Nestlé investor seminar 2022

Enhancing financial performance

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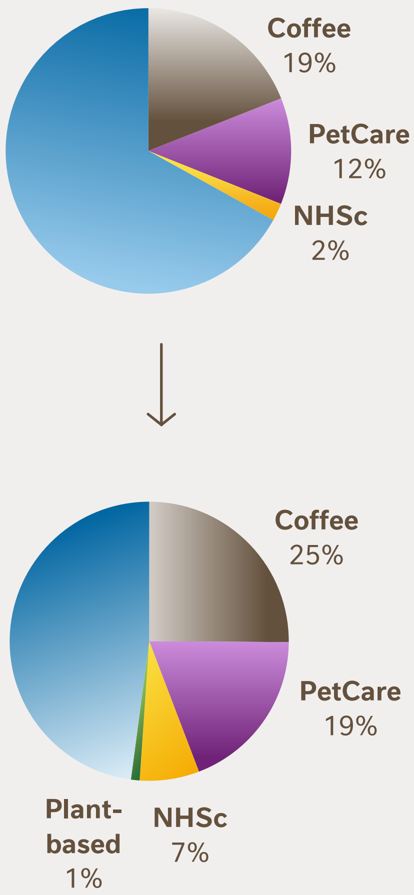
Significant transformation of Nestlé

