



# Driving Growth With Returns

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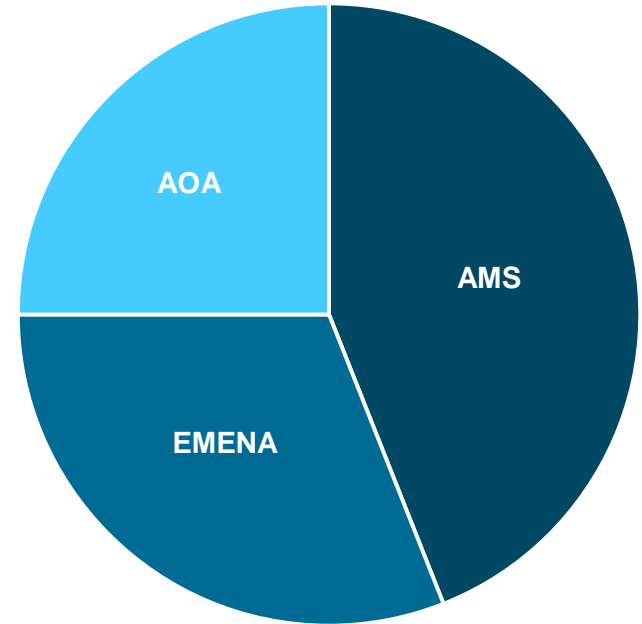
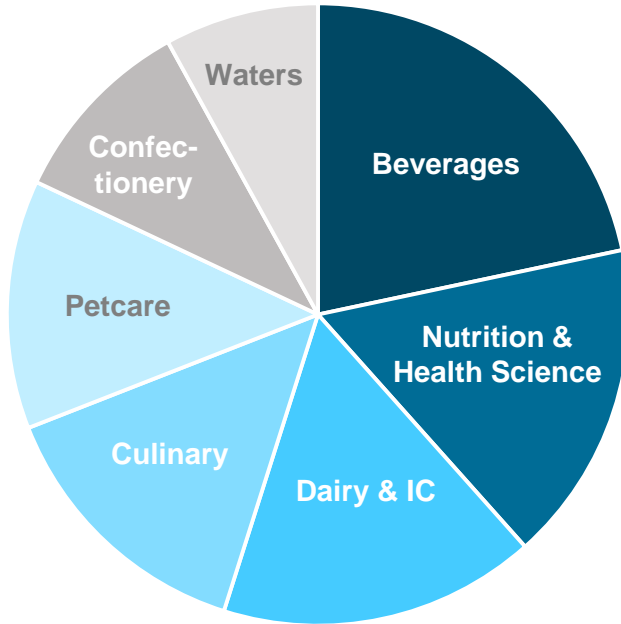
Deutsche Bank Global  
Consumer Conference  
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# Disclaimer

This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

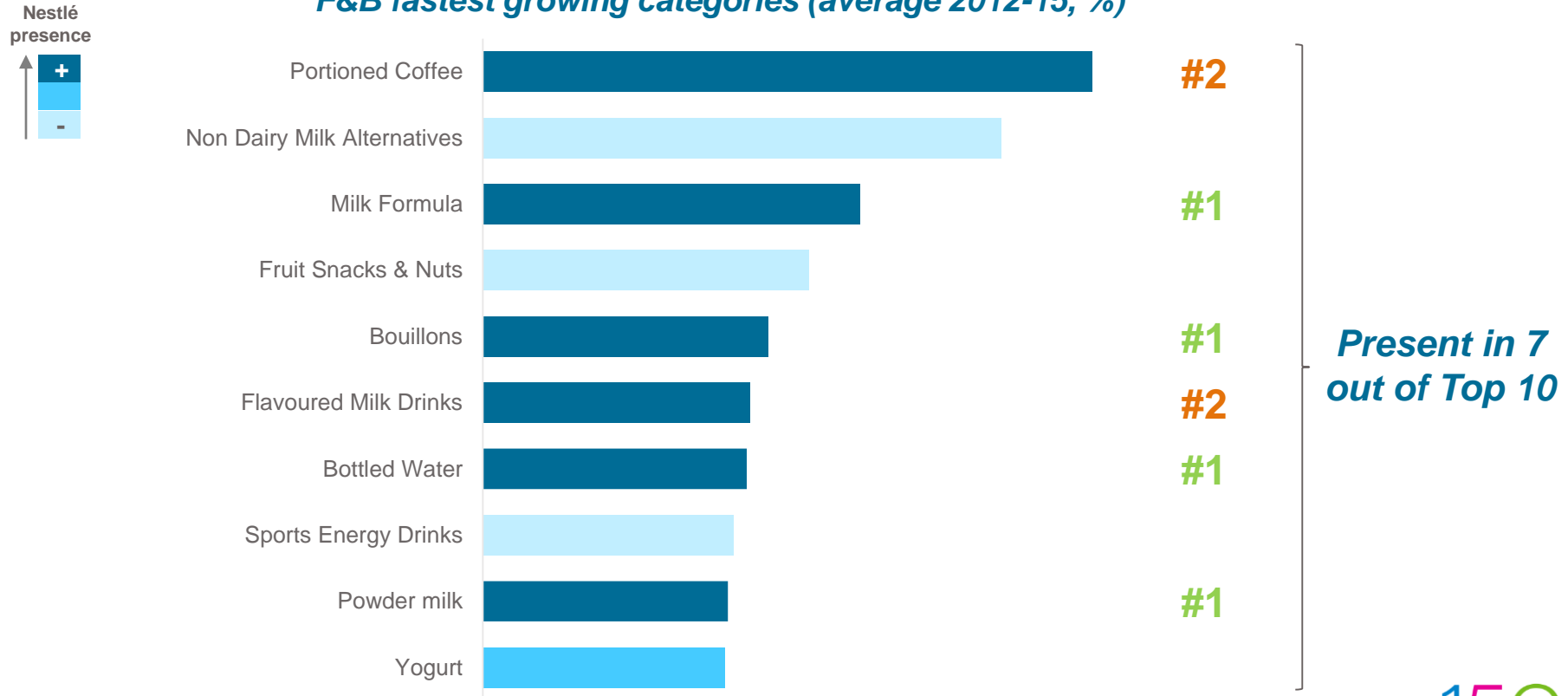
# Very diversified and balanced portfolio

*Sales contribution (2015)*



# Playing in the right categories in F&B with strong positions

*F&B fastest growing categories (average 2012-15, %)*



Source: Euromonitor  
(categories above \$7 bn value RSP)

# Expanding the boundaries of NHW: over CHF 4 bn sales



Nestlé**Health**Science

- **3 strategic focus:** Consumer Care, Medical Nutrition, Novel Therapeutic Nutrition
  - Strong **global footprint**
  - **Rich I&R pipeline**, via strong innovation engines
  - **Power brands**
- **Shaping new approaches to health management via nutritional therapies**

