



Cost and Capital Discipline

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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.

Agenda

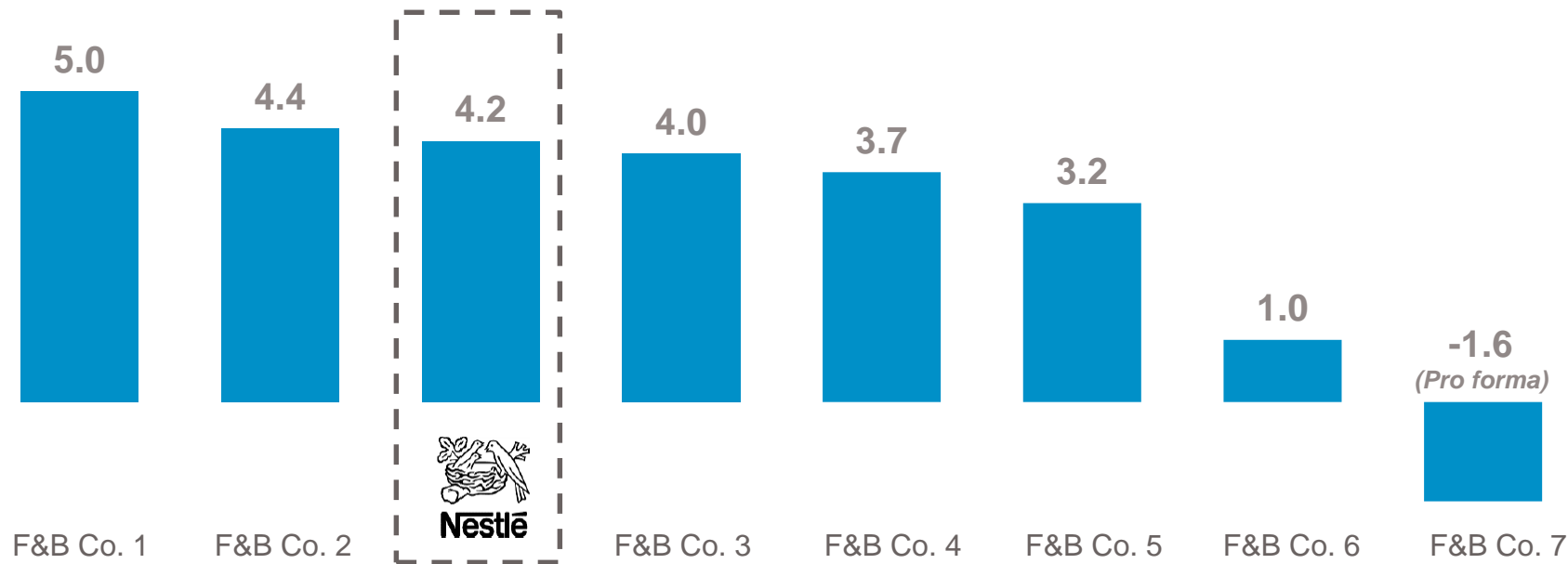
- ✓ Flexibility in a changing world
- ✓ Cost discipline to drive growth and margins
- ✓ Driving Cash Flow and Return on Capital

Agenda

- ✓ Flexibility in a changing world
- ✍ Cost discipline to drive growth and margins
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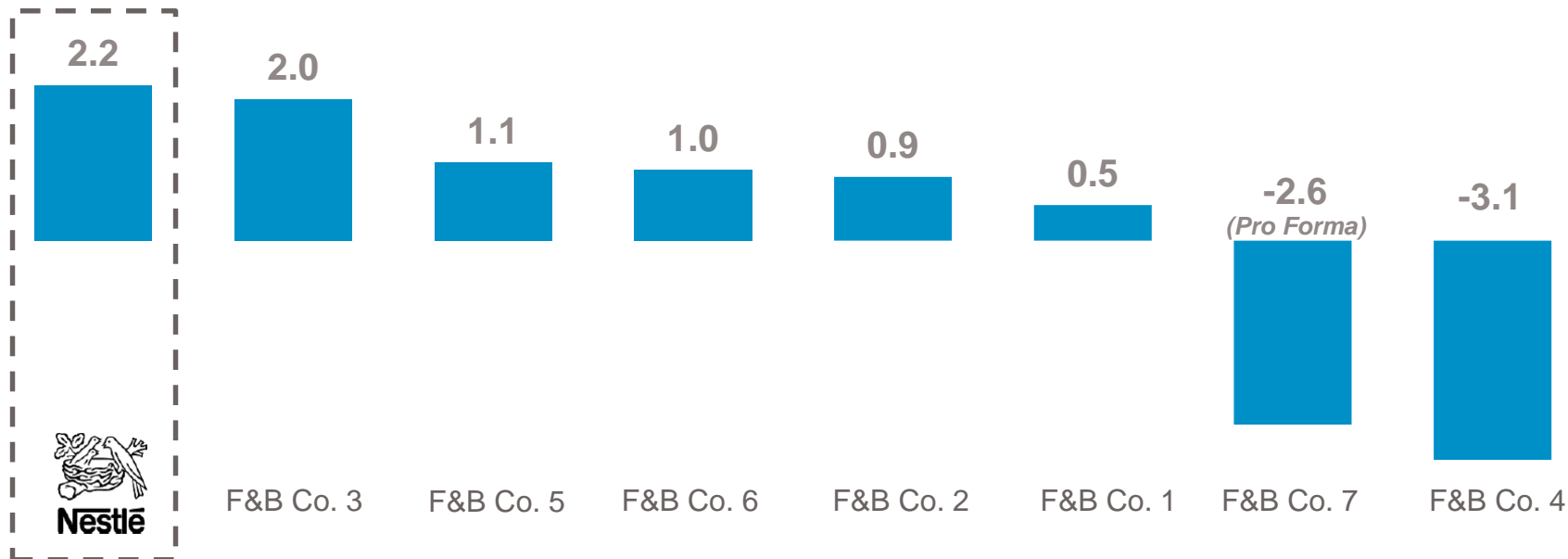
Nestlé is delivering superior growth both in OG

