

NESTLÉ S.A.

**2025 Barclays 18th Annual Global Consumer Staples Conference
Nestlé Fireside Chat TRANSCRIPT**

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Speakers:

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Warren Ackerman, Head of European Consumer Staples Research, Barclays

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Warren Ackerman, Head of European Consumer Staples Research, Barclays**Topic: Welcome**

Thank you everybody for joining the Nestlé fireside chat. The eagle eye amongst you might have noticed a slight typo on the holding slide. Apparently it's changed outside but just not in here. Good morning, Anna, and thanks for being here. I think given the sudden change of the CEO it's really appreciated that you've fronted up in the meetings yesterday and being as transparent as you can be. And you're now happy to sit down and talk to me and your investors sitting in the audience and those analyst and investors who are listening online or during the playback. So thank you.

Topic: CEO Departure

Okay. So let's get into this. I'm going to ask you the elephant in the room question. Can you maybe just outline as best as you can what happened with Laurent? And can you give us some context as far as you're able?

Anna Manz, Chief Financial Officer, Nestlé S.A.**Topic: CEO Departure**

Sure. So back in May, we received a speak up through our internal channels, alleging a romantic relationship with an employee and improper favoritism and that was investigated through an internal investigation overseen by the Board. And no evidence was found at that point. And it was at that point that Laurent also made a personal statement stating that there had been no such thing. Subsequent to that, we had a number of other speak-ups making slightly different allocations and with slightly different information. And on the back of that, the Board initiated a second broader external investigation, and it was that, that triggered information that led to the Board believing that there have been a breach of conduct and that they needed to act to change CEO.

Warren Ackerman, Head of European Consumer Staples Research, Barclays**Topic: CEO Departure**

Okay. In terms of the speed of change, why did it happen so quickly? Can you maybe explain a little bit around the succession planning? I think some people have been a bit surprised that perhaps there hasn't been a full internal, external process? What was the thinking?

Anna Manz, Chief Financial Officer, Nestlé S.A.**Topic: CEO Departure**

Sure. I mean - it's interesting that we've had lots of questions about succession at Nestlé. And Laurent was 62, I mean he's 63 now. And so of course, the Board have been focused on succession considerably anyway. And a lot of work has been going on in the background looking at both internal and external candidates. Now we didn't expect to find ourselves here now. So timing has come earlier. But I think the reason you don't see us do an external search now is because the Board felt that actually they've done all of the work and we're well placed, therefore, to appoint the best candidate that they have identified, which is Philipp. And in many ways, given that, that work has been done, and they can move quickly to appoint Philipp, it allows us to keep real momentum in the business.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: New CEO

Can you tell us a little bit more about Philipp or is it Phil or Philipp?

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

Topic: New CEO

Philipp.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: New CEO

Why is he the right CEO for Nestlé and his background? It does seem to me it's a bit of a break from the past. He's a bit younger, 49, makes me feel old. He only joined the Executive Board, I think, in January. Am I right in saying that?

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

Topic: New CEO

Yes.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: New CEO

He's led Nespresso, but he hasn't really had wider Nestlé experience. So just a little bit about him and his biography, I guess.

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

Topic: New CEO

Sure. So Philipp has been with Nestlé for more than 20 years. He's done a broad range of jobs. He's run the global coffee business for Nestlé And so it was Philipp that drove the rollout, for example, of Starbucks into 90 countries around the world. And more recently, he's led Nespresso. He's a really strategic thoughtful leader. He's also very pragmatic and executionally focused. And I've seen that working alongside him since he's been in Nespresso. He's really come into that job fast, and I've seen him act to invest to drive growth boldly whilst driving simplification across the organization. So I absolutely see why the Board have made the choice that they've made. And I think he'll bring a freshness of perspective and I think a pace to change at Nestlé, and I think that's one of the reasons that the Board has made this appointment.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: New CEO

And when should we expect Philipp to present to markets and meet analysts and investors?

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

Topic: New CEO

Well I'm aware there's a lot of demand. So for sure, you'll see him at Q3. And we're looking at ways to introduce him to the investment community ahead of that. So we'll come back to you on that one. But we've heard the demand.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Performance Metrics and KPIs

Okay. So maybe segway in terms of like your time at Nestlé. I'd be very interested to understand how the performance management of Nestlé has evolved over time on the KPIs. Maybe you can give some examples. Is there a common set of metrics now that everybody sort of aligned on and maybe what they are?

