2022 NESTLÉ INVESTORS SEMINAR BARCELONA, SPAIN
ACCELERATING OUR DATA-DRIVEN DIGITAL TRANSFORMATION

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Speaker:

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Bernard Meunier, Head of Strategic Business Units and Marketing and Sales, Nestlé S.A.:

Slide: Title Slide

Good morning and thank you for taking the time to dive into our digital transformation journey. Together with my transformation partner, Aude Gandon, we will walk you through the roadmap that we introduced a year ago and reconfirm the ambitious targets we have set for ourselves. This presentation is about bringing in new data and tech capabilities to engage with customers and consumers at scale. It is about transforming a portfolio of nearly 2,000 brands to drive sustainable and profitable growth. That is the agenda for today. Then tomorrow, we will take a quick tour of the growth-supporting engine we are building and setting up at our Tech & Data Hub here in Barcelona.

Slide: Six emerging trends boosted and confirmed post-COVID

First, let us look at some macro trends that have either emerged or been confirmed post-COVID. Four of those are actually an acceleration of trends that were at play pre-COVID.

Food as first medicine, with consumers looking more and more for holistic health benefits.

Second, and Mark alluded to this, digital and e-commerce that got a formidable boost during the COVID years, gaining years of household penetration in the process.

Third, increasing price polarisation between affordable and premium, further exacerbated, of course, by the unprecedented inflation we are living through.

And sustainability as a clear must-have now for about half our consumers worldwide.

Then two additional macro trends are more of a shift through and post-COVID. First is out-of-home to in-home during COVID and then back to out-of-home but still with sustained in-home consumption post-COVID, and through in out-of-home some more new emerging models.

Last, local for local, with three key drivers behind this macro trend. One is local as a proxy for food security and sustainability. Second is economic patriotism or trade protectionism. Finally, also as a solution for the recent supply chain issues that we have lived through.

As always, consumers want it all. They want affordable products. They want taste and convenience. They want, if possible, some holistic health benefits and also some sustainable guarantees and reassurance.

Slide: Holding strong positions in large, fast-growing categories

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Now, the breadth and strength of our portfolio remains one of Nestlé's key competitive advantages, especially through turbulent times. Nestlé is the only decathlete in the Food and Beverage industry, playing in more categories than any other player and with very solid growth over the last years. We play in large categories. You see here the size of our different categories. None of them is smaller than $100 billion or CHF per year, except for Infant Nutrition. All the others are larger. They are dynamic. They have been growing healthily over the last few years and here, we have not even put 2022 in the compound because first, we have not finished 2022, but also it is boosted by inflation.

We also command leading positions in those categories. We are investing continuously in the fastest segments, the ones that are fastest growing within these categories, such as plant-based, supplements, coffee capsules and pods, or cat food, in this to remain relevant and address key consumer trends.

Slide: The digitalization of food & beverage industry continues

Now, coming back to one of the macro trends we have seen accelerating post COVID, our Food and Beverage industry is increasingly transforming into a tech and data-driven industry. What are the changes that are driving this digitalisation of our industry? You have them on the screen.

First, digital consumption is still on the rise and social media channels continue to be the fastest-growing form of online and digital engagement, but with a new balance between the incumbent channels, think Facebook, and the emerging ones, think TikTok.

Second, online shopping is pervasive. The growth in 2022 post-peak pandemic is slowing down somehow but there is no way back and we expect to rebound again from next year onwards, driven by shoppers' demand for convenience and elevated experiences.

It is this demand for integrated and elevated experiences that is also a driver for the emergence of the new business models, such as social commerce, expected to triple by 2025; or the new monetisation models of retailers that are commercialising now their online real estate and their access to shoppers.

Slide: Data and technology are an essential source of competitive advantage

We see at Nestlé data and tech as a source of significant competitive advantage. Consumers are seeking seamless digital experiences, from browsing content such as recipes, diet and menu plans or nutritional information, to online shopping for their favourite

brands. This presents us with a formidable challenge that is also a fantastic opportunity, which is building traffic on our branded digital engagement platforms and connecting them seamlessly with our retailers' ecosystems, or with our D2C options where relevant.

Slide: Confirming our ambition for digital transformation

To get us ready for a future where 25% of our sales take place online and 70% of our marketing investment is spent online, we are embarking on this transformation journey that was unveiled at the end of last year in our Investor Seminar. We have devised a comprehensive roadmap consisting of investing in people and tech, changing the way we operate across geographies and categories, adding new experts and upskilling our entire teams so that we can raise the digital intensity in all categories, rejuvenating our core, in particular the 31 billionaire brands that we have which account for about 70% of our sales, and amplifying our digital-first brands, the ones that act as lighthouses for our organisation worldwide.

