NESTLÉ S.A.

2024 NESTLÉ CAPITAL MARKETS DAY
CEO & CFO Q&A SESSION

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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.

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

So, we will start the first Q&A session. Just a couple of comments on the logistics. So, when it's your turn to ask a question, please activate the microphone on the desk in front of you. Give your name and your company.

And to give everyone a fair chance to ask questions. Please limit yourself to two questions or to one two-part question for those of you who favor two-part questions. So, let's start with the first hand up very quickly, Warren, over there.

Question on;	Achieving cost savings

Warren Ackerman, Barclays:

Warren here at Barclays. I've actually got one question and it's on the savings. And I appreciate you'll give more color at the full year results, but 2.5 billion is a big number, cumulative. Are you able to say at this stage, give us a bit more understanding of what you're doing exactly on procurement and on commercial, to give us conviction that this is achievable? And can you also confirm that there'll be no reduction in people, in headcount? Are we talking hard savings, soft savings? So yes, that's my question on the granularity around that, because obviously that's the key delta to try and bridge the step up in investment that you're talking about.

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

I can start and hand over to Anna for more details, but procurement is a big bucket. It’s a big chunk of our profit and loss. As you can imagine, in an organization of our size, with so many specifications that we buy and always this question mark regarding what do we buy globally? What do we buy locally? There are always opportunities to improve the way we buy, where we buy, and also what we buy. So, we come back to the points of specifications. So, you should put all of that together, plus on top, tightening our negotiations. We believe that there is a significant chunk of what has been laid out as the savings should come from that bucket.

On commercial spend, there are also many dimensions to it, obviously, end-to-end. And what we expect from there is an uplift in growth, getting more from what we spend, what we invest, we come back to the focus on organic growth, spending better, investing better.

But we believe also that by investing better, we should also be capable to generate some savings, shooting the bucket of the 2.5 billion. And then, of course, there are also further efficiencies that we look at from across the organization. But on the first two, those are kind of agnostic of the organization. There might be some tweaks to the organization, but those should not involve significant restructuring.

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

And maybe just to kind of help with some examples, just so you understand the level at which we've benchmarked all of this. So, you know, there are areas where we can halve the number of specs we're working with in some pockets of the organization.

We've looked at how we procure above market versus how we procure in market. And there's an opportunity to shift that balance to procure more things standard globally. We've looked at the areas where we've got single suppliers versus multiple and what the opportunities are there.

So, this has been done at a very granular level. And we're very clear, therefore, how we go after it. And with respect to the operational savings, there will be some one-off costs associated with that as we work through some areas there.

Questions on;	**Margin development** **Pricing**

Guillaume Delmas, UBS:

It's Guillaume Delmas from UBS. A couple of questions for me, please. The first one is on the shape of your margin development. So, you expect some moderate decline next year. But should we assume a rapid margin recovery from 2026 onwards as the savings come through? And at this stage, I would assume advertising and marketing spend growing in line with sales from 2026 onwards, so staying at around 9%. And also, it was a few months ago, you were still talking about 17.5% to 18.5%. Are you signaling today that 18% plus is simply an unrealistic level for Nestlé, given your portfolio today, and that you would rather step up investments further rather than give meaningful margin expansion?

And my second question is on pricing. On pricing, so you're flagging some short-term input cost headwinds, inability to fully offset them with pricing in the short term. Is the food and beverage industry entering a new era where pricing is more difficult to implement? I mean, at the Q3 stage a few weeks ago, you were talking about some delisting, particularly in Europe. So, is it more down to companies to find savings to fully offset those headwinds? And does it mean more gross margin volatility going forward?

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

I can give it a go. And again, Anna will complement.

On your assumptions on development margins and investments. I think those are realistic. And that also connects to the second comment on the medium-term margin guidance. We want to give realistic guidance. So, keep that word in mind.

We believe on both sides we are realistic, given current circumstances and what we see as future developments.

On pricing, it's a very interesting question. We should keep in mind that we are out, and maybe not completely out, from a relatively long period of high inflation. And that if you listen to consumers everywhere, including in Switzerland, you would hardly find any consumer telling you food prices are mild or low. Everyone will tell you food prices are super high. And why is that? Well, because you've got two or three years of significant increase, high single-digit, double-digit, and everyone has got that in mind.

So, in that context, indeed, when on top of that the consumer wallet is under pressure and the economy is not buoyant, you got that perception from the consumer that, wow, will I pay for more? and so on and so forth. So, that can explain why it might be a little bit more challenging in that context. And I think this is more conjunctural than structural to pass prices.

