

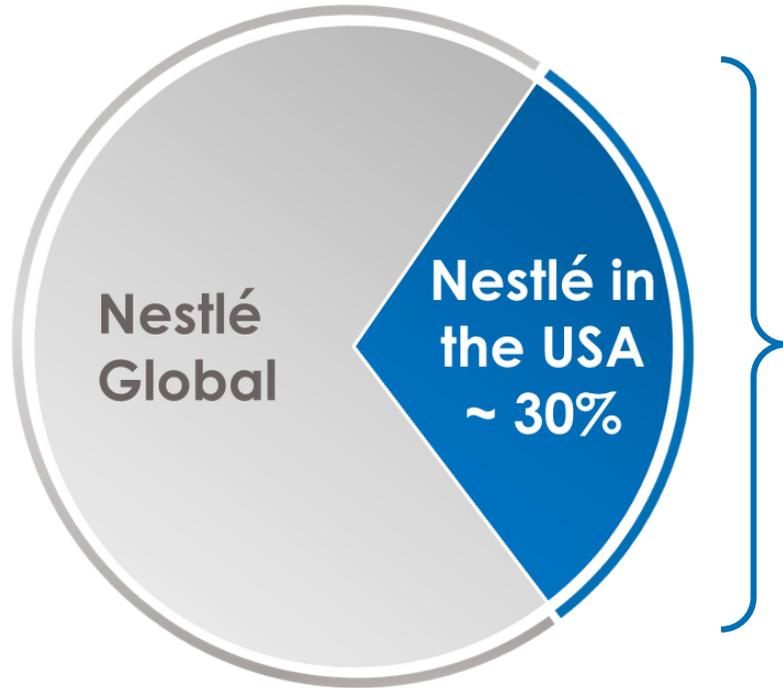


Driving Value Creation in the New U.S. Reality

Steve Presley – Nestlé USA

February 23rd, 2017

USA is a key contributor to Nestlé Global



% of Nestlé in the USA

Food	14%
Beverage	8%
Ice Cream	7%
Baking	3%
C&S	3%
Global Foods	1%
Petcare	27%
Waters	16%
Nutrition ⁽¹⁾	7%
All Other	14%

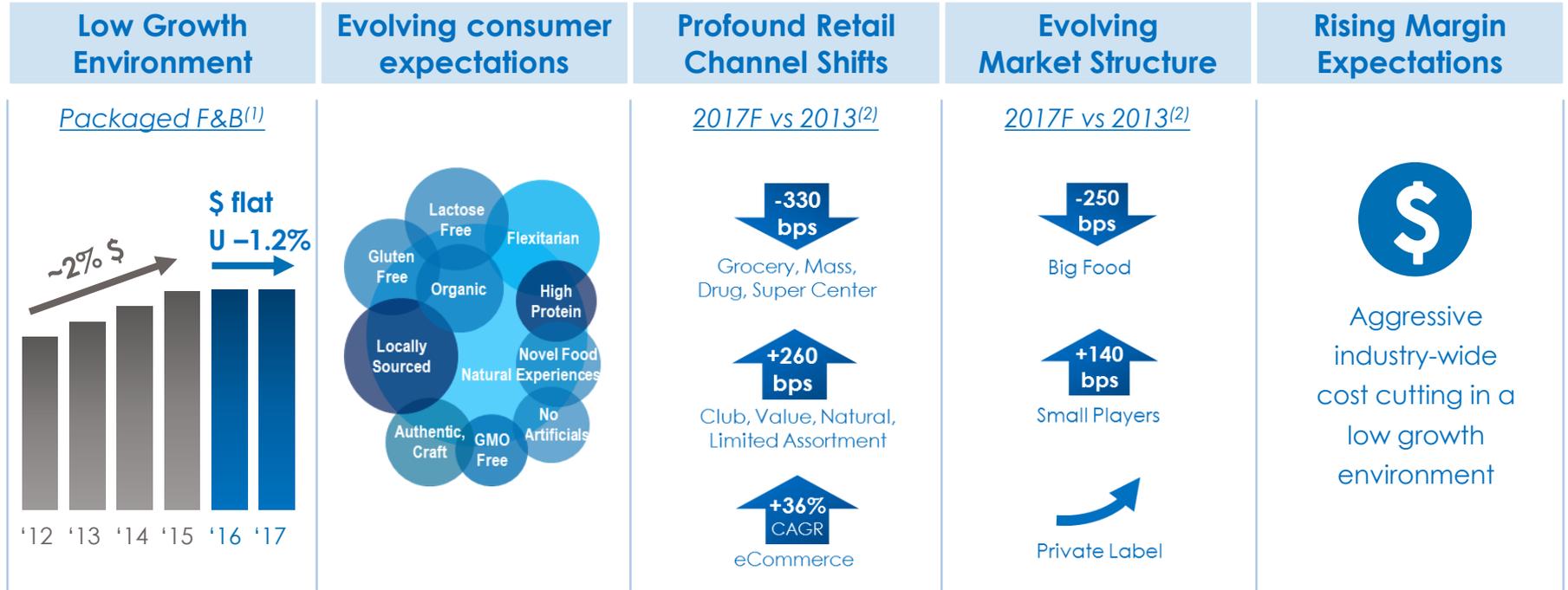
NUSA ~36%
(scope of this presentation)

