



**Nestlé** Good Food, Good Life

# Full-year results 2018

## Press Conference



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.

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.

2017 figures have been restated to reflect:

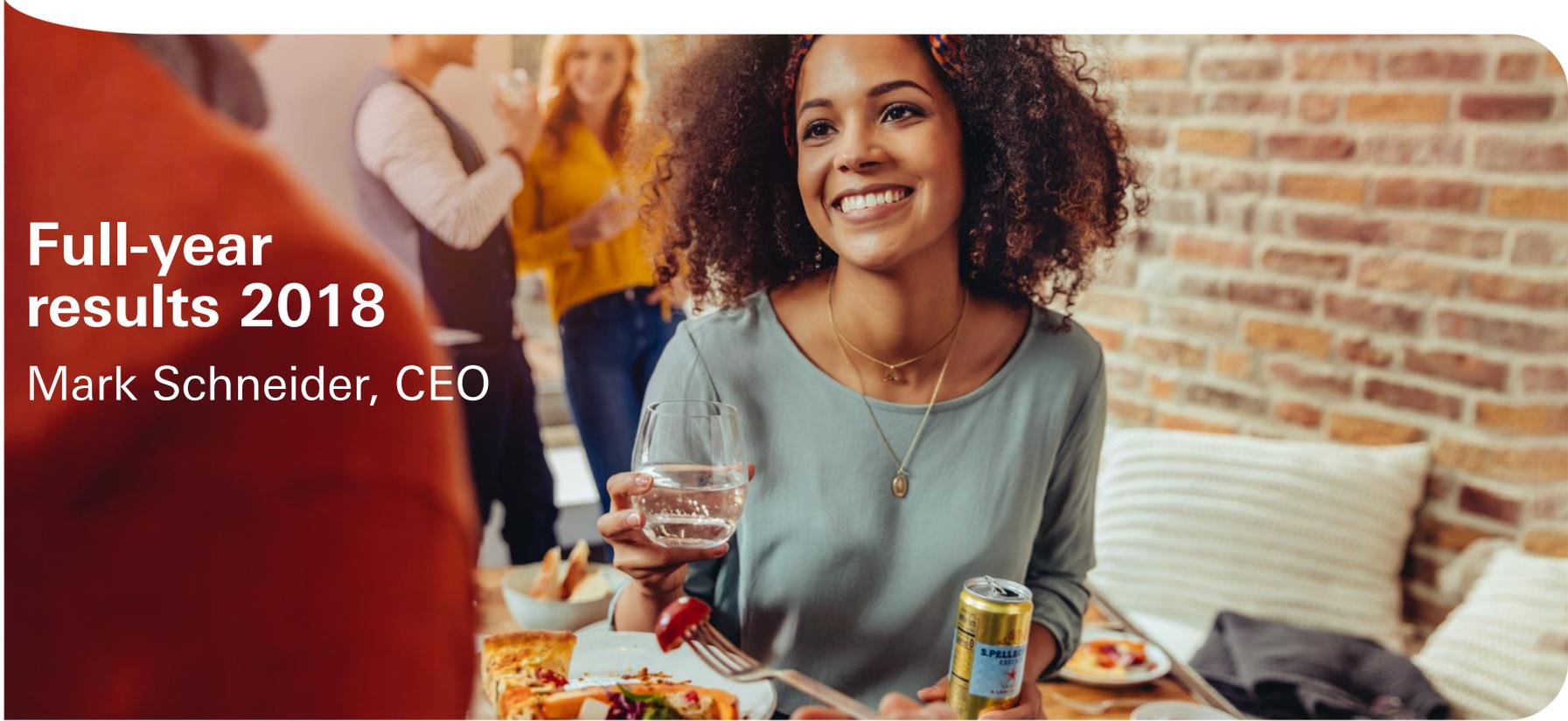
- The implementation of IFRS 15 - Revenue from contract with customers, IFRS 16 - Leases and IFRIC 23 - Uncertainty over income tax treatments as well as other accounting policies and presentation changes; and
- The change in organization of infant nutrition business. Effective January 1, 2018 Nestlé Nutrition is reported in the Zones as a regionally managed business, with Gerber Life Insurance business reported in Other Businesses.



