

NESTLÉ S.A.

**2026 THREE-MONTH SALES  
PREPARED REMARKS TRANSCRIPT AND Q&A SESSION**

23<sup>rd</sup> April 2026

Speakers:

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

Good morning, and welcome to Nestlé's three-month 2026 sales update.

I am David Hancock, Head of Investor Relations and I am joined today by Philipp Navratil, CEO and Anna Manz, CFO.

Before we get started, please take a moment to review the disclaimer on slide 2.

Let me quickly take you through our short agenda. We'll start with an overview of the key messages from Philipp, before Anna reviews the three-month sales in more detail. We will then open up the lines for Q&A.

With that, I'll hand over to Philipp.

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

Thank you David. Good morning and thank you for joining us today.

We have started the year well. Our performance demonstrates that our RIG-led growth strategy is delivering in a complex and uncertain environment.

Before turning to the details, I would like to thank our people around the world for their continued dedication and focus, as well as our customers and consumers for their trust.

Let me start with the key messages for the quarter. Growth momentum continued, with organic growth of 3.5%, and RIG of 1.2%.

Our performance is broad-based. RIG was positive across all Zones and categories except infant formula within Nutrition, which was impacted by the recall. By category, Coffee was the star – with recovering volumes and positive mix. Emerging markets also continued to stand out, driven again by RIG.

The infant formula recall impacted performance in the quarter, as expected. We acted quickly, product availability is back to normal, and we are seeing new parents coming to our brands as they enter the category.

So, Q1 was a quarter of focused execution and good momentum. At the same time, it is clear that geopolitical and macroeconomic uncertainties have increased. Taking these together, we are maintaining our full-year 2026 guidance.

Here is a reminder of our strategic priorities. As I have said before, my highest priority is RIG-led growth. There is still much to do to in order to drive this sustainably. Let me talk about what we have done in Q1.

We are accelerating investments behind our growth platforms. These are areas where structural growth drivers, competitive advantages and our strong innovation pipelines come together, driving high-single digit organic growth or better.

Elsewhere, we are addressing affordability and driving premiumization by sharpening our price-pack architecture. We are investing more behind fewer, stronger brands. And our marketing transformation is a key enabler.

Winning portfolio is another priority. We are making progress on the waters and VMS disposals, and we have announced this morning that we have reached an agreement to sell Blue Bottle Coffee.

All of this is underpinned by disciplined execution. I have talked about clearer accountabilities and aligning incentives with delivery of sustainable, high-quality growth. To support this, we needed to strengthen our KPIs and performance management system – and this is now fully rolled out.

Taken together, action on these priorities positions us well to deliver our plans for this year and beyond.

And with that, I will now hand over to Anna to go through our Q1 performance.

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

Thanks, and good morning.

We delivered 3.5% organic sales growth in the quarter, with RIG of 1.2% and pricing of 2.3%.

Sales were significantly impacted by foreign exchange. Last year the Swiss franc strengthened sharply in early Q2, so assuming current spot rates, the year-on-year impact will reduce significantly from now on.

We currently expect a full-year currency headwind on sales of around 5%, which is a little less than we expected in February, as the Swiss franc has weakened since then.

Looking at organic growth in a bit more detail.

On RIG, we maintained our second half momentum, despite the infant formula recall and US Petcare phasing, both of which I called out at the full year.

The chart on the right shows RIG for the first quarter by category.

The impacts in Nutrition and Petcare were compensated in particular by Coffee. You see the standout performance Philipp mentioned, with 3.5% RIG in Q1 compared to less than 1% last year. Food & Snacks also improved, delivering RIG above 2% for the first time since 2021.

Let me get into a bit more of the detail.

Performance in Coffee was very strong. Pricing continues to contribute positively, although its impact will ease as we progress through the year. RIG momentum is improving, supported by the strength of our brands.

Take Nescafé as an example. In the US we had very strong pricing and double-digit RIG in Q1, even in a more difficult consumer environment. This reflects smart price-pack architecture and strong in-store execution, as well as occasion-expanding innovation like Nescafé Gold Espresso.

Overall, Petcare growth was subdued during 2024 and most of 2025 but has showed signs of improving momentum over the last 2 quarters.

Q4 and Q1 are distorted by customer order phasing in the US – which boosted growth in Q4 by a bit more than a percentage point and that reversed in Q1. Over the two quarters, the effect is neutral.

The improvement in Petcare is largely coming from the US. This is driven by additional capacity coming online, allowing us to finally service unmet demand in wet cat, where the market is growing. We see the same strong demand for wet cat in Europe too, and here we have greater skew towards cat and fewer capacity issues and so continue to deliver strong RIG-led growth.

As expected, our performance in Nutrition was largely driven by the impact of the infant formula recall. And I'll cover this in a bit more detail later. Outside of this, Medical and Adult nutrition performed well, and the combination of Nutrition and the former Nestlé Health Science business will help us unlock further growth.

And finally, Food and Snacks. Overall organic growth has been relatively stable over the last 5 quarters, but the quality of growth has been improving.

RIG was negative in Q1 and Q2 last year but has been improving progressively in the last three quarters to reach more than 2% in Q1. A major factor has been our confectionery business, returning to growth as we have moved through our pricing actions.

Before moving to our zones, here's a view by geography.

