

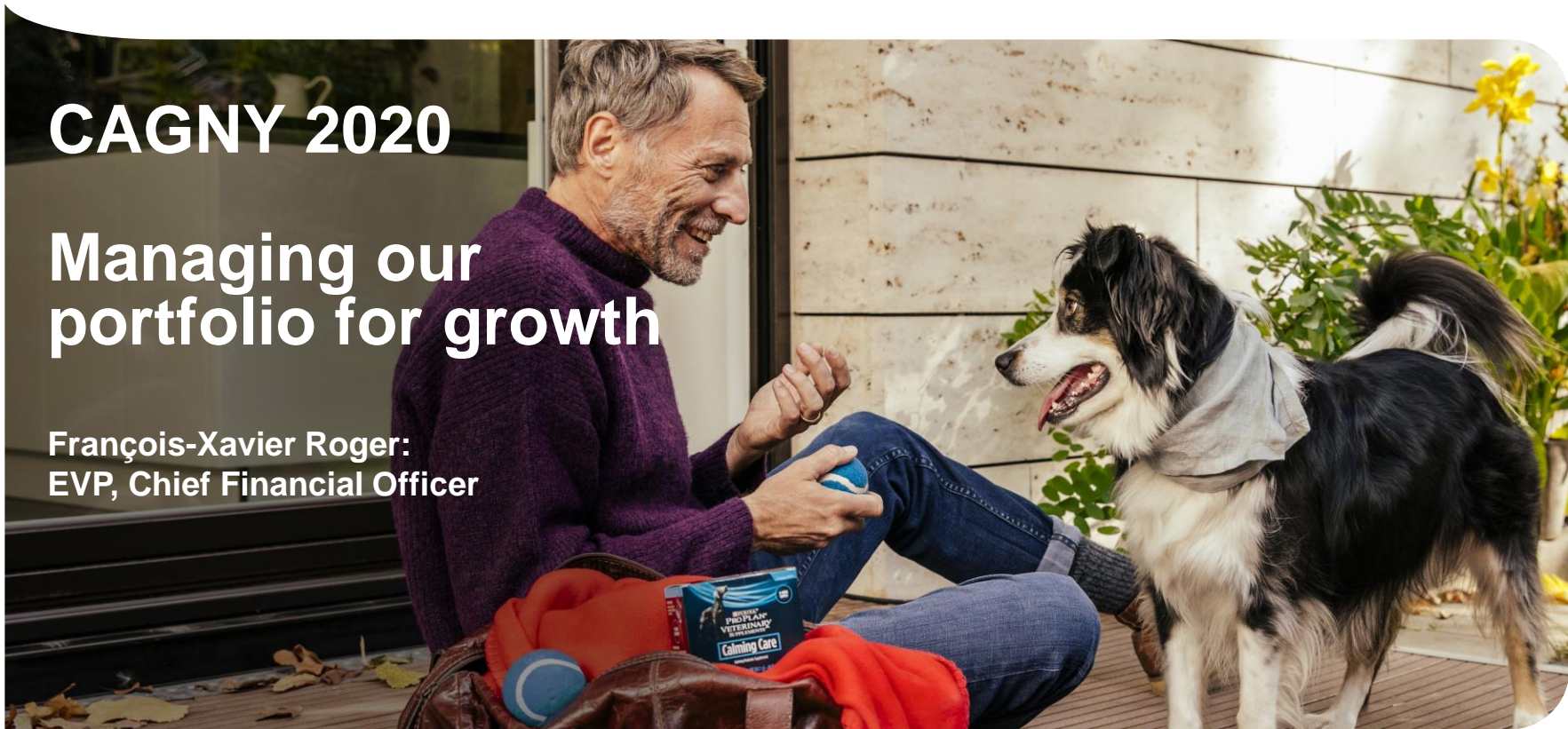


Nestlé Good Food, Good Life

CAGNY 2020

Managing our portfolio for growth

François-Xavier Roger:
EVP, Chief Financial Officer



Disclaimer



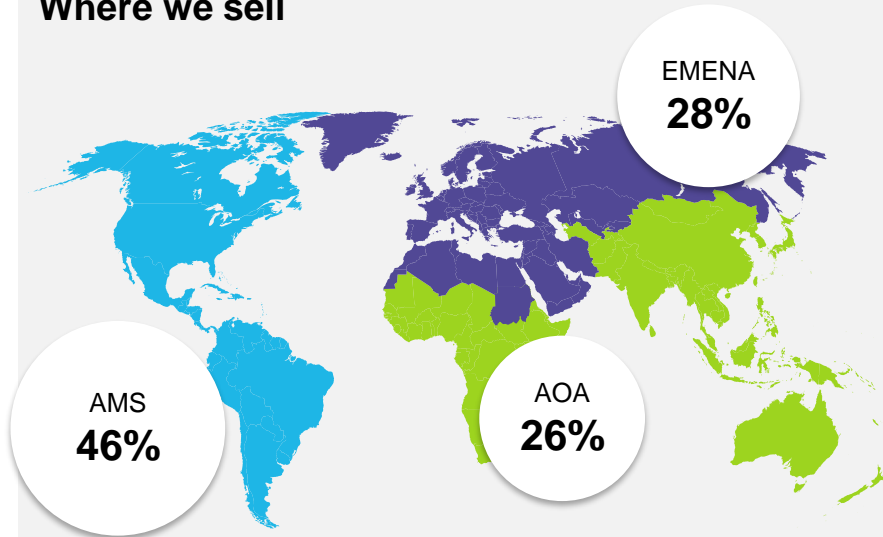
This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