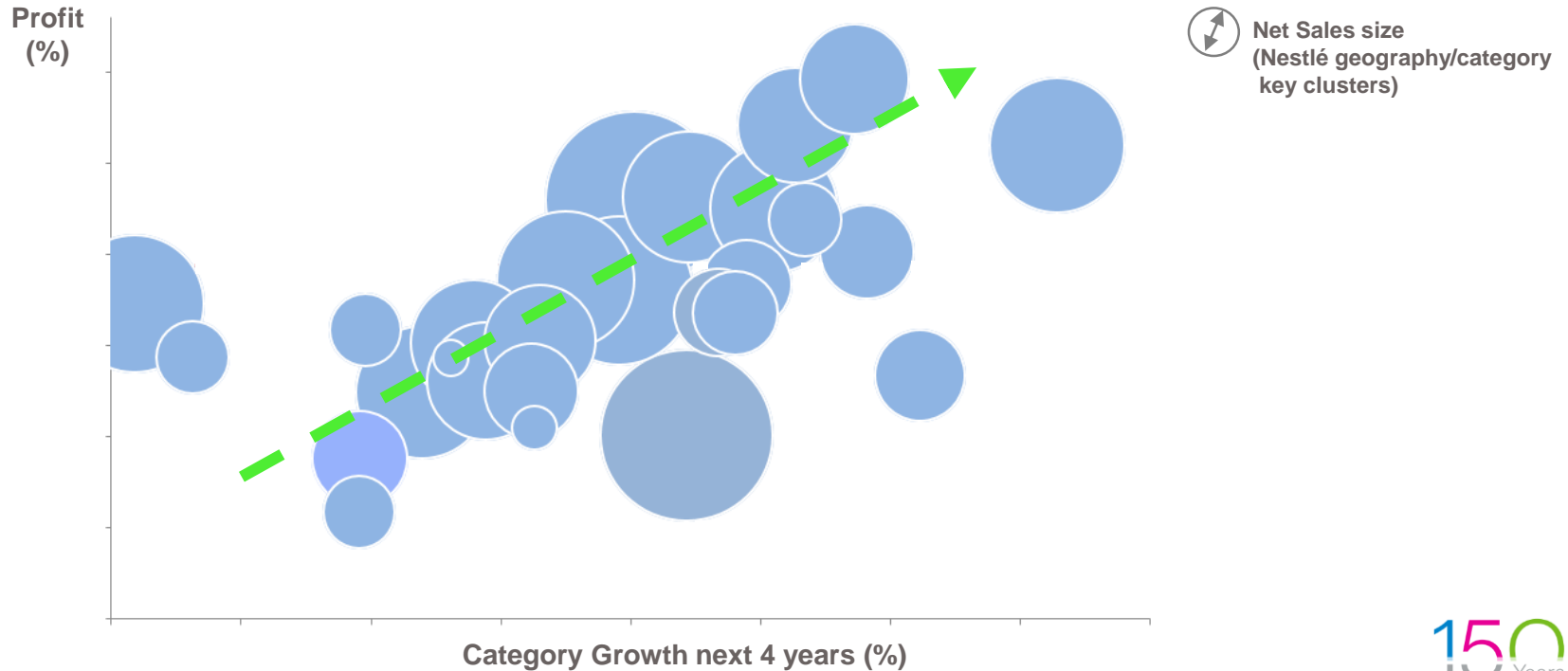


Nestlé Skin Health

- **Strong growth** over 2009-15
  - **Balanced portfolio** (categories / geographies)
  - Growth driven by **I&R** and **geographical expansion**
  - **Strong brands**
- **Extending leadership in skin health**

# Driving our positive geography/category portfolio mix

## *Nestlé Profit and Category Growth*



# Driving our profitable growth in emerging markets

	Developed	Emerging
<b>Sales</b>	57%	<b>43%</b>
<b>Annual Growth 13-15</b>	+1.3%	<b>+8.4%</b>
<b>Marketing Spend 13-15</b>	+180bps	<b>+260bps</b>
<b>Profit</b>	<	

# Focusing on our 34 billionaire brands\*

	Billionaire brands	Rest of the Group
<b>Sales</b>	<b>77%</b>	23%
<b>Growth 13-15</b>	<b>+5.4%</b>	+1.3%
<b>Marketing spend</b>	<b>80%</b>	20%
<b>Profit</b>	<b>84%</b>	16%

*\*Figures represent averages 2013-2015*



# NHW driving our profitable growth journey

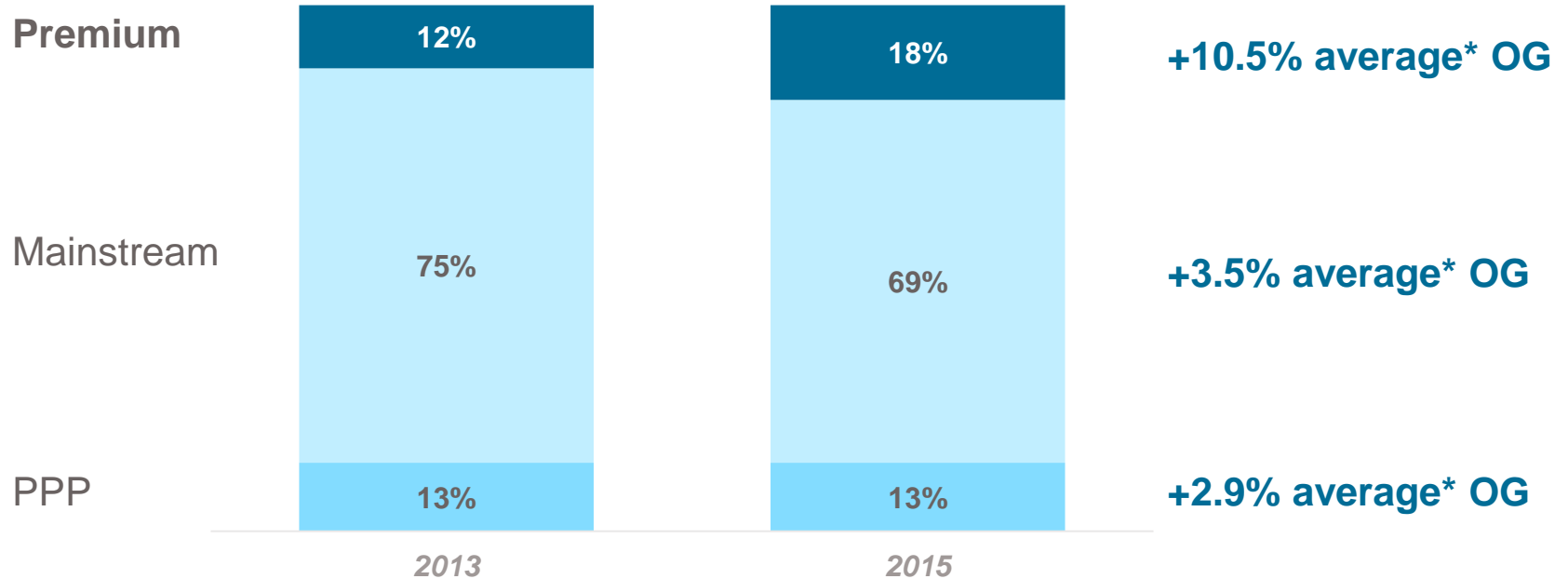
## *Performance of businesses vs. NHW dimension\**

	NHW below average	NHW above average
Sales %	50	50
Growth index	100	<b>180</b>
Marketing spend index	100	<b>100</b>
Profit index	100	<b>150</b>

*\* NHW dimension measured by % of Net Sales with 60/40 win and Nutritional Foundation – Analysis excluding categories which are 100% NHW*

# Driving our premiumisation opportunities

+ 4.4% Group average\* OG



\* Average OG over the period 2013-2015

# Most of the «issues» identified 3 years ago have been tackled

## Disposals

~3% of sales

## Re-investments

~4% of sales

## Partnerships

~1% of sales



**FRONERI**



# Accelerating accretive growth platforms

- **CHF 7+ bn** Sales today
- **15% average OG**
- **Accretive Marginal Contribution**  
(~10 points higher than Group average)
- **Marginally dilutive at bottom line** ... with high marketing spend