In developed markets, growth is a bit lower, reflecting the softer macroeconomic environment, and weaker consumer confidence. But our performance versus our categories is improving.

On the other hand, as Philipp mentioned we are seeing good growth in emerging markets. Excluding China, OG is close to 7%, with almost 3% RIG. In most of these markets, momentum in our categories is supportive and the actions we are taking are driving growth and share gains.

Turning to the Zones.

In AMS, we delivered another good quarter, with an improving momentum and positive OG across all markets and categories. RIG has strengthened as a result of our focused investments, despite the difficult consumer environment in the US.

Many of the category dynamics I mentioned for the Group are playing out in AMS. I'll highlight Coffee and Petcare in particular. I referenced Nescafé in the US, but the strength in Coffee is actually really broad-based. In each of our other large coffee markets – including Mexico, Brazil, Chile, and Canada – RIG was mid-single-digit or better.

In Petcare, underlying momentum is improving, driven by our good category growth in cat and by our super premium brands ONE and Fancy Feast.

In AOA, there are a few moving pieces, and this chart doesn't quite tell the full story. The infant formula recall accounts for all of the slowdown in growth from Q4 to Q1, and overall growth is still impacted by the continued correction of trade inventory in China.

That aside, we are performing well. This is especially true in some of our emerging markets, including India, Indonesia, and central and west Africa, as well as developed markets such as Japan.

Market dynamics have generally been supportive, and we are outperforming. Take Maggi in India, which delivered strong double-digit OG and RIG.

Maggi is a loved brand in India. And we've built on that by combining affordable price points and flavor innovation, such as spicy noodles, to capture rural and younger consumers.

In Zone Europe, growth was solid. Here we are continuing to deliver great growth in Petcare, as I already mentioned, and Coffee is recovering nicely, with growth still price-led but with improving RIG.

The growth in Pet and Coffee was partly offset by the impact of the infant formula recall and a competitive environment in Food.

Finally, but importantly, we have largely navigated the annual price negotiations in Europe with limited disruption.

Turning to the globally managed businesses.

In Nespresso, growth is still led by pricing, which is expected to moderate as we begin to annualize increases from 2025. RIG recovered in the quarter, partly due to an increase in active consumers in Europe, as well as the reversal of negative customer order phasing from Q4 last year.

For Nespresso, the big news of the quarter was the launch of our new global brand ambassador, Dua Lipa. We've had a great response from a much broader consumer demographic.

This collaboration, along with others like KitKat with Formula 1, reflect our new approach to brand-building – investing in the right partnerships which elevate our brands and engage a broad spectrum of consumers, especially those younger demographics.

Finally, in Nestlé Waters and Premium Beverages, we delivered solid growth, led by our international brands of Sanpellegrino with innovations like CIAO! and the continued expansion of Maison Perrier.

Turning to the infant formula recall. The recall was executed rapidly during the first quarter. Our priority has been to replenish shelves and ensure parents have access to the products they need. And as of April, product availability is back to normal.

The overall impact of the recall in Q1 was around 90 basis points on organic growth. And about half of this reflected the direct effects of sales returns, temporary stock shortages and the subsequent replenishment. The remainder was driven by lower consumer demand.

Our teams have done a great job engaging with healthcare professionals, retailers and consumers to rebuild trust in our brands. And this is key to supporting a recovery, with new consumers recruited continuously as babies enter the category every day.

We estimate that our infant formula sales are currently down around 10% or so due to consumer impact. And we're already seeing early signs of improvement and expect to fully recover by the end of the year.

Now turning to guidance.

We were pleased with the Q1 growth performance, especially our RIG delivery.

At the same time, we are clearly facing increased geopolitical and macroeconomic uncertainties.

The conflict in the Middle East will have some impact on commodity and distribution costs, and possibly on consumer behavior, but it's too early to know the full extent of this.

Taking into account the momentum in the business along with these uncertainties, our guidance for 2026 remains unchanged.

We expect organic sales growth to be in the range of around 3% up to 4%, with accelerating RIG compared to 2025, driven by our focused growth plans.

On UTOP margin, we expect to improve versus 2025, with strengthening in the second half.

Lastly, we expect to deliver above 9bn of free cash flow.

And with that, I will hand over to David to open the Q&A.

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

Thanks, Anna.

So, we'll now open the Q&A session. As usual, please do limit yourself to two questions to give everyone the chance to ask a question. And the first questions come from Tom Sykes from Deutsche Bank. Go ahead, Tom.

**Tom Sykes, Deutsche Bank**

Good morning, everybody.

Firstly, just on the cost saving program. Could you just maybe outline when is the point that you reach the maximum run rate of cost savings? Or rather, when is the point in the year or the next two years when you have the biggest delta in cost savings, please? Is that sort of end '26 or is it run rate in '27?

And then just on the pivot towards younger consumers, both in your innovations and in your marketing. We can obviously see that in some of the materials, but where on that journey actually are you at the moment? We've obviously spoken before about building out the marketing infrastructure and that taking some time. Could you maybe speak about the level of hiring that you've done there and the changing in the culture of marketing that you've had in the organization, please?

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

Yeah, thanks, Tom. Thanks for the questions. I'll give the cost savings one to Anna and I'll come back on the younger consumers right after.

