NESTLÉ S.A.

2024 THREE MONTH SALES PREPARED REMARKS TRANSCRIPT

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Speakers:

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Slide: Title slide

Good morning to everyone.

This is Luca Borlini, Head of Nestlé Investor Relations.

Thank you for listening to Nestlé's three-month 2024 sales prepared remarks.

Joining me today are Nestlé's CEO, Mark Schneider and our CFO, Anna Manz.

Starting this quarter, we are following a new format to serve you better. We have made management's prepared remarks and the investor presentation available at the same time as our press release. Later today, at 2 pm Central European Time, we will hold our traditional live question-and-answer session, which you will be able to follow via webcast on our Investor Relations website.

We hope this will meet your needs and look forward to your feedback.

Slide: Disclaimer

Before we begin, please take careful note of the disclaimer on page two of our presentation.

And with that, I turn to Mark.

Mark Schneider, Chief Executive Officer, Nestlé S.A.

Slide: 2024 Three-month sales

Thank you, Luca. And a warm welcome to all of you. As always, we appreciate your interest in our company. We hope that this new format works well for you, and we look forward to our live Q&A later today.

Slide: Key messages

Let me start by putting this quarter in perspective. The slow start to the year was expected, in particular as we saw a number of phasing and year-over-year impacts coming together. You will see in this presentation that it is consistent with our full-year guidance.

Q1 organic sales were up 1.4%. Price was up 3.4%, moderating from a very high-level last year when prices were up by close to 10%. Real Internal Growth, the sum of volume and mix, was down 2.0%.

Overall, organic sales growth was driven by Europe and emerging markets. Growth was negatively impacted by North America. More on Zone North America in a minute.

Group-wide, the key drivers of growth included Petcare and confectionery.

As expected, Nestle Health Science`s organic sales growth was negative in the first quarter. The integration plan for its vitamins, minerals and supplements business is fully on track.

The first quarter is now behind us, and we are spring loaded for a significant rebound in Real Internal Growth.

Slide: Three-month sales

Now I would like to introduce our new CFO, Anna Manz.

It has been a true pleasure having Anna on board since the first of March. As you know, she has enormous experience in the consumer sector. She is already bringing fresh perspectives and initiatives to the CFO role at Nestlé, such as the new quarterly presentation format we are using today. I am certain you will enjoy getting to know Anna. I will now turn the call over to her.

Anna Manz, Chief Financial Officer, Nestlé S.A.

Thanks Mark. And hello everyone.

This is my first call here at Nestlé, so I was just going to take a minute to provide a bit of background on myself.

You may have been surprised at my move from the London Stock Exchange Group, which today, is a large data and analytics company. But in fact, most of my career has been in consumer goods, first at Unilever and then for 17 years at Diageo. where I held roles in finance, strategy and general management. So, the CFO role here at Nestlé was irresistible.

It is great to come home to the consumer space, at the world's leading food and beverage company.

And I am really looking forward to getting to know all of you in the coming months, and am keen to hear your feedback and expectations for the company.

Anna Manz, Chief Financial Officer, Nestlé S.A.

Slide: Three-month sales growth

Now, let me take you through the highlights of our sales in the first three months.

Mark already talked about RIG and pricing. So, I will just add here that net divestitures decreased sales by 0.6%, largely related to the creation of a joint venture with PAI Partners for Nestlé's frozen pizza business in Europe.

Foreign exchange had a negative impact of 6.7% on sales growth, and this reflects the strengthening of the Swiss Franc against our other major trading currencies.

With all that factored in, total reported sales for the first three months were 22.1 billion Swiss francs.

Slide: Zone North America

Moving into the Zones, let me first address the RIG performance in Zone North America, which was down 5.8% in the quarter.

This atypical result was the primary reason for the Group´s expected slow start to the year. I say atypical because Zone North America's consistent strong delivery has been a key driver of Nestlé's growth in recent years, and Mark will expand on this later.

The Q1 RIG decline was primarily attributable to frozen food. Weakness in the U.S. centered around frozen pizza and snacks, where we saw a combination of soft consumer demand, intense price competition and a reduction in retailer inventories in the quarter.

The winding down of the frozen meals business in Canada, which is nearly done now, had a further impact.

Outside of this, there were many areas of strength across the North American business. Importantly, the Zone delivered resilient growth and market share gains in Billionaire brands including PetCare and Coffee.

