



Nestlé Good food, Good life



Half-year results 2023

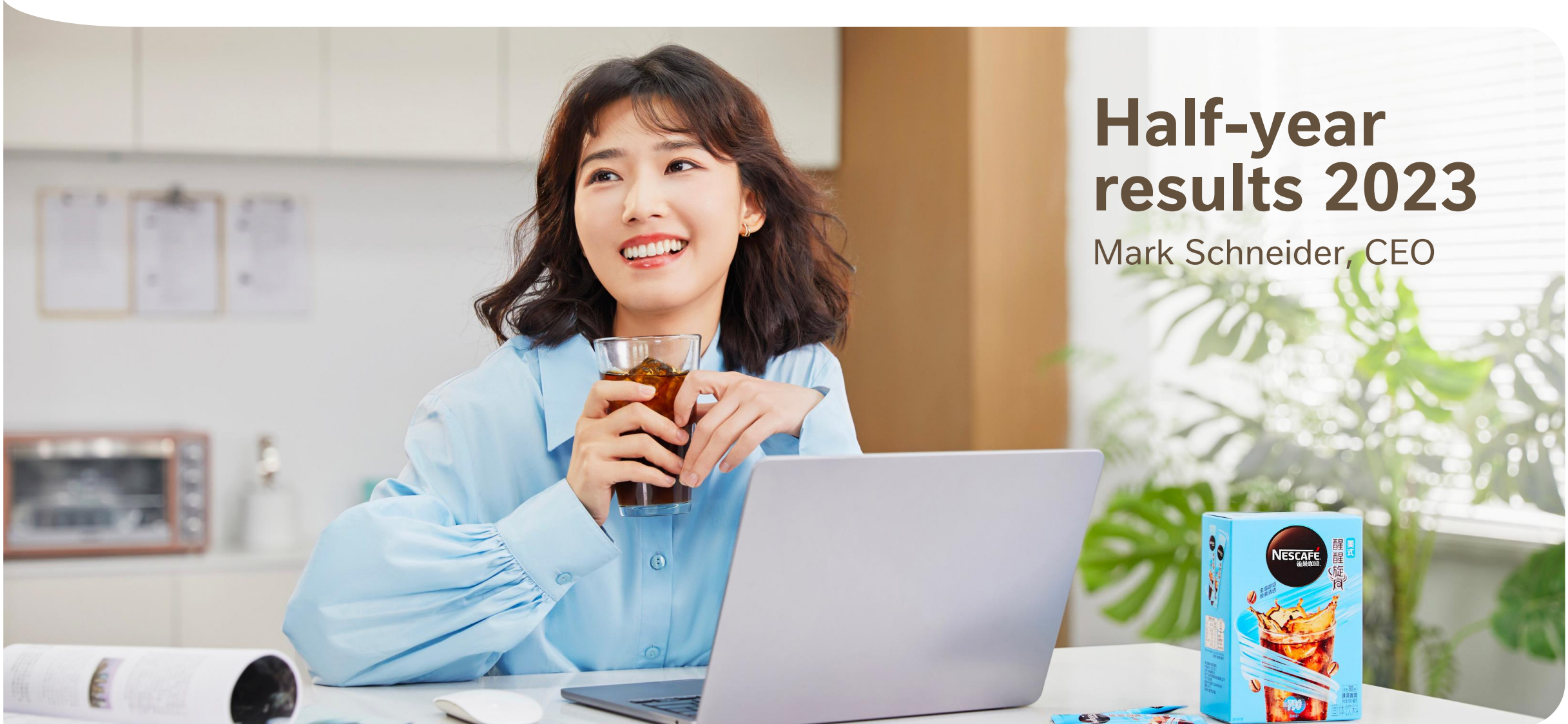
Disclaimer

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.





Nestlé Good food, Good life



Half-year results 2023

Mark Schneider, CEO

Key messages

- **Strong broad-based organic sales growth** of 8.7%
 - Strong pricing of 9.5%, reflecting significant input cost inflation
 - Resilient RIG of -0.8%, impacted by portfolio optimization and remaining capacity constraints
- **Generating resources and investing for growth**
 - Gross margin up 110 basis points vs. the second half of 2022
 - Marketing investment up 50 basis points vs. the second half of 2022
- **Underlying trading operating profit margin** up 20 bps to 17.1%
- **Strong underlying earnings per share** growth of 11.1% in constant currency
- **Free cash flow** increased by CHF 1.9 billion to CHF 3.4 billion, mainly reflecting lower inventory levels

Eliminating deforestation from Nestlé's palm oil supply chains

95.6% assessed as deforestation-free

- Tracing palm oil back to plantation
- Using satellite monitoring
- Training smallholders on good agricultural practices
- Restoring forests and natural ecosystems



2023 guidance updated

- Organic sales growth guidance increased to a range of 7% to 8%
- Underlying trading operating profit margin expected to be between 17.0% and 17.5%
- Underlying earnings per share in constant currency expected to increase between 6% and 10%





