



Nestlé Good food, Good life

Half-year results 2020



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.

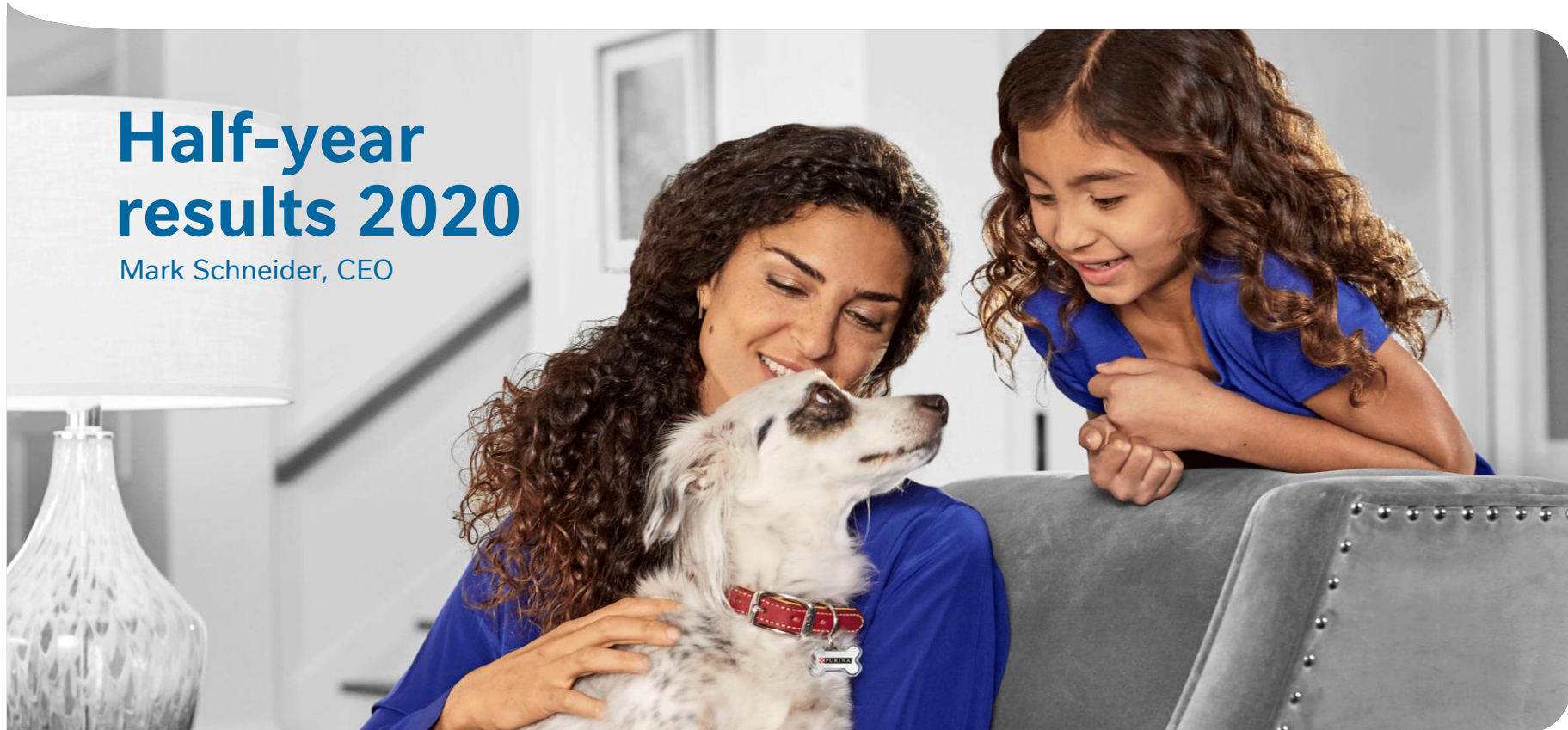




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Mark Schneider, CEO



Key messages

- **Resilient business model** based on a diversified portfolio across geographies, product categories and channels
- **First half organic growth of 2.8%** led by strong growth in the Americas, *Purina* Petcare and Nestlé Health Science
- **Underlying trading operating profit margin increase of 30 bps to 17.4%**
- **Continued portfolio transformation** towards attractive high-growth categories
- **Further significant steps in sustainability, diversity and inclusion**



On a continued path towards attractive high-growth categories

2020 activity

Sold

Canadian Nestlé
Pure Life business*



U.S. ice cream



Charcuterie



Under strategic review

North American Waters



YINLU 银鹭



Rice porridge



Peanut milk

Acquired or invested

Nestlé Health Science



Purina PetCare



* Pending deal closure



Exploring strategic options for North American Waters

Review North American Waters business

- Sales: ~ CHF 3.4 billion in 2019
- Scope includes regional brands, *ReadyRefresh* and *Nestlé Pure Life*
- ~ 7 000 employees and 27 factories



Retain and grow iconic international and premium mineral water brands globally

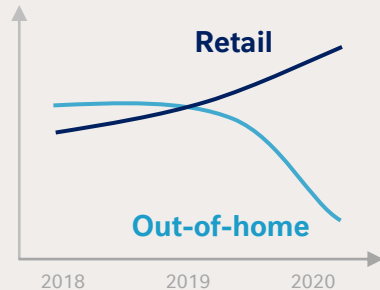
- Focusing on premium mineral water brands and functional waters
- Committed to achieving carbon neutrality for *S.Pellegrino*, *Perrier* and *Acqua Panna* by 2022, enhancing water stewardship and tackling plastic waste



