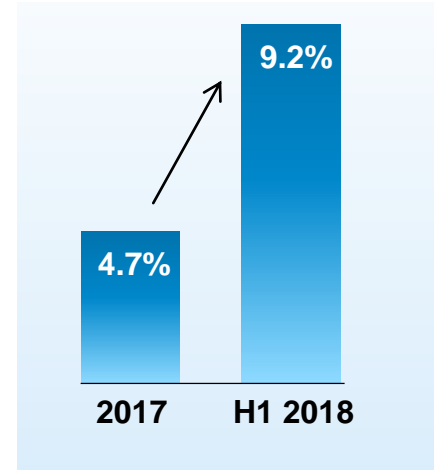
Market share¹
trend improving



UTOP² margin
+20 bps



Underlying EPS growth³
+9.2%



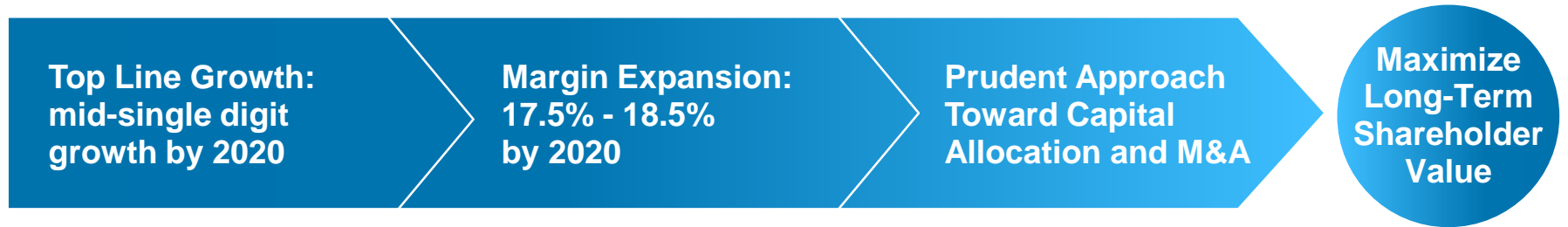
1. Number of business cells gaining and holding market share in % of total (versus year before)
Business cell is a combination of geography / product category
Source: based on external providers

2. Underlying Trading Operating Profit

3. Evolution in constant currency



Our long-term value creation model

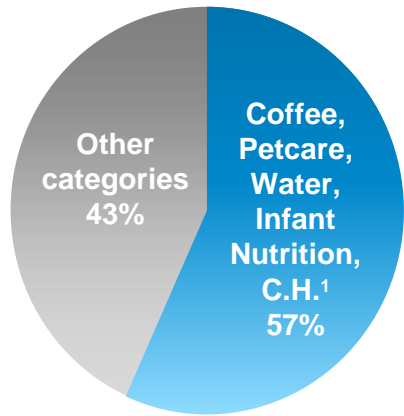


1. Invest in high-growth categories / regions
2. Address underperformers
3. Product and business model innovation
4. Embrace digital opportunities
5. Active portfolio management
6. On track to deliver more than CHF 2 bn in structural savings by 2020 over 2016
7. CHF 700 m of restructuring expenditures in 2018
8. Capital allocation:
 - Disciplined investments and acquisitions
 - 23 consecutive years of dividend increases
 - CHF 20 bn share buyback program

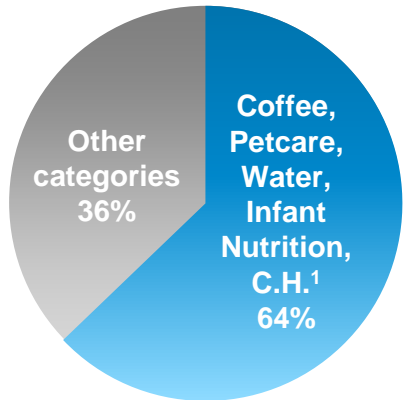


1. Invest selectively in high-growth categories

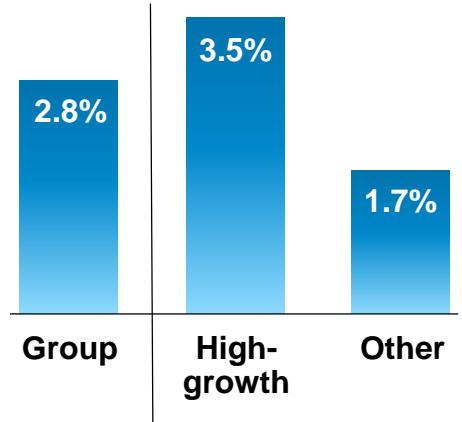
**High-growth categories:
57% of Group sales**
H1 2018