Sales

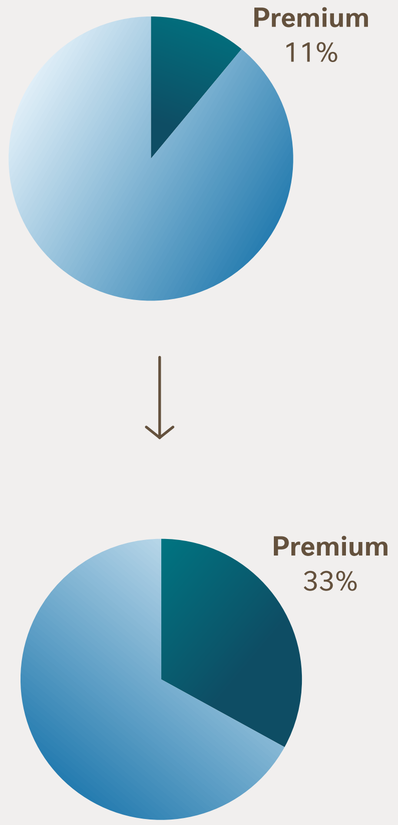
2012

9M 2022

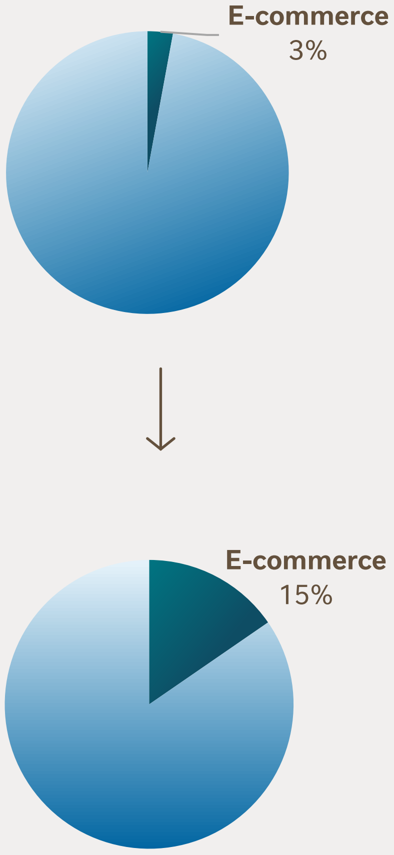
Category



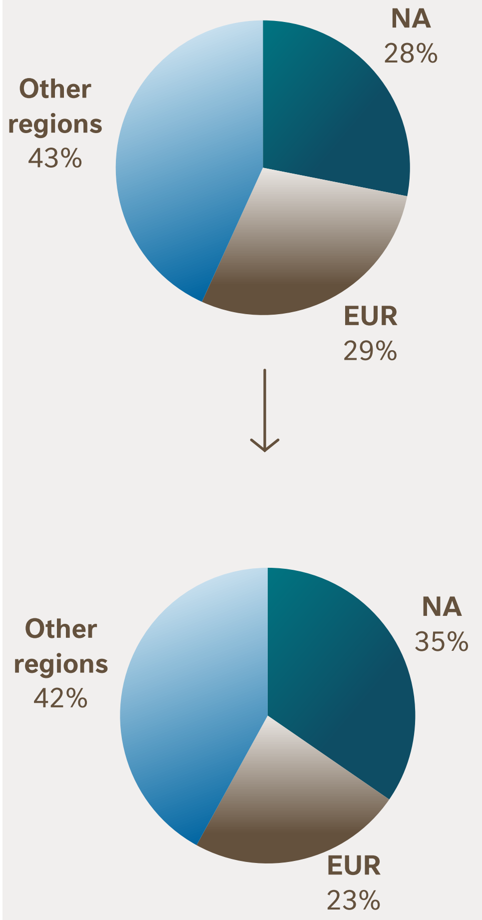
Product mix



Channel



Geography



Resulting in strong financial performance

Organic growth	Underlying TOP margin	Underlying EPS growth	Return on invested capital
% annual average 2017-21	bps increase 2017-21	% annual average 2017-21 (in constant currency)	bps increase 2017-21
+4.0%	**+ 140 bps**	**+7.8%**	**+ 300 bps**

ROIC excludes impairments such as Nestlé Skin Health in 2017, Yinlu in 2019 and Wyeth in 2021

Utilizing multiple levers to create value

Levers of value creation

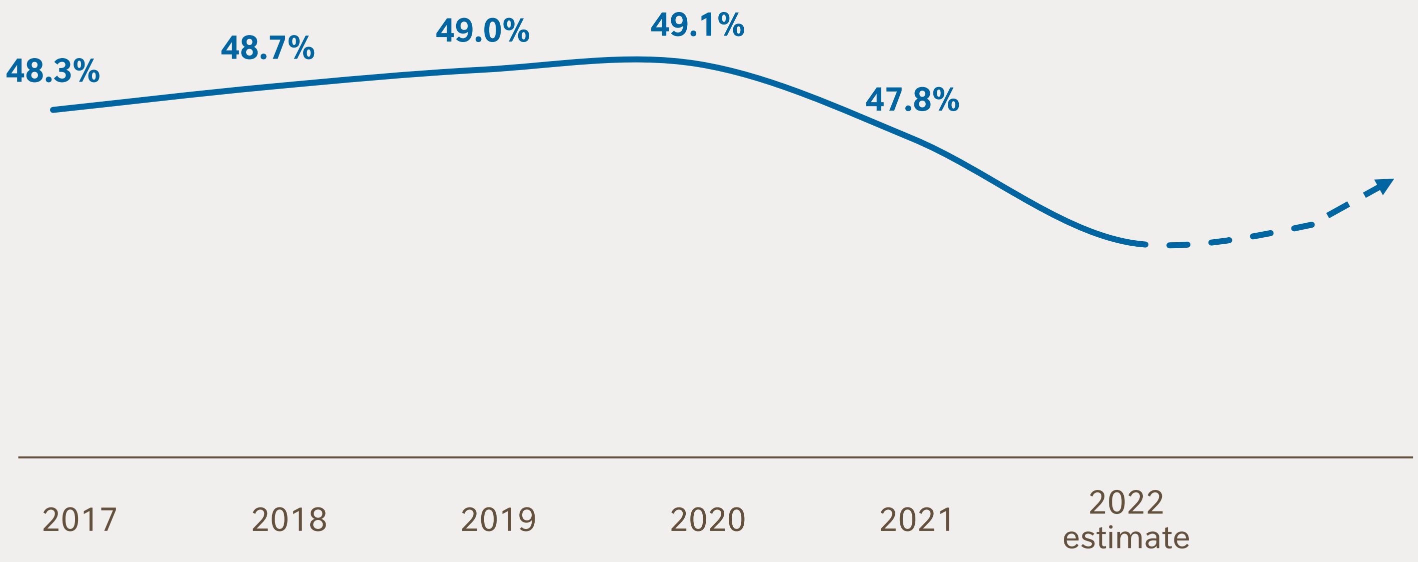
1. Freeing up resources
2. Investing for future growth
3. Allocating capital prudently
4. Managing our portfolio for profitable growth