Developing solutions to meet fast-changing consumer needs

Trends changing with COVID-19

At-home consumption

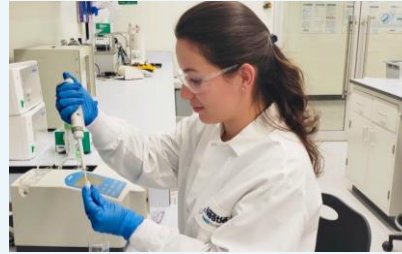


Trends accelerating with COVID-19

Affordability



Safety



Localness



Health and nutrition



E-commerce



Digital engagement



Refreshing our company purpose statement

We unlock the power of food to enhance quality of life for everyone, today and for generations to come

- Reflects our business focus following the divestiture of Nestlé Skin Health
- Reinforces our commitment to serve consumers at all price points
- Emphasizes our focus on sustainability



2020 guidance

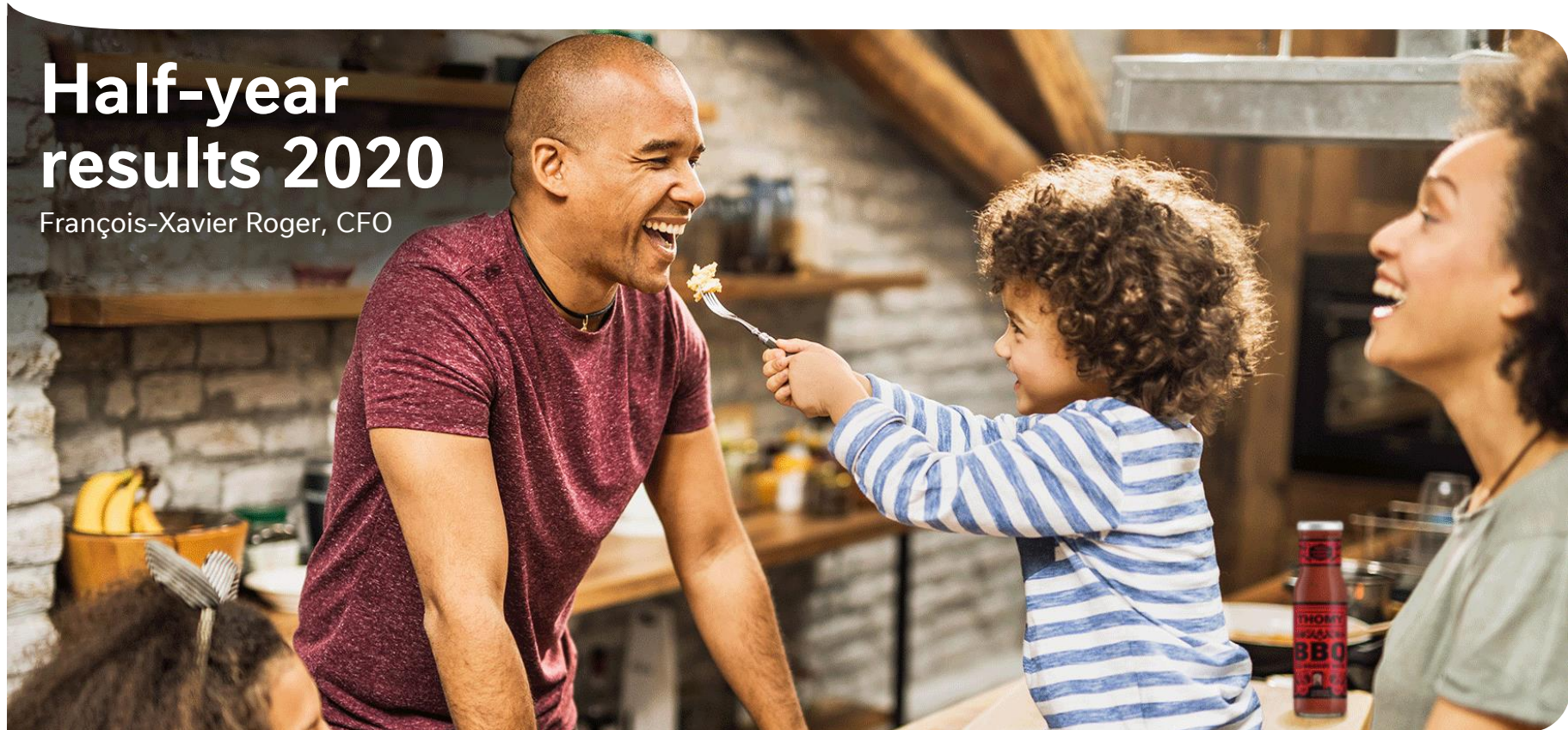
- Full-year organic sales growth between 2% and 3%
- Underlying trading operating profit margin to improve
- Underlying earnings per share in constant currency and capital efficiency to increase
- This guidance is based on our current knowledge of COVID-19 developments, and assumes no material deterioration versus present conditions



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François-Xavier Roger, CFO



Half-year financial results

Sales (in CHF)