## Examples

Nescafé  
Dolce Gusto



Purina  
LatAm



Nestlé Health  
Science

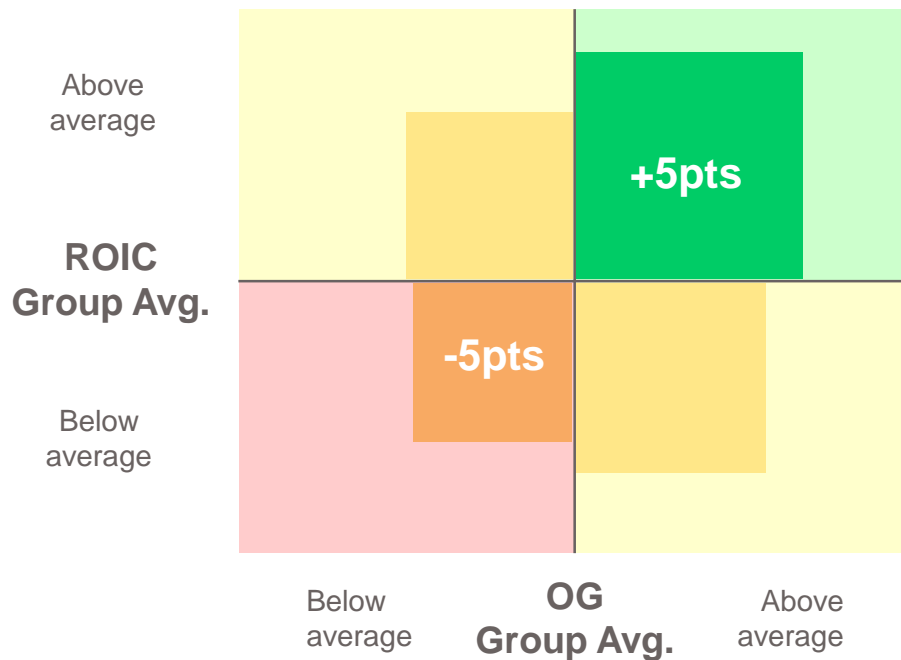


Nestlé Skin  
Health



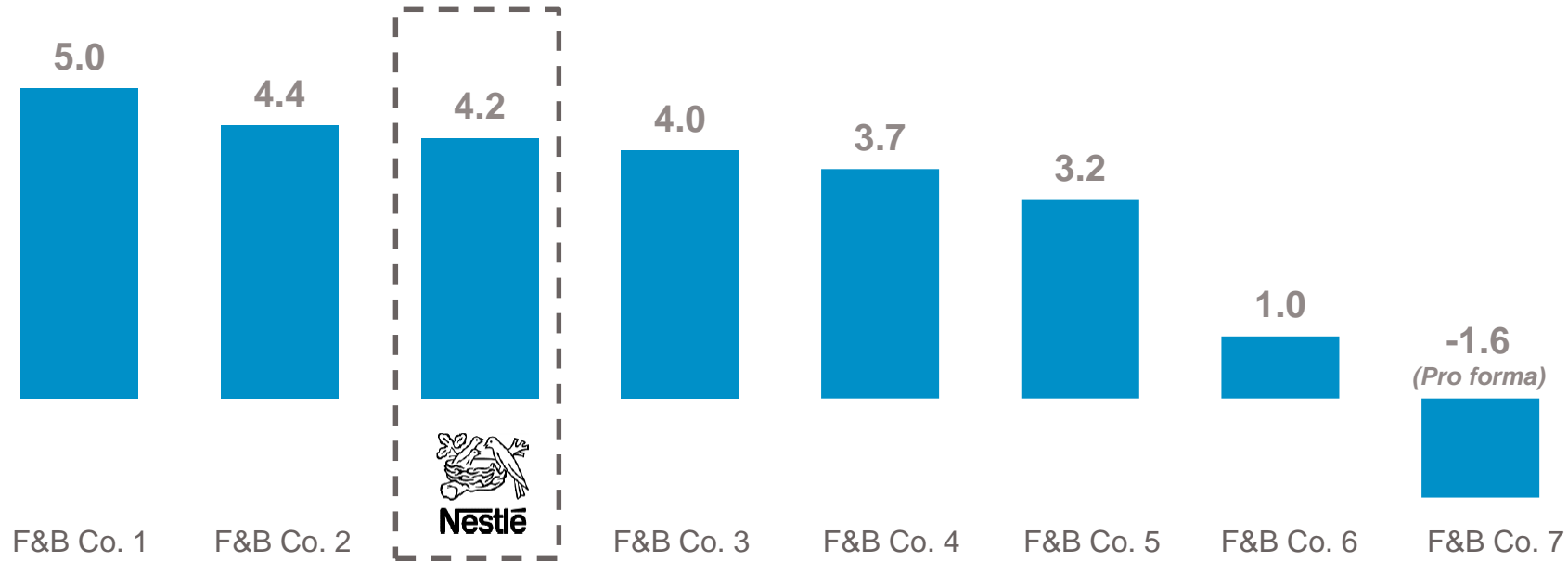
# Improving resource allocation

*Total Investments: SG&A and Capex  
(% of total, evolution over last 2 years)*



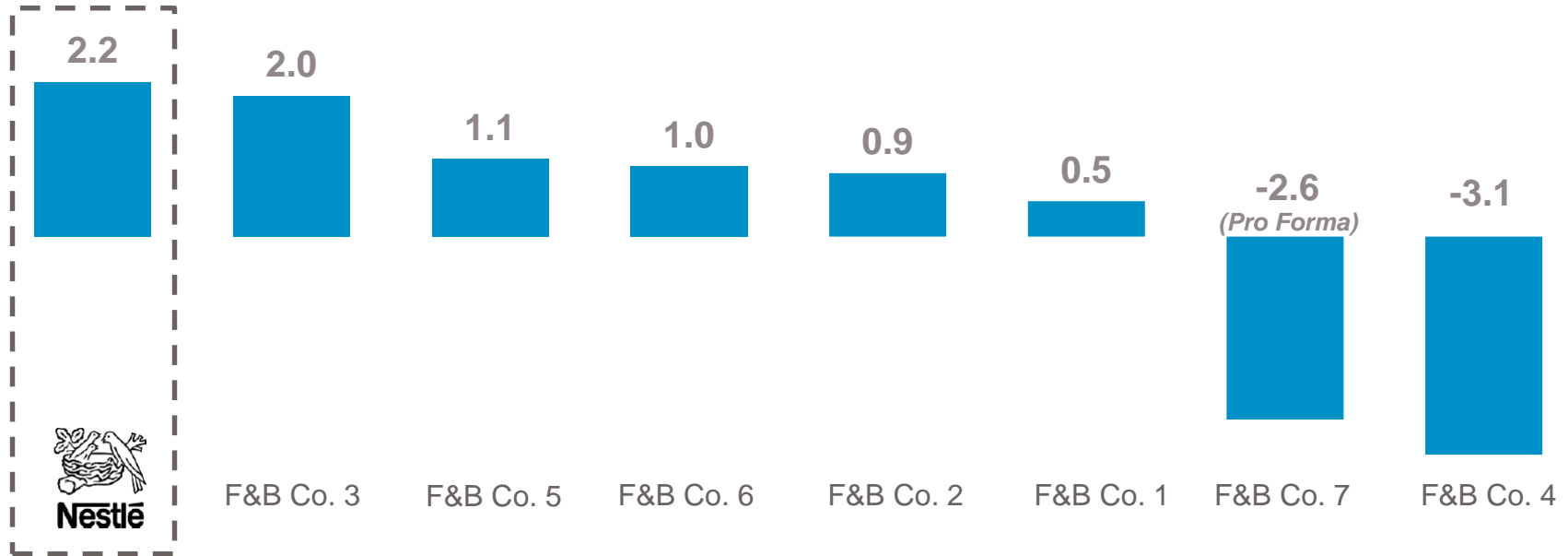
# Nestlé is delivering superior growth both in OG

