Portfolio Management

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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.
Nestlé’s tool to drive value creation

- 2’500 Business Cells covered
- 100% of portfolio assessed
- Financial and strategic metrics
- Economic profit as proxy for value

- Yearly review of value drivers (growth, margin, return)
- Define strategic role of each Business Cell
- Decision Support Tool
- Driven globally, owned locally
An holistic framework to assess performance

Key Metrics

- **Growth**
  - Market Growth
  - Nestlé’s Share Trend
  - Organic Growth

- **Margin**
  - Gross Margin
  - Operating Profit
  - Marketing Spend
  - Structural Cost

- **Capital Efficiency**
  - Asset Turnover
  - Working Capital
  - CAPEX & Assets Intensity

- **Value Creation**
  - ROIC
  - Economic Profit
Nestlé active portfolio management

• Very diversified & balanced portfolio

• Positive category/geography mix

• Right focus and drive

• Discerning resource allocation
Very diversified and balanced portfolio

Sales contribution (2015)
Nestlé active portfolio management

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- Discerning resource allocation
Playing in the right categories in F&B …

**F&B fastest growing categories (average 2012-15, %)**

- Portioned Coffee: 19.4%
- Non Dairy Milk Alternatives: 16.5%
- Milk Formula: 12.0%
- Fruit Snacks & Nuts: 10.4%
- Bouillons: 9.1%
- Flavoured Milk Drinks: 8.5%
- Bottled Water: 8.4%
- Sports Energy Drinks: 8.0%
- Powder milk: 7.8%
- Yogurt: 7.7%

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

Nestlé presence

Present in 7 out of Top 10
… with strong positions

F&B fastest growing categories (average 2012-15, %)

- Portioned Coffee: #2
- Non Dairy Milk Alternatives: #1
- Milk Formula: #1
- Fruit Snacks & Nuts: #1
- Bouillons: #1
- Flavoured Milk Drinks: #2
- Bottled Water: #1
- Sports Energy Drinks
- Powder milk: #1
- Yogurt

Source: Euromonitor (categories above $7 bn value RSP)
Playing in the right categories in F&B ...

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- Sports Energy Drinks: 8.0%
- Powder milk: 7.8%
- Yogurt: 7.7%
- Tea: 7.4%
- Frozen Meat: 7.4%
- Cheese: 7.7%
- Condensed Milk & Coffee Whiteners: 7.3%
- Other Plant-based Hot Drinks: 7.3%
- Oils and Fat: 7.3%
- Other Sweet and Savoury Snacks: 6.8%
- Rice, Pasta & Noodles: 6.3%
- RTD Tea: 6.3%
- Biscuits: 6.2%
- Sauces: 6.1%
- Soluble Coffee: 6.0%
- Chocolate: 6.0%
- Ice Cream: 5.9%
- Baby Food: 5.8%

**F&B average**

Present in 17 out of Top 25

Source: Euromonitor (categories above $7 bn value RSP)
… and developing leading position in new fast-growing territories

Nestlé Health Science
Advancing the role of nutritional therapy to change the course of health for consumers, patients and our partners in healthcare

Nestlé Skin Health
Enhancing the quality of life by delivering science-based solutions for the health of skin over the course of people’s lives
Expanding the boundaries of NHW: over CHF 4 bn sales

NestléHealthScience

- 3 strategic focus: Consumer Care, Medical Nutrition, Novel Therapeutic Nutrition
- Strong global footprint
- Rich I&R pipeline, via strong innovation engines
- Power brands

➢ Shaping new approaches to health management via nutritional therapies

Nestlé Skin Health

- Strong growth over 2009-15
- Balanced portfolio (categories / geographies)
- Growth driven by I&R and geographical expansion
- Strong brands

➢ Extending leadership in skin health
Driving our positive geography/category portfolio mix

Nestlé Profit and Category Growth

Net Sales size
(Nestlé geography/category key clusters)
Driving our profitable growth in emerging markets