Total USA: \$27bn



(1) Includes Gerber Life

Competing in an ever evolving F&B landscape



“ External disruption forcing internal Transformation ”

Driving continuous Transformation ...

STRATEGIC VIRTUOUS CIRCLE

2012 – 2017



2017 – 2020

OVERHEADS



- Matrix organization model
- Frozen Foods Center of Excellence
- One Face to the Customer

2017 vs. 2012⁽¹⁾

-160
bps

TOTAL DELIVERED COST⁽²⁾



- DSD optimization
- Factory efficiency & footprint
- Procurement optimization
- Reduced complexity (-34% SKUs)

-230
bps

MARKETING & SALES



- Digital Center of Excellence
- Consolidated Media Buy
- Strategic Pricing

+9%
Marketing
expense

Driving continuous Transformation ...

STRATEGIC VIRTUOUS CIRCLE

2012 – 2017



2017 – 2020



HQ Relocation
(70% HiPo retention)



Functional
Operating
Model
redesign

-150
bps⁽¹⁾



Lean Operations
(starting in Ice Cream)



Simplify,
Standardize,
Share



New Capabilities
(e.g. eBusiness,
Analytics)



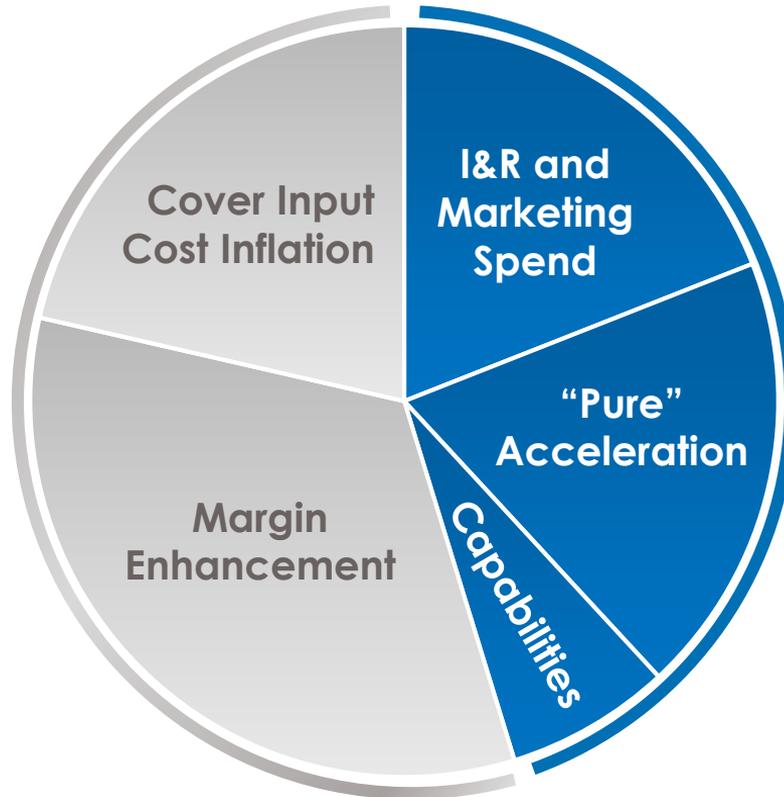
Strategic Revenue
Management
(price & promo
optimization)