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

Sure. And on the cost savings, Tom, run rate end '27 is when we fully delivered our CHF 3 billion goal. And we're working our way through that. And you will see a sort of progress in a steady way as we work through between now and then.

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

Thank you, Anna.

And look, Tom, on recruiting younger consumers, I love the question. And you have seen you've seen Anna call out just before, some of the actions we're taking in terms of influencers like Dua Lipa for Nespresso, where we actually see that we're speaking to a different cohort of consumers, younger consumers, new consumers that have actually never been in contact with Nespresso coming in to our website, to our stores and being interested about the brand. You've also seen us last year already engaging with KitKat and Formula 1. And you have seen probably just a few weeks ago a viral campaign called 'KitKat heist', where actually out of a stolen truck, the team made a huge viral campaign. And this is part of how we want to run marketing. So, it's more it's more led by the team. It's more bottom up. It's on tone and it's more viral. And so, we're changing this as we speak. We have done a review of all of our agencies, of all of our partners. We have a few new people in here that support us here. And it also links to innovation. How do we innovate? And products like cold coffee, the concentrates that I've seen, ready-to-drink coffee, some of the air fryer recipes that we're launching, et cetera. These are all products that cater to a younger consumer and are more fun to use. And that's also how we communicate. And so, I think we're on a good track. We're not done yet. This is just the beginning. But expect more of that to come because it is working and it starts to show results, as you can see in our Q1 numbers. Thanks, Tom.

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

Thank you, Tom.

The next question comes from Warren Ackerman from Barclays. Please go ahead, Warren.

**Warren Ackerman, Barclays**

Yeah, morning, Philipp, Anna, David. This is Warren here at Barclays. First one is on China. I'm sure you saw the FT article. I was just wondering where, if you can give us an update in

terms of moving to a consumer-led model from distribution push, where are we on inventories, and how are you engaging with the e-commerce channels for the future, like Douyin. And should we still expect that inflection in Q2 on easier comps in China? Or is there still any residual issues? I'm just trying to understand how you're feeling about China. There's obviously been reports that there's kind of delays on the border on infant formula because of enhanced cerulide testing. So just your feeling on that would be great, Philipp.

And then the second one, perhaps for Anna, just really on pricing, Anna, you're kind of intimating that pricing will fade from here. Can you maybe share a little bit more your thoughts on where that might happen by kind of category and geography? Is it just kind of rollover pricing? You're not planning to take any new pricing? I'm slightly surprised, given the kind of inflationary comment, that you won't see some new pricing.

So, yeah, first one China, second one on pricing. Thank you.

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

Good, thanks, Warren. I'll start with China.

Look, as you say, we have been making the changes that we promised to make to strengthen the overall business in China. I've been just there three weeks ago just to meet the teams and look through our businesses. And what the team is doing is redefining the growth model, as you called out as well. So, we're re-looking at our route to market, our distribution to really drive consumer pull. That obviously includes launching innovation. We have launched HMO, we have launched new variants under Totole So we're leaning into innovation, into driving growth, into, new channels like the snacking channel, for example.

As you know, there is a new management team on the ground that is now fully in place to drive this change. And we're correcting the trade inventory and expect that to be done by the end of Q2. There is still some of it to be done but I also expect China to gradually improve during the remainder of the year, as we have said. So, I see good progress there on all fronts to bring China back to a consumer pull, marketing-led model, led by innovation and by good marketing investments. And that includes, obviously, the e-commerce channels like Douyin, and the others, where the team is launching specific innovations with the right price points that then don't compete with the rest of the offline channels. And that's exactly part of how we want to move China into a consumer pull model.

In terms of your questions specific to infant formula and the border, et cetera. Remember that infant formula in China we produce locally. So, we have two factories in China that are producing for China. So, we don't have any issues there. Those factories are running, are back

on track. And in China, I saw that myself, the products are back on shelf and consumers are picking them up. So that performance on infant formula in China should improve more. And as I said, we have also launched innovation during the infant formula situation. We launched HMO under Iluma in China during the last few weeks, which should further help the recovery in China.

And I'll pass over to Anna on your pricing question.

Thanks, Warren.

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

Sure. So how to think about pricing? In 2025, we took substantial pricing on coffee and cocoa-related products, so Coffee and Confectionery, because we saw some very significant input cost increases. And so, when we talk about rollover pricing, rollover pricing is largely driven by coffee and cocoa. Now, as you know, we didn't take price to cover all of those input costs in 2025, because we were very focused on getting our price points right for the consumer and making sure that we're driving that consumer demand for the long term. So, what you see as we go into 2026 is we get the benefit of that rollover pricing. And we will continue to look, as we do across all of our categories, at where we can and should take pricing because the consumer can sustain it and it's consistent with our momentum.

So, as we go into 2026, we will take price in different categories and in different markets. We were very clear on that, for example, around Pet in the US as we came into the year. And you see us doing that across the board, both across developed and emerging markets, category by category.