Restoring gross margin is key to enabling growth investments

1

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

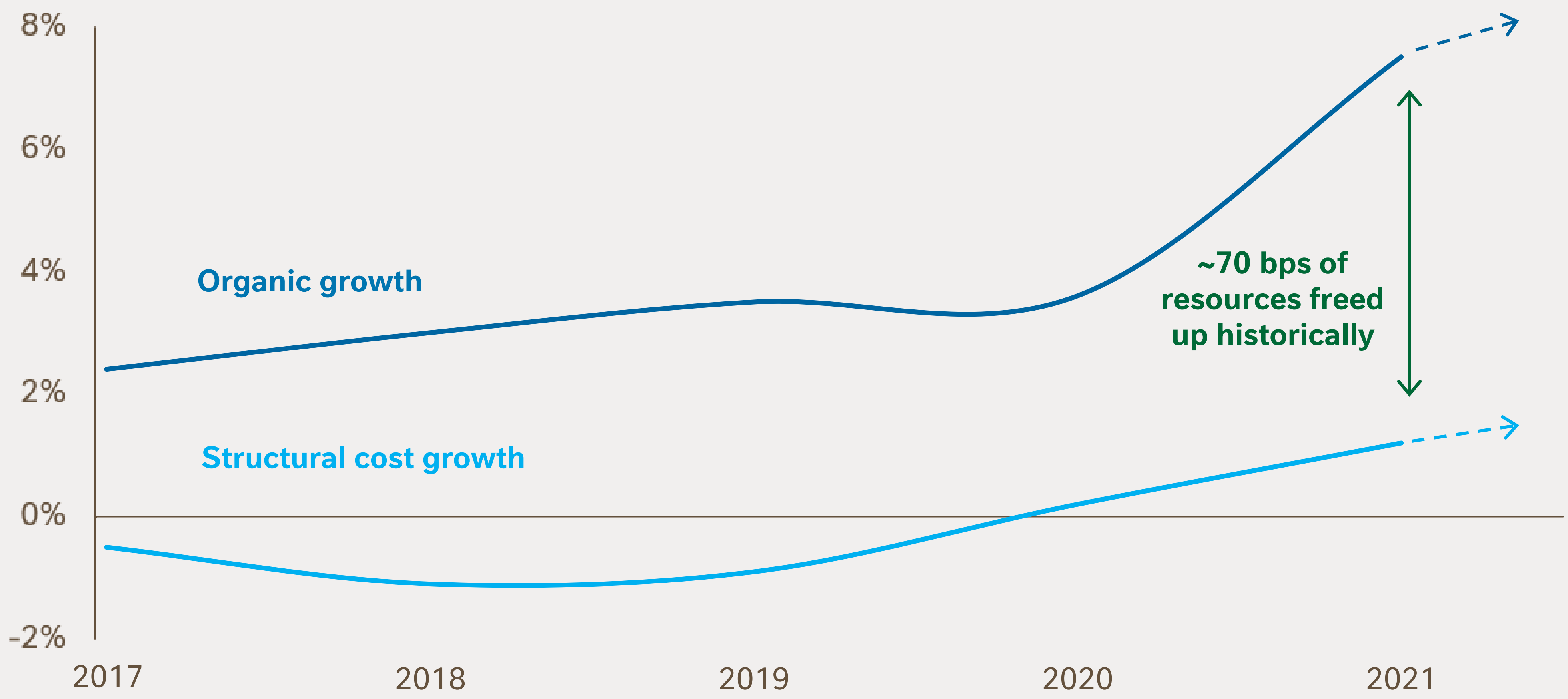
Excluding Nestlé Skin Health. 2017 restated to reflect implementation of IFRS 15, IFRS 16 and reclassification of certain cost items from marketing and administration to cost of goods sold

