



Nestlé Good food, Good life

# A comprehensive growth model in the Americas

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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.

# The Americas account for 45% of Nestlé group sales

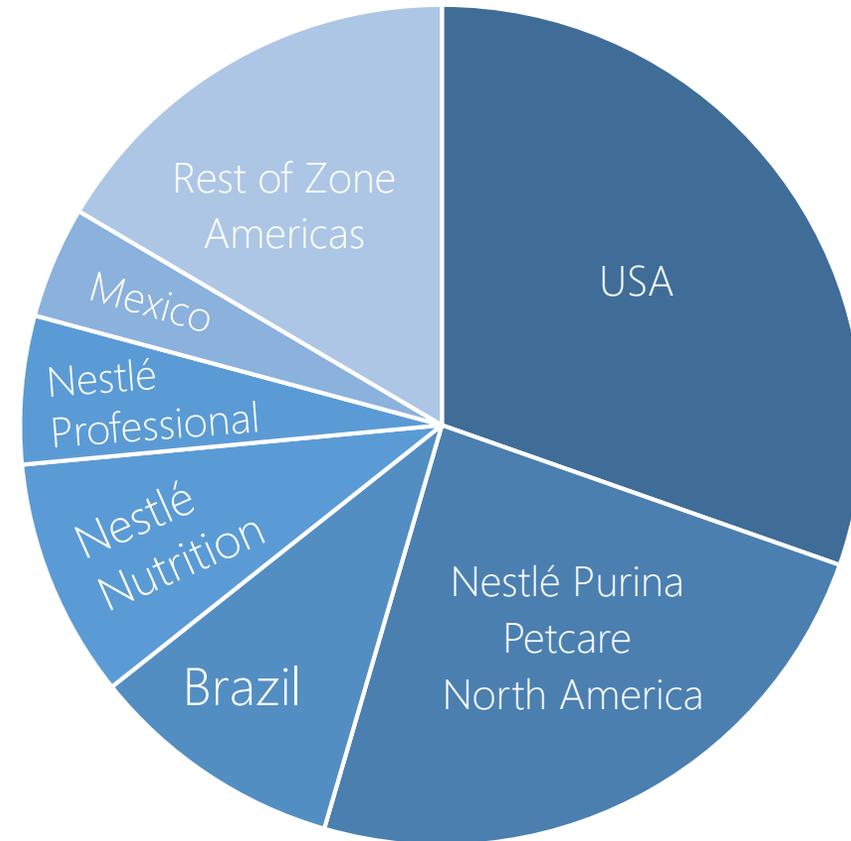


Sales (2017)