... to expand margins while investing for growth

Operating Margin enhancement



Margin expansion
2017 vs. 2012
(+220 bps vs 2014)

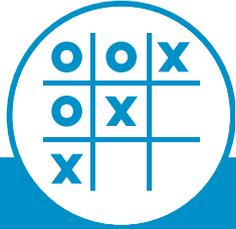


Growth enablement



Versus a flat/declining
USA Food & Beverage
market

Pursuing a hybrid growth model



Strategically
evolving our
Portfolio



Innovating our
Brands to
address key
Consumer trends



Exploring new
Innovation
Models

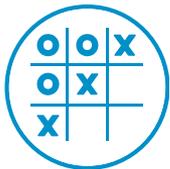


Investing in
High Growth
Channels



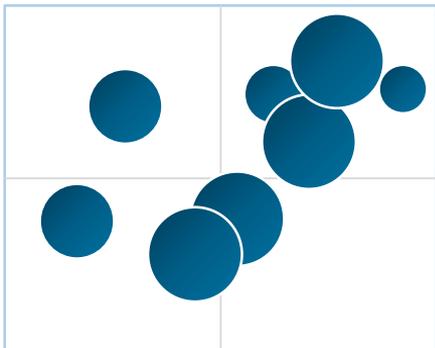
Deploying new
growth-enabling
Capabilities

Unleashing Nestlé's 150 year old innovation heritage



Strategically evolving our Portfolio

+820bps ROIC vs 2015



Manage base portfolio to optimize value creation

+70% Growth 2017⁽¹⁾



BLUE BOTTLE
COFFEE



Acquire / Invest in high growth territories

~11% of Total Sales



Divest businesses with low ability to win



Innovating our brands to address key trends

Fit Kitchen
~\$45 M sales



Active Lifestyle

60% of sales with
Modern NHW benefits



Organic / Natural

New category



Flavor Solutions &
Speed Scratch

New category



Ready-to-Drink

Craft Premium
propositions



Super Premium

Savory & Sweet
portfolio



Snacking

>600 M sales



High Protein

New business
model



eCommerce





Exploring new innovation models



Internal “Start-ups”

- Strategic growth territories
- “Intrapreneurs” in residence
- Fast prototyping
- In-market testing

New “born-Pure” brands with
Idea-to-Launch < 9 months



External Incubation

- Coach selected startups
- Access to creativity & new thinking of startup cultures
- Support with Nestlé's capabilities

Joint pilots with Startups



Partnering with Vendors

- Shared opportunities
- Combined capabilities
- Engagement during innovation cycles

Collaborative ideation
and development



Investing in high-growth channels

2013 – 2017
CAGR⁽¹⁾

+8%

Club

Brand Example



Value



Natural



eCom



2017 Sales
vs. 2016

2x

- Right proposition for each channel (product • pack • assortment • merchandising • pricing)
- Focused Sales development teams
- 1st mover with new Retailers
- New platforms and business models (e.g. Freshly)
- Enhanced eCommerce fundamentals (search • ratings & reviews • eContent • ePacks • ...)

(1) \$ OG CAGR, excluding Confections & Snacks





Deploying new growth-enabling capabilities



Digital CoE* and **eBusiness Unit** to accelerate new **growth-enabling capabilities**



Sales analytics driving better **promotion and assortment strategies**



Flexible manufacturing for smaller, faster launches and test & learn



Transportation predictive analytics to optimize on-time deliveries and cost



Digital Recruiting and analytics to improve hiring and candidates experiences

* Center of Excellence

“empowering our entire workforce to innovate”





In summary...

- ✓ Change in the **competitive landscape** has never been this fast and will never be this slow again
- ✓ Driving a mindset of **Continuous Transformation** to fuel growth while expanding margins
- ✓ Pursuing a **hybrid growth model**, including internal and external innovation, to win in the new reality
- ✓ Building **growth-enabling capabilities** and **empowering our workforce** to innovate

Enhancing margins *and* seeding growth