



Good food, Good life

# Press Release

Vevey, October 21, 2020

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## Nestlé reports nine-month sales for 2020

- Organic growth reached 3.5%, with real internal growth (RIG) of 3.3% and pricing of 0.2%. Growth was supported by continued strong momentum in the Americas, *Purina* PetCare and Nestlé Health Science. Zone AOA reached 4.5% organic growth in the third quarter.
- Divestitures and foreign exchange reduced sales by 12.9%. Total reported sales decreased by 9.4% to CHF 61.9 billion (9M-2019: CHF 68.4 billion).
- Nestlé's current strategic reviews are fully on track. Further progress in portfolio management was made. The acquisition of Aimmune Therapeutics was completed on October 13, 2020.
- **Full-year guidance for 2020 updated:** We expect full-year organic sales growth around 3%. The underlying trading operating profit margin is expected to improve. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

**Mark Schneider, Nestlé CEO, commented:** *"Nestlé has remained resilient in a difficult and volatile environment. Our people have acted in a responsible and prompt manner to mitigate the impact of the global pandemic and have adapted quickly to evolving consumer needs. Strong organic growth was broad based and supported by sustained momentum in the Americas, Purina PetCare and Nestlé Health Science, as well as the acceleration of our coffee business in the third quarter."*

*We continue to develop our portfolio with speed and discipline. As an example, we are transforming Nestlé Health Science into a nutrition and health powerhouse through a combination of strong organic growth and targeted acquisitions. The recent additions of Zenpep, Vital Proteins and Aimmune Therapeutics are further steps in the expansion of our nutritional health offerings."*

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Other Businesses
Sales 9M-2020 (CHF m)	61 912	24 991	14 952	15 251	6 718
Sales 9M-2019 (CHF m)*	68 367	27 608	15 732	16 340	8 687
Real internal growth (RIG)	3.3%	4.7%	3.3%	-0.2%	6.8%
Pricing	0.2%	0.4%	-0.4%	0.2%	0.6%
Organic growth	3.5%	5.1%	2.9%	0.0%	7.4%
Net M&A	-5.5%	-5.7%	-1.7%	0.0%	-24.0%
Foreign exchange	-7.4%	-8.9%	-6.2%	-6.7%	-6.1%
Reported sales growth	-9.4%	-9.5%	-5.0%	-6.7%	-22.7%

\* 2019 figures restated following the decision to integrate the Nestlé Waters business into the Group's three geographical Zones, effective January 1, 2020.

### Group sales

Organic growth reached 3.5%, with RIG of 3.3%. Pricing contributed 0.2%. Organic growth improved to 4.9% in the third quarter.

Growth was based on sustained momentum in the Americas and continued robust sales development in EMENA. Growth in AOA was slightly positive. Organic growth was 3.9% in developed markets, based entirely on RIG. Growth in emerging markets improved to 2.8%, supported by both RIG and pricing.

By product category, the largest contributor to growth was *Purina* PetCare and its science-based and premium brands *Purina Pro Plan*, *Purina ONE* and *Felix*. Dairy grew at a high single-digit rate, based on increased demand for fortified milks and home-baking products. Coffee posted mid single-digit growth, fueled by strong consumer demand for Starbucks products, *Nespresso* and *Nescafé*. Prepared dishes and cooking aids reached mid single-digit growth. Vegetarian and plant-based food products delivered strong double-digit growth, supported by new product launches and continued distribution expansion. Nestlé Health Science posted double-digit growth, reflecting increased consumer demand for products that support health and the immune system. Confectionery and water reported a sales decrease due to their high exposure to out-of-home channels, with some improvement in the third quarter.

Divestitures decreased sales by 5.5%, largely related to the divestment of Nestlé Skin Health and the U.S. ice cream business. Foreign exchange reduced sales by 7.4%, reflecting the continued appreciation of the Swiss franc versus most currencies. Total reported sales decreased by 9.4% to CHF 61.9 billion.

### Business impact of COVID-19

The effects of COVID-19 on organic growth continued to vary, in particular by product category and sales channel.

- **Product categories:** Demand for at-home consumption, trusted brands and products with health benefits remained strong. *Purina* PetCare, dairy, coffee at-home and Nestlé Health Science continued to report strong growth. Confectionery

and water posted sales decreases, reflecting their high exposure to out-of-home channels and on-the-go consumption.

- **Sales channels:** Retail sales accelerated materially, reflecting continued elevated demand for at-home consumption. Growth in out-of-home channels remained significantly negative, with sales declines moderating in the third quarter.