Nestlé in the AMS:  
**CHF 40.7 billion\***

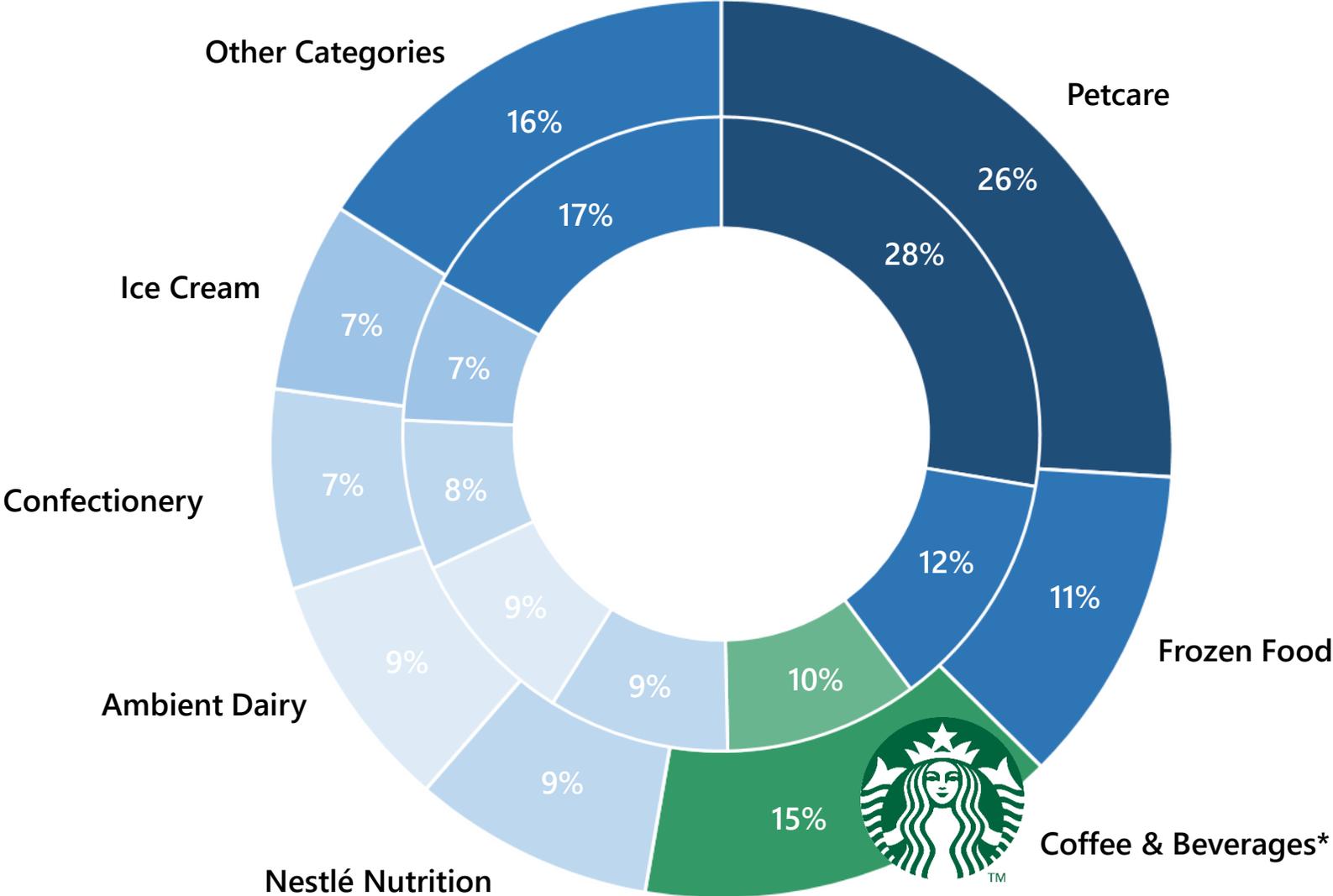
of which,  
Zone-managed:  
**CHF 31.3 billion**

Zone AMS sales  
by management responsibility



\*As reported before 2017 restatement and reorganization of infant nutrition business.

# Zone AMS 2017 sales by product category



\* Coffee & Beverages: Soluble Coffee, Nescafé Dolce Gusto, Coffee Enhancers and Roast & Ground.

# Strong ability to win with 88% of sales in #1 position



# Unique portfolio of powerful brands



## Global leading brands



## "Born Pure" brands



# Key external drivers of industry transformation



Low Growth Environment	Changing Consumption Trends	Evolving Market Dynamics*	Pricing Transparency	Rising Margin Expectations
 <p>Low growth in NA</p>  <p>Brazil challenging</p>  <p>Rest of LATAM growing</p>		 <p>Start-up proliferation: Small players market share up +140bps</p> <p>Channels sales evolution:</p>  <p>Grocery, Mass, Drug, Super Centers <b>-330bps</b></p>  <p>Club, Value, Natural, Specialty <b>+260bps</b></p>  <p>E-commerce <b>+36% CAGR</b></p>	 <p>E-commerce pricing algorithms.</p>	 <p>Aggressive industry-wide cost cutting in a low growth environment.</p>

# Zone AMS: fit to win with consumers and customers



# Achieving efficiencies across the Zone



## Agility

- Organization de-layering and increased span of control
- Category focused units with a common back office
- Digital workplace with collaborative tools

