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PRESENTATION TRANSCRIPT

Leveraging emerging market opportunities

and

Zone AOA: Accelerating 'Growth by Choice'

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Speakers:

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Remy Ejel, Chief Executive Officer Zone Asia, Oceania and Africa, Nestlé S.A.

Thomas Sykes, Deutsche Bank

Thomas Sykes, Deutsche Bank:

Welcome to the Nestlé presentation this morning. It's my great pleasure to welcome on to stage François Roger, Chief Financial Officer; and also Remy Ejel, EVP for the AOA Zone.

François, over to you.

François-Xavier Roger, Chief Finanical Officer, Nestlé S.A.:

Slide: Title slide

Thank you, Tom. Good morning to all of you. I'm here today with Remy Ejel, who is the CEO of our AOA region: Asia, Oceania and Africa. We will do a specific presentation on emerging markets for Nestlé. I will cover the emerging markets for Nestlé, and Remy will deep dive into AOA.

Slide: Disclaimer

I take the disclaimer as read.

Slide: Our business is global, balanced and diversified

Just as a quick reminder where we are today at Nestlé. The largest food and beverage company in the world, as you know, CHF 94.4 billion of sales, trading operating margin of 17.1%. We're operating in about 186 countries, so a very wide presence across the globe with very strong presence in the U.S., which -- North America, which accounts for 35% of our total sales.

We are playing in many different categories as well. We are very diversified by geography but by category as well in Coffee, in PetCare, in Dairy, Culinary, Water and some other categories as well.

We employ about 275 000 associates. We have about 344 plants. We have also 23 different R&D locations, and we are the largest spender of R&D in our industry with CHF 1.7 billion spent last year. We are, by the way, far less capital-intensive and labor-intensive than we used to be 10 years ago. We have about 80 000 less employees today, largely as a consequence of portfolio management and we have about 100 less industrial units than we had 10 years ago as well.

Slide: At a glance: our emerging markets business

If we have the same look at emerging markets. Quite interesting, emerging markets account for 42% of our total sales. It was close last year to CHF 40 billion, with a trading operating margin, which is actually higher than the average of the Group on a comparable basis, at north of 18%. The strongest presence that we have is precisely with Remy in AOA, and Remy will go into the details of it. Then we have a very strong presence as well in Latin America, in China and in Eastern Europe.

Category-wise, when we look at emerging markets, we have relatively similar footprint. So we are present in the same categories, more or less. But we are clearly over-indexed in Dairy, which is the second largest category that we have. And we are under-indexed versus our portfolio in PetCare. By the way, this one is clearly a very good opportunity for us in terms of future growth, and I'll come back to that.

Interesting to see that we have about 60% of our employees working in emerging markets, 165 000 associates. And 55% of our industrial base is in emerging markets as well. We have five dedicated R&D locations for R&D. I will cover a little bit more of that in details later in my presentation. But very strong footprint in emerging markets.

Slide: Delivering strong organic growth

We look at our track record in terms of growth over the last couple of years, quite attractive. It's actually OG, 6.6% on average over the last 10 years. It's better than the average of the Group. It's about 1.5x higher. We were at 4.5% for the group. And this is quality growth as well. So it's a good combination of pricing and RIG, so which is interesting. Even you can see the RIG is above the average of Nestlé at 3% on average over the last 3 years.

You can see that we don't have necessarily any specific worries about the fact that our RIG went down a bit last year. This is not so much a consequence of pricing, but much more the consequence of a big surge in the year 2021. If you look at the average of '20, '21, '22, if you normalize it, we were in line with what we experienced in the past, which is around 3%. So really strong growth and quality growth and higher growth than the average of the Group. So, it's really a growth engine, emerging markets for us.

Slide: Long and deeply rooted presence in emerging markets

We're operating in basically all countries in emerging markets, but I just wanted to provide you a little bit more color on the top six: China, Brazil, Mexico, Philippines, India, Chile.

Quite amazing when you see the level of sales we have, it's really material and significant with a good profile in terms of growth. In most of these countries, we have experienced over the last couple of years, mid- to high single-digit growth with the exception of China. But the issue that we had in China, as you know, was really more focused on Infant Nutrition, which has started to really turn around and rebound last year.