OG Full Year 2015



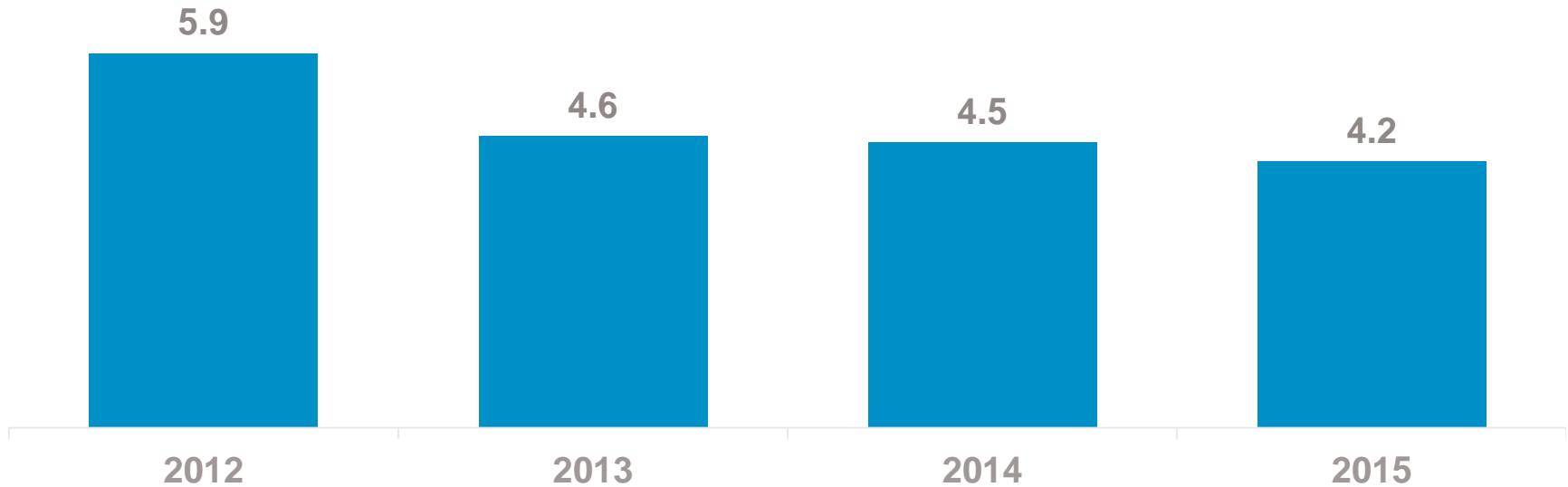
# And even more in RIG

*RIG Full Year 2015*



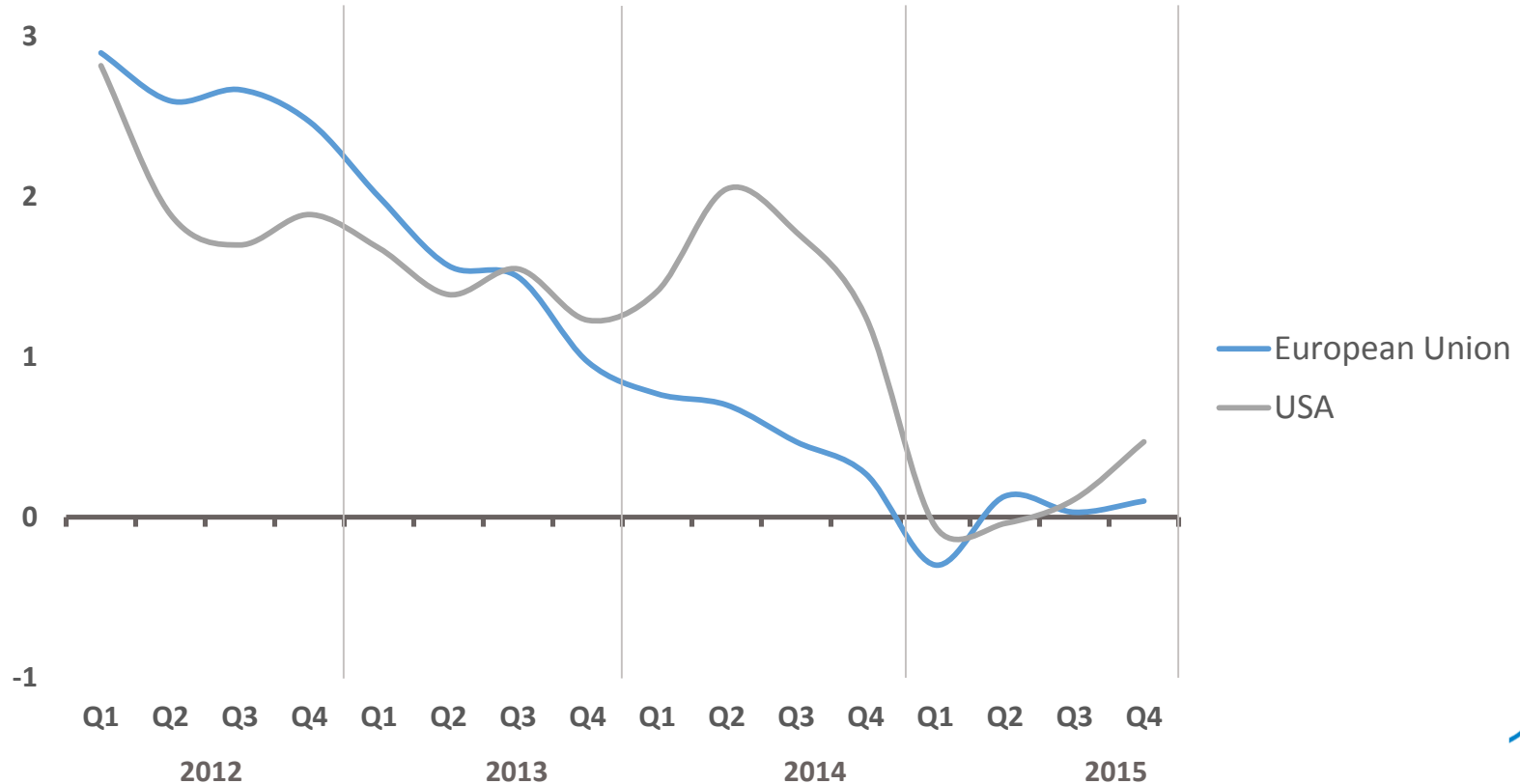
# Although growth is lower

*Nestlé OG 2012-15*



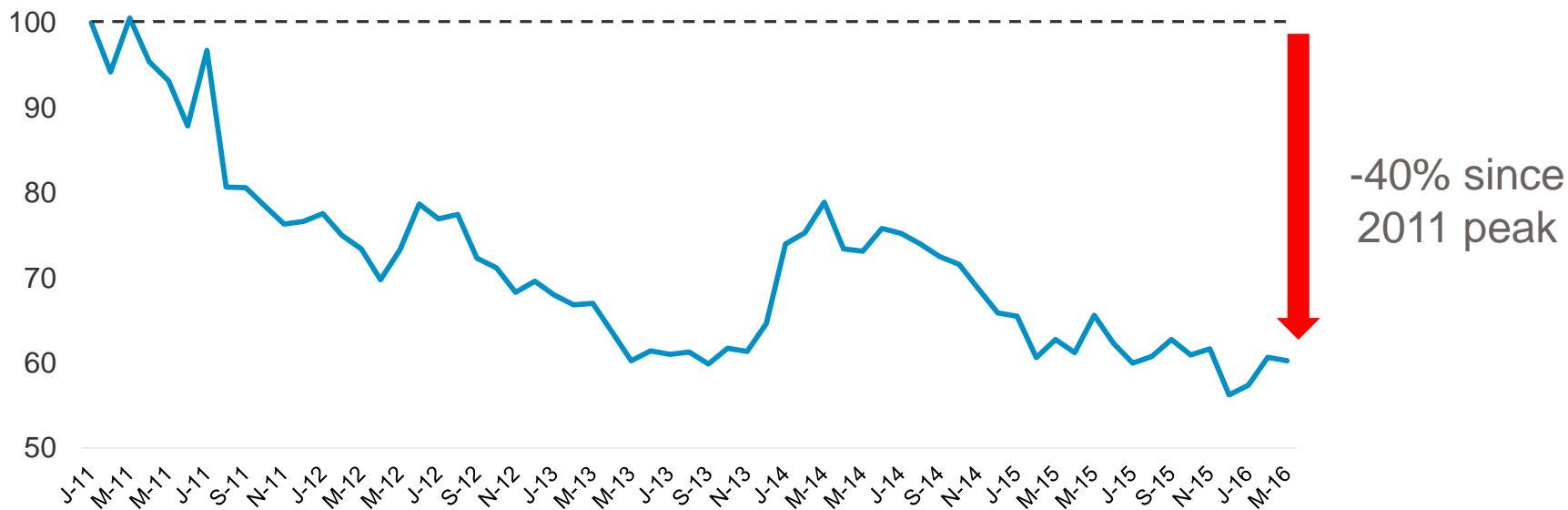


# Inflation has decreased in the developed world

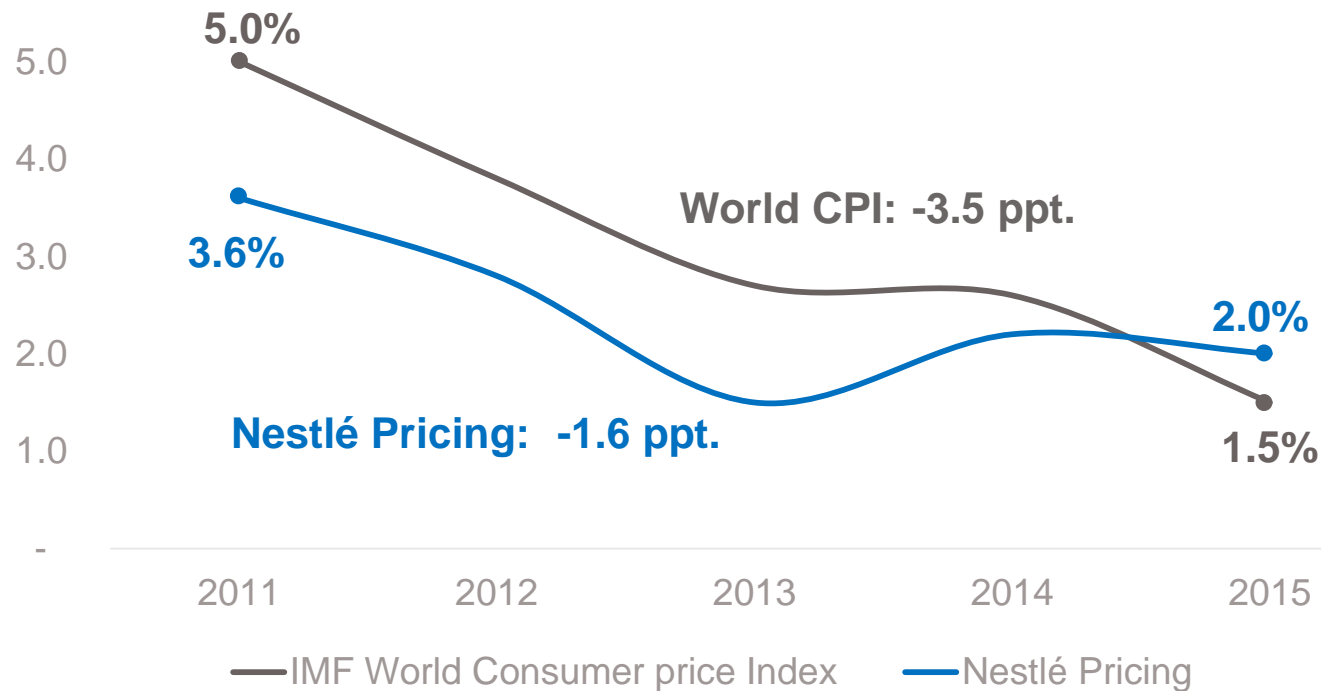


# Commodity prices down to a low point

*Nestlé weighted commodity price index*

