Enhancing financial performance
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EVP, Chief Financial Officer
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This presentation contains certain financial performance measures which are not defined by IFRS. Management believes that these non-IFRS measures provide additional useful information to assess the financial and operational performance of the Group. Such measures may not be comparable to similar measures presented by other companies and are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in the Nestlé Group Alternative Performance Measures (APMs) document available on our Investor Website.
## Significant transformation of Nestlé

### Sales
- **2012**
  - Coffee: 19%
  - PetCare: 12%
  - NHSc: 2%

- **9M 2022**
  - Coffee: 25%
  - PetCare: 19%
  - Plant-based: 1%
  - NHSc: 7%

### Product mix
- **Premium**
- **2012**: 11%
- **9M 2022**: 33%

### Channel
- **E-commerce**
- **2012**: 3%
- **9M 2022**: 15%

### Geography
- **NA**
- **2012**: 28%
- **9M 2022**: 35%
- **EUR**
- **2012**: 29%
- **9M 2022**: 23%
- **Other regions**
- **2012**: 43%
- **9M 2022**: 42%

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Resulting in strong financial performance

Organic growth
% annual average 2017-21
+4.0%

Underlying TOP margin
bps increase 2017-21
+140 bps

Underlying EPS growth
% annual average 2017-21 (in constant currency)
+7.8%

Return on invested capital
bps increase 2017-21
+300 bps

ROIC excludes impairments such as Nestlé Skin Health in 2017, Yinlu in 2019 and Wyeth in 2021
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## Utilizing multiple levers to create value

<table>
<thead>
<tr>
<th>Levers of value creation</th>
<th>1. Freeing up resources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Investing for future growth</td>
</tr>
<tr>
<td></td>
<td>3. Allocating capital prudently</td>
</tr>
<tr>
<td></td>
<td>4. Managing our portfolio for profitable growth</td>
</tr>
</tbody>
</table>
Restoring gross margin is key to enabling growth investments

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

Drivers

- Implement responsible pricing
- Premiumize product offerings
- Drive cost efficiencies
- Secure strong growth leverage
- Manage portfolio actively

Excluding Nestlé Skin Health. 2017 restated to reflect implementation of IFRS 15, IFRS 16 and reclassification of certain cost items from marketing and administration to cost of goods sold.
Stepping up savings and efficiencies to 2025

Recurring savings per annum

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings (CHF bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2021</td>
<td>~ 0.7</td>
</tr>
<tr>
<td>2022-2025</td>
<td>&gt; 1.2</td>
</tr>
</tbody>
</table>

Key drivers

- Production efficiencies
- Procurement synergies
- Shared service penetration
- Real estate optimization
- SKU optimization and new recipes
- Digitalization
- Connected operations
- Center cost optimization

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Securing growth leverage through strict structural cost control

Structural costs represent ~16% of net sales, mainly production, distribution, and administrative fixed cost.
Investing selectively and efficiently to support future growth

### 2021 (CHF)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>1.7 bn</td>
</tr>
<tr>
<td>Marketing &amp; trade spend</td>
<td>28 bn</td>
</tr>
<tr>
<td>Capex</td>
<td>5.1 bn</td>
</tr>
<tr>
<td>Digital investments</td>
<td>0.3 bn</td>
</tr>
<tr>
<td>Sustainability</td>
<td>0.5 bn</td>
</tr>
</tbody>
</table>

### Going forward

- Increase productivity
- Raise investment
- ~ 5% of sales from 2025
- Enhance investment
- > CHF 1 bn in 2023 and beyond
Investing to create new categories is part of our DNA

2021 Sales (CHF)

<table>
<thead>
<tr>
<th>Category</th>
<th>Sales (CHF)</th>
<th>Underlying TOP margin</th>
<th>Break even Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nespresso</td>
<td>6.4 bn</td>
<td>23%</td>
<td>11</td>
</tr>
<tr>
<td>Nescafe Dolce Gusto</td>
<td>&gt; 1.5 bn</td>
<td>&gt; 20%</td>
<td>7</td>
</tr>
<tr>
<td>Human Milk Oligosaccharides (HMOs)</td>
<td>1.3 bn</td>
<td>&gt; 20%</td>
<td>&gt; CHF 200 m R&amp;D investment</td>
</tr>
</tbody>
</table>

Not all investments have the same success

BabyNes
Developing growth segments through science & innovation

### Plant-based food
- **Sales (2021, CHF):** 0.8 bn
- **Organic growth (9M 2022):** 11%

### Allergy
- **Sales (2021, CHF):** 0.6 bn
- **Organic growth (9M 2022):** 30%

### Healthy aging
- **Sales (2021, CHF):** 0.5 bn
- **Organic growth (9M 2022):** 13%
## Clear capital allocation priorities

<table>
<thead>
<tr>
<th>Deploying capital for profitable growth</th>
<th>Returning capital to shareholders</th>
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</thead>
<tbody>
<tr>
<td><strong>Organic growth</strong></td>
<td><strong>M&amp;A</strong></td>
</tr>
<tr>
<td>• Investing behind:</td>
<td>• Strategic, cultural and financial fit</td>
</tr>
<tr>
<td>• Marketing</td>
<td>• Execution discipline</td>
</tr>
<tr>
<td>• Capex</td>
<td>• ROIC &gt; WACC</td>
</tr>
<tr>
<td>• R&amp;D</td>
<td>• Practice of year-on-year dividend increase in CHF</td>
</tr>
<tr>
<td>• Sustainability</td>
<td>• Use of excess cash</td>
</tr>
<tr>
<td>• Digitalization</td>
<td></td>
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</tbody>
</table>
Temporary increase in capex to meet higher demand