Part of the reason why we are so strong in emerging markets is also coming from the fact that we have been operating in these countries for very long time. In most of these countries, we have been present for more than 100 years. We are very much often perceived as a local company in many of these markets. If you look in countries like Mexico, the Philippines, people in the street, they believe that Nestlé is a local company, not necessarily a Swiss company.

Slide: Complementary portfolio of both global and regional brands

So we have as well very strong brands. 75% of our sales are with the global brands like Nescafé, KitKat, Nido, Maggi and so forth. But we have a strong presence as well through local brands. Some good examples Remy will cover, for example, in the Philippines, Bear Brand, or in Indonesia as well, very strong brand in an Indonesian context. The second one, probably most of you can't read it, but it's Totole in China, which is a very strong local brand. But we have other brands like Carnation in Latin America, Nescau, Garoto, Ninho in Brazil that are very well positioned in their own markets -- in emerging markets.

Slide: Strong market positions and consumer trust

Not only do we have strong brands, but we have strong market positions, Quite amazing when you see our position. We are often better positioned than local players. So there is a perception that in emerging markets, local players can really make a difference. No, we do.

Look at that #1 position in Chile, in the Philippines, in Malaysia, in Thailand; #2 in Brazil, Indonesia, Nigeria; #4 in India and Mexico. So even where India, we are probably a little bit under-indexed, I think that probably Remy will talk about that, and #5 in China. So we are significant players in this market, and we don't really feel bad at all when looking at our business against local players.

We have strong brands. We have strong market position, and you can see that as well through the fact that more than 80% of our sales are with #1, #2 position in this market. So we are very strong by choice and by design. We are not playing in all categories. But wherever we play, we lead. And I think Remy will cover some of the examples in this specific regio. Quite amazing.

Strong brand, strong market position, a leading position but also strong reputation and strong trust. Quite amazing, it's an independent study that is done in emerging markets. In 52% of the countries covered by this study, which is a very large sample, in 52% of the cases in these emerging markets we are #1 in terms of trust and reputation in our industry. Even if we look at it in 100% of the cases, we are within the top three companies in terms of trust and reputation in these emerging markets, which is really impressive, what we have built in these markets.

Slide: Significant opportunity to increase share of stomach in large markets

And we have a significant share of stomach, which is often better than what we see in developed markets. If you look in developed markets, we have about 0.5% share of stomach of the entire food and beverage industry. The figure can look low. But this is over the total universe of food and beverage.

As you can see on the slide, in many markets, we have actually a better position than in the developed world in countries like Brazil, Chile, Malaysia, the Philippines, Mexico. We are even really leading the show there. But we have a big opportunity as well in countries like in India, in China, Nigeria or Indonesia, just to name a few. We clearly have an opportunity to grow faster and to grow in these countries, which is great for the coming years.

Slide: Driving locally relevant innovation

We are very local, as I said, and we have been there for a long time. Another illustration of the fact that we are local, we have specific dedicated R&D center in emerging markets. We have five of them. We just opened a new one in Santiago de Chile. But we are present in Africa, in India, in China and in Singapore as well, where we develop local products. We are really close to consumers in these markets. So products that meet and that are tailored for consumer needs in emerging markets.

And just a few examples there. I just put a couple of examples. I will just cover the one on the bottom right-hand side, Huevo Más, which is a plant-based product, which is an alternative to egg, which has a protein content, which is as good as egg, but it is a price point that is actually lower than egg. So it can be either a substitute or a complement to egg, that we have developed for Central America. We sell that under the Malher brand, for example, in Central America, and the product is doing very well. So that's one of the examples of locally tailored innovation that is coming out of these specific R&D centers that we have in emerging markets.

We do even, in some instances, launch products initially in emerging markets. You have the example on the top there of this Neo packaging. This is paper packaging for our Nescafé Dolce Gusto pods that we launched initially, I think, in Latin America. Or you have some cold coffee products as well that have been launched in emerging markets before they have been launched even in the developed world. So really very strong presence and very strong innovation as well.

Slide: Future growth drivers

We are not short of growth opportunities for the future. First of all, we operate in markets that are growing. These markets will be growing in the future, these emerging markets, in the mid-single-digit space over the next couple of years, and we ambition anyway to grow faster than the market and to gain market share. So we will grow at a higher level.