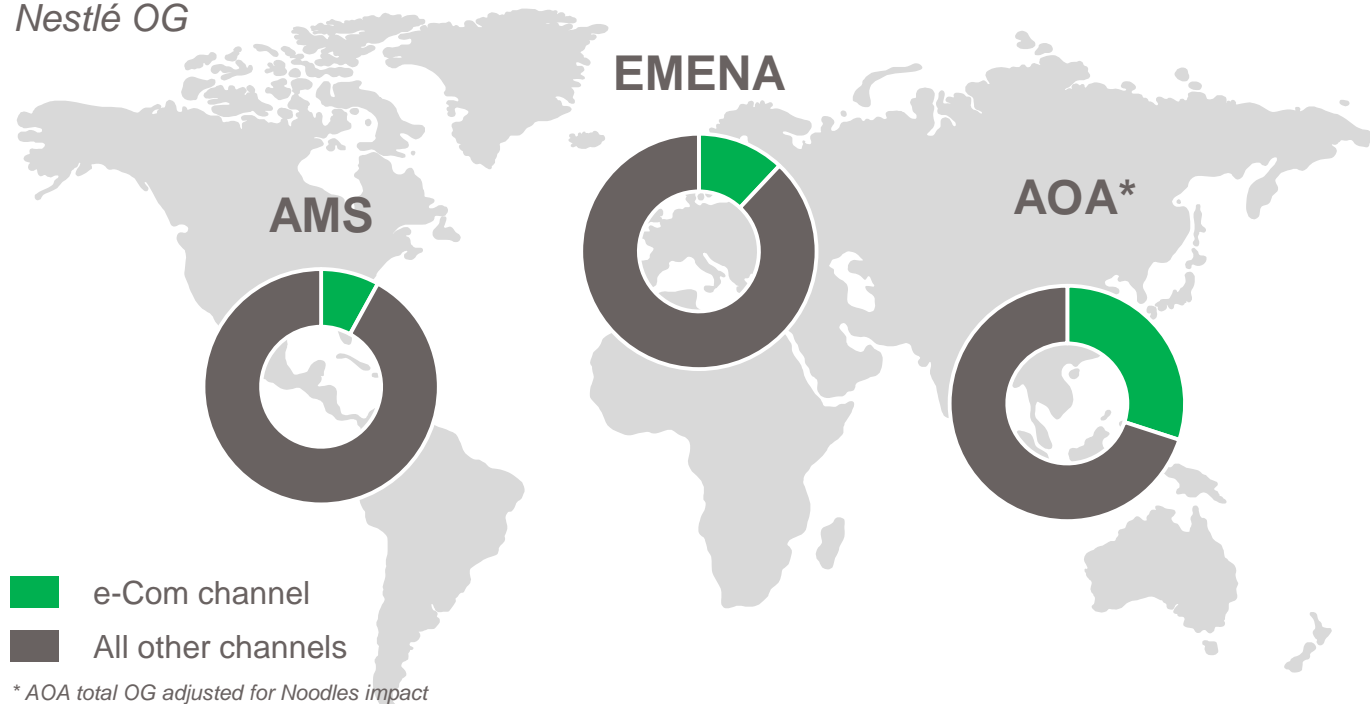


# Resilient Pricing



# Fast reshaping of retail through e-Commerce

*e-Com growth contribution to 2015*  
*Nestlé OG*



## e-Com Examples:

- 20% sales growth in 2015
- Size of e-Com corresponds to Top 5 Market of the Group
- % of Sales:
  - ✓ Nespresso > 50%
  - ✓ IF China > 10%
  - ✓ UK & China > 5%

