Winning in PetCare

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Disclaimer

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Global pet care category is large and growing

Category outlook

- CHF 82.5 bn in 2018
- Projected to grow to CHF 118 bn by 2023
- 7% CAGR

Regional growth

- **North America**: 39%*, CAGR +5%
- **EMENA**: 32%*, CAGR +4%
- **LATAM**: 11%*, CAGR +13%
- **AOA**: 18%*, CAGR +11%

Category 2018: CHF 82.5 bn
CAGR 2016-2018: +6%

Competitive landscape

- **Mars**: 42.8%
- **Purina**: 24.0%
- **Colgate**: 21.3%
- **Smucker's**: 4.4%
- **General Mills**: 4.8%
- **Others**: 2.7%

* % of 2018 category sales
Source: Euromonitor 2019 edition - Pet care includes only dog & cat food
And has strong drivers for continued growth

**Pet population**

- Total: 844 m
- 471 m +4.4%
- 373 m +5.6%

**Pet ownership**

- % Household penetration
  - Cats: 34%
  - Dogs: 37%

- Commercial coverage %
  - Developed: 76%
  - Emerging: 32%

* Pet population vs. 2017; Source: Euromonitor 2019 edition, 2018
** Commercial coverage refers to % of overall pet nutrition derived from commercially prepared pet food
Younger generations are more valuable than ever

**Acquiring pets younger-8 years earlier***

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**Already spend more on pet food/treats***

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**Stronger future intent to acquire pets**

* Intend to acquire another pet in next 12 months
  * Millenials: 54%
  * Non-Millenials: 21%

* Intend to acquire another pet ever
  * Millenials: 42%
  * Non-Millenials: 18%

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**More likely to want to take pet everywhere***

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* Source: Wakefield research (2014)
** Pet attitude study (2017)
*** Directions millennial pet category behavior tracker (September, 2018)
**** Clear millennial study (2018)
Pet care is a highly attractive category

**Strong pet owning culture**

- Pet ownership highly desirable and aspirational
- Pets considered members of the family

**For retailers**

- High value shoppers
  - Top tier traffic driver
  - High basket value
- Above average retail margins

**For Nestlé**

- Highly aligned with Nestlé NHW principles
- Strong category growth with above-average margins
- Pet parents highly brand loyal
- Unsurpassed nutritional science and R&D capabilities
PURINA PetCare has a global presence

Key 2018 figures

Sales
CHF 12.8 bn

Underlying TOP
21.6%

Where

EMENA 27%
AMS 69%
AOA 4%

What

Dry dog 31%
Wet cat 30%
Dry cat 20%
Others* 14%
Wet dog 5%

* Other refers to snacks, litter and therapeutic diets / supplements
Global billion dollar brands

Source: Euromonitor 2018 edition
A critical contributor to Nestlé growth and profit

% of Group total (2018)

- Sales: 14.0%
- UTOP: 15.4%

Organic growth

- 2017: 3.0%
- 2018: 4.5%

Underlying TOP*

- 2017: 21.5%
- 2018: 21.6%

* Underlying trading operating profit (UTOP) before unallocated items
US pet care overview & PURINA strategy
US: The largest pet care market in the world

Pet care category: USD 32 bn*

Pet-owning households: 61% own a pet**

Pet population: 178 m**

High-value shoppers:
- High brand loyalty***
- Spend 31% more****
- #2 trip driver***
- #2 highest spend per household (>USD 270/year)****

** Nielsen homescan panel custom survey (2018)
*** Nielsen category shopping fundamentals study (2017)
**** Nielsen channel facts (2018)
Expected to deliver continued strong growth

Source: Based on Nielsen AOC; Nielsen pet specialty POS (former GfK); 1010data E-Commerce + internal estimates
Consumer trends shaping the future of pet food category

