2025 NINE MONTH SALES
CONFERENCE CALL TRANSCRIPT

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Speakers:

Philipp Navratil, Chief Executive Officer, Nestlé S.A.
Anna Manz, Chief Financial Officer, Nestlé S.A.
David Hancock, Head of Investor Relations, Nestlé S.A.

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Slide: Nine-month sales 2025

Good morning. And welcome to Nestle's nine-month sales call.

I'm David Hancock, Head of Investor Relations and I'm joined today by Philipp Navratil our new CEO, and by Anna Manz CFO. As you know this is Philipp's first earnings announcement as CEO. To keep the call focused we filmed a short interview with Philipp, where you can hear more about his background and experiences. The video will be posted on our website at the end of this call and I encourage you to take a look. Now moving to the call.

Slide: Disclaimer

Please take a moment to review the usual disclaimer.

Slide: Agenda

So quick overview of the agenda, Philipp will share his key messages on strategic priorities and how he sees the business. Anna will take us through the nine-month results in detail. And we will then open up for Q&A. And with that I hand over to Philipp.

Philipp Navratil, Chief Executive Officer, Nestlé S.A.

Slide: Cover Slide

Thanks David. Good morning all and thank you for joining our nine-month results presentation.

Over the last few months, our organization has gone through a lot of changes. Despite all of that, we have delivered a good Q3.

I want to thank our people for staying focused on the business and embracing the transformation journey ahead of us. It is a privilege to lead this great company. We have strong foundations to build on.

But let's be clear, we have a lot of work to do. I am very focused on how we move faster with our transformation to accelerate our growth momentum. And the actions we are now taking will secure Nestlé's future as a leader in our industry.

Slide: Key financial messages

We have been making good financial progress with a strong Q3. Our investments in growth are starting to show results. We are determined to deliver on our commitments, and I am confirming our full-year 2025 guidance. We are moving in the right direction. Now we need to move faster.

Slide: Key strategic messages

As CEO, I want to share with you my four big priorities. Driving RIG-led growth is the most important. We will be bolder in investing at scale and driving innovation. Second, we must have a winning portfolio. I'll be looking at everything in a rational way. Where we aren't performing, I will act, and act with urgency. Third, it is critical that we build a culture that delivers and rewards performance. Last, we are accelerating our business transformation, and our cost savings plans to build a stronger company.

Doing all of this will deliver improved performance and shareholder value.

Slide: Growth actions are delivering impact

Driving RIG-led growth is the number one priority for us. We have seen stepping up growth investments and we are seeing positive results.

Our organic growth year-to-date is 3.3%, up from 2.0% this time last year. That's an acceleration of 130 basis points.

Out of that, 60 basis points has come from an acceleration in the areas we have prioritized for growth investments. And 40 basis points has come from improved growth in our 18 key underperforming cells. These two areas are driving the majority of growth acceleration.

Our increased investment in priority opportunities doubled the growth of these businesses from 7% to 14%.

And our key underperformers, the growth rate improved from -2.5% to flat. And excluding the cells that are in Greater China, the underperformers grew 1.5%.

So what we are doing is working.

What I'm not happy about, is that these priority growth opportunities are only 10% of our sales. And flat growth in our underperformers is nowhere near good enough.

Slide: RIG-led growth through bolder investment and innovation

So now we need to go bigger and bolder, investing at scale behind the highest return opportunities. This means being rigorous about which opportunities have the best returns. And then significantly increasing the resources we give them.

During this year, we have increased investment in a number of areas to accelerate our growth. These are largely right, and they are working well, as I just showed. But they are a bit of a mix of products, platforms, and brands. And they are not big enough.

To drive growth at scale, we must go beyond individual innovations and do this in a structured way: start with the big, strategic consumer platforms, build multi-year innovation pipelines for these platforms; and execute flawlessly with high quality marketing through our billionaire, global brands;

Take the example of Nescafé espresso concentrate, one of our six big bets. The strategic consumer platform here is cold coffee – an incredible growth opportunity. We built a strong multi-year innovation pipeline for that. I know this well because we did some of it while I was running the Coffee business. The espresso concentrate actually came out of that pipeline. We are bringing it to market globally under the Nescafé brand, the world's number one coffee brand. We now need to take it to our other two leading coffee brands.

We need this structured, scaled approach across all of our categories. To be successful with that, we need to step up our marketing capabilities across the organization. We are not strong enough, and that needs to change.

Slide: Ensuring we have a winning portfolio

At Nestlé, I really think that our portfolio is a huge competitive advantage. There are very significant benefits to scale – for example negotiating with customers, innovation capability, brand trust and access to talent. But we only get the scale benefits if we are winning in the individual businesses. I will consistently review every part of our portfolio with an open mind, unconstrained by preconceived ideas.

I look at assessing business on four key questions: Is this a growth category? Is the returns profile attractive? Are we positioned to win? And are we actually winning?

Across most of the portfolio, the answer to these questions is yes – although we are not yet winning as much as we need to. But if our assessment concludes that one or the other business does not meet the criteria I described, we will act, whether that means fixing, partnering or selling.

Just to confirm, we are continuing with the strategic evaluation of Waters and mainstream VMS.

Slide: Performance culture, where winning is rewarded

Delivering on our strategy requires a relentless focus on execution and a culture that drives high performance. Nestlé's culture has many strengths, and there are areas where we must evolve. Accepting that we lose market share is no longer an option—this mindset has to change.