# Changing consumer expectation towards food

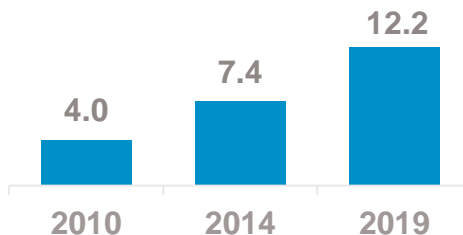


## GLUTEN-FREE

Examples

Market size (CHF bn)

Market Growth

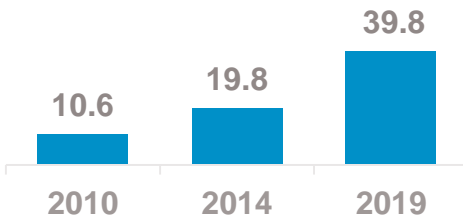


• CAGR 10-19: **13.2%**

Nestlé today ~ CHF 0.1bn



## PLANT PROTEIN

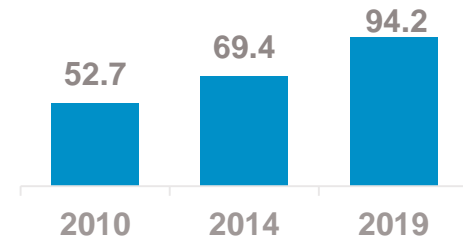


• CAGR 10-19: **15.8%**

Nestlé today ~ CHF 0.7bn



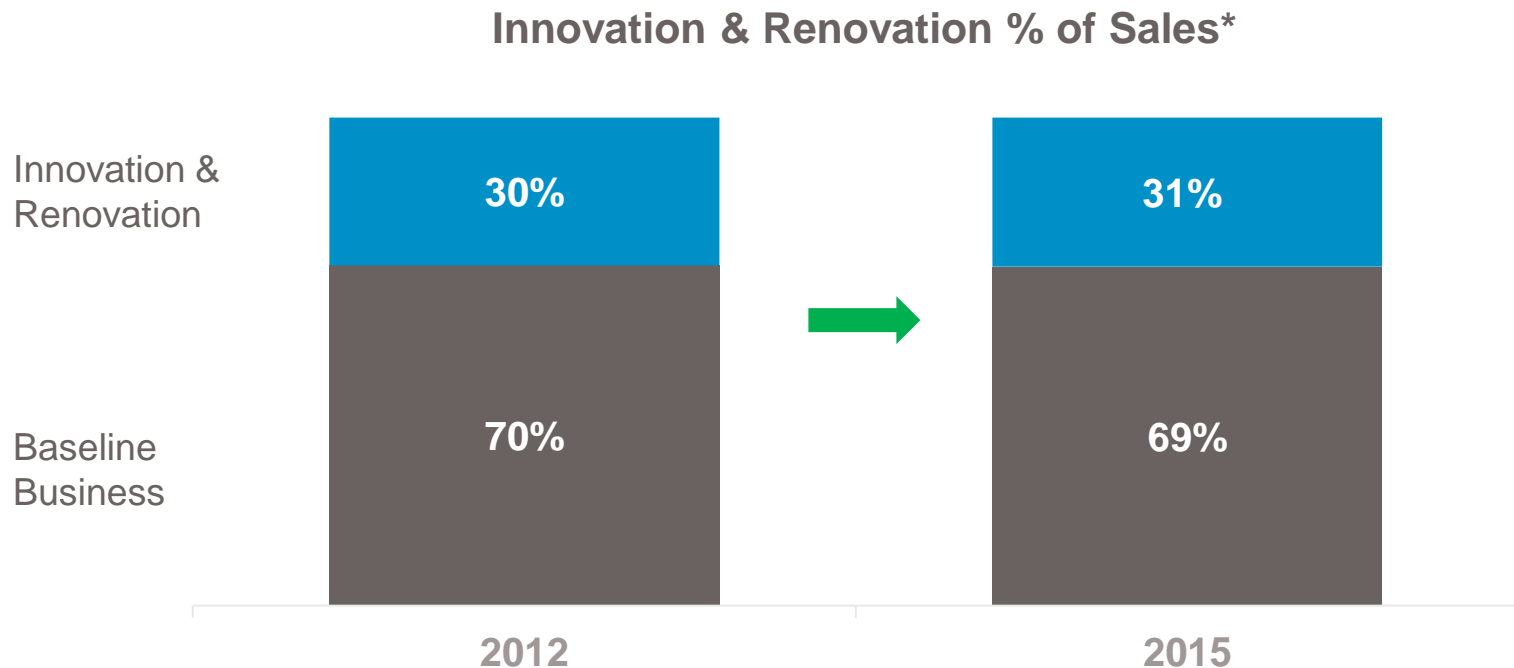
## ORGANIC



• CAGR 10-19: **6.7%**

Nestlé today ~ CHF 0.7bn

# Consistent I&R contribution supporting growth



\*: Current year's sales of new and renovated products launched in the last 3 years

# Growth requires higher investment behind brands

2013 – 2015

Consumer facing  
Marketing Spend

**> +10%**

>

**2 x OG**

Organic  
Growth (CAGR)

**+4.4%**

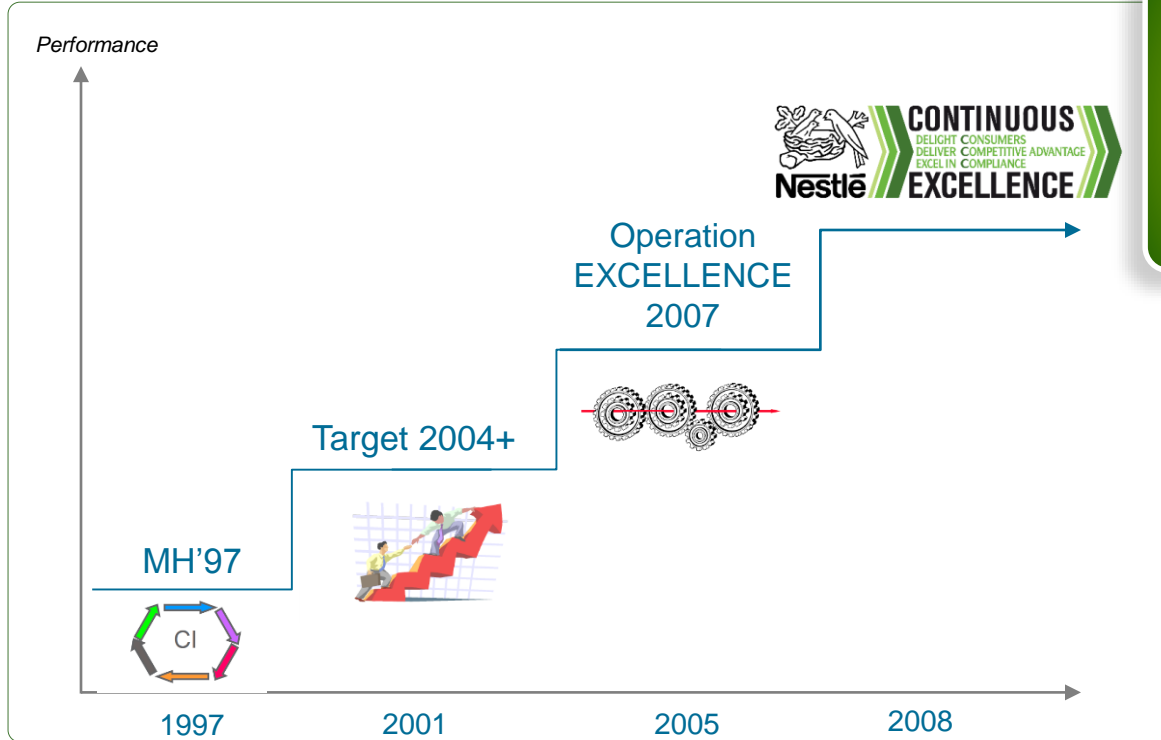
*Category/Country  
gaining/maintaining  
share*

