



Portfolio Management

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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.

Nestlé's tool to drive value creation



- 2'500 Business Cells covered
- 100% of portfolio assessed
- Financial and strategic metrics
- Economic profit as proxy for value

- Yearly review of **value drivers** (growth, margin, return)
- Define **strategic role of each Business Cell**
- **Decision** Support Tool
- **Driven globally, owned locally**

An holistic framework to assess performance

Key Metrics



Growth

- Market Growth
- Nestlé's Share Trend
- Organic Growth

Margin

- Gross Margin
- Operating Profit
- Marketing Spend
- Structural Cost

Capital Efficiency

- Asset Turnover
- Working Capital
- CAPEX & Assets Intensity

Value Creation

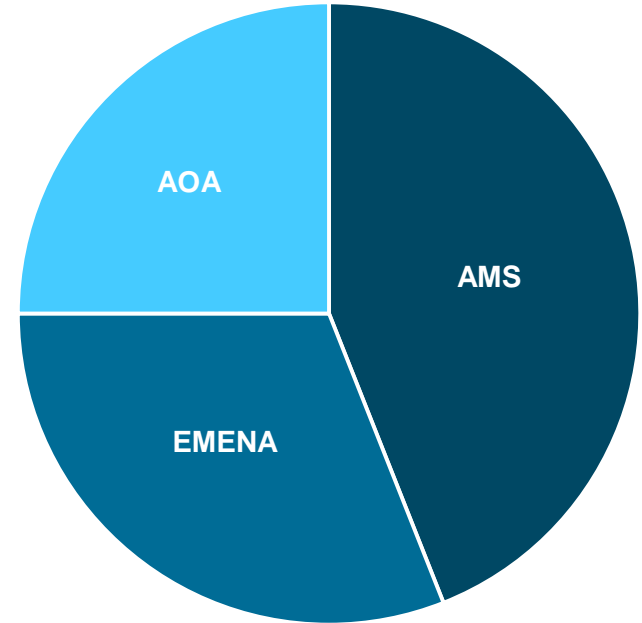
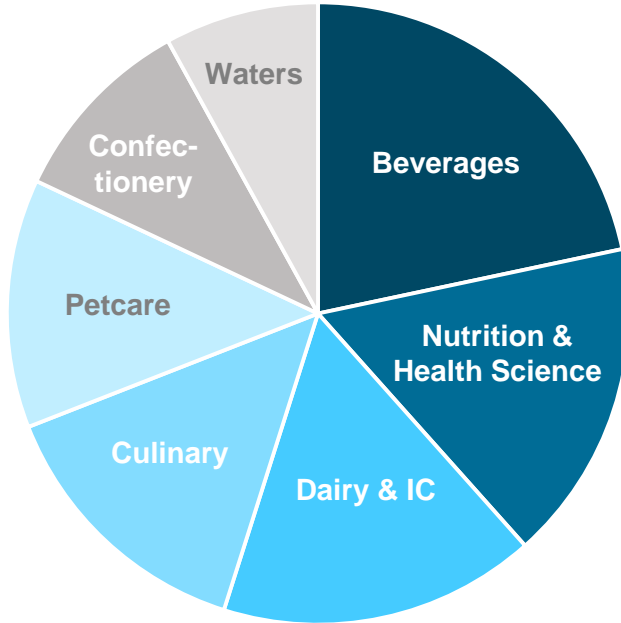
- ROIC
- Economic Profit

Nestlé active portfolio management

- Very **diversified & balanced** portfolio
- **Positive category/geography mix**
- **Right focus and drive**
- **Discerning resource allocation**

Very diversified and balanced portfolio

Sales contribution (2015)

