

NESTLÉ S.A.

## 2024 NESTLÉ CAPITAL MARKETS DAY

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Speakers:

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

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**Laurent Freixe, Chief Executive Officer, Nestlé S.A.:****Slide: Title Slide**

Good morning and welcome to Nestlé. How are you doing today?

I am delighted that so many of you have been able to join us in Vevey. Vevey which is well known as the center of the world, at least the center of the Nestlé world and the center of our interest in the next couple of days.

The objective today is to show you how we will accelerate Nestlé. This will be a teamwork. You have seen the agenda. You will see our global leadership team, some of our key market heads and our R&D leaders throughout the sessions, reflecting our bench strengths.

There's a lot to do, but I am confident in our business, in our plans and in our teams.

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With that, you can see here the agenda for my presentation today, which is organized around performance and transformation with the Nestlé Strategic Virtuous Circle as a compass

Now let's dive in.

**Slide 4: Deep Nestlé experience driving continuous growth**

I will not repeat what I shared a few weeks ago on my career at Nestlé, but I can reiterate my deep commitment to Nestlé's culture and values. I want to focus on three key lessons that I have learned.

First, growth is of the essence. Growth is an output that shows that we are getting things right – delivering for consumers and customers. Growth is also the main lever of value creation, it creates scale and additional fuel for investment, driving the virtuous circle. And because growth shows that we are doing things right, it is a very powerful motivator for our people.

Second lesson team is everything. There is no achievement which is not the result of great teamwork. Nestlé has the right people and the priority for me, as I came into the role, has been to ensure we have clarity and alignment so we can work as one team.

The final lesson is focus. Doing a few things really well has much more impact by definition than doing too many things that are sub-scale. Less is more. This is a theme you will hear repeated today. Focusing on our top brands, top SKUs, on our big bets, and our most impactful investments.

These are all embedded in our plans. And the good news is that there is already action in the action plan.

#### **Slide 5: Moving forward at pace**

In my first eighty days, it's eighty days today, as CEO I have already taken steps to fit the organization for the future, with better team alignment, and a structure that creates more responsibility and more accountability.

We have launched new productivity initiatives that will create the fuel for accelerating our growth.

And I have engaged intensively across our stakeholders, inside the company and outside the company

#### **Slide 6: Nestlé's power is in being the 'most global' and the 'most local'**

Before I talk about what's going to change at Nestlé, let me remind you of our unique strengths and capabilities.

We have a superpower at Nestlé. Our superpower is in being the most global and at the same time the most local company. This is a big competitive advantage in an increasingly fragmented world.

We have a global footprint in 188 countries, 60% Developed Markets and 40% Emerging Markets. Our global scale creates efficiencies and allows us to invest and do things that others just can't do.

Around 70% of our sales are in number one or strong number two positions and we have leadership positions globally or locally across a wider range of categories than anyone else.

We have an unmatched portfolio of products and brands. We cover all life stages, from birth to elderly ages, and all price points. We have 31 billionaire brands – more than anyone else in the industry.

We are also firmly local. In most countries where we operate, people think of us as a local company, you will see it later today with a few very concrete cases. We have over 95% household penetration in the large majority of our biggest markets. And we know what consumers want in each market, because we serve more than 1 billion of them every day.

Nestle has always been a science-led company. It's in our DNA since inception. Last year alone we filed over 400 patents which shows the power of our research. Now on the product development part the focus will be on fewer initiatives, bigger and better.

Last but not least, we have incredible people and a great culture of quality and long-term continuous improvement. This is a great foundation for Nestle.

**Slide 7: Nestlé is the Nutrition, Health and Wellness company**

We are, and we will continue to be, the Nutrition, Health and Wellness company

We have a unique position in our markets. We enhance the quality of people's lives, playing a role in the diets of everyone, everywhere, at all stages of life, that's a unique position.

And it's both a responsibility and a massive opportunity for Nestle, in a world suffering from the double burden of malnutrition, with close to 1 billion people suffering from hunger, and more than 2 billion suffering from overweight or obesity. And there is an increasing expectation globally to live healthier and longer, with an ageing population.

**Slide 8: Strengths underpin long-term results but 2024 performance weaker**

Over the last ten years and more, our strengths have underpinned strong performance within the business and for our shareholders, as you know.