Global, balanced and diversified business

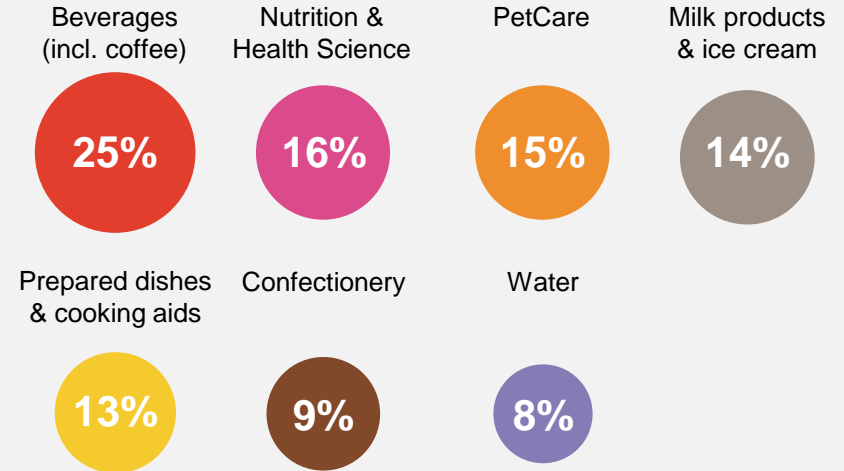


2019 Sales: CHF 92.6 bn

Where we sell



What we sell



Number of employees

291 000

R&D spend

CHF 1.7 bn

Factories

403

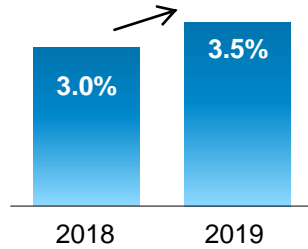
Iconic global and local brands



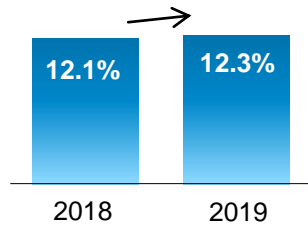
Strong 2019 financial results



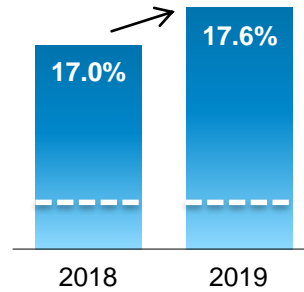
Organic growth



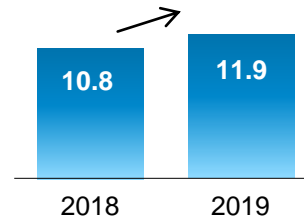
Return on invested capital



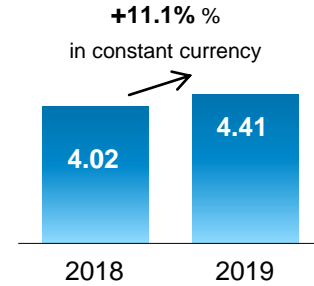
Underlying trading operating profit margin



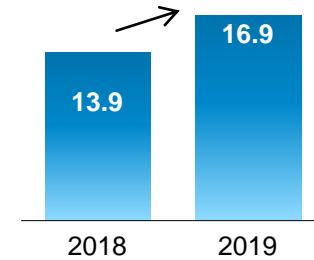
Free cash flow (CHF bn)



Underlying EPS (in CHF)



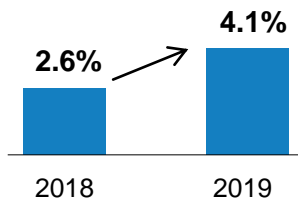
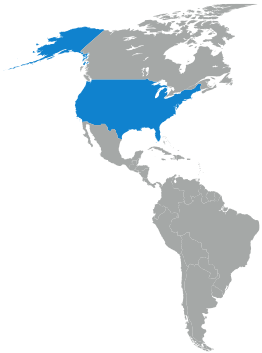
Cash returned to shareholders (CHF bn)



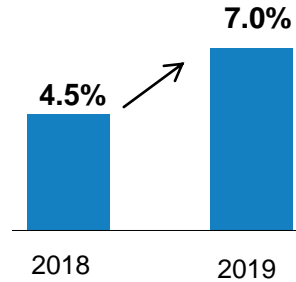
Key growth platforms



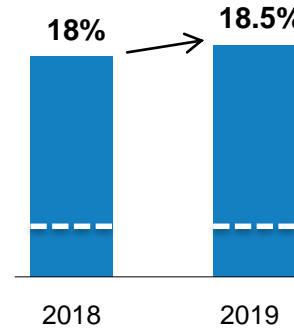
United States



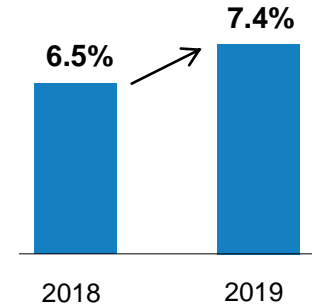
PetCare



E-commerce



Premium products



All figures relate to organic growth

Delivering strong total shareholder returns

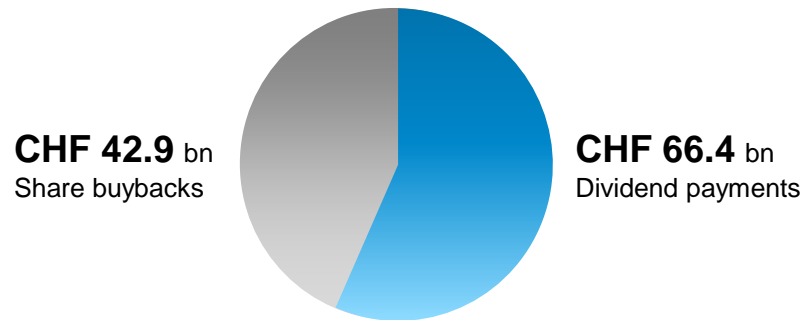


Consistent TSR* performance

	10 year	5 year	3 year	1 year
Nestlé	290%	84%	55%	40%
STOXX F&B	218%	60%	26%	27%

CHF 109.3 bn returned to shareholders since 2010

2010 – 2019

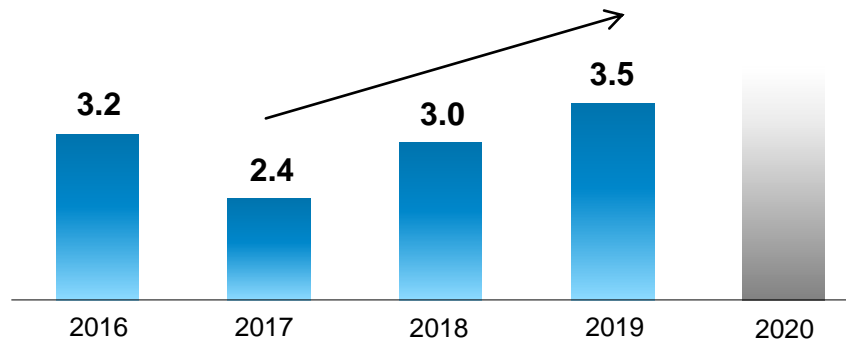


* Total Shareholder Returns (TSR): Share price appreciation plus dividend reinvestment. Both Nestlé and peer median STOXX 1800 Global Food and Beverage are calculated in EUR. All data is gross except STOXX 10-year where net data is used as gross values are unavailable. Source Bloomberg Data as of 31.12.2019

