

NESTLÉ S.A.

**2022 NESTLÉ INVESTORS SEMINAR BARCELONA, SPAIN  
SHAPING A LEADER IN NUTRITION AND HEALTH: NESTLÉ HEALTH SCIENCE**

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Speaker:

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**Greg Behar, Chief Executive Officer, Nestlé Health Science:**

**Slide: Title Slide**

All right. Welcome back. Good afternoon, everybody. I hope you enjoyed your meal and product experience. I am Greg Behar, CEO of Nestlé Health Science. And I am very pleased to take you through a deep dive on Nestlé Health Science.

I am joined here with Don Kerrigan, who leads our US business and Anna Mohl, who leads our international business.

Both Don and Anna are very knowledgeable and lead Consumer Care and Medical Nutrition in their respective geography. But as we are going to do some deep dives today, I have asked them to focus on Consumer Care for Don, and Anna Mohl will focus on Medical Nutrition.

And then for those who are here in the room, I hope you had time to enjoy our booth and experience the very special Matcha Latte Collagen Protein and then that you also experience the very specifically designed Jennifer Aniston collagen bar. If you want to look like her, it is the ultimate opportunity.

We also have a great tasting plant-based Orgain ready-to-drink smoothie. We also have plant-based bars from Orgain. We have great tasting jellybeans with multi and immunity solution. And then we have the ultimate Meritene clinical. This is the ultimate nutrition in a 200 ml. This was designed for elderly people to have an optimal nutrition in 200 ml. We are able to put in a bottle literally 32 grams of proteins and a full meal in 200 ml.

And I will give you a little secret which very few people are actually aware of, and so you can only keep it for yourself, of course, but because we are in World Cup fever, I wanted to share that Ronaldo is a big user of Meritene. But it is not a drug, so this is fine. And then you will get as you leave this room today some goodies also. So, as we want to give you the opportunity to experience the Jennifer Aniston bar, you will get the Jennifer Aniston bar, some Vital Protein collagen, but also, we want you to stay hydrated with Nuun Hydration. And then, after a long day, we want to make sure you can have a very nice sleep with our Nature's Bounty Sleep3.

**Slide: Key takeaways**

So, with that, let's jump right in and talk about Nestlé Health Science and our strategy. Our journey to leadership is well underway. We have been focusing on delivering through three strategic imperatives. That is growing our core. It is driving and differentiating through insight with great expertise in research and development and deep insights about consumer and patient needs. And last but not least, unlocking growth through our M&A strategy, and we'll talk more about that.

This leads us to be able to deliver over the next three years continued significant value through an objective of driving our top-line growth at high single digits, continuously beating the market, but also driving synergies and consolidation, delivering more than 400 basis points of bottom-line improvement and driving our underlying trading operating profit above 18%.

**Slide: Operating in segments with attractive long-term trends**

Nestlé Health Science benefits from ten significant trends that have been here for a long time and will continue to be here. We focus our strategy on these ten trends in terms of driving our innovation but also driving our M&A strategy.

This is about ageing population. You are all well aware of it. More people are focusing on their immunity, on their general health and well-being. We see more and more people in this room, around you, around the world, following specific diets, which also means that they require specific supplementation and needs.

We have seen an increase in demand for preventative solutions as well as self-care. We see a continuous rise of chronic diseases such as metabolism, as well as an increased prevalence of food allergies. We also see externally a continuous need to find a better, lower cost of care solution, including care at home, where we provide great solutions. We'll deep dive further through the day on these ten long-term trends.

**Slide: Strong and focused portfolio**

Now we are focusing at Nestlé Health Science on two key segments. First of all, Consumer Care. And we are focusing on vitamins, minerals and supplements. This is a very large, fragmented category, 140 billion growing at mid-single-digit growth rates. And we have great

products. We lead in the mass with Nature's Bounty, but we have also great specialty brands such as Garden of Life. We have been gaining a significant share in that segment, reaching our peak share in the U.S. at 14%.

Active Nutrition is also the second pillar to our Consumer Care portfolio, and this is composed as per euromonitor of meal replacement, supplements, nutritional drinks, as well as sports protein in ready-to-drink and powder. This is also a 6% CAGR growth rate in terms of the market. We have great brands with Vital Proteins, Boost and Orgain, in this category; we have been growing share, and our share reached last year in the U.S. at 18%.

Medical Nutrition is fairly different in terms of its structure. It is a more consolidated business at 12 billion with four key players. And we are a very strong number two with great brands, and we have been gaining share also in this segment.

