

NESTLÉ S.A.

**2021 BARCLAYS GLOBAL CONSUMER CONFERENCE
NESTLÉ FIRESIDE CHAT TRANSCRIPT**

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Speakers:

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.

Laurent Freixe, Chief Executive Officer Zone Americas, Nestlé S.A.

Warren Ackerman, Head EU Consumer Staples, Barclays

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Warren Ackerman, Barclays:

Hello everybody, welcome to the Barclays Global Consumer Staples Conference. I'm Warren Ackerman, Head of the EU Consumer Staples team. I'm delighted to welcome Nestlé today, we have CFO François-Xavier Roger and the Head of Zone Americas, Laurent Freixe. Welcome gentlemen, and the format will be a fireside chat. We will have about 30, 35 minutes and I will be hosting that. So with that, let's get cracking.

Question on: Margins and 2022 inflation**Warren Ackerman, Barclays:**

So first one to François, I want to kick off with margins. You slightly lowered your margin guidance this year to around 17.5%, mainly due to input cost inflation where you talked about a 4% COGS inflation in 2021. But you've also said that the margin reduction in the second half is transitory and you expect next year to be back showing progress.

Can I ask as we stand at the moment, I know it's difficult with volatility in commodities, what do you think COGS inflation might do in 2022? And how do we think about, kind of, higher climate costs and the fact that we're having to re-hedge at higher rates and the fact that also you want to improve the margins? How do we square that circle and what kind of offsetting positive factors might there be? Thank you.

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.

Thank you, Warren. It's a good question to start with. Good morning and good afternoon to all. So if we talk of 2022, we see, with what we know at the moment, that it is likely that the input cost inflation will be higher next year than it is this year. Still early to do a final call because I mean, two of the three items that are really contributing to the input cost inflation, and more specifically transportation costs and packaging material, we can't hedge. So we don't know to a certain extent till we enter into 2022, but with what we see today and what we know today, it is likely that the input cost inflation next year will be higher than what we're experiencing this year. We don't know if this is going to be permanent. We don't know if this will go even further into 2023. We will have a fairly pragmatic approach and anyway, you know what our strategy is, which is to offset anything that we receive, through pricing. So the idea is really to pass it on to the trade and to consumers whenever we receive it. There will be a time delay which applies

more for H2 2022. And it's more specific to some zones and regions, by the way, most specifically to Europe, because we are locked with a one-year pricing agreement, but so, still difficult to know exactly what it means, but more likely reason than anything to be higher next year.

Question on: Commodity prices

Warren Ackerman, Barclays:

Maybe digging into a couple of the commodities specifically, coffee's been in the news recently, there's been a big increase, particularly in the more delicate Arabica varieties because of the frost in Brazil, we've seen big increases in dairy in emerging markets, which was already one reason why your Nutrition margins were down in the first half. Which actual commodities are you most concerned about? And it's hard to say, as you said already, what's structural, what's temporary. But what's the kind of reading on the ground from your guys in terms of what that's telling you about that?

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

It's a little bit difficult because there are still a lot of moving parts there. So if we look at 2021, it was certainly much more about dairy and meat and grains. Next year, it will be more about coffee as well. But once again, the large part cannot be hedged, which has to do with transportation, which has to do with packaging material. So it's a little bit difficult. We have to adapt to a very different situation. By the way, it can even differ from one market, one region to the other, given that it is highly influenced by our portfolio as well in specific markets and specific regions. So we are very pragmatic in terms of approach. We can handle it with really the strategy of neutralizing it as quickly as we can.

Question on: Pricing

Warren Ackerman, Barclays:

Okay. And just in terms of prices the pricing did step up a bit in the second quarter versus the first quarter. How much more pricing do you think you might need in the second half? And is it the case that in Europe, there is a lag because of the way the contracts are structured in Europe? I'm just trying to understand the pricing dynamic versus kind of mix. So you also said

you're going to roll out strategic revenue management tools as well as another weapon that you've got. But pricing, over the last 10 years in the sector has been quite low, but suddenly we're going to see it kind of step up. How do we sort of think about that? And are you worried that there will be some volume reaction as you do take the pricing?