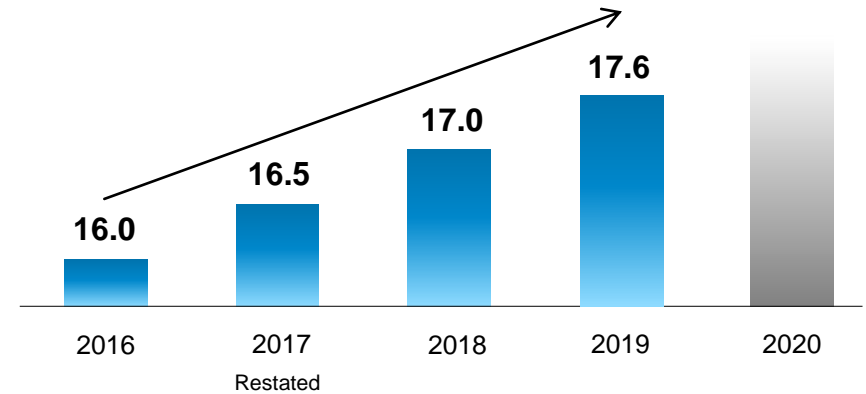
Top and bottom line sequentially improving



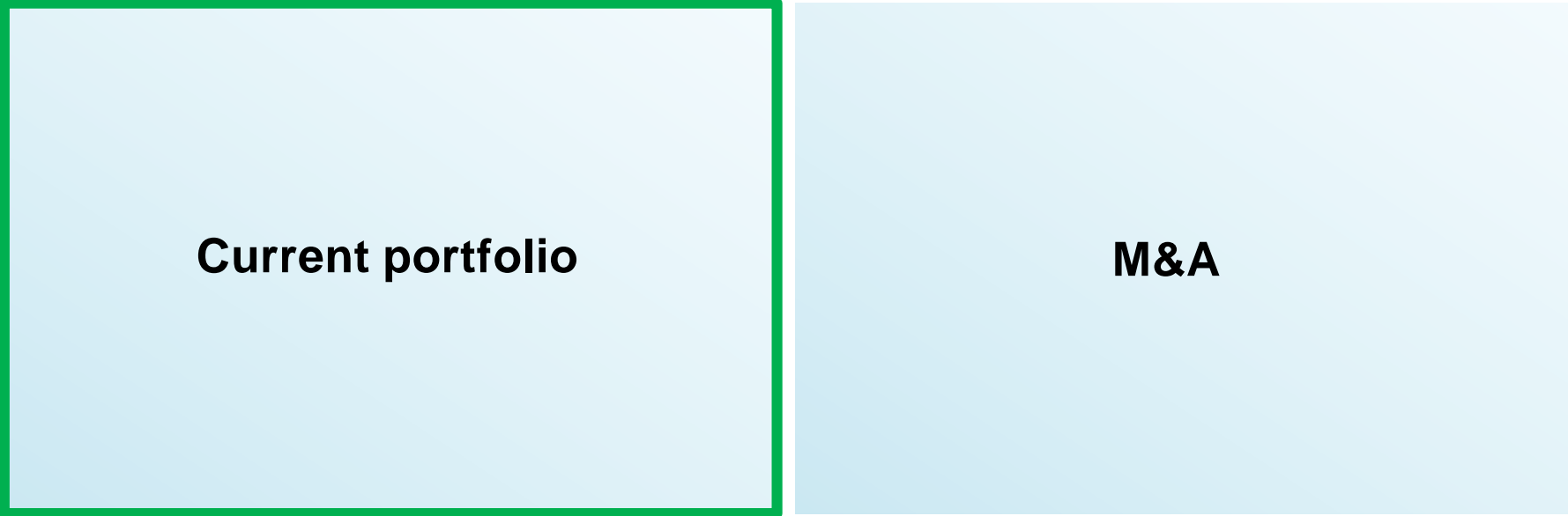
Organic growth (%)



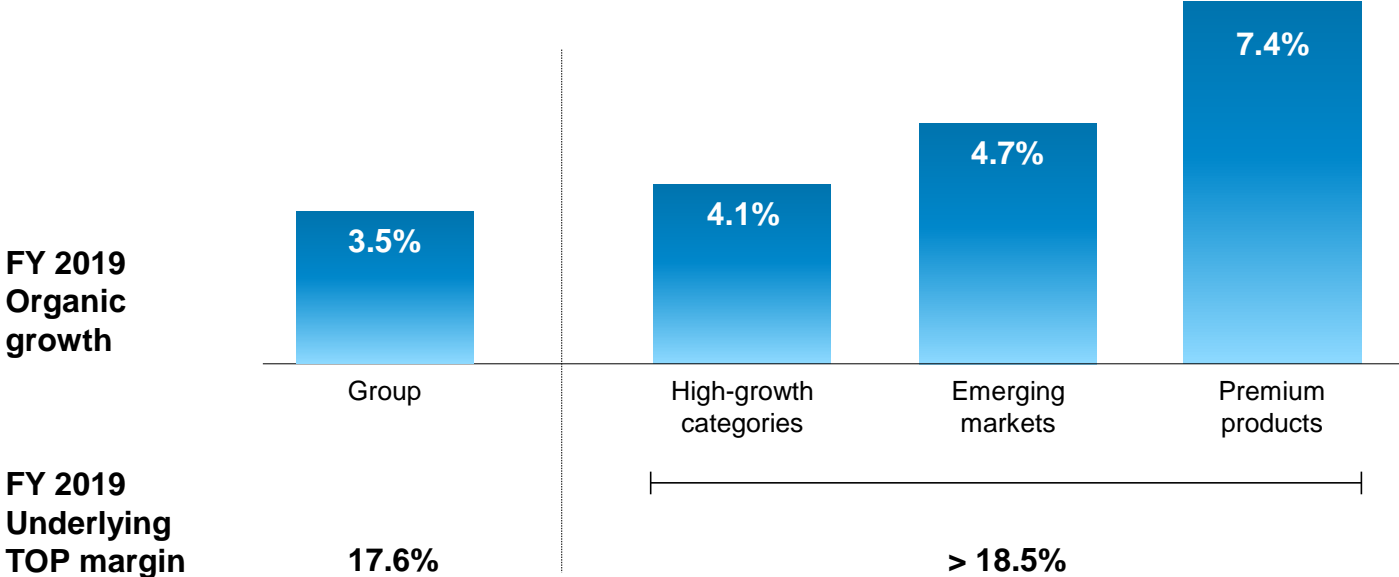
Underlying trading operating profit (% of sales)



