

NESTLÉ S.A.

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A GLOBAL LEADER IN CONSUMER CARE**

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Speaker:

**Don Kerrigan, Chief Executive Officer, Nestlé Health Science USA**

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**Don Kerrigan, Chief Executive Officer, Nestlé Health Science, USA:**

**Slide: Title Slide**

Thank you, Greg. So, I am Don Kerrigan. I am the CEO of the U.S. Business for Nestlé Health Science, and I joined Nestlé Health Science from the Bountiful Company, where I was the president of North America. So I spent three or four years with the Bountiful Company. And then prior to that, I spent most of my career in the consumer healthcare space at Pfizer, Consumer and Bayer consumer. So I am excited to be here today to talk with you about the Consumer Care portion of our business and give you a view as to both the opportunities and the prospects that we see for the future.

**Slide: Consumer Care is highly attractive global category**

So as Greg mentioned, these are very attractive categories. They are very large in scale. VMS is \$140 Billion, and active nutrition is nearly \$30 billion, and both have been experiencing very robust growth, which we also expect to continue in the future.

**Slide: Category is highly consumer-driven with brands playing a significant role**

The underlying trends that are driving that are that they are incredibly consumer driven. It is a fragmented market which creates opportunity for consolidation and scale. Innovation matters to the consumer here, and I will come on to in a minute, brands really matter to the consumer here, and there's a holistic, consumer trend toward wellness and self-care that is really motivating consumers to participate in this category. And that is only been strengthened with COVID.

The category, as I said before, is very brand-centric. If you look at the performance of the category over the last several years, brand performance brands have outstripped private labels quite considerably in terms of market performance.

Part of the reason for that is that the consumer leverages brand as one of the core reasons that they choose a product within the category, and they look for the brand that they know that they can trust, that delivers quality and that delivers science and technology. And we see that as a significant opportunity that we can continue to bring into the market.

**Slide: COVID accelerated underlying trends leading to elevated sales and enduring category changes**

As I said just previously, COVID only strengthened this category. We have seen increased usage rates. So the volume of which the consumer uses the category has increased quite dramatically. We have seen increased numbers of households and people participating in the category, as reflected there. VMS in the U.S. alone saw over 5 million new households coming in, and Active Nutrition has seen even more during this period.

And frankly, we have seen increased penetration over the last several years in this category that is unheard of, to grow that level of penetration in such a short period of time, nearly six points on Active Nutrition and three points on a very well-penetrated category of supplements.

The underlying motivation in consumers today is only as strong as they continue to look for ways that they can take more control of their health and do more for themselves, even amidst some of the challenges of the global recession.

**Slide: Maintaining solid growth despite an elevated base of comparison**

During this period we have also, as Greg mentioned, outperformed the category. You have seen very strong growth performance by Nestlé Health Science and our brands, and that is continued through the COVID period and into this post-COVID period that we are experiencing now. And while we are cycling some very significant volumes from COVID, Omicron and Delta spikes, we are still in a category that is exponentially larger than it was pre-COVID. And the volumes that are in this category today are much larger than they have ever been.

**Slide: NHSc is the leading nutrition-focused Consumer Care player**

Nestlé Health Science is kind of uniquely positioned within this segment. We are the leading global consumer care company focusing on nutrition. And what really differentiates us is that we are solely focused on nutrition. If you look at the other companies that are represented on the slide, many of them have leading brands and positions within nutrition, but they also play in oral care or OTC medicines or other segments that differentiate them from us and that their focus is distributed across those different categories.

I like to say that in the U.S., but certainly on a global basis, in the US we have 6000 colleagues and associates that wake up every day thinking about nutrition and advancing nutrition for consumers and patients in the U.S. And that really is our sole focus as a business.

**Slide: Brands are positioned across key price points and channels**

Our brands are distributed across all aspects of how the consumer shops. So if they are premium, down to value, we have offerings within the Nestlé Health Science portfolio and if they are self-selected or they are leveraging an HCP or an influencer to help guide them in their selection, then we are well-penetrated in all of those channels.

So, in the U.S. and around the world, wherever the consumer or patient is interacting with nutrition, Nestlé Health Science is in a leading position.

**Slide: Driving further premiumization through enhanced benefits**

We have driven substantial growth, as you just saw, and we continue to drive not only growth, but value in this category by adding increased innovation or technologies that deliver increased opportunity for the consumer to invest more and get more value out of the category.