Stepping up savings and efficiencies to 2025

1

	2016-2021	2022-2025
Recurring savings per annum	**~ CHF 0.7 bn**	**> CHF 1.2 bn**
Key drivers	Production efficiencies	SKU optimization and new recipes
	Procurement synergies	Digitalization
	Shared service penetration	Connected operations
	Real estate optimization	Center cost optimization

Securing growth leverage through strict structural cost control



Structural costs represents ~16% of net sales, mainly production, distribution and administrative fixed cost

Investing selectively and efficiently to support future growth

2021 (CHF)

R&D	Marketing & trade spend	Capex	Digital investments	Sustainability
1.7 bn	28 bn	5.1 bn	0.3 bn	0.5 bn

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

2

	NESPRESSO	NESCAFÉ Dolce Gusto	Human Milk Oligosaccharides (HMOs)
	11 years to breakeven	**7 years** to breakeven	**> CHF 200 m** R&D investment
2021 Sales (CHF)	**6.4 bn**	**> 1.5 bn**	**1.3 bn**
Underlying TOP margin	**23%**	**> 20%**	**> 20%**

Not all investments have the same success

BabyNes

Palforzia
Defatted powder of *Arachis hypogaea* L., semen (peanuts)

Developing growth segments through science & innovation

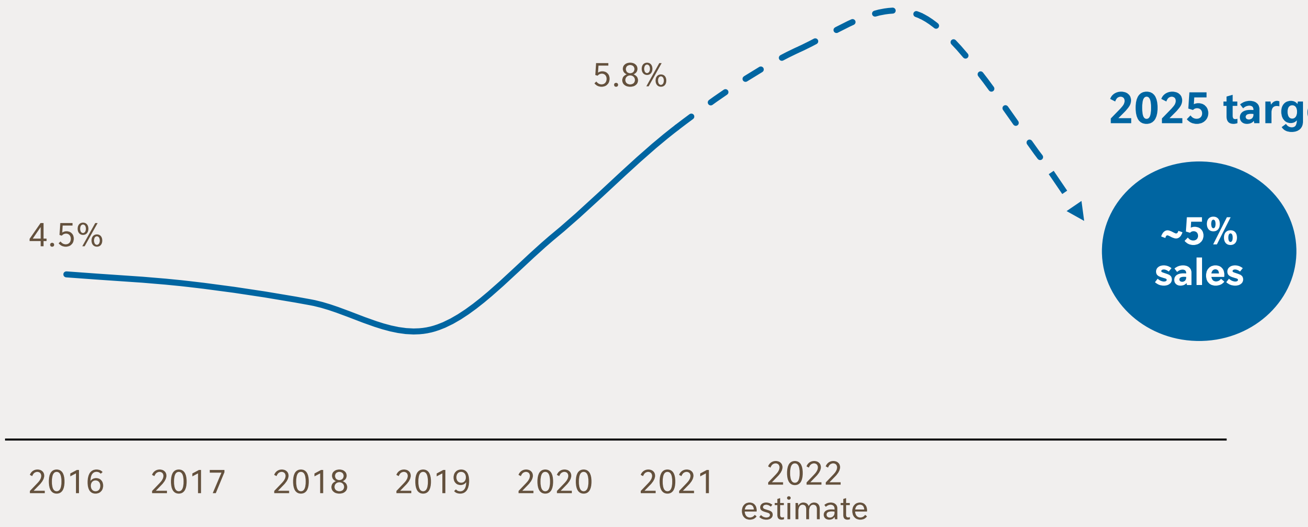
	Plant-based food	Allergy	Healthy aging
			
Sales (2021, CHF)	0.8 bn	0.6 bn	0.5 bn
Organic growth (9M 2022)	11%	30%	13%

Clear capital allocation priorities

Deploying capital for profitable growth		Returning capital to shareholders	
Organic growth	**M&A**	**Dividend**	**Share buybacks**
Investing behind: • Marketing • Capex • R&D • Sustainability • Digitalization	• Strategic, cultural and financial fit • Execution discipline • ROIC > WACC	• Practice of year-on-year dividend increase in CHF	• Use of excess cash

Temporary increase in capex to meet higher demand

Capex as % of sales



Key projects

PetCare (dry)
Eden, NC, U.S.

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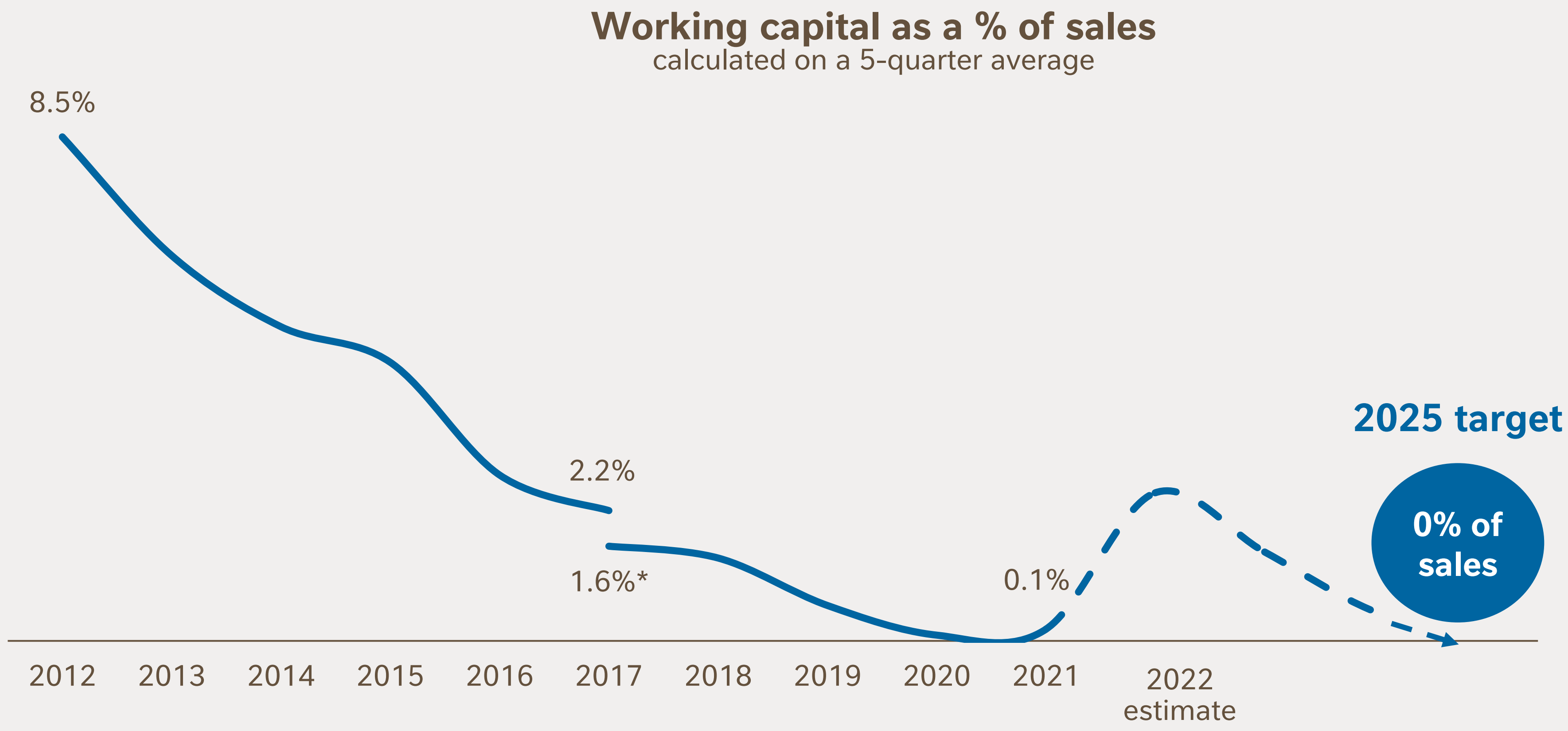
Williamsburg, OH, U.S.