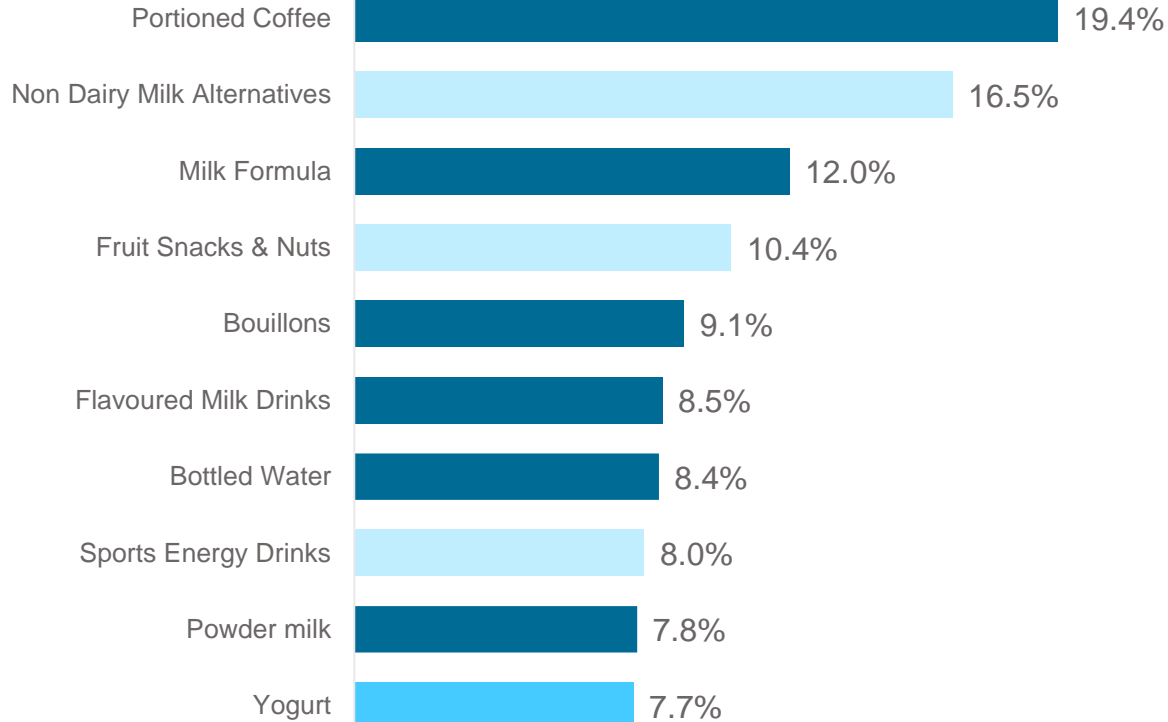
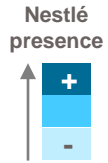


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Playing in the right categories in F&B ...

F&B fastest growing categories (average 2012-15, %)