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

So do expect to see pricing ramping up. It's a reality already, because if you look at it last year in its totality, we were at 0.5% of pricing, but already in Q4 we were at 0.9%. We were at 1.3% in H1 this year, do expect that it will move up and it will move up most probably with what I said earlier, even further in 2022 as well. So still difficult to say exactly where it will apply and so forth. So we are very confident about our pricing power as well. We don't see any specific issue there.

It has to be looked at by category, by market and so forth. It's very much a function of our brand equity, very much a function of market position as well. But as you know, we have in 80 to 85% of the cases we have leading position number one, number two in our markets. So we are not necessarily worried about it. We have strong brands as well. We have 33 billionaire brands as well. So we believe that we are really in a strong position to pass on pricing. It depends as well on competitive forces by market, by SKU. So pricing is a local decision, by the way, this is not something that we decide centrally. This is something that is really decided locally, in the local context.

Question on:	Market share
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Warren Ackerman, Barclays:

Okay. And maybe moving to organic growth, it's been a remarkable period for Nestlé. I mean, 8% organic growth in the first half with the portfolio holding or winning share in about 60%. Can you discuss a little bit about how you measure market share? Because it's been a topic for some other companies in the sector and then maybe dig into some of the cells, the other 40% where you're not winning share and what your plans are to address that share loss?

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

Actually, we have been quite happy to see our market share increasing over the last two years and they continue to improve as we speak. So we measure market share at operating level, by

market, by category, by channel. So we have a good level of granularity there. For the purpose of providing a global view after that, we look at the number of business cells gaining or holding share. A business cell is a combination of a market or category or a channel view.

If we look at H1 2021 more specifically, in more than 60% of the business cells, we were gaining or holding shares. This is a level that was similar to what we saw at the end of March, and this is by the way, close to the highest level that we have seen over the last couple of years in 2013.

To be more specific and answer to your question, in terms of market share gains I could speak more specifically of EMENA for example, where we are really gaining market share in Coffee, in Pet food, with Vegetarian and Plant-based products, with Water. In AMS we are really gaining market share in Pet food, in Coffee, in Plant-based food as well, in Water, and Infant Nutrition. In AOA in most categories, particularly Pet food, Coffee, Confectionery, and Culinary with one exception, which is Infant Nutrition in China, I'll come back to that. If I look at it by category, so this is again, I mean the same as what I just said, which is in Coffee, in PetCare, in Water, in Dairy, in Ice cream, and with Nestlé Health Science whenever we can measure our market share. If I look at it by channel, we are growing slightly ahead of the category anyway across categories.

Just to be specific as well, in terms of market share losses, we are losing market share in very few instances now, and the other interesting thing is that we are losing less than in the past wherever we lose market share. So where we lose market share is as I just said, Infant Nutrition in China, so we have a turnaround plan in place. And in Frozen pizza, but this is mainly due to supply chain constraints, and a little bit in Confectionery as well.

Question on: Channel shift
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Warren Ackerman, Barclays:

Just in terms of channel shift, there's a lot of moving parts in channel. I mean, on e-commerce it's still growing 20%, but it has slowed, I guess there's a comp issue. On the other side we've seen the retail sales elevated but slowing a little bit, but then we're now seeing out of home growing sort of 20%. I know it's difficult given the kind of comp effect, but what is your outlook for those three channels going forward into the second half and into next year?

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

Yes, I can give you a little bit more data points there on the development by quarter. If you look at retail, for example, we were at 9% in Q1, growing at 9% in Q1 and 5% in Q2. But exactly, as you said, I would take that with a grain of salt because it depends on the comps. But we start seeing a little bit of a slowdown somewhat in retail, but it remains at a very attractive level. And we do not expect to lose whatever we could have benefited from during the COVID time, because some of the underlying consumer trends that we've benefited from during the COVID like working from home, pet adoption, search for immunity and health benefit, we don't think that everything will go. As you just said before we started the conference when we were discussing, you guys, for example, in your organization, you are working in between with a model in between working from home and working from the office. So it will be probably a hybrid model. So we will continue benefiting from some of these trends.

So once again, in retail from 9% in Q1 to 5% in Q2. In out-of-home you said it, big turnaround. We were still negative in Q1, which was -12%. And we went at +84% in Q2, but still at a lower level than where we were in 2019. So, the percentages quarter by quarter do not necessarily mean much. And the same applies to e-commerce, still growing 40% in Q1. And we were at 4%, I would say only, in Q2, but over a growth of 70% last year. So let's be very careful when reading those data. What is important though, is that whenever the situation normalizes, we can expect still a good level of growth in retail as I said before, because we won't lose everything that we benefited from.