Coffee & Beverages
Glendale, AZ, U.S.

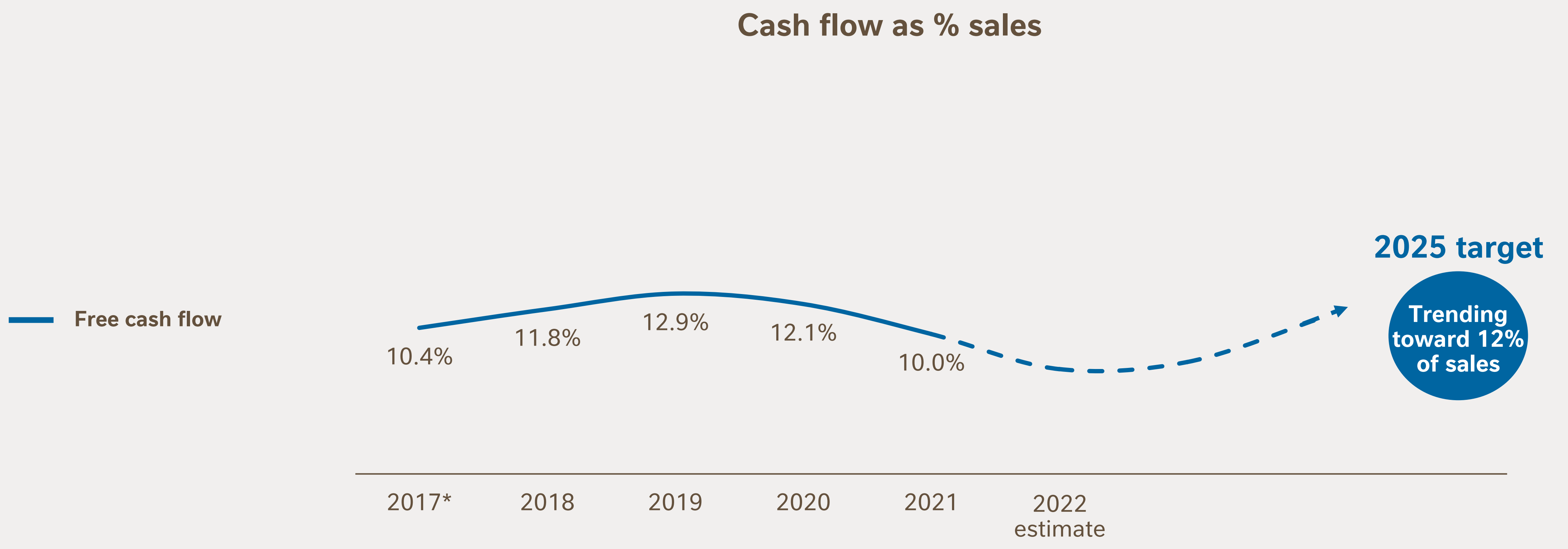
Nespresso & Starbucks
Romont, Switzerland