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Mark Schneider, CEO



# Key messages

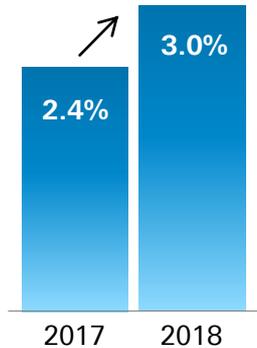


- **Continued progress with our accelerated value creation model**
- **Solid organic growth of 3.0%** led by stronger momentum in the U.S. and China, as well as in infant nutrition
- **Underlying trading operating profit margin expansion of 50 bps** supported by operational efficiencies, structural cost reductions and improved mix
- **Disciplined portfolio development** towards attractive high-growth categories
- **Significant underlying earnings per share growth of +13.9%** in constant currency
- **CHF 13.9 bn cash returned** to shareholders through share buybacks and dividends in 2018

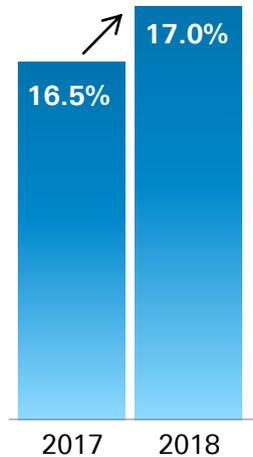
# Strong 2018 financial results



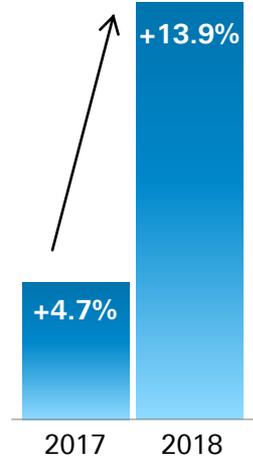
## Organic growth



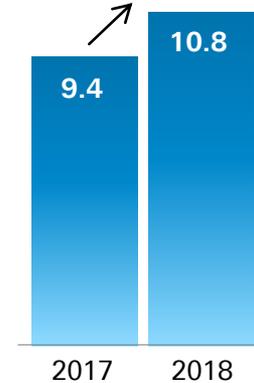
## Underlying trading operating profit margin



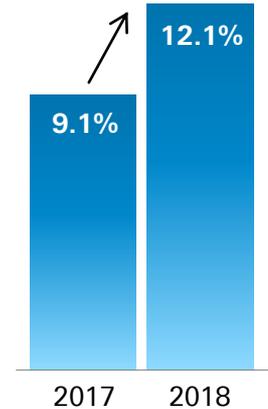
## Underlying EPS (% annual increase in constant currency)



## Free cash flow (CHF bn)



## Return on invested capital



# Delivering on our commitments



## Sharpen our strategic focus

- Focus on core food & beverage and nutritional health products
- Further portfolio evolution towards attractive high-growth categories

## Increase organic growth

- Organic growth of 3.0%, with leading volume/mix and improving pricing
- Improved momentum in U.S. and China, as well as in infant nutrition

## Improve operating margin

- Underlying trading operating profit margin increased +50 bps to 17.0%
- Structural costs decreased to 17.2% of sales (from 18.2% in 2016)