***Present in 7
out of Top 10***

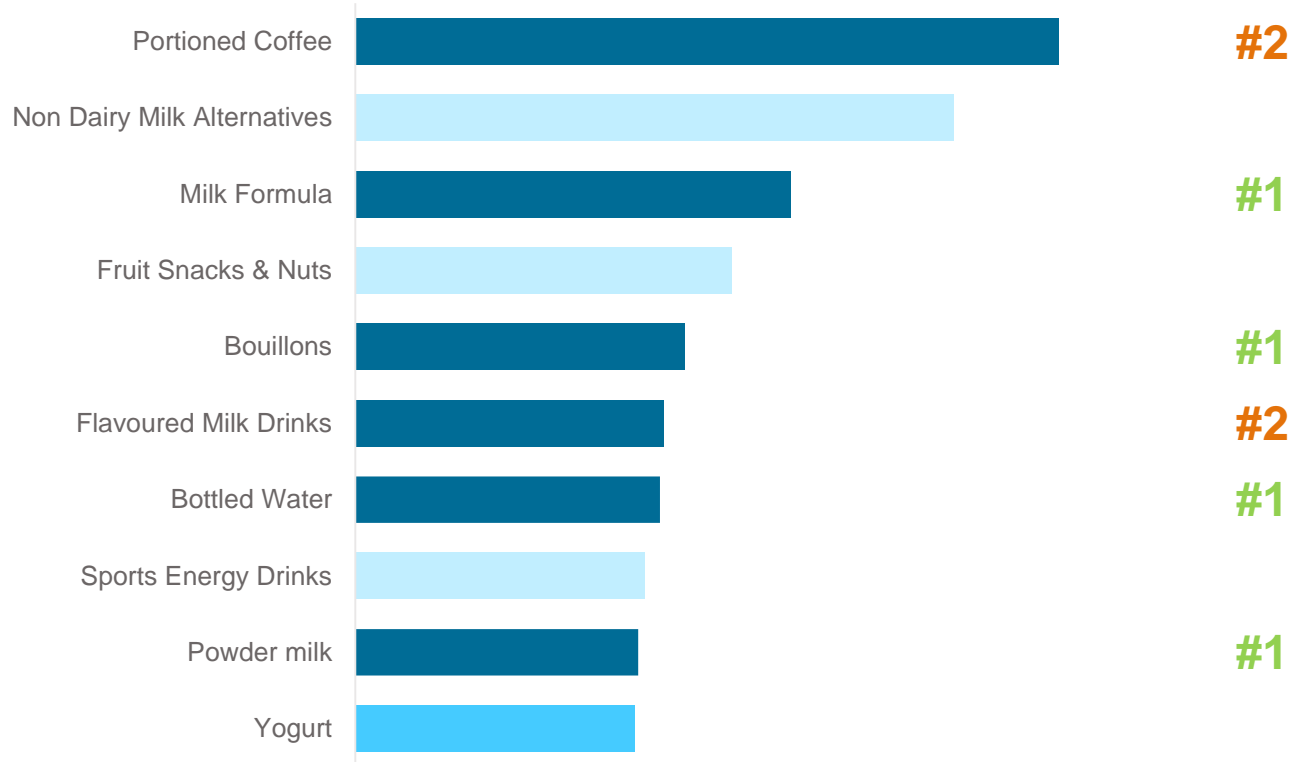
Source: Euromonitor
(categories above \$7 bn value RSP)

... with strong positions

Nestlé
presence

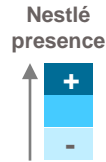


F&B fastest growing categories (average 2012-15, %)