Working capital temporarily impacted by supply constraints



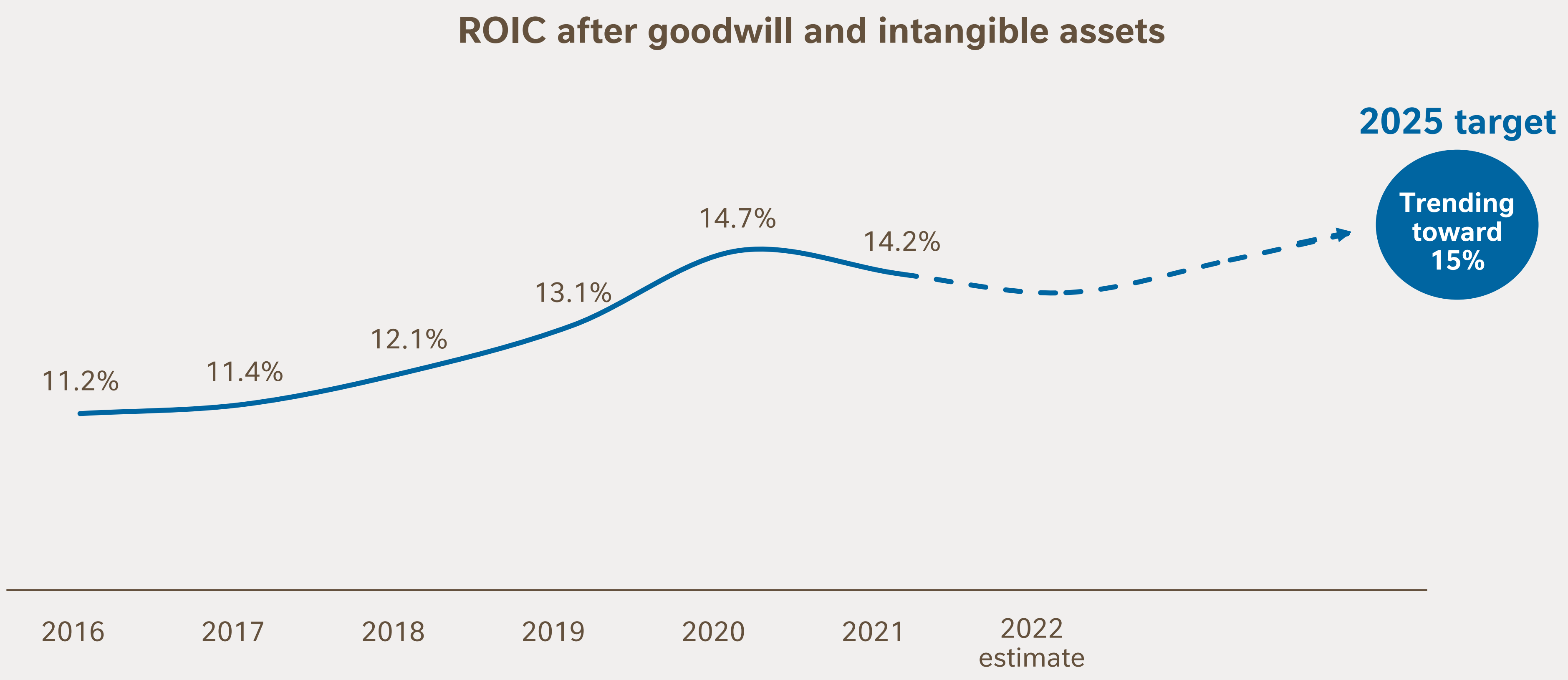
*2017 restated, reflecting implementation of IFRS 15 and IFRS 16

Sustaining strong cash flow generation



Cash generated from operations before changes in working capital and capex
2017 restated, reflecting implementation of IFRS 15 and IFRS 16

Pulling all levers to drive return on invested capital



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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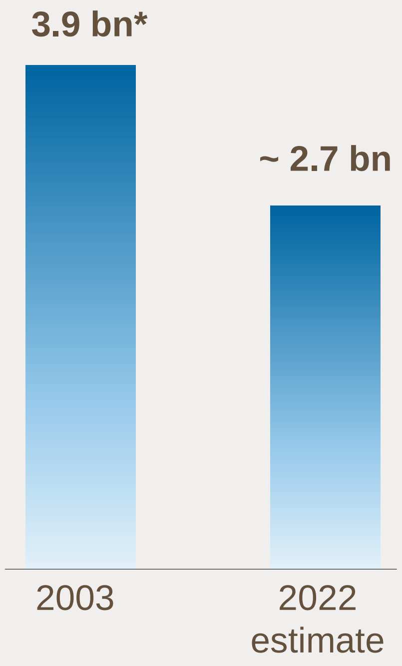
Efficient capital structure