41.2 bn

-9.5% on a reported basis

**Organic
Growth**

+2.8%

**Underlying
TOP margin**

+30 bps

17.4% of sales

**Underlying
EPS**

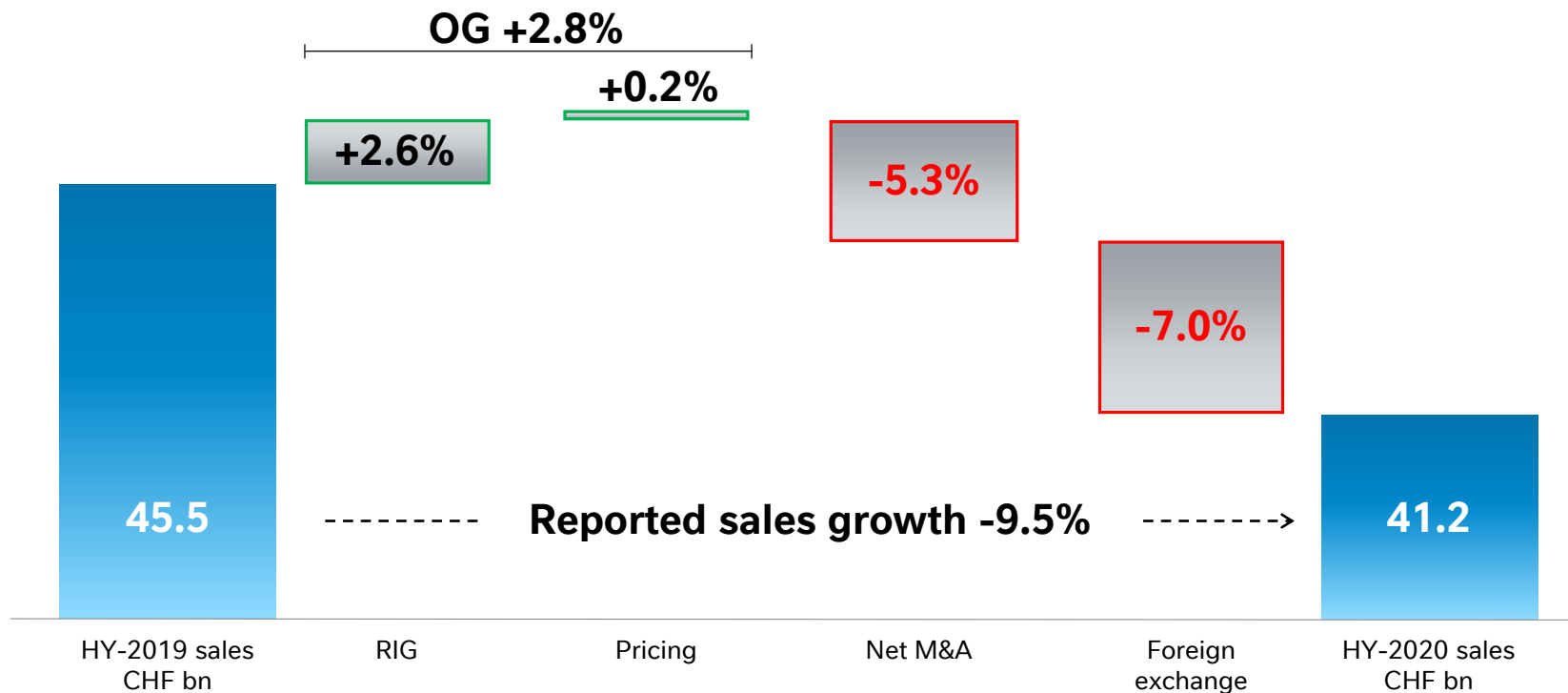
+0.5%*

-5.9% on a reported basis

* In constant currency

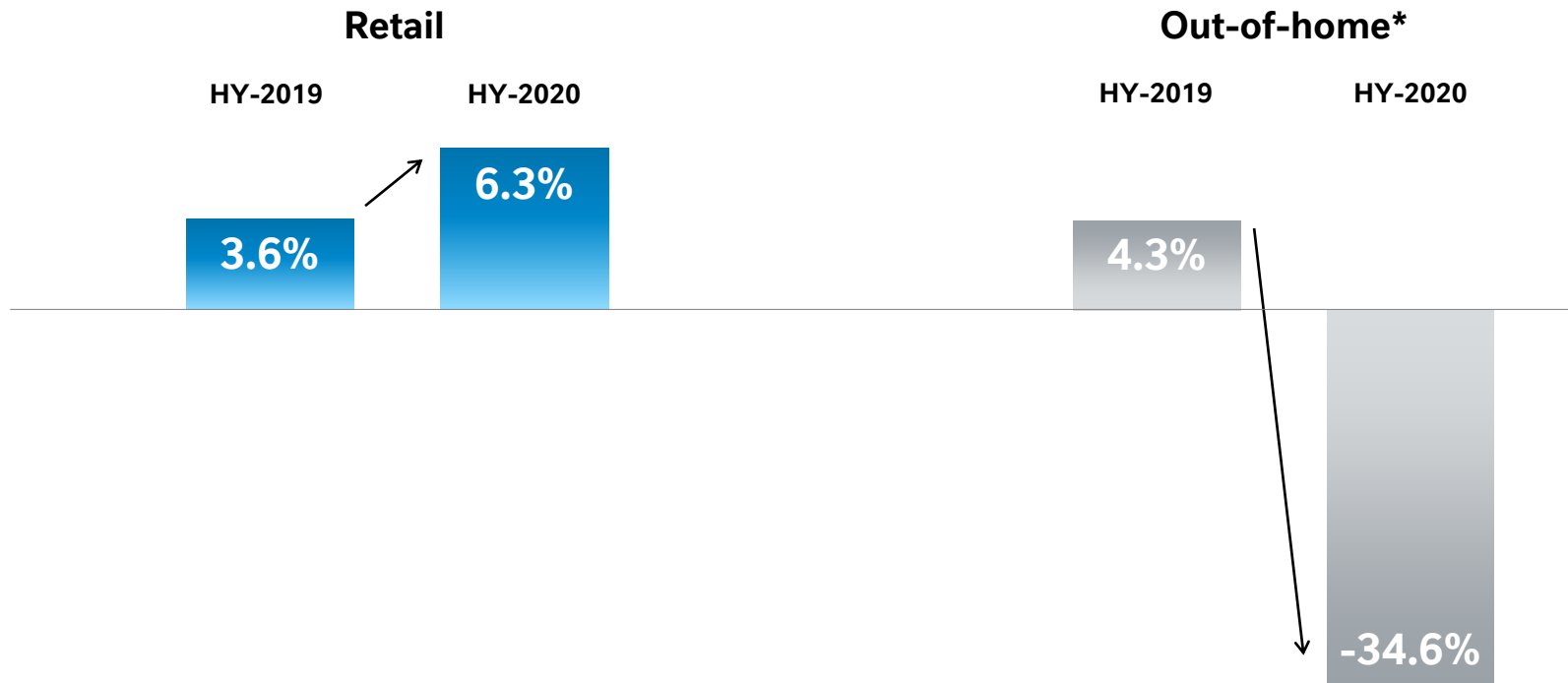


Half-year sales growth



Contrasted momentum by channel

Organic Growth

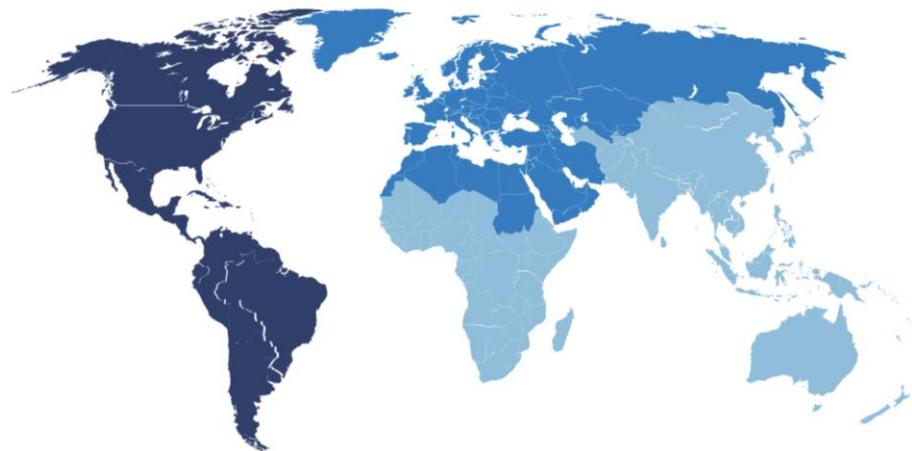


* Includes Nestlé Professional, foodservice activities of Nespresso, Starbucks products and water, travel retail and Blue Bottle



Strong momentum in the Americas

	AMS	EMENA	AOA
Sales (in CHF)	18.4 bn	12.1 bn	10.7 bn
RIG	6.0%	1.8%	-2.0%
Pricing	0.2%	-0.1%	0.4%
OG	6.2%	1.7%	-1.6%

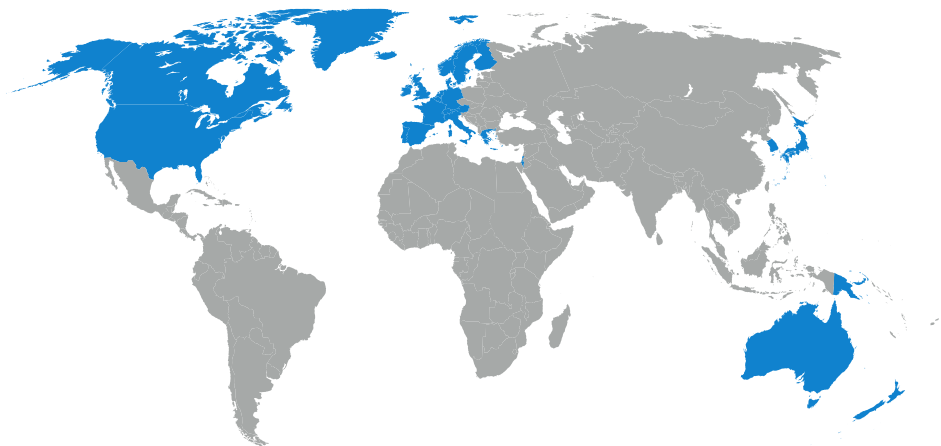


Each geography includes Zones, Nespresso, and Nestlé Health Science



Strong growth in developed markets

	Developed	Emerging
Sales (in CHF) % of Group sales	24.0 bn 58%	17.2 bn 42%
RIG	4.9%	-0.4%
Pricing	-0.8%	1.5%
OG	4.1%	1.1%



Zone AMS

Sales	CHF 16.7 bn
Organic growth	5.3%
Real internal growth	5.1%
Underlying TOP margin	18.9%
vs LY	+60 bps

- Increased organic growth, based on strong RIG. Pricing turned positive in the second quarter
- North America reported mid single-digit growth, led by *Purina PetCare*, coffee and frozen food
- Latin America saw mid single-digit growth, with strong contributions from Brazil and Chile
- Margin +60 bps based on portfolio management and reduced in-store activation



Zone EMENA

Sales	CHF 10.0 bn
Organic growth	2.4%
Real internal growth	2.8%
Underlying TOP margin	18.3%
vs LY	+40 bps

- Solid RIG-based organic growth despite sharp sales declines in the out-of-home channel
- All regions saw positive growth, with strong momentum in Russia
- *Purina* PetCare, coffee and culinary all reported double-digit growth in retail sales
- Margin +40 bps based on reduced in-store activation and lower commodity costs