**High-growth categories:
64% of Group UTOP²**
H1 2018



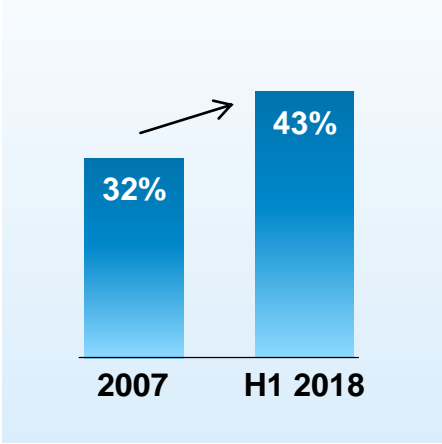
Organic growth
H1 2018



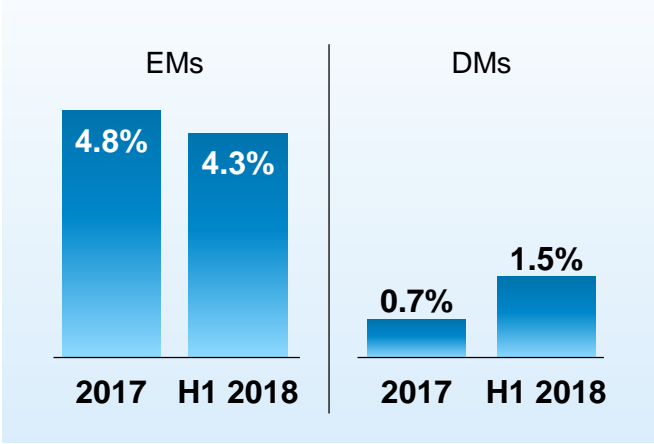
1. C.H.: Consumer Healthcare excludes Nestlé Skin Health
 2. Underlying Trading Operating Profit before Unallocated Items

Increase footprint in emerging markets with prudent capital allocation

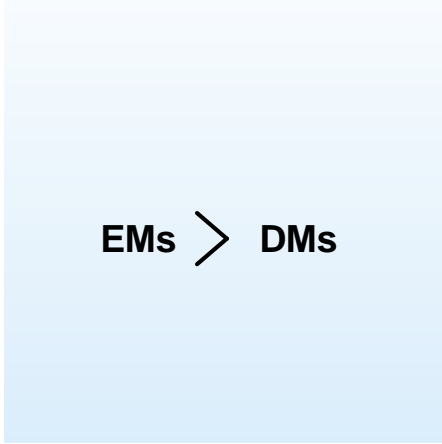
EMs sales in % of total



Organic growth



UTOP¹ margin



EMs: Emerging markets
DMs: Developed markets

1. Underlying Trading Operating Profit

2. Address underperformers

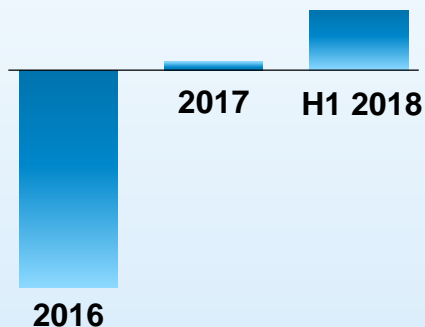


Gerber.



Nestlé Skin Health

Organic growth



Launch of organic range



Visual transformation

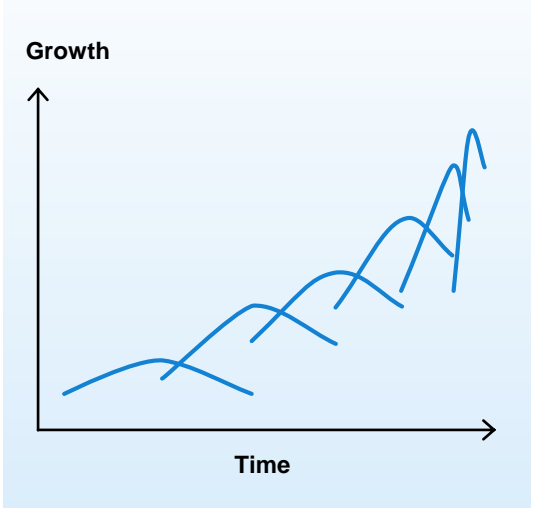


- Significant progress made in past two years
- Developed convincing growth strategies
- Regained competitive cost structure
- Exploring strategic options



