2024 NINE MONTH SALES PREPARED REMARKS TRANSCRIPT

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Speakers:

Laurent Freixe, Chief Executive Officer, Nestlé S.A.

Anna Manz, Chief Financial Officer, Nestlé S.A.

David Hancock, Head of Investor Relations, Nestlé S.A.

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Slide 1: Title slide

Good morning to everyone. This is David Hancock, Head of Investor Relations.

Thank you for listening to Nestlé's nine-month sales prepared remarks. Joining me today are Nestlé CEO Laurent Freixe and CFO Anna Manz.

Slide 2: Disclaimer

Before we begin, I would ask that you please take careful note of the disclaimer on page two of our presentation.

Slide 3: Agenda

So, just to frame the agenda for today's presentation.

First, we will focus on the nine-month sales results and updated full year guidance.

Laurent will cover the high level key messages before handing over to Anna to take us through the detailed commentary.

Finally, Laurent will share some of his perspectives after the first few weeks in his role since becoming CEO.

And with that, Laurent, I hand over to you.

Laurent Freixe, Chief Executive Officer, Nestlé S.A.

Slide 4: Title slide

Thank you David, and welcome to Nestlé.

This is in fact the first results call together for both of us, and it has been a pleasure to work with you, Luca and the Investor Relations team. I look forward to our ongoing collaboration as we share our progress with the markets over the coming quarters and years.

Slide 5: Nine-month 2024 sales key messages

As David mentioned, I will shortly share some initial perspectives after my first weeks as CEO. But I will first take you through the key high level messages from the nine-month sales before I hand over to Anna to cover them in more detail.

Let me start off by putting our organic growth delivery in context.

In an environment characterized by softening consumer demand, we delivered steady organic sales growth with positive real internal growth.

Consumer demand has been subdued across many of our regions. In the third quarter, we saw softening demand and actions to reduce customer inventory levels.

Another key factor shaping our organic growth this year has been the normalization of pricing, following unprecedented increases over the prior two years.

Our growth over the nine months was driven by coffee, PetCare and confectionery. And I am pleased to see Nestlé Health Science's recovery going to plan, with growth reaching a double-digit pace in the third quarter.

While market shares for billionaire brands improved, overall market share for the total Group was broadly in line with the first half. More work needs to be done to drive improvement here, and this is going to be one of my key priorities going forward.

Given the consumer environment and our further actions to reduce customer inventories in the fourth quarter, we have revised our full-year guidance. We now expect our full year organic growth to be around 2%, in line with current trading, and our underlying trading operating profit margin to be around 17.0%. Underlying EPS growth in constant currency is expected to be broadly flat year-on-year.

Slide 6: Title slide

I will now hand over to Anna to take you through the performance in more detail.

Anna Manz, Chief Financial Officer, Nestlé S.A.

Slide 7: Nine-month sales growth

Thanks Laurent.

Let me begin by giving a brief overview of our nine-month sales.

We delivered 2.0% organic growth, with 0.5% RIG and 1.6% pricing.

Net divestitures reduced sales by 0.3%, and these largely related to the joint venture for Nestlé's frozen pizza business in Europe.

Foreign exchange impacted sales by 4.1%, reflecting the continued strengthening of the Swiss Franc.

Factoring all these elements together, the Group's total reported sales were CHF 67.1 billion.

Slide 8: RIG positive in a challenging consumer environment

This next slide shows the trend in RIG and pricing since the first quarter of 2023.

In the second quarter this year, we moved from price-led growth to RIG-led growth, and we said at the time that this transition would not be linear.

In the third quarter, we maintained positive RIG, albeit at a lower level than in the second quarter.

The RIG trajectory was influenced by softening consumer demand, particularly in the Americas and Europe; and actions to reduce customer inventory, particularly in the Americas, with an approximate impact of 60 basis points on the Group in the quarter.

At the same time, pricing has continued to normalize across most categories following two years of significant price increases. In the third quarter, there were decreases in PetCare and dairy as well as increases in confectionery and coffee, linked to higher input costs.

Turning next to the performance by Zone.

Slide 9: Zone North America

In the third quarter, Zone North America continued to see soft consumer demand and negative pricing, particularly in PetCare, frozen food and coffee creamers.

RIG remained positive at 0.3% but was lower than the 2.8% in the second quarter.