Zone AOA

Sales	CHF 10.1 bn
Organic growth	-2.2%
Real internal growth	-2.7%
Underlying TOP margin	22.7%
vs LY	- 20 bps

- Negative organic growth, turning positive in the second quarter
- China saw a sales decline, turning almost flat in the second quarter with broad-based improvement
- Other regions grew mid single-digit despite the impact of lockdown measures in the second quarter
- Margin -20 bps, reflecting commodity inflation and COVID-19 related costs



Other Businesses

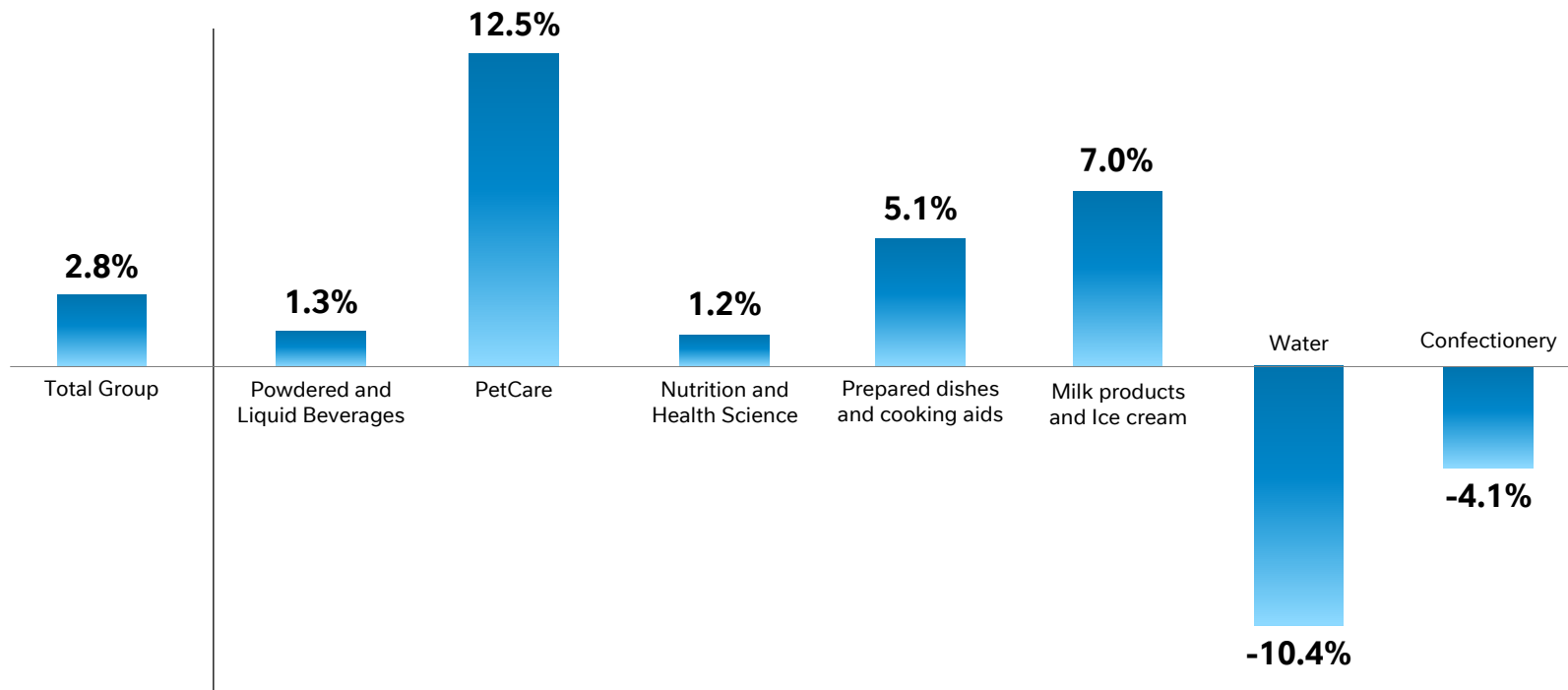
Sales	CHF 4.4 bn
Organic growth	6.1%
Real internal growth	5.5%
Underlying TOP margin	22.2%
vs LY	+ 260 bps

- Nespresso maintained mid single-digit organic growth, driven by e-commerce, despite a sharp sales decline in the out-of-home channel and boutique closures
- Nestlé Health Science accelerated to double-digit organic growth, led by strong momentum for products that support health and the immune system
- Margin +260 bps, with positive contributions from both Nespresso and Nestlé Health Science



