



Nestlé Good food, Good life

Full-year results 2019

Investor Call



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.



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Full-year results 2019

Mark Schneider, CEO



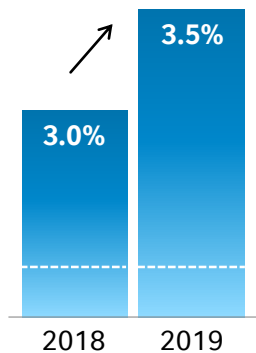
Key messages 2019

- **Continued progress with our value creation model**
- **Organic growth of 3.5%** led by strong momentum in the U.S. and *Purina* PetCare globally
- **Underlying trading operating profit margin increase of 60 bps to 17.6%**, reaching our 2020 profitability target range one year ahead of plan
- **Portfolio transformation on track with more to come**
- **CHF 16.9 bn cash returned to shareholders** through share buybacks and dividends in 2019
- **Board proposes to raise dividend by 25 centimes per share to CHF 2.70**, 25th consecutive annual increase
- **Bold steps in sustainability, diversity and inclusion**

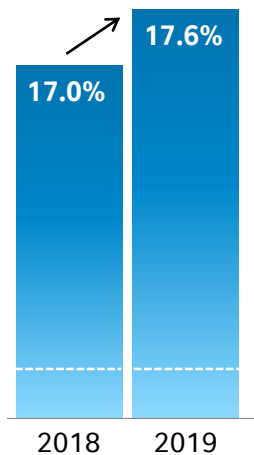


Strong 2019 financial results

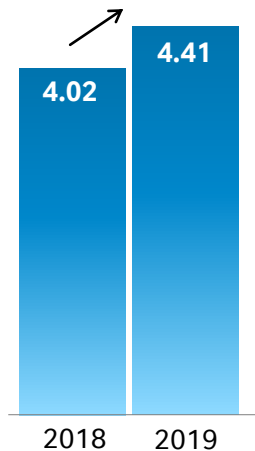
Organic growth



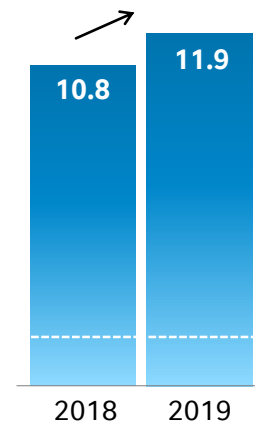
Underlying trading operating profit margin



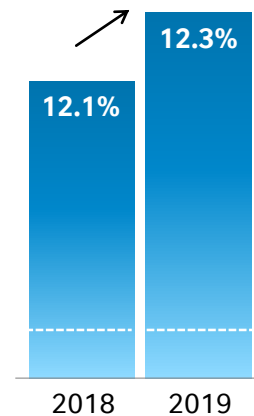
Underlying EPS (CHF)



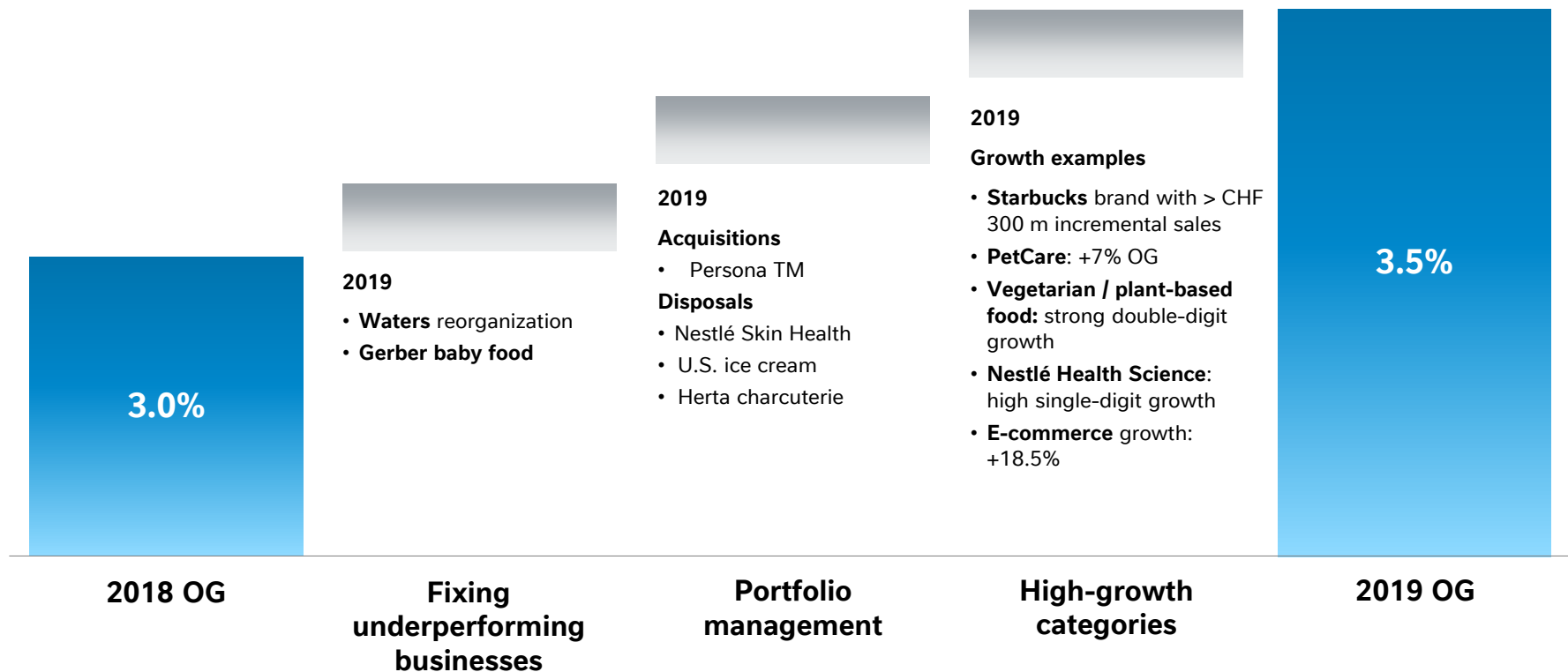
Free cash flow (CHF bn)