We have really great opportunities. First of all, it is in emerging markets where we will see population increasing. There is not much hope for an increase of the population in developed markets. But clearly, I think 98% of the increase of the population, which matters in our industry, in the near future, will be coming from emerging markets.

In addition to that, we have a strong development in terms of purchasing power with the development of the middle class. So the number of households that will have higher income, and I think there, it's an income above $4 per day, is really going to increase, which is a superb opportunity for us.

We have an opportunity as well in our categories. We mentioned for the two largest categories that we have: Coffee and PetCare. In Coffee, it's quite amazing, but the coffee consumption in emerging markets is actually 6x lower than it is in the developed world. So we have huge opportunities in countries like China and India, for example, in Coffee. You could tell me, yes, but these are tea markets. But when you look at what we have done, because we have been really instrumental in Nestlé in developing that in the U.K. and in Japan, which were originally tea markets, which have become coffee markets, we are very positive about it.

PetCare is a good illustration as well, where this calorific conversion rate, which is the number of cats and dogs that are using processed food instead of food leftover from the family table, the calorific conversion rate is about half in emerging market of what it is in the developed world.

And we are pretty convinced of the fact that they will catch up. Anyway, if you look over the last 10 years, this calorific conversion rate for emerging markets specifically has increased by 7 percentage points in the last 10 years. So, it's almost 1 percentage point a year.

We can leverage as well on digitalization. And if we look at e-commerce, where some of the countries and especially in China, are actually more advanced in e-commerce than what we see in the West. But that's really a good growth opportunity as well.

We are very well positioned in emerging markets because we are both in the mainstream segment, which is the bulk of our business, but we are in premium, which is growing very fast as well in emerging markets with the development of the middle class, and in the affordability segment. We don't play in the affordability segment in developed markets, but we do in emerging markets, and it accounts for almost 20% of our business. And we are doing very well. Remy will provide you some great examples of what we have achieved in terms of affordability in emerging markets and more specifically in AOA.

Slide: Attractive financials supported by scale and efficiencies

Finally, since I'm the CFO, let's talk a little bit about the financials for emerging markets. Very attractive. We have a margin which is higher than in the developed world, and we have a better return on invested capital in most of the sub geographies as well. This is maybe a little bit counterintuitive, but this is largely the consequence of the fact that we have scale. We have massive scale, and there again, Remy will give you some examples that are totally compelling.

We have cost competitiveness as well, so which does help. So, we are very big with cost competitiveness in many of the categories where we play, and we have the scale and efficiencies. We have leading position, as I showed you as well, and it does help. Usually, margins are very much correlative to our market position. And we are producing locally as well, as I illustrated by the fact that we have 60% -- 55% of our industrial base in emerging markets.

So great. Very happy with what we have today in emerging market with superb growth opportunities, both on the top line and bottom line.

That concludes my presentation. And I will leave the floor now to Remy, who will cover more specifically some of these topics for AOA.

ZONE AOA: Accelerating "Growth by Choice"

Remy Ejel, CEO Zone Asia, Oceania and Africa, Nestlé S.A.:

Slide: Title slide

Thank you. Thank you, François. A real pleasure to be with all of you. And of course, before I deep dive on giving a little bit of granularity related to AOA, I think it's important just to agree on the reason why we have the choice of growth by choice.

With what you have seen from François we see, like you do, immense opportunity to grow in emerging markets. And we have made a conscious decision not to grow by chance. We have rather chosen, and François alluded to it, to play selectively in opportunities, which are differentiated, where we have a higher ability to win and, of course, are able to deliver the potential that we see.

The picture, the four pictures that you see. The first one, of course, reflects a little bit the diversity that exists. And the word diversity is going to come quite often when we talk about AOA as a Zone. The first one is related to the picture of a mother in Pakistan with baby food. Next to it, we have our coffee, Nescafé, in Saudi Arabia. The third one is related to the energy drink, Milo, the #1 brand in Nigeria. And finally, we have indulgent KitKat, with one of the largest markets in Japan.

Slide: Zone AOA overview

As François said, Zone AOA accounts for 22% of total sales. Growth is distributed across four pillars, where we have, as we start at the East, Japan, Korea, Oceania; we have the ASEAN countries, sub-Asia subcontinent; and, of course, Middle East and Africa.