There are two examples that are there. The first is a product called Sleep3, which we will talk a little bit more about, but it is an improvement over base melatonin, and, as a result of that, commands almost a two-time premium in terms of the average price per pill for the consumer to get the increased benefits that come with Sleep3. And as Greg mentioned, and I think you will find both in the back of the room and in your gift bags, you will have the opportunity to sample Sleep3 yourself and decide whether or not it delivers on the promise that we make with this brand.

We have done the same thing with Orgain as it has come in. We've not only continued to drive growth on the base powder business, which is an incredibly strong and well-performing business today, but we are adding a complete meal product into the market as we speak, which has a much higher ring for the consumer, but they also get significantly increased benefit from that product.

**Slide: NHSc has leading brands in the U.S., that can be leveraged internationally**

The US market, as Greg said, is the largest part of our total business. Right now, we have seen

strong growth and I will walk across the slide just to ground us, but the VMS category is growing at almost 8%. We have a leading share at 14% within the market. Obviously, we have continued to take share, and we have the great privilege of having brands that are in leading positions across all aspects of the market. That includes Garden of Life, that includes Nature's Bounty, etc. So, we are really well positioned with those brands in the US, not only to continue to drive growth but to expand those brands outside of the US.

Adult nutrition with Boost. Boost commands a number two position within the US market but has taken significant share over the last year and continues to be a growth driver within that Adult Nutrition Healthy Aging segment.

As I mentioned, Orgain joined our family earlier this year, and has been a significant addition in the plant-based protein segment driving meaningful growth, meaningful share, and really one of the pre-eminent brands in the plant-based arena of protein.

And then of course, Vital Proteins, which we will share a little bit more on here shortly, but largely has created the collagen market and commands better than a 50 share, still growing share, still driving growth in the market.

So, we have this great privilege of amazing brands within the US business that continue to present opportunities for continued growth. But we also know that there's significant growth opportunity as we boost the core to bring these brands into other markets.

**Slide: U.S. is the largest market, with significant international growth opportunities**

When we look at the US market versus the rest of the world, we see that the per capita spending in the US is much higher. So the consumer is spending exponentially more on nutritional supplements within Consumer Care. But there is significant value in the markets around the world, particularly in some of the ones that are referenced there and there's greater opportunity for penetration of these categories into those markets.

We see the same trends in terms of global health and wellness. We see the opportunity to capitalize on the market potential that exists and further develop those markets in the future. And we can leverage our science and innovation to be a leader in those markets as we are in the US.

**Slide: Strategy focused on scaling U.S. brands internationally**

So our ambition with the brands is to drive significant growth and you will see that my colleague and that runs the international businesses is positioned to deliver over \$1 billion of revenue from the international business through the expansion of these global brands throughout the rest of the world. And we'll do that in a prioritized and focused way, which I will share in just a moment, but really leveraging both the expertise, the knowledge, the collateral materials, the content that we have developed and used in the U.S. market and adapt it appropriately for the ex-U.S. markets.

**Slide: Significantly increasing the geographic footprint of all our global brands**

And so this gives you a view of how we'll look to prioritize that. There are clearly some must-win markets; places where there's significant revenue opportunity, where there's per capita spending that we can capitalize. Greater China, Japan and South Korea are the notable countries referenced there. But we also have market positions today that we can build on where we are penetrated, but perhaps not as deeply penetrated as we would like, and you will see us focus on Canada, the UK, Brazil and the rest of Oceania as well. And then we'll selectively invest to develop into other markets that have meaningful opportunities that can drive growth for us as a business.

So one of the brands that is referenced there is Vital Proteins, and we have begun the journey of rolling Vital Proteins into the market. But before I talk about the success and the approach for Vital Proteins, why do not I let you see a little bit about who Vital Proteins is through the video that I will run right now?

[VIDEO]

So Vital Proteins has been making moves. Many of our brands have, actually. And we have about four brands in the portfolio today that are on the verge or on the path to become the next billionaire brands within the portfolio.

Vital certainly thinks that they are going to be the first one there, although Nature's Bounty, Garden of Life and Orgain are all going to fight to be in that position as well.

**Slide: Building on U.S. success to expand Vital Proteins internationally**

But Vital Proteins is off to a great start because in the first year of the acquisition under Nestlé's ownership, the business doubled. So we grew from 225 million to 450 million in 2021 alone.

And that was done through leveraging, as you saw, the incredible marketing efforts and development work that is done to help build this collagen segment within the U.S. And we know that that has resonance that can be built and leveraged outside of the US.

That starts with capitalizing on the globally recognized partner that we have with Jennifer Aniston. She is an ambassador for the brand. She has been a long-time Vital Proteins user, and she is passionately committed toward developing not only the brand but the collagen segment with us.