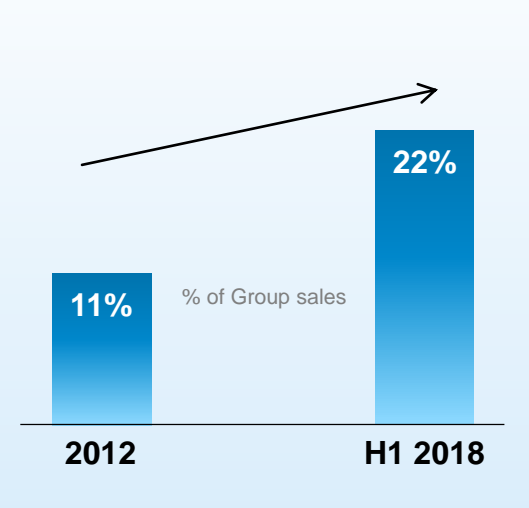
3. Product and business model innovation

Accelerating business cycles



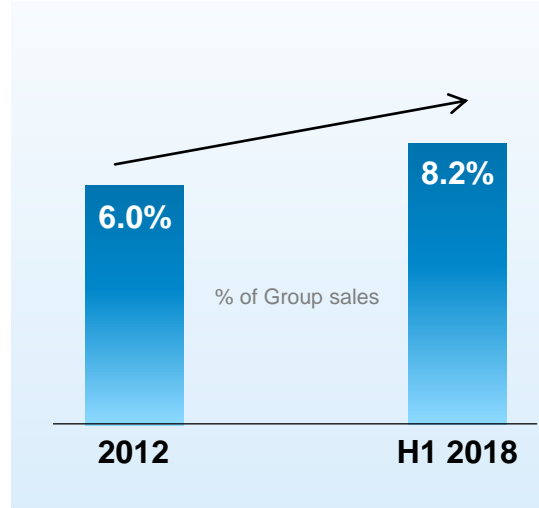
Premiumization

Premium products grew > 2x as fast as Group in H1 2018



New business models

Direct to Consumer channel (DTC)



Leveraging on evolving consumer trends

Science-based



Organic / Natural



Food Intolerance



Plant-based



Local origins



Ready-to-Drink



Personalized Nutrition

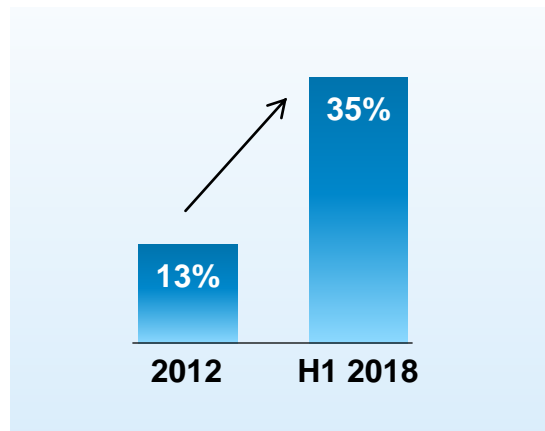


Convenience

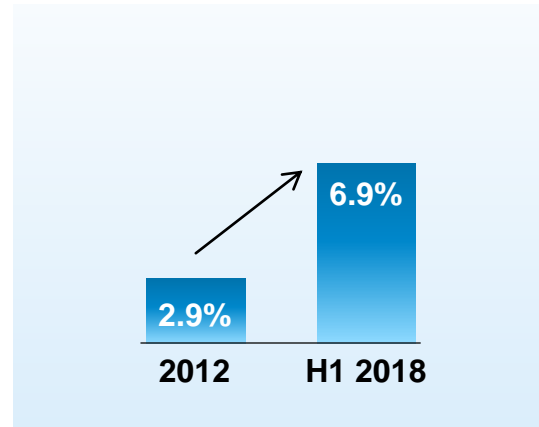


4. Embracing digital opportunities

Spending where consumer are Digital as % of media spend



E-commerce intensity In % of Group sales



E-market share¹ H1 2018

71% of
on-line business cells²
gaining and holding share
versus year before

55% of
on-line business cells
have on-line share
> off-line share

1. Number of online business cells gaining and holding market share in % of total (versus year before)
 2. Business cell is a combination of geography / product category
- Source: based on external providers



