Nestlé’s long-term value creation model

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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.

2017 figures have been restated to reflect:
• The implementation of IFRS 15 - Revenue from contract with customers, IFRS 16 - Leases and IFRIC 23 - Uncertainty over income tax treatments as well as other accounting policies and presentation changes.
• The change in organization of infant nutrition business. Effective January 1, 2018 Nestlé Nutrition is reported in the Zones as a regionally managed business, with Gerber Life Insurance business reported in Other Businesses.
Balanced and diversified portfolio in fast-growing geographies / categories

2017 Sales: CHF 89.6 billion

- AOA 26%
- EMENA 29%
- AMS 45%

- Nutrition and Health Science 17%
- Confectionery 10%
- Water 8%
- Powdered and Liquid Beverages 23%
- Milk products and Ice cream 15%
- Prepared dishes and cooking aids 13%
- PetCare 14%
- Water 8%

Good food, Good life
First half 2018 performance

**Organic growth**
+2.8%

**Market share**
1. Number of business cells gaining and holding market share in % of total (versus year before)
   - Business cell is a combination of geography / product category
   - Source: based on external providers

   **trend improving**
   - 2017: 2.4%
   - H1 2018: 2.8%
   - 2017: 54%
   - H1 2018: 57%

**UTOP margin**
2. Underlying Trading Operating Profit
   - H1 2017: 15.9%
   - H1 2018: 16.1%

**Underlying EPS growth**
3. Evolution in constant currency
   - 2017: 4.7%
   - H1 2018: 9.2%
Our long-term value creation model

Top Line Growth: mid-single digit growth by 2020

1. Invest in high-growth categories / regions
2. Address underperformers
3. Product and business model innovation
4. Embrace digital opportunities
5. Active portfolio management

Margin Expansion: 17.5% - 18.5% by 2020

6. On track to deliver more than CHF 2 bn in structural savings by 2020 over 2016
7. CHF 700 m of restructuring expenditures in 2018

Prudent Approach Toward Capital Allocation and M&A

8. Capital allocation:
   • Disciplined investments and acquisitions
   • 23 consecutive years of dividend increases
   • CHF 20 bn share buyback program

Maximize Long-Term Shareholder Value
1. Invest selectively in high-growth categories

High-growth categories: 57% of Group sales
H1 2018

- Coffee, Petcare, Water, Infant Nutrition, C.H.¹ 57%
- Other categories 43%

High-growth categories: 64% of Group UTOP²
H1 2018

- Coffee, Petcare, Water, Infant Nutrition, C.H.¹ 64%
- Other categories 36%

Organic growth
H1 2018

- Group 2.8%
- High-growth 3.5%
- Other 1.7%

1. C.H.: Consumer Healthcare excludes Nestlé Skin Health
2. Underlying Trading Operating Profit before Unallocated Items
Increase footprint in emerging markets with prudent capital allocation

**EMs sales in % of total**

- 32% in 2007
- 43% in H1 2018

**Organic growth**

- EMs: 4.8% in 2017, 4.3% in H1 2018
- DMs: 0.7% in 2017, 1.5% in H1 2018

**UTOP margin**

- EMs > DMs

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EMs: Emerging markets
DMs: Developed markets

1. Underlying Trading Operating Profit
2. Address underperformers

- Organic growth

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
</tr>
</thead>
</table>

Launch of organic range

- Visual transformation

- Significant progress made in past two years
- Developed convincing growth strategies
- Regained competitive cost structure
- Exploring strategic options
3. Product and business model innovation

**Accelerating business cycles**

**Premiumization**
Premium products grew > 2x as fast as Group in H1 2018

**New business models**
Direct to Consumer channel (DTC)

- **Top line**
  - 2012: 11% % of Group sales
  - H1 2018: 22% % of Group sales

- **Margin**
  - 2012: 6.0% % of Group sales
  - H1 2018: 8.2% % of Group sales
Leveraging on evolving consumer trends

Science-based

Organic / Natural

Food Intolerance

Plant-based

Local origins

Ready-to-Drink

Personalized Nutrition

Convenience
4. Embracing digital opportunities

Spending where consumer are
Digital as % of media spend

- 2012: 13%
- H1 2018: 35%

E-commerce intensity
In % of Group sales

- 2012: 2.9%
- H1 2018: 6.9%

E-market share\(^1\)
H1 2018

- 71% of on-line business cells\(^2\) gaining and holding share versus year before
- 55% of on-line business cells have on-line share > off-line share

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1. Number of online business cells gaining and holding market share in % of total (versus year before)
2. Business cell is a combination of geography / product category
Source: based on external providers
5. Actively manage our portfolio