**Slide: Strengthening our leadership through strong growth & margin development**

We have been strengthening our leadership in the last six years, growing the company in a significant way, and we are on a path of reaching more than 6.5 billion in 2022. We have been driving our growth, and we are planning to continue to do the two to do so, beating the market at high-single-digit growth rates compared to the mid-single-digit growth rate that I mentioned just a few seconds ago.

We have been investing, seeding the future growth and the base of the company and hence we are in the average teens currently in terms of margin. But our plan is to drive more than 400 basis points of bottom-line improvement, driving our top-line underlying trading operating profit above 18%.

While we have been growing significantly, organically and inorganically, we have also made a lot of acquisitions, and we'll talk more about this. But there was one that was mentioned this morning that hasn't gone according to plan, and we would like to deep dive a bit more now into Palforzia.

**Slide: Placing Palforzia under strategic review**

We have decided to place Palforzia under strategic review. Palforzia is the first treatment

indicated to help reduce the severity and frequency of allergic reactions due to peanut ingestion in children. It actually has very good data in both children and adolescents as well as toddlers.

The product delivers on its profile. The feedback that we have got through market research and qualitative input from health care professionals, but also from parents, is that the product is doing actually very well, better than our clinical data. What is challenging for us as we launch the product is our penetration in the U.S. market.

We have seen, first of all, a fairly low penetration in terms of the motivation for patients to adopt the product. We have been fighting, I would say, against the standard of care, which is continued peanut avoidance, and the motivation for parents to switch has been fairly low.

Where we have really seen more challenges is in terms of the adoption with health care providers. During COVID we have seen, obviously, we had limited access to physicians, and that we thought was fairly normal during the COVID times.

And so we went through a double effort to accelerate our growth, post-COVID. What we have seen is that it is a product that requires fairly heavy handholding as you implement the treatment in physician office at the allergist and in a fairly restrained staff supply in the United States, physicians have been, slow in adopting a Palforzia in their practice.

So we have also launched a product in Europe in a few markets; we are now reaching reimbursement and it is too early to tell if we'll face the same slow uptake or a better uptake in Europe. But when you put all this together, we are not delivering on our business case, which was to be on track for a blockbuster status product.

It is more of a niche allergy product and hence we believe that we cannot extract sufficient synergies and productivity in our footprint to maintain the product efficiently in our portfolio. Hence our decision to place Palforzia under a strategic review. This also means that we are expecting a significant impairment from our books.

We are looking at potential partners or a straight sell of the asset, and we expect to complete this work by H1 2023. This does not take away our commitment in food allergy through our Medical Nutrition and Consumer Care portfolio. We are also taking the learning from this experience very seriously. Hence, we will increase our focus on Medical Nutrition and Consumer Care, and we are not planning additional M&A in our pharma portfolio.

**Slide: Our strategy is focused on nutrition and metabolism**

So let's take a step back now and return to our strategy and what really seeds the success of our strategy. And that is our expertise and capability across nutrition and metabolism. We can deliver great solutions from wellness to prevention and treatment, and that is done through our Consumer Care and Medical Nutrition portfolio. We have great products for this.

In terms of wellness, we focus on providing overall health and well-being for people, allowing people to be the best they can be. But also, we provide great solutions and products if you want to prevent future health challenges. In Medical Nutrition, we are designing specific products for specific medical needs, and we deliver these products across multiple diseases.

So what is really special at Nestlé Health Science is this knowledge and expertise in nutrition and health in metabolism across our portfolio. Let's dive a little bit deeper in terms of each of the segments we are focusing on, starting with Consumer Care.

**Slide: Playing selectively and with winning positions**

We have great expertise and deep leadership in everyday well-being. We have great leadership in mobility, also in gut health, prebiotics, probiotics. We are building our footprint in weight management, prediabetes, diabetes. We have a leadership position in collagen and plant-based, healthy ageing, and we play selectively in sports nutrition.

In Medical Nutrition, we focus on specific diseases such as malnutrition, surgery, cancer supportive care. So, for example, if you have family members or friends that unfortunately had to go through chemotherapy, we know that their taste buds are influenced and changed, and they require specific nutritional solutions. We are providing the products and we design the products specifically for these needs.

We also play in food allergy pediatric solutions, and we have a portfolio also in nutritional related disorder focusing on gastrointestinal as well as metabolic disorder, inborn errors of metabolism.

We also define very clearly where we are not playing. I think that is very important. We do not play in multilevel marketing, such as door-to-door selling models. We are not in general OTC personal care, such as foot care or toothpaste. We are not in diagnostic, and we are not planning to build a broad-based pharma.