It doesn't mean it's impossible, if you have got pricing power. And we can use all the levers of strategic revenue management, including price pack architecture, innovations, renovations, to generate pricing. But yes, it's a little bit more tense in the context than it's been in the years before. But that will normalize. So, we should not get obsessed with the idea that pricing power is gone, nobody can increase prices. No, it's not the case.

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

Just some numeric builds. I'm not going to guide for 2026, as I'm sure you are aware, because there's a lot that will happen between now and then. But I think what you've just heard from Laurent is our intention to get on with the cost savings work is high.

With respect to why we're saying 17% plus, it's an area where you've given us a lot of feedback that you've been struggling to work through what's cyclical versus structural in our margin. So, what we wanted to do was give you a floor as to what the structural power of our margin is. That's 17%.

Now, previously, we've given ranges, we've talked about incremental margin improvement year on year. We've stayed away from all of that because what we want to have the freedom to do is invest in the medium-term growth that we see when we see those investment opportunities. And that's how you will see us manage the business for the medium term.

And then with respect to pricing, just a tiny build, just to pull the two pieces apart. I think there's two different things going on here. There's coffee and cocoa, where it's not about a new pricing environment, it's about input cost pressure. And as you heard me say, at the third quarter results, the delistings that we'd experienced in Europe was on the back of cocoa price increases. So, that is a different thing than the broader environment where, as Laurent says, I completely agree, we're in a bit of a cyclical switch at the moment.

Questions on;	**Marketing spend** **Guidance**

James Edwardes Jones, RBC:

Two from me please. First, why Anna is 9%, the right number?

And secondly, your previous guidance for sales, obviously, 4% to 6%. You're now saying 4%. What's changed in that? Was the 4% to 6% always unrealistic? Or are there specific issues where you feel it's right to be more prudent now?

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

On the 9%, that's a very good question. What I can say is that it's a good number. It's a big step up in investment. It's going back to where historically, we have been investing. And you need to keep in mind that by the way, this is not the only area of investment. We, of course, highlight that one, but there are also other dimensions like the digitalization, for instance, or quality, or I mean, so many dimensions in which we invest. But yes, this one is very visible.

So, it's a good level. Is it the optimal level? Time will tell. But we are determined to put the resources that it takes to win in the marketplace. And the key thing is that beyond the number is the quality of the investment. We will do fewer things with bigger sales, bigger scale, achieving greater impact. And in that respect, expect also that those 9% will return better than they used to do.

On the growth level, we are just realistic with where the category growth stands for our categories. And take into account that we want to perform better in that backdrop, in that context, and that leads to the 4% plus.

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

Just a little build on the 9%.

I think what you're hearing from us is we're getting very focused on returns. And so, if we see opportunities that are beyond the 9% that are going to deliver those returns, that's something we'll invest in going forward. But we're getting really clear on those returns.

And again, just going back to Guillaume's question, why 17% plus? Because if we see further opportunities as we get into this, we will make those investments, but we will be consistent with our guidance.

Questions on;	**Culture and Incentives** **EPS growth algorithm**

Céline Pannuti, JP Morgan:

Céline Pannuti from JP Morgan. So, my first question, Laurent, is on culture and incentive. I think, you know, when such a big company like Nestlé and things do go in the wrong direction, could you please give us your perspective on what you think happened from a culture perspective? And give us a bit more granularity on this incentive change and how it's better maybe linked to top line performance.

My second question is on the EPS growth algorithm. You gave us top line margin. Thank you for that. At the same time, you operate in a very strong currency, the Swiss franc, and that always has an impact on the bottom line. How do you think about hard currency EPS growth? And with that, you know, your DPS payout, I noticed, was more than 62% last year. What's your comfort zone around that?

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

On the culture, very good question. I believe this is one of the strengths of Nestlé, there is this culture focused on quality, focused on collaboration, and it is so important in the current context, collaborating internally and externally. At the same time, there is this strive for continuous improvement. So, the culture is fundamentally right. It's a good culture and supportive.

Where you would see differences in performance is around alignment. This is a big thing that I'm highlighting always, that an organization of our size, of our scale, of our complexity, when people understand what is expected from them, you get a different outcome than when, you know, there is less clarity and too many initiatives.

So, the way I like to describe it and back to, we are the most global and the most local. Globally, I want to make sure that the framework in which everyone operates is very well defined, very tightly defined. What is the journey? What are the objectives? What are the priorities?