5. Actively manage our portfolio

Sell

US Confectionery



Under strategic review



Acquire

Merrick



Blue Bottle



Sweet Earth



Chameleon



Terrafertil



Atrium Innovations



Tails.com



Starbucks - Consumer and Foodservice products



Building a unique coffee portfolio with three iconic brands

NESPRESSO®



Annual sales: > CHF 5 bn

- Stylish, coffee connoisseur brand, European flair, undisputed superior quality
- Leading premium portioned coffee brand



STARBUCKS®



Annual sales: ~ CHF 2 bn¹

- Iconic coffee shop brand, American lifestyle
- Leadership in North American premium R&G and portioned coffee categories

NESCAFÉ®



Annual sales: ~ CHF 10 bn

- World's preferred coffee brand
- Nescafé Dolce Gusto, coffee shop style portioned coffee system

1. Consumer products & Foodservice. Excludes sales made in coffee shops and RTD products.





STARBUCKS® transaction: a significant growth opportunity

Top line

Margin

Capital allocation

- **Worldwide, perpetual license** for Consumer & Foodservice products
- **North America** with solid growth
- **Large expansion opportunity outside of North America**
 - Countries where Starbucks coffee shops are well established
 - R&G and Foodservice
 - Nespresso / NDG compatible capsules
- **Transaction**
 - Up-front payment of USD 7.15 bn
 - ~ 15x 2018 pro forma EBITDA
 - No material asset transfer
 - Closed at the end of August, 2018
- **Attractive financial metrics**
 - Sales of USD ~2 bn mainly in N.A.
 - ~ 24% EBITDA margin, accretive from 2019