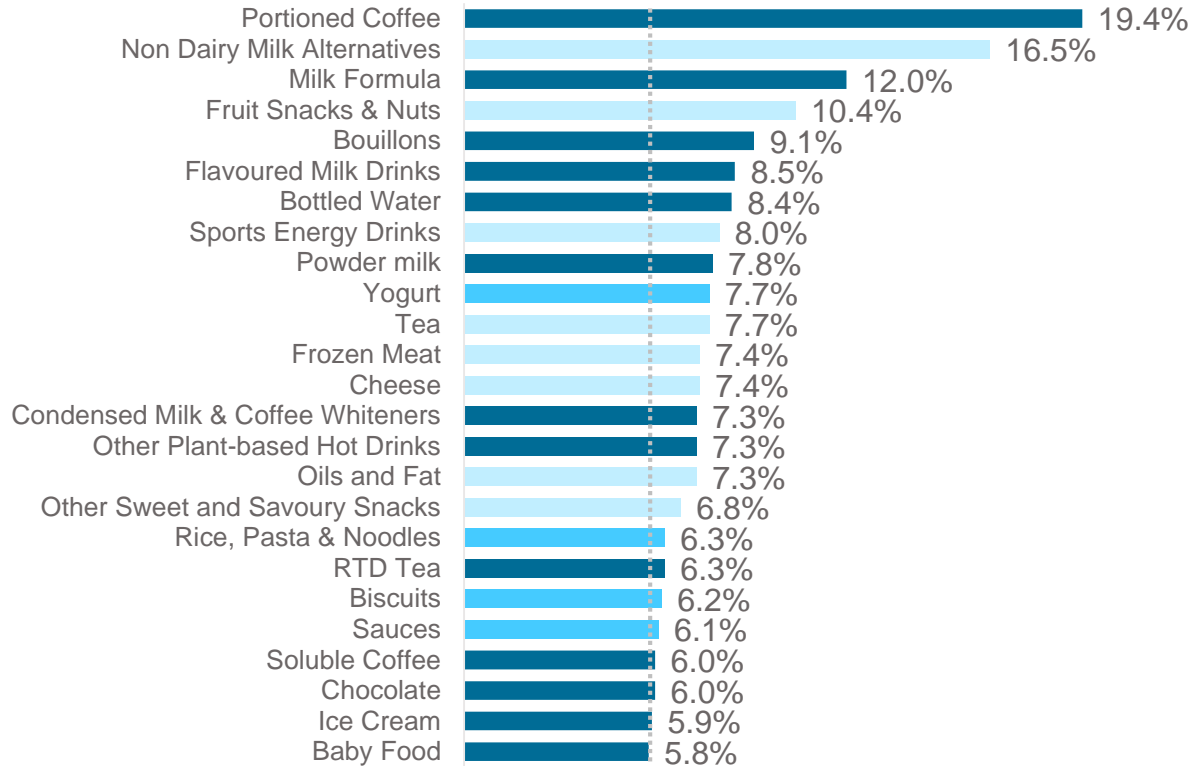


Source: Euromonitor
(categories above \$7 bn value RSP)

Playing in the right categories in F&B ...



F&B fastest growing categories (average 2012-15, %)



***Present in 17
out of Top 25***

F&B average

Source: Euromonitor
(categories above \$7 bn value RSP)

... and developing leading position in new fast-growing territories



NestléHealthScience

Advancing the role of nutritional therapy
to change the course of health
for consumers, patients and our partners
in healthcare



Nestlé Skin Health

Enhancing the quality of life
by delivering science-based solutions
for the health of skin
over the course of people's lives



Expanding the boundaries of NHW: over CHF 4 bn sales



Nestlé**Health**Science

- **3 strategic focus:** Consumer Care, Medical Nutrition, Novel Therapeutic Nutrition
 - Strong **global footprint**
 - **Rich I&R pipeline**, via strong innovation engines
 - **Power brands**
- **Shaping new approaches to health management via nutritional therapies**