OG Full Year 2015



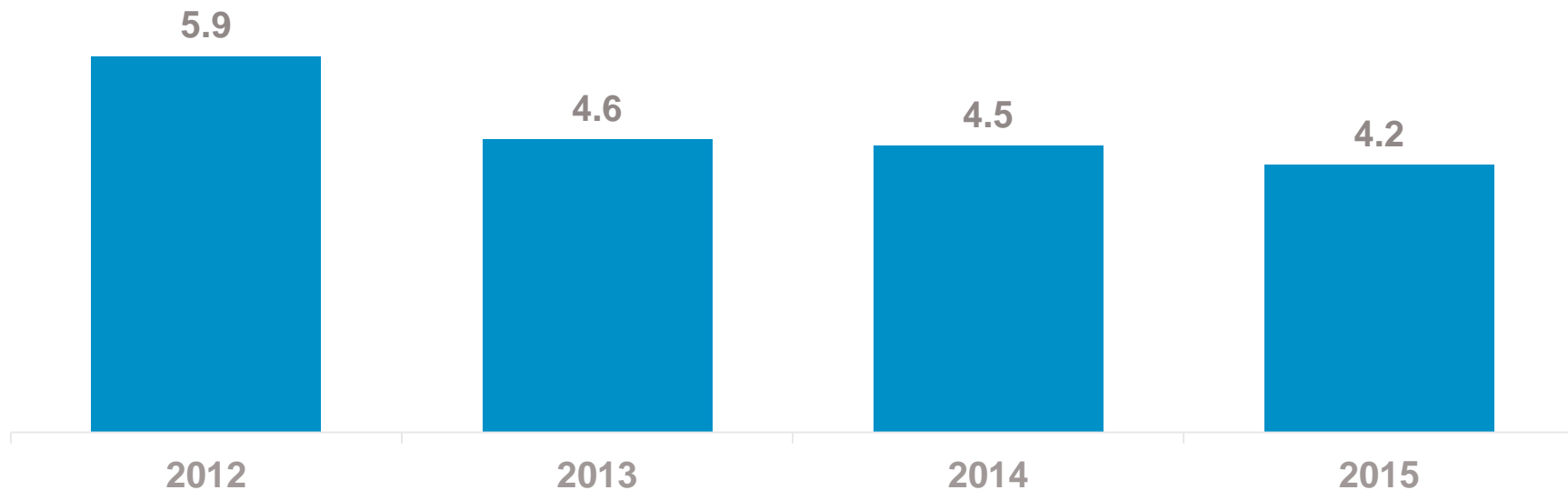
And even more in RIG

RIG Full Year 2015

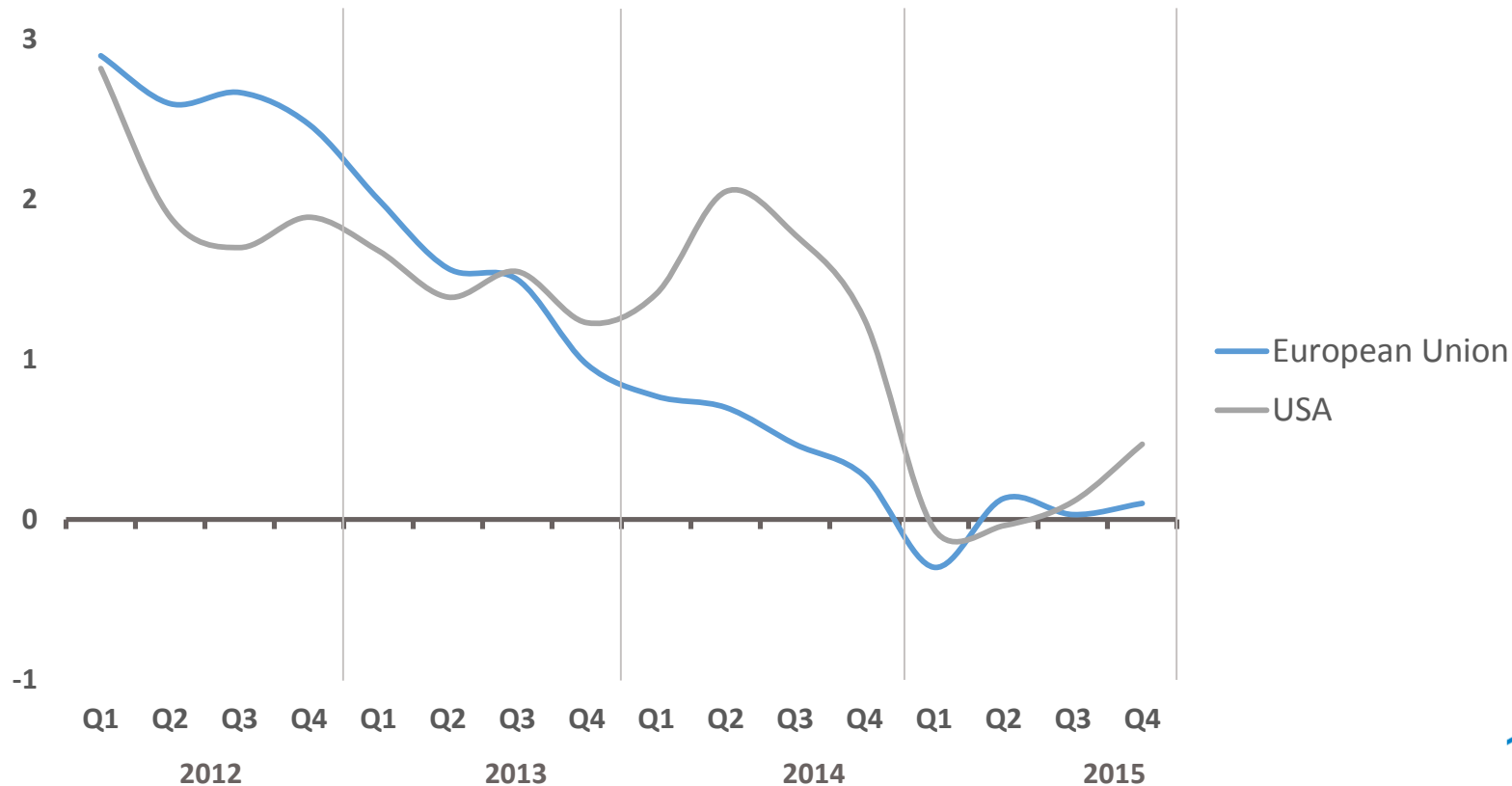


Although growth is lower

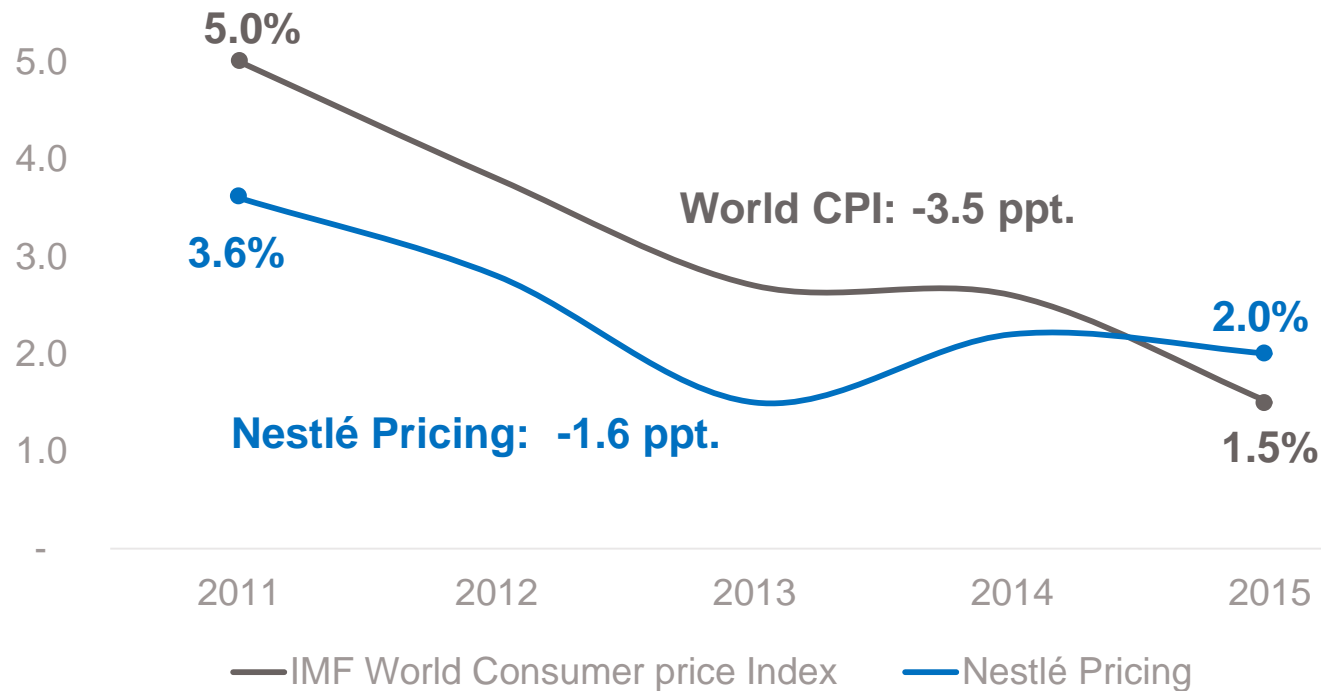
Nestlé OG 2012-15



Inflation has decreased in the developed world

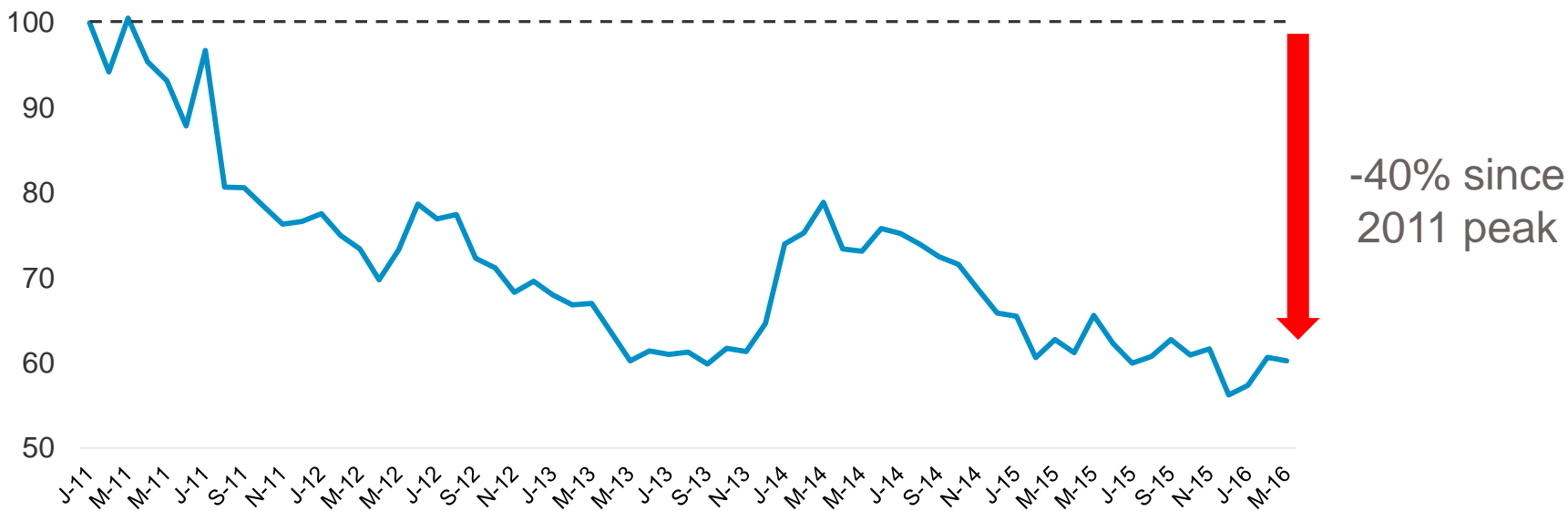