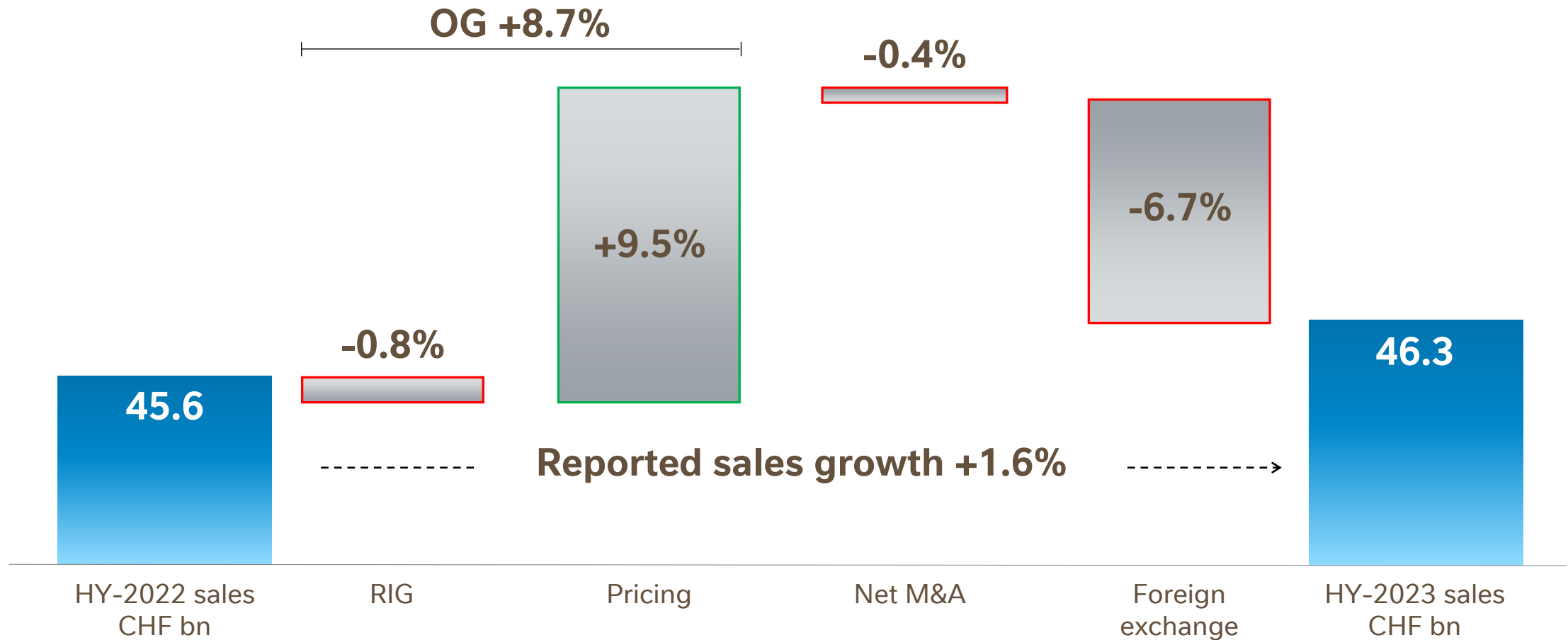
Nestlé Good food, Good life



Half-year results 2023

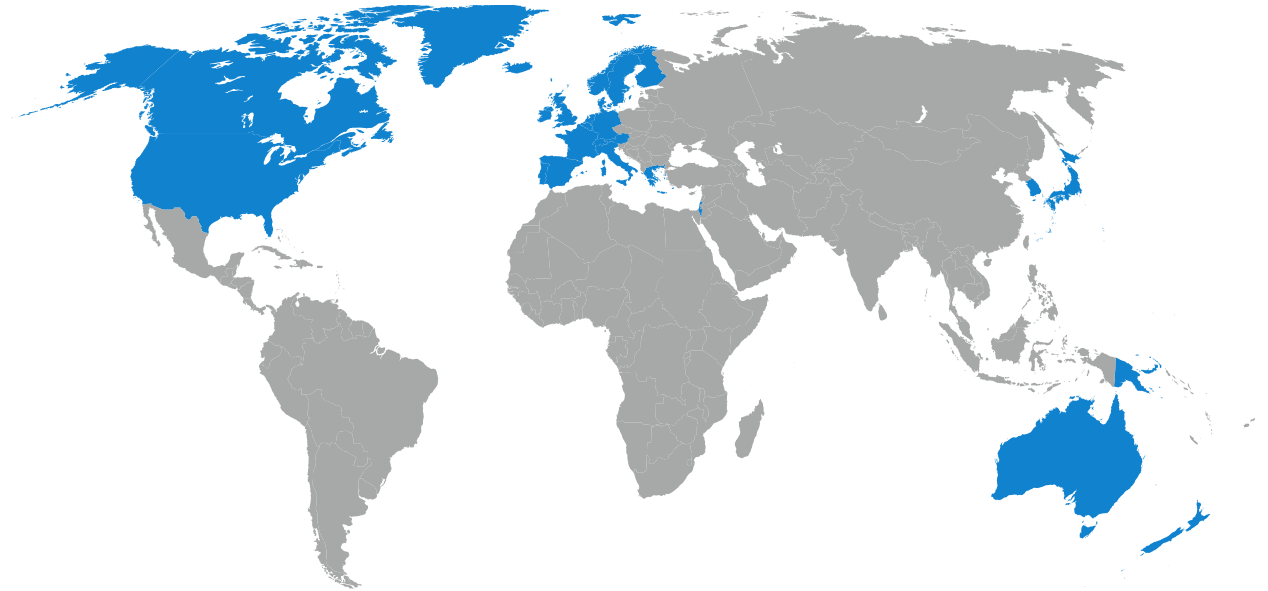
François-Xavier Roger, CFO

Half-year sales growth

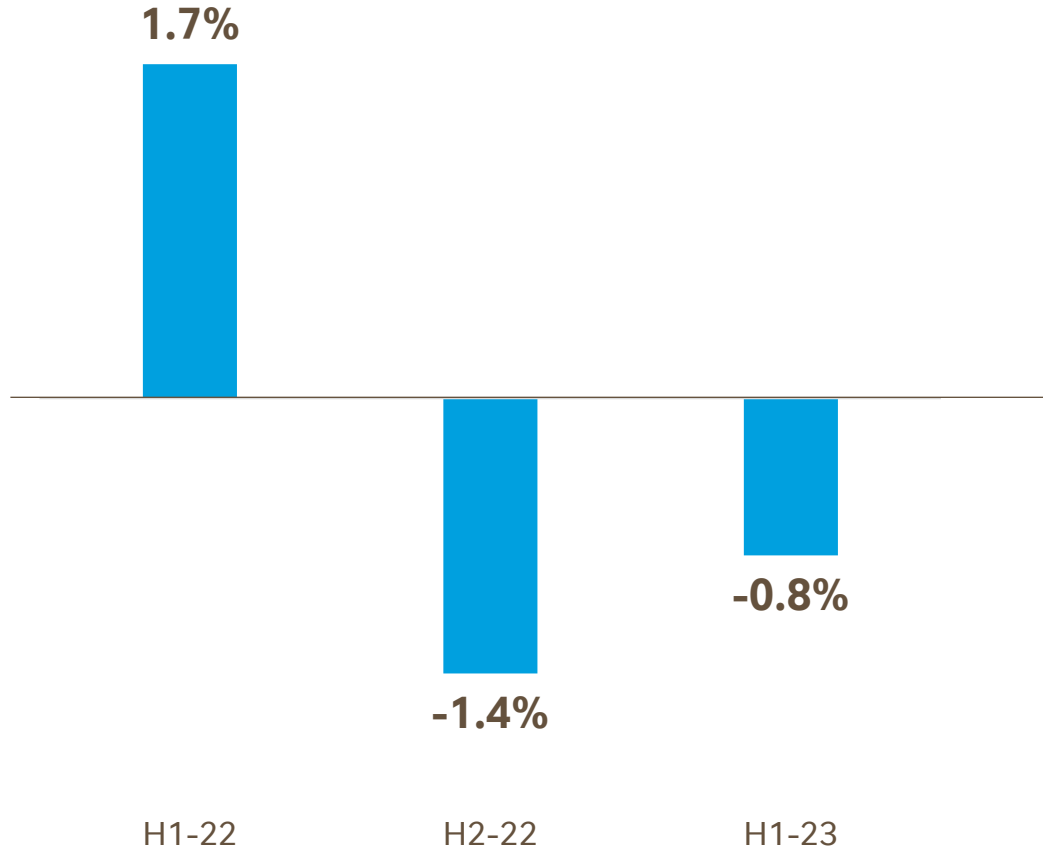


Strong growth across developed and emerging markets

	Developed	Emerging
Sales (in CHF) % of Group sales	26.8 bn 58%	19.5 bn 42%
RIG	-1.4%	0.0%
Pricing	9.4%	9.6%
OG	8.0%	9.6%



RIG expected to turn positive in second half of 2023



Drivers of RIG improvement in H2-23

- Base of comparison
- Increased marketing investments
- Net effect of portfolio optimization turning positive
- Moderation of new pricing

Zone North America

Sales	CHF 12.6 bn
Organic growth	10.0%
Real internal growth	-1.0%
Underlying TOP margin	21.6%
vs LY	+280 bps

- Strong organic growth, driven by inflation-related pricing. RIG impacted by portfolio optimization and capacity constraints
- Favorable mix and continued momentum in e-commerce supported growth
- Purina PetCare, beverages and Nestlé Professional were the key growth drivers
- Margin +280 bps mainly as a result of portfolio optimization, pricing and cost efficiencies



Zone Europe

Sales	CHF 9.5 bn
Organic growth	8.9%
Real internal growth	-2.4%
Underlying TOP margin	16.6%
vs LY	-70 bps

- Strong organic growth led by pricing. RIG impacted by capacity constraints and portfolio optimization
- E-commerce momentum and out-of-home channels supported growth
- Purina PetCare, confectionery and Nestlé Professional were the main growth contributors
- Margin -70 bps impacted by significant cost inflation



Zone Asia, Oceania and Africa

Sales	CHF 9.1 bn
Organic growth	9.3%
Real internal growth	0.1%
Underlying TOP margin	22.8%
vs LY	-70 bps