**-1 layer**  
across the organization

## Total Delivered Cost\*

- Lean Operations
- TPM / Asset intensity
- Simplification and specification reduction
- Procurement Acceleration 2.0
- Factory 2020

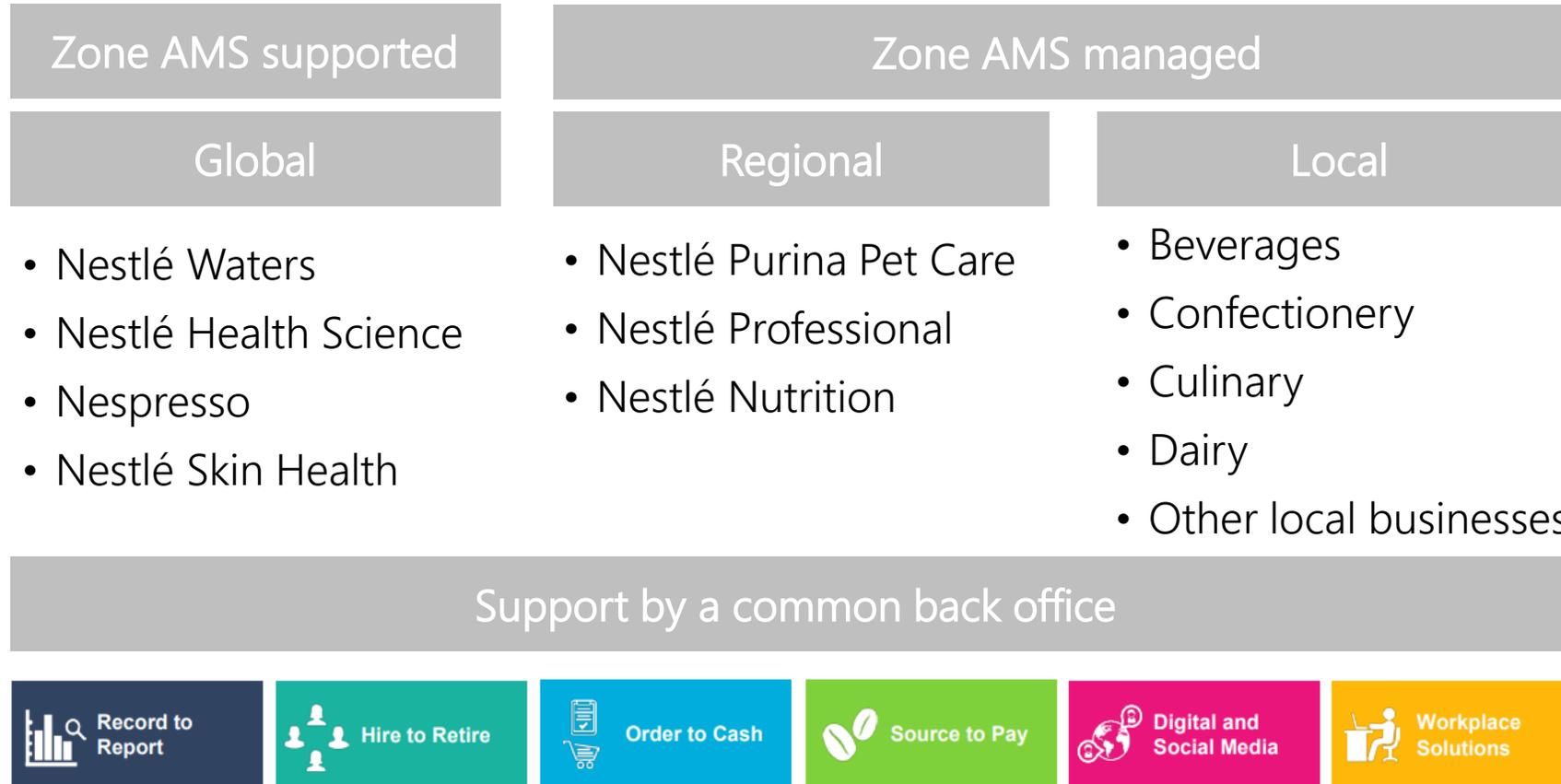
**-6%\*\***  
per year

## Structural Cost

- Integration of Nestlé Professional and Nutrition
- HQ footprint Nestlé U.S.
- Fit to win LATAM
- NBE / Shared Services: new hub in Paraguay