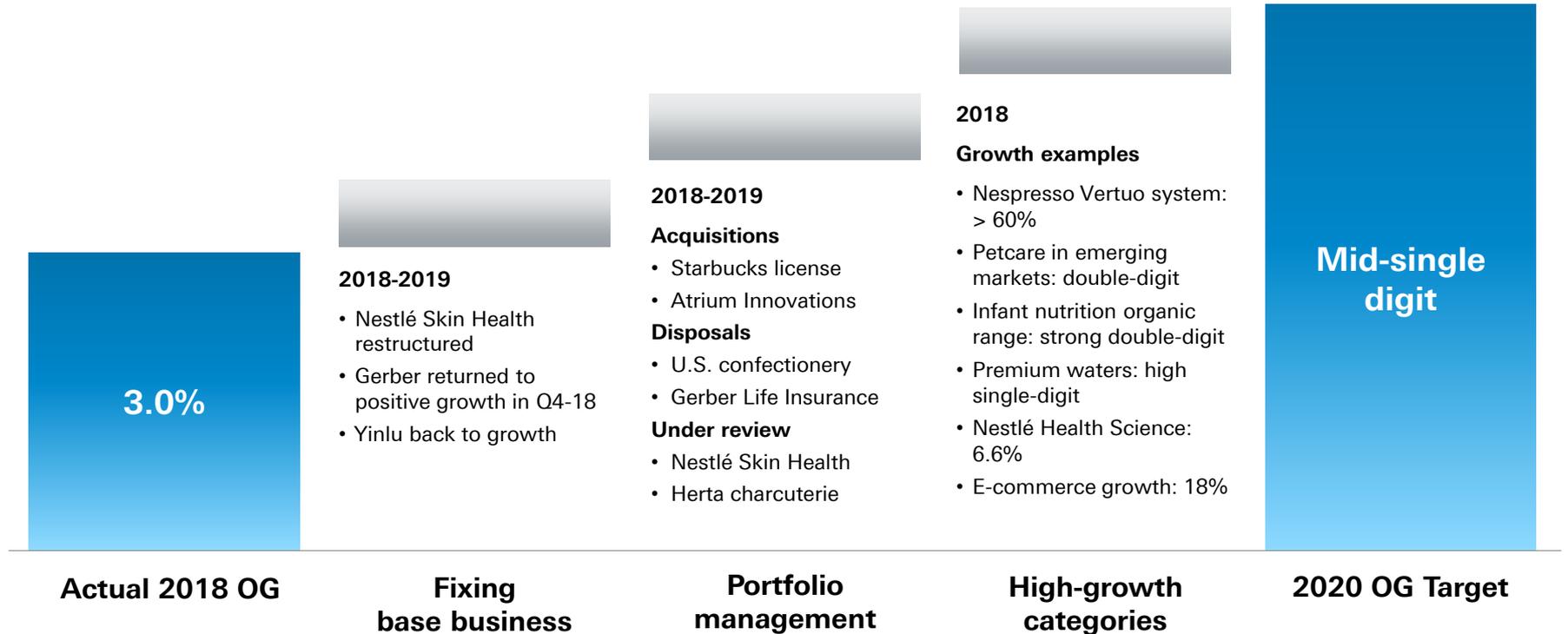
## Allocate capital with discipline

- CHF 13.9 bn cash returned to shareholders in 2018
- About CHF 14 bn transaction value of acquisitions and divestments

## Create shared value

- Improved Nutrition, Health & Wellness profile of our products
- Leadership role in addressing packaging waste

# Clear path to achieving mid-single digit growth by 2020

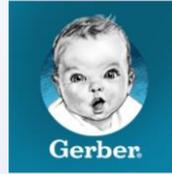


# Fixing base business



## Nestlé Skin Health

- Significant progress made in past two years
- Developed convincing growth strategies
- Regained competitive cost structure
- Exploring strategic options



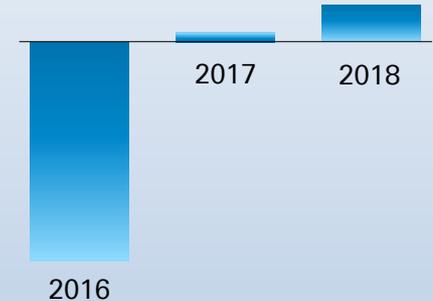
Expansion of organic range



Visual transformation with new campaign "Anything for Baby"



Organic growth



# Developing our portfolio



## Sold

Main criteria for divestiture

- Non-core to business
- Limited ability to win

## Under strategic review

### U.S. Confectionery



### Nestlé Skin Health



Herta charcuterie  
(cold cuts and meat-based products)



## Acquired or invested

Main criteria for acquisitions

- Fit with strategy and culture
- Sound financial model; disciplined and thorough financial valuation

Starbucks – Consumer & Foodservice products



Tails.com



Atrium Innovations



Terrafertil



Sweet Earth



Blue Bottle



Chameleon



# Exploring strategic options for Herta charcuterie (cold cuts and meat-based products)



## Charcuterie business under review

- Sales: ~CHF 680 m in 2018
- Markets: France, Germany, Belgium, Luxemburg, UK, Ireland
- More than 2'100 employees and 3 factories