But, as you know as well, in 2024 our business has slowed with the fast normalisation of pricing and our performance in 2024 is below our potential.

**Slide 9: Structural trends present significant opportunities**

But that slowdown is not structural. It is not.

The fundamentals of our categories are very healthy and supported by existing and emerging trends. We operate in categories which drive 3 to 4% organic growth. This is 100 [basis points] above the food and beverage industry.

The good news is that we are well positioned to capitalize on all these trends, as you will see across the presentations today and tomorrow.

#### **Slide 10: Our plans and what shareholders should expect**

So, what is our plan, and what should you expect?

The starting point is that we are positioned to win, and we will increase our investments to support organic growth, at the same time as we will raise our game in terms of quality of execution.

What does that mean for our shareholders?

Over the medium term, Nestlé can and will again deliver strong financial performance. We will drive category growth and improve market shares, which will translate into 4%+ organic sales growth.

On the margin side, since I am the CEO, I have been very clear about the need to increase our investment to support growth, to support our brands. And equally clear that this cannot come at the expense of profitability in the medium term, once we realise the benefits of our efficiencies programmes.

And finally, on cash generation and return on capital, these are key metrics of value creation, which I will be very focused on.

#### **Slide 11: Strategic Virtuous Circle is our framework**

To align the organization to accelerate Nestlé, we are using the internally strategic virtuous circle. This sets out the framework of achieving efficiencies to generate the fuel for growth. We can then invest in our key brands, and in our key growth platforms. This drives category growth and market share gains, leading to sustainable and profitable growth, which in turn brings the benefits of scale and value creation.

It's a very simple and very powerful flywheel when put in practice.

**Slide 12: Clear action plan to drive performance and transformation**

Now I am going to talk about how we will put action into that action plan across the company.

To accelerate our performance and our transformation, our actions come into three key areas of opportunity and it starts with operational excellence, with a focus on the core.

We will sharpen our value proposition to our consumers, and make sure we achieve a clear-cut preference at every step of the value equation.

On innovation, less is more. We launch every year more than 1000 innovations and renovations globally and locally, we are a big company. But over the medium term this number will halve. This does not mean investing less on innovation, it means focusing on fewer, bigger and better. The bigger bets that have the greatest potential to bring incrementality. And we will increase our investments, fueled by incremental efficiency initiatives. Incremental opportunities require incremental investments.

The second big theme is unlocking the full potential of our portfolio. It means expanding the biggest winners and the good news is that we have exciting opportunities, through new sub categories and new geographies. In a fast changing world with fast changing expectations, we will build up new growth engines. And we will also address - it's often a question - our underperformers in a systematic way.

The third big theme is strengthening our foundational capabilities. It's about motivating and enabling our people and teams. And it's already largely on the way, there is a very good energy within the organization which I hope you will feel across today and tomorrow.

We will also accelerate digital to accelerate our business and we will embed sustainability for greater impact.

**Slide 13: Action plan to drive two key outcomes**

All of this will drive performance acceleration and transformation, to create a better and more capable Nestle for the long term.

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Let me now turn to the first priority which is operational excellence.

**Slide 15: Sharpening our value propositions to achieve superiority**

This starts with the basics. We want to achieve superiority with all the core elements of our value proposition, everywhere and all the time.

This begins with taste preference, it continues with having the right price pack architecture, the maximum availability and visibility, and last but not least, achieving a share of mind, ahead of our share of market.

To win overall, we start by winning there, at every step of the value equation. And we will make sure we have got this on our top 4000 SKUs, which account for roughly 50% of our sales and 50% of our margin. On these we will achieve 100% superiority.

**Slide 16: Focus our innovation for greater impact: fewer, bigger, better**

In innovation, the focus, as I said, will be on the impact, and on the incrementality with fewer and bigger initiatives. We have leading science and research capabilities. We invest more in R&D than any other company in our industry. And we are determined to spend well and better, in a more focused way. And this will ensure we are getting the right innovation, these breakthrough innovations that create a before and an after when they hit the market.

You will see examples of our big bets throughout the next couple of days. And for 2025, at Group level, we have selected six initiatives to prioritize. Not all of them will become billionaire brands, billionaire businesses, but each has the potential to achieve at least a CHF 100 million in sales.

Examples include Sinergy, the next generation of infant formula with a blend of HMOs combined with a specific probiotic working in synergy to provide health benefits.