Return on invested capital



Continued progress towards mid single-digit organic growth



Developing our portfolio



> 50 transactions closed or announced since 2017, equivalent to ~ 12% of Group sales

OG contribution in 2019 +35 bps



Supporting growth through faster innovation

Coffee



Starbucks-branded products
> CHF 300 m incremental 2019 sales



Vertuo
> 60% organic growth

PetCare



Premium brands
strong double-digit organic growth



Veterinary products and supplements
strong double-digit organic growth

Plant-based food



Garden Gourmet
double-digit organic growth



Sweet Earth
strong double-digit organic growth



Business as a force for good

Creating a market for food-grade recycled plastics



- Allocating more than CHF 1.5 bn to incentivize supply
- Sourcing up to 2 m metric tons (2020-25)

Boosting packaging innovation



- Institute of Packaging Sciences
- CHF 250 m venture fund focusing on start-up companies
- Looking at all options: reuse/refill, recycling, new materials

2020 guidance

- Continued increase in organic sales growth, expecting further acceleration in 2021 / 2022 towards sustainable mid single-digit growth.
- Underlying trading operating profit margin with continued improvement.
- 2020 restructuring costs* are expected at around CHF 500 million.
- Underlying earnings per share in constant currency and capital efficiency expected to increase.
- It is too early to quantify the financial impact of the coronavirus outbreak at this time.

* Not including impairment of fixed assets, litigation and onerous contracts





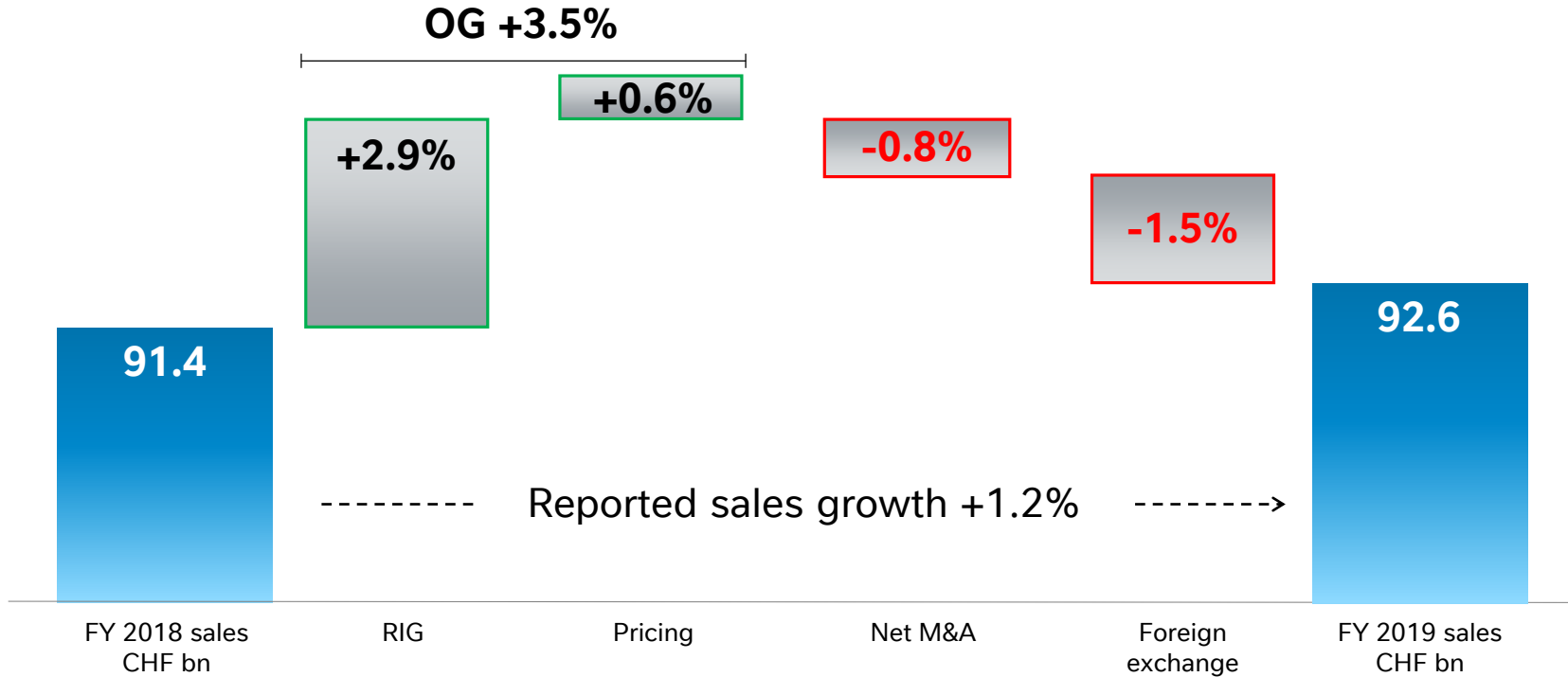
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Full-year results 2019

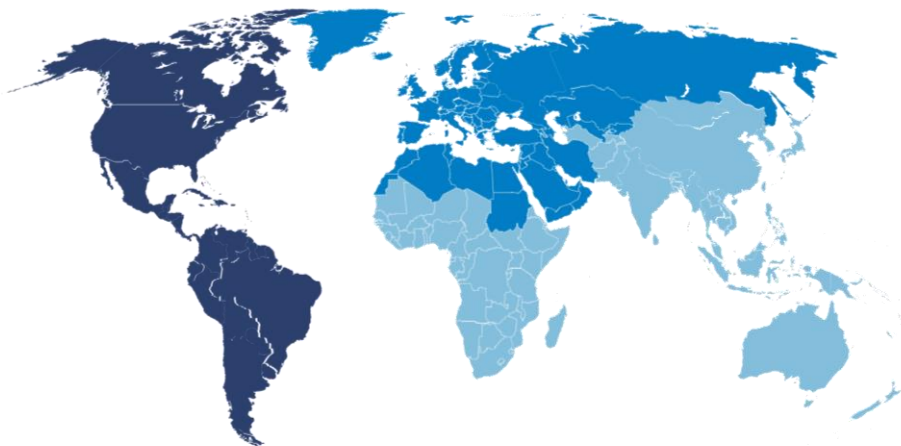
François Roger, CFO

Full-year sales growth



Broad-based growth with stronger momentum in the Americas

	AMS	EMENA	AOA
Sales (in CHF)	42.3 bn	26.5 bn	23.8 bn
RIG	2.6%	3.0%	3.2%
Pricing	1.4%	-0.7%	0.6%
OG	4.0%	2.3%	3.8%