**On track with  
2020 targets**

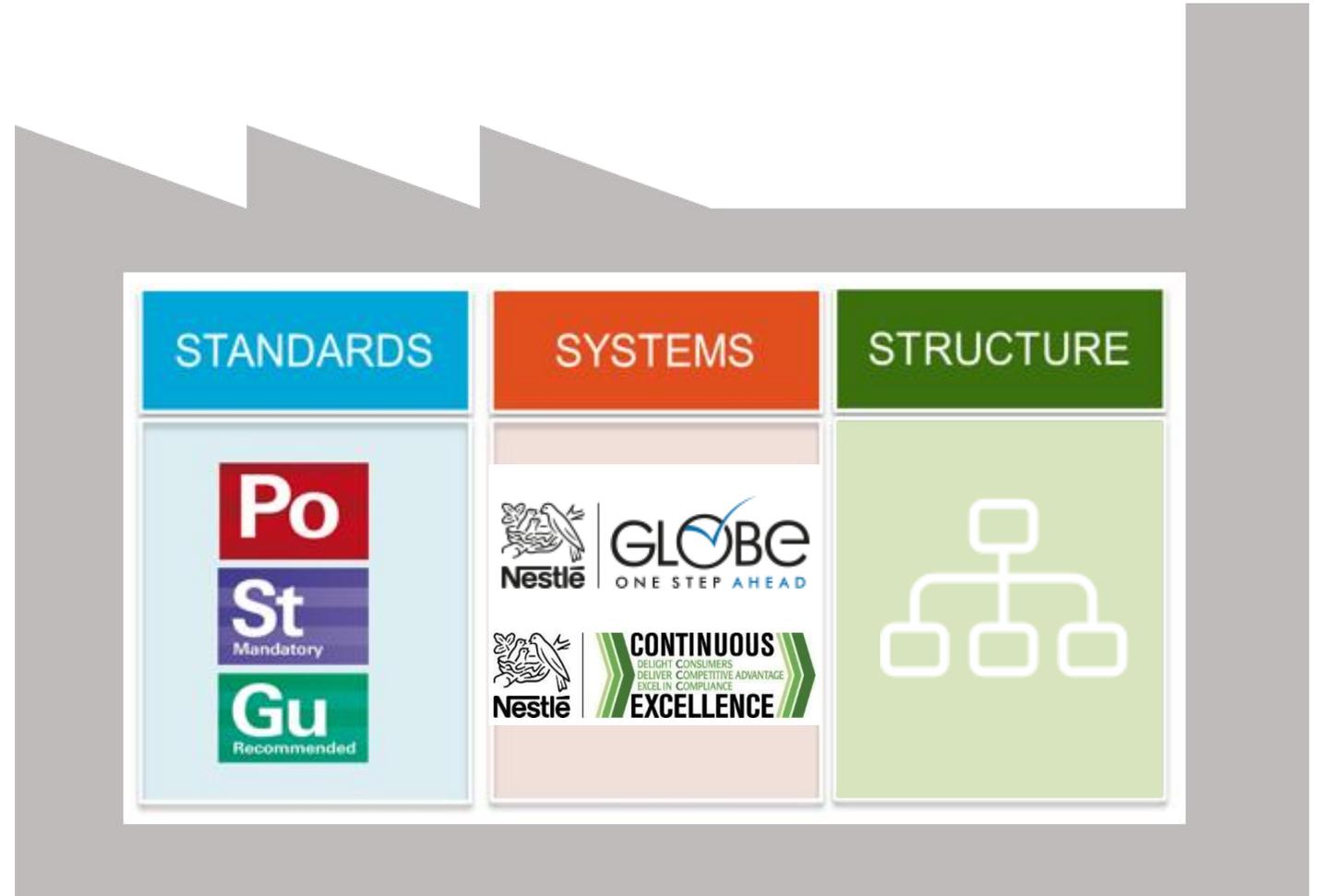
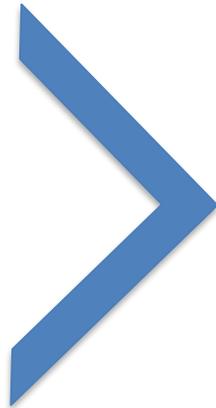
# Agility to win: Category focused units supported by a common back office