**How we feed**
Human food ideologies inform choices for pets

**How we shop**
Omnichannel-savvy and informed

**How we engage**
Personalized digital 1st engagement
PURINA is uniquely well-positioned to win

#1 Share
- Dry dog
- Dry cat
- Wet cat
- Cat litter

#2 Share
- Wet dog
- Dog treats
- Cat treats

* Source: AOC+PS+E-Com 52wk ending 2/23/19 (Nielsen AOC, Nielsen pet specialty POS (former GfK), 1010data E-Commerce)
** Source: Nielsen homescan panel custom survey (2018)

Feeding more than
55 m dogs and 67 m cats**
Realizing PURINA’s growth potential

1. Accelerate innovation and premiumization
2. Win in high-growth channels
3. Transform through personalization and open innovation
Driving premiumization through innovation

> 80% of pet care category growth from premiumization

Organic / responsible ingredient sourcing

Enhanced functional benefits

Elevated feeding occasions

Source: Based on Nielsen AOC, Nielsen pet specialty POS (former GfK), 1010data E-Commerce + internal estimates
Driving premiumization through innovation

Source: AOC+PS 12wk ending 12/29/18 (Nielsen AOC, Nielsen pet specialty POS (former GfK)
Making natural accessible to all

Natural attributes = 41% of pet food category with PURINA #1

Natural brands
Pet specialty exclusive
AOC focused

Elevated feeding occasions
Outcome-based nutrition

Affordable natural

Source: AOC+PS+E-Com 52wk ending 2/23/19 (Nielsen AOC, Nielsen pet specialty POS (former GfK), 1010data E-Commerce; AOC=Grocery/Mass/Club/Dollar/Drug)
Elevating science-based nutrition

Outcome-based = 23% of pet food category with PURINA #2 and leading growth

Advancing pet health science

Veterinary diets

Outcome-based nutrition

Source: AOC+PS+E-Com 52wk ending 2/23/19 (Nielsen AOC, Nielsen Pet Specialty POS (former GfK), 1010data E-Commerce)
Increasing relevancy of core business

Core = 23% of pet food category with PURINA #1

Renovate to meet evolving consumer needs
Win in high-growth channels

2018 U.S. pet care category sales by channel

- Pet Specialty: 32% +3.4%
- Mass/Dollar/Club: 36% +3.4%
- E-commerce: 13% +57%
- Grocery: 19% +1.6%

Source: Nielsen AOC, Nielsen pet specialty POS (former GfK), 1010data E-Commerce – 52wk ending 12/29/18
PURINA leads growth in e-commerce channel

Category: E-commerce pet care in USD

- Pure play: 90%
- Store based: 10%

E-commerce share of total category:

- 2014: 2%
- 2015: 4%
- 2018: 13%
- Forecast 2022: 25%

Source: 1010data E-Commerce – 52wk ending 12/29/18 and internal estimate for 2022

PURINA PetCare USD Sales: E-commerce

- 2015: 0.1 bn
- 2018: 0.8 bn

- #1 market share in e-commerce
- Fastest growing manufacturer in 2017 and 2018
Critical pillars for future growth in e-commerce

**Pure play**
- chewy.com
- amazon

Win the digital shelf

**Store-based**
- Walmart
- Kroger
- ClickList
- instacart

Drive adoption & win early

**Direct-to-consumer**
- P4P
- ProPlan
- VetDirect

Drive loyalty
Transform through personalization

Digital solutions

Customized pet food solutions

Applying insights from other regions
Transform through open innovation
Sustainability and creating shared value

for individuals & families
Enabling healthier and happier lives

for our communities
Helping develop thriving, resilient communities

for the planet
Stewarding resources for future generations
Key takeaways

• Portfolio of leading brands, built on deep consumer insights, and delivering relevancy and personalization

• Unsurpassed knowledge of pet nutrition

• World-class R&D driving unrelenting innovation

• Commitment to profitable growth

• Creating shared value for all stakeholders, pets and their owners

• A passionate, globally focused team
We will lead, others will follow.