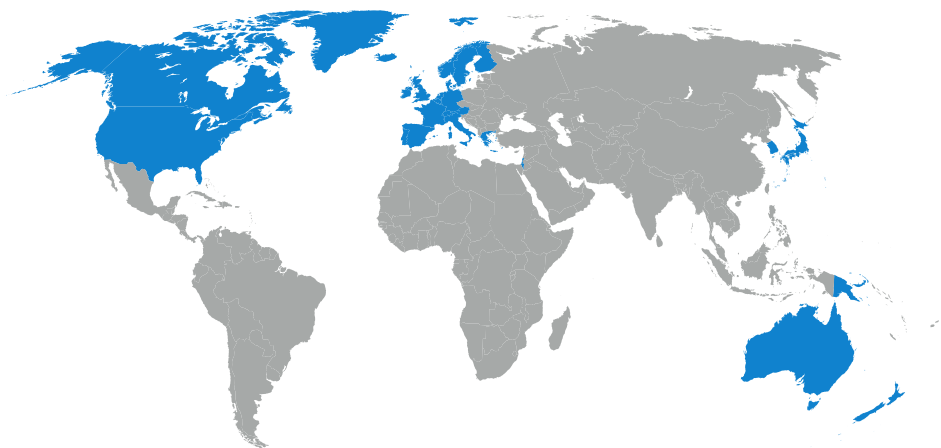


Each geography includes zones, Nestlé Waters, Nespresso, Nestlé Health Science and Nestlé Skin Health



Growth acceleration driven by increased RIG in developed markets

	Developed	Emerging
Sales (in CHF) % of Group sales	53.7 bn 58%	38.9 bn 42%
RIG	2.5%	3.4%
Pricing	0.1%	1.3%
OG	2.6%	4.7%



Zone AMS

Sales	CHF 33.2 bn
Organic growth	3.9%
Real internal growth	2.6%
Underlying TOP margin	21.1%
vs LY	+10 bps

- North America reached highest RIG in ten years
- DSD exit completed 6 months ahead of plan
- Latin America saw strong contributions from Brazil and Mexico
- Category highlights were *Purina* PetCare and beverages
- Margin +10 bps based on pricing and structural cost reductions



Zone EMENA

Sales	CHF 18.8 bn
Organic growth	2.7%
Real internal growth	4.2%
Underlying TOP margin	18.9%
vs LY	+20 bps

- Solid OG supported by best RIG in the last five years
- All sub-regions had positive organic growth
- *Purina* PetCare and infant nutrition were the main contributors to growth. Coffee saw mid-single digit RIG
- Margin +20 bps based on structural cost reductions, operational efficiencies and product mix



Zone AOA

Sales	CHF 21.6 bn
Organic growth	3.2%
Real internal growth	2.5%
Underlying TOP margin	22.7%
vs LY	unchanged

- Solid growth supported by South East Asia, India and Africa
- China saw softness in some categories. Premium products reported double digit growth
- Key growth drivers for the zone were culinary, infant nutrition and *Purina* PetCare
- Margin was unchanged as pricing and structural cost reductions were offset by commodity inflation



Nestlé Waters

Sales	CHF 7.8 bn
Organic growth	0.2%
Real internal growth	-1.9%
Underlying TOP margin	11.8%
vs LY	+80 bps

- Organic growth was subdued
- North America posted slightly positive growth. Mainstream offerings declined and premium brands grew double digit
- Europe saw negative growth, reflecting high comparables and a slowing market
- Margin +80 bps based on pricing and structural cost reductions