In terms of looking forward and the impact of the Middle East situation, I guess just maybe a minute on that. I see sort of three areas of potential impact. Supply chain disruption, which we're seeing some of already. Some commodity inflation possibility, which we're seeing some of, but we'll need to keep monitoring. And the potential knock-on impact on the consumer, depending on how things play out. How we think about those three impacts: supply chain, this is something we're good at. The combination of our scale and the fact that we largely manufacture locally, means that when there is global supply chain disruption, normally Nestlé gains share because we are more able to navigate that environment than others. And our teams are all over that. With respect to commodity costs, we will monitor where that goes. And, as you've just referenced, we're well practiced on the levers to manage commodity costs increases, because we've been doing that heavily on coffee and cocoa through 2025. So, you'll see us use those same levers of price pack architecture and making sure that we're delivering

for the consumer. And in terms of consumer impact, this is something that we will continue to monitor. We're not seeing too much at the moment, aside from maybe in some markets like the Philippines, where fuel costs mean that consumers are not leaving home as much. So, they're shopping closer to home. And again, this is where Nestlé's proximity to the consumer and our really strong local market leadership means that we're good at adapting to deliver on those changing circumstances.

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

Thank you, Warren. The next question comes from Guillaume Delmas at UBS.

Please go ahead, Guillaume.

**Guillaume Delmas, UBS**

Thank you very much, David. And good morning, Philipp and Anna.

Two questions for me, please. The first one is on Coffee. So strong performance in Q1. Could you maybe unpack a little bit this performance for us? So particularly, is it down to an improved category growth, improved elasticity, or is it very much down to your significant market share gains? And still on Coffee, but Creamers, can you talk about your performance in the US? Because it seems you were flagging some soft development in Q1. So, if you could shed some light on this.

And then my second question it's on your underperformers. I mean, maybe Philipp, if you can provide a bit of an update on where you are with some of these businesses. It seems in Q1, Gerber was still challenged. US Frozen is also under pressure. So what progress are you seeing? And where would you expect to be at the end of the year for these businesses?

Thank you very much.

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

Thanks, Guillaume. Look, thanks for both the questions.

I'll start with Coffee. And indeed, we're very happy with our Coffee performance. You see 9.3% OG, 3.5% RIG in that category, which is great. I'm particularly happy about the RIG coming

through. And as Anna just said, we'll lap some price increases there. So happy to see consumers buying into our category.

This is broad-based, the performance on Coffee. And it's definitely based on performance across all zones, across almost all markets. And it's strong across all of our brands. So, it's Nescafé, Starbucks, and Nespresso. Particularly Nescafé was very strong. And that is, again, across the board. It's a soluble coffee. It's cold coffee under the Nescafé concentrates, ready-to-drink coffee on the Nescafé, but then also new launches like Nescafé Dolce Gusto new innovation. So, it's really broad-based. We love this category because it's a category that is resilient. You know, it's a daily habit. Consumers have a coffee habit and we're able to cater to consumers at all ages across all economic strata and across the globe through our brands and also through our capability to cater to different price points. So that is really what played out here. And also, we have invested behind those brands. So, we have invested behind the three of those brands and that has definitely paid out.

Maybe one thing that is important for you as we have 9.3% growth in the first Q. So don't draw a straight line, don't extrapolate that into the future because comps are getting more difficult. And also, we're lapping, obviously, some pricing we have taken. So, pricing will come down. But really happy with that broad-based portfolio and also with the market share gains that came with that growth in many markets, so that's good.

On the Creamers part of your question, this is one I'm personally less happy about because obviously if you look at, we're doing really well in the US In Coffee and Coffee Mate is a product that comes to life in coffee, so Coffee Mate has definitely a huge potential. In the US specifically, we had some operational challenges impacting our supply. That is due to some issues we had in our older factory there. We're working on it, we're on it, and we see great potential. We have a great Coffee Mate brand with good innovation potential as well, tapping into the growth that Coffee is showing in the market. So we're working on that for it to come back, but positive about the underlying strength of the brand and the business we have in the US.

And your second question then, on underperformers. Generally we're working on underperformers to improve their performance. So, as you have seen in 2025, since we called out the 18 underperformers, we have made progress on all of those. Some of those have actually fully turned around, so they're not issues anymore. Others have improved, and others are still stubborn. Two of them you have called out, so Gerber is among those. And Frozen is not an underperformer, I wouldn't call it like that. Frozen is a category that is subdued in terms of growth. But look, we're working on them.

On Gerber specifically, the team is working on innovation, on getting the products back on shelf, and expect that to improve towards the end of the year in terms of Gerber. In terms of Frozen, we have seen market share gains in some of the areas of our Frozen business. As said, the whole category is subdued there. But again, there we're innovating into the space, and as I said, the full year we believe in the category. And so, we focus on those underperformers, and improving on some of those underperforming areas has actually also leaned into the improved performance in Q1. So also, the actions we're taking on those underperformers are starting to work.

**Guillaume Delmas, UBS**

Thank you very much.

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

Thank you, Guillaume. The next question comes from Callum Elliott at Bernstein. Go ahead, Callum.

**Callum Elliott, Bernstein**

Hi, good morning. Thank you for the questions. The first one is on the guidance, please. So very strong start to the year, clearly. 3.5% OSG with 4.4% underlying ex formula. And if you just continued at that 4.4% for the rest of the year, you'd be above the high end of your guidance range. You also have, as you said, Philipp, China should get better by the end of Q2. That's probably 50-60 basis points of contribution. You shouldn't have the Petfood, destocking beyond Q1, so that's another 20-30 basis points that could get you to 5 plus, all of which makes the guidance look quite conservative. So, are you just being conservative in view of the volatile environment, or is there actually something concrete that you've seen in the business since the start of the war that's making you really expect a genuine slowdown? So that's the first one.