From a geographical perspective, we have a broad footprint with, I have to say, AOA in 113 countries. From a category perspective, what is very interesting is, of course, we look at the split and the contribution of the different category. But to be a little bit more specific, and there was a lot of emphasis that was put by François on PetCare, that's one of the most important opportunities that we see. And I will go a little bit more into details in relation with that.

What is important to highlight is also that we have an opportunity in Coffee, which is a very important category for us that we would like to further develop as we are slightly underindexed on that front.

Slide: Solid performance over the last 10 years

Over the last ten years, we have delivered, as you can see, 5% organic growth, which is above the Group average. What is important to highlight is our organic growth over the years has been quality growth, and it's not just pricing. The RIG delivered has been solid and consistently positive over the last decade.

You can see from the chart on the right that the Zone is highly profitable. Moreover, I think what is important to highlight is the profitability has been resilient and consistent over the years. This reflects our ability to generate scale, and scale is a key enabler in reality in order for us to be able to deliver also on our margins. This is done through synergies and cost efficiencies.

Slide: Diverse forces shaping Zone environment and opportunities

When you look across the Zone, there are different forces that are shaping the environment. And of course, this leads to different consumer needs but also, very importantly, opportunities that we focus on.

The first one access to essential and affordable food products which is more important than ever, where especially in quite a few of our developing market where purchasing power is under pressure. And clearly, Zone AOA has a major share in providing the essential food product because of a large consumer base that is as of the floating class and above. We see, at the same time, a polarization that is related to affordability but also a demand for premium product. And that's something that is another opportunity that we are seizing.

Traditional. When we talk about the trade, if I look at total Zone AOA, 65% is traditional trade. Of course, we have some key markets like India, Philippines or Central West Africa, where the index is more than 80%. But it is true that today, technology has enabled us to extract efficiencies and to be able to move forward.

In parallel, and I have to say after COVID hit us all, we saw a massive increase in e-commerce in markets like Korea and Japan that have an e-intensity that is actually higher than the Group average. No doubt that more than just e-commerce, e-business is the way that we will engage with our consumer and customers to unlock the amazing opportunity we have. And we see this merge between the online and the off-line.

I think François, alluded also to the population. And there is no doubt that we have a young, vibrant population. If we look at just India, 65% is below the age of 30. Africa is forecasting significant growth, not only 15 to 24 but, from a total number point of view, also older population. And we see an acceleration, of course, in Asia. In Japan, that is part of AOA, already 50% of the population is above the age of 50.

With those different forces, what is very important, and that's another word that you will hear often: focus, focus, focus. So, we have six strategic priorities to accelerate our growth by choice. I will deep dive into some of our key markets where we're accelerating growth. And I think François, you alluded to them.

Next, I will share more details on the category where we want to continue to lead, and we believe we have a great opportunity to further unlock what has been done. And of course, how we will drive growing by choice, capturing value opportunity, leveraging innovation and optimizing continuously, rigorously our portfolio in order to be future-ready for the channel of today, but I would say the channel of tomorrow.

Of course, these strategic priorities are also always embedded in creating shared value under the 'Good for you and Good for the planet' with our people, technology and ecosystem at the base of all of that.

Slide: 1. Growth by choice: key market presence and growth foundations

The three markets that we wanted to highlight today are the top three markets that we have. And of course, in those markets, and if you look at the Philippines and India, as an example, we have been there more than 100 years. This is where a base has been built. So that has been work of decades and decades that we have been able to do.

What is important to highlight and to go a little bit more into detail, you see the market position. Those are the categories that we believe we can differentiate. Those are the categories where we are able to innovate and to drive the way forward. What is interesting to highlight, if you look at India, we had high single-digit growth. But I have to say also in the last two years, we moved to double-digit growth. And that's something that is also very exciting, not only for the Group but, of course, for the team and also for our investors.

How we have been able to do that? By developing and assessing the economic situation that is happening in India. And maybe we will have an opportunity to talk more about India. This is done through the r(urual)-urban population penetration and innovation and, of course, investment going into manufacturing and supply chain ecosystems that have been built over the years, as well as leveraging digital that is making a major difference.

Philippines is another example where we have been able also to drive that and are able to deliver. Here, what is important to highlight is that we have Nescafé and Starbucks that are at the front and moving that, but also leading all children nutrition segment via affordable and premium, and that polarization we are able to see, and our model allows us to seize those opportunities.