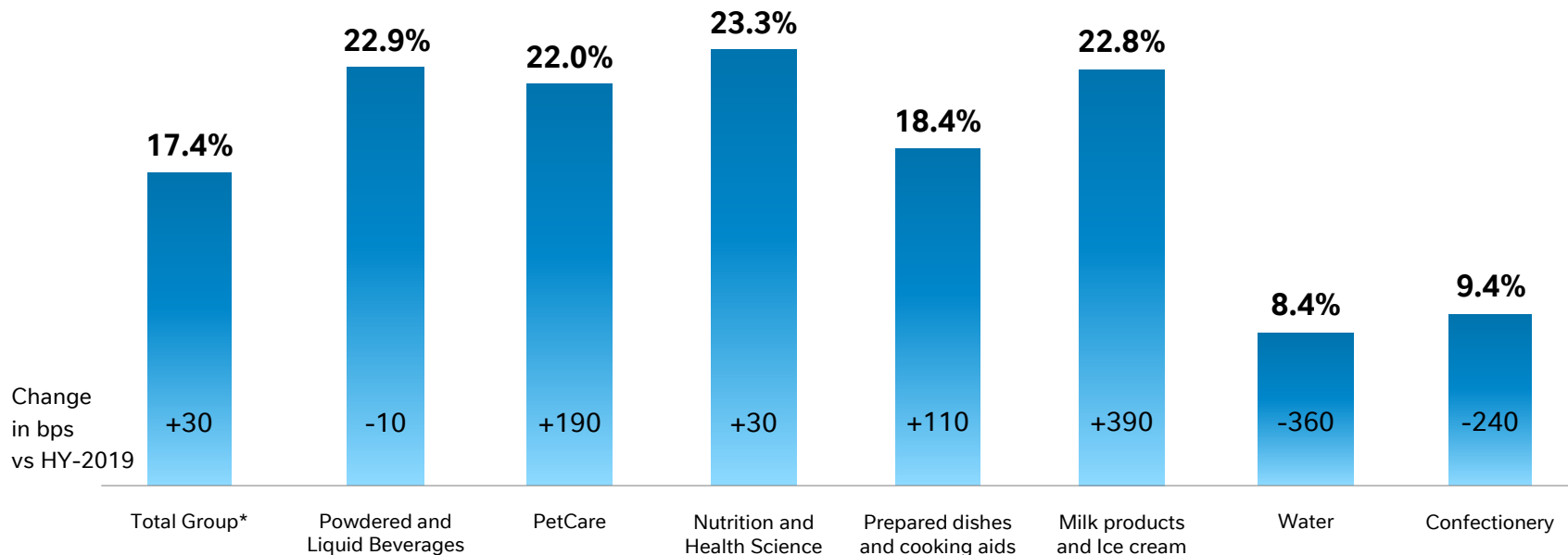
Contrasted category dynamics

Organic Growth %



Underlying trading operating profit margin by category

In % of sales

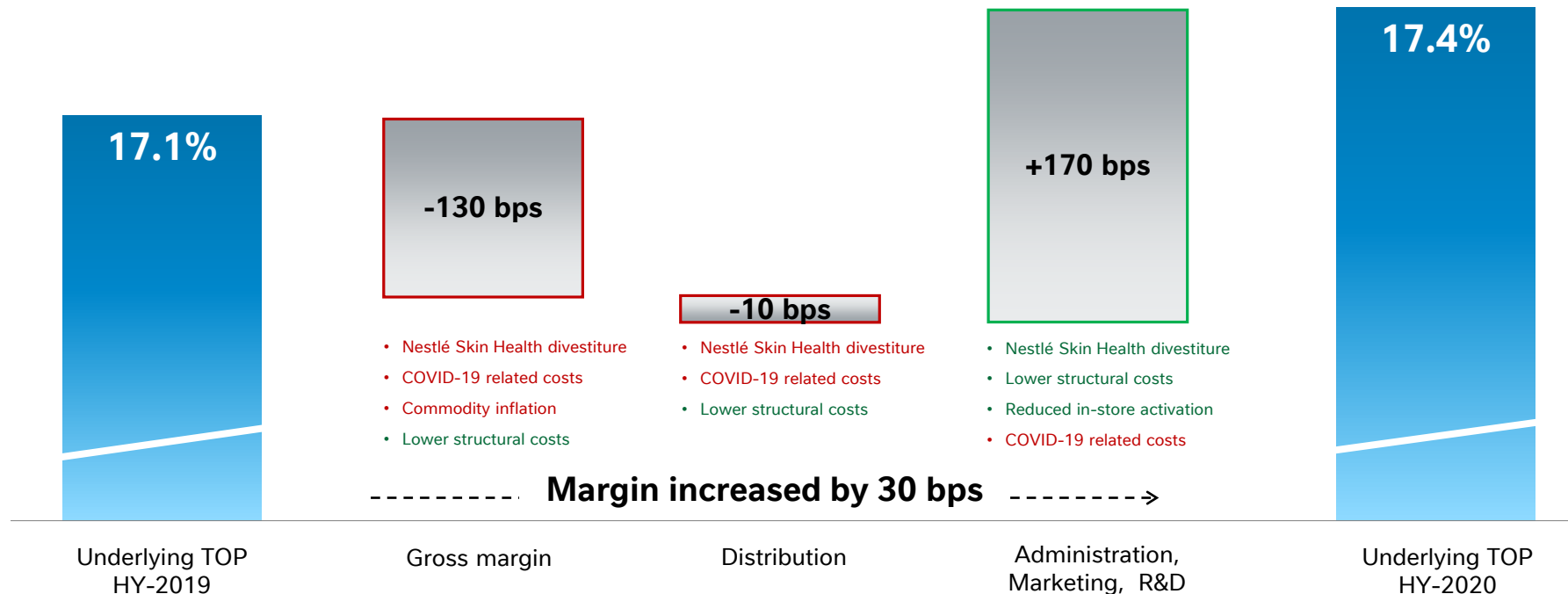


* Includes unallocated items