We will see, certainly, a higher growth of out of home, because it will come back and because we are under indexed in that channel, and investing in that channel. And even the highest growth we'll probably continue seeing it, in e-commerce, as it was the case before the pandemic. In e-commerce before the pandemic, we were growing at 30%.

Warren Ackerman, Barclays:

Okay. Very helpful. Thank you.

Question on: Priorities and growth for Nestlé USA

Warren Ackerman, Barclays:

We're going to switch gears and I've got a couple of questions for Laurent. Laurent, the question on Zone Americas, specifically North America, that's been a key part of the Nestlé investment case. It's been very impressive, the recovery, the Renaissance, maybe we can call it, in the last

few years. I think I'm right in saying up to 50% of the portfolio in the US has been rotated, correct me if I'm wrong, but what are your priorities going forward in the US given the success you've already had? How do you go about sustaining that success? What do you think is the sustainable growth looking out, I don't know, two, three years for Nestlé USA?

Laurent Freixe, Chief Executive Officer Zone Americas, Nestlé S.A.:

You're absolutely right Warren about all your points. North America is doing extremely well in all its components. It's Nestlé US, it's Purina North America, it's Nestlé Canada, and we could put on top Nestlé Health Science and Nespresso. All components are growing strongly. You're also right about the portfolio transformation. It's about 50% of rotation and as a result of this we have increased our exposure to high growth categories. This is what makes us confident for the future of the business.

I just would like to highlight that the depths of the transformation goes way beyond the transformation of the portfolio. We changed our head office. We changed distribution model for Frozen food. We improved our culture to have it more open, connected, and agile.

Transformation has really taken place across the board.

Now, to your question, what are the priorities. The growth is back, the priority is clearly to support the growth, to enable the growth, to fuel the growth, and that implies investments. There is no growth without investments, investment in innovation, investment in manufacturing.

One of our limitations short-term is the tightness of our capacity in some areas. We have big CapEx investment plans on the way. But also investment in technology, the shift to e-commerce, which we want to embrace fully. Just a data point that our number two and number three customers for PetCare are pure players e-commerce, so that shows the importance of the e-commerce channel. We want to be able to embrace all of that, being connected end-to-end from farm-to-fork. That implies putting in place supply chain control towers, planning control towers, transportation control towers, and so on and so forth, so that we are capable to manage in real time.

Last, to your question on what the potential of the region is. Every region has to contribute to the Nestlé's growth ambition, but clearly I see North America as capable to deliver sustainably the mid single-digit growth that we ambition for the group.

Warren Ackerman, Barclays:

Okay. That's very helpful.

Question on: Trends in key categories in the US and cost challenges**Warren Ackerman, Barclays:**

Maybe digging into a couple of the key businesses within the US. We could talk about lots of them, but the three I'd maybe call out would be PetCare, given the size of PetCare for you in the US, Frozen food is a key category and Coffee as well. Could you elaborate a little bit on the trends that you're seeing in those three specifically? Related to that, for those three specific categories, how you are dealing with those cost challenges on the ground? We do hear it's pretty acute in the US around distribution and logistics issues. It must be quite a big headache for you, day-to-day, given you can't hedge those costs as well. Some color on those three categories and specifically related to those costs challenges that you're seeing on the ground in the US will be really helpful.

Laurent Freixe, Chief Executive Officer Zone Americas, Nestlé S.A.:

Yes, you're absolutely right to highlight those three categories, because they are the three largest and there are a number of common points. Of course, there are different dynamics, but common point is that we command clear leadership positions in all three. We've got a unique portfolio of brands in all three. We've got R&D capabilities in North America in all three of them. There is a real ability to win in all three categories, and we got a very good margin structure also. Our foundations are extremely solid for the three categories.

On PetCare, which the single largest one. Of course, there are a number of things that are really favorable to the category. Number one, pet adoption, as mentioned earlier by François, but I would highlight as well, the elevated role of the pet in the family, which we have seen enhanced in the pandemic. So, dynamic is good and we got a leading market share. We are gaining market share.

Again, what is the biggest issue beyond the cost? I will talk about the cost to date, our biggest issue, my single biggest issue, with PetCare in the US is to be able to supply the demand.