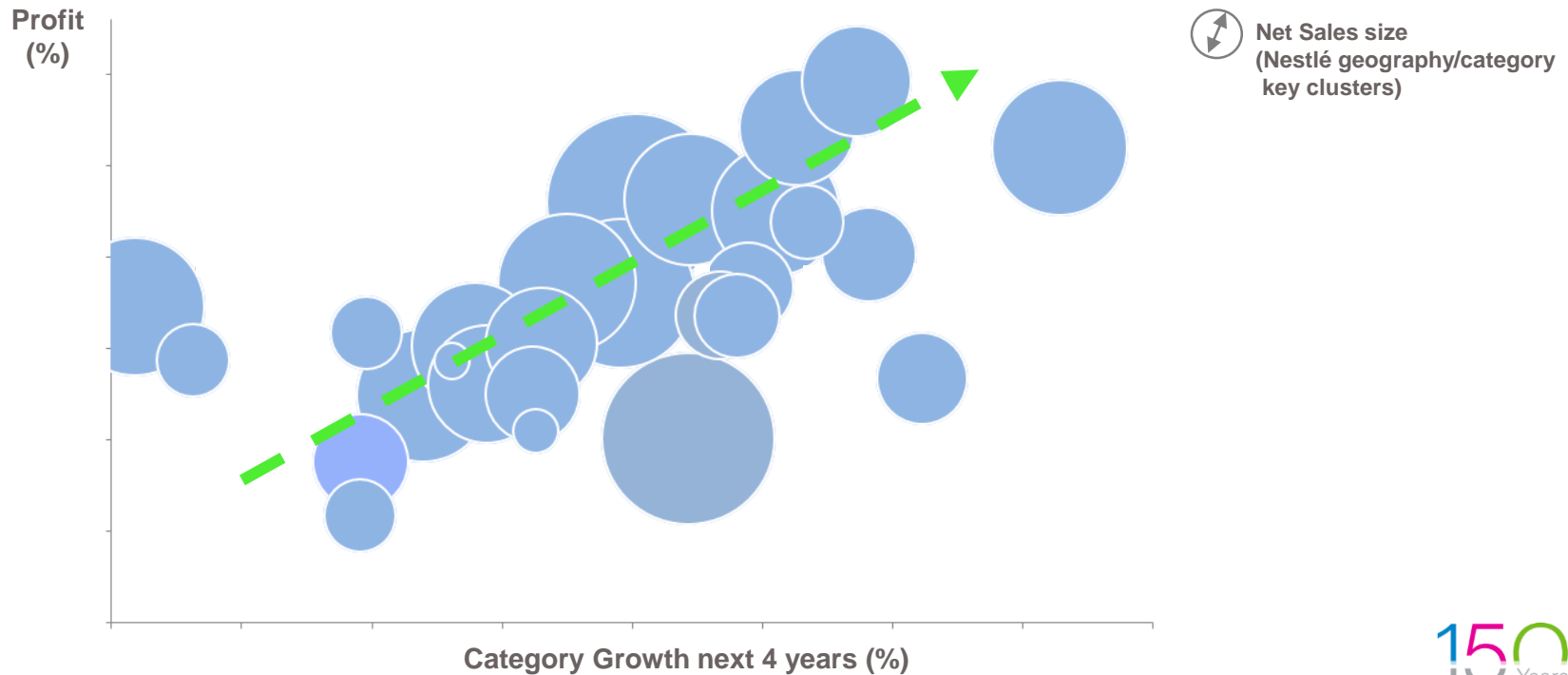


Nestlé Skin Health

- **Strong growth** over 2009-15
 - **Balanced portfolio** (categories / geographies)
 - Growth driven by **I&R** and **geographical expansion**
 - **Strong brands**
- **Extending leadership in skin health**

Driving our positive geography/category portfolio mix

Nestlé Profit and Category Growth



Driving our profitable growth in emerging markets

	Developed	Emerging
Sales	57%	43%
Annual Growth 13-15	+1.3%	+8.4%
Marketing Spend 13-15	+180bps	+260bps
Profit	<	

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Focusing on our 34 billionaire brands*

	Billionaire brands	Rest of the Group
Sales	77%	23%
Growth 13-15	+5.4%	+1.3%
Marketing spend	80%	20%
Profit	84%	16%