Creating value through portfolio management



Driving profitable growth through our portfolio

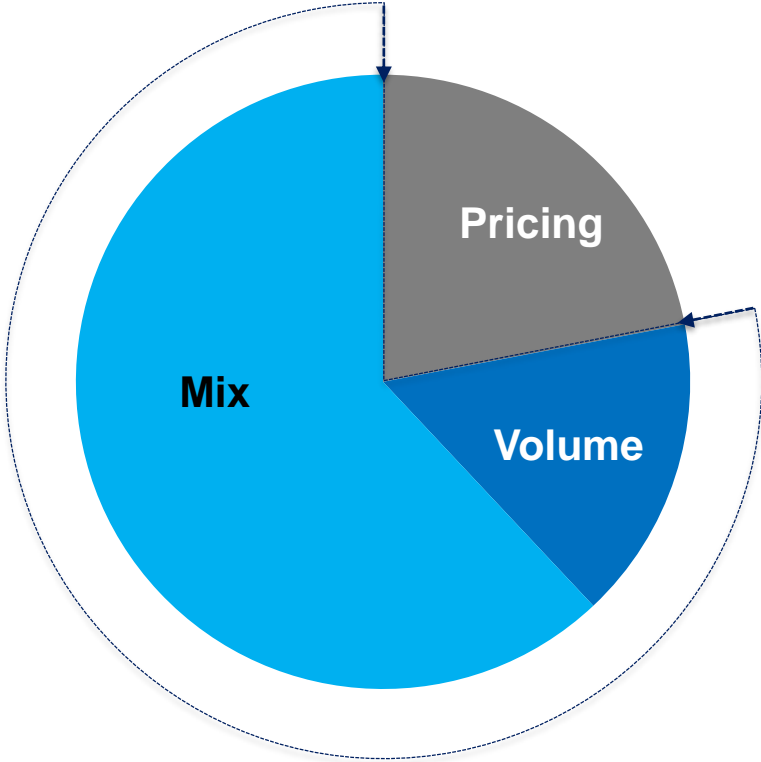


Mix is driving our organic growth



Organic growth composition 2017-2019*

RIG = Mix + Volume

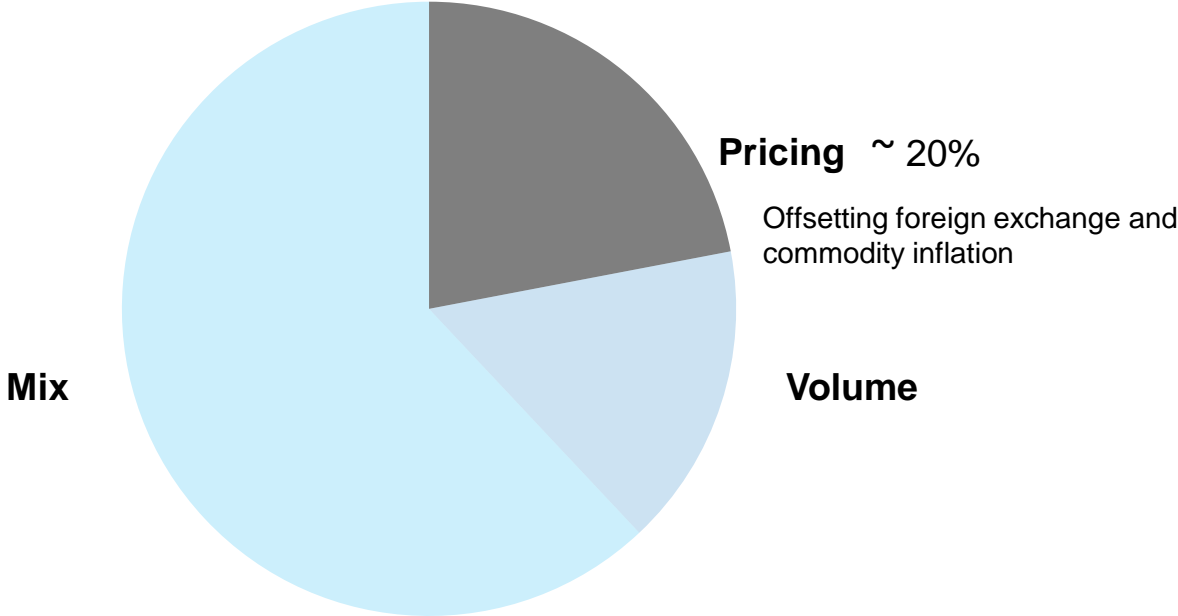


* Excludes water and Nestlé Skin Health

Mix is driving our organic growth



Organic growth composition 2017-2019*

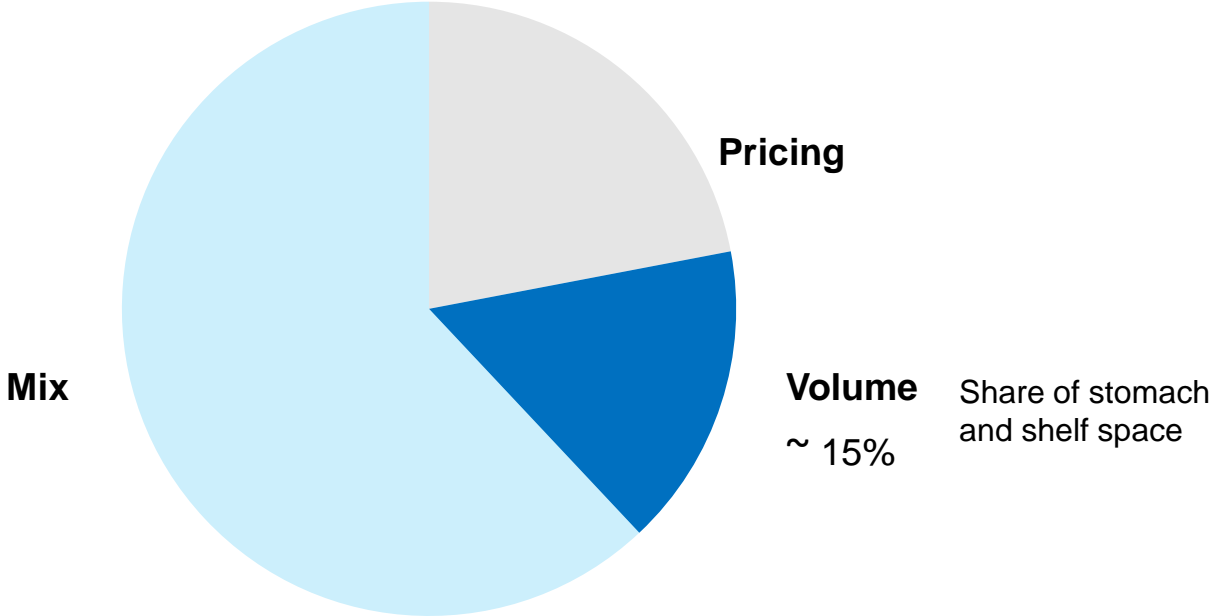


* Excludes water and Nestlé Skin Health

Mix is driving our organic growth



Organic growth composition 2017-2019*

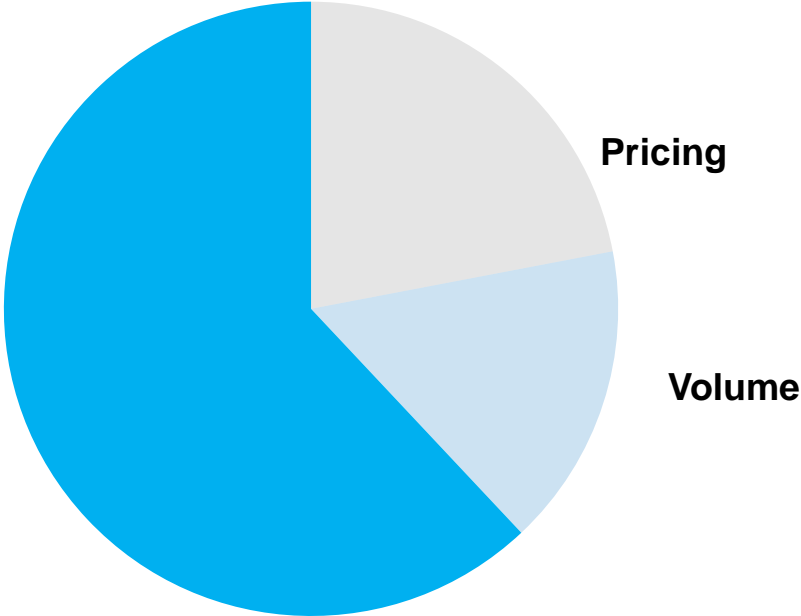


* Excludes water and Nestlé Skin Health

Mix is driving our organic growth



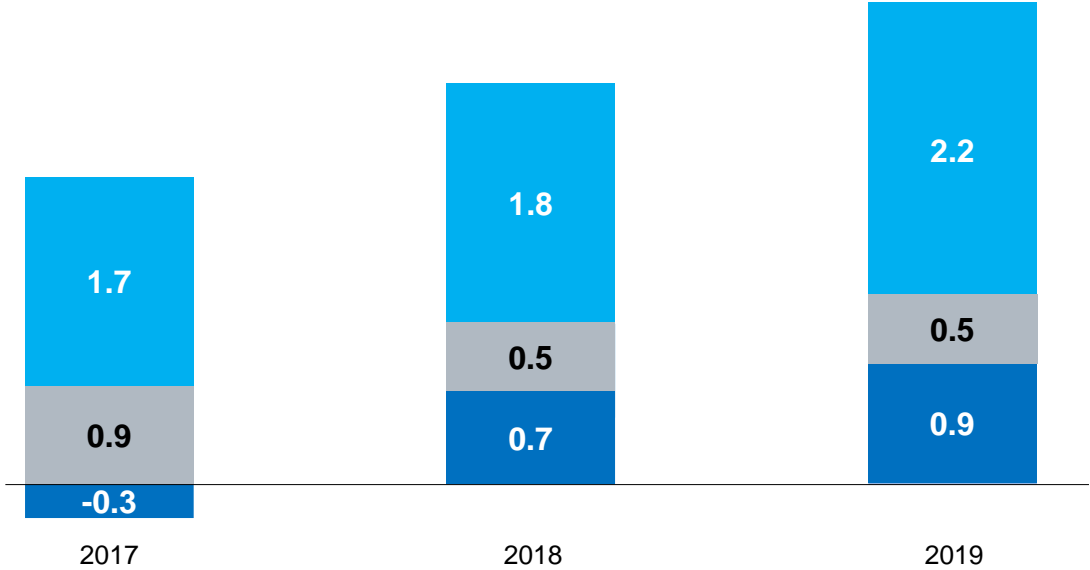