We will localize the campaigns and the materials to better reflect or reflect the needs of the individual markets. But we'll obviously capitalize on the materials that we have coming out of the U.S. and Jen's involvement, and then we'll obviously continue to build on the infrastructure that we have in the markets to bring Vital Proteins as well as all the brands into the selected markets that make sense for the respective brands and the portfolio.

**Slide: Nature's Bounty Sleep 3**

I mentioned before, and Greg referenced that we spent a lot of time figuring out how we leverage insights to deliver greater value into the market. And I referenced to you before that you will have the opportunity to use Sleep3 hopefully tonight or at some point here.

In the sleep category, there's been a real need. There's lots of products in the market that help you get to sleep. There are not that many products in the market that help you stay asleep through the night. And if you are like me and many people probably suffer as I do with waking up in the middle of the night and then it is more difficult to get back to sleep than it was to even fall asleep in the first place.

We created this product. First, it has a layer of herbal blends that kind of calm you down; get the mind to stop racing a little bit. An immediate release of melatonin that kind of helps kick you into falling asleep and then an extended-release melatonin that through technology, delivers a constant stream of melatonin throughout the night so that you can stay asleep.

We have done clinical trials to support the product, and we have seen that we have been able to maintain blood levels of melatonin at a level that maintains that sleep performance throughout the night. So an exceptionally well-crafted, great product. I use it myself. I would encourage all of you to try it, and it is had a huge amount of commercial success.

So a great way that we have tried to focus on what was the consumer need, how do we deliver it through technology and differentiate the product, as you saw before, with premium pricing to deliver something that is very substantial right now within the portfolio.

**Slide: Orgain Kids ready-to-drink**

Orgain Kids has done the same. You know, they can see the need with consumers, with moms that want low sugar, convenient options for good nutritional gap filling. And they created a product that has 40% less sugar, has an upgraded grass-fed protein supported by its organic and non-GMO positioning. And this product has already become the number one selling kid's RTD on Amazon and is outpacing a very entrenched competitor within the RTD space of kids' nutrition within the U.S.

So again, focusing on the insight of what the consumer is looking for and delivering that through either technology or a better-quality product is a continued way for us to bring differentiation to this category.

**Slide: The Bountiful Company acquisition strengthened our global leadership**

In the spirit of unlocking potential with portfolio management, the Bountiful acquisition was a transformational event within Nestlé Health Science. It brought capabilities that frankly did not exist or were not fully developed within Nestlé Health Science, notably manufacturing, but others as well, and Greg referenced sales and other commercial expertise that existed within The Bountiful organization in addition to the brands. And that has really allowed us to take an even stronger leadership position in the market, certainly in the U.S., but even on a global basis.

That means we are deep now in scaling the portfolio into other segments, so taking formulations that exist within Garden of Life or Pure Encapsulation or even the existing bountiful portfolio and leveraging them into other brands within the business. We have become the undisputed nutritional lead within the U.S. retail environment. This is a category. These categories are very



important to retailers today and they are looking for somebody that is more consolidated to help them guide and direct where they are going to go with the wellness solutions in their stores.

And then that leverage, as the leader, allows us to increase the productivity of our marketing investment as well as our trade investment and use more of our brands within a portfolio to bring solutions not only to the retailers but to consumers.

**Slide: Expanding margins over the next five years by executing a mix of efficiency initiatives**

As Greg also mentioned, we are working hard to expand our margins through the efficiencies and synergies that can come from the scaled organization that we now have.

We have a manufacturing organization that has leading position in pretty much every format that the consumer looks to for nutritional solutions. We have a supply chain that we continue to optimize and leverage our increased size and scale for raw ingredient sourcing benefits, as well as just the efficiency that we can get from insourcing.

And we have started to consolidate our G&A and our marketing and merchandising functions such that we can capitalize on the scale of this very large business that we have created.

**Slide: Leveraging scale and new capabilities to drive operational efficiencies**

And the benefits of that have already started to be realized. We have seen a significant improvement in our ability to deliver to our customers, our ability to bring formats to market across gummies, powders, liquids, solid dose where we have scale and we have leadership, and we have an organization that really is in a position to capitalize on a very substantial scaled nutrition business within the U.S. and on a global basis.

So that brings me to the end of the Consumer Care portion of the presentation.

We are going to take a break right now, and I think we have asked that everyone be back at 2:50. But before we do that, we are going to run some commercials for you as well on the Consumer Care business so you can get a better sense for the brands within the portfolio.

**END OF TRANSCRIPT**