**Figures represent averages 2013-2015*

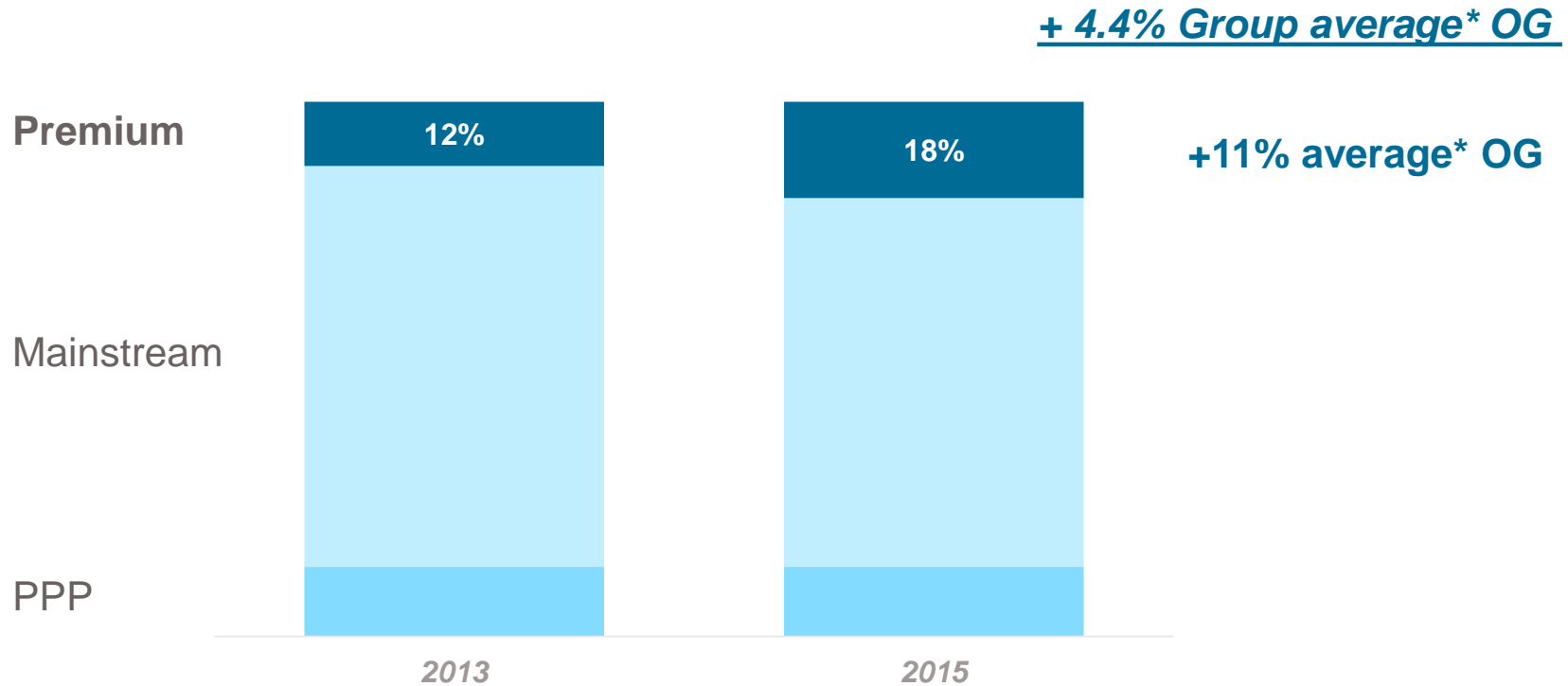
NHW driving our profitable growth journey

*Performance of businesses vs. NHW dimension**

	NHW below average	NHW above average
Sales %	50	50
Growth index	100	180
Marketing spend index	100	100
Profit index	100	150

* NHW dimension measured by % of Net Sales with 60/40 win and Nutritional Foundation – Analysis excluding categories which are 100% NHW

Driving our premiumisation opportunities



* Average OG over the period 2013-2015

Showing flexibility in business models

Creating a leading player in ice cream

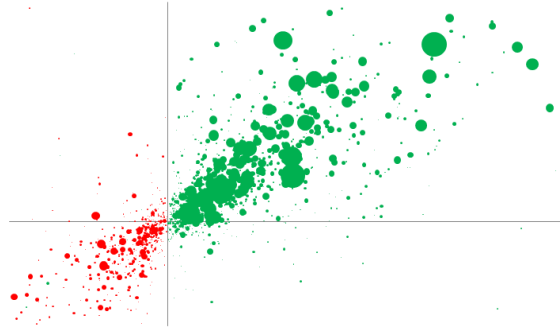


Nestlé active portfolio management

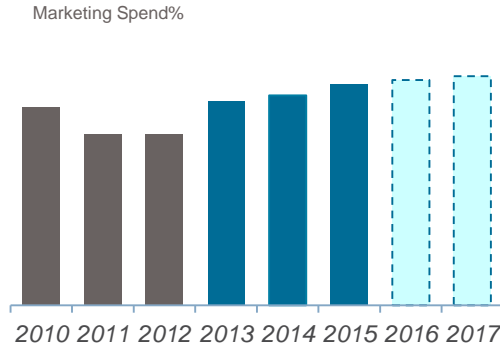
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Increased discipline in portfolio management and resource allocation

