



Nestlé

Capital Efficiency & 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.

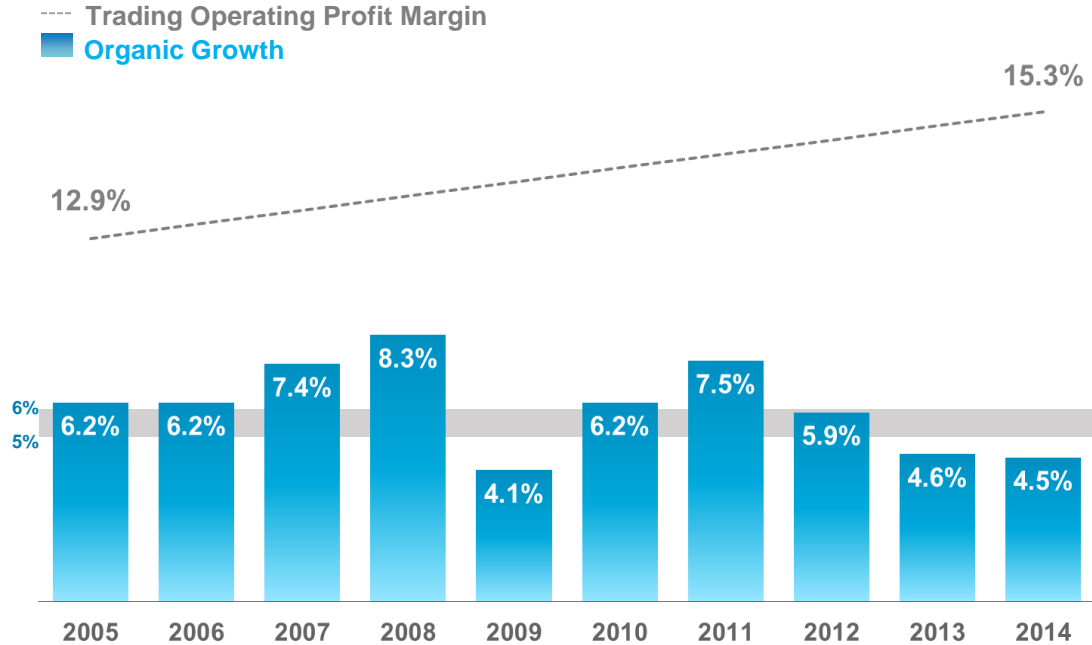
A reference for financial performance

The Nestlé Model

- 5% to 6% OG
- Margin and EPS growth*
- Improved Capital Efficiency

* improvements in margins and underlying earnings per share in constant currencies

Nestlé: delivery consistent with our commitment



10Y Average
Organic
Growth

+6.1%

Market
Capitalization
Multiplied by

1.5

Over 10 years

10Y Average
Trading Operating
Profit Margin
Improvement

+30bps

10Y Average
Dividend
Increase

+10%

The *and* Company

Delivery of Top Line *and* Bottom Line
Growth in Emerging *and* Developed Markets
Improved Operational *and* Capital Efficiency
Making Choices to Divest, Fix *and* Accelerate
Delivering in Short Term *and* Investing in Long Term

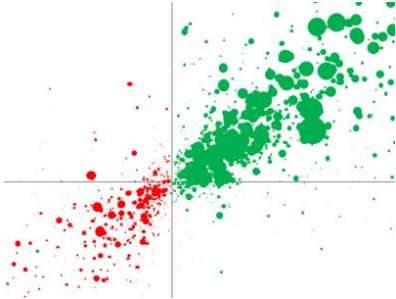
Capital efficiency was identified in 2012 as an area of opportunity with 3 main levers

- CAPEX
- Working Capital
- ROIC

3 areas of focus to drive increased returns

1

Portfolio
Optimization



2

Resource
Allocation



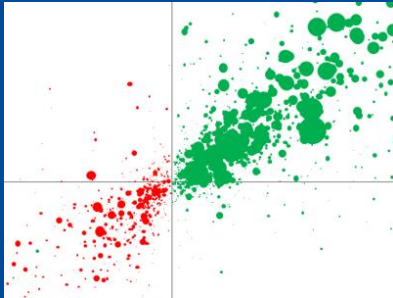
3

Capital
Efficiency



1

Portfolio Optimization



2

Resource Allocation



3

Capital Efficiency



ATLAS: Nestlé's tool to drive value creation



- 2,200 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
- Brand Investment
- Structural Cost