And the second one is a bit more strategic. You provided some very interesting data on growth by channel. E-commerce really stands out, over 20% of the business now, and growing over 15%. So basically, the vast majority of your growth is coming from this one channel. So, can

you maybe talk a little bit about the dynamics of that e-commerce growth across each region? Obviously, it's a very different channel in different parts of the world.

Can you touch on sort of market growth in e-commerce versus your own competitive performance? I presume that 15% is a decent amount of share gain, so just what you're doing to drive that and any strategic initiatives to ensure that it can persist.

Thank you.

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

Good. Thanks, Callum. So, I'll pass the guidance to Anna, I'll come back on your specific question on the channels. Thanks very much.

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

Thanks, Callum. So, we are pleased with the momentum that we have in Q1 and that the actions that we are taking are fundamentally improving our RIG. Equally, it is one quarter, and so it needs to be seen in that context. A couple of things to bear in mind as you think about guidance. Firstly, we did take some very significant price last year on coffee and cocoa, and we will not be taking price on coffee and cocoa in the context of commodity increases there at the same level. So, that is something to bear in mind.

Also, you asked, are there any sort of specific or obvious significant distorters that we know about? No, there's nothing particularly funny in the Q1 numbers, otherwise we would have called it out. But the external environment is uncertain, and our guidance reflects that uncertainty. And while I feel actually that we're very well placed to navigate whatever the external environment is and gain share, because actually an uncertain external environment is something we generally are outperforming because of our local manufacturing and because of our deep market knowledge, our local market teams, we'll have to see how all of this plays out from a consumer perspective. And so, we've taken all of that together in reiterating our guidance today.

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

Thanks, Anna, and I'll come back quickly to your questions on channel.

So, look, e-commerce also pleased with the performance in e-commerce. This is a growing channel for years now, and it's slowly taking more and more in terms of percentage of our sales, and that's broad based as well. So, it's with brick-and-mortar partners, but also with pure players and also growing on our direct-to-consumer efforts, for example, on Nespresso. And this is due, there's a few factors playing into that. So, we're able to innovate well into the channel, and that includes the right packs that you have, mixed packs, for example, you have the right outer packs, the right pack size that has worked well. And we're also collaborating with many e-commerce partners on supply chain and leaning into retail media, which has been working really well because then consumers are on the website or on their phone and then retail media, in that sense, is a good investment, has good returns on investment there. But there's two more channels that I see good growth, given where consumers are. So, discount channels are definitely doing well. That's across the board. US and Europe are particularly strong growth in discount channels as consumers buy more often and maybe with lower tickets. And we're leaning into the same way we lean into the e-commerce channel with the right assortment, right price and pack architecture there. And the other one which is worthwhile calling out is convenience, which is, again, playing into that desire of consumers to shop closer to home, to be able to maybe shop daily. And that works really well. And that is obviously underpinned by our underlying strength in mom and pop stores in emerging markets where we are very well distributed and where the strength of Nestlé's execution and power of brands really comes to play, as we showed at the full-year results. So, these are the channels where I see growth, but obviously e-commerce is one of the focus areas and we're improving as we speak on those channels and customers.

Thanks for the question, Callum.

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

Thanks, Callum. The next question comes from Celine Pannuti at JP Morgan.

Go ahead, Celine.

**Celine Pannuti, JP Morgan**

Hello, good morning. So, I would like to come back first on the actual question, you reiterated around 3% to 4% and you started very strongly in Q1. Anna, you mentioned that you're not planning to take more pricing in cocoa and Confectionery and Coffee, but how is the lower cocoa and coffee prices changing potentially the outcome on the full year on pricing? And I

appreciate maybe you don't have a crystal ball about cost inflation, but probably I'm sure you've done some scenario analysis. So like Q1 it seems will be peak pricing, please correct me if wrong. And then what should we think about as you look at the RIG comp, H1 versus H2 and pricing decelerating, could it be that H2 OSG is slower than H1 OSG? So, if you could help on the pace of your growth through the year.

And my second question is as well on margin outlook. So, to what I was saying, we have lower cocoa and coffee prices. Is that going to help in any shape or form in the first half? Are you still expecting gross margin to be down? And you say that margin will be more weighted to the second half, but could we have EBIT margin up in the first half? And then again, on scenario analysis, how should we think about potential cost increases? And where do you see that? If there's any way you could quantify, let's say with oil prices, let's say \$100, what would that mean for you?

Thank you.

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

Thanks, Celine. I think Anna, it's for you.

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

Hi. So just to step through there, starting with pricing. We did take significant price on coffee and cocoa because we saw significant inflation last year. That rollover pricing will obviously benefit Q1 and then erode as you go through the year. As I said, we will continue to take price where we feel that we are able to do that. And you see us do that, but it will be on coffee and cocoa more muted because we have less significant commodity increases. Equally, it won't be zero because we didn't cover all of our inflation last year, because we were really focused on delivering for the consumer. So, where we see those areas where the consumer can tolerate price, we will obviously adjust. And it is very, very much a by market, by category choice that we are monitoring all of the time. So, I can't give you an exact shape because this is the power of Nestlé, this is the power of the teams in the markets that are looking at the competitive position locally and the promo position locally and they are taking agile decisions based on where the consumer is at a point in time. And frankly, in a macroeconomic environment like this one, that is really, really important. So, what that means for the shape of the OG through the year, I won't guide on, but you know the moving pieces of pricing RIG and comps.