**49%**  
(2013)



**56%**  
(2015)

# We are coming from a long-term commitment to Operational Excellence



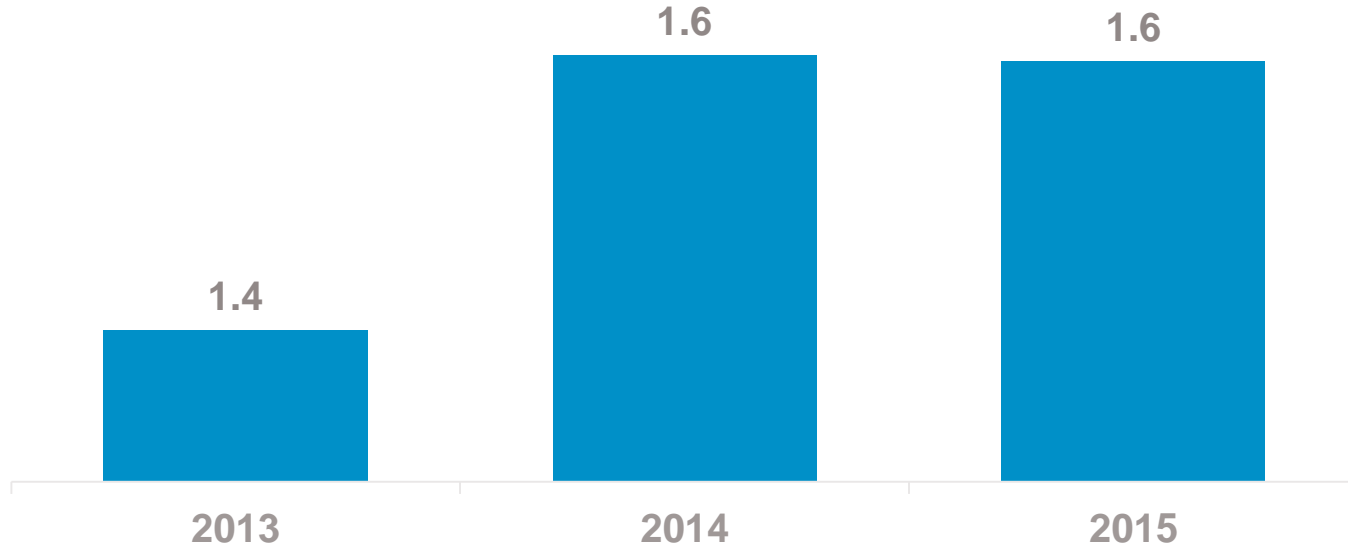
Performance improvement is part of our DNA and sustains on-going savings to support business growth