Resilient Pricing



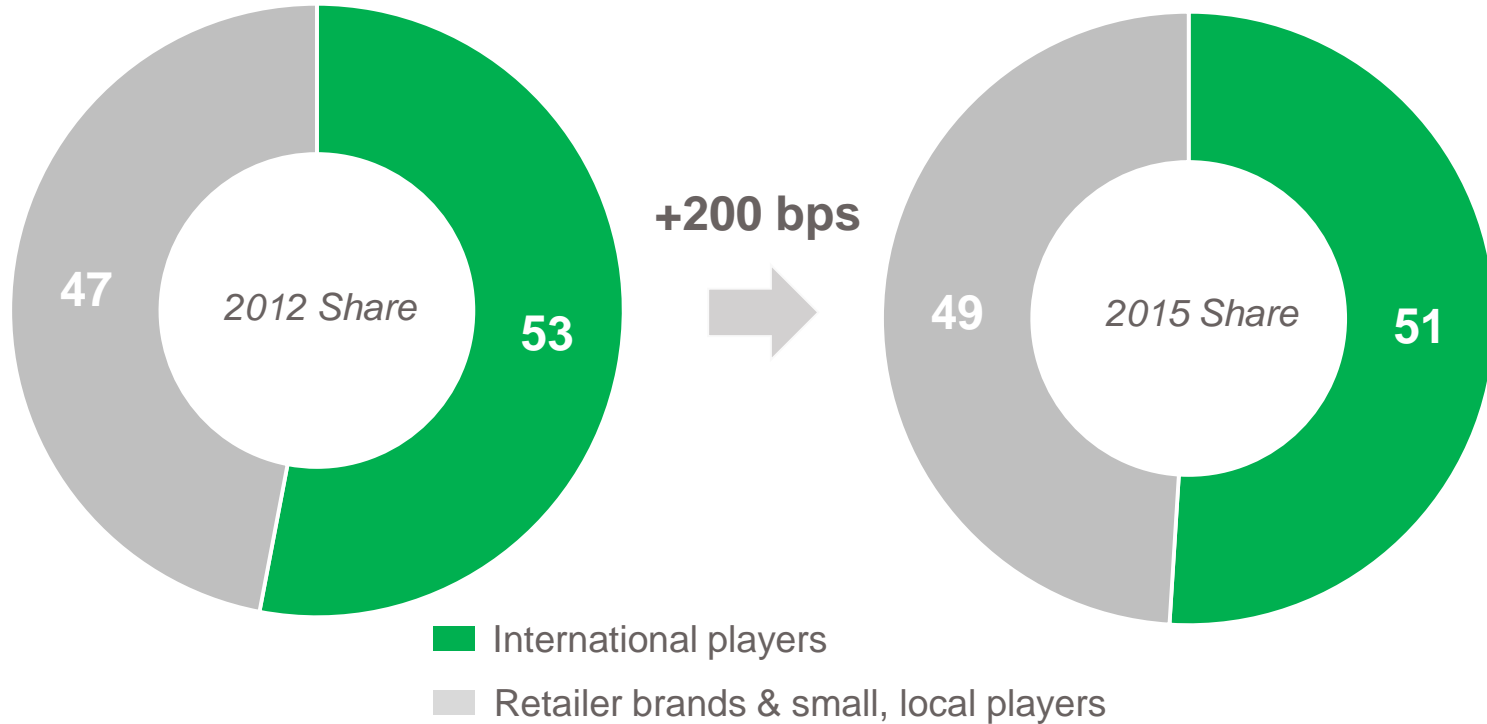
Commodity prices down to a low point

Nestlé weighted commodity price index



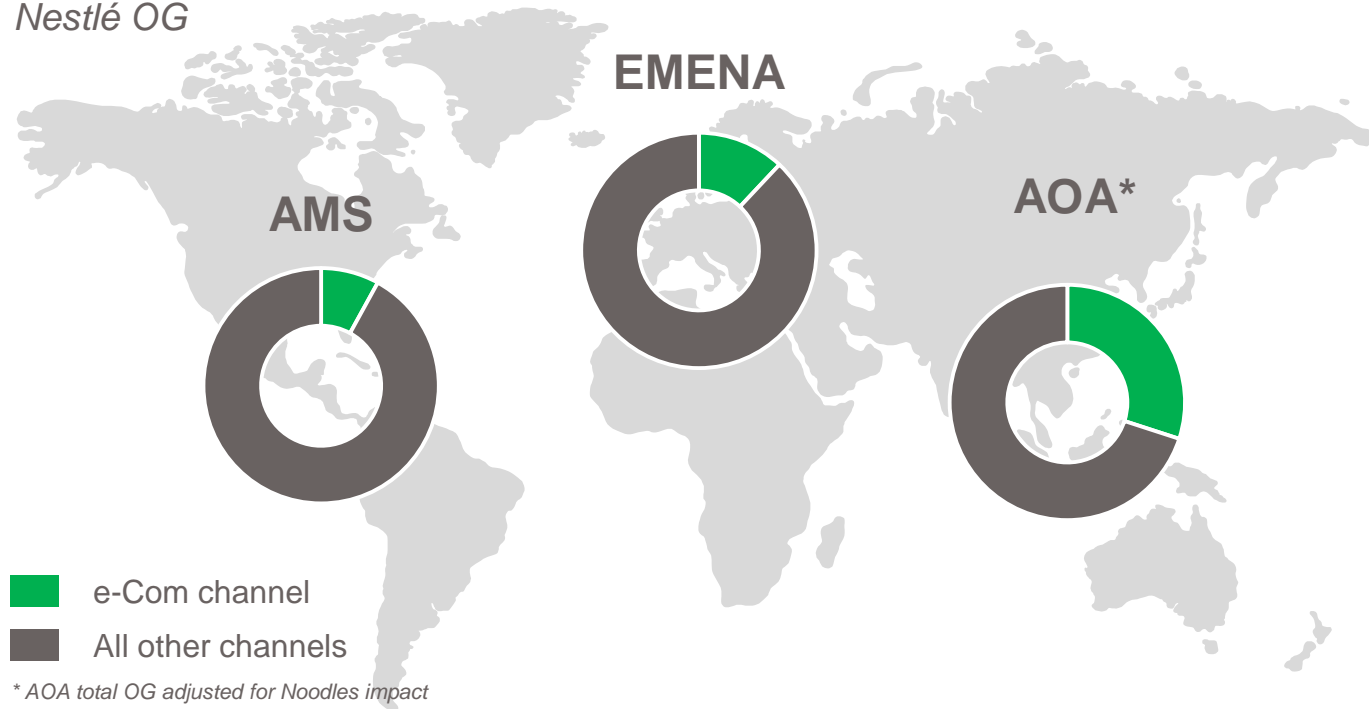
-40% since
2011 peak

Evolving competitive landscape



Fast reshaping of retail through e-Commerce

e-Com growth contribution to 2015
Nestlé OG



e-Com Examples:

- 20% sales growth in 2015
- Size of e-Com corresponds to Top 5 Market of the Group
- % of Sales:
 - ✓ Nespresso > 50%
 - ✓ IF China > 10%
 - ✓ UK & China > 5%

Changing consumer expectation towards food

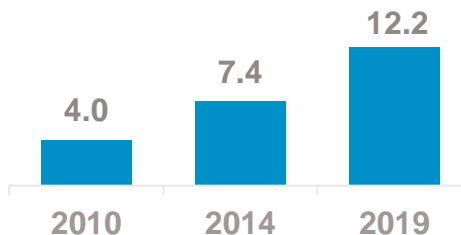


GLUTEN-FREE

Examples

Market size (CHF bn)

Market Growth

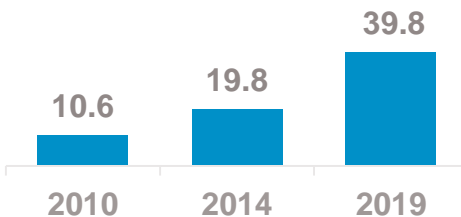


• CAGR 10-19: **13.2%**

Nestlé today ~ CHF 0.1bn



PLANT PROTEIN

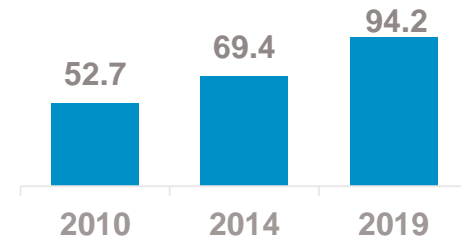


• CAGR 10-19: **15.8%**

Nestlé today ~ CHF 0.7bn



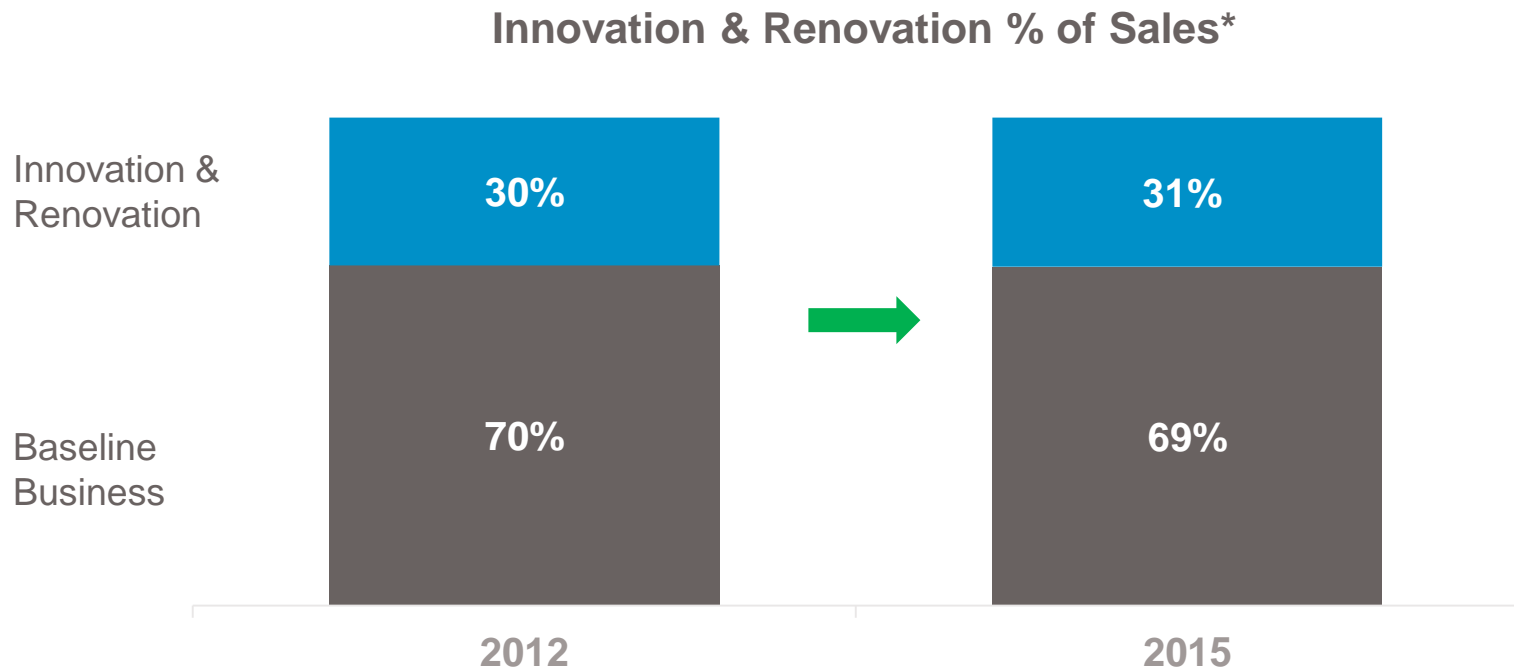
ORGANIC



• CAGR 10-19: **6.7%**

Nestlé today ~ CHF 0.7bn

Consistent I&R contribution supporting growth



*: Current year's sales of new and renovated products launched in the last 3 years

Growth requires higher investment behind brands

2013 – 2015

Consumer facing
Marketing Spend

> +10%

>

2 x OG

Organic
Growth (CAGR)

+4.4%

*Category/Country
gaining/maintaining
share*

49%
(2013)



56%
(2015)

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- ✓ Flexibility in a changing world
- ✓ **Cost discipline to drive growth and margins**
- ✓ Driving Cash Flow and Return on Capital

Nestlé CONTINUOUS Excellence



NCE journey of success initiated in 2008 – close to 100% of Group Sales covered

Cost Culture

- Zero Waste, Zero Incidents, Zero Accidents, etc.
- Visibility on approx. 25.000 annual improvement activities

Target Setting

- Annual Group NCE savings targets 2-4% of total delivered costs

Methodology

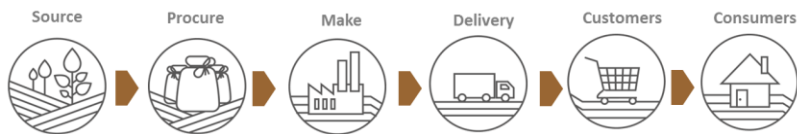
- Compliance
- Leadership Development
- Goal alignment
- Continuous Improvement

Scope

- Lean Office
- Lean Value Stream
- Total Performance Management in manufacturing
- Lean Innovation

Operational opportunities driving performance

Example: Zone AMS Value Chain review



- ✓ 64 Initiatives concluded in 2015/16
- ✓ Top common opportunities identified:
 - Route to Market improvement
 - Adapt portfolio to regions/channels
 - Harmonization / simplification of portfolio
 - Sourcing optimization from farmers
 - Other cost optimization of value chain