## Focus on high-growth plant-based offerings

- Garden Gourmet in Europe and Sweet Earth in the U.S.
- Plant-based diets are increasingly popular as consumers look to balance their protein intake and lower the environmental footprint of their diets



# Supporting growth through innovation



## NAN HMO

(Human Milk Oligosaccharides)



Reached ~ CHF 600 m of sales across 40 markets in the first year of launch

## Nespresso Vertuo System



Reached ~ CHF 400 m of sales with growth of > 60% in 2018

## Coffee-mate natural bliss



Reached ~ CHF 150 m of sales with growth > 30% in 2018 driven by plant-based innovation

# 2019 guidance



- Continued improvement in organic sales growth and underlying trading operating margin towards our 2020 target
- Restructuring costs expected at around CHF 700 m
- Increase in underlying earnings per share in constant currency and capital efficiency

# Business as a force for good

## Living our purpose and values – 2019 priorities



Contribute to healthier lives



Lead the way towards a waste-free future



Foster diversity and inclusion at Nestlé





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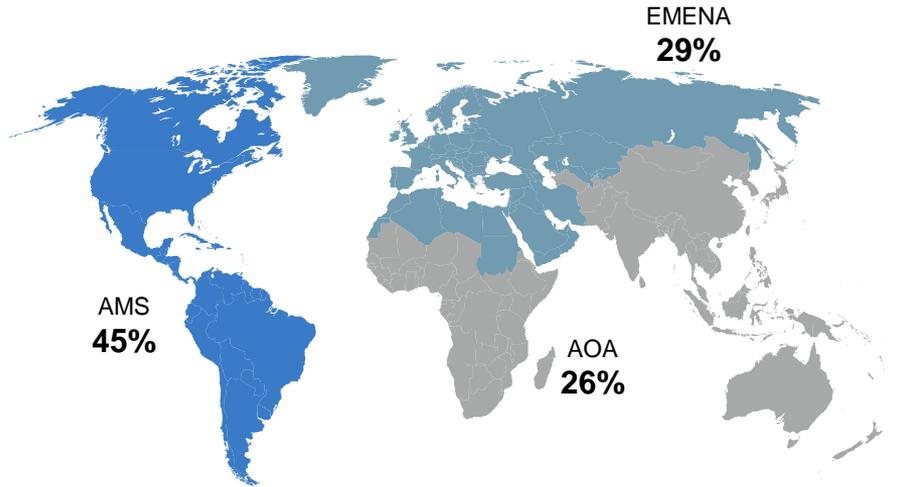
# Full-year results 2018