As we flagged at the half year results, RIG has been impacted by the phasing of customer inventory related to promotional campaigns. This positively impacted the second quarter and negatively impacted the third quarter, by approximately 100 basis points. Adjusting for that phasing, third quarter RIG is only slightly below the second quarter.

Quarter-on-quarter, PetCare slowed due to increased promotional intensity, but along with coffee, continued to drive growth in the Zone. Both PetCare and coffee delivered positive RIG and gained market share.

On the other hand, our frozen food and coffee creamer businesses continue to be challenged by increased price competition and a value-seeking consumer.

Across the Zone, we are focusing on meeting consumer needs through price competitiveness, innovation and marketing. We continue to bring new products across categories with good traction in PetCare, coffee and water. In frozen food, some key product launches, including Vital Pursuits, started to hit the market at the end of the third quarter.

Slide 10: Zone Europe

In Europe consumers are becoming increasingly cautious and are prioritizing affordability. This was particularly noticeable in Turkey, where there was a marked slowdown in our growth.

In this context, retailer negotiations are tougher, and we have experienced some temporary delistings in the third quarter affecting several categories, with an impact of about 50 basis points on RIG.

Quarter-on-quarter growth slowed, particularly in confectionery and culinary.

In the quarter, while slowing, the main contributors to growth were coffee and PetCare.

Executionally, we are staying nimble and managing price gaps while focusing investment on our key brands, particularly Nescafé, KitKat and Purina.

Slide 11: Zone AOA

In the third quarter, Zone AOA continued to generate solid growth, with acceleration in Central and West Africa as well as Oceania.

This solid growth was despite pressure on global brands linked to geopolitical tensions affecting some markets, as well as further economic slowdown in India and Pakistan,

Most categories delivered robust growth that improved quarter-on-quarter, offsetting a slowdown in dairy.

Within coffee, growth was driven by new product launches and geographic expansion, particularly through ready-to-drink formats.

In culinary, growth was driven by Maggi.

In PetCare, increased supply and competitive pricing supported an acceleration.

And in dairy, the slowdown was exacerbated by the introduction of a new sales tax in Pakistan.

The Zone has continued to focus on affordable offerings, which grew high single-digits in the third quarter.

Slide 12: Zone LATAM

In our LATAM business, growth in the third quarter was impacted by softer consumer demand. In addition, the Zone was affected by customer inventory reductions, which reduced RIG by approximately 130 basis points.

Quarter-on-quarter, our core markets - Brazil and Mexico – slowed a little but they continued to deliver solid growth. In aggregate the other markets were flat to down.

Confectionery, Nestlé Professional and coffee continued to lead growth, while our dairy and Infant Nutrition businesses saw a slowdown, largely linked to Ninho.

In a difficult economic environment, the Zone is generating improved market share trends across most categories, particularly soluble coffee.

Slide 13: Zone Greater China

In the third quarter, Zone Greater China continued to deliver solid growth in the face of ongoing difficult macro conditions. Consumer sentiment remained subdued, and this particularly impacted our out-of-home businesses.

Quarter-on-quarter, the RIG improvement was driven by Infant Nutrition. NAN maintained its double-digit growth momentum while sales growth for illuma improved against easier comps.

The slowdown in out-of-home consumption impacted our food and professional businesses.

Coffee and confectionery also contributed significantly to growth, supported by recent product launches in ready-to-drink and snacking formats. Our dairy business continued to be a drag due to heightened competitive pressures in the category.

Slide 14: Nestlé Health Science

Turning next to Nestlé Health Science.

The turnaround is on track. We saw strong growth in the third quarter driven by RIG, with increased pricing.

Our VMS business is delivering to plan and is now growing at double-digit as we get back on the shelf. Market shares are also stabilizing and improving month-on-month. The category is growing at a high single-digit rate.

Our Active Nutrition business is delivering positive growth, with continued strong sales momentum for Orgain, driven by new product launches.

And our Medical Nutrition business delivered double-digit growth, strengthening quarter-on-quarter, particularly in adult medical care products.

Slide 15: Nespresso

Nespresso delivered positive RIG-led growth, supported by continued momentum for Vertuo and the out-of-home channels.

The U.S. continues to be the key geographic driver, delivering mid-single digit growth.

In Europe, sales decreased slightly in a competitive environment.