The demand is so strong, and we have a network with such a level of capacity utilization that we have to make wonders on a day-to-day basis to be able to supply the demand. The big priorities, and I referred to our CapEx programs, is to accelerate our capacity expansions and our investments across the network. We have got two new factories on the way, one in Ohio and one in North Carolina to complement our dry network. We are expanding our footprint in

wet and in pet litter. Big investments happening to adjust, expand capacity as the demand is so strong. This is the single biggest issue, honestly, I and my team have to deal with at the moment.

We are also investing in technology, e-commerce. I refer to the two pure players that are number two, number three customers, and growing very fast. Investing in our ecosystem, as well, so big investments taking place to, again, support the growth and enable the growth.

Now you're right about the cost environment and the comment I will make is valid across the three categories with maybe PetCare, even more impacted. We have seen commodities, we have seen distribution and transport, we see labor, there are labor shortages as everyone can see and feel operating in the US, so there are pressure points everywhere. The positive is that we can price in many ways. We can price innovation, renovation and this is a category which is really prone to premiumization and our Super Premium, Ultra-Premium Brands are actually the most dynamic in the portfolio, so that's helpful to create value and add value and offset the cost pressures. We are leveraging also strategic revenue management, price pack architecture, our promotional policies among others and price list, as the pressure is so visible that we've got as well to increase our prices. Then once you have put in place or sent your price list, you need to realize your price increase and on all three fronts, I think we are on track. It's, of course, a challenging environment as we speak, but I'm happy to see pricing developments in the category.

On Coffee, we've got a unique portfolio of brands, the best in the industry without any doubts between Nescafé, Starbucks, Nespresso, and we should not forget Coffee-mate. There are ample opportunities to grow through innovation, renovations, through channel development, through e-commerce. So there as well, this is to support the growth, invest in innovation, invest in the network and in new capabilities.

On Frozen, which has been a category discussed many times while we can see in the pandemic that having a great portfolio of brands, brands that can resonate with various meal occasions, at home, is extremely relevant. We are clearly leveraging that opportunity in full. Category is good, it's dynamic, it's growing. Shares are growing in most parts. We relaunched successfully Lean Cuisine, Life Cuisine. We implemented successfully our new distribution model for Pizza, which is giving us a much better margin structure and we are leveraging the category to its full potential. Hot Pockets also is to be mentioned as a great opportunity going forward in the snacking area. There the same as regards the cost environment. Yes, there is inflation in all the dimensions, raw material, packaging material, distribution, labor. But we are embracing this with

a view to both protect our margins and pass the cost pressure and at the same time protect our market shares.

Question on: LATAM performance and outlook

Warren Ackerman, Barclays:

Okay. That's super, thanks Laurent. The other big part of the Zone is Latin America. That grew, I think I'm right in saying double digit in the first half. Can you say how much of that growth was share gains versus elevated category growth? Because I remember a year ago, there was a lot of nervousness about macro in LATAM, particularly Brazil, about tapering of checks being paid by the government in Brazil, plus COVID as well, high COVID numbers. Why has LATAM bucked those concerns? Why has it been stronger this year than what we were thinking backend of last year? And what is your outlook for the region?

Laurent Freixe, Chief Executive Officer Zone Americas, Nestlé S.A.

Yes, that's a very good question, Warren, and I would not argue that LATAM has the same strength as North America. It's very clear that there is less ability on the public side to support the economy. Economy is less diversified as well, so much more fragile. And there are parts of the continent that is really under pressure. What has happened there are two points that have been, and that will be, positive and supportive to the LATAM economies. Number one, if there is commodity cost inflation, which is somewhat of a challenge for the business, this is a positive for those countries that are highly dependent on commodity costs. If you remember well, 10 years ago, Latin America was flying at the time of the commodity boom, the commodity cycle, and went into difficulties the moment when commodities went down.

We got petrol up. We got minerals rising and especially copper, which is so relevant to Chile and Peru, for instance, and we also got agriculture raw material on the rise, soybean, wheat, coffee, cocoa, dairy. So this is very positive factor for those economies, as it gives them money flowing in and capacity to support the economic agenda. The second positive is the remittances coming from the US. The fact that so much money has been flowing in, in the US. Some of it has found its way to Latin America, through the Latino population. And just to give you a flavor, the level of the remittances in Mexico has passed the 40 billion mark. This is a very significant increase compared to just a few years ago. And all of this is going into consumption. So this is also supporting those economies.