François-Xavier Roger, CFO

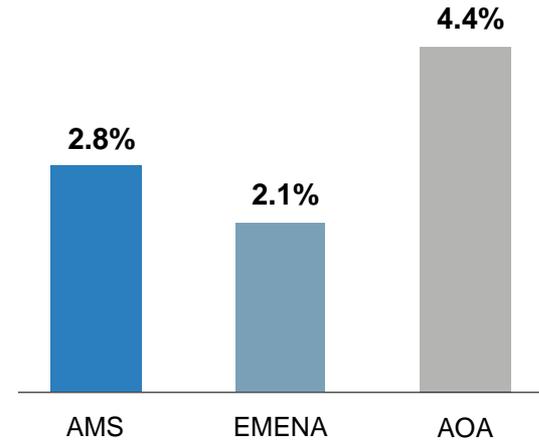
# Balanced and diversified portfolio



**2018 Sales: CHF 91.4 billion**



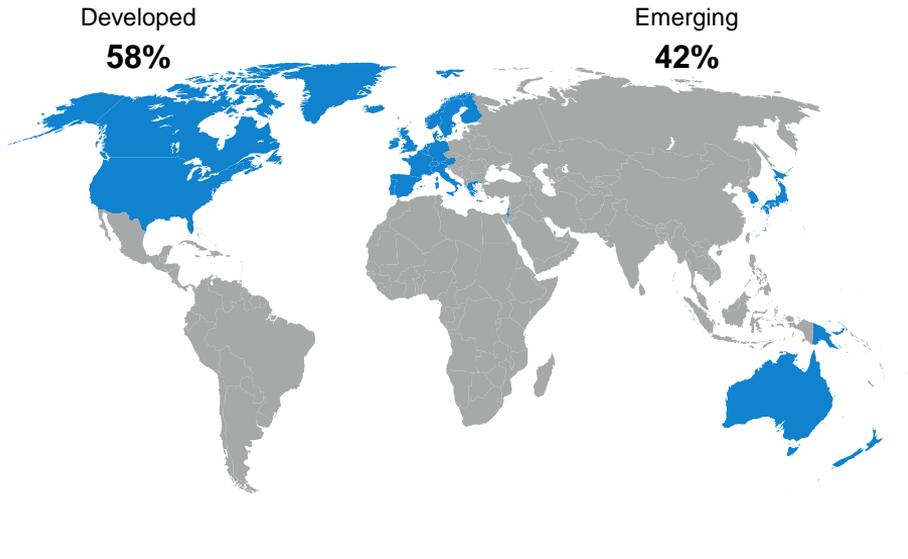
**2018 Organic Growth**



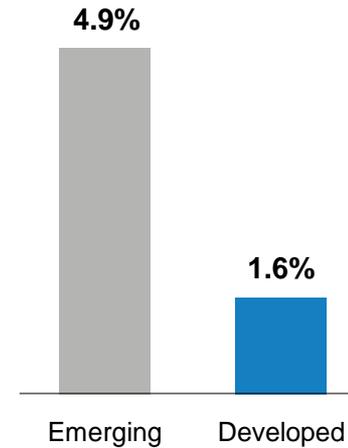
# Strong emerging market footprint delivering profitable growth



