Nestlé in Central and West Africa: Winning in the New Reality

Etienne Benet
CEO
Nestlé Central and West Africa Region

Nestlé Investor Seminar, Shanghai
September 25th, 2012
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.
Agenda

1. Introducing Central and West Africa

2. Winning in The New Reality

3. Performance
CWAR: a region of limitless possibilities

350 million consumers in a land mass...
larger than Europe or China...
The region of limitless diversity

- Nigeria: 165 M
- São Tomé: 0.2 M
- 250 ethnic groups in Nigeria
- Equatorial Guinea GDP USD 16,000
- Liberia GDP USD 340

The region of population size diversity

The region of limitless ethnic diversity

The region of consumer wealth disparity

And unequal consumer literacy levels

Nestlé Investor Seminar, Shanghai
CWAR: a region of limitless resources

2011 GDP growth
All countries above world average (3.7%), including 4 in top 30: Ghana (13.5%), Equatorial Guinea (7.1%), Liberia (6.9%) and Nigeria (6.9%)

Ease of doing business
All countries in the bottom tier except Ghana and Cape Verde
In a very traditional trade environment...

Small shops and outlets dominate CWAR’s trade environment

- Open market: 46%
- Small shops: 50%
- Pharmacies/drugstores: 3%
- Modern trade: 1%
There are obvious daily challenges…
A region at the verge of exponential development?

World’s fastest growing population
440 million by 2020, CAGR 2.4%

World’s youngest population
40% under 14
Large working population

Healthy urbanisation
33 cities over 1 million in 2010
Developing infrastructures

Fast Growing GDP
$1,317 billion by 2020,
CAGR 6.8%

Emerging middle class
50% of spend on food and CPG
>50% of GDP in the largest cities

Stabilising democracies
Better governance, increased foreign investments, more competition

Source: “Rise of the African Consumer”; McKinsey & Company; UN Habitat
CWAR: a region entering the “Hot Zone”

- Affordability increases significantly
- Market penetration takes off with a disproportionately high growth rate

"Hot Zone"

0 2,700 19,000 GDP per capita
Agenda

1. Introducing Central and West Africa

2. Winning in The New Reality

3. Performance
We know the place…

We’re capitalising on 50 years of experience!

Trusted by consumers, customers, suppliers, authorities, civil society, investors…
The largest Nestlé Region in Africa
With simple and focused businesses...

A few BIG categories – with great potential for growth...

Strong consumer knowledge, leading in all businesses, driving innovation from PPP to premium, addressing local tastes and nutritional needs.
Already ahead of food competition…

Top 10 Food Companies in Central & West Africa
Source: Euromonitor 2011* - Sales at Retail Price in USD m

* Packaged Food and Hot drinks in Nigeria and Cameroon; not an exclusive list of companies (indicative list only)
...however, competing for the share of wallet
We are structured according to business realities…

…and according to other elements: geography, language, product supply, trade zones, etc.
We have a comprehensive industrial footprint…

90% of what we sell is produced in the region

- Cost and supply advantage
- Better response to local consumer tastes and needs
- Local raw and packing material use
- Local integration

Cost and supply advantage

Better response to local consumer tastes and needs

Local raw and packing material use

Local integration
And we are continuously investing in all areas of the business…

Staying ahead, always

- Continuous investment in our brands, assets and people
- Expanding sales force to cover growing points of sales
- Reaching people wherever they are
- Developing local sourcing to ensure future supply
60,000 people directly earn their living from Nestlé in CWAR

6,000 Nestlé employees

+ 54,000 Farmers, sales & distributors staff, third-party dependants (drivers, security, agencies…)

…and more households
The development of our people is of utmost importance…

**In 2011:**
- **90%** of CWAR employees received formal training.
- **170** employees participated in international trainings.

Training is one of the many ways that Nestlé best practices are shared and people are developed in CWAR.
Agenda

1. Introducing Central and West Africa
2. Winning in The New Reality
3. Performance
The Nestlé Strategic Roadmap to Win in The New Reality
Leading change in CWAR by fighting local nutritional deficiencies with MAGGI

Because 62% of non pregnant women in Nigeria are iron-deficient, MAGGI innovates with an iron-fortified cube launched first in Nigeria March 2012.

The MAGGI business, selling more than 100 million cubes per day has the ability to reach more than 200 million consumers every day.
Leading change in CWAR by ensuring the long-term supply of high-quality green coffee

In Côte d’Ivoire, Nestlé has launched the NESCAFÉ Plan to train and support over 17,000 coffee farmers:

- to make coffee farming economically more attractive
- for more agricultural productivity from less land and water
- to reduce the environmental footprint

Unmatched research & development capability
Leading change in CWAR by engaging consumers through sport development with MILO

MILO provides sports development opportunities among the youth with the Grassroots Sports Development strategy, addressing the gaps in the funding of sports development programs across CWAR.

... unearthing talents for various national teams, and building strong equity for our business.
Leading change in CWAR by educating, and enabling mothers to secure a better future for their children

Overcoming the high illiteracy rate prevalent in CWAR, *NIDO* uses market and neighborhood caravans to educate mothers on the threats of micronutrient deficiencies facing children.

Educating them on how to best nourish children for healthy growth.
With a unique way to talk to local consumers…
CWAR: a strong contributor to the Nestlé Model

- Double-digit Organic Growth for the past 5 years
- Trading Operating profit margin above Group / Zone average
- CAPEX of CHF 600 million in the past 5 years
- Consumer facing investment doubling in last 3 years
- PPP is 63% of total sales with double-digit growth
- ROIC above the Group’s average

Positive outlook for the future
In summary…

1. The potential of Central and West Africa is limitless

2. Nestlé is extremely well placed to take advantage of this

3. With its expected future performance CWAR will contribute even more to the Nestlé Model
During this presentation, 3,125,000 *MAGGI* cubes were consumed in Central and West Africa...