Let me highlight as well the Nescafé Espresso concentrate, launched to capture the growing out-of-home cold coffee trend, brought for in-home consumption, in a convenient, simple and customizable way.

On top of these six big bets in 2025, we will have more in 2026 and again in 2027. So after three years we will have around 15-20 big bets, each with the potential to deliver at least 100 million of incremental sales.

**Slide 17 : Increasing investment to drive growth and support our brands**

Nestlé has reduced investments over the last years in the area of generating demand. Which is not the best idea to drive growth and market shares.

This is changing! We are stepping up marketing investments back to pre-COVID levels, of around 9% of sales by end of 2025.

And you will see a different approach to investment. We will polarize investments to support the bigger brands and the biggest areas of opportunity, making sure that all our initiatives reach a level of sufficiency to make an impact.

A good example is the recent partnership making KitKat the chocolate brand of Formula 1. It will bring the KitKat break into the world's fastest sport, reaching a passionate global audience. It's a very nice concept – with KitKat heavily featured in the pit lane, it reinforces the idea of owning the break in the Formula 1 context. We want to own the break in every possible context .

<b>Slide 18: Delivering cost efficiencies to fund the increased investment</b>
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Next action is productivity and cost efficiency.

It is no accident that the strategic virtuous circle starts with achieving efficiencies. It is fundamental to achieving sustainable profitable growth. It's the make or break, in a way, of the virtuous circle.

The good news is that in a business of our size and of our complexity, there are still many opportunities across procurement, commercial investments, and operational efficiencies at large.

On procurement for instance, we are looking first at the low hanging fruits, how can we achieve fast cash to fuel the growth, and then systematically we will be reviewing how we buy, where we buy, and what we buy, which specifications we buy basically.

In recent years, we have been delivering ongoing savings in the business of around CHF 1 billion a year. We will continue to do this, but on top, by going broader and deeper, we are committing today to at least CHF 2.5 billion incremental cost savings by the end of 2027.

Those savings will go towards reinvesting in the business.

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Now let me drill down into our portfolio and its potential.

**Slide 20: Unlocking full portfolio potential means global plus regional platforms**

Over the last few years we have talked extensively about our global platforms, Coffee, PetCare and Nutrition. Each and every one accounts for around 20 billion in sales, so they are big buckets. And they command a global leadership position. These are a core part of the Nestlé critical growth engines.

But we may have focused on these at the expense of the other 40% of our sales that are in our regional and local platforms. Many of which are champions in their local markets, with clear opportunities for growth acceleration. We will make the most out of all the portfolio, prioritizing areas of the highest value creation potential.

Equally you will see us do more with our billionaire brands, where we have opportunities for category growth and geographic expansion. And we will keep developing the future billionaire brands.

**Slide 21: Accelerating our categories through expanding and existing strengths**

A core part of our plan to accelerate Nestlé is to build out our existing winners.

Even for our biggest categories and brands, there are still white spaces where we can invest, new geographies, new sub-categories, new business models or innovations.

Let's start with Coffee, the largest. We are the number one Coffee company globally, with 25% of the at-home market, and with the three best brands in the industry. And out-of-home is a large and fast-growing market opportunity. For Nestlé it generates CHF 2.5 billion of sales. We see the potential to grow at double-digit rate, with an accretive margin, in the years to come.

We also see a lot of potential in our ready-to-drink coffee business platform, currently more than CHF 1 billion in sales with potential to grow at double digits over the coming years.

And the overall cold coffee space offers exciting opportunities to reach a new consumer segment and new consumption occasions.

In PetCare as well we have multiple opportunities. First, it's by strengthening our geographic footprint. We already have leading market share positions in North America and in Europe. But in AOA, and in Brazil, we have clear opportunities to increase market shares from a lower base and accelerate growth.

We also see a significant opportunity to develop our snack and treats business, and the therapeutic diets segment, building upon our R&D capabilities.

And beyond Coffee, PetCare and Nutrition that you will see featured today, we also have a lot of room to continue expanding some of our most iconic brands, like KitKat and Maggi. These two brands together account for well over 5 billion in sales, and we see potential for both to deliver continued double-digit growth.

Opportunities to accelerate are also connected to growing channels, where we have unique capabilities. E-commerce accounts for 18.5% of our sales and is growing at close to 10% as we speak.