In terms of margin, putting the Middle East piece to one side for a minute, maybe just the moving pieces around our margin. So yes, we have the benefit of lower coffee and cocoa prices as we move into 2026. But remember, we were hedged and so that benefit will come through the year, weighted towards the end of the year and really, we see the full benefit in 2027.

Also remember that tariffs continue and so in the first half, tariffs are a headwind until we lap the tariff environment as we move into the second half. Of course, we're still focused on cost efficiencies and they come as we find them. So, it can be lumpy, but they come through the year. And I've just talked about the pricing piece. All of that taken together would say that our margin should improve as we move through the year, as I said at the full year.

Now, what are the implications of the situation in the Middle East? Well, they're changing daily and therefore it is unhelpful to quantify them. But as I said, supply chain disruption, we're managing that absolutely fine. And in many ways, it's -- we are better at it than many. And so, we should outperform the competitive set in that respect. In terms of commodity cost inflation, again, it's varying. It's not just fuel. We see it on some agricultural commodities too, particularly the ones that can be used, swapped out for fuel. But again, this is currently the normal course of our business and we're managing movement in commodities all of the time. And we have the playbook to manage that as it happens.

So taken all together, that's why we're comfortable reiterating our guidance today, including our margin guidance.

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

Thank you, Celine. The next question comes from Jeremy Fialko at HSBC. Go ahead.

**Jeremy Fialko, HSBC**

Morning, thanks for taking the questions, a couple from me.

First one, coming back to the guidance, at the full year there was this rider you put on the guidance saying additional impact from the IMF recall is uncertain and could drive OG towards the lower end of the range. Now, it seems as though you've gone through Q1, you know what the situation with the recall is, it seems as you'd anticipated it was going to be. So, does that mean you can kind of take away that sort of rider to the guidance, which means that you'd be at the lower end of the range, even if you're not doing anything else with the guidance?

And then secondly, just on the IMF recall, perhaps you could just go into a bit more detail about which of the markets where you've seen a good recovery, you're back to kind of sell-out and consumer offtake, roughly as it was before, and which of the markets where perhaps it's taking you a little bit longer to get back to where you were previously.

Thanks.

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

Thanks, Jeremy. I'll have Anna start with your guidance question, I'll come back on IMF recall.

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

In the context of guidance, yes, at the full year we said around 3% up to 4%, and we said that there was at that time uncertainty around the infant formula recall, which could drive us to the bottom of the range. Our guidance is unchanged. It's still around 3% up to 4%. We are now more certain on the infant formula recall, so we've taken away the sentence that specifically addressed the infant formula recall.

Equally, in the current macro environment, in the current geopolitical environment, there's significantly increased uncertainty, and so taken all together, our guidance is unchanged.

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

And Jeremy, in terms of the infant formula recall, I mean, you have seen us acting quickly on the recall, and the teams have been focused on getting the products back on shelf, which is done basically, so we're back on shelf and in consumer's reach with all of our brands, and that's true across all countries.

So I would say the statements that we make on infant formula, that's certainly for all of the countries that we have recalled and have had to recall, and in all of those countries, we have been working closely with healthcare professionals and institutions, hospitals, et cetera, to make sure products are back on shelf and also are back in their trust, and so that has been the focus, and that's true for all of the impacted countries, so no difference there, and we're tracking that, and as I said, we should see that normalizing through the year, and we should recover every day as consumers come into that category every day.

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

Thank you, Jeremy. The next question comes from David Hayes at Jefferies.

Go ahead, David.

**David Hayes, Jefferies**

Thanks, David. Good morning, all.

So, two from us. Just first on the emerging market strategy and the performance step up, we obviously see in the details there you spent a lot more money in A&P spent, I think, up 50%, which is clearly working there. Great, great performance from a top line perspective. But just understanding, is that kind of indicative of what you're seeing in terms of allocating more money to those growth opportunities? And I guess if that's working, the A&P spend uplift, could we see it moving up ahead of that 9% of sales level as that kind of gains momentum and starts to reward? And then the second question, just around the growth platform, growth versus the core non-growth platforms, obviously you gave that indication of relative performance at the full year. I just wonder whether you can give us that split. I don't think I've seen it at least for the first quarter.

Thanks so much.

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

Yeah, thank you, David. Look, exactly, I mean, in performance like India or places like India, this is you can call India growth platform in itself. And so, these are definitely places where we will invest the right amount. And you have seen the results of that drive. So, India definitely is a place where we have great brands, as you have heard Anna talk about, for example, Maggi in India, the importance of Maggi in India. We have the route to market. We have the distribution and I said the brands and innovation as well to invest behind. So that is definitely places where we will step up in investment and you see it definitely shows results. So will that be, you will expect those results coming through going forward. Emerging markets, I have called out emerging markets as a strong performer for Q1. But those markets will also be and they're already feeling the pressure on the situation in the Middle East. So, we'll have to see how the consumer reacts. But we're really, well positioned in those markets to win and keep gaining share and keep overperforming and outperforming in those markets. But India is definitely a place that we see a huge potential going forward.

