Nestlé Waters: Driving sustainable, profitable growth

Maurizio Patarnello
CEO, Nestlé Waters
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 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.

This presentation contains certain financial performance measures which are not defined by IFRS. Management believes that these non-IFRS measures provide additional useful information to assess the financial and operational performance of the Group. Such measures may not be comparable to similar measures presented by other companies and are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in the Nestlé Group Alternative Performance Measures (APMs) document available on our Investor Website.
Global bottled water category overview

Category outlook

6% CAGR

2018

2023

CHF 206 bn

CHF 276 bn

Regional growth

Category size 2018: CHF 206 bn
CAGR 2016-2018: +7%

North America
22%*
CAGR +5%

Europe
21%*
CAGR +4%

AOA
45%*
CAGR +9%

LATAM
12%*
CAGR +10%

Regional growth

North America
22%*
CAGR +5%

Europe
21%*
CAGR +4%

AOA
45%*
CAGR +9%

LATAM
12%*
CAGR +10%

Competitive landscape

Top 4 players’ value share 2017

Nestlé Waters
11%

Coca-Cola
9%

Danone
9%

PepsiCo
3%

* % of total category retail sales
Source: Global Data 2017; 2018 category and regional growth are based on Global Data forecasts and Nielsen actuals

* % of total category retail sales
Source: Global Data 2017; 2018 category and regional growth are based on Global Data forecasts and Nielsen actuals
Bottled water: #1 non-alcoholic beverage in volume & growth

Non-alcoholic beverage global volumes, CAGR last 5 years

- **Energy and sport drinks**: +5%
- **Carbonated soft drinks**: +0%
- **Fruit juices and nectars**: -1%
- **RTD tea**: +3%
- **Other beverages***: +3%

Bottled water: +6%

---

**Key trends**

- Innovation
- Healthier drinks
- Premium offerings
- Sparkling

---

* Other includes syrups, RTD coffee and powders
Source: Global Data 2017
Our business

Key 2018 figures

<table>
<thead>
<tr>
<th>Segment</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>CHF 7.9 bn</td>
</tr>
<tr>
<td>Underlying TOP</td>
<td>11%</td>
</tr>
</tbody>
</table>

Where

- North America: 55%
- EMENA: 27%
- Latvia: 14%
- Latin America (LATAM): 4%

Segments

- Mainstream (still): 56%
- Economy (still): 20%
- Sparkling: 20%
- Premium (still): 3%
- Flavored (still): 1%
Our strategic priorities: Turn around US and win globally

Sustain the growth of premium brands

Protect the core and premiumize

Differentiate through technology and services

Free-up resources to re-invest in marketing

Actively manage portfolio

Put sustainability at the center of our agenda
Sustain growth in premium sparkling

Reinforce **iconic** brand equities

**Innovate** to answer **consumer needs**

- Taste with no calories
- Pleasure with low calories

7% organic growth in 2018
Accelerate in premium still, starting with US

Multiple formats to capture every consumption occasion

Strong consumer communication across all touchpoints

At home and on-the-go occasions

HoReCa occasions

New global campaign

10% organic growth in 2018
Protect the core and premiumize, focus on Poland Spring

Protect case pack

Differentiate regional spring waters

Launch Poland Spring nationally

Support case pack with customers, rejuvenate image

Unprecedented media support to communicate unique spring water origin

Premiumize and launch Poland Spring Origin
Premiumize and differentiate through flavored and functional

100% natural spring water
Natural flavors
Refreshing bubbles

A drop of flavor

Infused waters

Enhanced hydration

THE NEXT GENERATION OF HYDRATION

ALKALINE WATER (pH8) WITH ELECTROLYTES
Differentiate through technology and services

Re-engineering Ready Refresh model

Customer base and pricing optimization

New user-friendly internet platform with advanced technology

Innovation – carbonation, digitally connected units

Pioneering customized hydration

Innovative dispensing system based on refillable bottles
Drive cost efficiencies to reinvest in marketing

**Structural costs** (as % of sales)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>-40 bps</td>
<td>-20 bps</td>
<td></td>
</tr>
</tbody>
</table>

**Marketing investment evolution** (in CHF m)

<table>
<thead>
<tr>
<th>Product</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Spring Waters in US</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium Brands in US</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Regional Spring Waters in US**: +19%
- **Premium Brands in US**: +22%
Our water stewardship journey

By 2025: all Nestlé Waters sites to be AWS certified
Our strategy on single-use plastic and solutions beyond

- **35% RECYCLED PET IN OUR BOTTLES BY 2025**
- **INCREASE THE USE OF BIO-BASED PLASTIC IN OUR PACKAGING**
- **DEVELOP PACKAGING SOLUTIONS ‘BEYOND PLASTIC & BOTTLE’**
- **COLLECT AS MANY PLASTIC BOTTLES AS WE PRODUCE BY 2030**
- **DRIVE NEW BEHAVIOR & UNDERSTANDING**

COLLABORATION & ENGAGEMENT, ADVOCACY, COMMUNICATION
Convert commitments into actions

Recycled PET

Brands with 50% recycled PET by 2025

Bottles 100% recycled PET in 2019

Bio-based and biodegradable

Collection initiatives

Using Extended Producer Responsibility and Deposit Refund Schemes where appropriate

Source: picture from Danimer
Organic growth: negatively impacted by a decrease in volumes (-0.6% RIG) due to price increase in the US

Margin: -330 bps due to an increase of plastics and transport cost in US, partially offset by price increases and structural cost reduction
Key takeaways

Drive growth
- Accelerate our premium brands
- Premiumize our unique still water brands
- Differentiate through flavored and functional
- Increase use of technology & services

Fund growth
- Accelerate structural cost reduction
- Actively manage our portfolio

Enable sustainable growth
- Water stewardship
- Plastic roadmap