Once those are defined and the resources are aligned, then the principle is freedom in the framework, everyone at market's level, and you will see key market heads featured today, to execute upon those priorities. So, I think it's all about having the organization right, being clear on the priorities, and then aligning incentives, which is another good point, and there we want to tighten also and strengthen the framework and making sure that incentives align and follow the virtuous circle around efficiencies, around investments, around growth and market share gains, and sustainable development of the profitability.

So, that's the way we, and I will both, you know, align the organization with that clarity on the framework, and the priorities, and aligning incentives to that. And I guess you will see, and you should see today and tomorrow, that alignment is getting there. I hope you will see that everyone is speaking the same language, and that there is not one going on the east, the other one in the north, and the third one on the south. The direction is clear, everyone is getting aligned and undertaking in that framework, so that makes a big difference.

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

And EPS, and maybe I'll add on a question that I got outside earlier as well, just to tick it off. I was asked, you know, why we weren't guiding on constant currency EPS.

We've given you growth and margin. I look at EPS as an outcome, because you know where we are on tax, and you can calculate the interest. And in terms of EPS, reported EPS, of course, currency plays a factor here. We're a very global business, and it always will.

That said, we do think commercially, as we make choices around structuring our business, we do make, we try and do that in a way that manages currency as best as possible.

In terms of the dividend, we're confident in our ability to our commitment to it.

Questions on;	**Free cash flow** **Growth**

Jon Cox, Kepler Cheuvreux:

Jon Cox, Kepler Cheuvreux. Great stuff on the free cash flow. Just wondering where you think that can go, because if you're talking about working capital, maybe trending towards zero, that's a two or three percentage points. And also on the capex, if that's a point lower, is that how we should be thinking about your free cash flow margin going forward?

Second question, just on the growth, is there a risk we're actually just going to go back to the sort of mid 2010s, when Nestle was growing around, you know, 3%, or so, because of the absence of pricing?

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

I'll take the second one, and I will leave the first one to Anna.

What we give you as a guidance for the medium term is not three to four. We see, and we look at that both from the bottom-up perspective, as well as the top down, and we see our categories growing three to 4%. And we believe that increasing our exposure to higher growth space on one end, and executing better on our core initiative, core brands, big bets, growth platforms, we can achieve market share gains, drive category growth, achieve market share gains, and get to those 4% plus. So that's exactly what we have in mind.

And we are organizing ourselves to make that happen. And it starts with, in the spirit of the virtuous circle, with a big effort on achieving efficiencies, and we a put a big number on the table that we will achieve with a high degree of confidence to be able to fuel the growth.

And if we strengthen our value proposition, which is the second level of focus, or the first level of focus, there is no way we will not win in the marketplace. If you've got the right value proposition, right product, taste preference, right price, maximum distribution, maximum visibility, share of mind, with the right investment, there is no way we will not win in the marketplace. We've got the brands, we've got everything it takes to win in the marketplace. So, we are organizing ourselves to win in the marketplace and to achieve the 4%.

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

And on the cash flow, I'm not going to answer your question specifically, as you know. But I can give you a bit of color around it. With respect to working capital trending towards zero, you know, we've been doing some work to really understand our working capital, and a really clear on our route to achieve that, in that we've done it bottom up as to what's the right level of working capital as opposed to what's the change year on year.

And then with respect to capex, it will trend down from here. The exact phasing, you know, we will give you more guidance on, as we come into each year. But I also would say this is an area where I've been very clear not to create ongoing guidance, because there will be times when we see opportunities where we do need to put more capital in because we see the consumer demand there. And we will act to invest when those opportunities occur.

Questions on;	**Measuring the returns from A&P** **Efficiency gains**

Tom Sykes, Deutsche Bank:

Tom Sykes from Deutsche Bank. Firstly, just on the step up in A&P, many in the industry might argue that you can't measure properly the returns from the A&P you are spending now, and you're going to be stepping up quite quickly. So, what change in systems are you going to be putting in to make sure that you are measuring the returns from that, as well as can be.

And then secondly, just on the efficiency gains, it seems like quite a big change from you as a manager, from keeping the efficiency gains in your business, to then allocating them more at the group level. So how much buy in have you got from your managers on that at the moment? And does that imply the biggest cost savings are not in the highest growth areas?