Slide: Progressing on four strategic priorities to build competitive advantage

Now, we will take you through the progress we have made since the announcement of the roadmap a year ago and more importantly, the plans for the years ahead. This across the four strategic priority areas we have defined which are direct consumer access at scale, next level content, channel-less commerce and always-on analytics. These four priorities feed off and amplify each other to reach one overarching objective which is accelerate our digital transformation, build a competitive advantage and lead the industry, ultimately, of course, to accelerate our growth.

Let us start unpacking our progress along these four strategic areas and for this, I am calling to the stage Aude Gandon, our Chief Marketing Office, that has joined us from Google. Aude, please.

Aude Gandon, Global Chief Marketing Officer, Nestlé S.A.:

Slide: Making progress to reach 400 m consumer data records by 2025

Thank you, Bernard. Good morning, good afternoon. As we shared in our last Investor Seminar in November 2021, we have now the ambition to double the amount of first-party data that we will acquire on our Nestlé properties. The way we do this is very simply on all our different categories and all our different properties. Think, for example, of our website. That enables us to really get first-party data of high quality but also we make sure that we

have the consent of our consumers to be able to leverage this data. This really helps us to make our media investment with great ROI, but also making sure that we lower the acquisition cost. As you have heard earlier this morning from Mark, we really have seen a real hike in acquisition cost on all the different digital platforms. Really securing our first-party data so we can really have a one-to-one conversation with our consumers, is definitely key.

As an example, in the culinary category, we have amazing properties such as our recipe website. In Latin America, our recipe website *Recetas* is actually the second recipe website used in all Latin America. We have more than 200 million visits a month, which means that we can really get understanding of what consumers are looking for, what recipes they are looking for. Also, how do they play with our recipes because they engage, they start to post comments, they start to actually even sometimes change a bit the recipe to make it their own and engage with communities. It really also helps us to be able to scale what type of product we can sell to them and also scale the size of the basket.

Slide: Unlocking value via consumer data across geographies and categories

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The past year, following our commitment on our digital acceleration and our focus on first-party data acquisition, we have been obviously starting to also unpack and really pilot what are the different ways we can really leverage this data and what is the value of this data. Here are three examples amongst quite a few that we have been piloting around the world, really showing you what is the value of this data.

The first example is coming from the UK, and it is on Felix, our cat food brand, and it is all about precision marketing. What we have done here is getting very focused on which consumers are actually interested in cat food, making sure that we will only serve messages to these consumers about our offering on Felix. This has really transformed the efficiency of our media investment as we have seen a 56% improvement on our cost per click.

Our second example is coming from the Middle East & North Africa and is on our beloved brand Maggi where here, we have been on occasion-based marketing. Typically, people are not looking for food recipes or for food ingredients all day long. Depending on your culture, you really have certain times of the day, certain times of the week where we can see consumers really looking for ideas of what to cook for dinner or when they are preparing for their weekly shopping. On Maggi, we have really gone into very specific message at a specific time of the day of the week where we would serve Maggi messaging and recipe ideas. That enabled us to unlock a 25% improvement on our return on ad spend.

Last but not least is Nescafé in Thailand. Here we have done what we call content personalisation. Obviously, Nescafé has a huge global footprint, and it is serving very different types of consumers and very different age groups. If we really want to make our messaging a lot more relevant, we want to make sure that we actually personalize the content that Nescafé is going to actually reach the consumer with. We have done so, and we have seen a 12% increase in ad recall. I am going to show you a video to explain in detail how we have done this.

Slide: Leveraging consumer data to optimize digital media performance

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[VIDEO] Transcript

Nescafé is market leader in the coffee category in Thailand. With digital investments across Thailand and the AOA region intensifying, we developed new machine learning and predictive modelling capabilities to accelerate our brand growth. We work with our partners at WPP and Google to understand how to optimize the effectiveness and efficiency of our media buying at the world's largest video platform, YouTube. We ingested huge volumes of data of past campaign performance within Google Cloud and used machine learning to predict which creative messages and audiences would deliver the best results on the platform. Leveraging this unique technology, we improved media efficiencies by 17%, allowing us to reinvest to grow our reach to more valuable audiences, creating up to +12% ad recall and meeting all market benchmarks. Following this successful initiative for Nescafé, we are rolling out this capability across other categories and scaling the technology to more regions.