Slide: Zone Europe

In Zone Europe, the key takeaway is the breadth of the growth. Nestlé achieved mid-single-digit growth in most categories and geographies.

The largest contributions to growth came from the solid performance in two of Nestle's growth engines. PetCare delivered mid single-digit growth - particularly with premium Billionaire brands *Felix*, *Gourmet* and *One*, as did Coffee with *Nescafé*. Confectionery also delivered strong growth due to sustained demand for *KitKat*.

RIG was slightly negative compared to a year ago, but, versus the prior quarter, RIG showed an improving trend, and this was fueled by our investments in innovation and marketing driving enhanced mix, particularly for premium products.

Slide: Zone Asia, Oceania and Africa

In Zone AOA, I think that “resilient” is an appropriate term to characterize our growth.

The region faced some formidable headwinds. For one, there were significant currency devaluations triggering a new round of inflation, and that requires additional responsible pricing actions in markets where local competition can be challenging. The Zone has also seen continuing pressure on global consumer brands due to geopolitical tensions. We have been navigating these headwinds well.

Organic sales growth was 3.6%, including 4.1% pricing. RIG was slightly negative. The key category drivers for the Zone were Infant Nutrition and the iconic *Maggi* brand, fueled by a strong innovation pipeline.

For example, in Infant Nutrition, we continued the rollout of our Human Milk Oligosaccharides platform on *NAN*, which resonates strongly with consumers across the region.

Coffee also showed resilient growth, and it is now the number one category for the Zone.

Slide: Zone Latin America

Our performance in Latin America was solid.

Organic sales growth was 3.1%, led by 3.9% pricing. The RIG of -0.8% should be seen in the context of the cumulative impact of inflation over the last two years.

Confectionery and Nestlé Professional were the primary drivers delivering double-digit growth. Confectionery’s growth opportunity is being further enhanced by the recent acquisition of the majority stake in Grupo CRM. CRM and the *Kopenhagen* brand, and that is the one pictured on the slide, significantly expands Nestlé’s position in the premium end of the Brazilian chocolate market.

The Zone’s Professional business has been successful in leveraging the expansion of the out-of-home market, which has grown significantly larger than it was pre-pandemic.

Across the Zone, we achieved market share gains in pet food, Infant Nutrition, and portioned coffee. We saw some share losses in dairy as we have focused the *Ninho* product portfolio on more value-added segments.

Slide: Zone Greater China

Zone Greater China delivered robust organic growth, including positive RIG, despite the economic slowdown.

The Zone's growth was driven by momentum in out-of-home consumption. Other important contributors were confectionery, coffee and Purina PetCare, and they were led by new product launches and helped by growth in e-commerce.

Within infant nutrition, *Wyeth* remains challenged, but *NAN* continues to gain market share, and beyond this, market share trends are improving across the Zone.

The Zone continues to focus on developing products with functional health benefits, particularly tailored to aging consumers.

As an example, senior milk powder achieved double-digit growth within dairy, and the recently launched *N3*, which is a unique nutritious milk low in lactose is off to a strong start.

Slide: Nestlé Health Science

As expected, our vitamins, minerals and supplements business had negative growth, due to the temporary supply constraint. And Mark is going to talk more on this in a few minutes.

Active Nutrition saw a sales decline as *Vital Proteins* lapped tough comparables. On the other hand, *Orgain* delivered strong growth and market share gains fueled by new product launches in ready-to-drink formats.

Medical Nutrition continued to deliver solid growth, with market share gains across most geographies. Our adult care portfolio delivered high single-digit growth driven by a robust innovation pipeline for our key brands, *Peptamen* and *Compleat*.

Slide: Nespresso

Nespresso delivered positive growth driven by pricing.

The slightly negative RIG reflects the phasing of sales year-on-year.

Growth in out-of-home channels was also robust with further adoption of the *Momento* system. Innovation continues to support growth, with a successful new wave of limited editions rolling out in the quarter.

In geographic terms, Europe posted slightly negative growth whereas, sales in North America grew at a mid single-digit rate, with continued market share gains and strong contributions from both B2C and B2B.

Slide: Category growth

Now, let's look at our category growth.

Starting with Powdered and liquid beverages, coffee delivered low single-digit growth, with continued momentum for *Nescafé*, *Nespresso* and *Starbucks*.