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

So, on A&P, increasingly, we are in a data rich environment. So not only we can measure returns, but we can also model the impact of our investments through marketing, modeling, types of frameworks. So, we are embracing those increasingly, they are absolutely embedded in the way we work. We also consolidated our media buying and media planning. So, we got more tools and more resources to do that properly. And then we track impact and returns. So, you will see some interesting examples where you see that we can track down to sell out in the most advanced markets. So that tracking we got.

On the allocation of the investment, I think it's good news for everyone in the organization that we will invest more. It's a great news for everyone in the organization that we will invest more behind the bigger bets. And the bigger bets are not only Anna's or mine, they are the ones of the executive board and beyond, of the entire organization. So, everyone is behind it. There is one team. There is one spirit that we all want to win in the marketplace.

And we all understand that by focusing and polarizing efforts behind big bets and we make them visible to everyone, we will win in the marketplace and make an impact. So, the buy-in is tremendous. And I hope you will see that across the presentations today and interactions with the teams. The buy-in is very strong, as strong as it could be.

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

And just to maybe help a little bit with those returns, this is not about everybody spending a bit more where it would be impossible to track returns. This is some very clear areas that you heard Laurent lay out.

So, running out RTD faster, out-of-home coffee, pet therapeutic diets. They're very specific. Clear business places in clear geographies. And we can track the execution of those. And we will. We will make them visible at an executive board level because these are the big investments that we're making.

So, it's quite a different way of management and visibility.

Questions on;	RIG expectations Winning market share

Patrik Schwendimann, ZKB:

Patrik Schwendimann, ZKB. What is your best guess in terms of RIG in the midterm?

Second question. An important building block is winning market shares. Where do you see the biggest potential to win market shares in terms of category, but also in terms of competitor speed, large competitors, local players or private label?

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

So, we will not guide, as you can imagine, on the RIG, but it was a good try.

On the market shares. Let me take it a little bit differently.

Where will be the focus? And the focus is to win in our biggest categories and through our billionaire brands. And you want to win globally, of course, but we prioritize our investments. So those are the areas where we win, and we want to win. You will see that there are opportunities across the biggest categories.

I know that there were lots of questions. Is it still possible to grow in Coffee? Is it still possible to grow in PetCare? And the answer is yes, absolutely. There are massive opportunities to grow through subcategories on new geographies.

For us, for instance, take PetCare, which is such a massive business opportunity. Just look at Asia, AOA, where we stand today, where is the opportunity? Wow, that's massive. And this will be highlighted later today.

So, I believe we can grow on our core categories. We can grow also through our local champions. Generally, you can grow where you got the good leadership position already. That sounds sometimes counterintuitive when you got 70% share, 80% share. Is it possible to grow? I argue it's easier to grow when you get 70% share than when you got 7% share or 5% share. So, I believe that we will grow in the core categories with the core brands. That's the priority. And this is where we will put our investments.

Question on;	Share buy-back

Fulvio Cazzol, Berenberg:

My name is Fulvio from Berenberg. Just one for me relating to the share buyback, which you highlighted, you have no plans on renewing when the current one finishes.

I was just wondering whether and why you didn't come to the decision of perhaps monetizing the L'Oréal stake to continue to fund continued share buybacks, please.

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

So, with respect to the L'Oréal stake, I think our position on this one hasn't changed. So, I'm going to give you a similar answer that you've had before on this. We look at it as a financial stake. We monitor it rigorously and it's returned very well for us. And we continue to look at it as a financial stake and manage it that way.

In the short term, with respect to share buybacks, we're at the top of our net debt to EBITDA leverage range. And it's in that context that we don't have readily cash available organically to fund a further share buyback.

But it's an area that we continually monitor.

Questions on;	**Time to market for big innovations** **Partnerships for Waters**

Victoria Petrova, Bank of America:

Victoria Petrova from Bank of America. My first question is around this mid-term, Anna, which you mentioned that it will take some time to get to seventeen plus percent margin. I'm trying to understand these moving parts around your resetting pricing architecture, cocoa and coffee costs, as well as increasing advertising and promotion and cost savings.

What I'm trying to understand the moving part there is where you are in the innovation cycle. You mentioned, obviously, that you are expanding winners and building new growth platforms. My understanding is it's pretty much done through innovation, and out-of-home, in pet therapeutic.

How long does it take you to bring this breakthrough, big, large innovation into the market, so we can see it reflected in organic growth? That's my question number one.

And my question number two is on the key takeaways around Water. Just to understand, when you talk about partnership, is it something like a JV, something you have already in Ice cream, in Frozen Europe, or is it more around some kind of more in-house organic partnerships?

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

Let me start with the first one. How long does it take to grow at the big bets and growth platforms?