Until this year, we did not have a common set of KPIs worldwide. This has changed, and we now have forward-looking indicators, focusing on innovation and execution. This is a big step forward. Now we need to use them consistently across the group.

Most importantly, compensation will be driven by performance. This ensures rewards reflect achievement. And personal objectives will be much more rigorous, measurable, and consistent across the group. These steps will help us build a culture that recognizes and rewards excellence across the organization.

Slide: Accelerating business transformation and cost savings

The fourth focus area for me is our business transformation: how we work better, smarter and faster and with a lower cost base. Getting this right is fundamental to creating value in our business.

Our scale and breadth bring advantages, which I touched on earlier. But they also can bring complexity, and this creates inefficiencies. I have started to look at this, and we will spend more time on it over the coming months. It is clear that we can get more agile in how we work, with simpler structures and roles.

We have made great progress in the last year in mapping our processes across the organization, so we don't look at them in silos. This gives us the basis to simplify, digitalize, and automate our processes, and get full value out of our shared services. This will give us a better, more agile business.

We will take hard but necessary decision to reduce headcount. Historically, we have avoided being fully transparent about these changes. And I want to be transparent. We plan a reduction of 12,000 white collar professionals across functions and geographies over the next coming 2 years. In addition, we plan a further 4,000 headcount reduction as part of ongoing productivity initiatives in manufacturing and supply chain.

This will drive cost savings, and we have increased our “Fuel for Growth” savings target by 500 million Swiss francs by the end of 2027.

Slide: Key strategic messages

So, in conclusion, my four priorities: RIG-led growth, winning portfolio, performance culture and transformation & efficiency.

I will drive all of this with urgency to accelerate our growth performance and deliver improved shareholder value.

I will now hand over to Anna, who will take you through the detailed financial results for the period.

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

Slide: Nine-month sales

Thanks Philipp. Good Morning.

Slide: Sales growth impacted by FX movement

Moving to our nine-month sales.

We delivered 3.3% organic sales growth, with RIG of 0.6% and pricing of 2.8%.

Sales were negatively impacted by FX movements, with the strengthening of the Swiss franc.

Slide: Organic growth strengthened in Q3 led by RIG acceleration

For the Group, organic growth strengthened in the third quarter to 4.3%, with a good recovery in RIG. And within this, there are a few different dynamics.

Firstly, its helpful to pull out China and Nestlé Health Science - on the right of the slide. And that’s because the issues and corrective actions in these businesses are different, and we’ve talked about them in detail last quarter.

Looking at the middle chart, you see what’s going on within in the other 88% of the business.

For the last four quarters, up until Q3, organic growth has accelerated as we have taken pricing, given input cost inflation in coffee and confectionery. Despite increasing pricing, we were able to hold RIG broadly flat. And that is because, we are delivering a growing impact from both our investments in priority growth opportunities and improvements in our 18 underperforming cells - as Philipp took you through a few minutes ago.

After 4 quarters of stable RIG, Q3 saw a marked improvement. And that's is due to three factors:

Firstly, the benefit of actions, which I just talked about, continuing. Secondly, we benefitted from an easier comp in Q3, both in terms of RIG and OG. This will get harder again in Q4, especially for OG. Finally, we have taken some selective actions to manage a small number of areas where our pricing had moved out of reach of the consumer.

At the beginning of the year, I said we would be front-footed about pricing to protect our structural profitability. But that we would be nimble and adjust to our consumer's reactions. And that is exactly what we are doing, optimizing price where it has gone too far. And it is working: we're getting pricing whilst improving RIG and market share.

An example is the introduction of promo packs in a confectionery product in Brazil.

So, stepping back. As you heard from Philipp, there is a lot for us to do to accelerate performance, but in Q3 overall we see that things are moving in the right direction.

Slide: 9M-2025 Zone performance overview

Now let's get into a bit more detail on the segments, and here I'm going to focus on the third quarter.

In Zone AMS, growth has been accelerating, helped by softer comps in Q3. The acceleration was driven by LATAM, while North America held its momentum as we gained market share across most categories. By category, Coffee and Confectionery drove the growth. This was led by pricing, but supported by good RIG in Coffee and an improving RIG trend in Confectionery as we acted to manage price elasticities. Growth in Pet reflected ongoing category softness, but was stable from Q2 to Q3. And in Food we continue to improve our market share trends in US Frozen.

Turning to AOA. In Greater China, the organic growth decline in Q3 was similar to that in Q2, as we reduce trade inventory levels and shift our focus to generating consumer pull. In the rest of AOA, growth was broad based and there was a good sequential improvement particularly across the larger markets in Asia. RIG was strong across markets and categories, and we gained market share across much of the business.

In Europe, we saw a nice improvement, with RIG of 2.0% in Q3, helped by a softer comp. The biggest drivers were Coffee and Confectionery, and again this was a combination of pricing and targeted actions on elasticities. The other important growth driver is PetCare, where RIG was strong, driven by good market momentum and strong performance of our innovations. Growth was solid across most geographic markets.

Slide: 9M-2025 GMB performance overview

Turning to the Globally managed businesses, and again focusing on the third quarter.

In Nestlé Health Science, we are still lapping tougher comps, but we saw good performance in premium VMS, improvement in Nature's Bounty, and innovation driving strong growth in Orgain.