**Slide 22: Building new growth platforms to drive the growth of the future**

On top of expanding existing winners, I see opportunities to set Nestlé up for the future by fueling new areas of growth. We know that consumers' needs are changing, and that consumer health is taking center stage. The areas of healthy longevity, women's health, weight management, or affordable nutrition offer significant opportunities for the future.

We are organizing to accelerate in these areas.

**Slide 23: Addressing underperformers to support growth**

Like any company, we have businesses operating below their potential. It's a little bit like with a big family – there is always someone who is not in best shape and we are a big family.

Since I have taken my role, we have reviewed with the Executive Board our largest areas of underperformance. We want to be more systematic in our approach to managing underperformers, diagnosing the issues and swiftly developing and implementing targeted action plans. As it stands today, we expect to fix, rather than sell a majority of these businesses.

Some of these fixes will be relatively straightforward. Take US creamers for instance. We have been capacity constrained for some time. We have invested in new capacity which is now coming on stream and we will make the most of this enhanced supply to meet demand and to win in the marketplace.

On the other hand, some of these areas may require change in approach and time to fix. For example, we know that we are challenged in Western Europe with Nespresso. There are many

ways we can, and we will address the challenges we face. The development of Vertuo line is an obvious one, and of the development of Nespresso authorized brands present in retail - like Starbucks or Nescafé Farmers Origin – is another one and they are part of the solution. Beyond we are looking at all possible alternatives to make the Nespresso eco-system even more attractive, and even more compelling.

And then we will cover other areas later. Another area is Water.

**Slide 24: Creating a standalone Waters business to unlock value**

As you will have seen from this morning's announcement, we are going to reorganize Waters into a separate, global standalone unit, headquartered in Paris. This will allow us to have the right focus to drive performance in our leading brands. And this includes exploring possible partnerships, as we have done it successfully in other areas in the past. And as we evaluate all options to make the business successful and with the focus on creating long term shareholder value.

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Now let me turn to our actions to reinforce our foundational capabilities.

**Slide 26: Engaging our people to increase alignment and ownership**

We have great people and a great culture in Nestlé, but we can still do better.

I have already acted to simplify the organisation to ensure that there is clarity, alignment and ownership in every part of the business.

We are also changing our incentives to consistently reward performance against the market and align with our goals. This will help in, not only being the biggest which we are, but also in being the best!

**Slide 27: Digitalizing to be a real-time, end-to-end connected enterprise**

We all know about the broad opportunities around digital, and at Nestlé we have a very strong backbone on which we can build up with Globe. My aim is to be digital end-to-end, and be a real-time organization, data and AI powered.

The plan you see on the right-hand side is the one I had developed for Zone Americas, and further enhanced for Zone Latam. It works and we will deploy it for the Group.

We will move from siloed initiatives by function into a comprehensive enterprise-wide digital acceleration plan.

**Slide 28: Embedding sustainability to drive long-term positive impact**

In terms of transformation, of course, sustainability is foundational, it reflects our long-term approach, and our care for nature and for natural resources.

We have made great progress, and we are embedding sustainability in our business, focusing on the long-term positive impact we can have, around climate, regenerative agriculture, and more broadly, circularity.

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To pull all of this together, to accelerate performance and transformation you can see our strategic virtuous circle, which sums up everything I have been talking about so far.

**Slide 30: Strategic Virtuous Circle brings it all together**

Going round the circle, we are going to achieve efficiencies, invest those in growth and market share gains, so that we can achieve sustainable value creation, and in turn fuel growth further, while being consumer centric in all our initiatives. You can see the consumer at the core, at the center, at the heart of the virtuous circle.

**Slide 31: Key takeaways driving performance and transformation**

In conclusion and to finish on the key points you should take away with you.

Number one, we have a clear plan to accelerate Nestlé

Number two, we will invest to make this plan impactful, stepping up marketing investments up to 9% of sales by the end of 2025.

We have set a new target to achieve at least CHF 2.5 billion in cost savings by 2027, on top of existing programmes.

On the portfolio side, Nestlé Waters and premium beverages activities will become a standalone business as of January 2025.

In the medium term, you should expect from Nestlé, Organic growth to be 4%+, with an underlying operating profit margin of 17.0%+.

With that I'll turn to Anna for the financial framework that goes with our plan.

**END OF TRANSCRIPT**