Exploring strategic options for Nestlé Skin Health

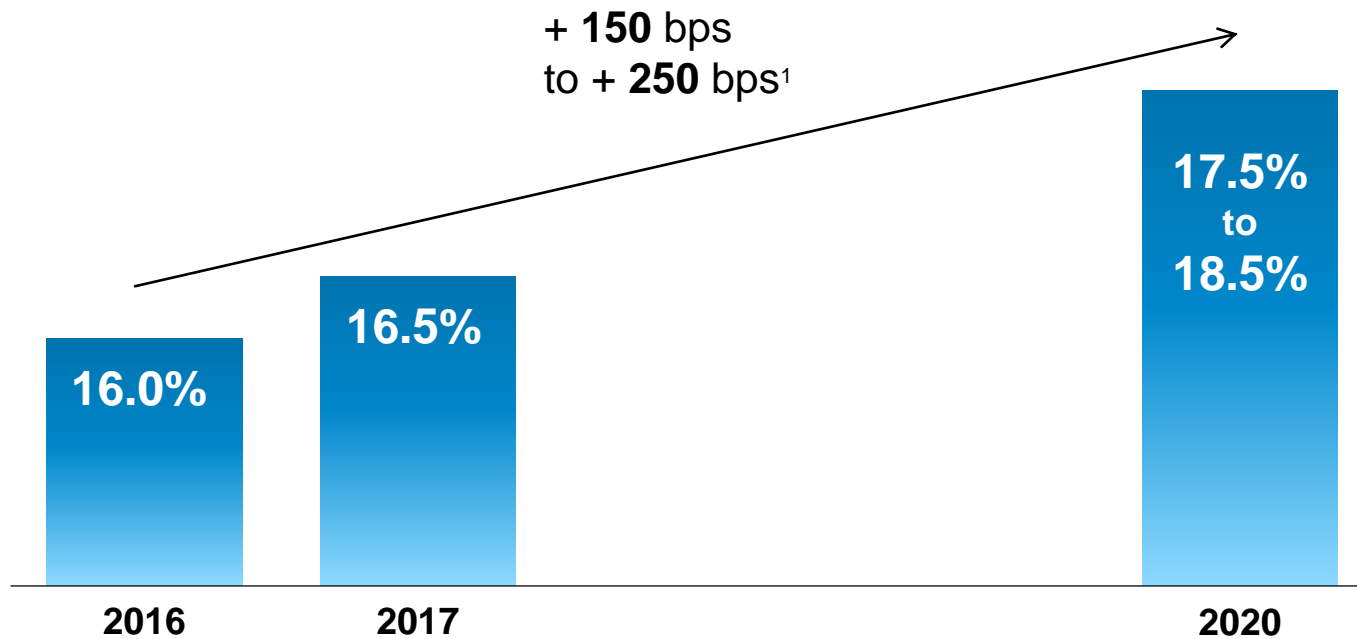


Nestlé
Skin
Health

- **Sales of CHF 2.7 bn with three business units:**
Consumer care, Aesthetics and Prescription
- **Significant progress made in past two years**
 - Developed convincing growth strategies
 - Regained competitive cost structure
- **Aesthetics and Prescription are outside of Nestlé's strategic boundaries** (Nutrition and metabolism)
- **Absolutely committed to Nestlé Health Science** and seek to expand it, as shown by the recent Atrium Innovations acquisition



2020 underlying TOP margin improvement target






1. Increase versus 2016



6. Significant savings programs

Consumers do not pay for inefficiencies!

	Expected savings (2020 over 2016 ¹)	Savings delivered (2017)	Savings identified (2018-2020)
Total savings (CHF bn)	2.0 – 2.5	0.5	1.7
Initiatives  Manufacturing	0.6 – 0.8	0.1	0.3
 Procurement	0.5 – 0.6	0.2	0.5
 General & Administrative	0.9 – 1.1	0.2	0.9

1. Investor Seminar – London, Sep 2017



Freeing up resources

Savings → Raise margins

Manufacturing



Procurement



General & Administrative

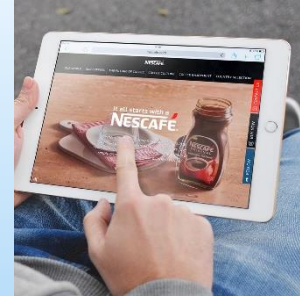


Efficiencies → Reinvest for growth

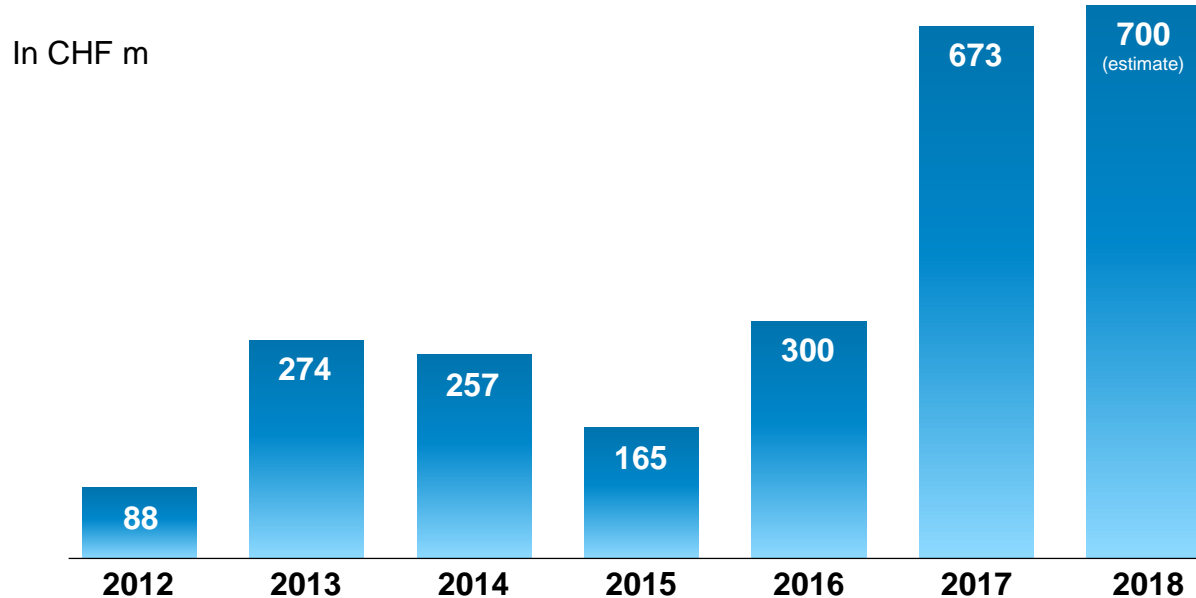
R&D



Marketing & Media



7. Restructuring costs: an investment for the future with attractive returns



8. Prudent Approach to Capital Allocation and M&A

Investing in organic growth

- **R&D, Innovation**
- **Capex**
- **Marketing investments**

M&A

- **Constant review of portfolio**
- **Strategic M&A opportunities**

High cash returns to shareholders

- **Dividends:** 23 years of consecutive increases in CHF
- **Share buyback:** 20 bn over 3 years to be completed by June 2020