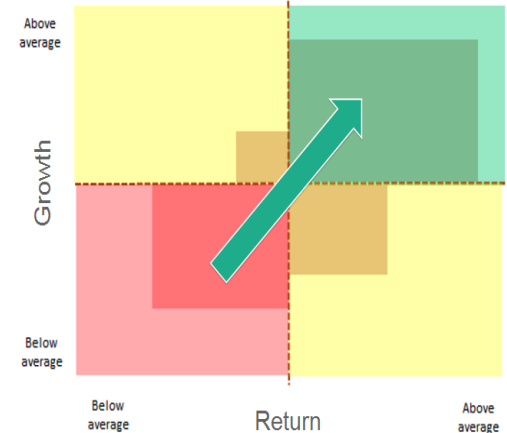
Discontinuation of subscaled non performing businesses



Reallocating Marketing Spend behind most profitable businesses



More discerning prioritisation in Capex allocation



Tackling low-performing businesses



Most of the «issues» identified 3 years ago have been tackled

Disposals

~3% of sales

Re-investments

~4% of sales

Partnerships

~1% of sales



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Accelerating accretive growth platforms

- **CHF 7+ bn** Sales today
- **15% average OG**
- **Accretive Marginal Contribution**
(~10 points higher than Group average)
- **Marginally dilutive at bottom line** ... with high marketing spend

Examples

Nescafé
Dolce Gusto



Purina
LatAm



Nestlé Health
Science

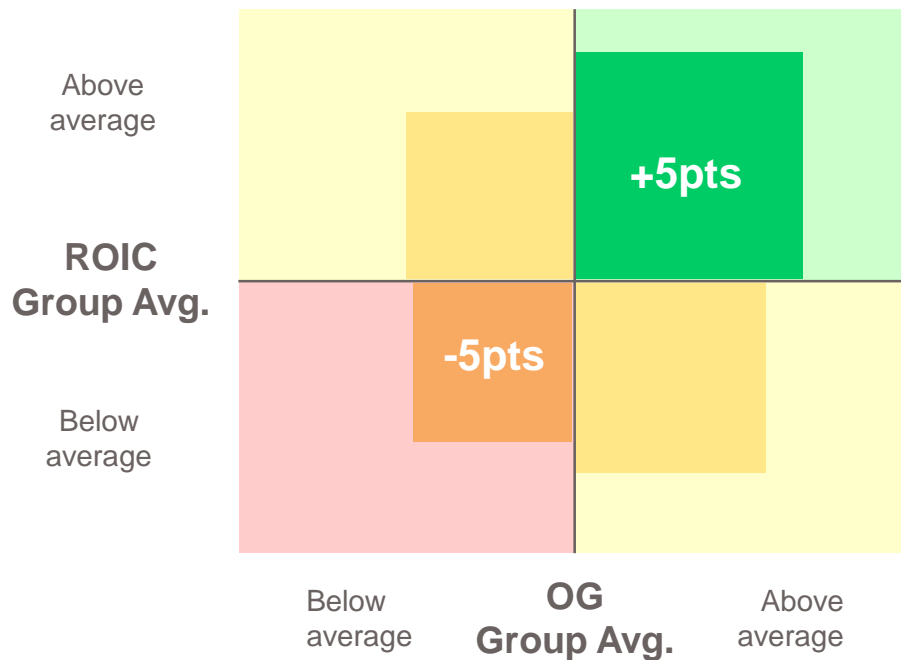


Nestlé Skin
Health



Improving resource allocation

*Total Investments: SG&A and Capex
(% of total, evolution over last 2 years)*



Nestlé active portfolio management

- **Diversified and Balanced**
- **Positive Portfolio Mix**
- **Focused and Dynamic**
- **Discerning Resource Allocation**