**Sell**

US Confectionery

**Acquire**

Merrick

Blue Bottle

Sweet Earth

Chameleon

TerraFertil

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Under strategic review

Atrium Innovations

Tails.com

Starbucks - Consumer and Foodservice products
Building a unique coffee portfolio with three iconic brands

**Nespresso**
- **Annual sales:** > CHF 5 bn
- Stylish, coffee connoisseur brand, European flair, undisputed superior quality
- Leading premium portioned coffee brand

**Starbucks**
- **Annual sales:** ~ CHF 2 bn
- Iconic coffee shop brand, American lifestyle
- Leadership in North American premium R&G and portioned coffee categories

**Nescafé**
- **Annual sales:** ~ CHF 10 bn
- World’s preferred coffee brand
- Nescafé Dolce Gusto, coffee shop style portioned coffee system

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• **Worldwide, perpetual license** for Consumer & Foodservice products

• **North America** with solid growth

• **Large expansion opportunity outside of North America**
  • Countries where Starbucks coffee shops are well established
  • R&G and Foodservice
  • Nespresso / NDG compatible capsules

• **Transaction**
  • Up-front payment of USD 7.15 bn
  • ~ 15x 2018 pro forma EBITDA
  • No material asset transfer
  • Closed at the end of August, 2018

• **Attractive financial metrics**
  • Sales of USD ~2 bn mainly in N.A.
  • ~ 24% EBITDA margin, accretive from 2019
Exploring strategic options for Nestlé Skin Health

- Sales of CHF 2.7 bn with three business units: Consumer care, Aesthetics and Prescription

- Significant progress made in past two years
  - Developed convincing growth strategies
  - Regained competitive cost structure

- Aesthetics and Prescription are outside of Nestlé’s strategic boundaries (Nutrition and metabolism)

- Absolutely committed to Nestlé Health Science and seek to expand it, as shown by the recent Atrium Innovations acquisition
2020 underlying TOP margin improvement target

+ 150 bps to + 250 bps\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
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<tbody>
<tr>
<td>2016</td>
<td>16.0%</td>
</tr>
<tr>
<td>2017</td>
<td>16.5%</td>
</tr>
<tr>
<td>2020</td>
<td>17.5% to 18.5%</td>
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1. Increase versus 2016
6. Significant savings programs

Consumers do not pay for inefficiencies!

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total savings (CHF bn)</td>
<td>2.0 – 2.5</td>
<td>0.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.6 – 0.8</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Procurement</td>
<td>0.5 – 0.6</td>
<td>0.2</td>
<td>0.5</td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>0.9 – 1.1</td>
<td>0.2</td>
<td>0.9</td>
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1. Investor Seminar – London, Sep 2017
Freeing up resources

Savings → Raise margins

Manufacturing
Procurement
General & Administrative

Efficiencies → Reinvest for growth

R&D
Marketing & Media
7. Restructuring costs: an investment for the future with attractive returns

In CHF m

<table>
<thead>
<tr>
<th>Year</th>
<th>Top line</th>
<th>Margin</th>
<th>Capital allocation</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>274</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>257</td>
<td></td>
<td></td>
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<tr>
<td>2015</td>
<td>165</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>673</td>
<td></td>
<td></td>
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<tr>
<td>2018</td>
<td>700</td>
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8. Prudent Approach to Capital Allocation and M&A

Investing in organic growth
- R&D, Innovation
- Capex
- Marketing investments

M&A
- Constant review of portfolio
- Strategic M&A opportunities

High cash returns to shareholders
- **Dividends**: 23 years of consecutive increases in CHF
- **Share buyback**: 20 bn over 3 years to be completed by June 2020
On track to deliver our 2020 financial targets

- **Improved organic growth** driven by volume at the high-end of F&B industry
- **Innovation** with reduced time to market and accelerated cycles
- **Accelerated restructuring and improved operational efficiency**
- **UTOP¹ margin** on track to meet 2020 goal
- **Substantial capital returned to shareholders**
- **Active portfolio management**

¹. Underlying Trading Operating Profit
Thank you
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>OG</td>
<td>Organic Growth</td>
</tr>
<tr>
<td>AMS</td>
<td>Americas</td>
</tr>
<tr>
<td>EMENA</td>
<td>Europe, Middle East, and North Africa</td>
</tr>
<tr>
<td>AOA</td>
<td>Asia, Oceania, and sub-Saharan Africa</td>
</tr>
<tr>
<td>EMs</td>
<td>Emerging Markets</td>
</tr>
<tr>
<td>DMs</td>
<td>Developed Markets</td>
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<tr>
<td>EPS</td>
<td>Earnings Per Share</td>
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<td>UTOP</td>
<td>Underlying Trading Operating Profit</td>
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