E-commerce sales grew by 47.6%, reaching 12.3% of total Group sales. Coffee, *Purina* PetCare and Nutrition & Health Science were the main growth contributors, with continued strong momentum in all other categories.

### Portfolio Management

The strategic reviews for parts of the Waters business in North America and the Yinlu peanut milk and canned rice porridge businesses in China are fully on track. Both reviews are expected to be completed in early 2021.

Nestlé Health Science continues to build its presence and leadership in the field of nutritional science. In July, Nestlé completed the acquisition of a majority stake in Vital Proteins, America’s leading collagen products brand. In September, Nestlé closed the acquisition of IM HealthScience, which specializes in medical foods and dietary supplements. On October 13, 2020, Nestlé completed the acquisition of Aimmune Therapeutics, a biopharmaceutical company developing and commercializing treatments for potentially life-threatening food allergies.

### Zone Americas (AMS)

- 5.1% organic growth: 4.7% RIG; 0.4% pricing.
- North America maintained mid single-digit organic growth, with strong RIG and negative pricing.
- Latin America reached high single-digit organic growth, with positive RIG and pricing.

	Sales 9M-2020	Sales 9M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AMS	CHF 25.0 bn	CHF 27.6 bn	4.7%	0.4%	5.1%	-5.7%	-8.9%	-9.5%

Organic growth was 5.1%, supported by robust RIG of 4.7%. Pricing increased to 0.4%. Divestitures reduced sales by 5.7%, largely related to the divestment of the U.S. ice cream business. Foreign exchange had a negative impact of 8.9%, reflecting broad-based currency depreciations against the Swiss franc, particularly in Latin America. Reported sales in Zone AMS decreased by 9.5% to CHF 25.0 billion.

North America maintained a mid single-digit growth rate, with strong RIG in most product categories. The largest growth contributor was *Purina* PetCare, with sustained momentum in e-commerce and premium brands. *Purina Pro Plan*, *Purina ONE*, veterinary products and supplements all grew at a double-digit rate. The beverages category posted double-digit growth, with strong demand for Starbucks at-home

products, *Coffee mate* and *Nescafé*. Frozen food reported high single-digit growth, supported by *DiGiorno* and *Stouffer's*. *Lean Cuisine* returned to positive growth in the third quarter, supported by innovations and the successful launch of *Life Cuisine*. Home-baking products, including *Toll House* and *Carnation*, grew at a strong double-digit rate. Water reported a sales decrease. Growth recovered to almost flat in the third quarter, led by *S.Pellegrino* and *Perrier*. Nestlé Professional saw negative growth, with some improvement in the third quarter.

Latin America reached high single-digit growth, with broad-based contributions across geographies and most product categories. Brazil saw double-digit growth. Most brands contributed strongly, particularly *Ninho*, *NAN* and *Nescafé*. Chile continued to see high single-digit growth, led by dairy and ice cream. Mexico reached mid single-digit growth in the third quarter, supported by *La Lechera* and *Nescafé*. By product category, the key growth platforms were dairy, *Purina PetCare*, culinary and coffee. Growth in confectionery turned positive, with strong sales development in Brazil and Chile in the third quarter. Nestlé Professional saw negative growth. The decline in sales was more limited in the third quarter, particularly for food products.

### Zone Europe, Middle East and North Africa (EMENA)

- 2.9% organic growth: 3.3% RIG; -0.4% pricing.
- Western Europe saw low single-digit organic growth with solid RIG, partially offset by negative pricing.
- Central and Eastern Europe had mid single-digit organic growth, with strong RIG and negative pricing.
- Middle East and North Africa posted low single-digit organic growth, entirely driven by pricing.

	Sales 9M-2020	Sales 9M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone EMENA	CHF 15.0 bn	CHF 15.7 bn	3.3%	-0.4%	2.9%	-1.7%	-6.2%	-5.0%

Organic growth reached 2.9%, with robust RIG of 3.3%, supported by favorable mix. Pricing decreased by 0.4%. Divestitures reduced sales by 1.7%, largely related to the divestiture of the Herta charcuterie business. Foreign exchange negatively impacted sales by 6.2%. Reported sales in Zone EMENA decreased by 5.0% to CHF 15.0 billion.

Zone EMENA reported mid single-digit growth in the third quarter. Each region posted positive growth, with strong momentum in Russia, the United Kingdom and France. The Zone saw continued broad-based market share gains, particularly in coffee and *Purina PetCare*, as well as vegetarian and plant-based food products.