On track to deliver our 2020 financial targets

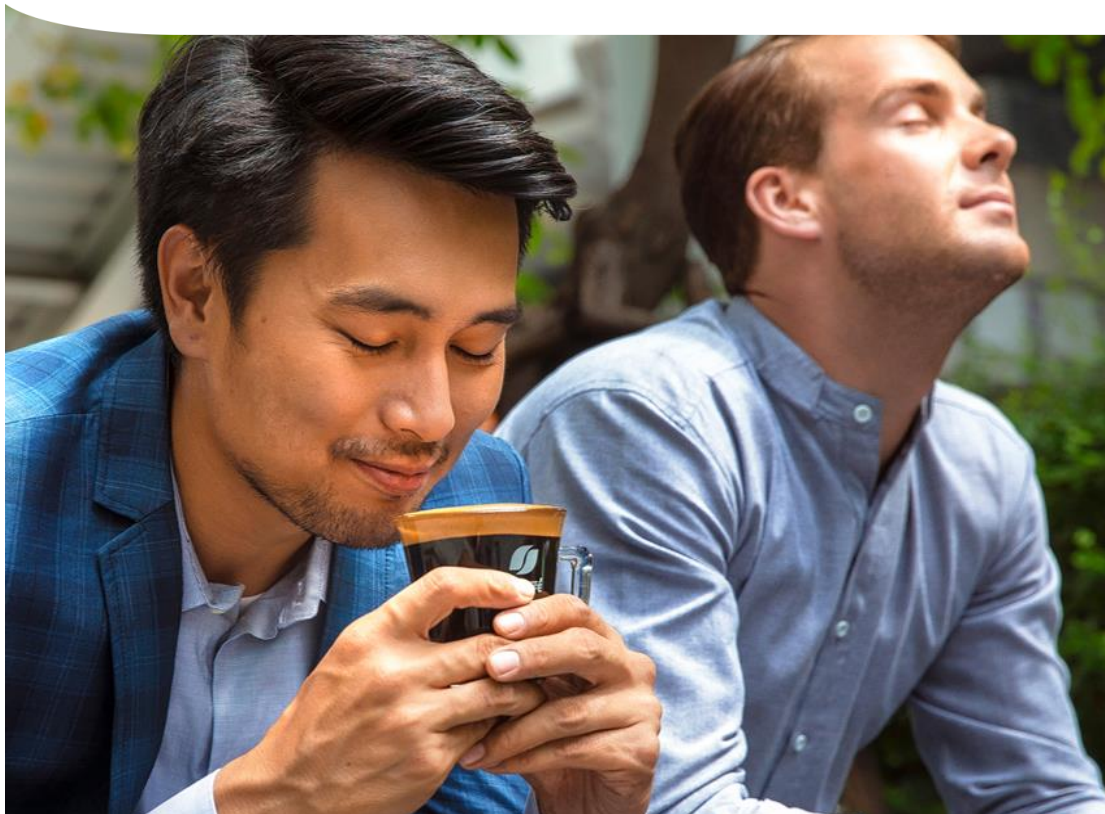
- **Improved organic growth** driven by volume at the high-end of F&B industry
- **Innovation** with reduced time to market and accelerated cycles
- **Accelerated restructuring and improved operational efficiency**
- **UTOP¹ margin** on track to meet 2020 goal
- **Substantial capital returned to shareholders**
- **Active portfolio management**

1. Underlying Trading Operating Profit





Nestlé Good food, Good life



Thank you

Abbreviations

OG	Organic Growth
AMS	Americas
EMENA	Europe, Middle East, and North Africa
AOA	Asia, Oceania, and sub-Saharan Africa
EMs	Emerging Markets
DMs	Developed Markets
EPS	Earnings Per Share
UTOP	Underlying Trading Operating Profit