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

Topic: Performance Metrics and KPIs

Yes. So as we focused on delivering organic growth, the focus is about running the business better. What we've done is describe the KPIs that you need to run the group. And actually, if you look across all functions, it's about 50, that cover things from media sufficiency across to on time and full deliveries. They are a common set of metrics and they are cascaded all the way down the group and most of them are now automated. And I say that because the shift is a move from management by PowerPoint, where you can pick and choose the metrics that you're using to describe performance to a described set of metrics that are informing all of our performance conversations, and we talk to those metrics, both at an executive board level monthly, but also then at a business level and then down to a country level. I think that is one dimension of the shift. I think the other dimension of the shift that we've been driving is a focus. So rather than focus on everything equally being really clear where those areas are that have been detracting from growth. The 18 share loss sales and very specifically performance managing them, but also identifying those areas that will really accelerate growth. So those platforms like RTD coffee and pet therapeutics that will really accelerate growth and again, performance managing them. And this concept of focus and not managing to the law of averages is a really important one as we really raise that executional sharpness.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: 18 Underperforming Cells

At the CMD, you mentioned the underperformers. I think you said 18 underperformers, 21% of revenues. We don't know every single underperformer. We've got an idea what they are. Can you give us an idea -- an update, I guess, on since the CMD, how's progress looking on those underperformers? Because it's been quite material in terms of growth. I think it's been 100 bps drag.

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

Topic: 18 Underperforming Cells

Yes, exactly. So good progress. We have closed the share loss drag associated by those underperformers by more than a third in the last six months. Some of them, actually three or four of them are now in what I would call sustained share gain and sustained is an important word because anybody can gain share in a given month. It's got to be on an MAT basis to meet the sustained test. We've got sort of four of them that are there, so things like Milo, which is a very important product in ASEAN; biscuits in Brazil. So good three or four of those. 80% of them are moving in the right direction. So you've got things like creamers and frozen food, all moving towards share gain. And then there's a couple that are stubbornly not yet

making progress. One of those would be Gerber, for example. But there, it's -- we're taking the actions. It just takes a little while for those actions to flow through.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: 18 Underperforming Cells

And you mentioned Gerber. Can we maybe touch on that? Because I'd be interested to understand the philosophy, where it's more difficult, like Gerber, it's been an issue for a long time. How do you actually reimagine Gerber? What are you actually doing to fix something that you've tried to fix before to give us confidence that this time you can actually.

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

Topic: 18 Underperforming Cells

So really, it's a good question. And it starts with metrics because metrics allow you to describe the problem clearly. So that clear description of do we actually have taste preference -- do we have product preference, so taste, packaging, consumer need preference. Are we at the right price point versus the competitor set? Do we have distribution, share of shelf? And do we have our share of voice? When you do that diagnosis, it's quite clear that we've lost some distribution. We've been losing some distribution because we haven't been delivering against the value proposition. And then we've done more work to really describe what it takes to deliver on that value proposition and what our consumer really wants versus what we might think that they want. So there, that work has been done and it's been heavily reviewed. The reason it takes a little while to work through is having identified the proposition shift, you then need to act on it. And acting on it means working it through with our customers because to get our distribution back, our customers need to believe in why they are going to give the shelf back to our proposition. And that's the process that we're working through at the moment.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Coffee Competitive Landscape

I want to talk about a changing competition in the coffee landscape. If the KDP JDP deal goes through, KDP share and coffee will go from 5% to 16%, right? So that will close the gap significantly against Nestlé as the global leader in coffee. That would be a seismic change in the coffee industry landscape. How can Nestlé adapt and go even faster when you've got two companies coming together to create a pure play?