# Total Delivered Cost: Factory 2020



- Lean factory organisation
- Challenge the Status Quo
- Focus on cost cash cases
- Shop floor empowered
- Enabled by NCE/TPM



# Pursuing a holistic growth model



Strategically  
evolving our  
portfolio



Innovating our  
brands to  
address key  
consumer  
trends



Exploring new  
innovation  
and business  
models



Investing in  
high growth  
channels



Strengthening  
our consumer  
engagement

Deploying new growth-enabling capabilities

# Strategically evolving our portfolio



## Disposed: USD 2.8 billion

- Sales: ~USD 900 million
- 2015-2017 CAGR: negative sales growth



## Under strategic review:



**Gerber Life  
Insurance**

## Acquired: USD ~3.0 billion

- Sales: ~USD 900 million
- 2015-2017 CAGR: double-digit sales growth



## Recently announced:



# Building a unique coffee portfolio with three iconic brands



## NESCAFÉ®



- World's preferred coffee brand
- Nescafé Dolce Gusto, coffee shop style portioned coffee system

## NESPRESSO®



- Stylish, coffee connoisseur brand, European flair, undisputed superior quality
- Leading premium portioned coffee brand

## STARBUCKS®



- Iconic coffee shop brand, American lifestyle
- Leadership in North American premium R&G and portioned coffee categories

# Innovating our brands to leverage trends



## Superior Nutrition



## Organic / Natural



## Food Intolerance



## Plant-based



## Local origins



## Ready-to-Drink



## Super Premium



## Convenience



# Exploring new innovation models



**OUTSIDERS**  
PIZZA COMPANY  
DAMN  GOOD



  
**wildscape**



**SQUARE**  
VENTURES



# Investing in high growth channels



## E-commerce



- +38% growth in Q1, 2018
- Enhance e-commerce fundamentals (search, content, packaging, personalization)
- Global Amazon Acceleration Team to drive new initiatives and joint profitable growth

## Proximity Channel



- Proximity formats are redefining the trade landscape
- Accessibility of a «close to home store», with the main benefits of a large one
- Promotion of Premiumization

## Out of Home



- Customizable capabilities to tap into growing opportunities
- Broad Portfolio of Innovative Food & Beverage Solutions
- Complete Meal Solutions & Sides
- Developing strong digital platforms in OOH