So generally speaking, the consumption has been supported in most parts, maybe not everywhere, but especially in the larger countries for us like Brazil, Mexico, or Chile. And in that context where we enjoy also such a strong footprint and where we have kept investing in the brands, in innovation, we have indeed been gaining market share. So gaining market share in growing categories gives that kind of result. And we have taken also price increases relatively early on because on top of commodity inflation and input cost inflation, we've got also to cover for the Forex depreciation that has been significant in the last year. So we are in a very good place when it comes to Latin America and the prospect, outlook is positive. And I can confirm also that LATAM will be capable sustainably to contribute to the Nestlé agenda when it comes to the organic growth ambition.

Question on: Aimmune and Bountiful
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Warren Ackerman, Barclays:

Thank you for that. And François question for you, just back onto Nestlé Health Sciences, I'm just interested on two things, really. One on Aimmune, you've talked about it being a billion Swiss Franc brand in time. Can you tell us maybe what your assumptions are behind that? You know, how do we get to that kind of number? And secondly, just on Bountiful, it kind of takes your proforma sales to 6 billion. It's mainly a US business with the exception of Solgar, which is more international, but what are your plans to try and take it international? So two parts, one on Aimmune and one on Bountiful expansion.

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

Okay. Warren, I think it's a very good question. Let me give you a little bit of the global picture as far as Nestlé Health Science is concerned. As you know, we have three sub-groups there. We have what we call consumer care, which is essentially covered with VMS, vitamins, minerals and supplements. We have medical nutrition, and then we have novel therapeutic nutrition. Novel therapeutic nutrition is where Palforzia sits and I'll come back to that. Let me start very quickly with consumer care and VMS, vitamins, minerals, and supplements, with the Bountiful acquisition. And let me tell you a little bit the way we see things there. Because we had already some assets in that category before, like Boost for example in the US or Carnation Breakfast essential and doing very well. Then we did, four years ago, the acquisition of Atrium Innovations, which is positioned in the premium segment. By the way we sell these vitamins,

minerals, and supplements on average two times the price of average VMS in multivitamins in the US. And we are number one by the way in the US in multivitamins.

So it's a premium brand distributed exclusively through specialized distribution channels and e-commerce. So it's a little bit like, if I can make an analogy, the Nespresso of coffee. Because in Nespresso, we have a super-premium brand with specialized distribution network, our own e-commerce platform, our own boutiques. We needed something to complement it with what we call everyday premium, or if you want to, even mainstream, and the Bountiful Company is a very good complement from that point of view. Why? Because they are precisely in this everyday premium positioning. So very complementary to what we have with Atrium, and they are in the mainstream retail channel. So this is a very good addition.

If you want, once again, with this analogy that I gave you earlier, the Bountiful Company is a little bit the Nescafé of VMS. So very complimentary, both in terms of brand architecture and positioning, and very good complementarity as well in terms of differentiating the channel. So we are very excited about it. The other benefit that we have with the Bountiful Company, is that this company comes with seven industrial units, and we did not have such a strong industrial base with Atrium Innovation, and they are very efficient from an industrial point of view and a cost point of view. So we will certainly benefit from what they are contributing there. And in addition, as you mentioned, with the Bountiful Company, we can expand internationally. They have about 20% of their business which is outside of the US today, but we clearly have the intention to leverage on our Nestlé Health Science global footprint. And even further than that, on our Nestlé global footprint to leverage and globalize abroad. As you said, some of their brands have already traveled, like Solgar, but it goes beyond that. Take Nature's Bounty. It's a brand that is already well established internationally, but clearly its intention is to push there and leverage on our asset. Like, once again, in order to do an analogy with coffee, what we have done extremely well with Starbucks.

Moving with Aimmune and Palforzia the peanut allergy product, which is in the third category, which is what we call novel therapeutic nutrition, which is more pharma. And even Palforzia is a drug that is registered with the FDA. As you mentioned, we expect to make this product a \$1 billion product over time and we are really investing. In terms of assumptions behind this ambition, we have made conservative assumptions, which are essentially around an enrollment rate of children aged two to 17 years old that are suffering from peanut allergies. So we have been very conservative in the assumption of enrollment of these children. After that, price wise we don't need even to make an assumption because the price is already set. It's already

approved by insurance companies in the US so there is no surprise there. There is no uncertainty. The only unknown obviously is that if we will manage to reach our enrollment assumption, but we are very positive about it. So that's what I wanted to mention. So obviously with Nestlé Health Science today, this year we should reach about CHF 4 billion of sales. We are on a run rate with the full year impact of the acquisition of the Bountiful company that is around CHF 6 billion, so obviously we expect to continue growing organically, potentially inorganically as well. So we are not going to stop there.