In this competitive environment, we continue to leverage the broader Nespresso ecosystem, which includes Starbucks by Nespresso, and other brands. In the third quarter, globally, this ecosystem delivered a further 130 bps of growth.

Slide 16: Nine-month and quarterly category growth

Let's turn to a breakdown of our growth by category.

Starting with Powdered and Liquid beverages.

Let me focus on coffee, which represents 85% of category sales here, and was the largest contributor over the first nine months of the year. Sales grew by 3.8%, with improved trends across most segments, particularly for soluble and ready-to-drink formats.

Quarter-on-quarter, growth in coffee was broadly similar.

PetCare posted 3.0% organic growth, driven by continued momentum for science-based premium brands. We saw continued RIG momentum, particularly in our cat segments, as we increased supply.

Quarter-on-quarter, growth decelerated, with a negative contribution from pricing, although we continued to outperform the category and gain market share.

Nutrition and Health Science delivered low single-digit growth. We have already covered Health Science, so let me focus on Infant Nutrition. It delivered low single-digit growth, driven by NAN, our affordable offering Lactogen, and our human milk oligosaccharide products.

Prepared dishes and Cooking aids reported negative growth. Within the category, we saw robust growth for Maggi, which was more than offset by the sales decline for frozen food in North America. Quarter-on-quarter, growth slowed, mainly due to frozen food and temporary delistings in Europe for Maggi.

Milk products and Ice cream delivered negative growth, as a sales decline in coffee creamers and ambient dairy, offset a robust performance for dairy culinary solutions.

Quarter-on-quarter, growth slowed due to ambient dairy products in emerging markets.

Growth in confectionery was mid-single digit, with sustained broad-based growth for KitKat and key local brands. Quarter-on-quarter, growth decelerated primarily due to temporary delistings in Europe.

And finally, sales in water delivered low single-digit growth, underpinned by continued momentum for S.Pellegrino and a rebound in Perrier supported by the rollout of Maison Perrier. Quarter-on-quarter growth moderated as we are still facing some supply constraints.

Slide 17: Revised 2024 guidance

Turning finally to full year guidance.

In the context of softening consumer demand and further actions to reduce customer inventory in the fourth quarter we have revised our full year guidance.

We have delivered 2.0% organic growth in the first nine months, and we now expect full year organic growth also to be around 2%.

As a result, our underlying trading operating profit margin is expected to be down slightly year-on-year at around 17.0%.

Underlying EPS in constant currency is expected to be broadly flat year-on-year.

Please also note, based on where exchange rates were at the end of September, FX is likely to have a negative effect for the full year 2024 of around 4% on Group sales.

As previously mentioned, we will provide guidance for 2025 at the full year results in February.

And with that, I will hand back to Laurent.

Laurent Freixe, Chief Executive Officer, Nestlé S.A.

Slide 18: Title slide

Thank you Anna.

Slide 19: Focus areas in first weeks as CEO

Coming into the CEO role, I am in the fortunate position that I already know the Nestlé business in depth.

I joined 38 years ago and in my time, I have been market head for Hungary and for Iberia, and then CEO of Zone Europe, of the Americas and of Latin America.

I have been on the Executive Board for 16 years and led some important transversal initiatives with a strong focus on productivity.

Starting from this position of deep knowledge of the business means that I have been able to move forward at pace since taking the role of CEO.

In the last 46 days I have spent my time into three main areas: engaging intensively with a wide range of stakeholders, sharpening our strategy and developing an action plan, and then starting to put the “action” into that “action plan”.

Slide 20: Intensive engagement with stakeholders

Interacting with colleagues and with external stakeholders is one of the most rewarding parts of my work.

One of the many great assets of Nestlé – I would actually say our greatest strength – is our people.

The intensive engagement in the last weeks has been a reminder of what a privilege it is to lead this great company. It has also allowed me to listen to a wide range of voices across the business, from those in the heart of the center, here in Vevey, to the ones operating in the furthest parts of the globe.

There is strong support for me and for my message, which is a great starting point. The teams are together with me.

I've also been very keen to hear from voices outside the company and have spent time with multiple stakeholders – including the CEOs of some of our largest partners, and political leadership at the highest level in key markets.

It is impossible to overestimate the power of listening. These inputs have been crucial to helping refine both the 'what' and the 'how' of our way forward.