Organic growth composition 2017-2019*



Category, geography and product (premiumization) **Mix**
~ 65%

* Excludes water and Nestlé Skin Health

Mix and volume are gaining traction over time



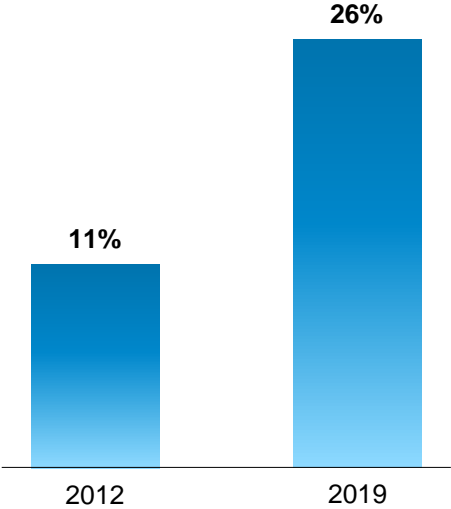
- Mix ↑ increasing
- Pricing → stable
- Volume ↑ increasing

* Excludes water and Nestlé Skin Health

Our portfolio is becoming more premium over time



Premium products
as % of sales



Key consumer trends support premiumization



Naturalization

Coffee mate Natural Bliss with double-digit growth



Vegan / Plant-based food

Double-digit growth



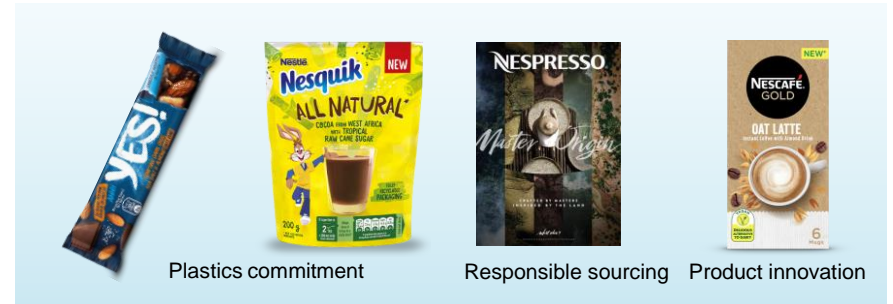
Organic

Garden of Life with double-digit growth (2018-2019)