By product category, coffee, *Purina PetCare* and culinary products grew at a double-digit rate. Coffee was supported by strong momentum for *Nescafé* and Starbucks products. In PetCare, *Felix*, *Purina Pro Plan* and *Tails.com* were the key growth drivers, with strong demand in e-commerce and specialist channels. Culinary saw elevated demand, particularly for *Maggi* and plant-based products. *Garden Gourmet* continued to expand its offering, including further upgrades to the *Sensational Burger* and the introduction of *Sensational Vuna*, a plant-based alternative to tuna. Infant nutrition

posted positive growth. Russia saw increased sales momentum, with *NAN* gaining market leadership. Growth in confectionery was almost flat, turning positive in the third quarter based on strong sales development in France and the United Kingdom. Water and Nestlé Professional reported negative growth, with declines moderating in the third quarter.

### Zone Asia, Oceania and sub-Saharan Africa (AOA)

- Flat organic growth: -0.2% RIG; 0.2% pricing.
- China posted a decline in organic growth, with negative RIG and pricing.
- South-East Asia saw mid single-digit organic growth, with positive RIG and pricing.
- South Asia reported mid single-digit organic growth, with positive RIG and pricing.
- Sub-Saharan Africa recorded double-digit organic growth, led by strong RIG and positive pricing.
- Japan, South Korea and Oceania saw slightly positive organic growth. Positive RIG was partially offset by negative pricing.

	Sales 9M-2020	Sales 9M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign Exchange	Reported growth
Zone AOA	CHF 15.3 bn	CHF 16.3 bn	-0.2%	0.2%	0.0%	0.0%	-6.7%	-6.7%

Organic growth was flat, with RIG of -0.2% and pricing of 0.2%. Foreign exchange reduced sales by 6.7%. Reported sales in Zone AOA decreased by 6.7% to CHF 15.3 billion. Organic growth in the Zone reached 4.5% in the third quarter.

China saw negative growth, turning positive in the third quarter. Coffee, culinary and ice cream all delivered positive growth, with sequential quarterly improvements. The contraction in Wyeth infant formula sales continued to moderate. The roll-out of the locally produced *Belsol* brand is on track. Infant cereals and *Purina* PetCare both grew at a double-digit rate. Nestlé Professional reported a sales decrease, with growth recovering to almost flat in the third quarter. Strong momentum in e-commerce continued, driven by *Nescafé*, Starbucks products and dairy.

South-East Asia maintained mid single-digit growth. Sales in the Philippines grew at a double-digit rate, with elevated consumer demand for *Bear Brand*, *Milo* and *Maggi*. Indonesia delivered high single-digit growth, led by *Bear Brand*, *Dancow* and *Milo*. South Asia continued to perform well. India posted strong mid single-digit growth, with good momentum in *Maggi*, *Nescafé* and *KitKat*. Sub-Saharan Africa grew at a double-digit rate, with strong growth across most markets. Growth in Japan, South Korea and Oceania was slightly positive. Oceania reported strong growth across most product categories, particularly in coffee and confectionery. Japan saw a decline in sales, with some improvement in the third quarter. *KitKat* sales declined in Japan, impacted by a reduction of inbound tourists.

By product category, the largest contributions to growth came from dairy, culinary, coffee and *Purina* PetCare. In coffee, consumer demand for Starbucks products remained strong. Infant nutrition continued to perform well outside of China. Nestlé

Professional and confectionery posted negative growth, with improved sales development in the third quarter.

## Other Businesses

- 7.4% organic growth: 6.8% RIG; 0.6% pricing.
- Nespresso reported mid single-digit organic growth, with positive RIG and pricing.
- Nestlé Health Science saw double-digit organic growth, entirely driven by RIG.

	Sales 9M-2020	Sales 9M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Other Businesses	CHF 6.7 bn	CHF 8.7 bn	6.8%	0.6%	7.4%	-24.0%	-6.1%	-22.7%

Organic growth of 7.4% was based on strong RIG of 6.8% and pricing of 0.6%. Divestitures reduced sales by 24.0%, largely related to the divestment of Nestlé Skin Health. Foreign exchange negatively impacted sales by 6.1%. Reported sales in Other Businesses decreased by 22.7% to CHF 6.7 billion.