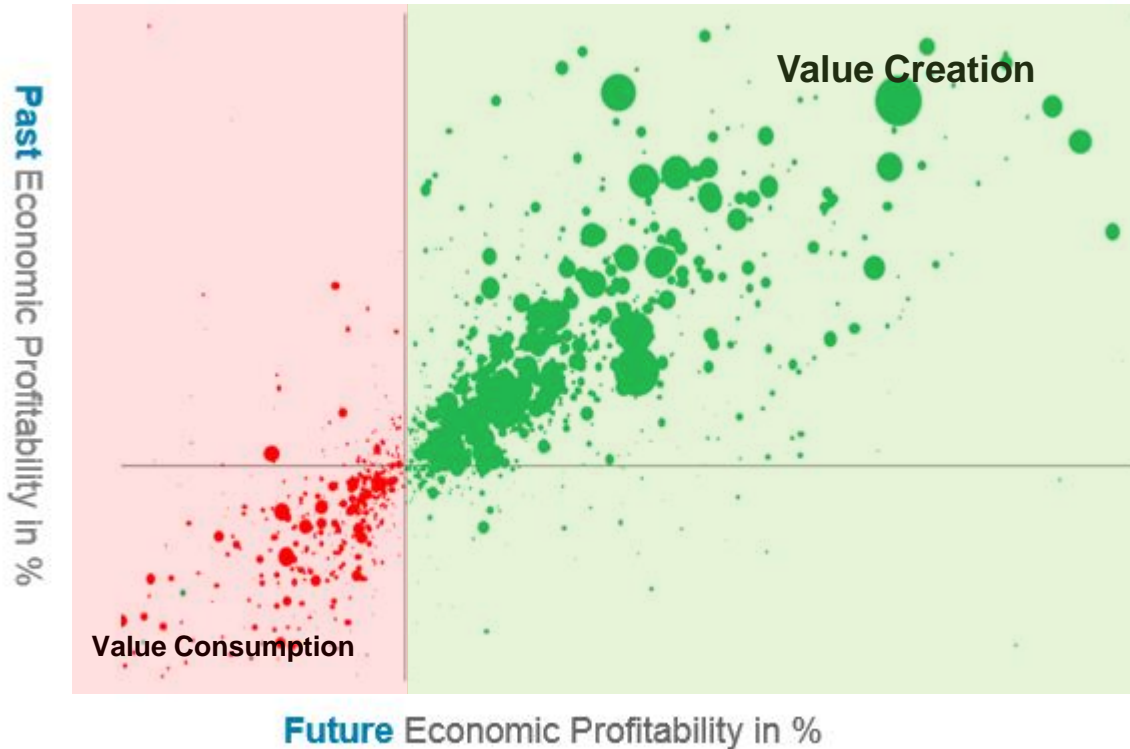
Capital Efficiency

- Working Capital
- Asset Turnover
- CAPEX

Value Creation

- ROIC
- Economic Profit

ATLAS enables value creation visibility at granular level



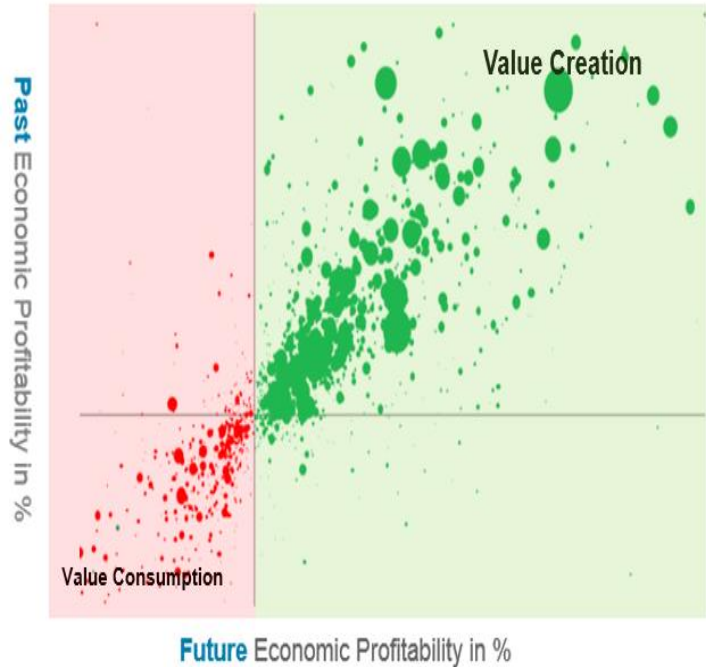
Value Creation

Understanding the sources of future Economic Profit for management focus and resources prioritization

Value Consumption

Seed businesses in need of investment for critical mass or activities with structural challenges that need to be tackled

Making choices and acting consistently with them



All Business Cells are clustered for one of 3 strategic actions:

Accelerate

Protect

Fix

Accelerate

Protect

Fix

Investing incremental resources behind accretive growth opportunities

Examples

Nescafé Dolce
Gusto Globally

Premium
Brands

Purina
LatAm

Medical
Nutrition



Accelerate

Protect

Fix

Nurturing strong business pillars to ensure sustained performance over time

Examples

Soluble
Coffee
Mexico

Creamers
USA

Baby Food
USA

Maggi



Accelerate
Protect

Fix

Fix through reinvestment to revitalize the business

Frozen Food US:



- New products
- New formulations
- Repositioning
- Communication



Encouraging signals

- Volume momentum ↑
- Share trend ↑

<https://www.youtube.com/watch?v=0RZkfZLJegk>

Accelerate

Protect

Fix