- Strong organic growth, supported by pricing and positive RIG
- Improved mix and continued momentum of out-of-home channels supported growth
- Infant nutrition, culinary and coffee were the key growth drivers
- Margin -70 bps reflecting input cost inflation, currency depreciation



Zone Latin America

Sales	CHF 6.1 bn
Organic growth	11.6%
Real internal growth	-0.9%
Underlying TOP margin	19.8%
vs LY	-130 bps

- Sustained double-digit organic growth based on pricing
- Strong operational execution and continued momentum of out-of-home channels supported growth
- Confectionery, dairy and infant nutrition were the main growth contributors
- Margin -130 bps due to one-off items in the prior year and cost inflation



Zone Greater China

Sales	CHF 2.5 bn
Organic growth	4.7%
Real internal growth	1.3%
Underlying TOP margin	16.6%
vs LY	+160 bps

- Positive organic growth, led by both RIG and pricing
- Robust e-commerce momentum and a recovery of out-of-home channels supported growth
- Nestlé Professional, infant nutrition and confectionery were the key growth drivers
- Margin +160 bps driven by favorable mix and disciplined cost control



Nestlé Health Science

Sales	CHF 3.3 bn
Organic growth	3.5%
Real internal growth	-1.9%
Underlying TOP margin	13.0%
vs LY	-70 bps

- Organic growth increasing sequentially, supported by post-COVID normalization
- Consumer Care saw negative growth, with growth in VMS turning positive in the second quarter
- Medical nutrition recorded double-digit growth, led by acute medical care, pediatric and allergy products
- Margin -70 bps due to cost inflation



Nespresso

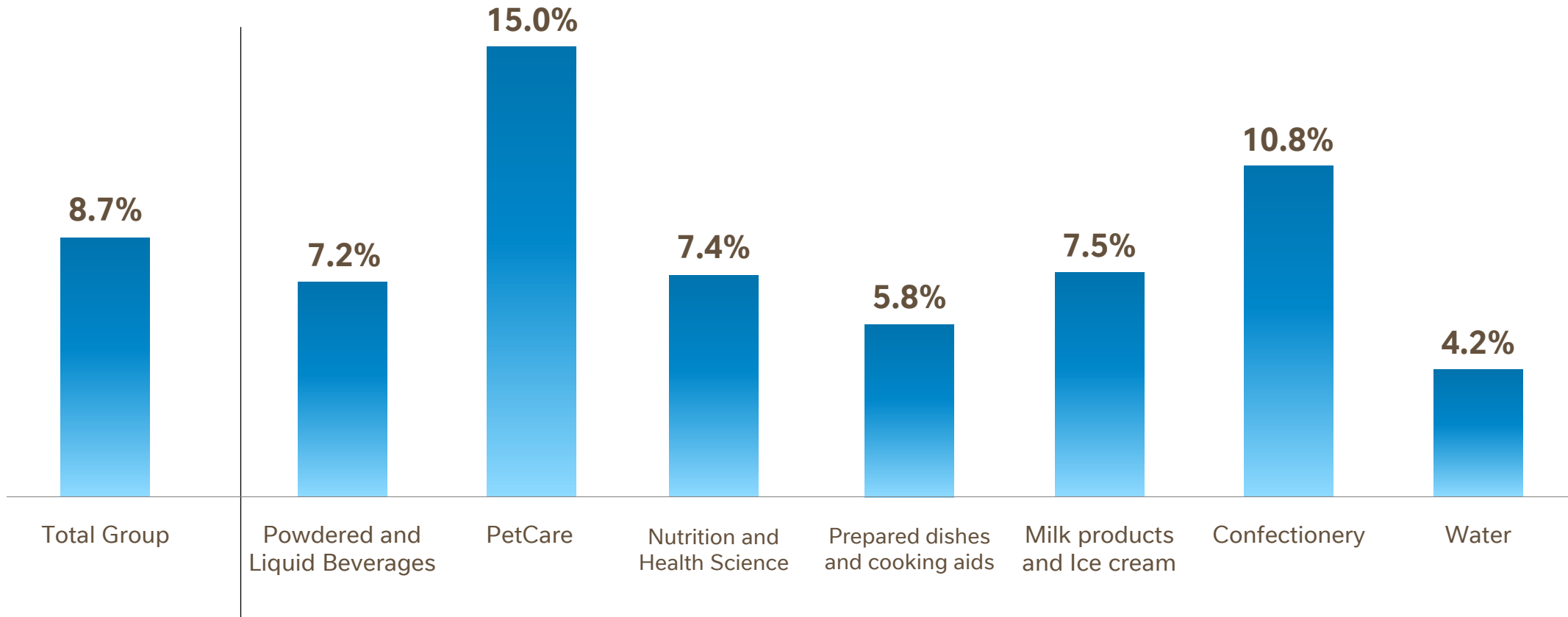
Sales	CHF 3.1 bn
Organic growth	4.5%
Real internal growth	0.8%
Underlying TOP margin	21.7%
vs LY	-260 bps