Sustainability

Leading in packaging innovation and responsible sourcing



Driving premiumization through differentiation



Direct-to-consumer

Premium waters and Nespresso with mid single-digit growth



Solutions / functional benefits

Strong double-digit growth for PetCare products



Research and development

Hypoallergenic infant formula with high single-digit growth



Personalization

Tails.com with > 50% growth in 2019



Creating value through portfolio management



Current portfolio

M&A



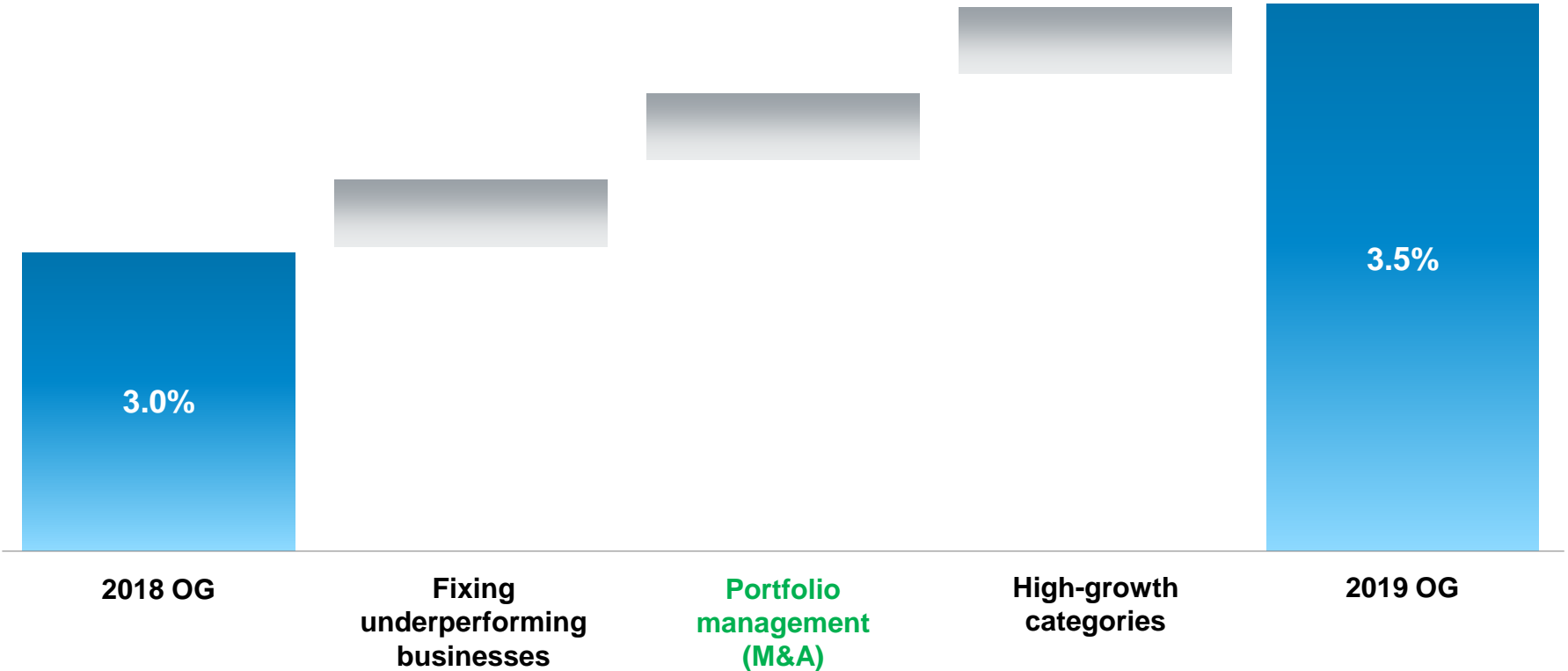
Nestlé Good Food, Good Life

Discipline and creativity in portfolio management

Sanjay Bahadur
Deputy EVP, Head of Group Strategy
and Business Development



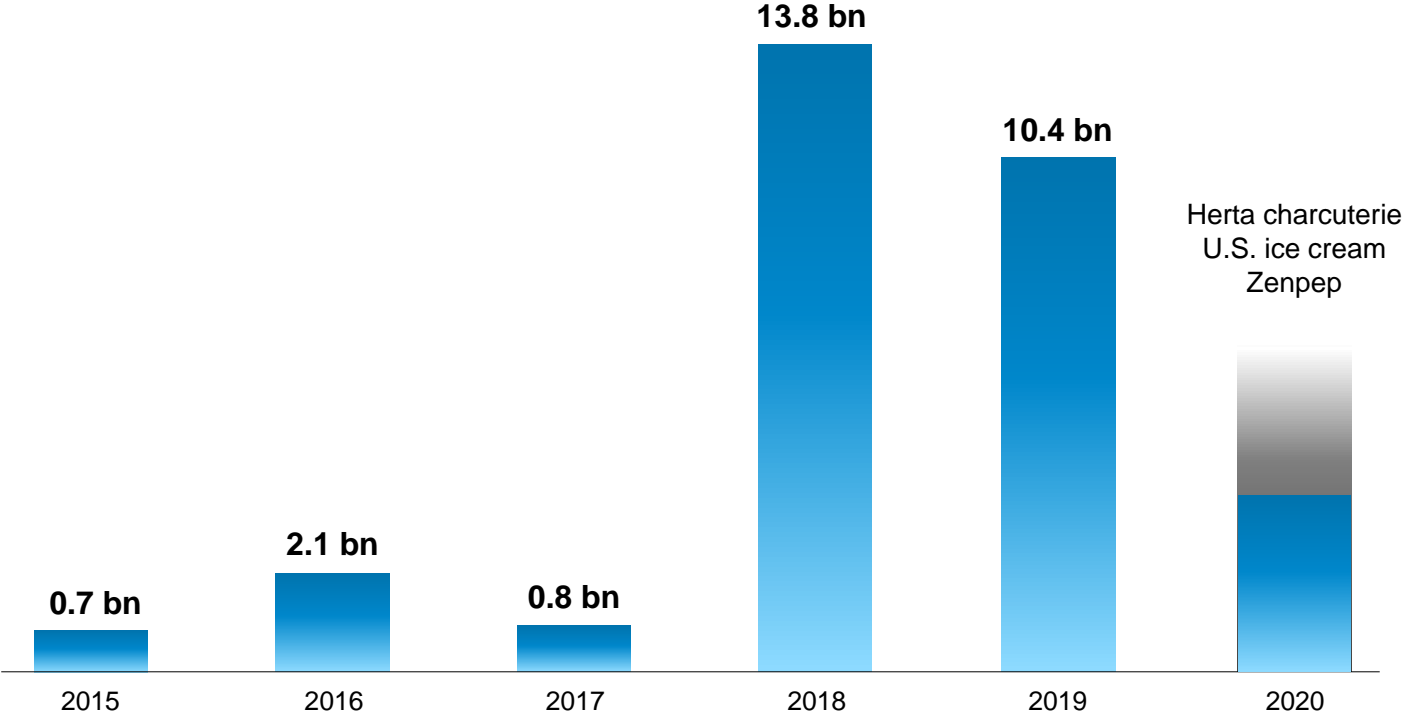
Portfolio management is an important driver of growth