Let me start with the growth platforms. Well, it depends where is the starting point. Are we starting from a position or do we have to establish the position from scratch? And, of course, the answer will be quite different. Let's take pet snacks, for instance, that we highlighted. We don't start from zero, but we believe we can do a lot more and a lot bigger. So that takes a bit of time, of course, but it's much easier than when we establish from day one the capabilities and start to develop and implement the innovation.

If you look at innovation, everything starts small. You need to list the products. You need to build up awareness. You need to build up the trial, make sure that you get the repeats, and so on and so forth. So, it takes time.

But if you're only building up a decent level of distribution, it takes anything between six to twelve months. So, it's a buildup. It's an investment. We know that it's an investment for the medium and long term.

That's also why we cannot embrace a hundred. There's no way we can embark on a journey with a hundred innovations that will require patience, investment, support, follow-up, and so on and so forth.

So, you can see that we are very choiceful at group level. There will be initiatives regional and local because those require resources, efforts, constant investments, and then we'll come to fruition.

Take the most famous example, for Nestlé, Nespresso took, I think, 11 years to get to the first Swiss francs of profit and probably the same to get to one billion in sales. And then it accelerated pretty sharply. Or take Dolce Gusto, which also took its time to develop. So, we know that it takes patience. We know that it takes time. We know that it will be dilutive in the short term, but we accept that dilution because we build up for the long term.

And on Waters, so why do we first of all organize it again globally? Because if you look at the global platforms, it's global brands, S. Pellegrino, Perrier, Panna, and we believe that they will be better managed with one unified leadership, execution happening, of course, in the marketplace.

And if you look at the growth platform, the space of the beverages like Maison Perrier, for instance, or the S. Pellegrino franchise, that is also global. And so hence the decision to bring back the business under one roof with one leadership. That offers the possibility to look at partnership.

When we think partnership, we look all sorts of partnership, but obviously external ones are also in the picture.

So, bear with us. The team has just been appointed. They will have the task to set them up, number one, and then review strategic options and then come back with those options to be discussed and implemented. So there as well it will take a little bit of time, but we are creating optionalities for the future.

Questions on;	**Underperformance versus the market** **Gross margins**

Jeremy Fialko, HSBC:

Jerry Fialko, HSBC. So, a couple of questions from me. The first one is on the underperformance versus the market. So, you talk about the about 100 basis points below your end markets. But I think on the last conference call, you spoke about how the billionaire brands were broadly holding their market share. So, does this mean that there's some sort of pocket of business outside billionaire brands where you're really quite significantly underperforming the market? And in a sense, how does that match with your aim of focusing a lot of the investments on the bigger brands? Do you have this sort of tail that's dragging you down quite a lot?

And then secondly, perhaps you could talk a bit more on gross margins. That's an area where you have seen quite significant pressure over the last few years. You're still many hundreds of basis points below the 2019 levels. And do you think it's realistic getting back to that sort of 2019 gross margin with the sort of initiatives that you've got in place? Or just because of the scale of cost inflation you've had to go through, there's been some natural dilution. And really, what you're looking at is more of a progressive rebuild from where you're at the moment.

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

So, if I just do market share first. So, what we gave you at the nine-month call was the number of cells holding or gaining share. Both the billionaire brands where we said it was high 50s, and then we said for the whole portfolio, it was about half. So that's just the shape of it in terms of number of cells.

Maybe just to ground you in the 100 basis points, because in that 100 basis points, a little bit less than half is the implications of consumer hesitancy towards global brands.

The rest is loss of competitiveness. And as we've said to you, that's kind of 15 to 20 brand geography combinations that's driving that revenue value gap. So, each one of those would be one cell in the broader number of cells calculation.

So, the number of cells calculation gives you a really good sense of the breadth of our performance. What we're saying is there are a small number of cells where we've got underperformance, Laurent laid out four of the big ones earlier, where we're taking specific actions to correct that.

And then with respect to gross margin, over the medium term, or maybe over the slightly longer than medium term, there is no reason why we shouldn't get back to our historic levels of gross margin. You've seen us improve considerably over the last two years from, so in 2023 and 2024 from the ultimate low that we were at. But it's not going to be a straight line. As we've said to you, there's more headwinds in 2025 as we see more input costs come through.

But the fact that you're seeing steady progress once we go through these periods of input costs reflects the fundamentals of the business. Our ability to take price because of the strength of our brands, our ability to innovate into those price points where we can't take price, and our ability to generate efficiencies.