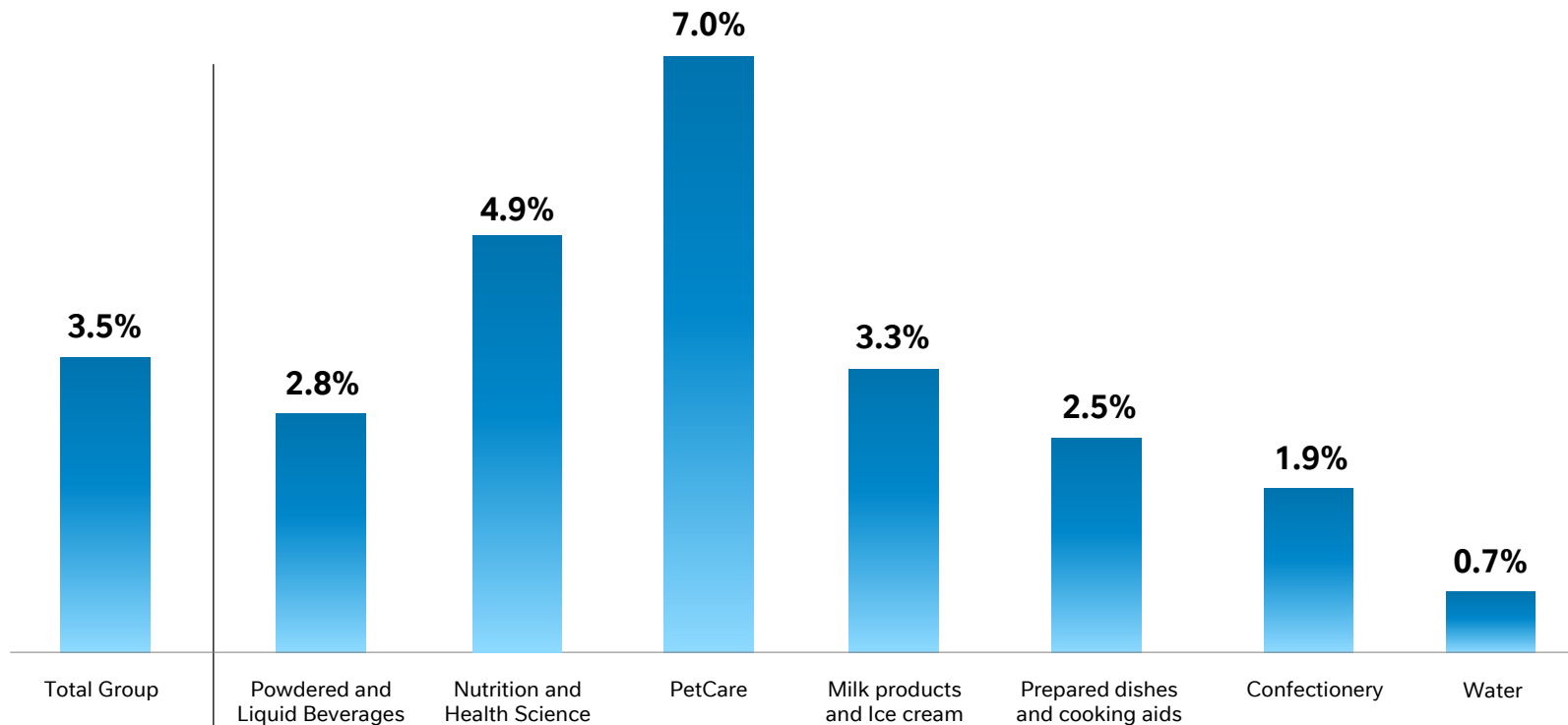
Other Businesses

Sales	CHF 11.2 bn
Organic growth	6.4%
Real internal growth	5.8%
Underlying TOP margin	18.7%
vs LY	+220 bps

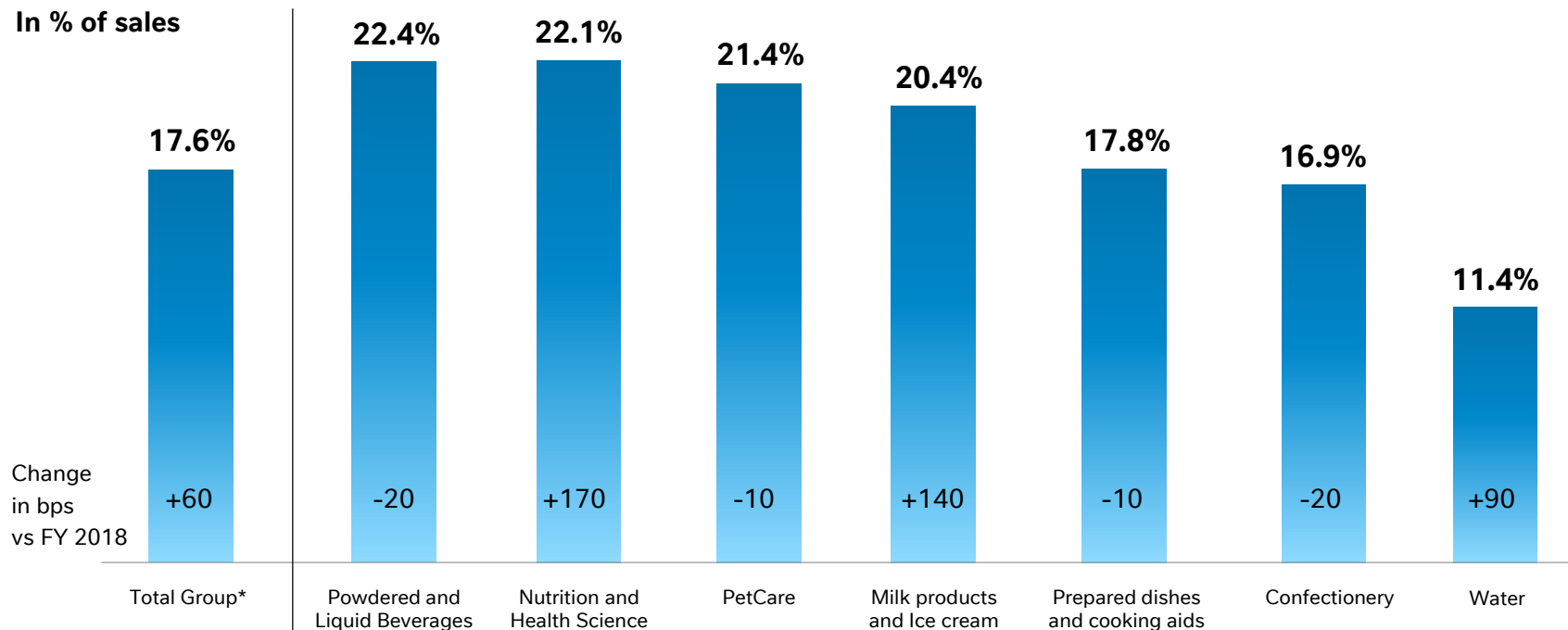
- Nespresso maintained mid single-digit organic growth, led by North America and emerging markets
- Nestlé Health Science grew at a high-single digit rate based on innovation and e-commerce
- Nestlé Skin Health posted high single-digit growth
- Margin +220 bps driven by broad-based improvements across all businesses