Fix through premiumization and strong focus on capital allocation

Nestlé Waters: a successful turnaround



Before 2012

- Negative EP
- Low ROIC
- Volatile performance

- Discontinue non profitable business lines
- Invest in international premium brands
- Manage our cost base
- Contain and focus capex

Since 2012

- Positive and growing EP
- ROIC near group AVG
- Accretive growth

Accelerate

Protect

Fix

Fix through partnership enabling scale and competitive advantage

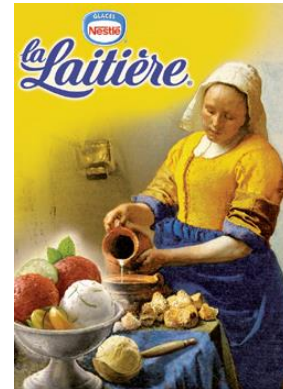
Chilled Dairy Europe: alliance with Lactalis

Before 2006

- Under-scale
- Loss making
- Marginal Market Share

After 2006

- Competitive scale
- Positive contribution
- A relevant player in Europe



Accelerate

Protect

Fix

Fix through disposal

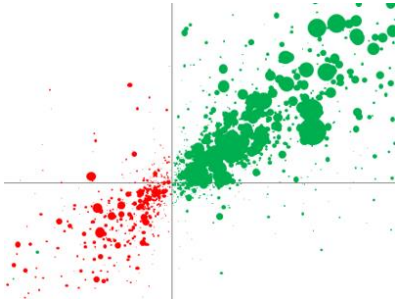
	2012	2013	2014	2015
Annualised Sales	CHF 200mio	CHF 800mio	CHF 700mio	CHF 750mio
Key Divestments	<ul style="list-style-type: none">• Peter's Ice Cream	<ul style="list-style-type: none">• Jenny Craig• Mexico Chilled Dairy• US Pet Insurance• Germany Chilled Culinary• US Joseph's Pasta• France Homecare• Denmark Ice Cream	<ul style="list-style-type: none">• Germany Infant Meals & Drinks• Korea JV• US Juicy Juice• Europe HOD Waters• Turkey Balaban• Power Bar	<ul style="list-style-type: none">• Mexico Ice Cream• Davigel*