Nespresso grew at a mid single-digit rate, with broad-based sales improvement in the third quarter. E-commerce and the *Vertuo* system were the largest contributors to growth. The Americas and AOA saw double-digit growth, with continued market share gains in North America. Growth in Europe turned positive in the third quarter, with the reopening of boutiques and strong momentum in e-commerce. In September, Nespresso committed to achieving carbon neutrality across its supply chain and product lifecycle by 2022. This ambition builds on more than a decade of work to reduce emissions and will make every cup of Nespresso carbon neutral by 2022.

Nestlé Health Science posted double-digit growth, supported by strong momentum for consumer and medical nutrition products. Demand for vitamins, minerals and supplements that support health and the immune system remained high. *Garden of Life* and *Pure Encapsulations* saw strong growth, particularly in e-commerce. Healthy-aging products grew at a double-digit rate, supported by *Boost* in North America and *Nutren* in Brazil. Medical nutrition grew at a high single-digit rate, led by food allergy and adult medical care products.

## Business as a force for good: Driving systemic change to solve the problem of packaging waste

Nestlé is taking a leadership role in making packaging sustainable while maintaining food safety and quality. We committed to making 100% of our packaging recyclable or reusable by 2025 and to reducing our use of virgin plastics by one-third in the same period. So far, 87% of our total packaging and 66% of our plastic packaging is recyclable or reusable.

Our work now focuses on five pillars:

- Reducing our use of packaging material in general, and virgin plastics in particular.

- Scaling reusable and refillable systems to eliminate the need for disposable packaging.
- Pioneering alternative packaging materials, in particular to facilitate recycling.
- Supporting infrastructure that helps to shape a waste-free future.
- Driving new behavior in our own operations as well as with consumers, retail partners and suppliers.

Recent progress includes the following examples:

- Nestlé achieved plastic neutrality in the Philippines in August. That means we collected and co-processed as much plastic as we sold. We aim to achieve the same in another 11 countries, which, together with the Philippines, account for over 10% of Nestlé's plastic usage and often lack formal waste management systems.
- Purina PetCare recently launched recyclable flexible plastic packaging for wet pet food, the first of its kind in the pet food industry. It addresses the key challenge of simplifying plastic structures to make them recyclable, without compromising on the functionalities and safety of food-grade packaging.
- To support the shift from virgin plastics to food-grade recycled plastics in the United States, we made an investment of USD 30 million in the Closed Loop Leadership Fund. This is part of our CHF 2 billion commitment to boost the market for food-grade recycled plastics.

While we are making meaningful progress in sustainable packaging, we know that more needs to be done. Our ambition is to create a circular economy in which we eliminate waste and reuse the resources we already have. We are working with governments, non-governmental organizations and companies outside our own industry to help drive progress. As part of this effort, we have signed up to the World Wildlife Fund's initiative requesting a UN Treaty on Plastic Pollution. The manifesto calls on the United Nations member states to harmonize regulatory standards, mandate the development of national targets and action plans, define common metrics and methodologies, and support innovation and infrastructure development.

As the world's largest food and beverage company, Nestlé is committed to putting our size and scale to work to tackle the packaging waste problem globally. Nestlé will not stop until solutions are found.

### **Outlook**

Full-year guidance for 2020 updated. We expect full-year organic sales growth around 3%. The underlying trading operating profit margin is expected to improve. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

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## Annex

### Nine-month sales overview by operating segment

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Other Businesses
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Pricing	0.2%	0.4%	-0.4%	0.2%	0.6%
Organic growth	3.5%	5.1%	2.9%	0.0%	7.4%
Net M&A	-5.5%	-5.7%	-1.7%	0.0%	-24.0%
Foreign exchange	-7.4%	-8.9%	-6.2%	-6.7%	-6.1%
Reported sales growth	-9.4%	-9.5%	-5.0%	-6.7%	-22.7%

### Nine-month sales overview by product

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	PetCare
Sales 9M-2020 (CHF m)	61 912	16 219	5 020	8 114	9 004	8 460	4 713	10 382
Sales 9M-2019 (CHF m)	68 367	16 880	5 764	9 806	11 698	8 888	5 358	9 973
Real internal growth (RIG)	3.3%	2.9%	-6.6%	6.6%	1.1%	4.6%	-0.6%	10.0%
Pricing	0.2%	0.2%	-1.3%	1.6%	0.4%	-0.1%	-1.2%	0.6%
Organic growth	3.5%	3.1%	-7.9%	8.2%	1.5%	4.5%	-1.8%	10.6%

\* 2019 figures restated following the decision to integrate the Nestlé Waters business into the Group's three geographical Zones, effective January 1, 2020.