Positive organic growth across categories



Underlying trading operating profit margin by category

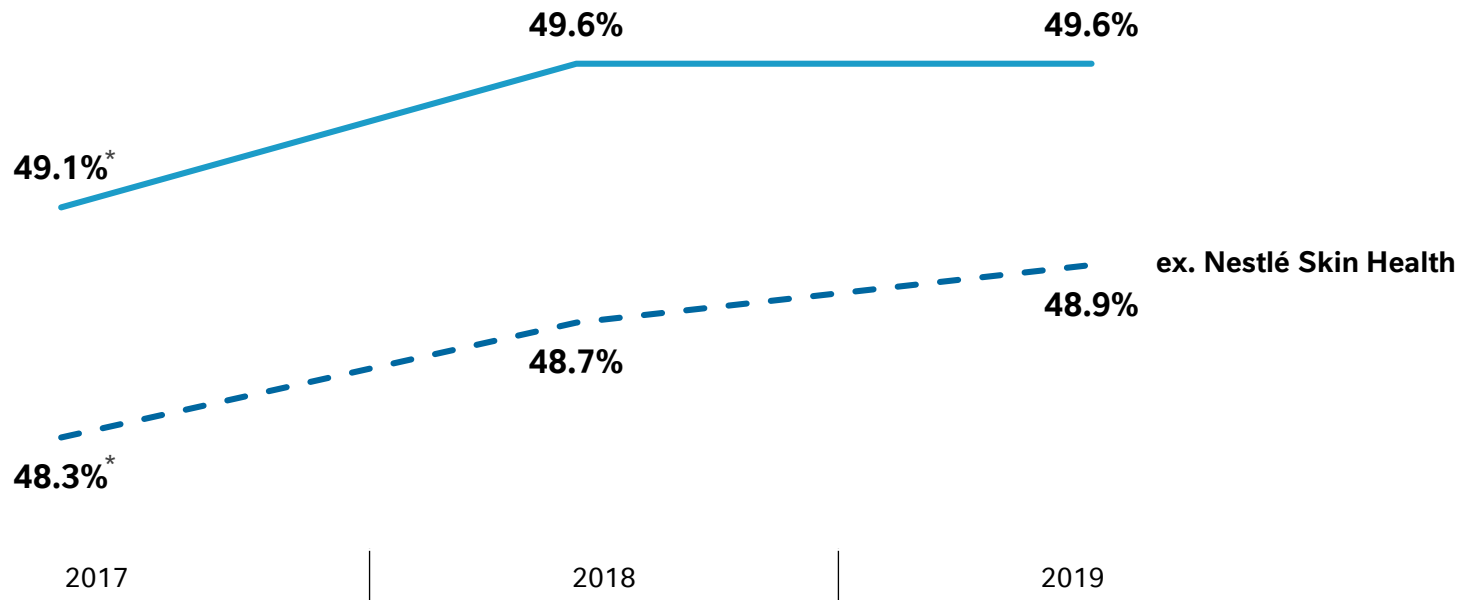


* Includes unallocated items



Further improvement in gross margin

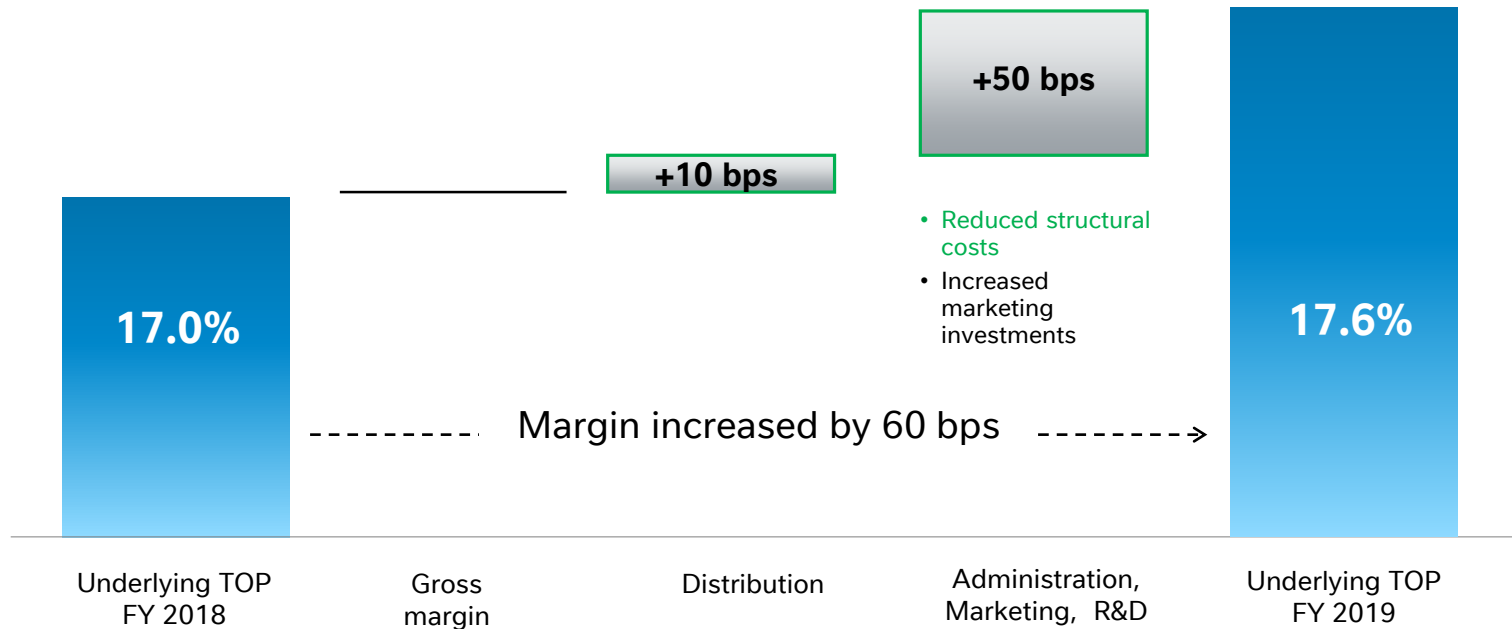
Gross margin = (Sales - Cost of good sold) / Sales



* Restated to reflect implementation of IFRS 15, IFRS 16 and reclassification of certain cost items from marketing and administration to cost of goods sold