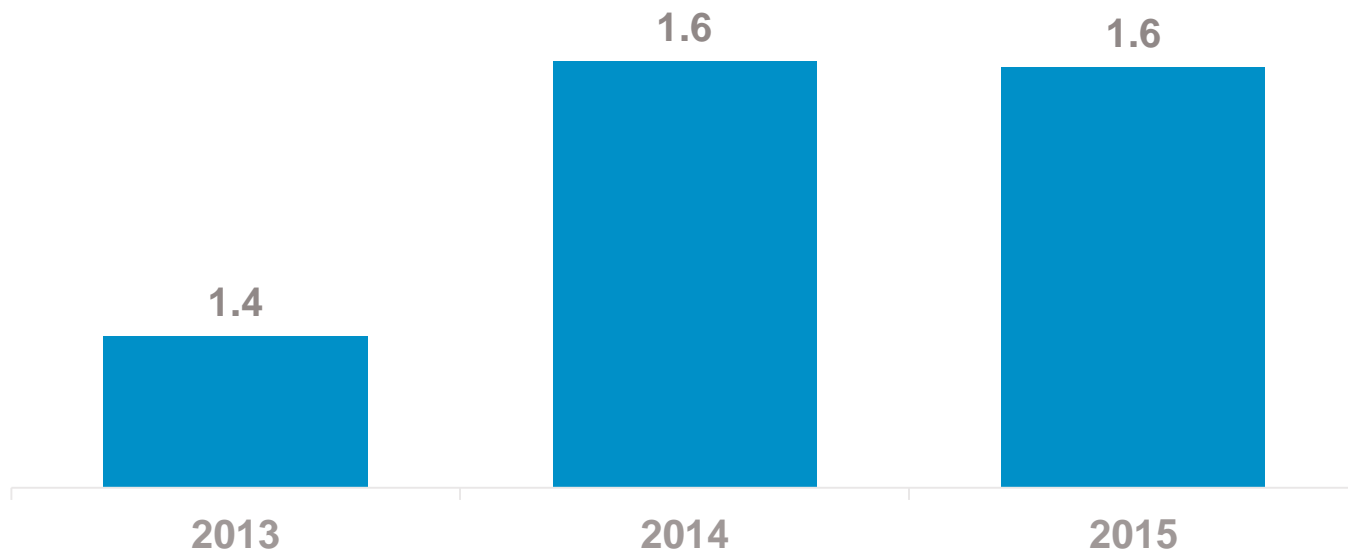
Business opportunities 2015-17:

- Over CHF 230 m in incremental sales
- About CHF 50 m in Cost Reduction

Significant operational cost base improvement

in CHF bn

NCE Cost Reduction

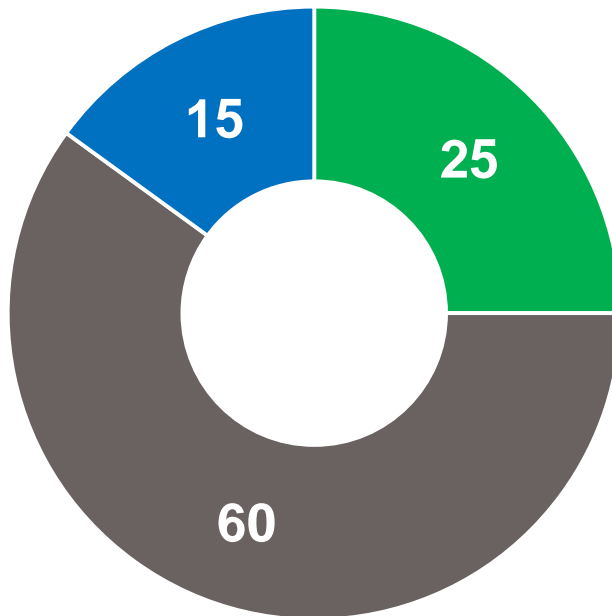


Cost efficiencies supporting growth and margins

Redeployment of NCE efficiency gains 2013-15 (in %):