The beauty of this pilot for us is obviously, we have a breadth of different categories, we have a breadth of different brands, but we also have a lot of countries that we play in. We do a lot of pilots so we can really learn and as soon as we have learnt obviously what we do with our partners, as you have seen it was on YouTube, is we scale it across all markets and different categories.

Slide: Capturing more value across the PetCare journey via ecosystems

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Obviously capturing the first-party data is going way beyond content personalisation and making sure that we get into occasion-based marketing. It is also the best way for us to be able to actually leverage this data and make sure that we are capturing more value across what we call our ecosystem.

What do we call an ecosystem? This is a word which is being used more and more and so we have a very specific definition for us at Nestlé. It is an interdependent, connected network of products and services that offers solutions to consumers. We will do that as well with partners, external partners, when we need to do it.

Here is an example on how we are going to do it and we have already started to do it in PetCare. If you look at this graph in a way, it is an example of how we can actually really leverage the consumer understanding to be able to service beyond the product, our PetCare owners. Here is an example of a family who is going to be looking for a puppy dog. They can start on Petfinder where we are going to help them to understand what is the best breed for their family, and also where to find a pet, being an adoption pet or a pet that you want to acquire.

When they have found their pet, they will go to My Pup where we are going to give them some examples of how to make sure that the puppy starts to feel at home and how to actually train the puppy. Obviously, they are also going to go on Purina.com where they can also do trials on different types of food, and also get some toys and other accessories that they will need for their pet. My Pup is going to continue the journey as the puppy is growing and getting into adulthood in terms of exercise, games to play with the pet, and so on and so forth.

Then you continue into obviously Purina when the puppy is getting into adulthood because you need to start to change the food when you get a dog who is one year and beyond. We are also there, if we start to have questions on the health of the pet, as we have the Vet Direct proposition which is also being held by Purina. We are going to continue the journey up to the end of the life of the pet.

So think of the power of all the different brands and ecosystem we have as well as the data we have. We can completely personalize and make sure that we are there through every moment of the life of the pet and its family.

Slide: Brand-building requires exponentially more platform-specific content

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Of course, all this means that the way we are doing brand-building is completely changing. Over the past five years we basically have seen a requirement of developing content which has been multiplied by ten. If you have seen on the video that we had on Nescafé in Thailand, we had to develop more than 250 assets for this personalisation content. The way we have done this, obviously, is we are looking at our media investment going more and more online. We are going to close the year at 55%. We have set an objective by 2025 to

be at 70%. We really need to make sure that all our assets are actually highly efficient and fit for use so we can get the best return on our investment.

Slide: Using AI to track, correct & enhance > 500 000 digital assets per year

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To do so, we have been partnering with a company called CreativeX, which is being used amongst a lot of different companies from CPG to auto to luxury, who are being powered by AI and machine learning, basically enabling us to track every single digital asset that we are currently producing. We have 0.5 million who have already gone through the machines and what we developed with CreativeX are very simple rules of what is really driving efficiency being on YouTube, on Instagram and on Facebook. As we have a proliferation of platforms, what we also need to understand is not all platforms have the same rules and behave the same way. If you have an ad on a reel on Instagram or on your feed, or if you have an ad on YouTube, it is actually requiring very, very different rules in terms of behaviour because it is not consumed in the right way and it is not consumed in the same way.

This tool has really helped us to make sure that we have an amazing effectiveness. We have increased our effectiveness on our digital asset by 66% over the past 18 months. Also, we have been requiring all our teams around the world to make sure that all the assets are going through the tool. We now have 72% of all our global assets who are actually answering these rules, which is way beyond the CPG average which is currently at 43%.

Slide: Powering digital content production via agile and cost-effective model

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Then it gets into production. We have this proliferation. Some campaigns require hundreds of assets, so we needed to step-change the way we are actually looking at our production content. We have developed new internal content studios that we have around the world, we have more than 30 studios around the world, which have been replacing all the different partners that we had around the world. This has really driven an efficiency of 50%; obviously in terms of cost but also in terms of agility and speed. It is 24/7 content studios, a lot of them now powered by automation. We even do some automated translation. For example, taking a Nescafé or Maggi, you can have different assets being used in a lot of parts of the world. Having all this content studios being more and more automated really helps us. You can basically take different coffee shots and make a six-second bumper ad on YouTube within an hour.