There has been a step-change in our level of M&A activity



CHF value of transactions (acquisitions and divestments)



Positioning our portfolio for growth



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

OG contribution in 2019 +35 bps

We have three main criteria for assessing acquisitions



Strategic fit



- Food, beverages and nutrition
- High-growth categories
- New trends and e-business



Financial return



- Growth and / or margin accretive
- ROIC > WACC within 5-7 years



Cultural fit

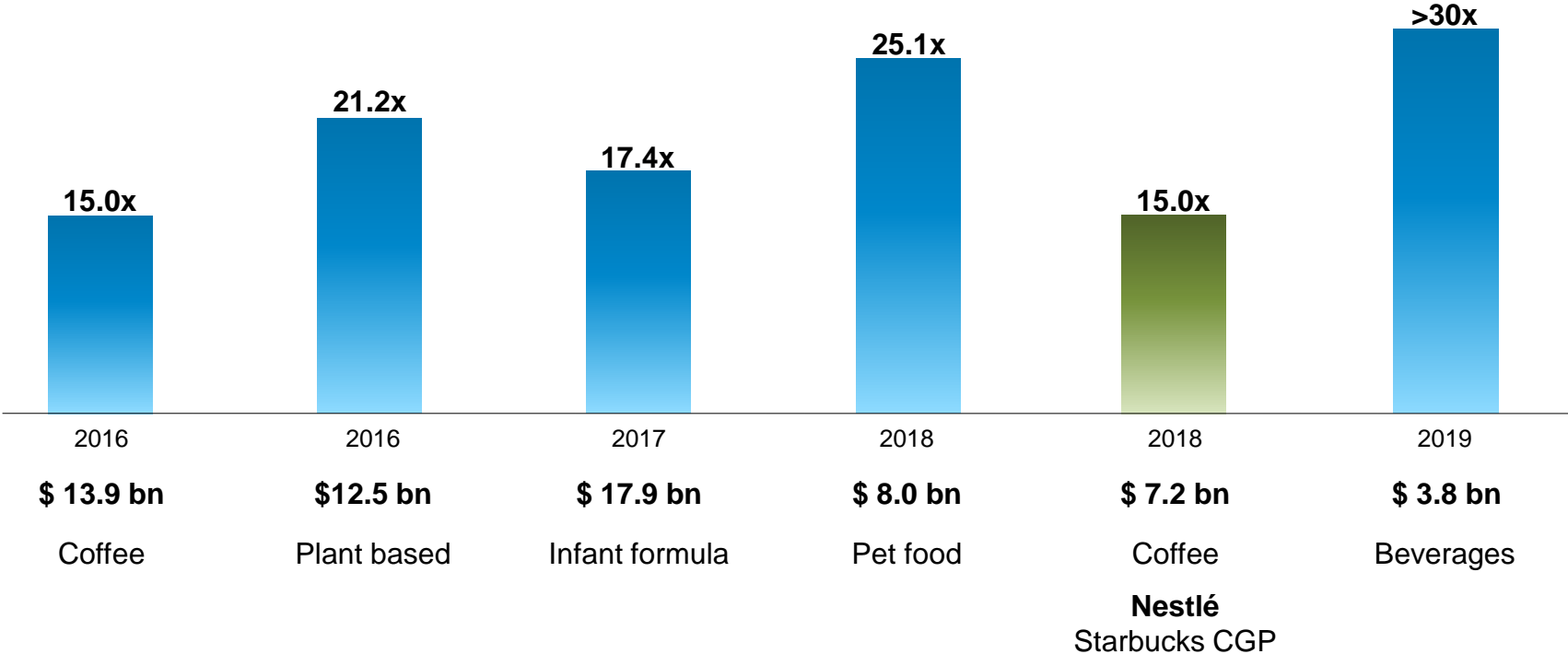


- People
- Fit with Nestlé
- Integration

Assets are expensive and we have been disciplined



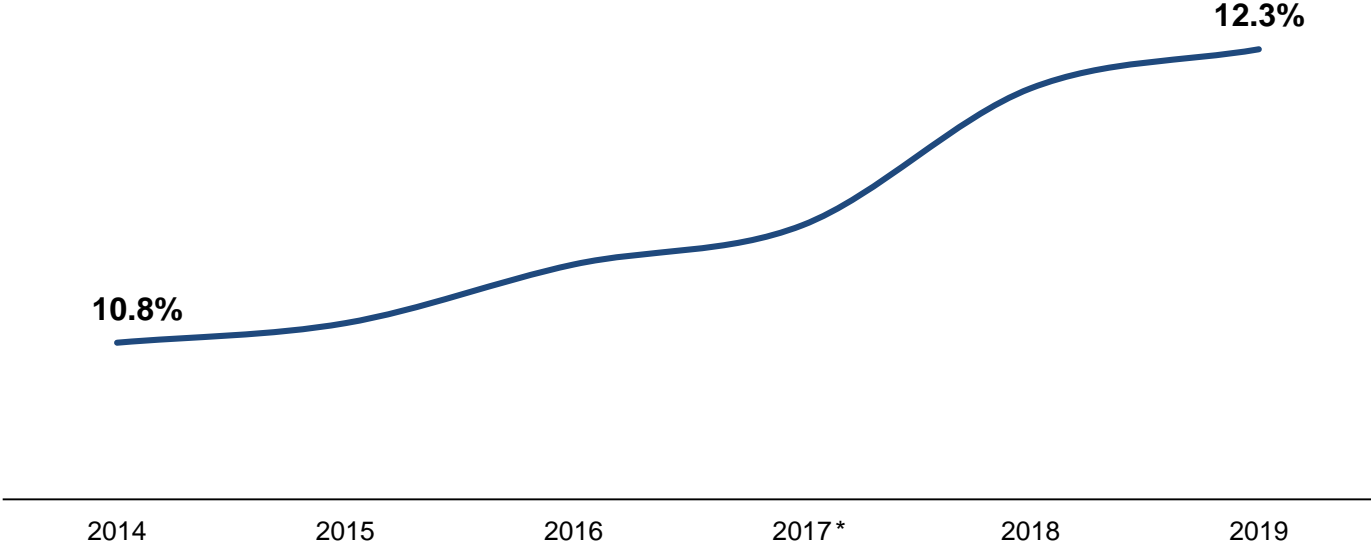
Deal EV/EBITDA transaction multiples before synergies