Margin
improvement

Reinvestment in
competitiveness

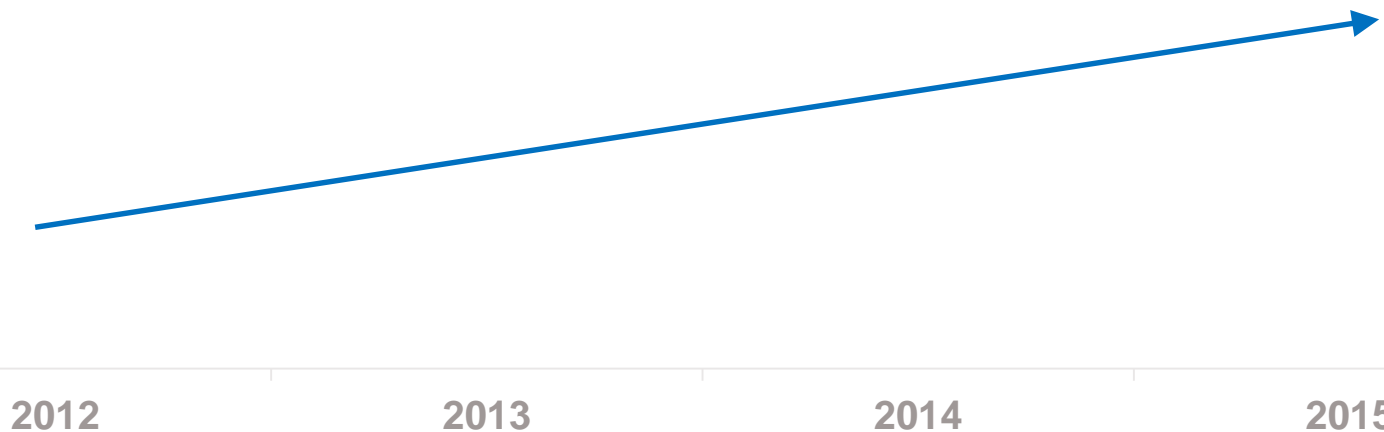


Reinvestment in
brands

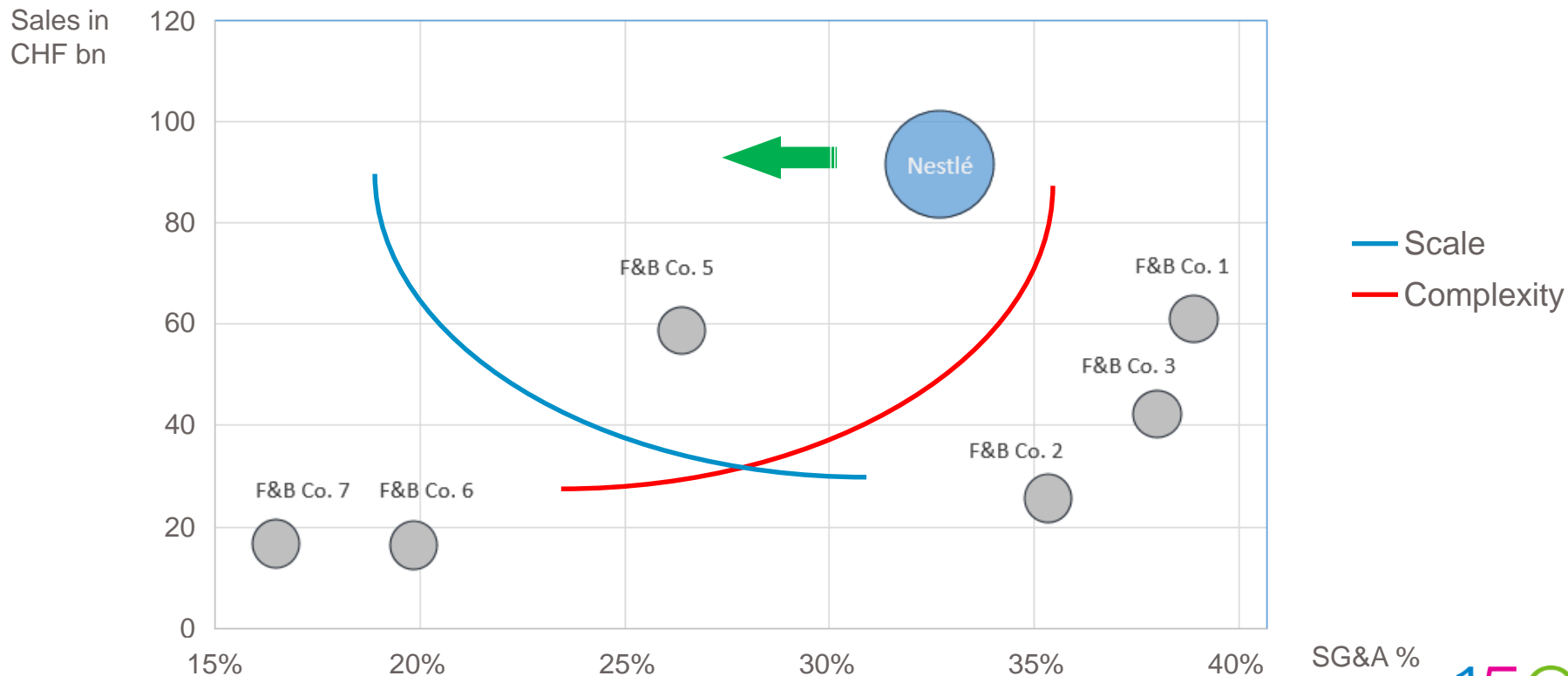
Continuous margin-improvement over time

*TOP improvement in bps 2012-15
(constant currency)*

+27 bps / year



Leveraging scale offers further opportunities



Source: Thomson Reuters, 2014 figures

SG&A %
of Sales

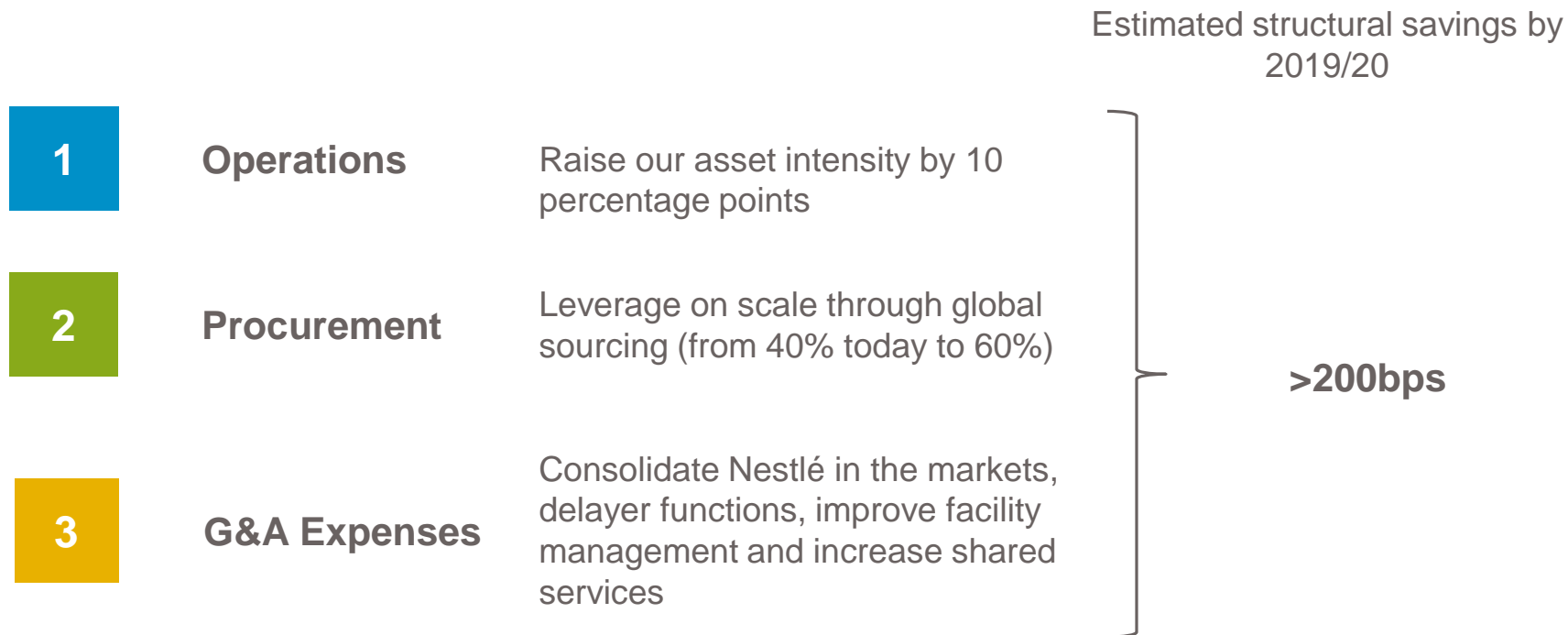


Achieving both sales and margin growth by...

...delivering
structural savings
on top of
operational ones



Identified structural savings beyond NCE



Use of structural savings

✓ Brand Support (Marketing spend and R&D)

✓ Competitiveness

✓ Trading Operating Profit



Broad based investment for growth

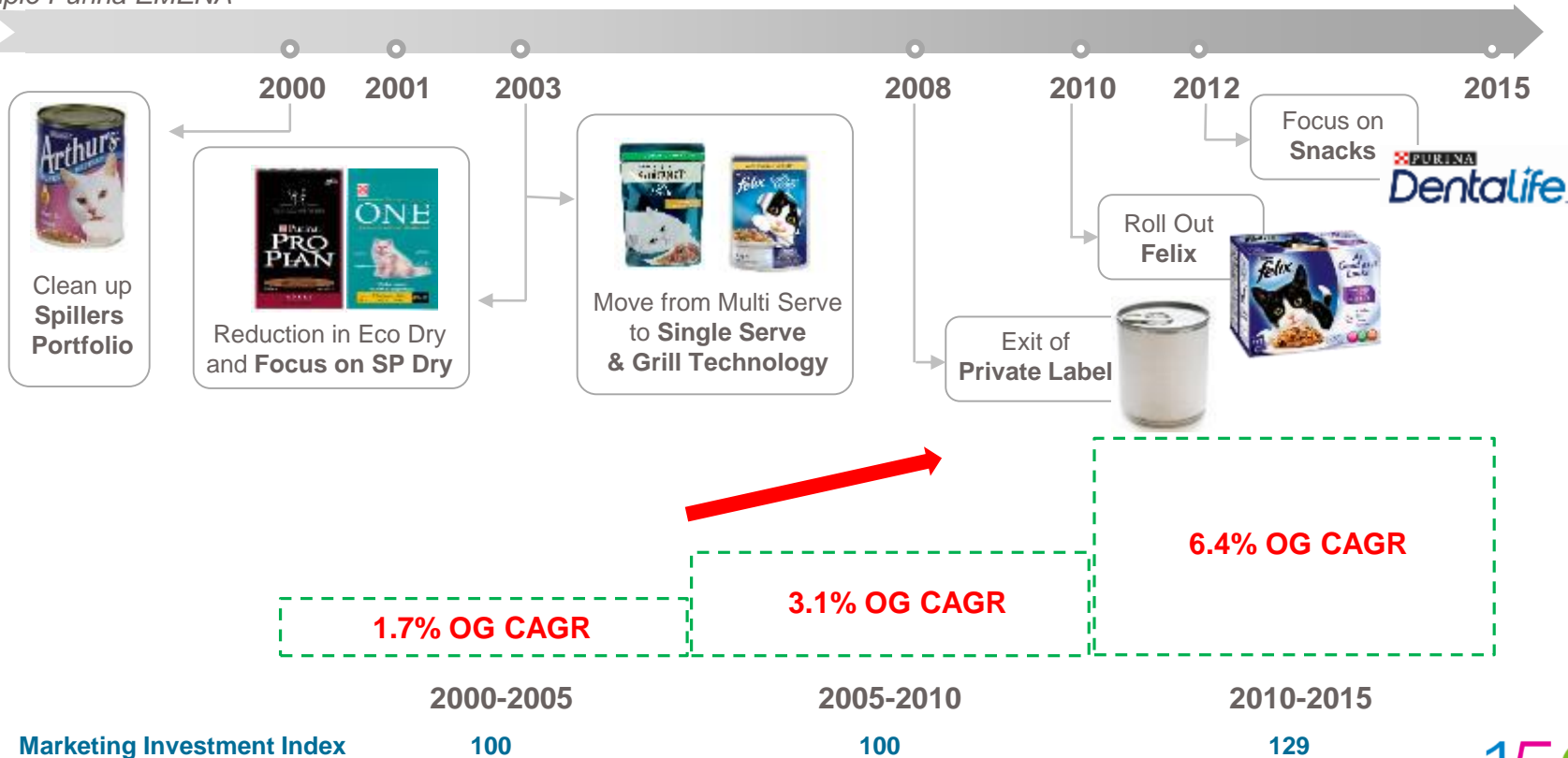


Five Focus Areas:






- Portfolio strengthening
- Premiumization
- Global brand expansion
- Innovation roll-out acceleration
- Digital and e-Com

Portfolio Strengthening

Example Purina EMENA



Premiumization

						
	WYETH Illuma		NESCAFÉ Dolce Gusto	NESCAFÉ Azera UK	Les Recettes de L'Atelier (France)	MAGGI Juicy Chicken
# of Countries	7		84	5	6	57
Index vs. mainstream	167%		>200%	170%	170%	256%
Value Share	2%		23%	49%	4% Premium Tablets*	18%

* 18% in the Gourmand segment

Global brand expansion - Felix



2010

17 Countries

Sales:

+ 28

+ 86%

2015

45 Countries

*: at constant currency 2010

Innovation roll-out acceleration – Milo Active-Go



2013-15 Countries covered:

+ 29

2013-15 Milo Active-Go % of sales
of Cocoa Malted Beverages:

From 0% To 12%

Digital and eCom – delivering growth



Example: Purina Germany with eCom pure play Zooplus

2009-15 eCom sales share growth: From **0%** To **13%**

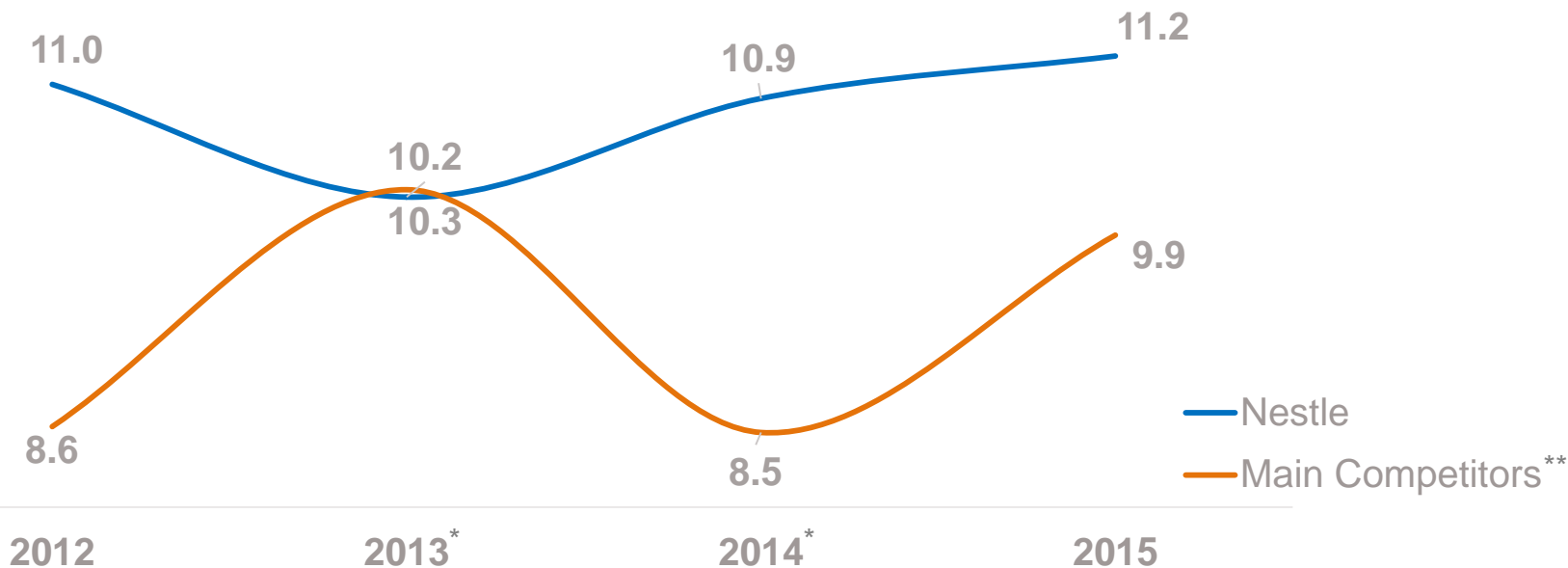
Digital marketing spend vs group average: **Index 130**

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-  **Driving Cash Flow and Return on Capital**