- Organic growth driven by pricing, with a return to positive RIG
- *Vertuo*, strong demand in out-of-home channels and innovation supported growth
- North America posted double-digit growth. Europe reported slightly positive growth
- Margin -260 bps impacted by coffee cost inflation and the appreciation of the Swiss Franc



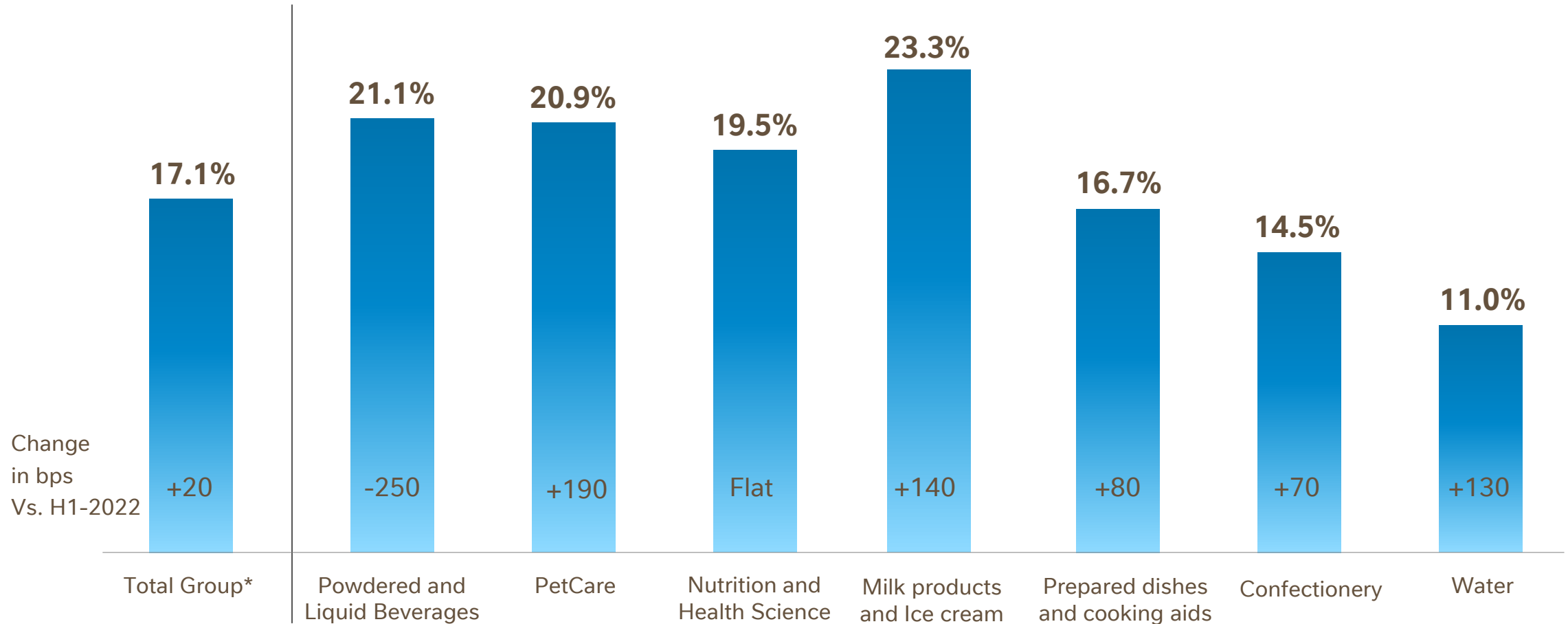
Broad-based growth across categories

Organic sales growth %



Underlying trading operating profit margin by category