On the growth platforms in general, what you have seen us do and we have said that since a few months now that we have stepped up the percentage of sales that we're accelerating. So that's now 30% of sales that is accelerated through the growth platforms program, as you can call it. And these are places, as you know, that we see higher structural growth and where we also have the brands and innovation and the capabilities to deliver more growth and those growth platforms in Q1 have also delivered high single-digit organic growth and they're growing faster than the rest of the company. So, what we have started to do is actually working and I'm happy to see that, the step up from accelerating 10% of sales to 30% of sales is also showing results. So, where we put our money, we see the acceleration and that is the strategy that we're driving with focus going forward, 2026 and beyond, as we keep on innovating and delighting consumers across the world.

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

Thank you, David. We take the next question from Olivier Nicolai at Goldman Sachs. Your line should be open, Olivier.

**Olivier Nicolai, Goldman Sachs**

Good morning, Philipp, Anna and David. Two questions, please.

First of all, could you comment on the underlying trend you're seeing in Petcare in the US? I remember you mentioned at the full-year results, some early sign of an increase in cat adoption. Are you able to comment on the survey since we're in April now?

And then secondly, I think Philipp, in the beginning of your presentation, you mentioned a few potential disposals. Could you perhaps just summarize the various current processes in place in terms of timing and how advanced they are? I think you mentioned Waters. At the last results, you mentioned the remaining Ice Cream Business and now obviously the mainstream VMS. And then specifically on Blue Bottle coffee, are you selling the entire business and not only the cafes or are you considering keeping the brand?

Thank you very much.

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

Yes, thank you. Look, the underlying trend on Petcare, I'll give to Anna because she likes to talk about the cat adoption. So, I'll give that to Anna. I'll come back on the disposal specifically.

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

Yes, I like cats so, yes, this is an area I follow closely. In the US, since post COVID, we've seen an increase in in cat adoption because it's much easier to go back to work and have a cat at home than a dog. And so, where we are currently is we're seeing cat adoption growing between 2% and 3%, which is strong. And actually, for the first time in a decade, the number of cats as pets in the US, has surpassed dogs, which is an interesting data point. So, yes, good underlying momentum in Petcare in the US and even more importantly for us, we need the capacity in order to be able to deliver on that opportunity. And as you're seeing the capacity that we have been building coming online through the first half, you're seeing our performance accelerating the US, driven by that performance in wet cat.

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

On the disposals that you mentioned, on Waters, you have seen us going out and looking for partners. we're looking at that as we speak. And that business is still, you should expect that to be deconsolidated by 2027. Waters has been launched, same for mainstream VMS that we are engaging on that one, so progress on both of those. And as you know, these have been difficult or complicated carve outs. And so, I'm happy with the progress we have made on that. Same on ice cream, we're progressing on those as well. So, expect some of those during 2026 as well.

And specifically on Blue Bottle, you have seen us sell the whole business, but we also, you see, and that has been launched on Nespresso. We have Blue Bottle branded capsules on Nespresso that are quite successful and we intend to keep that business sold through Nestlé, but all the cafes are obviously in the perimeter of the sale.

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

Thanks, Olivier. The next question comes from Jon Cox at Kepler Cheuvreux. Go ahead, Jon.

**Jon Cox, Kepler Cheuvreux**

Yeah, good morning, guys. Thanks for this. The question, I keep coming back to the guidance question but maybe catch it in a different way.

Anna, you mentioned this is only one quarter, and you've done excluding what happened with formula above 4%. We've had now three quarters where you've been four and above. And then in terms of volume mix, again, if you exclude formula, now suddenly we're at the 2% plus mark on volume mix. And Philipp, I know you're saying there's still work to be done. I'm just wondering where you think you are in this journey to be able to consistently deliver that somewhere around 2% RIG and the 4% organic. It looks like you're getting pretty close from where I think a lot of us are sitting. Then a couple of more technical questions. Just on formula, you mentioned a 10% sales decline currently, which is obviously a 60-70 bps headwind base today. I know the sequential will improve. I wonder what gives you confidence it will improve. And I wonder if you could break out the areas, because I guess, for example, China probably went down more than 10%. Europe may be doing a bit better.

And then just the last technical question, just on plastics, there's plastic prices are up quite substantially, shortages of PET in Asia. Can you just remind me where we are on plastics as a share of COGS? I tend to think it's somewhere around 10% plus or so. And are you seeing any disruption on plastics in Asia at all at this point? Or do you have sort of long-term agreements? I guess you do anyway. So, anything on plastics would be helpful. Thank you.

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

Good. Thanks, Jon. I'll pass guidance to Anna. I'll come back quickly on infant formula overall and then on plastics as well.

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

Sure. With respect to guidance, we have done three quarters now that have had good underlying performance. And we have had quite a lot of price benefit in those three quarters. And so, what we had said to you is to get to a sustainable +4% growth, we needed to consistently accelerate our RIG growth to +2%. And you see that the actions that we are taking are working and that our RIG performance is improving. And so, I think we feel good about that. And it makes us feel comfortable about the delivery of our medium-term guidance. You know, there is a good, clear path that the strategy will get us to delivery on that. Of course, we've got to navigate a period of falling price and we've got to continue to accelerate that RIG.