Nespresso continues to perform well, with another quarter of solid growth in both price and RIG. Q3 benefitted from a particularly successful limited edition summer campaign.

In Nestlé Waters & Premium Beverages, we continued to see solid growth in Waters, but the category softened towards the end of the summer, due to cooler weather in Europe. In premium beverages, our investments are driving double digit growth.

Slide: 9M-2025 Category overview (1/2)

Turning to our categories,

Powdered & Liquid beverages, which is mainly coffee, continued to grow strongly, driven by pricing and with RIG of over 2% in the quarter.

The PetCare category is currently sluggish but stable, and overall we are holding or gaining share. We remain positive about the medium-term growth outlook. We're focused on accelerating category growth through innovation, and investment in fast growing areas, such as therapeutic diets and supplements.

I have already covered Nestlé Health Science. And in Nutrition performance continues to be impacted by Gerber in the US. This is one of our more stubborn underperformers. We are taking the right actions across brand, innovation, and cost, but given US retailers have annual shelf reset cycles, we won't see results improving for a few quarters.

Slide: 9M-2025 Category overview (2/2)

Prepared dishes and cooking aids, was predominantly driven by Frozen where we are taking share despite ongoing category softness. In the rest of the category, incremental investment in Maggi is driving strong results.

Milk products and Ice cream growth was positive, with price-led growth in ambient dairy and strong RIG in coffee creamers.

In Confectionery, growth remains strong. We are starting to lap the price increases that began last year, and RIG is on an improving trend.

Slide: ‘Fuel for growth’ to deliver CHF 3.0 bn by end of 2027

Our Fuel for Growth program is on track to deliver 700m of savings for 2025. As you know, the largest portion of savings in the program come from procurement, where we are making good progress.

Philipp has just talked about his focus on operational efficiencies. The business transformation he has described will lead to a planned reduction in our white collar headcount of twelve thousand. This will deliver a billion of annual savings, which is 500 million more than our original plan and takes our Fuel for Growth savings target to 3 billion by the end of 2027. These additional savings will be reinvested – more fuel for driving growth.

For the headcount reductions, there will be a restructuring cost of about two times the annual savings, so expected to be around CHF 2 billion.

In short, we are increasing efficiency and reducing complexity as we accelerate our business transformation.

Slide: Guidance maintained

Turning finally to guidance. We are maintaining our full year guidance, despite increased headwinds since the beginning of the year.

Our organic sales growth is expected to improve compared to the 2.2% in 2024. And we are well on track after the first 9 months.

As we look to the rest of the year, we continue to have good growth momentum, but do keep in mind that we have a tougher comp in Q4 than we had in Q3.

The UTOP margin is still expected to be at or above 16.0% as we invest for growth. This assumes tariffs currently in place today, including the higher tariffs in Switzerland that came in after the half year. The guidance also reflects today's FX rates.

While we are continuing to execute with focus, macroeconomic and consumer uncertainty remains.

As we navigate these headwinds, I want to be clear that we won't compromise on investing for the medium term.

Lastly, let me comment on cash flow and dividend. Generating free cash flow is a key focus for us and we expect to deliver at least 8 billion of free cash flow this year. We are committed to our long-standing dividend practice. And this means we have to grow our free cash flow in Swiss francs faster on an ongoing basis.

To pull it together everything you have heard from Philipp and I this morning;

We delivered a good performance in Q3 and we are on track to hit our guidance for the full year. Our results demonstrate we are making progress, but as Philipp said there is much more to do and we need to accelerate.

We are clear on our priorities. We will drive RIG through investing boldly,

We will transform the organization and accelerate efficiencies and we will improve cashflow.

In short we will move faster, and act with urgency to deliver improved shareholder value.

And with that I will hand it over to David for Q&A

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

Question and Answer session

Thanks, Anna. So we'll now begin the Q&A session. As usual, please limit yourself to two questions to allow everyone a chance to ask their questions. The first question we have comes from Guillaume Delmas from UBS. Please go ahead, Guillaume.

Questions on;	**Margin**
	Leadership at Nestlé

Guillaume Delmas, UBS:

Thank you very much, David, and good morning, Philipp and Anna. First question on margin.

Philipp, you mentioned in your four priorities, you didn't touch explicitly on future margin developments. So just wondering if you remain committed to some margin improvement in 2026 and a return to 17% plus over the medium term, or, as you flagged, the additional half a billion in savings will be reinvested. Are you signaling that RIG is the number one, two, and three priority, that the cost of doing business in packaged food is rapidly increasing, and therefore margin should be more viewed as the, I should say, byproduct of above-industry average RIG rather than a clearly defined numerical target?

And then my second question is on the leadership at Nestlé, because, again, this morning you're flagging the need for accelerating Nestlé's transformation with a particular clear focus on evolving and strengthening the group's culture. But my question is, do you think you have the right leaders in place across functions, regions, or categories to successfully drive this ambitious change agenda? And here I guess what I'm getting to is, I'm curious to hear your view on this, and despite the fact it's only been a few weeks, how you're planning on assessing the key leaders of the firm and whether we should expect some personnel changes over the coming months. Thank you very much.