Slide: 2. Growth by choice: lead in Coffee and PetCare

I would like to spend a little bit more time on the category side and the two categories that we wanted to focus on.

Coffee, an amazing category, #2 category at the level of the Zone. But we believe we can have a further acceleration on that front. And here, it's by really expanding the consumption base and being able to deliver on that. We do that with, of course, the brand portfolio position allow us, the wide portfolio that we have that to capture growth opportunity at different price points. This is an area that is important to us. And not only does it make sense across different price points, I think what is also important to highlight is also on-the-go occasion with the ready-to-drink.

We are able to deliver double-digit growth in out-of-home channel and ready-to-drink. Portioned coffee has a solid long-term potential and that's a solution that is for sophisticated homes. Here, you have the example of Starbucks that has delivered very strong results.

PetCare, we are doing the hard work. You know historically, the challenge was related also to supply. So we are doing the hard work in terms of building up capacity and establishing our local supply chain. We have a range of significant opportunities. But the strategy, again, is a growth by choice strategy. I mean we focus on focused expansion and activating the right portfolio in the right market, building, of course, on existing opportunities in Oceania but also other opportunity in Southeast Asia and, of course, seeding emerging markets like India or South Africa. And then, of course, continue to scale. We expect that business to grow faster than the Zone average

Slide: 3. Growth by choice: capture value-up opportunities

It's quite interesting when you look also on the total portfolio, and I think you saw the number that were for all the emerging markets, you would see that the number for AOA in terms of affordable is actually even higher, and that comes from the geographies in which we compete, with 28% that is on affordable and 15% on premium.

Clearly, those are two segments that today, in today's world, are growing faster than mainstream. And this is where we are strong. This is the business that has been built decade after decade. And it's not related to a product. It's not related to an SKU. It's the whole value chain, the industrial footprint that we have to talk about.

What I would like to also share with you is, in reality, even in this segment, we have been able to capture many value-up opportunities to be able to grow the segment and deliver stronger margin even.

In Philippines, Dairy, we extended the consumer journey of the very strong popular brand from children, Bear Brand -- from children to adult, besides introducing also a higher net net sales per kg product that is a ready-to-drink pack to capture the liquidification. And those are some of the opportunities that are there.

In India, food, and that's one of the subjects that is very close to our heart, is today one of our most trusted brands. And of course, with a growing middle class, a greater expectation is seeking new and healthy culinary experience, both from family and kids. We introduce not only new flavors and variants but also other formats, on-the-go formats where we are able to deliver even higher value.

And finally, we take an example in AOA of developed market, Australia. We valued our base offering with Starbucks, both in-home with our coffee machine capsule and out-of-home with bottle and multiple variants.

Slide: 4. Growth by choice: leveraging innovation across life stages

François highlighted also the R&D, and I think that's an essential part because when we talk about growing by choice in the categories that are important to us, it's related to innovation. It's related to nutrition. And when we talk about that, we're talking not only about the product in itself but also with the packaging.

I would like to share with you two examples, which is the Milo that you see in the second column with the sugar reduction technology that we have been able to develop. As you know, Milo is one of our flagship brands in Malaysia. We introduced a sugar reduction technology substituting the green barley, evergreen malt extract with Miya malt. This led to a 15% reduction in sugar versus the recipe base. What is important to say is also from a consumer point of view, the taste remains the same.

The other example that is just beside that is, of course, KitKat. And today, we're proud to share with you the soft plastic wrapper that has been launched for the KitKat four finger in Australia that is made by 30% recycled plastic.

Slide: 5. Growth by choice: optimize portfolio rigorously

In our growth-by-choice model, the starting point for us is to choose where to play. And then the second part is, of course, evolving the business model to the changing environment. We talked a lot about cutting the tail and pushing the head, and that's a subject that could be also interesting for us to go more. But also protecting, investing and focusing behind the jewel. And at the same time, making choices for us to be able to deliver.

Slide: 6. Growth by choice: evolve channel strategies to unlock growth

Of course, these four blocks are self-explanatory and exist across the majority of FMCG companies. The area where we differentiate is probably the action of fast-tracking our digitalization journey across the different geographies that we operate in. The strength of Nestlé is that we can develop and pilot and then quite quickly, we are able to expand.