And as time goes by, we'll lap stronger and stronger comps. But I think what you can see in our strategy is the actions that we're taking are working and that our medium-term guidance is the right one.

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

Good. And then maybe overall on infant formula, and you'll let me know if that answers your question or if you need more specifics on numbers from Anna. But on infant formula, how we see consumers coming back is the actions we have taken in infant formula, working closely with healthcare professionals, hospitals, institutions as well, obviously brings trust back into our brands and into the quality of our brands. Also, it's important to remember the category is such that consumers come into the category and go out of the category every day. This is a category where consumers, they stay in the category or they use infant formula between six to nine months. And so, the game really where we are successful is recruiting every day, everywhere in the world, when mothers consider feeding their baby with infant formula. So that is how we see this coming back. And we see this already happening. And as I said, we are back on shelf. Consumers can pick up our brands and doctors are prescribing those brands to our consumers. And that is consistent across the world. And as we are on shelf, we see this coming back step by step as we recruit new consumers every day into every day into our brands. And so, when we say we expect this to be back to normal by the end of the year, this is the recovery we're seeing and tracking every month. I don't know if you have specific numbers, Anna, to underpin this.

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

Maybe one piece of context. So, it does vary by geography, but it varies by geography around out of stock. So, what we're seeing actually is a very, and we look at the sellout data and the consumer data for all of our big markets actually incredibly regularly. And so, what we're seeing is a very consistent trend back once we're back on shelf. And so, the markets that have had a slightly bigger impact is where we've been off shelf a little bit longer, and that's more to do with manufacturing and supply. But I think the important point from here is we are back on shelves everywhere now. And so, we should see that consistent improvement as consumers come into our brand month-on-month through the end of the year. And just on, sorry, I haven't answered the plastics point. Should I just do that one?

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

Yes.

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

Yes. So again, this is a place where our scale and strong supply chain network and local presence means that we are not worried about any disruption here. And just to frame it for you, plastics are about 6% of our COGS.

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

Thank you, Jon. We have time to take one final question from Jeff Stent at BNP Paribas. Go ahead, Jeff.

**Jeff Stent, BNP Paribas**

Okay, thank you, David, and good morning.

Just one question, particularly in sort of Asia, and there appears to be a lot of work from home mandates. And obviously we know from COVID that your business sort of benefits more when people are at home. So, I'm just wondering, is there been any sort of impact of any sort of decent quantum that you can discern from those work from home mandates in Asia?

Thank you.

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

That's in Asia specifically, yes? Yes, look, and I'll pass after to Anna because she has spent some time in Asia lately. So look, in -- that's in Asia, but in all emerging markets, but specifically in Asia, when you see first impacts of actually people moving less, going less out of home, eating less out of home, eating in home and shopping closer to their homes, we obviously are really well positioned in all of those emerging markets because we are really well distributed. All of our brands are really close to where people live and move and then also eat. And obviously that favors us, we are much more in-home skewed than out-of-home skewed in where we sell where we sell and obviously, we love people at home cooking and enjoying our products. And so, we're well positioned there. And this is where the power, the local power and

the local execution muscle of Nestlé comes to its best where we really can deliver products close to where people are, close to where people shop and close to where people consume our products. That's where we are at our best. And that has shown through the performance of emerging markets in general, but also in Asia, Philippines, Indonesia, India, et cetera. During the first the first queue. So, we are where people are and shop. And that's a competitive advantage that we have. But Anna has seen that firsthand in the Philippines and during a recent trip.

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

In terms of the numbers, the numbers in Q1 have very little impact on these changes at this point. I've been in a couple of Asian countries in the last few weeks, including the Philippines, which is perhaps the most impacted at this point, where there are fuel shortages and we are absolutely seeing consumers stay at home more, shop closer to home and all of those things. And this is a moment where Nestlé is really good in that what you've seen us do is focus on our key SKUs, the ones that really matter, the ones that drive the vast majority and make sure that our key SKUs are being prioritized into that mom and pop route to market. So, we're getting them as broadly and deeply as possible because where consumers are walking to the local shop and purchasing locally, we need to be there with all of our highest running SKUs. And we did that during COVID. And you saw the market share gains that we got in markets like the Philippines and other markets then. And we're deploying all of that learning again in adjusting our route to markets where we're already seeing that behavior change but also preparing for these sorts of behavior changes in some of our other Asian markets. So very much front of mind and something that we've got good experience of and a super route to market to really make sure that we deliver for our consumer and we are where they need us to be at this time.

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

Thank you, Anna. Thanks, Jeff. I'm afraid that is all the time we have for questions, so, I will hand over to Philipp to close.

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

Thank you, David. And thank you all for your questions. Let me leave you with a few just closing remarks. As you've seen, we started the year well, with broad based growth, which was RIG-led. Our performance, demonstrate that our RIG-led growth strategy is delivering in a complex

and more and more uncertain environment. We have clear strategic priorities which we are executing with focus and these positions us well to deliver our plans for this year and beyond. Thank you very much for your questions and your continued interest in Nestlé. Thank you very much.

**END OF TRANSCRIPT**