



**Nestlé** Good Food, Good Life

# Pursuing our value creation model

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# Disclaimer



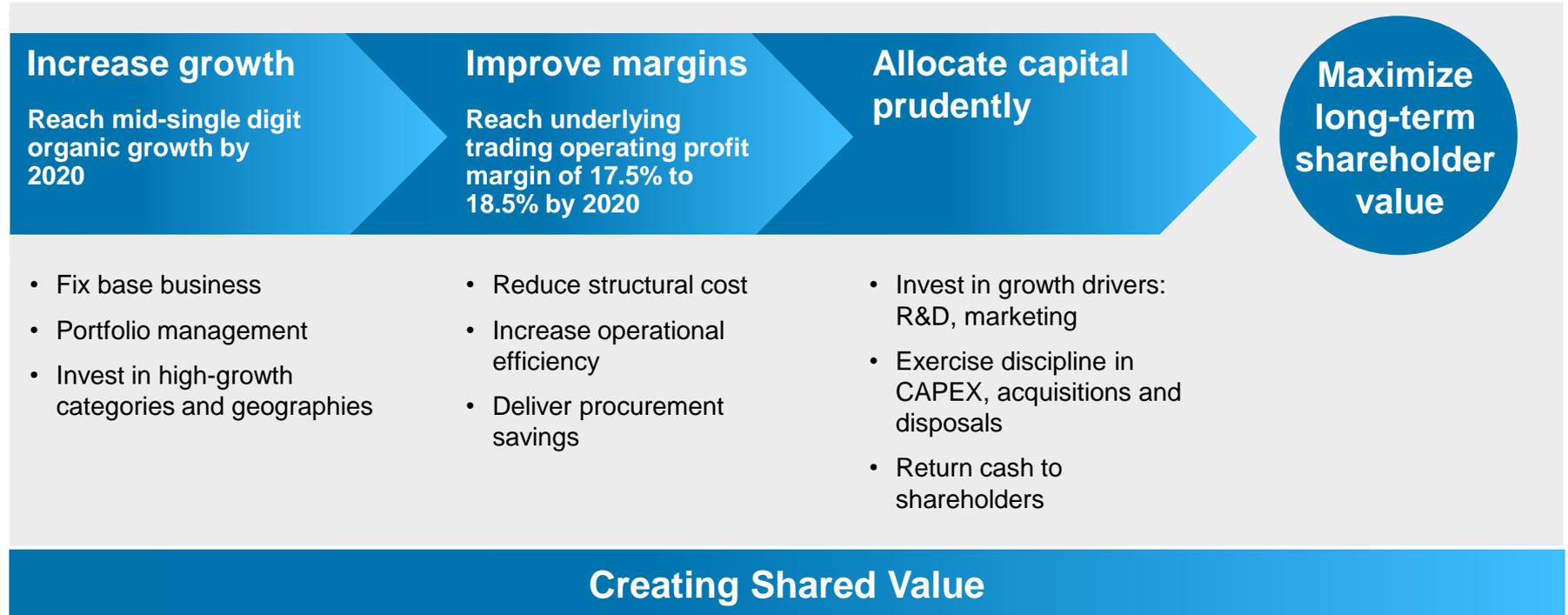
This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ from those contained in the forward looking statements. Potential risks and uncertainties 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.

# Our long-term value creation model



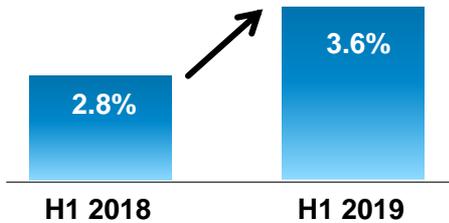
## Balanced pursuit of top-line and bottom-line growth with capital efficiency



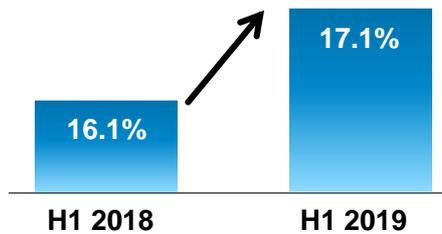
# Strong half-year financial results



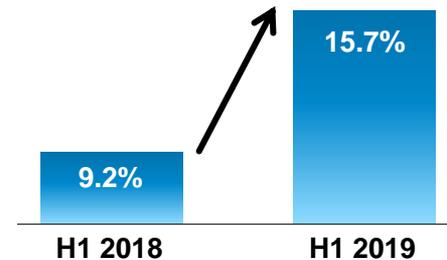
### Organic growth



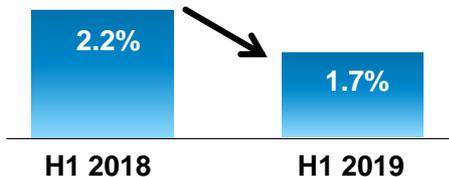
### Underlying trading operating profit margin (UTOP)