As expected, PetCare growth moderated to mid single-digits, following four consecutive years of double-digit growth. This deceleration is largely a factor of slowing pricing, with category fundamentals continuing to remain healthy and the latest Nielsen research showing an increase of nearly 2% in U.S. pet population.

Nutrition and Health Science posted close to flat growth. I have already discussed Nestlé Health Science and Infant Nutrition reported 2.5% organic growth, with market share gains and broad-based geographic growth. Sales of human milk oligosaccharide products continued to grow at strong double-digits.

Prepared dishes and cooking aids posted negative growth, as strong demand across regions for *Maggi* was more than offset by the sales decline for frozen food in North America.

Milk products and Ice cream reported negative growth, reflecting, a high base of comparison in the prior year, particularly for our *Coffee mate* business, and portfolio optimization actions.

Growth in Confectionery was mid single-digit with sustained broad-based growth for *KitKat*, which continues to gain share across all geographies.

And finally, sales in Water improved to a mid single-digit rate, underpinned by a rebound in *Perrier* and strong momentum for *S. Pellegrino*.

Overall, market shares are on an improving trend across the board, and particularly within our Billionaire brands, and again, Mark will come back to this in a minute.

Slide: Group RIG evolution

The first quarter was an interruption to the steady progress Nestlé has been making on improving RIG. The important message here is that this is a temporary issue. The contributing factors are already correcting, and we expect clear proof of our progress in the second quarter.

Slide: Drivers of RIG rebound in 2024

We have said that we expect RIG to rebound during the remainder of 2024.

This is a recap of the main reasons.

North America moves beyond the specific frozen food challenges, and is further helped by the strong innovation pipeline, in frozen food and across the other categories.

In addition, we would expect demand to improve as during the quarter, the U.S. will lap last year's reduction in the Supplemental Nutrition Assistance Program, that had been subsidizing food purchases for about 40 million Americans. This makes the basis of comparison easier for the remaining quarters.

We continue to stimulate consumer demand through stepped-up marketing and promotional activity, and the effects of these investments are starting to gain momentum.

The integration of our vitamin, minerals and supplements business should gain real traction in the second half.

And finally, we also have a robust innovation pipeline globally, with additional launches to come across all markets in the remainder of the year, and again Mark will comment on some of these shortly.

Slide: 2024 Guidance confirmed

So, in conclusion, we are confirming our guidance for the year. That is:

- Organic sales growth of around 4%
- A moderate increase in underlying trading operating profit margin; and
- Underlying earnings per share growth in constant currency terms between 6 and 10%

Just to point out, in maintaining our organic sales growth guidance, we are effectively confirming that we expect positive RIG in each of the remaining three quarters of 2024.

As always, the outlook is based on the current economic environment, including interest rates and commodity costs.

With that, back to Mark

Mark Schneider, Chief Executive Officer, Nestlé S.A.

Slide: 2024 North America set to return to growth

Thank you Anna.

Fundamental to our confidence in sustained RIG-led growth is the solid positioning of our North American business.

In the past few years, we substantially transformed the North American product portfolio. This includes a series of strategic acquisitions and divestitures that focused on the structurally more attractive categories and segments and ones in which Nestlé has earned the right to win. As you can see, we increased the revenue share of PetCare and beverages, two of our key growth drivers, from 47% to 68% within 5 years.

As the middle section of this chart illustrates, the transformed nature of our portfolio helped drive Nestlé to out-performance in organic sales growth and margin improvement.

One of the most important trends we have seen in the U.S. in the last few quarters is the bifurcation of the consumer market. Following significant food price inflation, lower-income consumers have led the trend to trading down and buying private label. Many lower-income consumers saw a significant hit to their purchasing power, between rising prices and reduced government support. The lower-income consumer remains a large and important part of the U.S. and was the main area of the weak demand that impacted some of our product lines towards the end of 2023 and in the first quarter. Bear in mind that we will lap some of the Supplemental Nutrition Assistance Program payment slowdowns from the second quarter. As the situation normalizes, underlying growth trends are expected to become more visible.

At the same time, much of our portfolio transformation and product development in recent years positioned us well with those U.S. consumers who have a strong and growing interest in premium products. We continue to delight these consumers with meaningful innovation as well as trusted and exciting brands. Across these consumer segments, we are addressing the situation with an array of new products being phased in over the course of the year. With the consumer and competitive headwinds fully in mind, we have the plans in place and the actions underway to achieve a significant North American RIG rebound.

