NESTLÉ S.A.

2025 NINE MONTH SALES
PREPARED REMARKS TRANSCRIPT

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Speakers:

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Anna Manz, Chief Financial Officer, 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

END OF TRANSCRIPT