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

Topic: Coffee Competitive Landscape

Yes. So I mean we are the leader in coffee and we've got phenomenal brands. I mean Starbucks, Nescafe, Nespresso are super. And they are performing and they're gaining share. So we start from a good place. This -- we compete with both of the companies today effectively. The fact that they are coming together to form a good competitor actually should be good for the category as a whole, strong competitors, strong category, all price. But you can be sure that in the where there may be a bit of distraction, we will be absolutely out there making sure that we take every advantage of that opportunity.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Pure Play Competition

And I guess related to that, I mean what we're seeing in the industry at the moment is the creation of a lot of pure plays, whether it's Unilever ice cream Magnum, we talked about the new Keurig coffee company and other disruptors. It just seems like in a world where consumer is so choppy and channel shift, the giant supertanker like Nestlé, how can a giant supertanker like Nestlé keep up with these kind of speedboats of pure plays in different categories when they eat and sleep single categories? So what is the advantage still of that scale, I guess?

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

Topic: Pure Play Competition

So what blew me away when I arrived at Nestlé is the route to market. The power we have in be it Portugal, Chile, as you go around Indonesia, as you go around the world, and I have been of the power of our categories playing together, we're in every aisle in the supermarket and that allows us to have a really different conversation with our customers and really have an amazing route to market and a deep, deep understanding of the consumer. So I think there's a huge advantage there. And this is the and, what the pure players are good at, and we need to be equally good at is that execution focus. So that's where you see us focusing driving that by category execution focus, so we delivered just as well and we have the power of our amazing route to market. And where that would come together to give you an example would be, for example, in AOA, where we've got fabulous market presence, largely underpinned by dairy and nutrition. In countries where coffee is a fast-growing category, and pet care is, in many places, quite nascent, that route to market that we have is the really powerful, profitable cash-generating business with the real category focus on top to really drive those categories, that's where you see us competitive.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Leveraging Data

I guess that's a good segway into the question around data. How are you going to go about leveraging data and using your global IS/IT platform, Globe has been in place for 20 years now right, or 25 years? Nestlé's got reams and reams of data, but maybe not using it optimally to drive consumer insights or better resource allocation and maybe the demand supply signals. How can you step change the use of data to actually work for you?

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

Topic: Leveraging Data

So this is a journey that we are well and truly on. And actually, I think Laurent has really accelerated in his time as CEO, and that momentum will continue. So we do have -- I mean we are one of three companies in the world that has a single instance ERP across the group. So we have amazing data. I mean I can see pretty much anything anywhere, anytime and any I look. And we also have an enormous amount of -- we have 0.5 billion records of first-party consumer data as well as customer data. And we have the tools now the digital tools that put that together to give us the insights to manage our business better and faster. So be it marketing return on investment tools, real-time promo tools as well as some of the supply chain planning and forecasting tools. The shift at Nestlé is moving from allowing markets to pick and choose what tools they take and develop their own if they fancy it to having -- taking that data, taking the tools that we've got developed and driving them down the organization because actually, we can go much faster at digitizing if we use our scale to go once. And that's exactly what we're doing.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Pet Category

That's super interesting. I want to get into a couple of the categories and a couple of the key cells. I mean the biggest single cell in Nestlé is U.S. pet food. I think it's about 12% of group revenues, if I'm not mistaken. What is the current category growth in the U.S. pet maybe if you have a number, cat versus dog? And how much capacity are you still to bring on? I'll leave it there, and I have one follow-up on it. But yes, just in terms of the market -- the category growth and capacity.