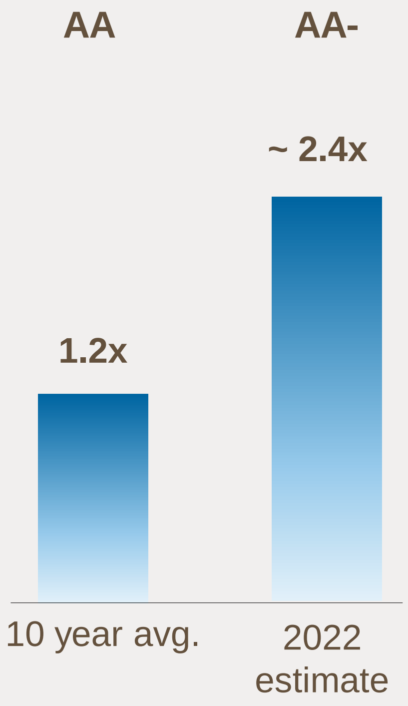
Lower share count

30% fewer shares
in issue vs. 2003



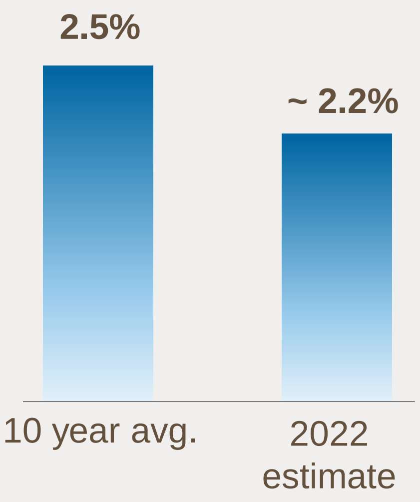
Net debt / EBITDA

2-3x range



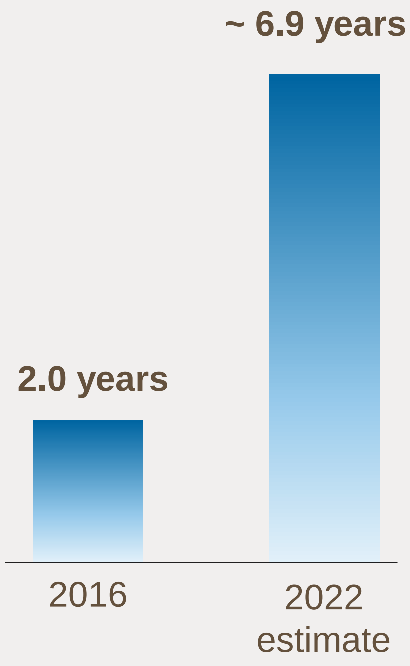
Cost of debt

Low cost of net debt



Debt maturity

Average debt maturity
extended, securing liquidity



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

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

2016

2022

US Confectionery

U.S Ice Cream

North America Waters

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*

From transactions between 2017-2021

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*

Our value creation model and 2025 targets

Operating performance

Sustainable organic sales growth mid single-digit	**Underlying TOP margin** 17.5 -18.5%	**Annual underlying EPS growth** 6 - 10%	**Free Cash Flow** trending toward 12% of sales

Capital discipline

Working capital 0% of sales	**Capex** ~ 5% of sales	**ROIC** trending toward 15%

Financial policy

Dividend maintain practice increase y-o-y in CHF	**Net Debt / EBITDA** 2.0-3.0x	**Share buybacks** return excess cash

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