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thank you very much for the two questions. So to the first one on margin, so I'm absolutely committed to the guidance of getting back to 17 and above. What keeps me positive here is that we are generating the fuel to invest behind our growth platforms and to generate the growth to do this, so I remain committed to that.

In terms of the leadership, which is a good question, so what we said we want to accelerate the transformation of the company, so we want to become a company that works faster, that is more agile, that is bolder in its decision-making, and I do think we have the right leaders in place, but I also have said that we want to drive a performance culture within the company, and the performance culture means that we are all being measured on the same key performance indicators, and we will drive this through the company. And so it will be quite easy to assess who is performing and who is not performing, and part of the performance culture is obviously making sure that the ones that perform are the ones we keep in the company, and the ones that don't, they don't, and so this is what performance culture means. So I think today we have the right leaders in the company, but we will be ruthless in assessing our talent, our people, and we will be driving performance throughout our organization, as we have indicated.

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

Thanks Guillaume. The next question comes from Warren Ackerman from Barclays. Go ahead, Warren.

Questions on;	Marketing spend Underperformers

Warren Ackerman, Barclays:

Hi, Philipp, Anna and David. So Warren here at Barclays. Two for me as well. The first one is, Philipp, in your prepared remarks you said that marketing spend is going to be a really big focus for you. I appreciate it's early days, but when you step back, what are your observations on the quality and quantity of the marketing spend? Is 8.5 or 9% the right level, and how do you feel about the returns that you're getting on marketing spend? That's the first one.

And then the second one is, can you talk a bit more about the underperformers? Obviously quite a big inflection in them. They are improving. I think you said flat overall for the quarter, but flat is not good enough for underperformers. What is good enough? And maybe can you explain what targeted actions you've taken? It sounds like there's a few places, a few spots, where you're rolling back pricing because pricing got out of sync. Can you maybe elaborate on what you're doing, which areas, and has that been part of the reason why these underperformers are improving? Thank you.

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thank you. Thank you, Warren. Look, in terms of marketing spend, what we have said is that we want to invest more behind the biggest opportunity to drive sustained growth. And that is the prioritization we're going to do in really committing to invest more. But when I say investing more, it's not only marketing spend *per say*. When I see a growth opportunity, I think we have to think about investing behind those more broadly as well.

So think about it, obviously marketing, but then also about investing in taste and quality, formats, packaging. You mentioned investing in pricing is one part we can invest in if the pricing was too much. Price and pack architecture is another one. Or think about investment in distribution and capabilities or digital capabilities when it comes to marketing. So the investment I see is broader, but we are committed to investing more behind those areas. And that's important because I believe we have the right brands that can take this investment and generate growth.

And I'll pass it to Anna quickly just on the specifics of the numbers that you asked for and so to give her point of view on that one.

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

Thanks, Philipp. Yes, so just a couple of comments. I mean, based on what Philipp's just said, I think one of the things we will look at going forward is whether marketing as a percentage of sales is the right individual metric. That's something we will come back to over time. In terms of how you think about year on year, we're not guiding specifically for 2026 at this point, but you should expect marketing to be up on 2025 in 2026.

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thanks, Anna. And on your question on other performers where I'm unhappy with, you know, going back to flat growth. Obviously what we want these underperformers to do is to generate more growth than they do today.

And there are various levers that we're pulling to make this happen. It's not only pricing or any one lever. So these are real, sometimes complicated, marketing plans where we need to get everything right. Some of it we would need to invest into having a better tasting product out there. Some of it is pure marketing capability. Some of it we have not the right price and pack architecture in place or the brand is too weak to be performing. So there's many levers and there's a lot of work going into these 18 underperformers that we have seen. What we're doing is working, but it's not good enough and it's not fast enough.

And you mentioned, some marketing capabilities. What will we change? And I think we just need to become the best marketers in the industry. And we have not been there in the past and we're not there yet.

And it's all about really reading these underlying consumer trends correctly, being the best in driving these insights into winning, meaningful innovation and then driving that into the market with a strong marketing plan that is an overall marketing plan, but also we need to step up our capabilities in how we communicate, digital capabilities, etc. And we have some good examples there, but it's not there across the board. And you can expect an update on that specifically by the full year, what we're doing. And back to Anna on that point specifically.

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

Just a specific point on the areas where we've adjusted pricing to just manage elasticities in the shorter term. That wasn't actually really around the 18 underperformers as such.

Just as a piece of context for you, Warren. The improvement we've been making in our underperforming cells has been really consistent quarter on quarter. It's not a Q3 thing. It's been the actions that we've been taking over this last year. So it's been a very consistent change.

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

Thanks Warren. The next question comes from Olivier Nicolai at Goldman Sachs. Go ahead, Olivier.

Questions on;	Nespresso Net debt to EBITDA for FY25

Olivier Nicolai, Goldman Sachs:

Hi, good morning Philipp, Anna and David. Congratulations on your results. Two questions on my side. First, on Nespresso, could you quantify the saving effect you mentioned in Q3? And then more specifically of the US, how much room for growth do you see for Vertuo?

And then secondly, for Anna, considering your guidance on free cash flow of at least $8 billion, I believe you're also going to receive a dividend from Froneri. How should we think about the net debt to EBITDA in the full year 2025? Would you be about to be below three times net debt to EBITDA this year? And when would you expect to go back towards two and a half times, assuming we see the Swiss franc staying roughly where it is?