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

Topic: Pet Category

Yes. So let me talk around it a bit because I think context is important here. So firstly, what I would say is the fundamentals of the pet care category that underpin a sort of medium-term trajectory of mid-single-digit category growth are really strong. And they are increasing pet adoption, which we're seeing globally, an increasing desire to humanize pets and treat them with members of the families less babies, more pets and that drives premiumization. And then the third one in the emerging world is increasing caloric coverage. So the U.S. is at 90%, but Mexico is at 60%, India is at 20%, actually, Eastern Europe is sort of 70%-or-so. So that's the opportunity. Now in the U.S., there is also great fundamentals in that we're seeing growth in pet. Actually, we're seeing really good growth in -- good growth in cats. Dogs are flattish. But actually underneath that, families with multiple dogs are not replacing a third or a fourth dog when they pass away, but more families are coming into dog ownership, which from a category fundamental thing is a good thing. And the desire to treat dogs as members or pets as members of the family absolutely is very present and stronger in the younger generation, and that's who we see coming into pet ownership. So the fundamentals are good. But the -- it's been a lumpy category for a number of reasons. Firstly, in COVID, we saw significant pet adoption accelerated into a period. And that probably has meant that we've seen slightly slower pet growth since even though it's growing. Secondly, because of that, we have seen capacity shortfalls. And because the category has been lifetime capacity, we haven't seen any innovation and innovation is what drives premiumization. That humanization of the pet that -- want a new experience to give my pet and its innovation that drives me to try. So that has held the category back. And then thirdly, you've seen a period of extreme price inflation through '22 and '23. So we were taking about 25% pricing over that period. And then in 2024, you've seen all of this come together. So less price inflation. Through the year, we then saw the return of a more normal promotional environment. By normal, I mean less deep than prior to COVID, but we had promotion we didn't have in the previous two years. That was deflationary. And coupled with the lack of innovation driving the premiumization. By the end of 2024, the category was flattish, which is felt quite subdued. As we've moved into this year, and we're sort of coming through that promo period, and we've got a little bit more capacity coming into the category, we've seen it in a 12-week window, probably the highest about 2.5% category growth. It's been a little bit slower in the last few weeks, but pets eat less in hot weather, these things come and go. So that's the sort of shape of things. Where are we though on that capacity journey? We still do not have enough capacity in wet cat food. And the growth in the category, the acceleration that we're seeing is in cats, which is wonderful because pet cats are wonderfully picky eaters. As somebody tells me, a cat can go for nearly a week. If it doesn't, if it isn't like the food, not eating, whereas a dog it's a matter of seconds. So cats are good. So we're seeing that nice growth in wet cat food but we don't have the capacity that we need to meet it in the U.S. at the moment, and that is holding us back. We get more capacity this quarter in Jefferson. And then we've got some more capacity coming at the end of the year, which will be really helpful in terms of reigniting growth and category growth as we then bring more innovation.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Pet Category

There's also a new segments that refrigerated is a segment. We've seen General Mills are now making a big push into that area. You talk about pet therapeutics one of the big things at the CMD. Maybe you can sort of touch on those 2.

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

Topic: Pet Category

Yes. So those are both faster-growing segments. And of the 2, if I just to compare in a minute, the one that we are really focused on growing is therapeutics. What is therapeutics? It's specialty diets often prescribed by a vet to help with Pet Nutrition and Health. And actually, you can do a lot with pet health with the appropriate diet. And then, we have the R&D. It's very technical, and the investment that we are making is to work with vets and veterinary schools around nutrition and educate them in this space and educate them in our products and how they solve problems. And it's an area where our share is 10% of the sector for the category, which is significantly lower than it should be given our share elsewhere and our capabilities. And so the reason that we're very focused here is it's a high-margin, fast-growing area, and we have the R&D capability. So what do we need to do? It's the investment in the footfall to get to those vets. I am more excited about that as an investment because I am very clear on the returns than I am about fresh. Now fresh is also growing, and you've got different types of fresh. You've got frozen, you've got chilled, you've got some ambient offerings. Now we know a lot about frozen and chilled and frozen and chilled route to market and the complexity and the margins in frozen and chilled route to markets. And it's a harder place to sustainably win profitably. And so what you see us doing there is making some smaller scale investments. So we've had a stake in Just Food for Dogs for a couple of years now to really explore the space. We're also -- we have a number of innovations in this space that we are learning from. But we want to be really clear how that investment will scale before we put significant funds behind it.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: China

I want to switch gears to China because that's a big topic in the second quarter. You're making quite a big change to the model in China. You're moving much more to kind of consumer pool from a distribution push. You also, as part of that, taking inventory out, you got new management in. So my question really is it's that -- how easy is it to actually make that pivot because it is quite a fundamental change? And given the speed of change in China is dizzying so quick, you're trying to do that whilst the market is so dynamic. So just interested in the concept of how you go about doing that?