**Slide: Powerful synergies between Consumer Care and Medical Nutrition**

What really special and unique about Nestlé Health Science is its ability to deliver great synergies across consumer and medical. And so, let's take a very specific example with Boost, but we apply the same model in our portfolio worldwide, for example, with Nutren or with products like Compleat, Impact or Pure Encapsulations or Solgar.

What we do is starting with healthcare professionals, our ability to build great clinical evidence, provide omnichannel solutions in terms of face-to-face selling and direct-to-consumer digital marketing, but also providing great educational tools. Physicians then recommend our product to patients or consumers who repeat as they enjoy and have a positive experience. We reach consumer to our great direct-to-consumer capabilities. We have extensive retail distribution, great e-commerce capabilities, and we gather continuous consumer and patient insight through our execution.

This has allowed us to gain significant market share and growth, with Boost growing double digits in 2022 and growing more than 330 basis points with Boost in the U.S.

And this was achieved through three key pillars. First of all, continuing to hone the spin model I just described to you, especially increasing our investment in digital. As was highlighted this morning, we believe that being able to impact omnichannel digital allows us to increase effectively our share of voice, which we have done, but also delivering in a constrained market. We have been delivering great supply and distribution in the U.S. when a lot of our competitors have faced significant challenges.

And last but not least, we also created significant top-line synergies through our M&A. We have a great distribution and sales team at Nestlé Health Science, adding the capabilities of the Bountiful Company sales and distribution team allowed us to gain distribution and achieve this share increase.

**Slide: Recent growth has been solid over a high base of comparison**

We have been growing significantly over the last three years with an acceleration during COVID where we benefited from the focus on immunity; our vitamin minerals and supplements business has seen explosive demand as we have a lot of products focusing on immunity. And so obviously, when you start comparing this growth as we go into 2022, we see now a slight

deceleration in comparable growing at low single digit, which we expect to continue through the second half of 2023, returning to high-single-digit growth rate in the second half of 2023, continuously beating the market as you can see here.

**Slide: Committed to doing business responsibly and sustainably**

Doing business and delivering health through nutrition is something that everybody at Nestlé Health Science is passionate about, but we want to do it responsibly and sustainably. Just like Nestlé, we have the same commitment in terms of environmental footprint, climate packaging and ingredients. Let me just give you a few examples of what we are doing. In packaging, we are also focusing on having more and more of our products designed for recycling, making it easy for recyclers.

We are also reducing our dependency on virgin plastic. We are light weighting some of our bottles. We are switching more of our packaging to paper. And we are also, for example, removing plastic straws. We have removed all our plastic straws from our Medical Nutrition portfolio. We were the first to do this between 2020 and 2021, removing more than 200 million plastic straws from the system.

We are also making great progress in developing ingredients that consume less carbon, switching to plant-based, just like Nestlé is doing in Food and Beverage. So for example, we have acquired Orgain, a leader in plant-based solution in active nutrition, but we are also switching to plant-based in our tube feeding portfolio with products like Compleat, which you can see at our booth.

A lot of the companies that we have are now switching also to B Corp, and we have many joining in 2023, and we are very proud to have more than 50% of management led by women in our company.

**Slide: Drivers for continued growth and improved profitability**

So let's dive a bit deeper in terms of the strategic imperatives that drive the ambition I highlighted in my opening statement. And Don and Anna will follow the same structure for consistency.

First of all, boosting growth, differentiating through insights and then unlocking opportunities, growth and synergies through M&A.



**Slide: Omni-channel synergies between Consumer Care and Medical Nutrition**

As I highlighted before, we have this unique capability of delivering omnichannel synergies between Consumer and Medical. We have a unique ability to reach our customers at the hospital physician, but also deliver throughout the store and channel. And you can see that actually our channel footprint is quite evenly split, and this is quite unique.

**Slide: Scaling our e-commerce capabilities**

We have been growing our e-commerce footprint in a big way. In the last six years, we have grown our e-commerce sales and we are now on path to get as close to 25% as possible already. And you can see a very impressive e-commerce position across the marketplace.

We are holding the number one position on Amazon with Garden of Life, but we are not only the number one, we have four additional brands in the top eight at Amazon. We have a leading position across multiple subsegments in e-commerce, including internationally and direct-to-consumer.

**Slide: Fueling growth through geographic expansion**

Growing the core also includes geographic opportunities. We have a fantastic leading US position, as you saw before, and we are present in more than 70 countries with great local know-how and deep nutrition and health capabilities, including omnichannel. With Nestlé, broader local capabilities, our plan is to have more than 100 brand rollouts in 40 geographies in the next five years.