Consistent Free Cash Flow track record

Free Cash Flow % of Sales

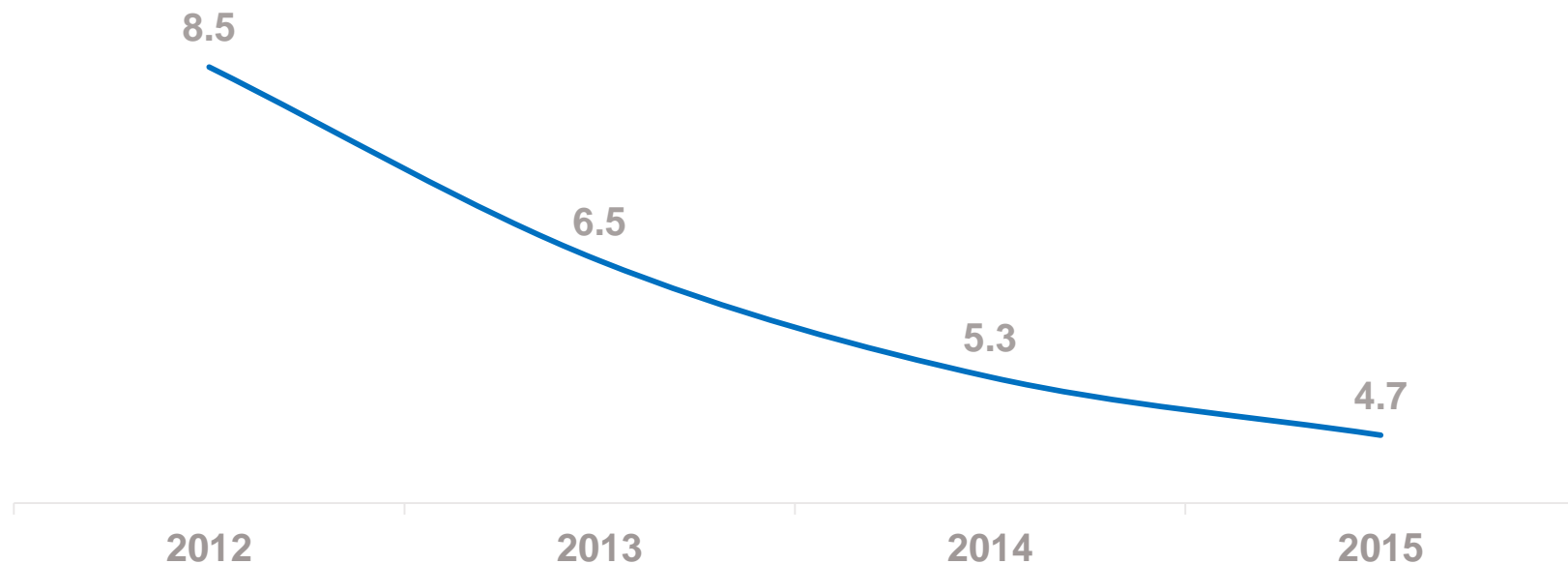


* Adjusted for exceptional income due to Givaudan and L'Oreal transaction

** Average FCF of main competitors, Source: company websites

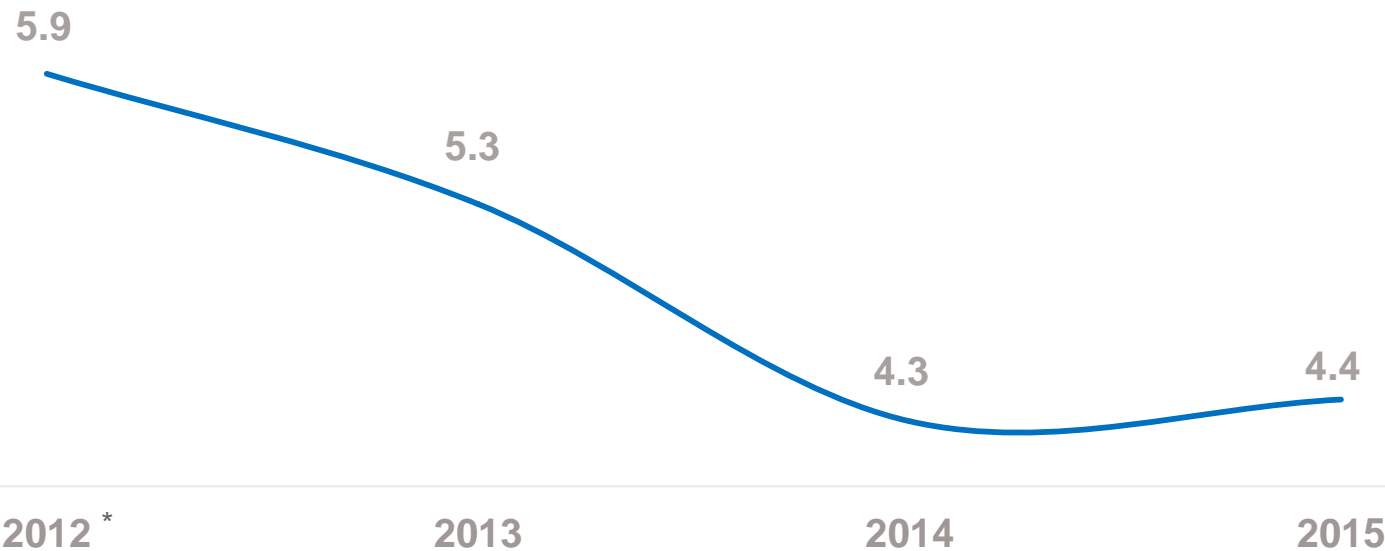
Working capital strongly supported performance

Working Capital % of Sales



Discipline in CAPEX

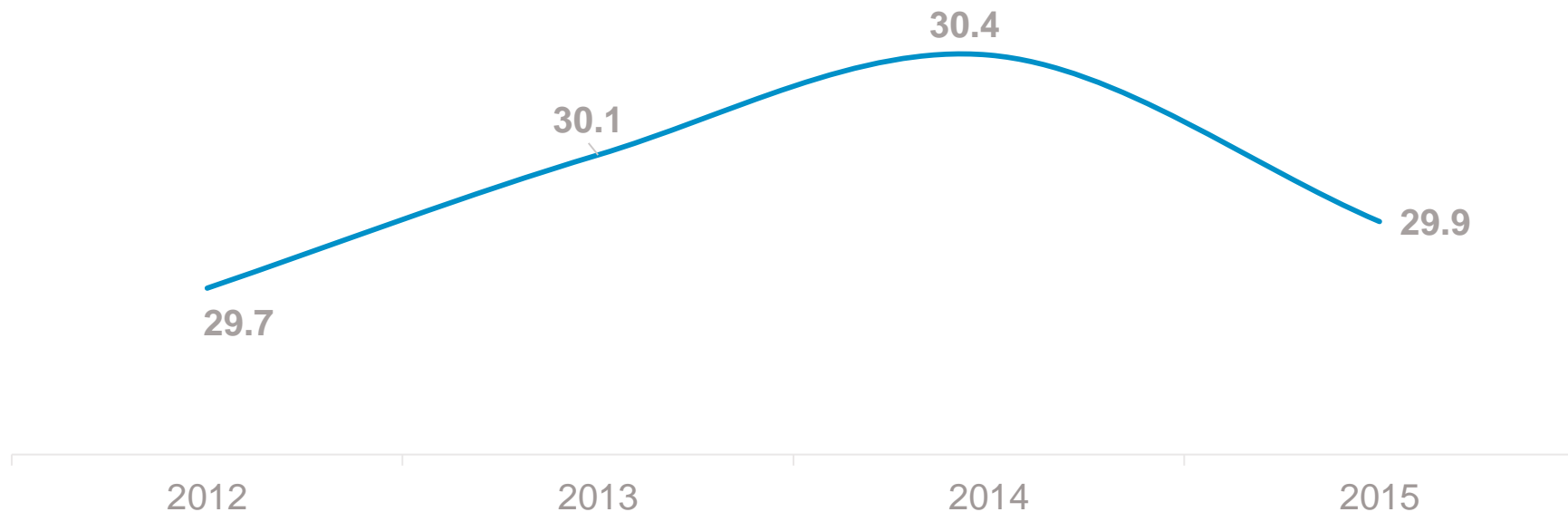
Capital Investment % of Sales



* Restated following implementation of IFRS 11 and IAS 19

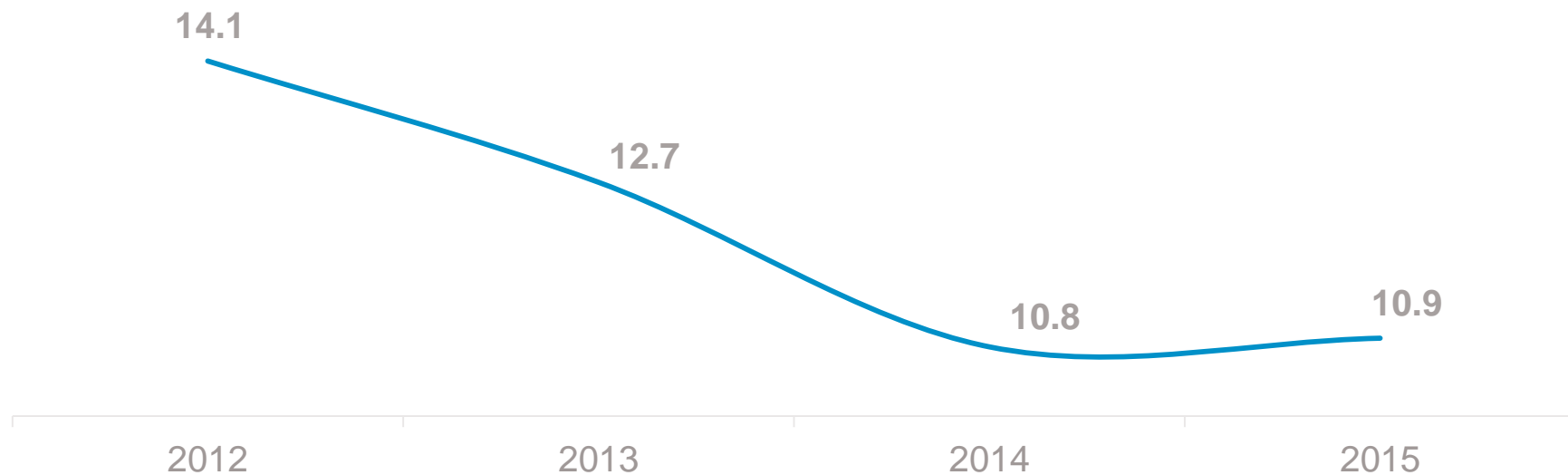
Delivering attractive ROIC

ROIC before Goodwill %



Goodwill affecting ROIC in the short term

ROIC after Goodwill %



We will use all levers to improve ROIC



Improving on all operating levers:

- Sales growth
- Margin growth
- Working capital efficiency
- CAPEX discipline
- Sustainable ETR improvement



Strict M&A criteria

- Strategic, cultural and financial fit
- ROIC > WACC within 5 years



In summary

- ✓ Nestlé is delivering superior growth
- ✓ And demonstrating resilience in Pricing
- ✓ Structural savings, beyond operational ones, to support growth and margins
- ✓ Acting on operational levers / M&A discipline to drive ROIC up



Good Food, Good Life

Thank you !