Margin expansion supported by structural cost reductions



Significant increase in underlying EPS

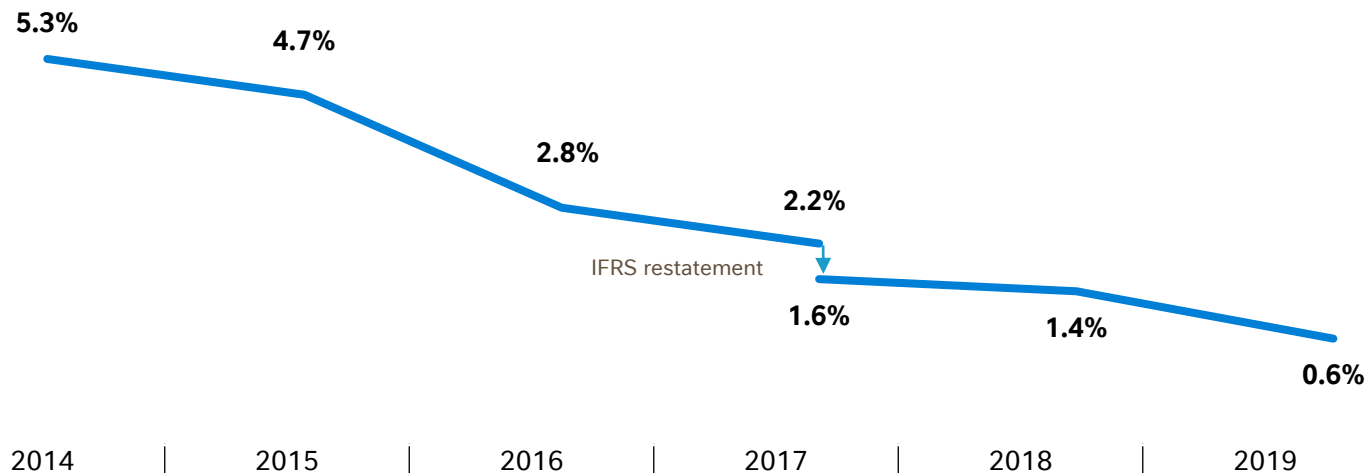
	% of sales	2019 vs 2018
Underlying trading operating profit	17.6%	+60 bps
Restructuring		+10 bps
Impairment of assets		-100 bps
Trading operating profit	14.8%	-30 bps
Impairment of goodwill and non-commercialized intangible assets		- 20 bps
Gain / loss on disposals		+ 290 bps
Financial income / expenses		-30 bps
Taxes		+ 40 bps
Net profit	13.6%	+250 bps
Weighted average number of shares outstanding	2 929 m	-2.8%
Underlying EPS	CHF 4.41	+11.1%*

* In constant currency



Further progress on working capital

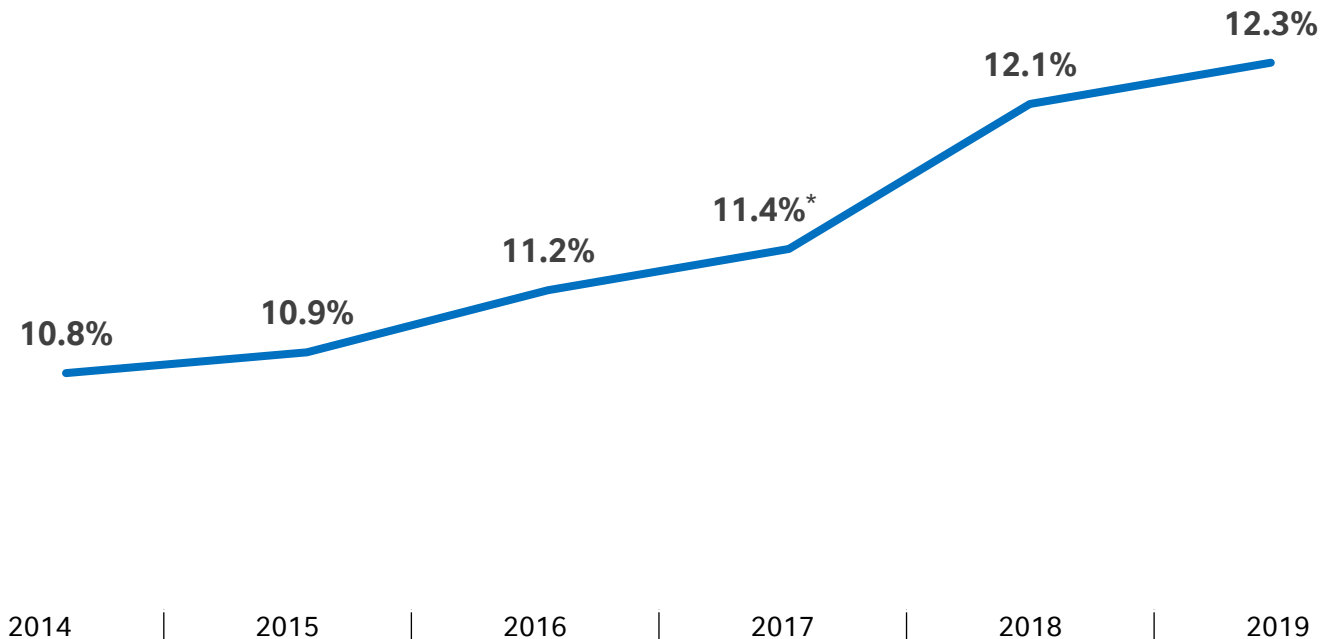
Working capital as a % of sales, calculated on a 5-quarter average