Slide: Internalizing marketing expertise across the digital value chain

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But it is not just content. We need more and more expertise today and so what we also have

decided to do is to internalize a lot of the marketing expertise across the whole digital value chain. Think website services. Now, everything is centralized, which really helps us because now we have one architecture website so you can build a website within four days, if any market needs a new website. We know that they are completely secure. We have all the right consent which is being embarked on this website. Content services obviously I have already touched on. Think of CRM services, search services, but also digital commerce. We now have seven of these centers around the world. We are building more as we speak, which means that we have now more than 1,000 experts across the world who are able to service all our teams in 186 markets.

Back to Bernard. Thank you.

Bernard Meunier, Head of Strategic Business Units and Marketing and Sales, Nestlé S.A.:

Slide: Channel-less is transforming the retail landscape

Thank you, Aude. We are indeed leading the pack also on content studios. Now, moving on to channel-less. Channel-less is a massive transformation, probably the biggest one since the invention of hypermarkets in the 1970s and the emergence of e-commerce in the 2000s. What is it all about? We are moving from an omnichannel reality where big retailers have developed a presence across channels, including e-commerce, to this channel-less reality where retailers are becoming ecosystems. It is not just Amazon and Alibaba, but it is also more and more the brick-and-mortar retailers that are building broad ecosystems that combine physical stores at the core, but with e-commerce, last mile delivery platforms as well as media offers and many other services, such as financial and health services. With this, retailers are capturing more value and more data from each shopper.

In this channel-less reality, consumers switch seamlessly across channels. With your phone, on your app, you can order some goods and get delivered from the corner store in 15 minutes. You can also order online and go to a supermarket and pick up the goods. Conversely, you can go to a store, choose the goods there and then get delivered at home an hour later.

For us, this transformation has three imperatives. First, as Aude mentioned, we need to build our own ecosystems to have direct access and engagement with consumers at scale. Second, there is more and more data, and it is more and more granular and complex. We need to develop our analytics capabilities to deal with this huge amount of data. The third implication is that we need to win everywhere. We need to continue winning offline, where

we have always won, but also increasingly win online and across all channels, including these new emerging ones. Winning in e-commerce is more critical than ever.

Slide: E-commerce momentum

This is why we made public this ambition last year of reaching 25% of our sales in e-commerce. Between 2018 and 2020, boosted by COVID, the weight of e-commerce in our sales nearly doubled from 7% to 13%. Now, in 2022, in the post-COVID era, we see a certain slowdown of that growth, but we still continue to see the growth come in and we are above 15% in the first nine months of this year.

Now, continuing on the same trajectory, we would probably achieve between 20% and 22% by 2025. What will get us towards the 25% objective is this emergence of new business models such as last mile delivery platforms and e-B2B. On these new channels, our growth exceeds 40% this year. One thing is clear, we are leading the pack in e-commerce in the Food and Beverage area, and we are ahead of our peers.

Slide: Our roadmap to win in e-commerce

Indeed, we have a proven roadmap to win in e-commerce. These great results have been built focusing on the four priorities you see on the screen. The first one is excelled in execution on the digital shelves. This is about maximising online product availability, delivering e-commerce fit-for-purpose SKUs. For example, at Amazon we have already 600 fit-for-purpose e-commerce SKUs that are accounting for 60% of our sales, developed specifically for e-commerce. Most importantly, having best-in-class content and winning in Search where the shopper journey starts. That is super, super important in the digital age, especially on mobile shopping. You need to be on the top of the page in Search on all the retailers' platforms. By this, you get chosen and in turn, you become already bought so you appear already automatically at the next purchase.

Second is strategic partnerships with pure players such as Amazon and Chewy who is a pure player in petfood. Also, of course, with the bricks and mortars such as Walmart and with the new platforms such as Delivery Hero or Instacart.

The third one is about winning in new business models, leveraging data and tech. This includes the development of our own e-B2B platforms such as Nestlé *Cerca De Ti* in Mexico, *Atévocê* in Brazil or the launch of our Nestlé shop online in several Asian markets. Through these, we are digitalising the traditional fragmented trade, those Mom & Pop stores but also the out-of-home trade, that can now order online from Nestlé, pay online, follow the order's

progression to their stores and points of sale. We will share more details with you on this tomorrow during your visit to the Digital Hub.

All of this enabled by a comprehensive capability building exercise. You have heard before about our eBusiness Academy. We have trained more than 30,000 people in e-business and specifically on e-commerce, must-win and capabilities, we have upskilled 11,000 people. I think this is a great competitive advantage.