← **CHF 2.5 bn sales** →

*Pending deal completion

1

Portfolio Optimization



2

Resource Allocation



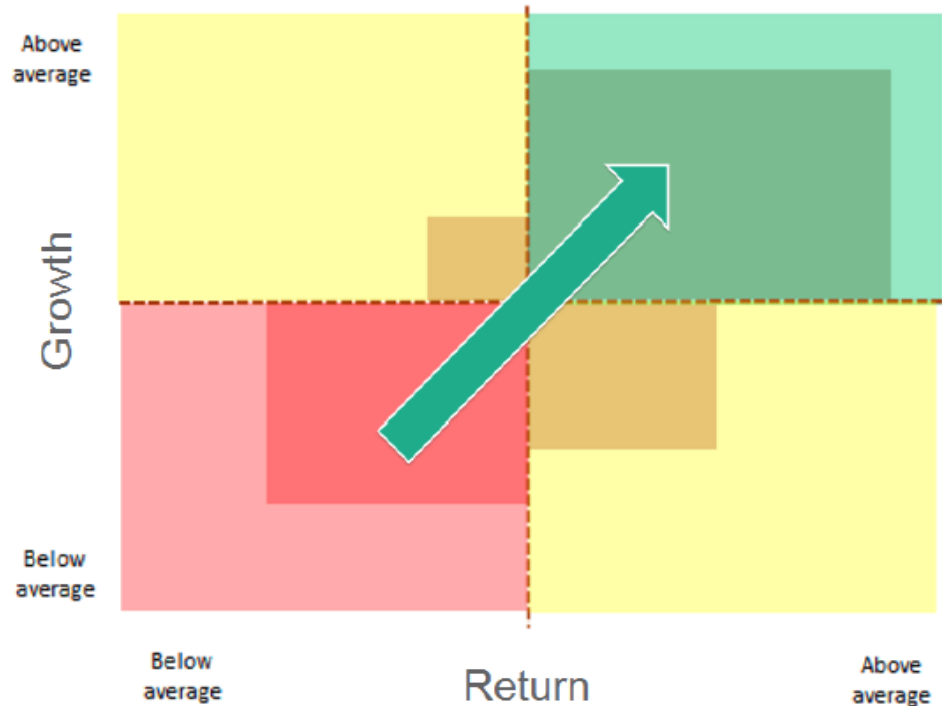
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Capital Efficiency