Slide 21: A powerful combination of strengths

During my interactions, all of the things you see on this slide were confirmed as strengths of Nestlé.

At the top here is people and culture because it is so foundational at Nestlé.

I said when we announced the CEO change that I am deeply committed to Nestlé, our purpose and values.

And this commitment is something I have heard consistently shared in the last weeks.

As the leading global food, beverage and nutrition company, we strive to be the best in everything we do, with a long-term perspective.

We have an unmatched category and geography mix, a very strong portfolio of iconic brands and unique competitive advantages in our R&D, our manufacturing, and our route-to market.

We have an incredible engagement with consumers, connecting with people every day and in every stage of their lives.

And I'm proud of our leadership position in many areas, including sustainability.

For me, what is exciting about where we are today is that we have an enormous opportunity to build on these foundations and accelerate performance.

This is going to be a key focus of our Capital Markets Day in November, so I'm just going to give you a taste here – but more to come in a few weeks' time.

Slide 22: Multiple opportunities ahead

So, what do I see as our biggest opportunities?

One is consumer and customer centricity. Moving forward, we need to keep consumers and customers at the heart of everything we do.

Related to this is innovation. Nestlé has industry-leading leading R&D capabilities. We need to ensure that what we develop, and how we develop it, is linked to consumer needs and the consumer journey. And we need to focus. My mantra on innovation is "fewer, bigger, better".

Another priority is investment. To drive growth, we need to restore our investment. This includes – but is not limited to – investing in marketing to support our brands.

Importantly, that must not come at the expense of profitability. We need to enable investment for growth through unlocking efficiency savings, and better resource allocation. Having led some of our productivity initiatives in the past, I am convinced there is a lot more we can go for.

Slide 23: Actions in progress to drive performance and transformation

As well as accelerating performance, we need to transform Nestlé for the future.

This has two components.

First is digitalization – a critical enabler for many things. We will become a real time, end-to-end connected, intelligent enterprise, powered by data and AI.

The second part of transformation concerns sustainability. We have one planet and need to be mindful of natural resources. We must make sure our actions and investment have a meaningful impact.

That was just a taste of what you might call the diagnosis of our opportunities.

This will be the major focus of what I talk about at the CMD, so you will have to wait a few weeks to get more details.

But in fact, we are not waiting to start putting things into action.

I wanted to highlight three areas where we have already started to make progress.

First is on alignment of the organization around the strategic goals.

One of the benefits of all the engagement over the last weeks is that we have been able to get this strong alignment.

We have had extremely productive Executive team and Board sessions to collaborate together on this.

The level of engagement and energy and the readiness to move forward have been truly impressive.

Second, we have kicked off several projects around efficiency and productivity. These will help us to unlock the savings we need to fund the increased investments.

And third – we have designed and announced some importance changes to the organization that will bring simplicity and focus, and increase agility and accountability.

Slide 24: Organizational changes

As you will see from today's separate announcement, we are making several organizational changes. I will highlight four of them here.

First, on the Zones, we will reduce from 5 Zones to 3 Zones – Zone Americas, Zone AOA, and Zone Europe.

All three Zone heads will be based in Vevey, and colocation will strengthen the connections across the Executive leadership and provide greater alignment.

Second, for what we call the globally managed businesses or GMBs, both leaders will sit on the Executive Board and report to me as CEO. This reflects the scale and importance of both businesses.

Third, we are simplifying the structure for our coffee brands. This will bring greater alignment and remove duplication.

And finally, the critical areas of digitalization and sustainability will both now report directly to me, given their strategic importance to Nestlé's future and our transformation agenda.

With these organizational changes, all the leaders of key units driving our performance and transformation will now report directly to me.

Taken together, the changes will give us a smaller, more effective Executive Board, with clearer ownership and responsibility.

Slide 25: Key takeaways

So, to wrap up for now.

We delivered continued steady growth through the first nine months, in an environment of softening consumer demand.

We have achieved positive RIG in a backdrop of flattening prices.

We have updated our full year 2024 guidance to reflect current trading and revised expectations for Q4.

And we are moving at pace to accelerate performance and transform Nestlé for the future.

That concludes our presentation on the nine-months results.

In the coming days, weeks and months, I am very keen to engage with you, to share our plans on how we will perform and transform, and of course to listen to your feedback.

Thank you.

End of Transcript