Disciplined M&A is crucial to protect ROIC



Five consecutive years of ROIC improvement



* 2017 restated and excluding Nestlé Skin Health impairment

Innovative business models and deal structures have enabled us to create value



Joint Venture

JV Associate

Ice cream pure-play manufacturer

Unlocking value through a business combination, creating a market leader



Brand license

License acquisition

Creation of a global coffee alliance

Consolidating leadership in coffee, entering new sub-categories



New channels

Full ownership

New categories and channels in consumer health

Building a nutritional health portfolio, including personalization



Partnership

Minority shareholding

Accessing a network of 1100 vet clinics

Building a PetCare ecosystem to strengthen leadership

Froneri presented a unique opportunity



Created in 2016 through the merger of Nestlé's European ice cream business with R&R

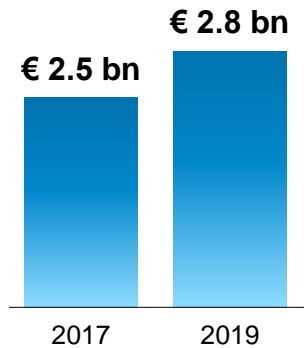
- Unique ownership structure with private equity partners
- Pure-play ice cream leader with category captaincy
- Complete portfolio combining owned and licensed brands, as well as private label
- Agile and entrepreneurial management team with specialized industry expertise
- Created a leaner, fitter and faster business

Froneri has a strong track record of operating excellence



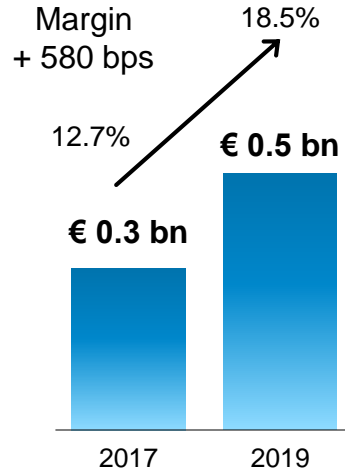
Accelerated sales growth

CAGR 6%



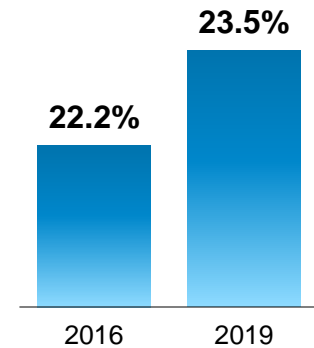
Significantly improved EBITDA

CAGR 28%



Increased market share

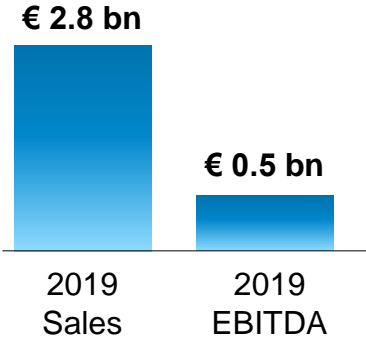
+130 bps



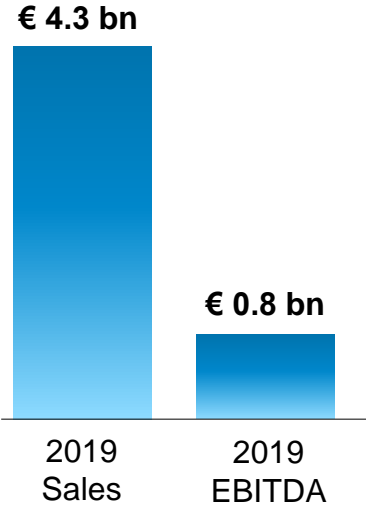
Creating a global pure-play leader with the addition of Nestlé U.S. ice cream



Froneri



Enlarged Froneri pro forma



We completed a creative deal with Starbucks



NESCAFÉ



Annual sales: > CHF 10 billion

- Mainstream brand, universal appeal
- World's preferred coffee brand

NESPRESSO



Annual sales: > CHF 5 billion

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



STARBUCKS



Annual sales: > CHF 2 billion

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

Global Starbucks roll-out at speed: new formats and markets



- Rolled out in > 40 markets in the first 12 months
- > CHF 300 m incremental sales in 2019

2019

Roast & ground coffee



Launched
March 2019

Starbucks by Nespresso



Launched
March 2019

Starbucks by Dolce Gusto



Launched
March 2019

Coffee creamers



Launched
July 2019

2020

Cold brews, blends with vitamins



Launched
February 2020

Access to innovation through venture funds



Early stage food, nutrition science and food-tech

Butternut Box



Algorithm-driven, D2C pet wellness company



Creates, resources, and builds life sciences companies

Evelo



Clinical stage biotechnology company focused on the small intestine



Emerging plant-based food and beverage and foodservice companies

Ripple



Pea-protein based dairy alternatives with natural plant ingredients

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

Key takeaways



- Sharpened focus on food, beverage and nutritional health products
- M&A is an important tool to strengthen our portfolio and accelerate growth
- Three main criteria when assessing acquisitions: strategic fit, financial return, cultural fit
- Disciplined, flexible and creative approach to maximize value creation
- Improved governance for acquisitions, solid integration plans, precise accountability and targets
- **M&A will continue to be an integral part of our value creation model**
- **We expect 2020 to be another busy year, for both acquisitions and divestments**