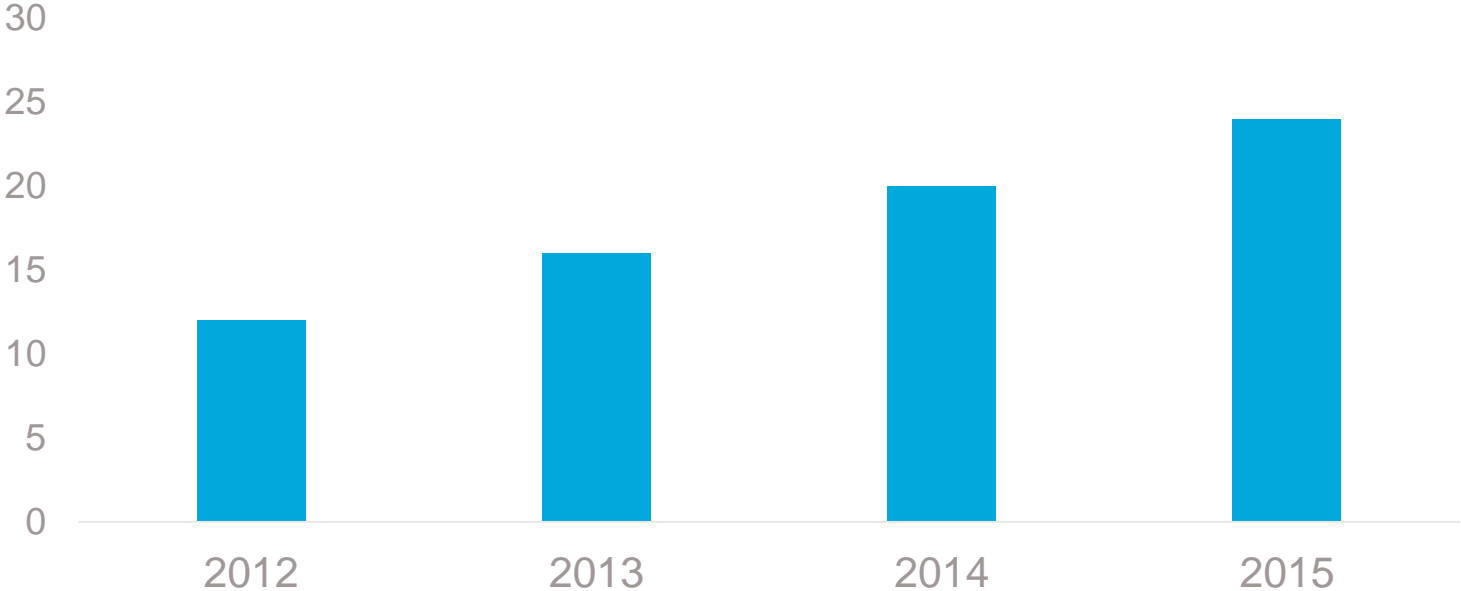
Resource allocation covers many areas

- CAPEX
- Brand investments
- R&D priorities
- People & Talent



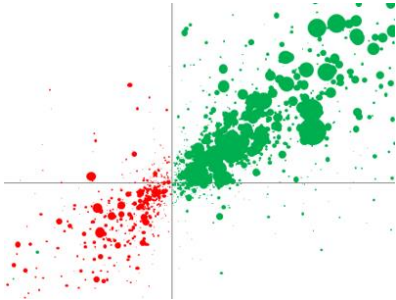
Digital: ~25% of total brand building effort

% of Brand Building spent in Digital Channels



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Portfolio Optimization



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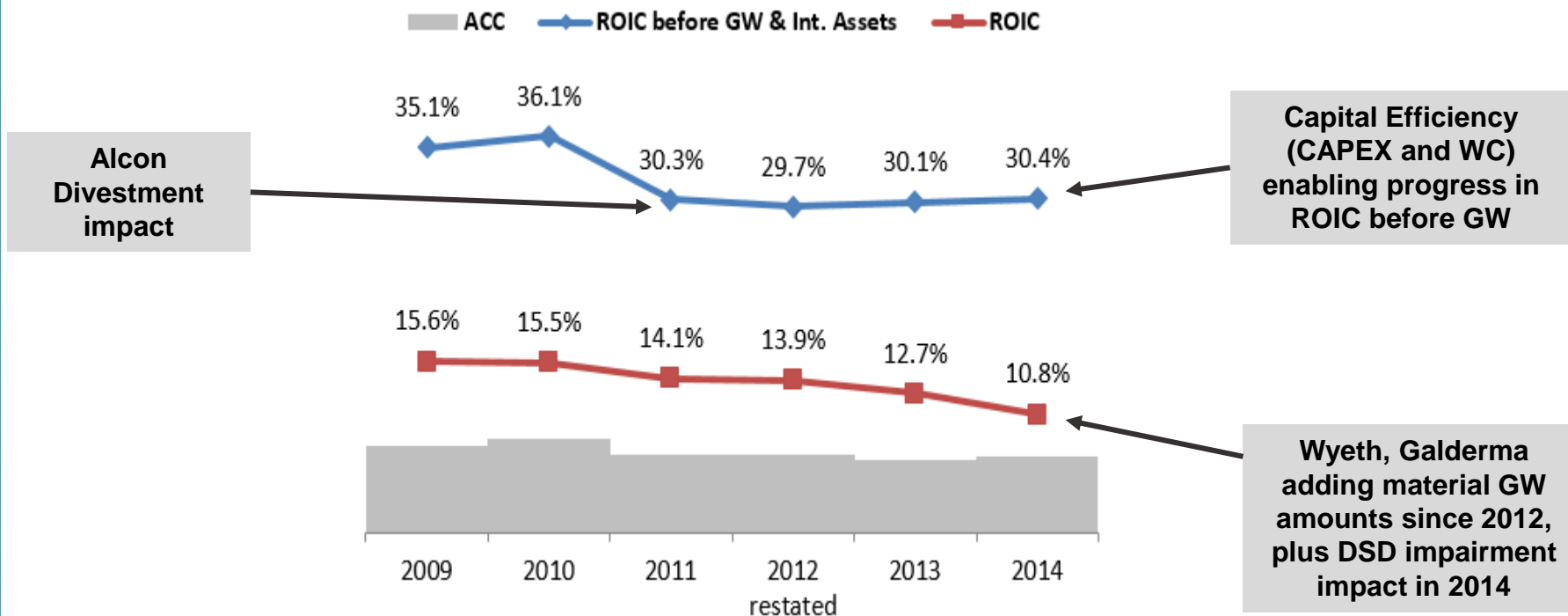