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

Topic: China

Yes. So it's an important change. And while one level, three to four weeks, too much stock is not a dramatic number. It's the difference between having control of your distribution network, and therefore, the pricing of your products through that network so that everybody is seeing your products as profitable and therefore, behind them and not. And the other thing is it gives you freshness. So that's why it's really important that we get it right. Now in terms of driving consumer pull. This is about a capability uplift in the market. Now there are areas where we're doing a really good job. So for example, NAN, which is the Nestlé Infant Nutrition brand as opposed to Iluma, which is the Wyeth legacy one. It's doing really well. It's consistently gaining share because we've absolutely got that consumer offering right. And that consumer offering is a special diets or special formulas for babies that have allergies or specific

intolerances, and we have the R&D and we're delivering on that. And because we're delivering on the consumer need that we've got really nice growth. We need the same quality of consumer led growth on the side and sharing the capabilities there is one of the ways that we will raise our game on consumer pull on Illuma. Another area where it's working well and we need to learn from is in out-of-home, where back to your speed piece, I think we've cracked the speed piece and it's working well. We're working with a customer that knows the consumer well. So in out-of-home, we are a big provider of the dairy products that go into Luckin coffee. For those of you that have been to China, Luckin is the really big coffee chain growing really fast and has a dizzying pace at which new products are launched new -- two new products each week and they're fascinating products. I mean last time I was there, I had a cheese cappuccino and a prune one.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: China

Sounds delicious.

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

Topic: China

Actually, they were, genuinely, genuinely there, actually delicious. But there, we've got the R&D pace and the product development working really well and we are delivering on what is a weekly innovation, ideation, innovation cycle with Luckin. So we know how to do it. What we need to do is build that capability across the organization, and that's around uplift of capabilities. And that's exactly why we've brought a great leader in across from the Philippines, who's been doing it there very successfully to lead the Chinese business and support with the uplifted team.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: RIG and Pricing

Can I ask you about the pricing/RIG dynamic?

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

Topic: RIG and Pricing

Yes.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: RIG and Pricing

I think you said that most of the pricing is done in chocolate. Is there still more to do in coffee? And are you seeing actually new pockets of food price inflation emerging again? Some countries we're starting to see it pop up again as a topic.

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

Topic: RIG and Pricing

Consumer price inflation. Yes. So the two categories where we are seeing consumer prices move, and that's because of the commodity cost, is a coffee and cocoa. In terms of where we are on that, we have, as we've said, largely taken the price that we need to take this year on confectionery. There's a little bit more to go but not much. And on coffee -- and by the way,

that was 10% pricing. And on coffee, where we've taken about 5%. We've taken the majority of price, but there's a little bit more in the second half.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: RIG and Pricing

And the elasticity that you're seeing?

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

Topic: Price Elasticity

Yes. Where we expected them to be. So it's worth just saying on elasticity. There's two elements to elasticity. There's the absolute price point and whether you go over a price -- a sort of psychological price point for the consumer, but there's also elasticity vis-a-vis the competitor set. So elasticities can be a bit distorted if you take price, but your competitor doesn't. And so you have a period until they do that it distorts things. I say that because I think we have led on pricing in both coffee and confectionery. And so generally, we go first. Actually, I'm aware that there's been quite a significant number of announcements around price increases more broadly by other players in confectionery in H2, which we won't be taking. But largely, so confectionery, we're seeing what we expected to see. It's a little bit more price elastic than coffee. That's to be expected, but playing through. It's a bit more elastic in LATAM than it is in Europe, but where we thought it would be. Coffee, performing well. Actually, we've been slightly positively surprised with the price elasticity on coffee. Coffee is a deep, deep habit, and I say that smiling know that it takes an awful lot for me to shift by coffee behavior. And I think that is true for many people. We're seeing some sort of interesting things. So obviously pricing has come up more on roast and ground just because there's more green coffee in it. And that's moved people a little bit into soluble, which is good. Pricing is less elastic on soluble and even less so on portion where the pricing impacts also have been.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Price Elasticity

What about Nespresso because that's obviously a different cycle in terms of people don't buy it as often. Is there any kind of concerned about some maybe delayed elasticity?

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

Topic: Price Elasticity

It's a good question. I mean people don't buy it as often. And while we see no evidence of that yet, we continue to watch it closely. But actually, Nespresso has been very -- we've taken our price increase as well and that's partly because we're investing behind our brands at the same time. Historically, in Nestlé, the last few years, when we've taken significant price increases at the same time we've been reducing marketing spend. I think the difference this year is we're increasing marketing spend where we are taking pricing, and I think that's helping us.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Big Bets

And on the six big bets on the innovation, obviously has quite a big change in terms of focusing bigger, bolder innovations. You want to build CHF 100 million platforms over

multiyear. Can you give us maybe an update on how those big bets are doing? Any of them that you'd call out, any of that you're scaling more quickly? That would be really helpful.