<table>
<thead>
<tr>
<th></th>
<th>Developed</th>
<th>Emerging</th>
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<tbody>
<tr>
<td>Sales</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Annual Growth 13-15</td>
<td>+1.3%</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Marketing Spend 13-15</td>
<td>+180bps</td>
<td>+260bps</td>
</tr>
<tr>
<td>Profit</td>
<td>&lt;</td>
<td></td>
</tr>
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</table>
Nestlé active portfolio management

• Very diversified & balanced portfolio

• Positive category/geography mix

• Right focus and drive

• Discerning resource allocation
**Focusing on our 34 billionaire brands***

<table>
<thead>
<tr>
<th></th>
<th>Billionaire brands</th>
<th>Rest of the Group</th>
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<tbody>
<tr>
<td>Sales</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>Growth 13-15</td>
<td>+5.4%</td>
<td>+1.3%</td>
</tr>
<tr>
<td>Marketing spend</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Profit</td>
<td>84%</td>
<td>16%</td>
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*Figures represent averages 2013-2015*
NHW driving our profitable growth journey

**Performance of businesses vs. NHW dimension***

<table>
<thead>
<tr>
<th></th>
<th>NHW below average</th>
<th>NHW above average</th>
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</thead>
<tbody>
<tr>
<td>Sales %</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Growth index</td>
<td>100</td>
<td>180</td>
</tr>
<tr>
<td>Marketing spend index</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Profit index</td>
<td>100</td>
<td>150</td>
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* NHW dimension measured by % of Net Sales with 60/40 win and Nutritional Foundation – Analysis excluding categories which are 100% NHW
Driving our premiumisation opportunities

**Premium**
- 2013: 12%
- 2015: 18%

**Mainstream**

**PPP**
- 2013
- 2015

* Average OG over the period 2013-2015

+ 4.4% Group average* OG

+11% average* OG
Showing flexibility in business models

Creating a leading player in ice cream

- Brands and heritage
- Out-of-home capabilities
- Distribution and point of sale
- Complementary portfolio
- Retail presence
- Competitive operations
Nestlé active portfolio management

• Very balanced portfolio

• Positive category/geography mix

• Right focus and drive

• Discerning resource allocation
Increased discipline in portfolio management and resource allocation

- Discontinuation of subscaled non-performing businesses
- Reallocating Marketing Spend behind most profitable businesses
- More discerning prioritisation in Capex allocation
## Tackling low-performing businesses

### Key Divestments

- Peter’s Ice Cream
- Jenny Craig
- Mexico - Chilled Dairy
- US - Pet Insurance
- Germany - Chilled Culinary
- US - Joseph’s Pasta
- France - Homecare
- Denmark - Ice Cream
- Germany - Infant Meals & Drinks
- Korea JV
- US - Juicy Juice
- Europe - HOD Waters
- Turkey - Balaban
- Power Bar
- Mexico - Ice Cream
- Davigel
- Spain - Frozen Food
- Italy - San Bernardo
- Hungary - Kekkuti
- Europe - Pet accessories

<table>
<thead>
<tr>
<th>Year</th>
<th>Annualised Sales</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>CHF  200 m</td>
<td>CHF  800 m</td>
<td>CHF  700 m</td>
<td>CHF  850 m</td>
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**CHF 2.6 bn sales**
Most of the «issues» identified 3 years ago have been tackled.

- **Disposals**: ~3% of sales
- **Re-investments**: ~4% of sales
- **Partnerships**: ~1% of sales
Accelerating accretive growth platforms

- **CHF 7+ bn** Sales today
- **15% average OG**
- **Accretive Marginal Contribution**
  (~10 points higher than Group average)
- **Marginally dilutive at bottom line** … with high marketing spend

Examples

- Nescafé Dolce Gusto
- Purina LatAm
- Nestlé Health Science
- Nestlé Skin Health
Improving resource allocation

Total Investments: SG&A and Capex
(% of total, evolution over last 2 years)

Above average

ROIC
Group Avg.

Below average

-5pts

Above average

OG
Group Avg.

Below average

+5pts

-5pts

+5pts
Nestlé active portfolio management

• Diversified and Balanced
• Positive Portfolio Mix
• Focused and Dynamic
• Discerning Resource Allocation