Note: 2017 restated, reflecting implementation of IFRS 15 and IFRS 16



5th consecutive year of ROIC improvement

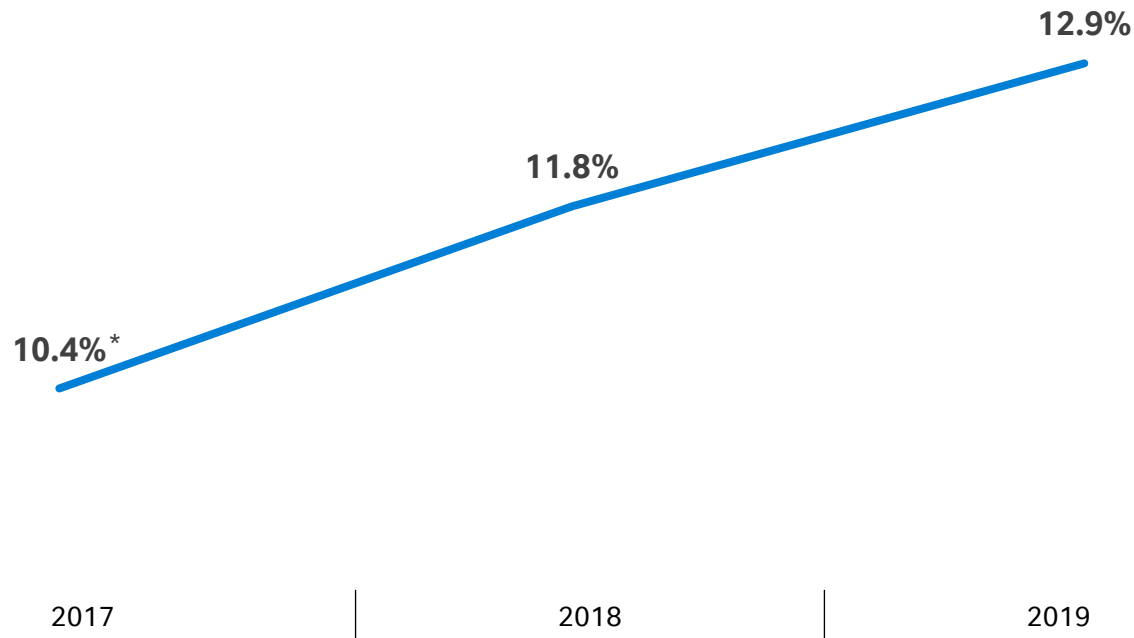


* Excludes impairment of Nestlé Skin Health. Restated, reflecting implementation of IFRS 15 and IFRS 16



Record free cash flow of CHF 11.9 bn

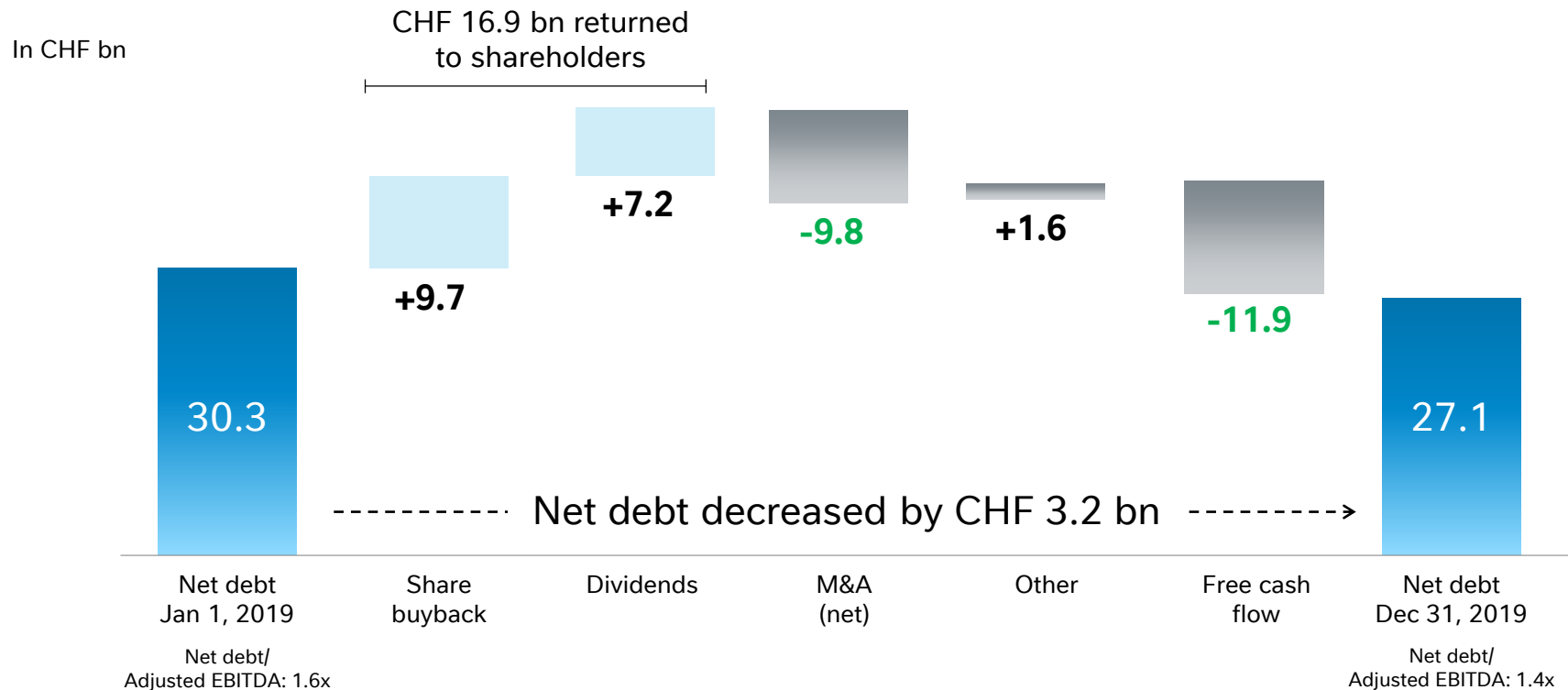
Free cash flow in % of sales



* Restated, reflecting implementation of IFRS 15 and IFRS 16



Temporary net debt decrease





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Q&A



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Full-year results 2019

Supporting slides



FY-2019 Operating segments – quarterly summary

	Q4-2019 sales			
	Sales (CHF m)	RIG %	Pricing %	OG %
Zone AMS	9 159	2.3	1.3	3.6
Zone EMENA	5 184	3.0	-0.7	2.3
Zone AOA	5 664	2.6	0.9	3.5
Nestlé Waters	1 724	0.2	-0.8	-0.6
Other Businesses	2 470	3.7	0.4	4.1
Total Group	24 201	2.5	0.5	3.0