Capex as % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth</td>
<td>4.5%</td>
<td>5.8%</td>
<td>~5%</td>
<td>2025 target</td>
<td></td>
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</tbody>
</table>

Key projects

- **PetCare (dry)**
  - Eden, NC, U.S.
- **PetCare (dry)**
  - Williamsburg, OH, U.S.
- **Coffee & Beverages**
  - Glendale, AZ, U.S.
- **Nespresso & Starbucks**
  - Romont, Switzerland
Working capital temporarily impacted by supply constraints

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

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</tr>
</thead>
<tbody>
<tr>
<td>Sales Estimate</td>
<td>8.5%</td>
<td>2.2%</td>
<td>1.6%*</td>
<td>0.1%</td>
<td>0.1%</td>
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</tbody>
</table>

*2017 restated, reflecting implementation of IFRS 15 and IFRS 16

2025 target 0% of sales

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Sustaining strong cash flow generation

Cash flow as % sales

- **Free cash flow**
  - 2017*: 10.4%
  - 2018: 11.8%
  - 2019: 12.9%
  - 2020: 12.1%
  - 2021: 10.0%
  - 2022 estimate: Trending toward 12% of sales

**2025 target**

Cash generated from operations before changes in working capital and capex
2017 restated, reflecting implementation of IFRS 15 and IFRS 16
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Pulling all levers to drive return on invested capital

ROIC after goodwill and intangible assets

ROIC restated to reflect implementation of IFRS 15 and IFRS 16 in 2017. Excludes impairments such as Nestlé Skin Health in 2017, Yinlu in 2019 and Wyeth in 2021.

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**Efficient capital structure**

**Lower share count**
- 30% fewer shares in issue vs. 2003
  - 2003
  - 2022 estimate
  - 3.9 bn*
  - ~ 2.7 bn

**Net debt / EBITDA**
- 2-3x range
  - 10 year avg.
  - 2022 estimate
  - AA
  - AA-
  - 1.2x
  - ~ 2.4x

**Cost of debt**
- Low cost of net debt
  - 10 year avg.
  - 2022 estimate
  - 2.5%
  - ~ 2.2%

**Debt maturity**
- Average debt maturity extended, securing liquidity
  - 2016
  - 2022 estimate
  - ~ 6.9 years

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* Share count restated to reflect 1:10 share split which occurred in 2008

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Active and disciplined portfolio management

**Acquisitions**
Total transaction value of **CHF 26 bn**

> **CHF 50 bn** of deal value reviewed but not pursued since 2017

**Divestitures**
Total transaction value of **CHF 26 bn**

Based on deal value. Divestitures exclude L’Oréal transaction
Creating significant value through portfolio management

Positive and material impact from M&A

+ 50 bps

Average contribution to organic growth 2017-2021

~ 1/3

of underlying TOP margin increase since 2017

Addressing underperforming businesses

Examples

Dairy Middle East & North Africa
Removed commoditized dairy products from portfolio

D2C Japan
Discontinued 80% of SKUs to remove complexity

Dairy Brazil
Eliminated loss-making SKUs such as Moça Doceria
Significant value creation through M&A

Our M&A scorecard reviewed on an annual basis

First 3 years
Achieving or exceeding acquisition plan on top- and bottom-line

Mid-term
ROIC > WACC in 5 – 7 years

Outcome
83% of transactions by value achieving or exceeding acquisition plans

~ CHF 7 - 9 bn of value created over acquisition price (11% - 13% annual return)

For transactions > CHF 0.5 bn between 2018-2021
Value created calculated at lower multiples than at acquisition applied to 2022 EBITDA, plus tax savings and with conservative impairment scenario for Palforzia
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## Our value creation model and 2025 targets

### Operating performance

<table>
<thead>
<tr>
<th>Sustainable organic sales growth</th>
<th>Underlying TOP margin</th>
<th>Annual underlying EPS growth</th>
<th>Free Cash Flow trending toward</th>
</tr>
</thead>
<tbody>
<tr>
<td>mid single-digit</td>
<td>17.5 - 18.5%</td>
<td>6 - 10%</td>
<td>12% of sales</td>
</tr>
</tbody>
</table>

### Capital discipline

<table>
<thead>
<tr>
<th>Working capital</th>
<th>Capex</th>
<th>ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% of sales</td>
<td>~ 5% of sales</td>
<td>trending toward 15%</td>
</tr>
</tbody>
</table>

### Financial policy

<table>
<thead>
<tr>
<th>Dividend</th>
<th>Net Debt / EBITDA</th>
<th>Share buybacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>maintain practice increase y-o-y in CHF</td>
<td>2.0-3.0x</td>
<td>return excess cash</td>
</tr>
</tbody>
</table>

### Value creation for both society and our shareholders

Organic growth may exceed the mid single-digit level if pricing is materially above the average level of the last 10 years. Underlying EPS growth in constant currency. Underlying EPS growth and ROIC targets exclude any significant M&A activity. Working capital calculated on a 5-quarter average.