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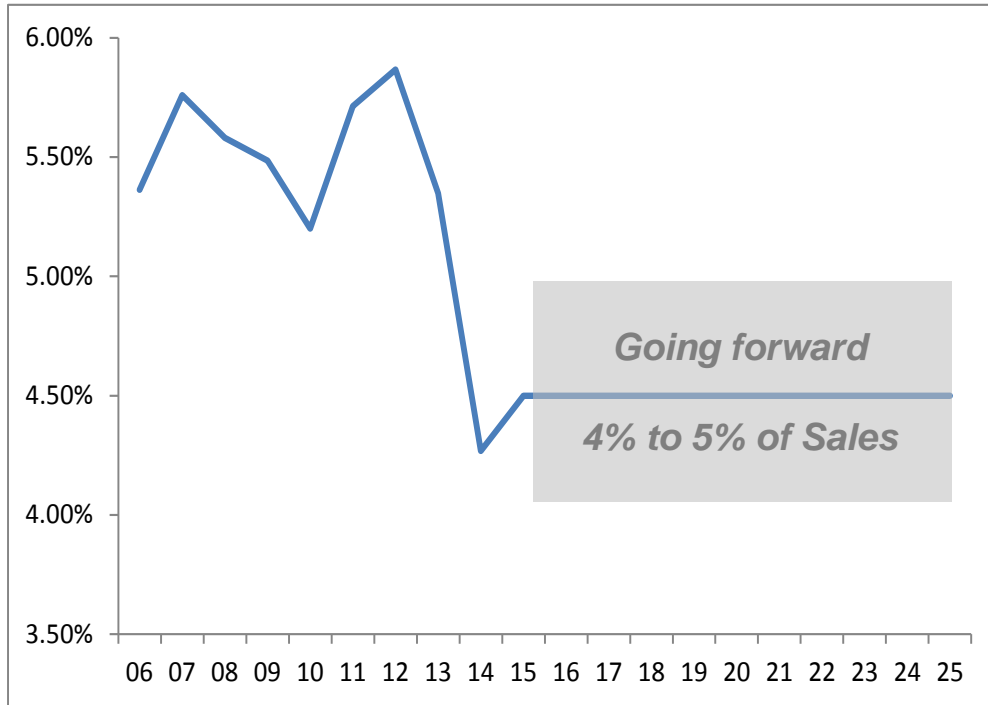
Capital Efficiency