Slide: Unlocking growth potential by leveraging analytics capabilities

The last pillar in our strategic roadmap, always-on analytics. Earlier, Aude spoke about using consumer data to identify the right audiences and improve our media performance but this obsession with data is not just valid for consumer engagement. It is across all functions at Nestlé. When it comes to customers and consumers, we have access to an enormous amount of data: store level data, e-commerce data, consumer behaviour data. On a weekly basis, we speak directly with 200,000 consumers through our call centers. We are monitoring 500,000 product reviews every month. We listen to millions of online conversations. We have developed advanced data science capabilities to use all these data sources strategically, build predictive analytical models to make smarter decisions, surface insight in real-time to identify growth opportunities and build this culture of always-on optimisation.

Let us see in the next couple of slides how we apply this to some specific areas.

Slide: Advanced analytics solutions for strategic revenue management

First the advanced analytics solutions for SRM, for our strategic revenue management, with two principal applications. Pricing optimisation is first in-house price elasticity studies. We used to do this with the likes of Nielsen or Kantar outside. We now do this inhouse real-time, more granular and faster for better decisions. Second, price pack architecture use cases to define the optimal pack sizes across customers and channels.

The second one is customer investment management. That is to plan and manage our trade spend, including optimising our very important trade promotion budgets. These optimal solutions are being implemented in many key markets, delivering great value and confirming the potential for these analytics options that allow for optimising pricing and trade spend.

Slide: Always-on analytics for Sales Operations

The last one is our solutions for our sales operations, so route-to-market, salesforces, point-

of-sale management. These analytics combine different data sources, internal but also external, like of course retailers' data or market shares, making information easily available for our teams to drive better decisions and faster action. That includes descriptive analytics, so for example, salesforce dashboards; but also, predictive use cases to improve our forecasting, for example, as well as prescriptive, such as for example, defining the optimum assortment for a specific point of sale.

These kinds of solutions are already live in some key markets with large sales forces, for example, India, Mexico and Brazil. That allows, in the case of India, you see an increase in average purchase per outlet, improvement in forecast accuracy and in demand planning accuracy. We have bold plans to roll out these solutions in the next few months to more than 20 markets. That is both in the developed and in the emerging markets. We will see now a video from an emerging market, Central West Africa, that shows how these tools are used in practice and tomorrow, you will get a demo when we visit the Digital Hub. Let us see the Central West Africa video.

Slide: Sales operations digitalization

[VIDEO] Transcript

My name is Akeem. I am minivan salesman. I have one hundred and fifty-one points of sale in my route plan. I visit all my stores once a week and four times per month. I cover 25 stores per day and sell on average 12 lines per productive call. Let me now take you through my digital sales journey. I record my sales in DMS 1. I do merchandizing of Nestlé products in the Nestlé house to ensure the Planogram standard maintained for the Outlet Grade. I take pictures of Nestlé house and Nestlé products on the hanger. I upload the pictures into FieldPro by Optimetriks.

At the end of the working day, I replicate the data.

DMS 1 captures the sales force performance. Field Pro looks at instore execution. DaVinci, our data link, connects the dots, runs reports and allows for analytics at scale.

I now get a report with the key sales metrics in the morning by email, which show me my performance for yesterday and the month so far. I know exactly where I stand versus my objectives.

My supervisor gets those reports for the entire team. Together, we discuss where we stand and what is needed to achieve our targets.

Today, we have 2,700 reps on DMS 1 in 14 countries, covering more than 280,000 points-of-sale, registering more than 1.3 million visits each month. We already have 1,900 reps on FieldPro from Optimetriks already in three countries using image recognition. The system analyzes more than 2 million pictures each month. Our journey is digital. We are first. We are creating competitive gaps. We are only just starting. We are CWAR. CWAR rising.

Slide: Nestlé is accelerating its data-driven digital transformation across all categories and geographies

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If we can do this in Central West Africa, we can do this around the world. This brings me to the conclusion of this part. The future of the Food and Beverage industry is tech and data-driven, and Nestlé will drive this transformation. Through this transformation journey that is led by our teams across categories and geographies, we will continue to deliver profitable growth while serving our purpose of enhancing the life of people and pets. As the leading brand company in the Food and Beverage industry, Nestlé will ensure that Good food, Good life remains a reality today and for generations to come.

Thank you very much.

END OF TRANSCRIPT