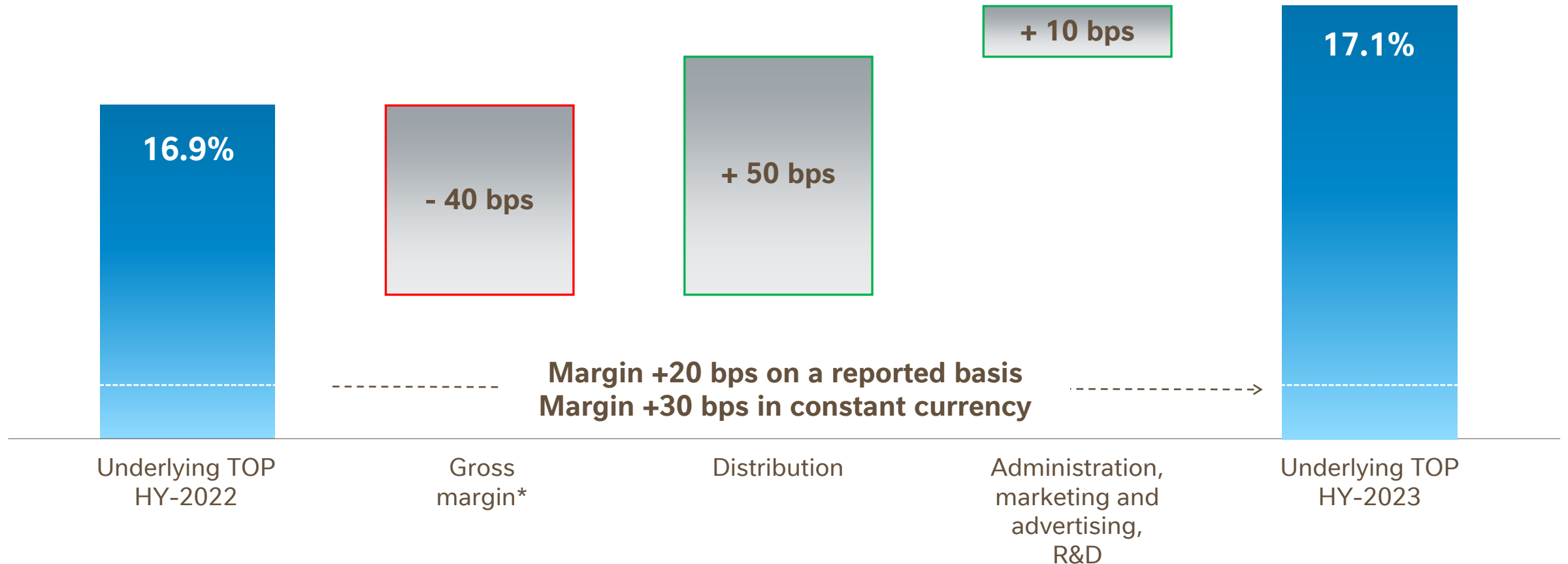
In % of sales



* Includes unallocated items



Pricing, growth leverage and efficiencies mostly offset inflation

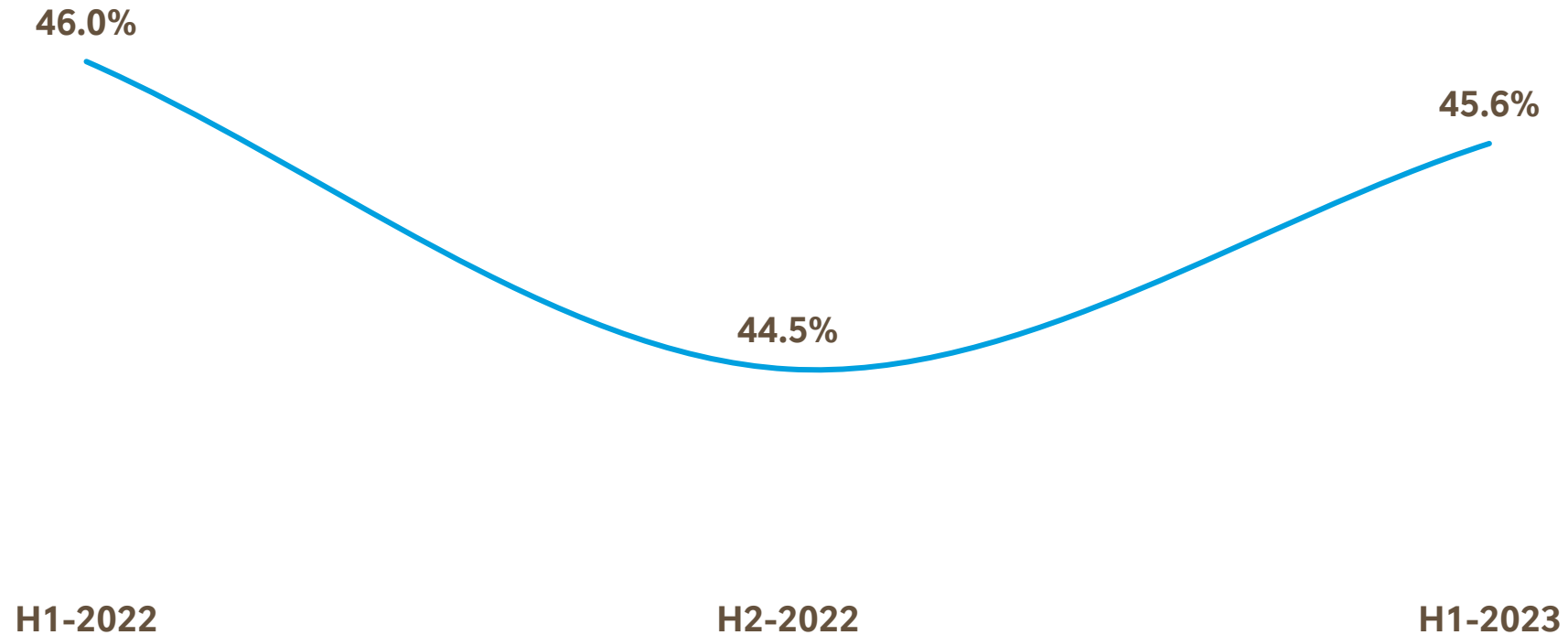


* Gross margin = Sales – cost of goods sold



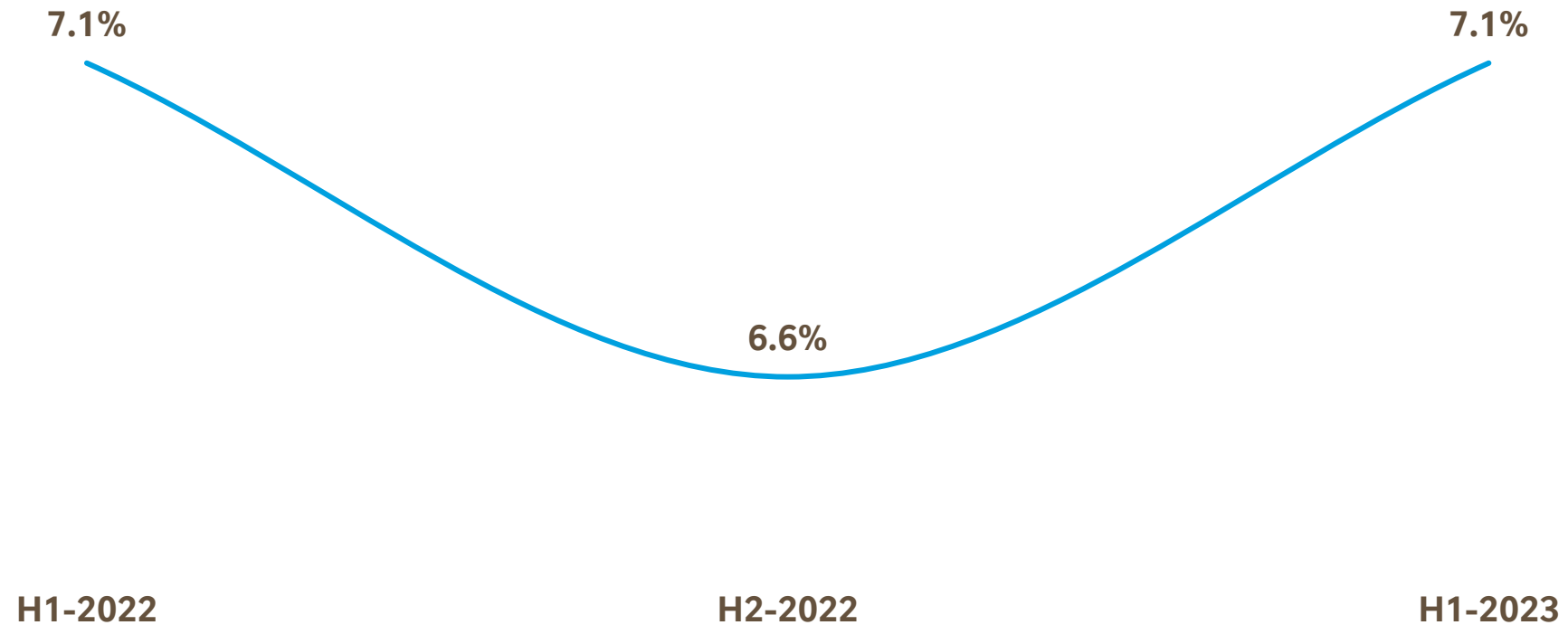
Starting to restore gross margin

Gross margin as a % of sales



Stepping up investments in advertising and marketing

Advertising and marketing expenses as a % of sales



