



**Nestlé**

Good food, Good life

# Strengthening our coffee leadership

Nestlé enters agreement for the perpetual global licensing rights of Starbucks consumer and foodservice products

**NESCAFÉ**

**NESPRESSO**



**STARBUCKS**

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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.

# Building a unique coffee portfolio with three iconic brands

**NESCAFÉ**



**Annual sales: ~ CHF 10 billion**

- Mainstream brand, universal appeal
- World's preferred coffee brand

**NESPRESSO**



**Annual sales: > CHF 5 billion**

- Stylish, coffee connoisseur brand, European flair, undisputed superior quality
- Leading premium portioned coffee brand



**STARBUCKS**



**Annual sales: ~ CHF 2 billion\***

- Iconic coffee shop brand, American lifestyle
- Leadership in North American premium R&G and portioned coffee categories

\*Consumer products & Foodservice. Excludes sales made in coffee shops and RTD products.

# Strategic rationale

- **Building** a unique coffee portfolio with three iconic brands
- **Strengthening** our position in the North American coffee market with leadership in premium R&G and portioned coffee
- **Growing** globally with Starbucks branded consumer products: premium R&G, portioned and soluble coffee, tea
- **Accelerating** growth in the OOH channel by combining our Nescafé soluble business with Starbucks premium R&G to become a complete provider of coffee solutions
- **Delivering** attractive financial returns, supporting our mid-term growth and margin targets

# Shared purpose and values



Commitment to **responsible sourcing** and sustainability



Excellence in **research, development** and innovation



**Premium coffee** experience to the consumer in all formats



Development of a coffee culture in markets with **large potential**

# Main transaction terms

- **Nestlé will market Starbucks consumer and foodservice products:**
  - In-scope: premium R&G, portioned and soluble coffee, tea
  - Out-of-scope: Starbucks coffee shop sales and RTD products
- **Worldwide license in perpetuity**
- **No transfer of fixed assets**
- **~ 500 Starbucks employees joining Nestlé**



# Main products included in the deal



# Financial information

- **Up-front payment:** USD 7.15 billion cash (~15x 2018 pro forma EBITDA)
- **Annual sales:** ~USD 2 billion
- **EPS:** accretive in 2019
- **Organic growth:** positive contribution to our mid single-digit target by 2020
- **Integration costs:** minimal
- **UTOP margin:** above Nestlé Group average including royalty payments
- **C/F and B/S:** high cash flow generation, limited capex, no fixed assets
- **Timing:** transaction expected to close by the end of 2018
- **Share buyback:** ongoing program maintained



# Q&A

# Thank you!

# Abbreviations

<b>EPS</b>	Earnings per share
<b>C/F</b>	Cash flow
<b>B/S</b>	Balance sheet
<b>UTOP</b>	Underlying trading operating profit before net other trading income / (expenses). Net other trading income / (expenses) includes restructuring, impairment and results on disposals of PP&E, onerous contracts and litigations.