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thank you. I can take the Nespresso answer. I know this one well. So the third quarter was a really strong quarter. It was driven by a strong marketing campaign, a strong innovation also that we had over the summer, which led to this growth. And as you point out rightly, most of the growth still comes out of the US on the back of our winning Vertuo system over there.

I believe there are ample avenues of growth still there. If you look at it from a penetration point of view, portion systems is the way the US drinks coffee and we are underpenetrated still with the Nespresso system compared to our competitors. So what we're really doing is driving penetration-led growth, and it's working.

And so the Vertuo system, I think, has still ample ways of growing there also because we are playing with two winning brands. We're playing on that system with Nespresso and with Starbucks, and this is working really well. And we've also tuned up, as I said before, our marketing capabilities there. You've seen the collaboration with the Weeknd, etc. So we are tapping into a younger consumer base as well, which is working too, so very positive on Nespresso going forward. And over to you Anna on free cash flow.

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

Sure. So the 8 billion of free cash flow guidance does not include the Froneri dividend, which doesn't impact free cash flow, although it does impact net debt. And to quantify the Froneri dividend for you, just so you've got it. It's 2.1 billion euros, and that benefits net debt.

In terms of how we think about consistently bringing down our leverage, and we're very focused on that, the number one way to do it is RIG-led growth because as we drive growth and improve our margin, we increase our EBITDA and our cash flow. That is our single biggest focus. And related to that, we're very focused on all of those other elements that impact cash flow, so specifically working capital and CapEx to consistently bring those down.

And of course, if we move into a partnership model with Waters and things like that, those will all help net debt over time.

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

Thank you. The next question comes from Céline Pannuti at J.P. Morgan. Céline, your line is open.

Questions on;	**Transformation plans** **Zone AOA performance**

Céline Pannuti, JP Morgan:

Thank you. Good morning, everyone. Philipp, maybe if I start with a question. You mentioned many times in your prepared remark that you are focusing on faster transformation with a sense of urgency. Can you give some example of what you are planning to do? What exactly it means, that faster transformation? And you also mentioned in some of the prior questions, the need for reinvestment, not just in A&P, but across the different capabilities and marketing is one of those. Are you still committed? I think that was a commitment that was made during the roadshow this summer to increase margin in 2026 given those investments needed.

My second question is maybe more back to Q3 performance. AOA was – I see a strong step up in RIG, 3.6% and I looked at the last time you did that was 2021. While I understand it was broad-based, can you explain what happened from a run rate that was much slower to such a step up in RIG and is that kind of 2-3%, I mean 3 ish percent rate in that region at a sustainable level? Thank you.

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thank you very much, Céline. On the business transformation and on the sense of urgency, it's really about how we want to work and Nestlé has not been the most efficient company in the past and what we want to do today, and hence also the announcement we have done today on headcount, is really become an agile company, a company that takes decisions fast, a company that drives impact and a company that leverages its scale as well when it comes to how we work. So what we have said we want to do is to become more digitalized, become more automated, become more fast in decision-making and also leverage our above-the-market capabilities in our shared service centers. That is a way to drive speed and also consistency across all markets. And in the past this has been more of an optional view if markets want to tap into those areas but we want to make this how we work and so we want to really scale those shared services and drive world-class services throughout the markets.

So when we talk business transformation think about it on how we want to become a faster more nimble company that is driving growth. It's all about growth.

And in terms of your question on reinvestment and capabilities. We are committed, as I said before, we are committed to go back to 17 plus percent of our margin in the medium term and that means going there step by step and while we invest in those capabilities the best way to get to that margin improving is through driving again back to RIG-led growth. So the margin improvement comes through RIG-led growth, investing behind those growth opportunities that we think deliver the best returns.

And specifically on your question on AOA and the RIG step up I'll pass it over to Anna.

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

Sure. Hi Céline. So on AOA maybe just to sort of firstly talk about China and then outside of China. I think we've talked about China a lot in the last quarter results. Quarter on quarter performance in China was similar, we'll continue to see China weigh on our growth for another quarter or so and then we'll sort of see that demand generation come through and that we'll see further acceleration in AOA.

Outside of China we've got some really good momentum and that's because of the investments that we've been making in those high priority investment areas. It's because of the work that we've been doing on consistently improving our share loss cells and it's because of some tactical elasticity adjustments we've made. But we're really seeing that show up across strong performance across Malaysia, Indonesia, India, Pakistan and I would say across the region in most businesses we're growing share so, good momentum.

Now as you think about what that means going forward the fundamentals of what we're doing don't change but in any given quarter you've got to look at the comps and as I look forward to Q4 you've got to be thoughtful about Chinese New Year timing because that impacts a number of markets in the region and Chinese New Year is a little bit later next year.

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

Thank you. Our next question comes from Tom Sykes at Deutsche Bank. Go ahead Tom.

Questions on;	**RIG going forward** **Free Cash Flow**

Tom Sykes, Deutsche Bank:

Thanks David. Good morning everybody. You've obviously generated 1.5% RIG in this quarter and thus you're flagging the comps in Q4 but when you look at the macro environment and where the business is now, do you think that 1.5% RIG is sort of the minimum or the level that should be expected or is what you're outlining something that progressively gets you there consistently and when will the US get to that sort of level? Because you should have got a benefit from creamers obviously in this quarter.