Question on:	Infant Nutrition in China
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Warren Ackerman, Barclays:

Francois I've got to ask you about China Infant Nutrition, because it's been a big topic for people in the last year. You're talking about turnaround initiatives. Things are improving a little bit. Can you maybe share a bit of an update on those initiatives? I'm quite interested in the Belsol launch in super premium. I know it's one of the drivers, but you're also pushing more aggressively into lower tier cities and building up your sales force. Could you maybe just update us on that?

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.

Absolutely. So Infant Nutrition is the only category where we have seen some declining sales since the beginning of the year. If we look at it outside of China, this is largely coming from the fact that we have seen across geographies, as a consequence of the pandemic, a declining birth rate everywhere in the world, including in China. But in addition to that, in China we have had some self-inflicted issues that we have started to address last year. So the plan was very clear. It's around innovation. So we launched for example, A2 milk formulas, we launched organic and natural formulas, we launched Belsol, which is a product which is specifically designed for Chinese babies which is manufactured locally. And we expanded geographically specifically within China, moving into tier three, tier four cities. We put more feet on the ground as well, in terms of sales force. Everything that we set, including Belsol that you mentioned, is working more or less as per the plan. So we are quite happy with that, but it is still not sufficient to offset the decline of our main business and, most specifically, Illuma within the Wyeth range, so we need to do more. So we are really working even further on that because we want to address it. We won't get back to growth in 2021, for sure. So we are really working very, very

hard to address the issues and go even further with a full commitment to the category Infant Nutrition and a full commitment to China.

Question on:	Plant based
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Warren Ackerman, Barclays:

Okay. And a question, maybe for both of you, just on plant-based food. You made a big push on plant-based meat initially, much more on plant-based dairy more recently. I'm interested, Laurent, if you could share what you're seeing in terms of trends in both plant-based meat and dairy. And obviously, you've got quite a few high-profile launches that you've been talking around Pea protein, for example, being a big thing for you. I'm sure all the listeners will be very interested to hear your thoughts on this key category.

Laurent Freixe, Chief Executive Officer Zone Americas, Nestlé S.A.:

Yes, it's a topical item, but it's there to stay for the long run. The trends are very clear, very obvious. There is more and more interest in plant-based solutions for dietary reasons and, increasingly, there will be also the sustainability concern. We see powerful trends behind the category. We have a unique play there because of our portfolio, because the breadth of our portfolio that we can both play the pure play game with our pure play brands, like Sweet Earth in the Americas, we've got Garden Gourmet in Europe, or Nature's Heart in Latin America, and more broadly. So we see great opportunities on all fronts, actually, both meat replacement or plant-based beverages. And the categories are dynamic, and we are seeing strong developments. But we'll see a second play as well, which is to integrate those plant-based ingredients into our offering, both for at-home and out-of-home consumption.

So if you look at it that way, you will see that the opportunity is really broad, as we can leverage through our entire portfolio those plant-based arguments. And I could mention DiGiorno, of course, Stouffer's, but I could mention also Coffee-Mate, Nido, you name it. So we see those two opportunities and we will invest and we are investing behind those two opportunities: the pure play game, but also integrating ingredients across our brands and our ranges. And we see strong double-digit growth for the years to come in these focus areas.

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

Warren, to complement what Laurent is saying, just to give you the picture at group level, so this total plant-based category for us is accounting for north of CHF 700 million sales. So we are not small in that category.

So we have been there for long, most specifically in Europe, but with a lot of success. So it's more than 700 million of sales probably this year, growing double-digit. And within that category, we have obviously the meat alternatives, which accounts for about 200 million-plus, which is going very strongly and more specifically in Europe. But we are not limiting ourselves to the meat category, as Laurent said. So we expect really through the significant investment that we do in plant protein, this is 10% of our total R&D investment today, but we want to go beyond meat. By the way, meat alternative could be possibly relatively commoditized going forward. So we are a little bit more careful in that category.