## Clubs



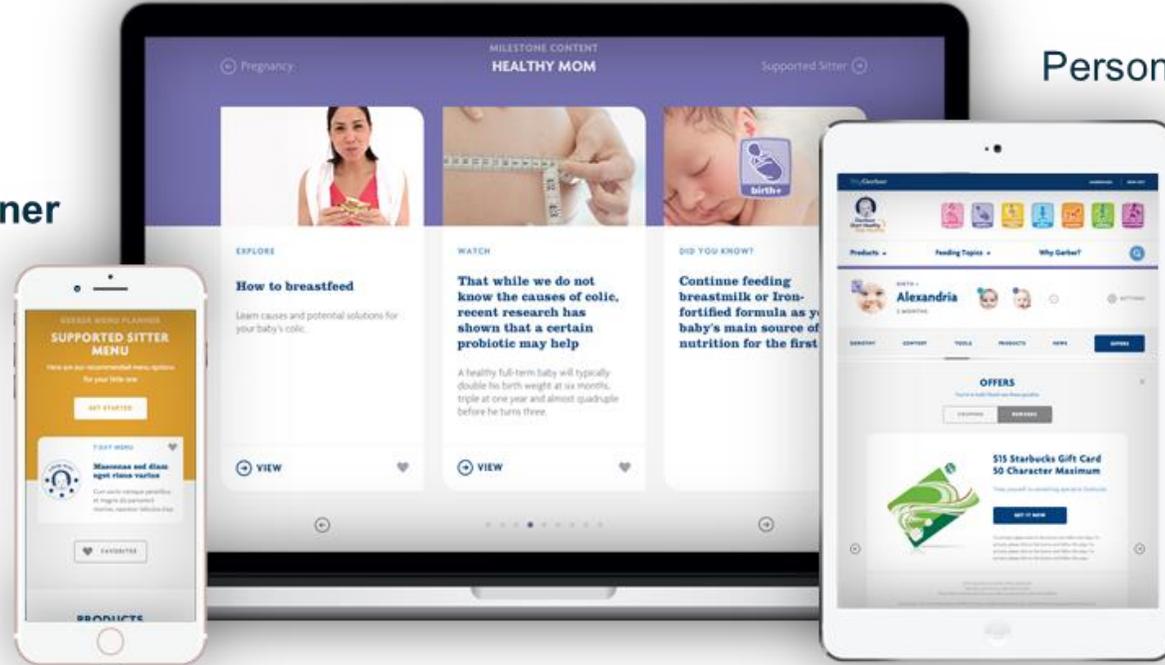
- Increase in millennials buying club memberships
- Better pricing and fresher products
- Improving digital presence and in-store experience through technology

# Strengthening the consumer engagement model



Menu Planner

The Nutrition Journey



Personalized Nutrition Journey

PRC: 24/7 expert product support via phone or chat



# Deploying new growth-enabling capabilities



**Digital Centers of Excellence and eBusiness Units** to accelerate new **growth-enabling capabilities.**



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



**Flexible manufacturing** for smaller, faster launches and test & learn.



**Shared services** in Paraguay, Brazil and Panama to free-up resources to invest in growth.



**Digital Recruiting and analytics** to improve hiring and candidates experiences.

# The impact of science and technology



## Facets



30% less sugar

## Microaeration



Enhanced taste

## Recycled PET



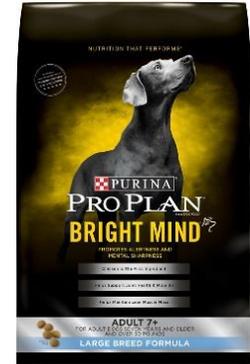
100% recycled PET

## HM-O\* Nutrition



Replication and production of two HMO molecules

## MCT\*\* in Petcare



Alertness & mental sharpness

# Investing in our industrial footprint



Hartwell, U.S.



Teno, Chile



Nantli-Lagos, Mexico



Silao, Mexico



Allentown, U.S.



Montevideo, Uruguay



# Creating sustainable economic, social and environmental value



## Nutrition, Health and Wellness

- Focus efforts on children nutrition education programs: *Nestlé For Healthier Kids*
- Continuous product reformulation and innovation to be the best nutritional option for consumers



## Youth Employment

- 3<sup>rd</sup> Pacific Alliance Youth Summit
- 1<sup>st</sup> Mercosur Youth Summit
- Alliances with over 100 regional and local stakeholders and 131 partnerships with governments, NGOs and academia