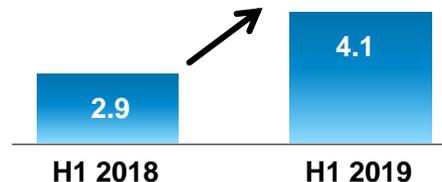
### Underlying EPS growth \* (% increase YoY)



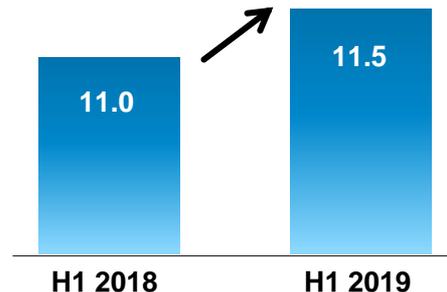
### Working capital (5-quarter average as % of sales)



### Free cash flow (CHF bn)



### Cash to shareholders (CHF bn)





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## Capturing growth in a rapidly shifting environment

Chris Johnson  
CEO, Zone Asia, Oceania and  
Sub-Saharan Africa

# My perspective after 8 months in Zone AOA



- **A dynamic and diverse environment with favorable long-term trends**
  - Urbanization, growing middle class, digitalization, nutritional challenges
- **An attractive portfolio with leading positions**
- **A strong team of talented people**
- **Significant growth opportunities**
  - We will fuel the growth with the efficiencies we generate
  - We are evolving our business model for 'New Retail' and digital opportunities
- **Solid organic growth of 3.3% in the first half despite negative sales development in Pakistan and softness in some categories in China**

# Our business in Zone AOA

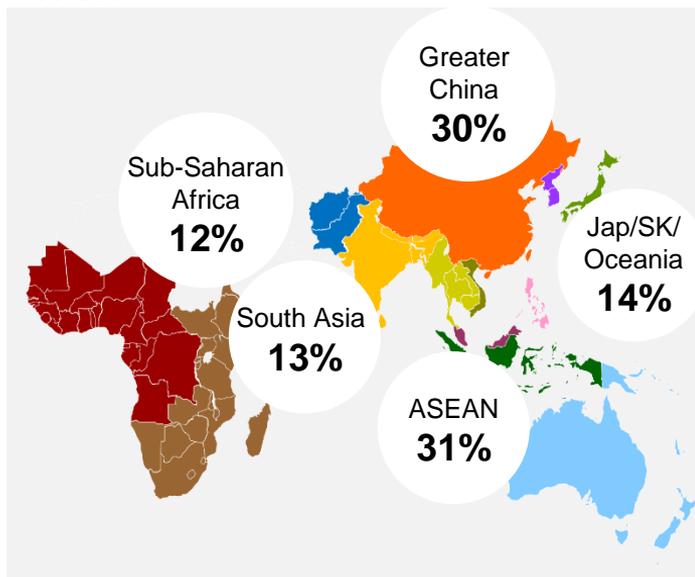


## Key 2018 figures

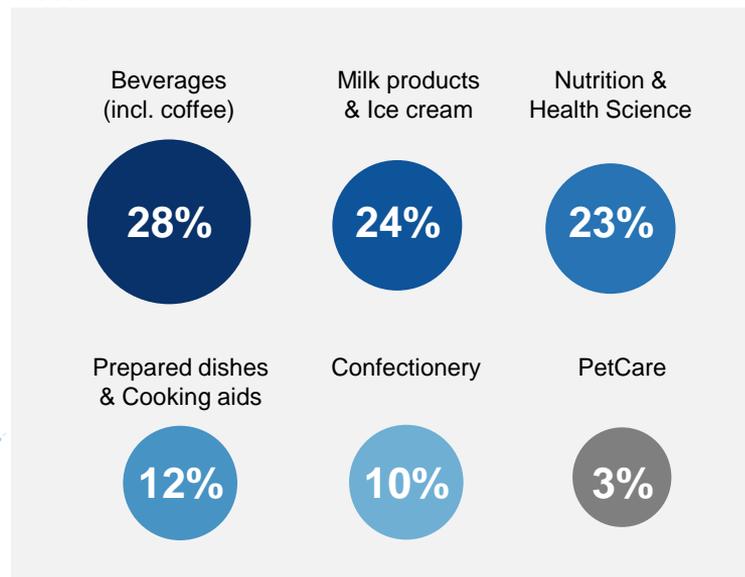
Sales  
**CHF 21.3 bn**

Underlying  
TOP margin  
**22.7 %**

## Where



## What



## Employees

**98 500**

## Factories

**91**

## Top brands



# Our virtuous circle



## Creating Shared Value

- Addressing the plastics waste issue
- Nestlé for Healthier Kids
- Gender balance and diversity