Midas is an example that is quite interesting. It's our real-time analytics solution that is built on an enterprise-level data warehouse, integrating internal and external data, that translates it to make it better to read analytics and feed and fire up our intervention to be able to be faster. This has been demonstrated in our pilot in India where we reduced unbilled outlets, out-of-stock and, of course, improved freshness. This is now being scaled to eight markets by the end of 2023. And of course, we are starting to leverage Midas, as an example, in our supply chains, extending cross-functionality in another three markets.

Slide: 7. Growth by choice: good for you, good for the planet

In our growth-by-choice model, there are, of course, many countries, and a recurring challenge that we have in AOA is markets faced by a double burden of over- and under-nutrition. And hence, it's important that we continue to deliver nutrition. At the same time, doing good for the planet and reducing greenhouse gases, and maybe that's another subject we can go into more detail into.

Slide: 8. Growth by choice: enablers

Maybe on that slide, two elements I would just like to highlight. One of our competitive advantages is our people. And 80% of local senior management and the spirit and the reality that is there, the way that we operate the entrepreneurial spirit, I should say.

Slide: Key takeaways

What I would like to do -- because I'm aware that time is over, is just to leave you with five key messages.

We are leading in key geographies, with very strong market positions in growing categories where we are able to differentiate.

Building on a local heritage that has been established through decades with very strong brands, not only overall Nestlé, but specific brands that are leading their category, and with a dynamic team, we're able to unlock that opportunity.

And of course, making choices, growing by choice is clear for us a way forward that we have been leveraging, and we will continue to do that to ensure sustained profitable growth.

Expand presence in fast-growing and fast-emerging segments, building impactful innovation to have a portfolio that answers different changing consumer needs, from making affordability more accessible to meeting the expectation of premium.

And very important today, enhanced competitive advantage through digitalization that is enabling us to further accelerate.

Thank you for your attention.

Q & A Session

Thomas Sykes, Deutsche Bank:
Okay. Thank you very much, indeed, Remy, and thank you very much, François. We have a short time for Q&A now. I'll maybe kick off the Q&A.

Question on:	**Is inflation in emerging markets always followed by deflation**

And just with relevance to emerging markets, then there's a lot of debate on pricing. In your experience, is higher food price inflation in emerging markets followed by deflation or stickier pricing going forward?

François-Xavier Roger, Chief Finanical Officer, Nestlé S.A.:
I would say -- but maybe Remy can complement as well. First of all, we have seen a very resilient consumer in emerging markets in spite of the fact that we had to put through quite significant pricing. We, in emerging markets, would represent a large part of their disposable income, very often 20% to 25%. So consumers have probably less opportunities to cut on that one to start with.

The second thing is that economies in emerging markets probably benefited from the cycle of commodities and so forth. So there has been quite a lot of redistribution probably of wealth as well as some money in these countries, which probably ended up as well in a positive way in the fast-moving consumer goods industry.

We have strong brands as well. We have strong market position, as you could see. So I think that as a consequence of that, we have not suffered too much from pricing. We need to pay attention to one thing as well, which is historically, in terms of pricing is not only driven by the commodity cycle or input cost inflation but very often as well, linked to currency depreciation. And we have seen that traditionally a lot in Latin America, but we start seeing a little bit more of it in AOA, for example, which is something that we are monitoring carefully.

Question on:	**Evolution of marketing spend**

Thomas Sykes, Deutsche Bank:
Okay. And please, could you maybe give some insight into the evolution of your marketing spend, the evolution of it last year in the categories which were a drag and how you see that developing as a percentage of sales going forward?

François-Xavier Roger, Chief Finanical Officer, Nestlé S.A.:
Yes, very important question. So we like investing for our future growth, which can be marketing, can be sustainability, digitalization, CapEx, R&D as well. And this is what we have done historically.

Last year was a little bit of an unusual year. We reduced our marketing spend in absolute value and as a percentage of sales, first of all, because we had some capacity constraints in PetCare, with Coffee-mate, for example, in the United States. There was no point in advertising for products we could not sell more anyway because we had capacity constraints largely linked to the pandemic to a certain extent.