# Significant operational cost base improvement

*in CHF bn*

## NCE Cost Reduction

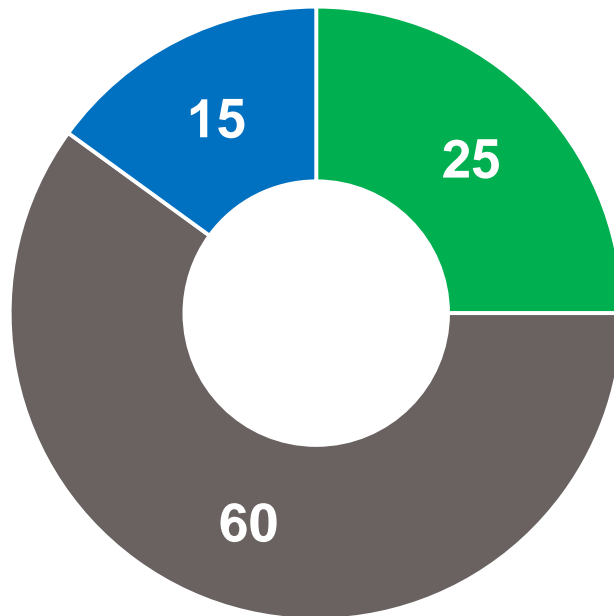


# Cost efficiencies supporting growth and margins

*Redeployment of NCE efficiency gains 2013-15 (in %):*

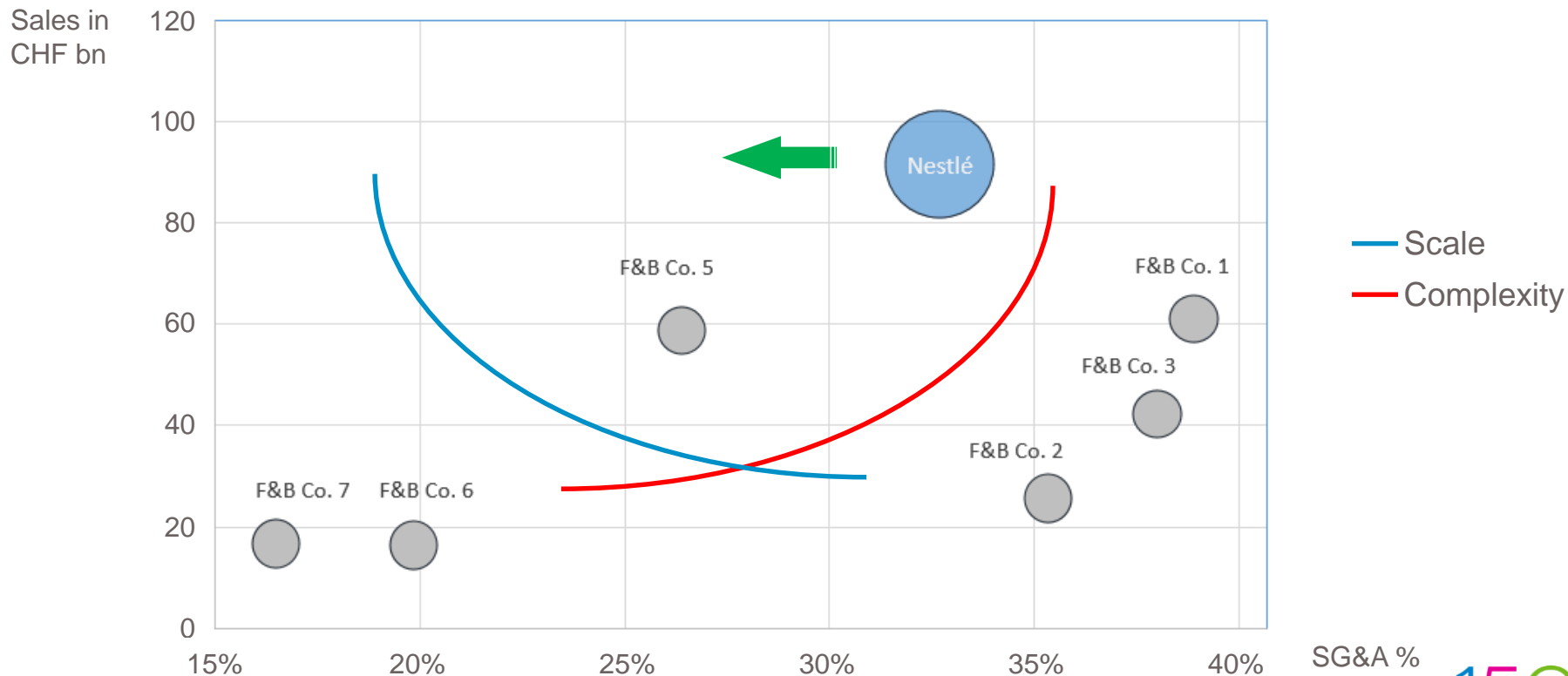
Margin  
improvement

Reinvestment in  
competitiveness



Reinvestment in  
brands

# Leveraging scale offers further opportunities

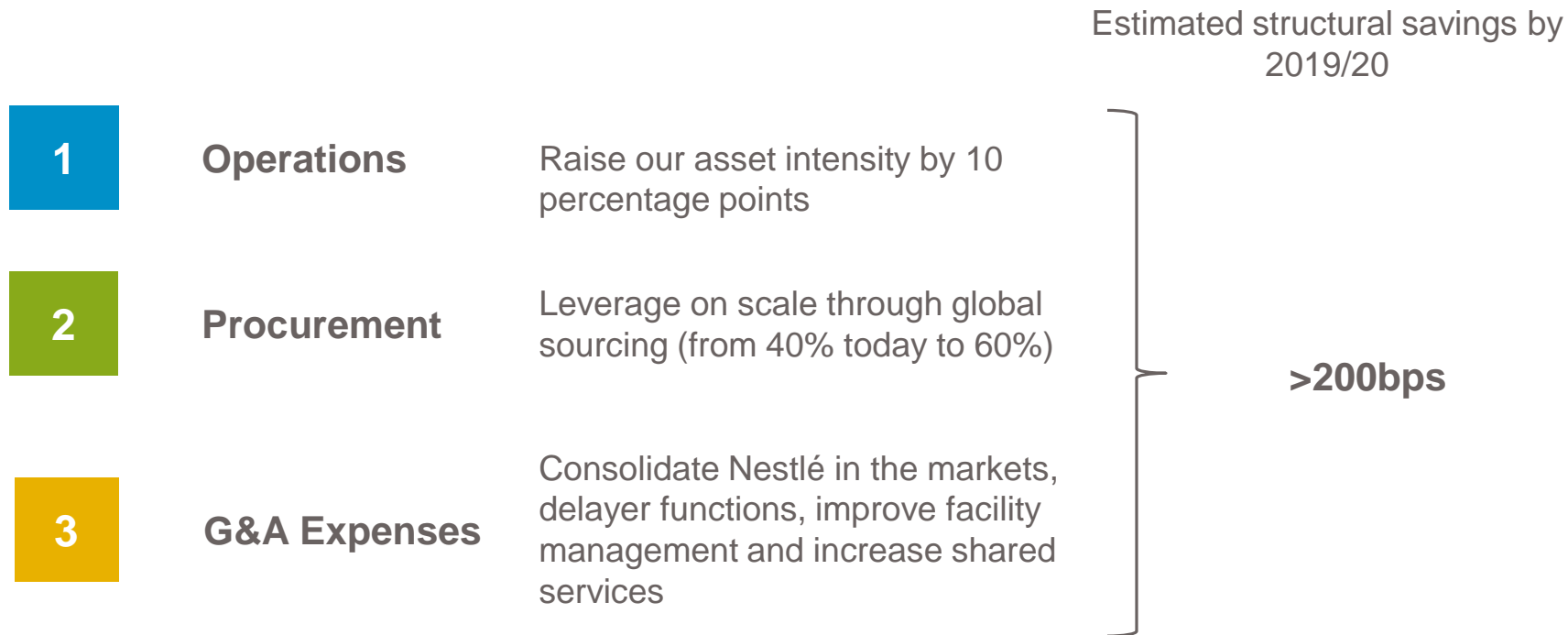


Source: Thomson Reuters, 2014 figures

SG&A %  
of Sales



# Identified structural savings beyond NCE



# Use of structural savings

- ✓ Brand Support (Marketing and R&D)
- ✓ Competitiveness
- ✓ Trading Operating Profit

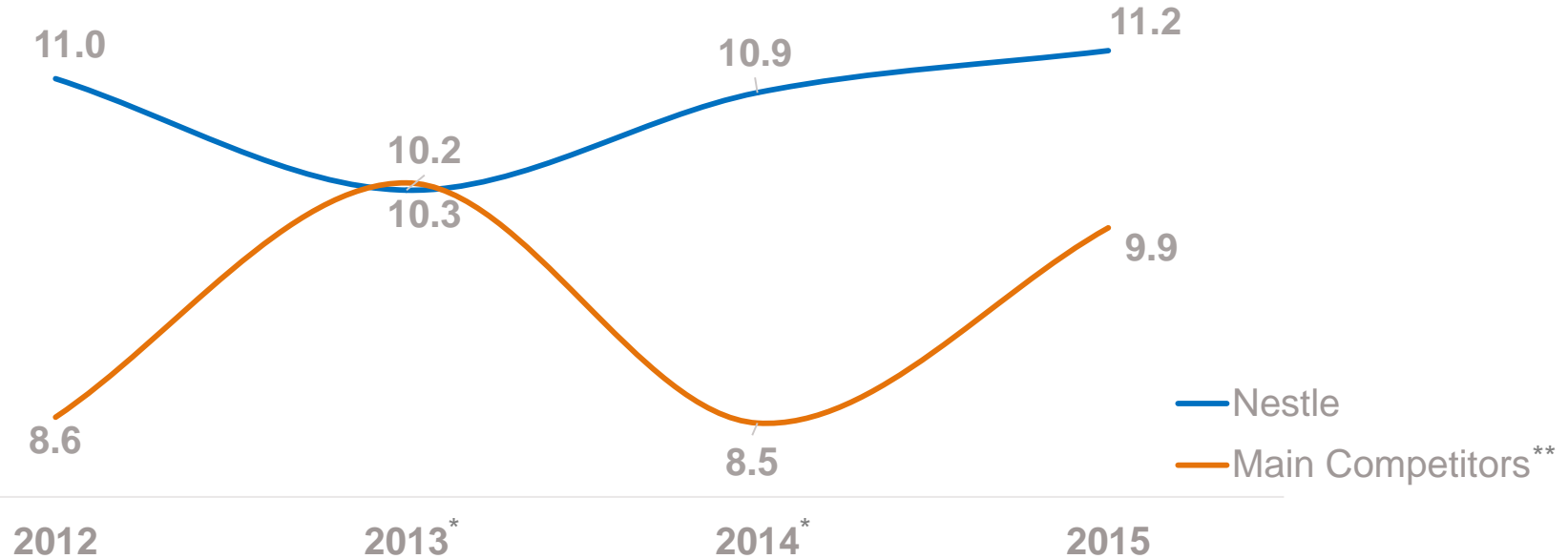
## Five Focus Areas:

- Portfolio strengthening
- Premiumization
- Global brand expansion
- Innovation roll-out acceleration
- Digital and e-Com



# Consistent Free Cash Flow track record

Free Cash Flow % of Sales



\* Adjusted for exceptional income due to Givaudan and L'Oreal transaction

\*\* Average FCF of main competitors, Source: company websites

# We will use all levers to improve ROIC



## Improving on all operating levers:

- Sales growth
- Margin growth
- Working capital efficiency
- CAPEX discipline
- Sustainable ETR improvement



## Strict M&A criteria

- Strategic, cultural and financial fit
- $ROIC > WACC$  within 5 years



## In summary

- ✓ Nestlé is delivering superior growth
- ✓ And demonstrating resilience in Pricing
- ✓ Structural savings, beyond operational ones, to support growth and margins
- ✓ Acting on operational levers / M&A discipline to drive ROIC up





Good Food, Good Life

*Thank you !*