## Achieving efficiencies

- Continuous improvement in structural costs: -50 bps in 2018



## Focusing investments on growth platforms

- Marketing investment: +40 bps in 2018 with focus on digital
- CHF 2.1 bn CAPEX investment since 2015

## Delivering profitable growth

- Expansion in white space geographies
- Underlying TOP: +60 bps in 2018

## Driving market share gains

- Innovation driving demand
- 61% of cells gaining or holding market share (54% with gains and 7% holding)

# Category growth opportunities



## Beverages Including coffee

28%  
of Zone sales



Driving innovation & Out of Home  
Delivering the Starbucks Plan

## Nutrition & Health Science

23%  
of Zone sales



Strengthening our brands with innovation,  
increasing penetration

## Milk Products & Ice cream

24%  
of Zone sales



Investing in ready-to-drink to deliver  
convenience and health

## PetCare

3%  
of Zone sales



Driving growth with super premium nutrition  
and natural

# Key market opportunities



## Greater China

**30%**  
of Zone sales



Still plenty of opportunities,  
despite the F&B market slowdown

## South Asia

**13%**  
of Zone sales



Accelerating premiumization through  
innovation

## South East Asia

**31%**  
of Zone sales



Seizing white-space growth opportunities,  
while defending the core

## Sub-Saharan Africa

**12%**  
of Zone sales



Deepening penetration,  
focus on affordable, accessible nutrition

# Developing our business model

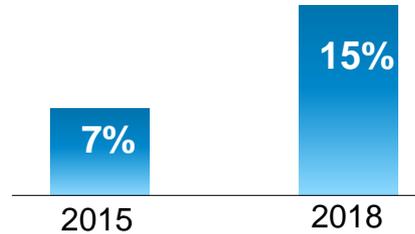


## Premiumization & customization

### Premium products in % of Zone sales

Average yearly organic growth

**+9%**



## Seizing digital opportunities



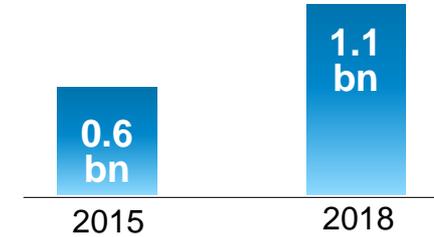
- Digitalization of retail
- Hyper-connected consumers
- Cross-border e-commerce
- Personalization
- 'Mobile first' markets

## New capabilities across channels

### E-commerce sales in Zone AOA (CHF)

E-commerce sales CAGR

**+37%**



- Establishing online channels
- Developing end-to-end online business models
- Partnering with e-commerce leaders

# Creating shared value for society and for our shareholders



Nestlé for Healthier Kids



Global YOUth Initiative



Caring for Water Initiative



Tackling plastic waste



Nescafé Plan & Nestlé Cocoa Plan

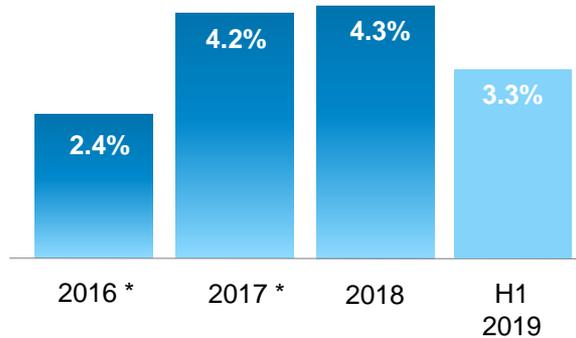


Gender balance and diversity

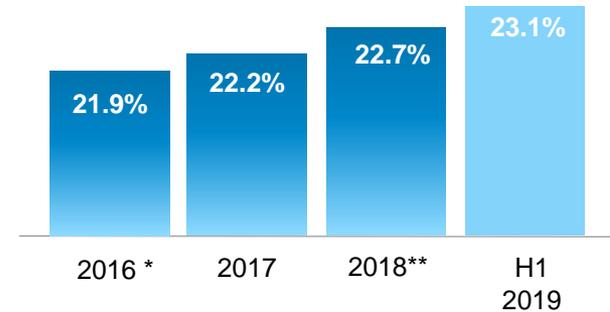
# Increasing profitability, not yet satisfied with the growth



## Zone AOA organic growth



## Zone AOA underlying TOP margin



\* Pro forma figures include the reorganization of Nestlé Nutrition into the Zones. No restatement has been made for accounting changes

\*\* Adjusted to reflect re-allocation of some marketing and administration expenses from Unallocated items into the Operating segments

# Key takeaways



- **Key categories and geographies offer plenty of opportunities**
- **Premiumization, digital and new retail driving profitable growth**
- **Creating Shared Value is key to ensuring we grow sustainably**
- **Profitability is increasing and we still have more to do to accelerate growth**