And then just on the free cash flow you've outlined getting over 8 billion. I mean is there any way you could size the ambition in free cash flow i.e. would it be greater the improvement in free cash flow than say the restructuring costs so you can de-lever excluding further disposals please?

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

So maybe first to just talk about RIG. Maybe I'll start with the medium term. So our medium term guidance is to be growing over 4% and that's because of the strength that we see in our medium term categories. In that world when we get there we need to be delivering sustainable strong RIG-led growth. We need to be delivering at least 2% RIG growth to sustain that kind of momentum. So what you're hearing us do is put the actions in place to consistently improve our RIG performance.

Now maybe just to unpick a little bit Q3 because there is strength in Q3 but maybe how to think about Q4 in that context, as we are on our journey to accelerate towards a consistent 2%. So really good Q3. There is a lot that is going, on an underlying basis, well with the business and that's the work we're doing to improve our share loss cells, the work we're doing in those selective investment areas and the momentum that we've got there. And also the work we've done to look at some of those short term elasticities and make sure that we're in the right place. So that all continues but as we look forward to Q4 there's a couple of technical factors which will impact us so there is a tougher comp and Chinese New Year, which impacts a number of Asian markets, is a little bit later.

So that's the shape of it and I guess the other thing I would have in mind as you think about it is also we'll have to see how the consumer plays out over the holiday period in the current sort of macro economic environment.

Now if I think about US because I think that was your other question US RIG growth has been a little bit lower in Q3 and has been at the lower end for a little bit and just to sort of give you a little bit shape of that, two categories are weak and are holding us back there. Frozen food and Pet. Although our share performance in both of those categories is strong and actually we've got good share performance across the US.

So the big accelerator going forward particularly will be Pet coming back and Frozen stabilizing a little bit. In the quarter just as a piece of context we took price in Starbucks and that slowed Coffee a little bit just as we've taken that price but I fully expect that to come back. So as you think about the US as momentum in Coffee comes back and as we see more innovation and capacity come into the Pet category that allows us to innovate that's what's going to drive the RIG acceleration there over the medium term.

And then in terms of free cash flow. So,8 billion we have said that we would expect free cash flow to improve from 8 billion in 2026 and that stands, 8 billion or more, and that stands irrespective of there will be a cash cost associated with restructuring and for your models you would have had some restructuring cost in there but of course as we've announced a bigger restructuring there's a billion more restructuring costs that will be cash over the next couple of years probably than what you've had before. I expect cash flow to improve irrespective of that in 2026 because of the actions that we are taking to accelerate the business and also manage all the levers of cash flow, specifically working capital and CapEx and we'll be continuing to do that.

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

Thank you. Thanks Tom. The next question is from Jon Cox from Kepler Cheuvreux. Go ahead Jon.

Questions on;	**Accelerating the winners** **Volume/Mix in RIG** **Free Cash Flow**

Jon Cox, Kepler Cheuvreux:

Good morning guys. Thank you very much for taking the questions and congratulations on the print and I think the commentary Philipp has been broadly welcomed by the market.

Philipp, maybe the first one for you. What about accelerating the winners? I was actually quite surprised to see it's only 10% of the portfolio. You mentioned this step up from 7% to 14% as you put resources behind that. How can you actually broaden that part of the portfolio? I know a lot of focus is on sorting out the ones that were underperforming. I was just wondering what your thoughts are on that and how to expand it. Is it tapping into opportunities? There's a lot of things going on in the world with GLP-1s and a lot of different things out there. What are your thoughts on that? As a bit of an add to that, I'm just wondering if you could give us a rough idea of how the volume mix equation was in that 1.5% in the quarter.

Maybe a question for Anna. Just back on the free cash flow, you've mentioned some levers. I wanted you to just give us a bit more examples on that because free cash flow has never been great. On a very long-term basis the growth of free cash flow has not been great at Nestlé. What are your thoughts around CapEx to sales, which seems to be much higher at Nestlé compared to peers? Trade networking and capital to sales, what you can do there? I'm just wondering, do you think, aspirationally, you can come back to some of the bigger numbers we've seen over the years? I think we were close to $12 billion, for example, back in 2019. Is this the sort of direction where you think you can go with free cash flow over the next few years? Any granularity on that would be appreciated. Thank you.

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thanks Jon. I'll start with your acceleration question. As you pointed out, when you look at our big bets and priorities that we have stated in the past and we invested behind those, I said I was not happy with that. I'm happy with the fact that they are growing, so what we're doing is actually working. I'm really happy about that, but I'm unhappy with the size of those priorities, how much they add up. As you pointed out, it's only 10% of sales.

How I'm thinking about it, and I'll come back to you with more thoughts generally about this at full year, but how I think about it is winning consumer platforms. I can give you two that we're already working on, and I think they're showing really good results.

One is, for example, Cold Coffee. Cold Coffee is a huge consumer platform, and we have started to tap into that one in different ways. We have launched those Nescafé concentrates that you have seen. That is one way to tap into that, and that's one example. It's actually one of the big bets, but as it is just one product, it's too small to be big enough to be a consumer platform. I think about it as Cold Coffee. Cold Coffee includes those concentrates, but also includes ready-to-drink coffee, for example, which is a growth category for us, and also includes cold recipes that you can prepare through Nescafé, Dolce Gusto, or through Nespresso, for example. Think about it as big platforms that we will invest more broadly behind it, and then we have the right brands to play on it. On that Cold Coffee platform example, still, we have three fantastic brands to play on. We have Nescafé, we have Starbucks, and we have Nespresso, so we should be really able to have a big impact.