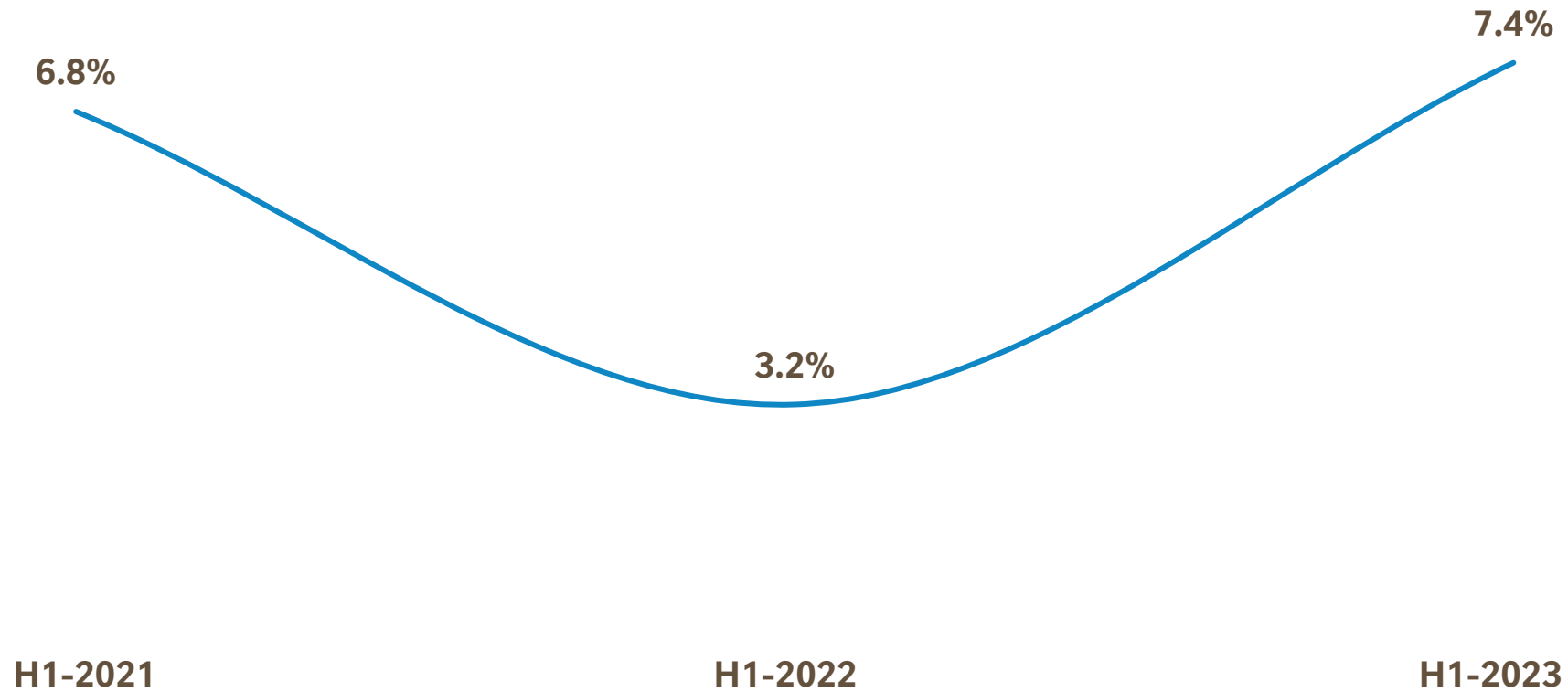
Net profit

	% of sales	H1-23 vs H1-22
Underlying trading operating profit	17.1%	+20 bps
Restructuring		-40 bps
Impairment of assets		+130 bps
Onerous contracts, litigations and other operating income / expenses		+10 bps
Trading operating profit	15.9%	+120 bps
Gain / loss on disposals		+10 bps
Net financing costs		-60 bps
Taxes		Flat
Income from associates / joint ventures		Flat
Others		Flat
Net profit	12.2%	+70 bps