So we're moving further than that into a chicken alternative, and shrimp alternative, and fish alternative, you name it, because all of these products make sense and we believe that we have both the route to market, we have the R&D, we have the brands. And across the world, by the way, we have them in the Americas, in Europe, in Asia. And also, this is really an area where we invest a lot. Just one word on margin, for the time being, this is margin dilutive, but not an issue at all. We are clearly in an investment position in that business, so we have to invest in R&D, we have to invest in marketing, building brands, and so forth because we are certainly more interested in the retail part of the category.

Question on:	ROIC
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Warren Ackerman, Barclays:

We're running a bit short of time, so I've just got a couple more for you. One for François. Just on the ROIC, that's been a question from investors. It's improved from 10%, almost to 15%, but you've also kind of said that most of the disposals are done, so you're going to be looking at more net acquisitions. But given acquisitions are quite expensive, are we starting to see the ROIC peaking, or do you still see upside beyond 15%? And if so, where would that come from?

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

So I think we have done well over the last couple of years because we were around 10% in ROIC back into 2015. We were at almost 15% last year, and we used all levers. So we accelerated our growth, we improved our margin, we reduced our working capital very

significantly, we reduced our underlying tax rate, we have been much more efficient in managing of CapEx as well, and we have been very disciplined in M&A. Because we managed to do that while making acquisitions as well, so it's not only disposals, but we did acquisitions. We made acquisitions, like Starbucks, Atrium, and others as well.

It is true what you said that it's very difficult for us to give a guidance on that one because it is largely influenced as well by M&A. What I can assure you is that we will remain very disciplined on M&A, and ROIC is one of the KPIs that we are looking at when we build a business plan by how long will it take us in order to have the return on invested capital of that specific acquisition, exceeding the WACC of that specific acquisition. We are targeting for mature businesses, not for startups, at around the five to seven years to exceed the WACC in terms of ROIC for that specific acquisition. I can tell you, for the first two large acquisition that we did five years ago, namely Atrium and Starbucks, we may even reach that level even before the five years, which is actually good. So we will remain disciplined.

Question on: Investment case and L'Oréal stake
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Warren Ackerman, Barclays:

Okay. And the final question, since Mark Schneider became CEO, the aim was always to get to mid-single-digit organic growth. Although the battle's not completely won, it sounds like you're pretty confident in delivering that target sustainably. So I guess my question is, with that now discounted by the market, what will be the investment case on your side for the next three to five years? And, of course, the question around L'Oréal keeps coming up and the portfolio has been addressed. Is it right to think about it as acquisition currency, if something transformational comes up on the horizon?

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.:

So in terms of investment case, we are looking for a balance pursuit of growth and margin, but maybe with a slight difference versus what we have done over the last couple of years. If you look over the last four to five years, we grew around 3% and we improved our operating margin by about 50 basis points a year. Going forward, we expect to see our growth accelerating in the mid-single-digit space, let's say, for the sake of the example, around 5%. And our margin would increase at a moderate level. Why? Because we have a significant investment to do in

sustainability and we will invest as well to support our top-line growth. So it's the same strategy, but with a slightly different output and outcome. We will invest significantly in ESG.

We will continue to be active in portfolio. We have been. We rotated 18% of our portfolio over the last four years. We will continue to be active, probably more on the acquisition side. We will continue innovating as well. And just on the financial side, we will use share buyback as a value creation lever whenever appropriate.

On the L'Oréal question, there is not much to add there. I cannot comment on one specific option regarding our L'Oréal investment. What we have done is that we have created significant value for Nestlé shareholders through our investments in L'Oréal, and we are very happy with that.

The board has a fiduciary duty and does it along with the management to revisit all options. And we want to keep all options open, but we don't want to comment specifically on any option at this stage.

Warren Ackerman, Barclays:

Well, listen, with that, we're going to have to wrap it up. So thank you, Francois. Thank you, Laurent. It's been a very informative session. Thanks for participating in the Barclays Global Consumer Conference, and I hope to see you in person as soon as possible. Take care.

François-Xavier Roger, Chief Financial Officer, Nestlé S.A.

Thank you.

Laurent Freixe, Chief Executive Officer Zone Americas, Nestlé S.A.

Looking forward. Take care.

End of Transcript