**Slide: Key drivers of innovation**

The second pillar to our strategic imperatives is to drive insight. And innovation is a key pillar to do this. You heard this morning from Stefan Palzer how speed of innovation is key. We have implemented exactly the same mindset driving the accelerator concept within Nestlé Health Science. And for example, we have launched the great collagen gummies and chocolate powder from Vital Protein within six months. Great-tasting products. We are also embedding ecosystem solutions within that innovation framework, for example, with weight management solution My Optifast Journey, or for Crohn's disease patients with Modulife, and that allows us to

embed a great diet solution so that patients can benefit not only from our product, but from diet recommendation in a simple way.

We also have unique expertise and capabilities in research and development, in regulatory, medical and clinical. And we have built a unique leader center of excellence focusing on liquids, powder, solid dose as well as gummies. And being a leader in nutrition and health allows us to build a great partnership to further hone and grow the ecosystem I described before. And we have been able to drive our growth through innovation in a big way, reaching close to 50% of our growth coming from innovation with launches in the last two years.

**Slide: Shaping market trends through innovation**

Just a few examples of how we deliver on the great insights we get on the needs from consumer and patients.

For example, with the launch of GlucoSmart Nutren. This is a great simple solution that we launch in Asia so that consumers can add to a high carbohydrate meal GlucoSmart and reduce the glucose spike post-meal.

We have launched a great innovation in gastrointestinal with a three-in-one whole biotech solution with a pre, pro and post-biotic. And the post-biotic is unique. It was the first introduction. It comes from our manufacturing footprint and basically allows us to enhance the performance of the probiotic in the gut.

Another great example is how we have leveraged Nestlé's R&D with human milk oligosaccharides that Stefan mentioned this morning. And this is a great solution for our food allergy portfolio with Alpha Amino, which is an amino acid formula that targets severe cow's milk protein allergy. We have launched Alpha Amino with two HMOs, which allows children to basically build a better immune profile and microbiome.

And then we are also continuously innovating in personalization. Personalization made easy with Persona, where we integrate a simple, convenient solution for people who want a recommendation on vitamins, minerals and supplements, but also a much more advanced solution with Pure Encapsulations and Pure Genomics. Here we take actually genomic data from consumers, add micro-, macronutrient information and provide this in a simple way to healthcare providers so they can better recommend a product to their consumers.

**Slide: Strengthening our portfolio through M&A**

The third pillar to our strategy is unlocking growth and opportunities through M&A. And first, our strategy was built on a very solid base business. Second, we have designed and built our strategy around M&A, focusing on the trends that I spoke about in my introduction.

We have been focusing on transformational M&A activities that would give us a leading position in mass and specialty with Atrium innovation as well as the Bountiful Company. We have also added unique assets, which we believe that we can grow and expand geographically and through distribution with, for example, Vital Proteins, Nuun and Orgain. And last, we have added further local regional capabilities with very targeted M&A acquisitions, for example, with Puravida in Brazil, allowing us to build our capabilities in Latin America further, as well as accelerating our capabilities in Southeast Asia with The Better Health Company based in Oceania.

**Slide: Model for M&A integration creates efficiencies and nurtures differentiation**

We have built a very specific capability to integrate those acquisitions in creating efficiency but also taking care of the differences of each of these companies. We build and keep very specific brand capabilities in terms of marketing, digital e-commerce, product innovation. We add a layer of very large and broad-based capabilities across the company in R&D, retail sales with one team operations, manufacturing supply chain and then also back-office efficiencies. This is supported by backbone technology from Nestlé, as well as creating a single leadership in the U.S. and internationally to create a very simple execution model.

With this, this has us to create a repetitive model where we can easily and effectively integrate future additional M&As into our portfolio, bolt-ons to create fast synergies on the top and bottom-line.

**Slide: Significant cost synergy opportunities**

And that takes me to the cost synergies opportunity that we have at Nestlé Health Science. We are planning to deliver more than 300 basis points of bottom-line improvement in the next three years. We are seeing this ramping up in '22, reaching full scale in 2024 with a full-year impact,

focusing on manufacturing efficiency, supply chain and SG&A. You heard Laurent talk about the Tasty Project. Well, we apply the same model and the same learnings across our portfolio in terms of rationalization of raw and packed material as well as SKU and recipes, but we have a great opportunity also to in-source into our manufacturing footprint.

Second, we leverage the supply chain opportunity, eliminating duplication of warehouses, for example, in consolidating more shipments and of course, leveraging our scale. And then last but not least, leveraging the Nestlé system to be able to remove and rationalize overlapping overheads as well as create further scale in our sourcing.

So with that, I am going to stop here and hand over to Don, who will take you through our Consumer Care business and then return for the conclusion and Q&A. Thank you.

**END OF TRANSCRIPT**