A comprehensive growth model in the Americas

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Deutsche Bank Annual Global Consumer Conference
June 13, 2018 - Paris
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

*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.

Other Categories

Petcare

Ice Cream

Confectionery

Ambient Dairy

Nestlé Nutrition

Other Categories: 16%

Petcare: 26%

Ice Cream: 7%

Confectionery: 7%

Ambient Dairy: 9%

Nestlé Nutrition: 15%

* 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

Iconic local brands

“Born Pure” brands

*Pending regulatory approval.
## Key external drivers of industry transformation

<table>
<thead>
<tr>
<th>Low Growth Environment</th>
<th>Changing Consumption Trends</th>
<th>Evolving Market Dynamics*</th>
<th>Pricing Transparency</th>
<th>Rising Margin Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low growth in NA</td>
<td>flexitarian</td>
<td><strong>Start-up proliferation:</strong> Small players market share up +140bps</td>
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<td>Brazil challenging</td>
<td>GMO free</td>
<td>Channels sales evolution:</td>
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<td>Rest of LATAM growing</td>
<td>authentic</td>
<td>Grocery, Mass, Drug, Super Centers -330bps</td>
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<tr>
<td></td>
<td>high protein</td>
<td>Club, Value, Natural, Specialty +260bps</td>
<td></td>
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<tr>
<td></td>
<td>natural</td>
<td>E-commerce +36% CAGR</td>
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*2017 vs 2013: Nestlé analysis based on Nielsen Syndicated Data, Homescan and industry estimates for F&B U.S.
Zone AMS: fit to win with consumers and customers

1. Achieving Efficiencies
2. Focusing Investments on Growth Platforms
3. Driving Market Share Gains
4. Delivering Profitable Growth

Economic
Sustainability
Social
Environmental
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

Total Delivered Cost*

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

-1 layer across the organization

-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

*Total delivered costs: marketing and other general expenses, fixed factory overheads, variable and fixed distribution, and cost of goods sold.

**Includes cost reduction and cost avoidance.
Agility to win: Category focused units supported by a common back office

<table>
<thead>
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<th>Zone AMS supported</th>
<th>Zone AMS managed</th>
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<tbody>
<tr>
<td>Global</td>
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</tr>
<tr>
<td>• Nestlé Waters</td>
<td>• Nestlé Purina Pet Care</td>
</tr>
<tr>
<td>• Nestlé Health Science</td>
<td>• Nestlé Professional</td>
</tr>
<tr>
<td>• Nespresso</td>
<td>• Nestlé Nutrition</td>
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<tr>
<td>• Nestlé Skin Health</td>
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Local

• Beverages
• Confectionery
• Culinary
• Dairy
• Other local businesses

Support 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

Acquired: USD ~3.0 billion
- Sales: ~USD 900 million

Under strategic review:
- Gerber Life Insurance

Recently announced:
- Starbucks Coffee
- Blue Bottle Coffee
- Chameleon Cold-Brew
- Nature’s Heart
- Sweet Earth Natural Foods
- Atrium Innovations
Building a unique coffee portfolio with three iconic brands

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

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

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

*Consumer products & Foodservice. Excludes sales made in coffee shops and RTD products.
Innovating our brands to leverage trends

<table>
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<th>Superior Nutrition</th>
<th>Organic / Natural</th>
<th>Food Intolerance</th>
<th>Plant-based</th>
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<td><img src="image1.png" alt="Image" /></td>
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<th>Local origins</th>
<th>Ready-to-Drink</th>
<th>Super Premium</th>
<th>Convenience</th>
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Exploring new innovation models
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

Personalized Nutrition Journey

Menu Planner

The 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

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<th>Facets</th>
<th>Microaereation</th>
<th>Recycled PET</th>
<th>HM-O* Nutrition</th>
<th>MCT** in Petcare</th>
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<td>30% less sugar</td>
<td>Enhanced taste</td>
<td>100% recycled PET</td>
<td>Replication and production of two HMO molecules</td>
<td>Alertness &amp; mental sharpness</td>
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*Human Milk Oligosaccharides  **Medium Chain Triglycerides
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

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

Nutrition, Health and Wellness

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

Youth Employment

- 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

Environmental Sustainability
Zone AMS focused on reigniting growth with improved returns

RIG / OG % positive trend*

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<tr>
<th>Year</th>
<th>RIG</th>
<th>PRICING</th>
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<tr>
<td>2017</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>1.2</td>
<td>1.6</td>
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Significant improvement in UTOP %*

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<tr>
<th>Year</th>
<th>Value</th>
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<tr>
<td>2016</td>
<td>19.7</td>
</tr>
<tr>
<td>2017</td>
<td>20.3</td>
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*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
Thank you