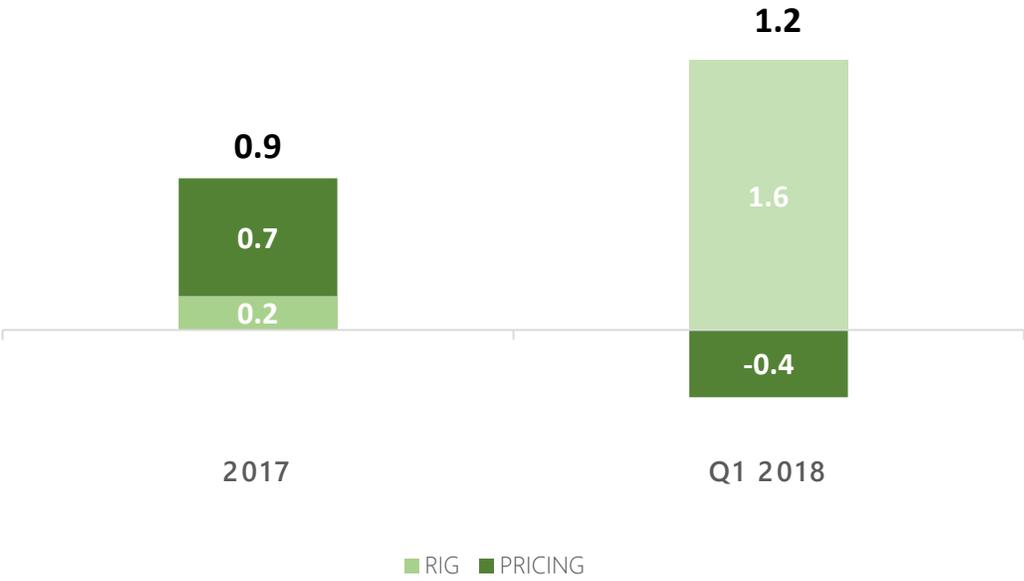
## Environmental Sustainability

- Water Stewardship programs in every factory across Zone AMS
- State-of-the-art pet food factory in Teno, Chile, no waste to landfill, natural gas boiler reducing GHG by 23%, and 100% of electrical energy comes from non-conventional renewable sources
- Drive Zero Waste Landfill in all own Distribution Centers

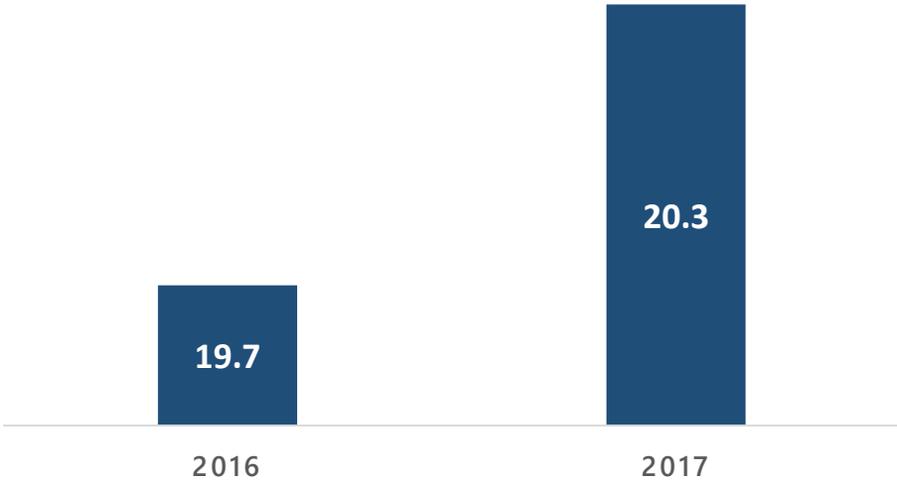
# Zone AMS focused on reigniting growth with improved returns



RIG / OG % positive trend\*



Significant improvement in UTOP %\*



\*As reported before 2017 restatement and reorganization of infant nutrition business

# In summary



- Change in the competitive landscape has never been this fast
- Driving a mindset of continuous transformation to fuel growth
- Pursuing a holistic growth model, including internal and external innovation



Nestlé

Good Food, Good Life



Thank you