The other thing is that last year, we decided to spend more on promotional spend, which is what we call trade spend, and I'm talking of performance trade spend, that is what ends up in the hands of consumers, not what goes to the retailers. And we did raise that amount significantly at a time when we did raise our prices by more than 8%. I mean if you look at it two years before, it was 0. So in order to make it a little bit softer for consumers, we decided to spend more on the trade spend part, a little bit less on the marketing spend side.

This year, we will increase significantly our marketing spend, both in absolute value and as a percentage of sales. So it's already a factor today. And so we are really committing to that, and I am absolutely sure that this will happen. This is important once again to secure growth in the future. I take the occasion as well to reiterate the fact that we will provide more color on our marketing spend as well. So from H1 this year, we will provide the amount of marketing spend that we do both in absolute value and as a percentage of sales.

Question on:	Rig improvement in the second half

Thomas Sykes, Deutsche Bank:
And focusing on RIG, what is your confidence level now that RIG will improve in the second half of the year outside of just base effects? And how do you feel about the volume mix split going forward?

François-Xavier Roger, Chief Finanical Officer, Nestlé S.A.:

So, I'm very confident about it. And you said it, first of all, it's because of the comps, but it goes beyond the comps. First of all, as you know, we have been very active over the last couple of quarters with what we call portfolio pruning, where we are really, I would say, cleaning our portfolio, not with loss-making businesses because we don't really have any, but low-margin businesses. And we discontinued some of these business lines. It's very different from what we do in M&A. Because in M&A, we restate the past. So you don't see it on the RIG. You see it on the RIG when we discontinue business line.

And in the initial part of this program, we do suffer in RIG, which is what happened in Q3, Q4 last year and a bit in Q1. But this is not just about cutting the tail. It is not about discontinuing businesses. This is about reallocating resources towards high-growth, high-volume, high-value products. And then, after a few months, we start having the benefit. And we started to see some signs of it with a better service level already in Q1 2023.

So in the second part of 2023, we should have a positive impact of this program. So we will overcome the negative one with the positive side of it with a better service level. And once again, it has already started to happen in Q1. So very positive about that.

The other thing is that I just want to be clear as well, we will continue to do pricing but not to the same extent as what we have done. So we have done still a lot of pricing in Q1, for example, which may have an impact on Q2. But we expect to do a little bit less pricing going forward, first of all, because the commodity cycle is evolving as well. It's not the end of inflation, by the way. We still have a lot of pressure in terms of input cost inflation this year but less than last year. So as a consequence of that, going forward in H2, there will be less pricing, which would put less pressure on volume and RIG.

And finally, as we just said, we are investing much more in marketing. That will help as well. So the combination of the three factors plus the comps, which will be easier, gives me a lot of confidence on the fact that we will be in positive territories for H2 in RIG.

Question on:	**Allocating capital for emerging markets**

Thomas Sykes, Deutsche Bank:

Maybe if I could ask one more question given the topic of today. What's your ability to more aggressively allocate capital towards emerging markets and especially given your comments there about quality and trust and capital allocation against the organic growth within emerging markets?

François-Xavier Roger, Chief Finanical Officer, Nestlé S.A.:
We always favor organic growth because we are in full control because we know the markets, and this is what we do in R&D, with R&D and marketing. That being said, we need to complement it from time to time with inorganic growth. And we have done that. As you know, we have been very active in that space with overall good results. There were some bad cases but, overall, net-net, very attractive results.

Emerging markets, given what I presented earlier and what Remy presented, it's really extremely attractive for us to go further. And if we can do it through M&A, why not? However, let's be super careful because price -- asset prices are often very much more expensive than even in the developed world. I would mention one country. We talked about it. India is a country where we are under-indexed in terms of presence versus our presence globally. But by the way, we are doing superbly well with double-digit growth for years, a very attractive level of profitability as well, which is public information anyway because we have a listed company there.

So we are doing very well. But when you look at multiples and valuations in India, I'm not eliminating options, but we need to be super careful in what we do. And this is the example I wanted to mention because this is the country where we are the more under-indexed versus our presence globally in the world.

End of Q&A session

Thomas Sykes, Deutsche Bank:
We've now come to the end of the session. Thank you very much, François, and thank you very much, Remy, for joining us on stage.

François-Xavier Roger, Chief Finanical Officer, Nestlé S.A.:
Thank you, everyone.

End of Transcript