FY-2019 Operating segments – topline summary

	FY-2019 sales						
	Sales (CHF m)	RIG %	Pricing %	OG %	Net M&A %	F/X %	Reported sales growth %
Zone AMS	33 154	2.6	1.3	3.9	3.5	-0.4	7.0
Zone EMENA	18 834	4.2	-1.5	2.7	-0.2	-3.0	-0.5
Zone AOA	21 602	2.5	0.7	3.2	-0.1	-1.8	1.3
Nestlé Waters	7 821	-1.9	2.1	0.2	-0.1	-0.9	-0.8
Other Businesses	11 157	5.8	0.6	6.4	-14.1	-1.7	-9.4
Total Group	92 568	2.9	0.6	3.5	-0.8	-1.5	1.2



FY-2019 Products – topline summary

	FY-2019 sales			
	Sales (CHF m)	RIG %	Pricing %	OG %
Powdered and liquid beverages	23 221	2.9	-0.1	2.8
Water	7 391	-1.6	2.3	0.7
Milk products and ice cream	13 268	1.7	1.6	3.3
Nutrition and Health Science	14 990	4.2	0.7	4.9
Prepared dishes and cooking aids	12 188	2.5	0.0	2.5
Confectionery	7 888	3.2	-1.3	1.9
Petcare	13 622	5.3	1.7	7.0
Total Group	92 568	2.9	0.6	3.5



FY-2019 historical eight quarters

Period	RIG %	Pricing %	OG %
Q1-2018	2.6	0.2	2.8
Q2-2018	2.4	0.2	2.6
Q3-2018	2.0	0.9	2.9
Q4-2018	2.8	0.9	3.7
Q1-2019	2.2	1.2	3.4
Q2-2019	3.0	0.9	3.9
Q3-2019	3.9	-0.2	3.7
Q4-2019	2.5	0.5	3.0



FY-2019 Operating segments – revenue and results

In CHF m							
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs	Depreciation and amortization
Zone AMS	33 154	6 998	6 159	(839)	(199)	(216)	(1 047)
Zone EMENA	18 834	3 567	3 394	(173)	(37)	(133)	(742)
Zone AOA	21 602	4 908	3 658	(1 250)	(517)	(79)	(741)
Nestlé Waters	7 821	922	740	(182)	(21)	(87)	(453)
Other businesses	11 157	2 089	2 026	(63)	7	(18)	(527)
Unallocated items	--	(2 224)	(2 303)	(79)	(16)	(20)	(203)
Total Group	92 568	16 260	13 674	(2 586)	(783)	(553)	(3 713)



FY-2019 Products – revenue and results

In CHF m						
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs
Powdered and Liquid Beverages	23 221	5 197	4 701	(496)	(180)	(63)
Water	7 391	846	667	(179)	(21)	(85)
Milk products and Ice cream	13 268	2 706	1 678	(1 028)	(415)	(106)
Nutrition and Health Science	14 990	3 314	3 092	(222)	(32)	(70)
Prepared dishes and cooking aids	12 188	2 170	1 857	(313)	(107)	(124)
Confectionery	7 888	1 332	1 241	(91)	(18)	(47)
Petcare	13 622	2 919	2 741	(178)	6	(38)
Unallocated items	--	(2 224)	(2 303)	(79)	(16)	(20)
Total Group	92 568	16 260	13 674	(2 586)	(783)	(553)



FY-2019 currency overview

US Dollar	1	USD
Euro	1	EUR
Chinese Yuan Renminbi	100	CNY
Brazilian Reals	100	BRL
Philippine Peso	100	PHP
UK Pound Sterling	1	GBP
Mexican Pesos	100	MXN
Canadian Dollar	1	CAD
Japanese Yen	100	JPY
Australian Dollar	1	AUD
Russian Federation Ruble	100	RUB

Weighted average rate		
FY-2018	FY-2019	Variation in %
0.979	0.993	+1.4%
1.154	1.112	-3.6%
14.776	14.366	-2.8%
26.663	25.118	-5.8%
1.856	1.920	+3.4%
1.302	1.269	-2.6%
5.082	5.159	+1.5%
0.755	0.749	-0.8%
0.886	0.911	+2.9%
0.731	0.692	-5.2%
1.554	1.537	-1.1%



FY-2019 EPS reconciliation (1 of 2)

From net profit to underlying profit

	In CHF m	
	FY-2018	FY-2019
Net Profit	10 135	12 609
Restructuring costs	651	553
Impairments of property, plant & equipment, goodwill and int. assets	1 248	2 336
Net result on disposal of businesses	(686)	(3 416)
Other adjustment in Net other income/(expense)	556	710
Adjustment for income from associates and joint ventures	301	285
Tax effect on above items & adjustment of one-off tax items	(76)	(135)
Adjustment in non-controlling interests	(26)	(20)
Underlying Net Profit	12 103	12 922
Weighted Average number of shares outstanding (m)	3 014	2 929
Underlying EPS	4.02	4.41



FY-2019 EPS reconciliation (2 of 2)

From operating profit to underlying net profit

	In CHF m	
	FY-2018	FY-2019
Operating profit adjusted	15 521	16 260
Net financial income / (expense)	(761)	(1 016)
Adjusted taxes	(3 515)	(3 294)
Adjusted income from associates and joint ventures	1 217	1 286
Adjusted non-controlling interests	(359)	(314)
Underlying Net Profit	12 103	12 922
Weighted Average number of shares outstanding (m)	3 014	2 929
Underlying EPS	4.02	4.41



Abbreviations

- OG Organic growth
- RIG Real internal growth
- AMS Zone Americas
- EMENA Zone Europe, Middle East, and North Africa
- AOA Zone Asia, Oceania, and sub-Saharan Africa
- EPS Earnings per share
- COGS Cost of goods sold
- FCF Free cash flow
- TOP Trading operating profit
- UTOP Underlying trading operating profit
- Structural costs Mainly production, distribution and administrative fixed costs
- Adjusted EBITDA As per definition in Alternative Performance Measures (APM)