ROIC is a Priority



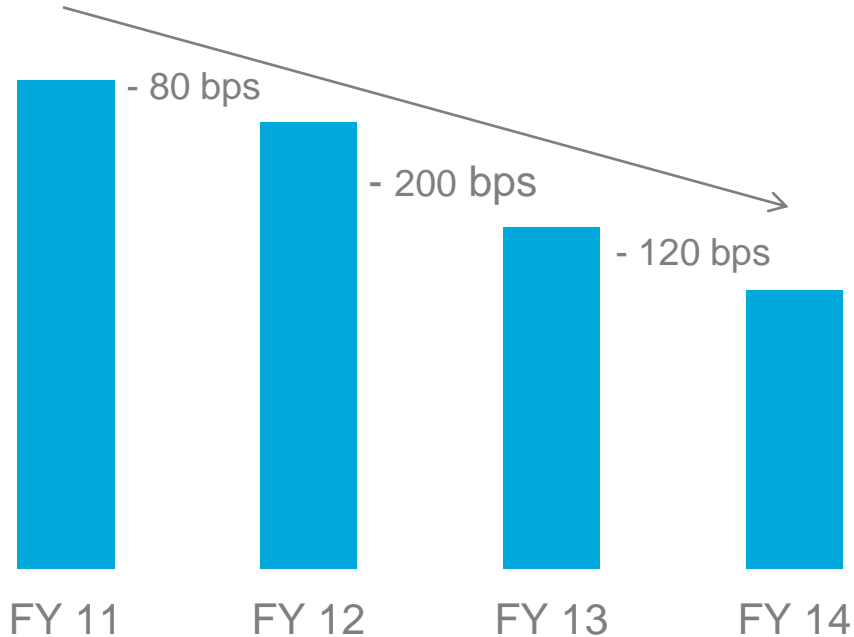
CAPEX: bending the curve



- Prioritization based on growth and return (ATLAS)
- Post Project Evaluation systematically performed

Sustained progress in Working Capital

Average Working Capital as % of Sales

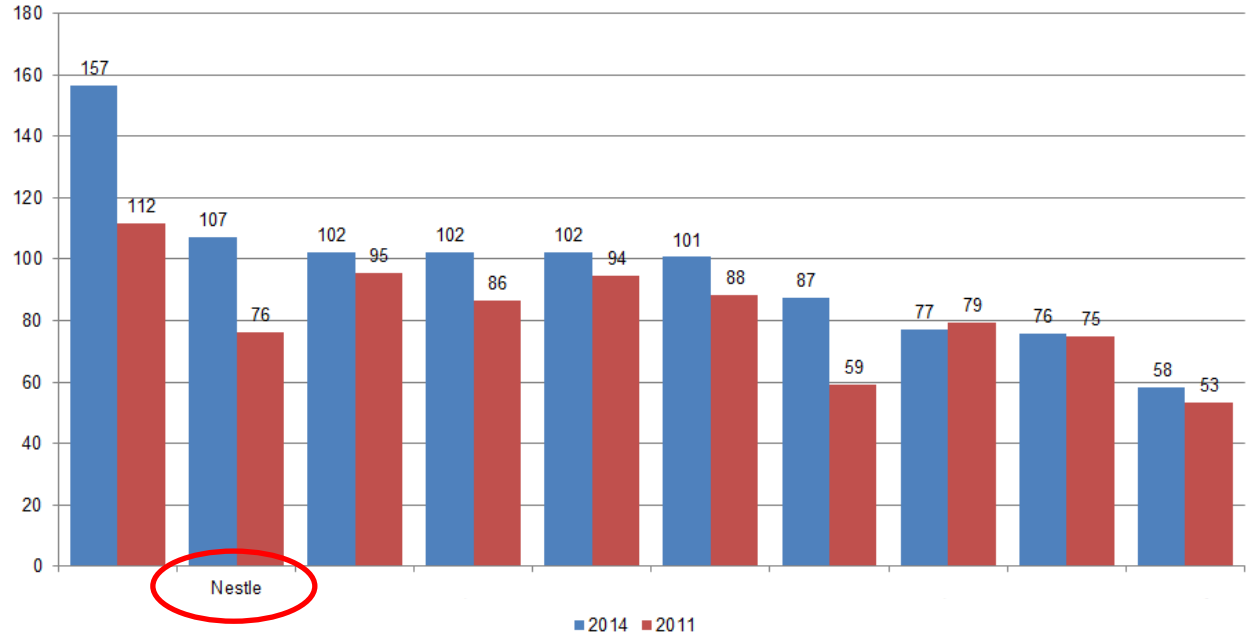


- Sustainable progress since 2011
- Holistic action across all WC levers
- Further opportunities for upside

Consistent acceleration in Cash Conversion

Cash Flow/ OP1

By Year
Currency CHF



Operational Cash Flow as a % of Operating Profit (source: Thomson Reuters)



Conclusion

We act on all levers to drive growth, value and returns, actively managing

- our P&L through superior growth and constant margin improvements
- our balance sheet through asset / CAPEX productivity
- our cash flow through working capital management and
- our portfolio by making choices