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

Topic: Big Bets

Yes. So we've got 6, who said they'll reach CHF 100 million. We've already collectively got CHF 200 million in the first half, and we've got good momentum. I would say all of them are on track. We've got kind of three that are a little bit ahead, some more than others, three that are there or thereabouts, but usually, it's because we've been a little bit slower to execute because we wanted to get the proposition right rather than any kind of consumer response. Where have we got really good performance? Fancy Feast, the pyramid cat food. And so this is one where it's all about scaling up manufacturing and actually, at the moment, we can sell more than we can make. Sinergity, the infant nutrition brand with six HMOs and probiotics, which together really build gut health for the infant and very discernible health benefits, is doing very well. And that sort of innovation, these are the ones -- the thinking behind big bets, which goes broader than these six actually, it's about really making sure that where we have a winning proposition that should work everywhere, we roll it out with pace. Because as I've looked backwards on what's been the single biggest reason we've underperformed our innovation business cases, it's because we haven't launched the brand in the countries that we expected to launch in when we wrote it because when we got there, the priorities have moved on. When you've got a winning proposition that is going to work in all countries we should roll it out. And that's what you see us doing, but it's around the ones we call big bets, but there are also the same level of focus and clarity at the zone level. So for example, kit-kat tablet in Europe, is going Europe-wide. So that sort of clarity is what we're driving clarity and focus.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Big Bets

Slightly surprised you didn't mention ice coffee as one of the big bets. I mean in terms of the rolling out quicker. I mean it's a great product. And if you can -- can you maybe double-click on that? Where are we that liquid roast? And how many markets is it in? Is it doing what you want it to do? Can you go quicker?

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

Topic: Big Bets

Yes. No. No, so it's doing what we want it to do, and it's a great product. It's interesting, if you just compare it with Sinergity and Fancy Feast for a minute, the consumer behavioral change is bigger because Fancy Feast you already feed your -- wet cat feed, this is a different, more interesting better one, which the cat loves. Same with infant formula. How to consume infant formula is completely described, it is a better one. Nescafé espresso concentrate is a bit of a new concept. And so it takes a little bit longer to communicate to consumers what it is and how to consume it. So it will naturally be a slightly slower build, but it's building really nicely, and we've rolled it out. I don't know exactly in how many countries because it's changing by the day, but we're exactly where we want to be.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Margin

I'll ask a final one just on margins. I think I mean you outperformed in the first half, 16.5%. I think you said the second half will be 100 basis points lower than the first half. So 15.5%.

You still reiterated your full year margin guidance importantly. Can you maybe walk us through a little bit of that step down from H1 to H2? How much of that is tariffs? How much is, if you can, but give us buckets how much is just higher COGS and currency, that would be helpful?

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

Topic: Margins

Sure. So -- and again, maybe just to step back a bit, our margin guidance for the year was to be at or above 16%. And we gave that margin guidance before we've seen significant increase in commodity costs before tariffs happened, and before the U.S. dollar weakened. And I say that because a lot has changed. We're holding our guidance, and we're holding our guidance because we're doing three things. We're driving efficiencies hard in the business. We have been a bit quicker to take pricing, and we work very hard to mitigate the tariff impact through changing footprint, supply footprint, ingredients, but also making sure that we move product into the U.S. ahead of tariffs. That has all benefited the first half. Now as I look forward to the second half, actually, the big shift between the two is, yes, we have some bigger tariff impact. But the large shift really is the fact that the commodity cost because of the timing of our hedging are very much weighted to the second half. So we'll see that flow through to the second half. But as I look forward to 2026, we've got cost savings, which will continue to come. You'll see us continue to act to improve our gross margin through innovation and pricing. You'll see us -- you'll also see that depending how commodity prices play out, we should be in a slightly better commodity environment given how coffee and cocoa are moving and all of that will be allowing us to see a margin improvement.

Warren Ackerman, Head of European Consumer Staples Research, Barclays

Topic: Closing

I think we're in the buzzer, Anna, sadly. So I think we're going to have to cut it there. Thank you for your time. As you can figure out from, David, whether it's a breakout or not. Okay. No breakout. So thank you Anna, for your time. Always appreciate your support at the conference. Thank you.

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

Topic: Closing

Thank you.

END OF TRANSCRIPT