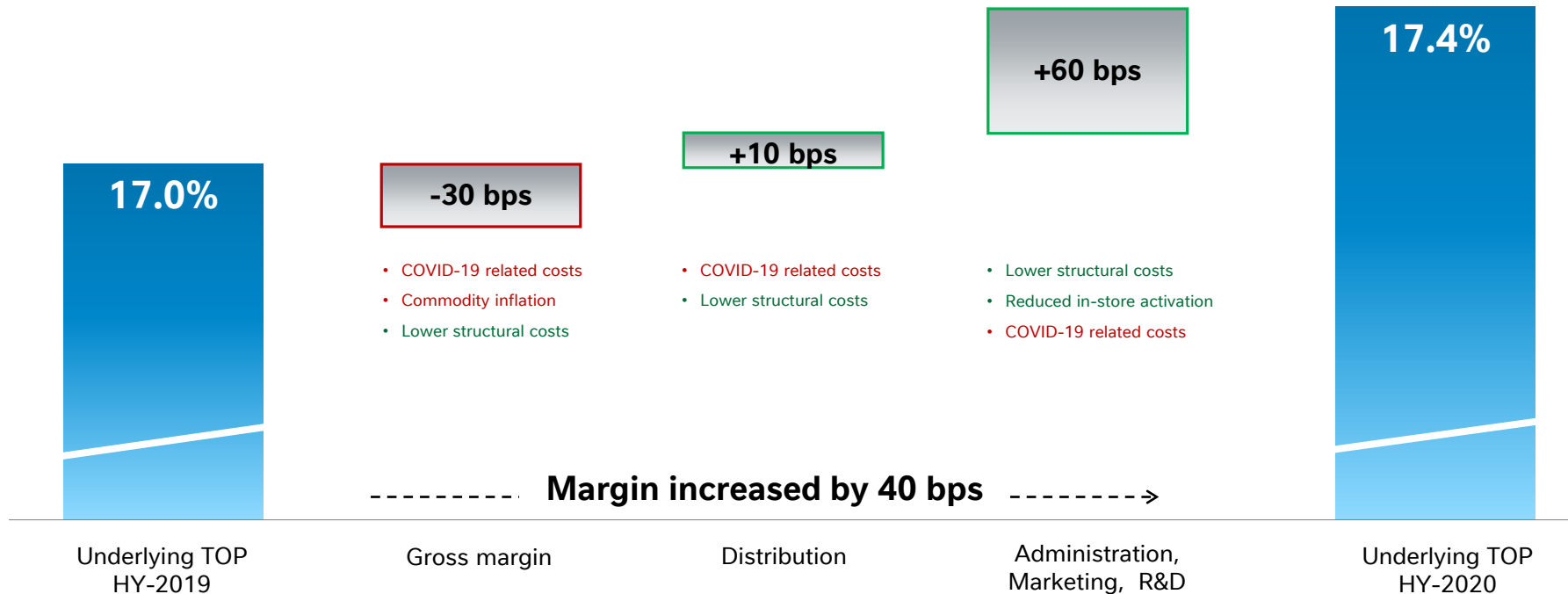
Continued margin expansion

On a reported basis, including Nestlé Skin Health



Continued margin expansion

Excluding Nestlé Skin Health



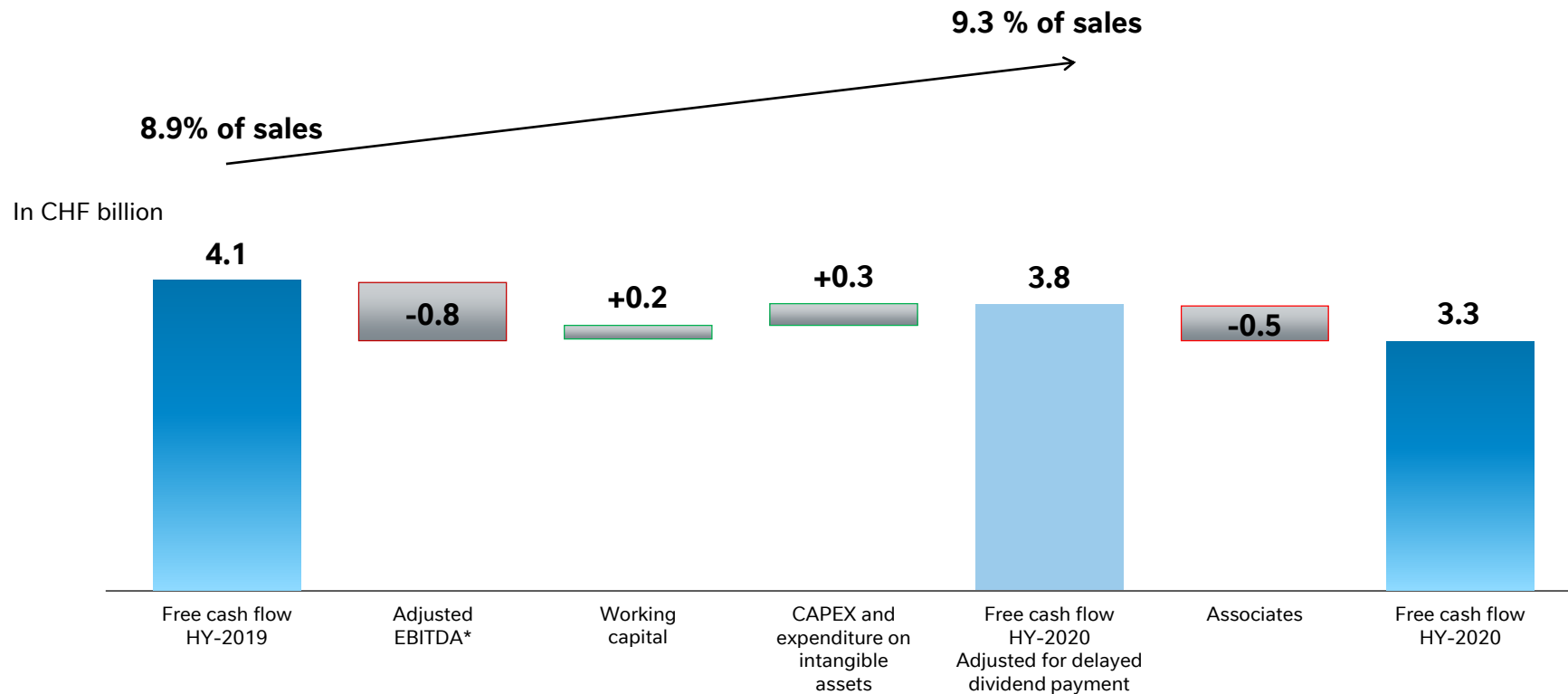
Significant increase in net profit margin