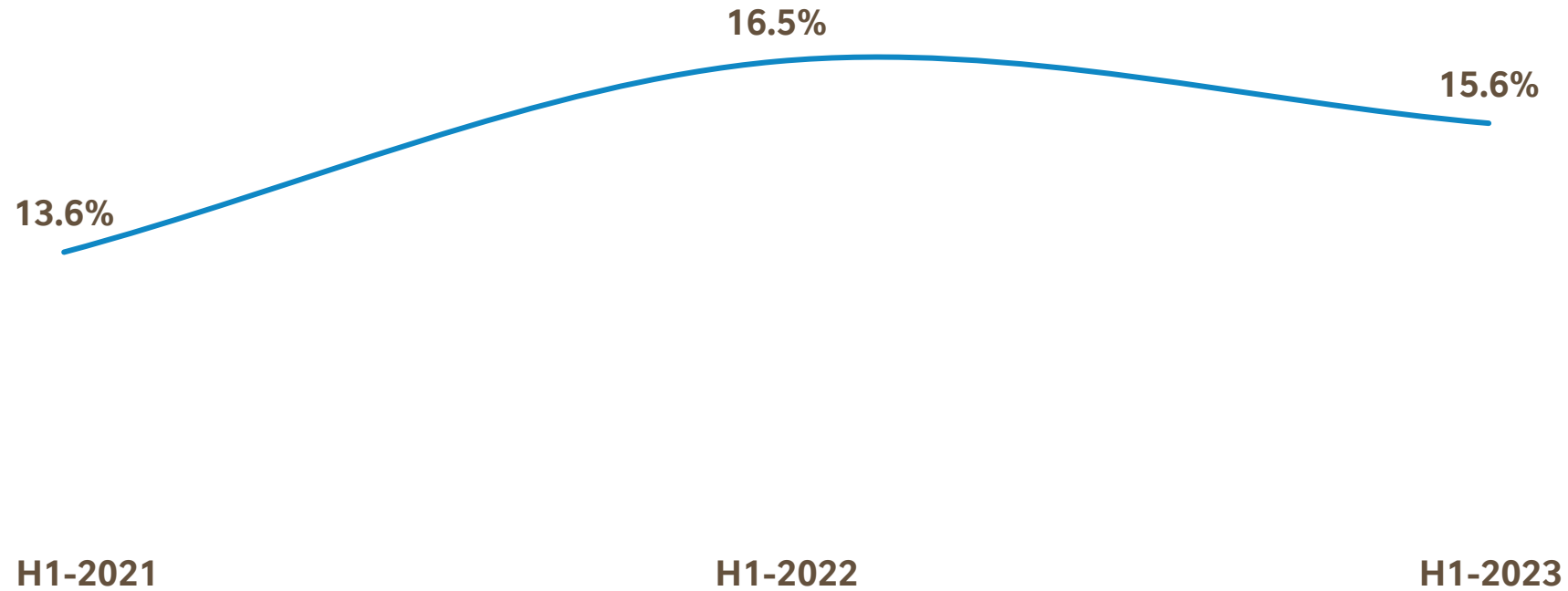
Increasing free cash flow generation

Free cash flow as a % of sales



Inventory levels starting to normalize

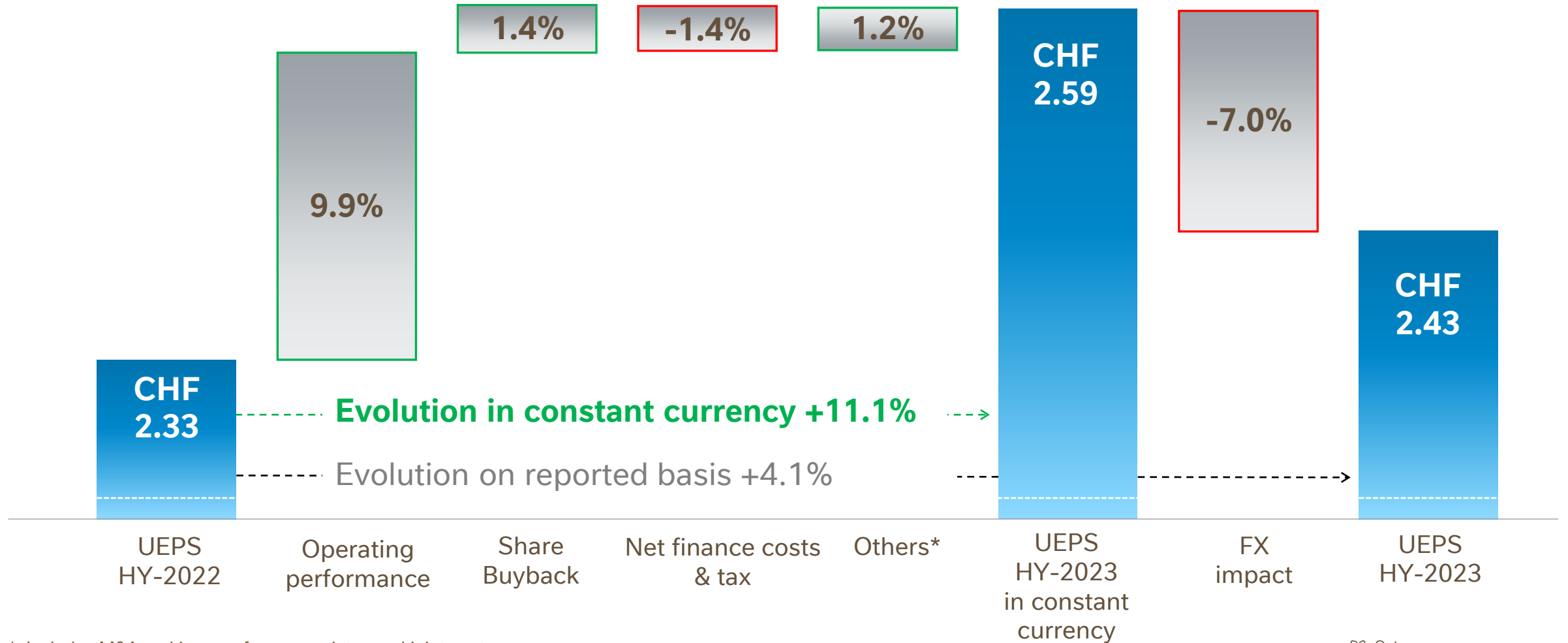
Inventories as a % of sales



Inventories as a % of annualized (12-month) sales



Underlying earnings per share



* Includes M&A and income from associates and joint ventures



Q&A



Supporting slides



HY-2023 Operating segments – topline summary

	HY-2023 sales						Reported sales growth
	Sales (CHF m)	RIG %	Pricing %	OG %	Net M&A %	F/X %	%
Zone North America	12 553	-1.0	11.0	10.0	-2.1	-4.4	3.4
Zone Europe	9 467	-2.4	11.3	8.9	-0.9	-6.0	2.0
Zone AOA	9 060	0.1	9.2	9.3	-0.1	-12.1	-2.9
Zone Latin America	6 082	-0.9	12.5	11.6	0.1	-4.3	7.5
Zone Greater China	2 548	1.3	3.4	4.7	0.0	-9.5	-4.8
Nestlé Health Science	3 318	-1.9	5.3	3.5	6.0	-4.8	4.7
Nespresso	3 128	0.8	3.7	4.5	-0.8	-5.6	-1.9
Other Businesses	137	8.3	1.3	9.6	0.0	-4.3	5.3
Total Group	46 293	-0.8	9.5	8.7	-0.4	-6.7	1.6