The other example I have there is, we call it modern cooking, and we have had a very good example where we tapped really early into a consumer trend, which is the growing penetration of air fryers at homes all over the world, and we have launched specifically on the Maggi, but also other brands, mixes that can be used to prepare delicious dishes with air fryers, and we were fast in doing this. We had the right brand, we rolled it out, the right execution, but then modern cooking can be taken to other ways of cooking, and we're looking at that as well.

So think about those platforms as being really larger, consumer-driven platforms, and we're looking at those very thoroughly, and we'll come back with more details on all of those around the full year.

The second question was more, I'll give those to you, Anna, on the volume mix equation in the RIG, and your follow-up on free cash flow, Jon.

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

Sure, so I think the volume mix question was referring to the share loss cells, and I would say we're seeing both volume and mix, and it depends on the cell and the actions that we needed to take. So for example, in Frozen, for example in frozen pizza, it was about getting our brands back into the consumer's repertoire, and so there you saw volume-led share improvements before you saw the value-led ones, So good volume, you're seeing good volume shift there, whereas something like Confectionery in the Latin American market, for example, it's been more about mix, because it's been about the right mix of chocobakery in some places, to make sure that our products were tasting delicious but at an affordable price point in a world of commodity increases. So it's a mix of both, and it's a thoughtful mix of both, depending on the problem that we needed to solve for the consumer.

In terms of free cash flow, you're right, we've never been great at it, and that is a wonderful opportunity, and we need to get better. And it's also something that takes a little bit of time to get better, because working capital is touched by many people across the organization, and we need to improve it at every one of those touch points.

So to give you some sort of sense of that, so let's just start with working capital. What sorts of things are we doing, and why will it deliver sustained changes? Well, historically, we've given targets on inventory that sort of reflected existing inventory levels, and maybe a small improvement, rather than looking at what's the optimum inventory level for the factory footprint that we have. And that meant that as we've added factories, we haven't always optimized how we're moving product around the network to really make sure that we're optimizing the cash that is there. So we're working through all of those things.

And actually, if you go back to what Philipp said, it is around having the right KPIs, at the right level in the organization to drive these shifts. And that's why I'm comfortable that there is an opportunity for sustained improvement.

CapEx to sales is another interesting one. Yes, we are higher than the competitive set, and some of that is the nature of our categories and the fact that we manufacture more locally, and we need to do a better job of right-sizing our investments and making sure that we're getting the returns on them. And that is something that, again, there's a lot of work going into and will give us a sustained improvement in CapEx as a percentage of sales over time.

So those are sort of sustainable improvements that we can and will deliver over a couple of periods. The biggest driver of free cash flow and what will see us elevate our free cash flow levels to the levels that we should be at over the medium term is driving RIG, is driving RIG and improving margin. And as you drive volume and improve margins, you drive EBITDA and providing or improving your cash conversion on top of that, you see a healthy acceleration.

I know I'm stating the obvious, but that is the single biggest driver. And so there's no reason why we shouldn't get back to some much stronger, medium term cash flow generation. I say that carefully because in the shorter term, there is a restructuring cash that we just need to work through over the next couple of years. But that is to drive a more nimble, sustainably better organization.

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

Thanks, Jon. The next question comes from Sarah Simon at Morgan Stanley. Sarah, your line should be open. (No connection)

We will have to come back to Sarah, so we will take the next question from Patrik Schwendimann at ZKB. Go ahead, Patrik.

Questions on;	**PetCare** **Infant Nutrition**

Patrik Schwendimann, ZKB:

Thank you, David. It's Patrik Schwendimann at ZKB. Welcome, Philipp. Hi, Anna. You've seen an overall broad-based improvement in RIG and organic growth. The prominent exception was PetCare. What needs to be done so PetCare will be back on a mid-single digit organic growth path? That's my first question.

Secondly, in Infant Nutrition, we have seen improvement but the RIG, mostly down in quarter three. I know the environment is not easy, but what needs to be done to get the Infant Nutrition business back to growth despite lower birth rates? Is this still an attractive category for Nestlé in the future? Thank you

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thank you. I'll give some more mid-term statements and I'll give those at the end to Anna.

So on Pet generally, we think the fundamentals of the category are really strong. So we see that the number of pets are increasing, pets are more and more treated like members of the family and also we see caloric coverage increasing. So that is definitely the place that we see growth going further.

And then on your question on Infant nutrition and then Anna will be able to give a bit more numbers or color to both of those. I know that the birth rate is going back but we believe this is a very attractive category for us still, because this is where, if you think about it, this is where Nestlé was born and we have plenty of opportunities to grow the category further and we have plenty of opportunities also to recover market share in markets where we have not been performing as we should. So we're looking forward to drive growth on both of those categories going forward. But Anna will be able to give you a bit more color to both of those.

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

Sure, so maybe let me start with Pet. And actually maybe let me just talk about Pet in Europe for a moment because Pet in Europe is delivering mid-single-digit growth. And that sort of helps ground us, I think, in the potential of the category and then we should talk about the US and maybe why it isn't.