**2018 Sales: CHF 91.4 billion**



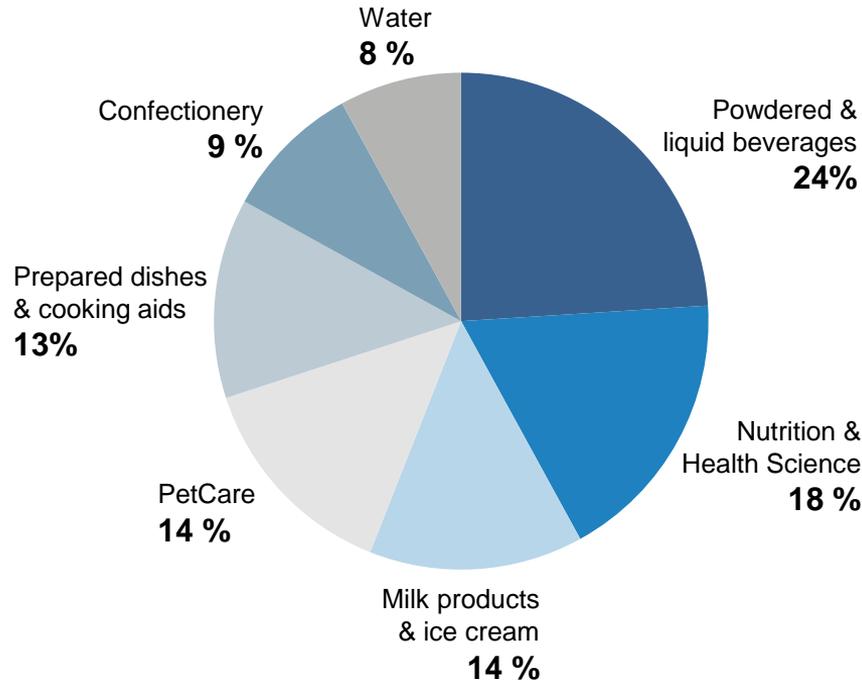
**2018 Organic Growth**



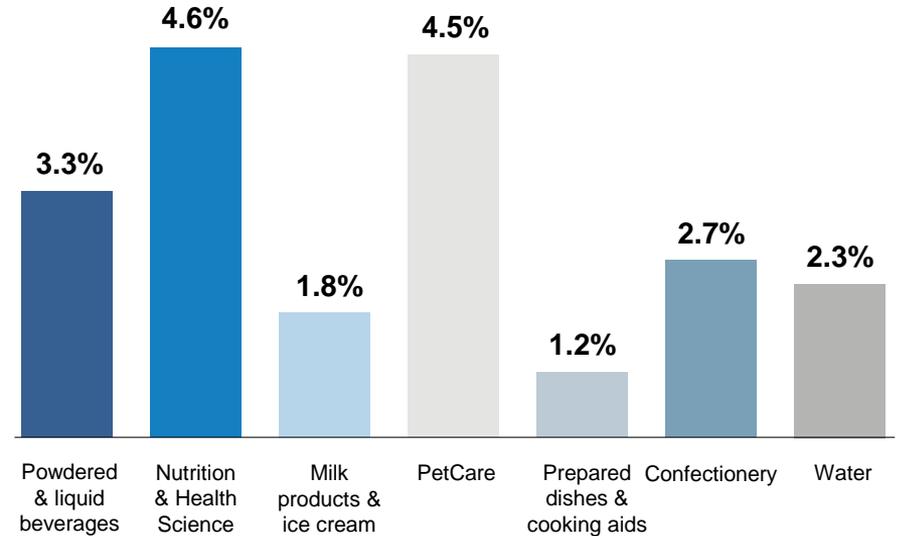
# Growing in all product categories



## 2018 Sales: CHF 91.4 billion



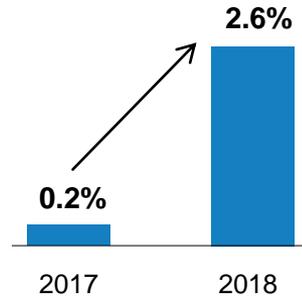
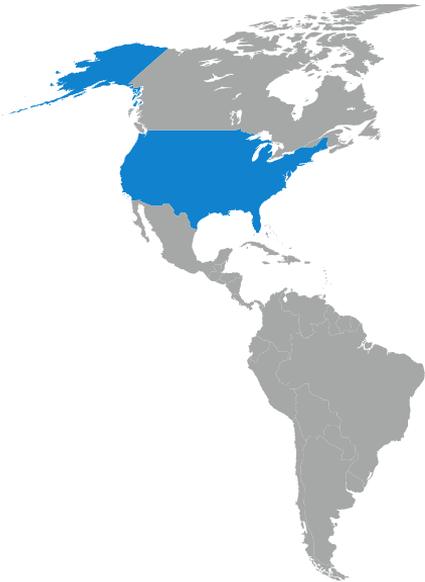
## 2018 Organic Growth