HY-2023 Products – topline summary

	HY-2023 sales			
	Sales (CHF m)	RIG %	Pricing %	OG %
Powdered and liquid beverages	12 339	-0.6	7.8	7.2
Water	1 706	-6.3	10.5	4.2
Milk products and Ice cream	5 418	-3.8	11.3	7.5
Nutrition and Health Science	7 832	-0.5	7.8	7.4
Prepared dishes and cooking aids	5 931	-4.2	10.0	5.8
Confectionery	3 694	2.6	8.2	10.8
Petcare	9 373	2.9	12.1	15.0
Total Group	46 293	-0.8	9.5	8.7



HY-2023 historical eight quarters

Period	RIG%	Pricing %	OG %
Q3-2021	4.4	2.1	6.5
Q4-2021	4.0	3.1	7.2
Q1-2022	2.4	5.2	7.6
Q2-2022	0.9	7.7	8.7
Q3-2022	-0.2	9.5	9.3
Q4-2022	-2.6	10.1	7.5
Q1-2023	-0.5	9.8	9.3
Q2-2023	-1.1	9.1	8.0



HY-2023 Operating segments – revenue and results

In CHF m							
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs	Depreciation and amortization
Zone North America	12 553	2 713	2 632	(81)	(29)	(44)	(337)
Zone Europe	9 467	1 570	1 373	(197)	(5)	(140)	(414)
Zone AOA	9 060	2 068	1 985	(83)	(49)	(16)	(259)
Zone Latin America	6 082	1 202	1 101	(101)	(4)	(21)	(192)
Zone Greater China	2 548	422	418	(4)	(2)	(2)	(83)
Nestlé Health Science	3 318	432	372	(60)	(11)	(31)	(152)
Nespresso	3 128	678	672	(6)	(9)	(1)	(135)
Other businesses	137	(17)	(17)	-	(1)	-	(19)
Unallocated items		(1 164)	(1 185)	(-21)	-	(7)	(131)
Total Group	46 293	7 904	7 351	(553)	(110)	(262)	(1 722)



HY-2023 Products – revenue and results

	In CHF m					
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs
Powdered and Liquid Beverages	12 339	2 607	2 506	(101)	(50)	(32)
Water	1 706	187	57	(130)	(6)	(94)
Milk products and Ice cream	5 418	1 261	1 227	(34)	(10)	(15)
Nutrition and Health Science	7 832	1 529	1 416	(113)	(34)	(40)
Prepared dishes and cooking aids	5 931	989	924	(65)	(3)	(52)
Confectionery	3 694	536	467	(69)	(3)	(11)
PetCare	9 373	1 959	1 939	(20)	(4)	(11)
Unallocated items		(1 164)	(1 185)	(21)	-	(7)
Total Group	46 293	7 904	7 351	(553)	(110)	(262)



HY-2023 EPS reconciliation (1 of 2)

From net profit to underlying net profit

	In CHF m	
	H1-2022	H1-2023
Net Profit	5 247	5 649
Restructuring costs	87	262
Impairments of property, plant & equipment, goodwill and int. assets	741	181
Net result on disposal of businesses	52	8
Other adjustment in Net other income/(expense)	184	191
Adjustment for income from associates and joint ventures	82	127
Tax effect on above items & adjustment of one-off tax items	(16)	43
Adjustment in non-controlling interests	(13)	(12)
Underlying Net Profit	6 364	6 449
Weighted Average number of shares outstanding (million)	2 729	2 657
Underlying EPS (in CHF)	2.33	2.43



HY-2023 EPS reconciliation (2 of 2)

From underlying trading operating profit
to underlying net profit

In CHF m

	H1-2022	H1-2023
Underlying trading operating profit	7 683	7 904
Net financial income / (expense)	(434)	(697)
Adjusted taxes	(1 515)	(1 486)
Adjusted income from associates and joint ventures	798	877
Adjusted non-controlling interests	(168)	(149)
Underlying Net Profit	6 364	6 449
Weighted Average number of shares outstanding (million)	2 729	2 657
Underlying EPS (in CHF)	2.33	2.43

HY-2023 Currency overview

			Weighted average rate		
			HY-2022	HY-2023	Variation in %
US Dollar	1	USD	0.945	0.911	-3.6
Euro	1	EUR	1.032	0.986	-4.5
Chinese Yuan Renminbi	100	CNY	14.568	13.164	-9.6
Brazilian Real	100	BRL	18.723	17.974	-4.0
Philippine Peso	100	PHP	1.813	1.649	-9.0
UK Pound Sterling	1	GBP	1.226	1.124	-8.3
Mexican Peso	100	MXN	4.649	5.014	7.9
Canadian Dollar	1	CAD	0.744	0.676	-9.0
Japanese Yen	100	JPY	0.766	0.674	-12.0
Australian Dollar	1	AUD	0.680	0.616	-9.4
Indian Rupee	100	INR	1.239	1.109	-10.5



Free cash flow

In CHF billion



Abbreviations

- OG Organic growth
- RIG Real internal growth
- AOA Zone Asia, Oceania, and Africa
- LATAM Zone Latin America
- GC Zone Greater China
- EPS Earnings per share
- COGS Cost of goods sold
- FCF Free cash flow
- TOP Trading operating profit
- UTOP Underlying trading operating profit
- Structural costs Mainly production, distribution and administrative fixed costs
- Adjusted EBITDA As per definition in Alternative Performance Measures (APM)