So in Europe, we are there and that's because there is good category momentum, particularly in cats. So across the board, we're seeing more cats being adopted and category growth is skewed there. And in Europe, we're very much a cat-skewed market. So we are benefiting from the category momentum and actually we're driving the category momentum, which is where we should be because we are innovating well into that category and the innovations are performing strongly. So that is an example of how Pet should be working where we are using innovation to deliver on the consumer desire to feed their pets really lovely premium offerings.

So the US, we're not seeing that level of growth. The category momentum is much slower. Again, it's better in cat and much weaker in dog. We're seeing more cats being adopted but dogs are flattish to a slight decline in the shorter term. And again, in the US, we're lapping a period where there was no promo and so that has also had a sort of deflationary impact on growth a little bit.

I think the opportunity in the US to see category acceleration and our acceleration, comes back to more driving innovation harder in that cat area where we're seeing good growth. And as you know here, we're capacity constrained on wet cat. We've got more capacity coming on in Q3, which will help us and help us to deliver against that opportunity. And we've got then further capacity coming on stream towards the end of Q4. And in a market that is led by innovation and premiumization, that is really important because it's very hard to innovate without capacity to put through the plant. So that's Pet.

A shorter term comment on Nutrition. I think we're seeing an improvement in momentum in AOA and LATAM. So there's an acceleration there. I think what's holding back our performance on Infant nutrition at the moment is our performance in Gerber. And we've talked a bit about that. We're taking actions to improve Gerber's performance in the US and that is both around brand innovation, distribution and cost. But we won't see the benefits of those actions come through until into next year because as you know, in the US, retailers have an annual cycle around shelf resets. So we won't be able to win our distribution back until into next year. So it's going to be a drag for a little bit in the short term.

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

Thanks, Patrik. We'll take our next question from David Hayes from Jefferies. Go ahead, David.

Questions on;	**Process for CEO appointment** **RIG expectations**

David Hayes, Jefferies:

Thank you, David. Good morning all. Congratulations, Philipp, on the new role. Just related to that, I wonder if you could just give us a bit of a sense from your perspective of what the process was for you to get the role. And I guess specifically what you feel was your key pitch to the board in terms of you getting that role.

And then in that context, just almost playing back some of the answers you've given so far this morning. It sounds like your team's reviewed and are comfortable with the medium term guidance, that's not likely to change come February. But it sounds like maybe your team, under your leadership, is now still looking at reviewing some of the business units. Is that a reasonable summary about where you are in terms of you looking to sort of take the leadership on from here?

And I guess the second question, just again, to come back to what you talked about. A lot of moving parts on the RIG for the fourth quarter. You talked about on comps, et cetera, Chinese New Year. Can you give us a sense in terms of the scale of slowdown sequentially and that you'd still expect positive RIG when you net all those elements? Thank you.

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Thank you very much, David. Look on the process, how I got the role. Obviously, this process was run by the board and there's a thorough succession planning. And I was obviously on the list, but what my context was, and I think what I pitched and what I was advocating for is that I would be able, I mean, I still have almost 24 years in the group so I cannot say I'm not a Nestlé veteran, but I'm able to look at things with a fresh look, unconstrained by preconceived ideas.

And this is also when I talked about the portfolio, this is how I look at things. So I'm not really taken aback by what we would have as dogmas and not taking decisions because we don't take decisions. So what I am standing for, and what you can expect from me is really transparency. You can expect accountability. This is what I also said many times. And you can also expect that I will drive and inculcate a sense of urgency throughout the organization.

And I think as a company, we have to move faster. We have fantastic fundamentals to build on, great scale, great company, great people, great brands, but we just need to move faster and we need to start winning out there. And that is also why I was quite clear in saying that we don't want a culture where losing market share is okay. It's not acceptable and we need to win.

Everywhere we play, we need to win. So you can expect also some competitiveness to be brought back to the organization and love for our brands because at the end of the day, that's what we sell. We sell great brands and they're made of great products that we sell out there. So expect more of that.

And in terms of your question about RIG, I guess that was for Q4 RIG. I'll give that to Anna to give a bit more color on that David. Thank you very much.

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

Sure. So good question, David. We absolutely expect all of the actions that we are taking to continue to improve our underlying RIG momentum. And it's important that you hear that. And there are some technical factors. So comps, Chinese New Year. Are we going to have positive RIG in Q4? Absolutely. Now I'm not guiding on RIG, but we're absolutely, there's a big difference between zero RIG and 1.5. So we're not guiding on RIG, but it absolutely will be positive. And there are some, there’s just a slightly higher comp technical base for Q4.

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

Thanks, David. I'm afraid we're at time. So we have to conclude there. Thanks for the questions and the interest. I'll pass over to Philipp for his concluding remarks.

Philipp Navratil, Nestlé S.A., Chief Executive Officer:

Yes, thank you. Thank you, David. And thanks all for attending the call.

I'd like to conclude with a final message and as I said, and I will repeat it many times, you can expect for me to focus on those four key priorities we have been calling out. The first and most important one is RIG-led growth, a winning portfolio, a performance culture throughout the whole company and transformation and efficiency.

I will drive that with urgency, accountability and transparency to accelerate our performance and to deliver improved shareholder value.

And I really thank you for your interest, your questions. And I'm looking forward as I go on to the road to meeting many of you in the coming days and months.

Thank you very much.

End of Transcript.