So over time, we will get back to the sorts of level of historical gross margin we were at, but it won't be in any way linear. It'll be a consistent recovery, but when we go through periods of significant input cost inflation, it will be lumpy because of that timing difference I explained earlier.

Question on; Margins

Feng Zhang, Jefferies:

Hello, this is Feng Zhang from Jefferies. I just have a question around the margins.

About the 17% of guidance, does that include the benefits from the potential Water partnership or disposal? And then, why Water first? Is it because it's a smaller business and then it's a larger drag to margins? Is there any consideration of Frozen categories potentially in the future?

And also, how we consider the net impact from the cost savings of 2.5 billion on profits?

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

So let me start with the last part of the question, 2.5 billion. We explained that in the spirit of the virtuous circle, that will fuel the investment behind the brands, behind the growth platforms, and the core big bets. And through that, we will generate the market share gain and the organic growth that will deliver the profitability.

We don't believe, I don't believe, in a system where you cut the cost to improve the margins without fueling the growth. That is not sustainable, that works for a couple of years but will not position you to win and grow in the marketplace. So, the model is to generate efficiencies and savings to invest in the business and to drive superior performance.

On the Waters, because Waters was kind of an obvious one, that we could organize it better. And it's a pretty focused business, although we have some local brands as well. But the core is in the global brands, the core is in the global platforms.

And the core opportunities around beverages are also common global ideas. So, it was kind of obvious to bring it back together and then looking for opportunities.

On Frozen, you will see that will be covered this today. Through the Food presentation, you will see some of the plans. We believe that we can do better, be more relevant. We got an interesting pipeline of innovation and renovations, and that's the plan we are implementing as we speak.

So, there are interventions on both sides, different natures, to position ourselves for success in the long term.

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

And maybe just to be completely clear about the margin question, the 17% plus is reflecting our portfolio today. And that's because what we've announced today with respect to Waters is a change in how we manage it. So, it's just a change in how we report and manage the business.

Questions on;	Investments in digitalization and sustainability Premiumization

Guillaume Delmas, UBS:

It's Guillaume Delmas from UBS. Two follow-ups, please. A couple of years ago in Barcelona, there was a lot of emphasis on digitalization and sustainability.

I think today we'll hear about both again in great details. But I think at the time, the soft guidance was for digitalization to be at 10 basis points drag per annum on your operating margin and sustainability around 30 basis points. So wondering if you could provide a quantum for both, and if we should expect at least investments in digitalization and sustainability to grow faster than sales.

And then my second follow-up, premiumization. Because in the last decade, you increased quite fast the percentage of your turnover derived from premium products. I think it was low teens in 2012, mid-30s last year. Do you still see scope to accelerate that premiumization trend? Or just based on the level you got to last year, we should expect a slower development of those premium offerings?

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

So, on digital and sustainability, those are two very powerful levers of transformation.

Digital is transforming everything. The way we work, the way we connect, the way we shop, the way we do business. So, there is no doubt that it is, and it will remain an area of investment, but also a tremendous area of value creation. So, we look at it as an investment that will provide returns. And that is providing returns. That's the better way to look at it.

On sustainability, the message also is that we have done the heavy lifting, and we are well on our way. And we look at it, we embed it in the way we do business, and increasingly look also at the returns, at the impact, and at the returns. And so investments will continue. We believe that to be on our way to our 2030 milestone, we will need to continue to invest, probably at a lower pace than in the 2025 leg of the journey, looking at impact and returns as well.

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

So maybe just to be specific around sustainability, Francois said 30 basis points a year. I think we see that through 2025, but as we embed sustainability further, it probably won't continue at quite that level. And when we look at investments going forward, we're not just looking at the sustainability impact, we're looking at the efficiency impact, all of the other benefits. It's a much more integrated way of looking at it.

And on digital, when we invest, we expect fairly rapid returns.

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

Premiumization. There will be that space, which is a great space for our brands, there is absolutely no doubt. And actually, most of the growth coming from PetCare, or from Coffee has been coming from premiumization. So, I think that will continue.

We want to bring back, in the context that we know, and in the context we have described, the point of affordability, because expectation globally, and not only in emerging markets for affordable nutrition, or affordable diets, is as high as it's ever been. So, we see it as a big opportunity to play at both sides of the ladder. Premiumization, absolutely still ample opportunity to grow premiumization, but also, we want to look more intensely deeper at the affordable nutrition opportunity in an increasingly polarized consumption context.

END OF TRANSCRIPT