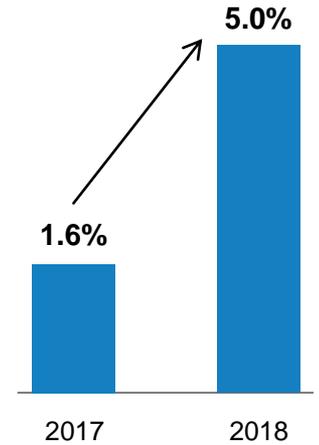
# Revived growth in key markets



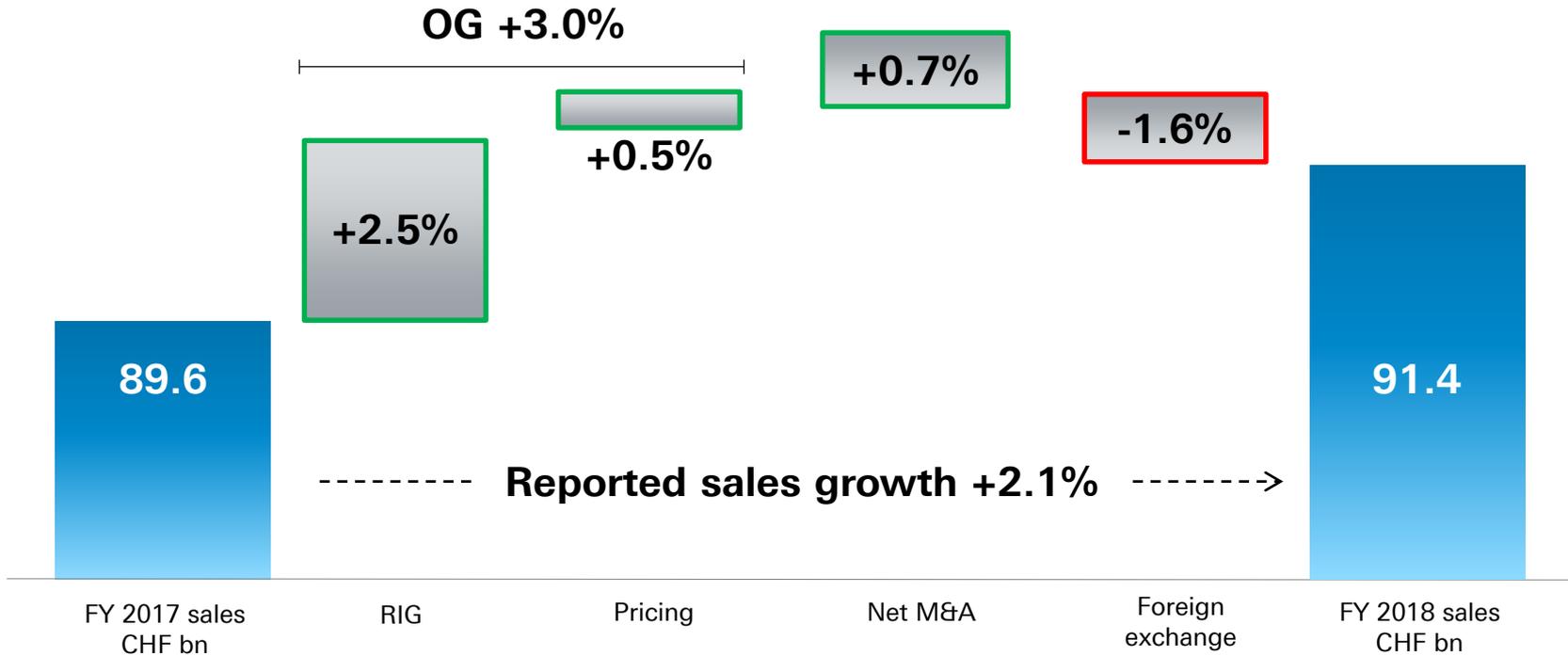
## USA Organic Growth



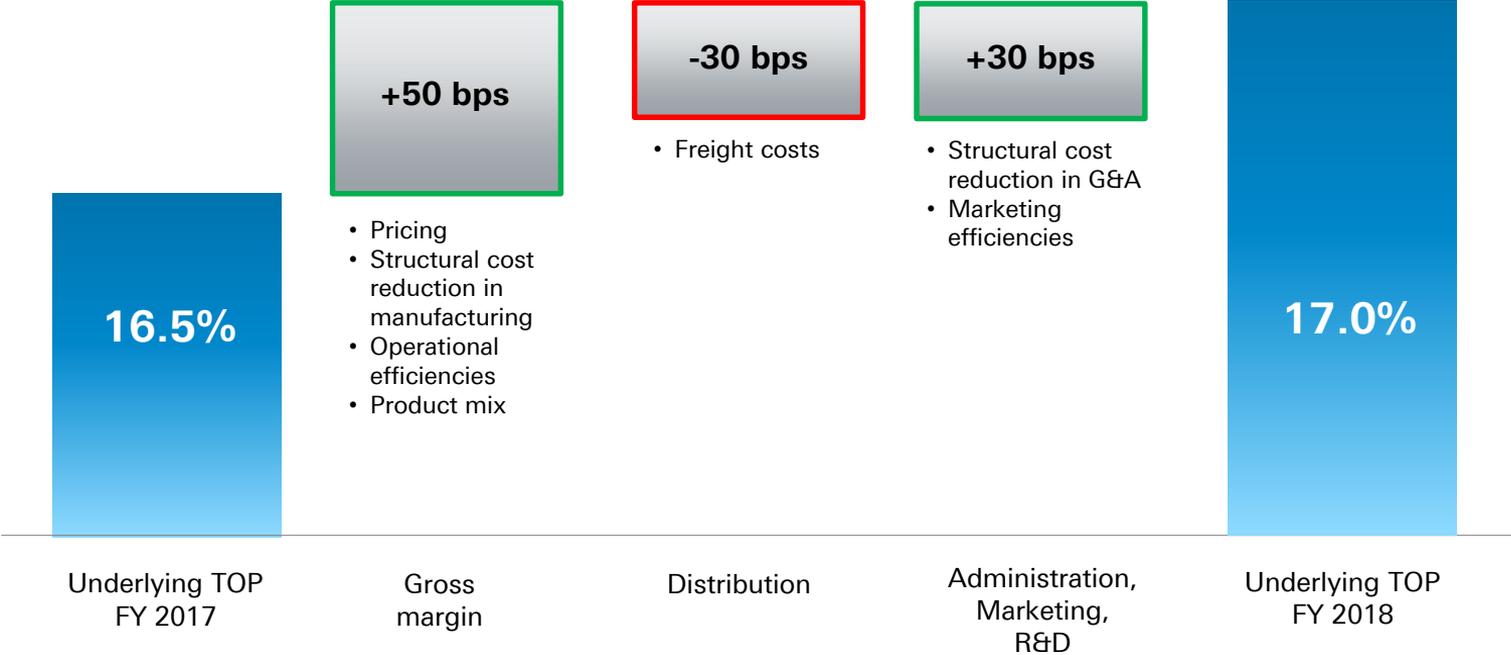
## Greater China Organic Growth



# Full-year sales growth



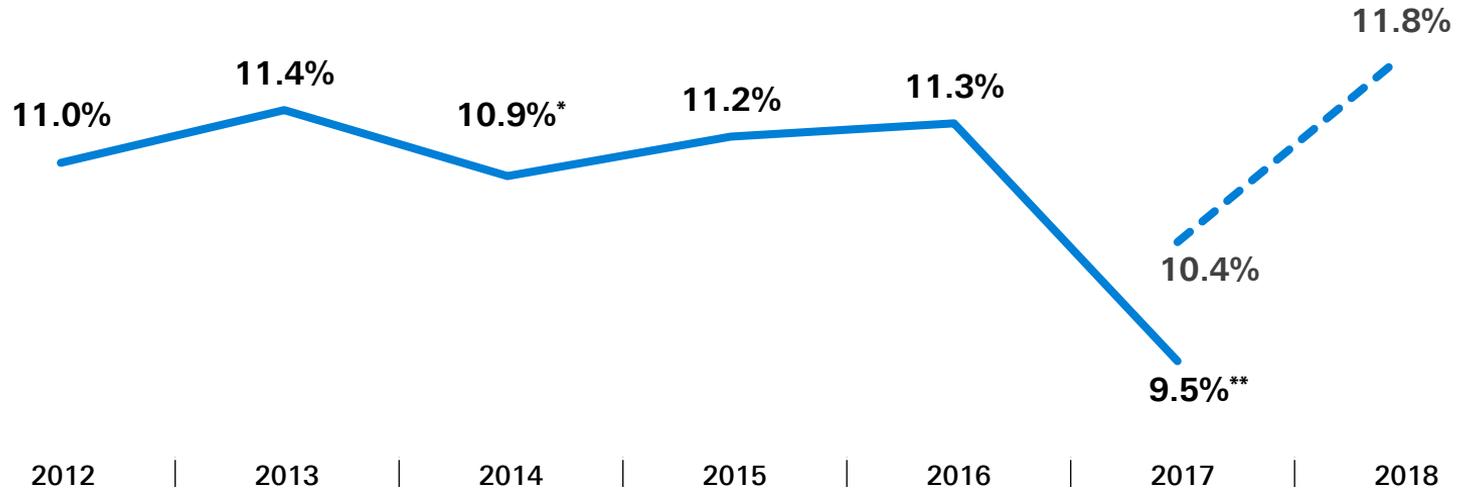
# Underlying trading operating profit margin +50 bps mainly driven by cost reductions



# Strong free cash flow: CHF 10.8 bn



Free cash flow in % of sales



\* 2014 adjusted for exceptional income due to L'Oréal transaction (CHF 4.1 bn impact on FCF)

\*\* 2017 restated, reflecting implementation of IFRS 15 and IFRS 16



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**Thank  
You!**