	% of sales	HY-2020 vs HY-2019
Underlying trading operating profit	17.4%	+30 bps
Restructuring		+50 bps
Impairment of assets		+30 bps
Onerous contracts, litigation and other operating income / expenses		+30 bps
Trading operating profit	16.9%	+140 bps
Impairment of goodwill and non-commercialized intangible assets		-80 bps
Gain / loss on disposals		+380 bps
Taxes		-100 bps
Other		flat
Net profit	14.3%	+340 bps
Weighted average number of shares outstanding	2 860 m	-3.2%
Underlying EPS	CHF 2.01	+0.5%*

* In constant currency



Free cash flow



* Adjusted EBITDA, as defined in our Alternative Performance Measures





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Q&A





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Supporting slides



HY-2020 Operating segments – topline summary

	HY-2020 sales						
	Sales (CHF m)	RIG %	Pricing %	OG %	Net M&A %	F/X %	Reported sales growth %
Zone AMS	16 674	5.1	0.2	5.3	-5.3	-7.7	-7.7
Zone EMENA	10 029	2.8	-0.4	2.4	-0.5	-7.0	-5.1
Zone AOA	10 062	-2.7	0.5	-2.2	0.0	-6.3	-8.5
Other Businesses	4 387	5.5	0.6	6.1	-24.9	-6.0	-24.8
Total Group	41 152	2.6	0.2	2.8	-5.3	-7.0	-9.5



HY-2020 Products – topline summary

HY-2020 sales				
	Sales (CHF m)	RIG %	Pricing %	OG %
Powdered and liquid beverages	10 740	1.2	0.1	1.3
Water	3 229	-8.9	-1.5	-10.4
Milk products and ice cream	5 392	5.7	1.3	7.0
Nutrition and Health Science	6 010	1.0	0.2	1.2
Prepared dishes and cooking aids	5 827	5.3	-0.2	5.1
Confectionery	2 973	-3.4	-0.7	-4.1
PetCare	6 981	11.3	1.2	12.5
Total Group	41 152	2.6	0.2	2.8



HY-2020 Historical eight quarters

Period	RIG %	Pricing %	OG %
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
Q1-2020	4.7	-0.4	4.3
Q2-2020	0.5	0.8	1.3



HY-2020 EPS reconciliation (1 of 2)

From net profit to underlying net profit

	In CHF m	
	HY-2019	HY-2020
Net Profit	4 972	5 883
Restructuring costs	306	66
Impairments of property, plant & equipment, goodwill and int. assets	333	493
Net result on disposal of businesses	95	(1 482)
Other adjustment in Net other income/(expense)	305	246
Adjustment for income from associates and joint ventures	134	(22)
Tax effect on above items & adjustment of one-off tax items	157	563
Adjustment in non-controlling interests	(4)	(11)
Underlying Net Profit	6 298	5 736
Weighted Average number of shares outstanding (m)	2 954	2 860
Underlying EPS	2.13	2.01



HY-2020 EPS reconciliation (2 of 2)

From operating profit to underlying net profit

Operating Profit adjusted

Net financial income / (expense)

Adjusted taxes

Adjusted income from associates and joint ventures

Adjusted non-controlling interests

Underlying Net Profit

Weighted Average number of shares outstanding (m)

Underlying EPS

In CHF m

HY-2019	HY-2020
7 773	7 156
(504)	(447)
(1 554)	(1 435)
734	618
(151)	(156)
6 298	5 736
2 954	2 860
2.13	2.01



HY-2020 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	16 674	3 150	3 129	(21)	(10)	1	(616)
Zone EMENA	10 029	1 840	1 764	(76)	(18)	(51)	(425)
Zone AOA	10 062	2 282	2 234	(48)	(28)	(18)	(355)
Other businesses	4 387	976	976	-	1	1	(254)
Unallocated items	-	(1 092)	(1 133)	(41)	(19)	1	(58)
Total Group	41 152	7 156	6 970	(186)	(74)	(66)	(1 708)



HY-2020 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	10 740	2 456	2 420	(36)	(4)	(6)
Water	3 229	272	244	(28)	(13)	(4)
Milk products and Ice cream	5 392	1 231	1 214	(17)	(8)	(4)
Nutrition and Health Science	6 010	1 401	1 392	(9)	-	(2)
Prepared dishes and cooking aids	5 827	1 071	1 056	(15)	(3)	(41)
Confectionery	2 973	280	226	(54)	(28)	(12)
PetCare	6 981	1 537	1 551	14	1	2
Unallocated items	-	(1 092)	(1 133)	(41)	(19)	1
Total Group	41 152	7 156	6 970	(186)	(74)	(66)



HY-2020 Currency overview

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

Weighted average rate		
HY-2019	HY-2020	Variation in %
0.999	0.966	-3.3%
1.130	1.064	-5.8%
14.720	13.729	-6.7%
25.994	19.710	-24.2%
1.916	1.908	-0.4%
1.294	1.215	-6.1%
5.214	4.509	-13.5%
0.750	0.706	-5.8%
0.909	0.893	-1.8%
0.706	0.633	-10.3%
1.535	1.385	-9.7%



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)