Slide: Nestlé Health Science: VMS integration plan on track

Next, I would like to update you on the integration plan for our vitamins, minerals and supplements business in the U.S.

We have told you that the integration plan is on track, and what you can see on this slide is the progress we have made on customer service levels, which is a leading indicator for future performance. The chart is for *Nature's Bounty* and *Garden of Life*, two of our most strategic brands in the U.S. It shows the impact of the supply constraints and gives you a clear indication of the trajectory. Supply is improving, and the business is fully focused on building a better operating model. As you know, *Pure Encapsulations*, which was not part of the integration, continued with strong growth all throughout this period.

We have a full innovation roster ready to hit the market across our various brands. A particular focus is on building out new segments by leveraging our expertise in probiotics and healthy aging.

The category growth has returned to a sustained mid-single digit rate, and we expect to benefit from this positive trend.

We will reach a turning point in the second quarter, with organic growth for Nestlé Health Science accelerating to a double-digit rate in the second half.

Before moving on to our broader Group-wide growth initiatives, I would like to give you an update on Waters. Our Waters business delivered organic growth of 4.3% in Q1. RIG was slightly negative but saw a significant improvement from the first quarter last year, as our capacity constraints at *Perrier* are slowly easing. The recent launch of *Maison Perrier* will provide additional growth momentum as from the second quarter.

As indicated in our February press release, we are working diligently with regulators in several countries where we operate. Our goal is to continue to assure absolute food safety and full conformity with local mineral water standards. As we have said previously, our mineral water products are absolutely safe to drink and the mineral content on the label is correctly indicating what’s inside. I would also like to reiterate that we are proactively addressing any regulatory issues. This includes developing transformation plans and proactively engaging with local regulators with potential solutions in hand. As a leader, we are working hard to protect the diverse natural mineral water sources in our business and helping to address industry-wide challenges.

Slide: Fueling growth through innovation

Let's focus now on why we are confident for 2024 and what to expect from the phasing of innovation launches.

We are a science-driven, consumer-focused company that leverages our innovation expertise to create solutions and new category opportunities.

We have a strong pipeline for this year. Let me highlight a few examples from this chart.

Turning first to U.S. frozen food, we have a full innovation roster. The business will enter new formats to generate energy in the aisles and connect with our key consumer segments at sharpened price points. We are already introducing *Stouffers* and *Lean Cuisine* options into the sandwiches segment, which is the number one meal choice for lunch. Moreover, 2024 will see the emergence of new segments tailored to diabetes and GLP-1 consumers and those looking for healthy food options on their weight loss journey.

In Purina Petcare, in the U.S. alone, we plan to launch over 100 new products across the year as we take advantage of our new capacity. Across 2024 and 2025, we will re-enter segments we had opted out of when supply was constrained. We will feed new products into our brand growth engines, significantly expanding the microbiome-focused line-up for our *Purina ONE*

True Instinct dog food. These products apply some of the best of our scientific and nutritional expertise.

Slide: Fueling Billionaire brand growth via increased marketing investment

We have just highlighted some of the key innovative products that we will roll out in 2024. They infuse our brands with differentiation, and there will be a strong focus on Billionaire brands, which account for more than 70% of Group sales.

As we pivot from price to RIG-led growth and the competitive environment changes, our ability to build on the strength of these Billionaire brands by maintaining their relevance with consumers will drive growth. In the first quarter, sales of Billionaire brands grew at twice the Group average. Brands like *Fancy Feast*, *KitKat* and *Maggi* are at the core of our category strategies and are critical to our success as vehicles for scaling innovation into growth opportunities across geographies.

So, to back up our expanded innovation pipeline, we are focused on fueling growth through increased advertising and marketing investments to support stronger consumer engagement. As the effect of marketing and promotional investment builds, we expect our efforts to continue to translate into strengthened market share positions; indeed, already in the first quarter, we have seen the number of business cells where we are gaining or maintaining share picking up from a low-fifty to a mid-fifty level.

Slide: Key takeaway

What I would like you to take away is that we are taking the right steps to accelerate growth and expect a much stronger performance starting from the second quarter.

We have touched on some of the actions we will use to drive our RIG rebound, with a particular focus on Billionaire brands and the integration of our vitamins, minerals and supplements business.

We confirm our 2024 guidance and look ahead with confidence.

This brings our prepared remarks to a close.

Thank you for your time. We look forward to talking with you later today in our Q&A session.

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