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## Press release

Vevey, April 24, 2020



Good food, Good life

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## Nestlé reports three-month sales for 2020, provides COVID-19 update

The COVID-19 crisis is having an extraordinary and far-reaching impact on all our lives. Since the earliest stages of the pandemic, we have been working closely with local authorities and business partners to respond to the challenge. We have three key priorities: safeguarding the health and wellbeing of our people, ensuring business continuity to meet consumer needs and supporting communities all over the world with local relief efforts.

In these difficult times, many of our business partners are facing serious challenges, which create enormous uncertainty for their employees and families. We will continue to be a dependable business partner and make every possible effort to adapt to the evolving situation.

For our out-of-home and food service customers, who have been severely affected, we are offering prompt and pragmatic assistance to weather the crisis and help them restart their businesses. For example, under our “Always open for You” initiative, we are extending payment terms, suspending rental fees for coffee machines and offering free products. The total value of this initiative is expected to be around CHF 500 million.

Another example is our dairy supply chain. We are directly working with more than 200 000 dairy farmers globally. Dairy is highly perishable, and many farmers are now facing significant demand disruptions. We are fully meeting our commitments to buy agreed volumes in order to help sustain their livelihoods.

Since the beginning of this pandemic, we have engaged in numerous projects around the world as a reliable employer and business partner as well as a trusted neighbor and citizen in the 187 countries where we operate. Our commitment is certain and unwavering.

During the first quarter, our company remained resilient:

- Organic growth reached 4.3%, with real internal growth (RIG) of 4.7% and pricing of -0.4%. Growth was supported by strong momentum in the Americas and Zone EMENA. Zone AOA saw a sharp sales decline.
- Total reported sales decreased by 6.2% to CHF 20.8 billion (3M-2019: CHF 22.2 billion). Acquisitions net of divestitures reduced sales by 4.7%, foreign exchange reduced sales by 5.8%.
- Portfolio management is on track. The divestment of the U.S. ice cream business for USD 4 billion to Froneri was completed on January 31, 2020. The sale of a 60% stake in the Herta charcuterie (cold cuts and meat-based products) business to Casa Tarradellas is expected to close in the first half of 2020.

- Nestlé has decided to explore strategic options, including a potential sale, for its Yinlu peanut milk and canned rice porridge businesses in China. Nestlé will retain and develop its existing Nescafé ready-to-drink coffee business.
- As it is still too early to assess the full impact of COVID-19, we maintain our original full-year 2020 guidance for the time being. We expect continued improvement in organic sales growth and underlying trading operating profit margin. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

**Mark Schneider, Nestlé CEO, commented:** *“The COVID-19 crisis continues to impact all our lives in powerful and sometimes tragic ways. Our thoughts are with all those who have been affected and we extend our deepest sympathies to those who have lost loved ones.*

*Nestlé has a special responsibility at this time. Our food and beverage products help keep people healthy, provide comfort and support recovery.*

*Our people, in particular our frontline workers, have shown extraordinary commitment in keeping our business running and meeting consumer needs. We will continue to work hard to provide food and beverages to people across the world, every day.*

*Our company remained resilient in the first quarter, reflecting our diversified product portfolio and our strong local presence in 187 countries. However, this crisis is far from over and we will face many uncertainties in the coming quarters. We will continue to adapt quickly to changing consumer needs and to challenges in our global supply chains. As a reliable employer and business partner we are meeting our commitments. As a good citizen and trusted neighbor, we continue to offer our help, in particular to the most vulnerable in society. Over the last 154 years, Nestlé has successfully overcome many challenges. We are confident that - together with all those who are fighting against the pandemic and its consequences - we will also overcome this one.”*

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Other Businesses
Sales 3M-2020 (CHF m)	20 812	8 347	5 313	4 974	2 178
Sales 3M-2019 (CHF m) *	22 183	8 574	5 290	5 511	2 808
RIG	4.7%	7.9%	8.2%	-4.6%	8.0%
Pricing	-0.4%	-0.5%	-1.1%	0.0%	0.5%
Organic growth	4.3%	7.4%	7.1%	-4.6%	8.5%
Net M&A	-4.7%	-4.0%	-0.5%	0.0%	-25.4%
Foreign exchange	-5.8%	-6.1%	-6.2%	-5.1%	-5.5%
Reported sales growth	-6.2%	-2.7%	0.4%	-9.7%	-22.4%

\* 2019 figures restated following the decision to integrate the Nestlé Waters business into the Group's three geographical Zones, effective January 1, 2020.

## Group sales

Organic growth reached 4.3%, with RIG of 4.7%. Pricing temporarily decreased by 0.4%, mainly reflecting timing of promotions in North America.

Organic growth was supported by strong momentum in the Americas and Zone EMENA. Zone AOA posted negative growth, mainly due to a double-digit sales decline in China. Organic growth was 7.4% in developed markets, based entirely on RIG. Growth in emerging markets was 0.5%.

By product category, the largest growth contributor was *Purina* PetCare and its premium brands *Purina Pro Plan* and *Purina ONE*. Prepared dishes and cooking aids grew at a high single-digit rate, with improved growth across all brands. Coffee saw good momentum, fueled by the demand for Starbucks products, *Nespresso* and *Nescafé*. Nestlé Health Science posted double-digit growth, reflecting elevated demand for consumer and medical nutrition products.

Acquisitions net of divestitures decreased sales by 4.7%, largely related to the divestment of Nestlé Skin Health and the U.S. ice cream business. Foreign exchange reduced sales by 5.8%, reflecting appreciation of the Swiss franc versus most currencies. Total reported sales decreased by 6.2% to CHF 20.8 billion.

### **Business impact of the COVID-19 crisis**

Nestlé has responded quickly and taken necessary measures to minimize the impacts of this global crisis. To date, the Group has been able to effectively serve its retail partners and consumers despite some local disruptions in the supply chain and temporary staffing shortages. Nestlé's frontline workers have been instrumental in overcoming these challenges.

The effect of COVID-19 varied materially by geography, product category and sales channel, depending on the timing of the outbreak, the scope of restrictions and consumer behavior:

- **Geographies:** A majority of markets, particularly in North America and Europe, saw significantly increased growth in March, partially supported by consumer stockpiling. China posted a sharp sales decline, due to movement restrictions in place for almost the full quarter, limited consumer stockpiling and relatively higher exposure to out-of-home channels.
- **Product categories:** Essential products saw increased demand. Prepared dishes and cooking aids, *Purina* PetCare, coffee and Nestlé Health Science products reported increased growth. Confectionery and ice cream posted a sales decline, reflecting reduced gifting and impulse buying.
- **Sales channels:** All markets saw a significant shift from out-of-home to in-home consumption. Out-of-home channels posted negative growth, with significant sales declines for Nestlé Professional, water and *Nespresso* boutiques. E-commerce sales grew by 29.4%, exceeding 10% of total Group sales for the first time.

The financial impact of COVID-19 remains difficult to quantify and will depend on the duration and the economic consequences of this crisis. Nestlé continues to adapt quickly to supply chain challenges and changing consumer behavior. The Group remains resilient given its diversified portfolio of products and presence across the globe.

### **Portfolio Management**

In January 2020, Nestlé completed the sale of its U.S. ice cream business for USD 4 billion to Froneri, the successful global joint venture with PAI Partners. The Group expects to close the sale of a 60% stake in its Herta charcuterie (cold cuts and meat-based products) business to Casa Tarradellas in the first half of 2020.

In January 2020, the Group announced an asset purchase agreement with Allergan to acquire the gastrointestinal medication Zenpep. With this move, Nestlé aims to expand its medical nutrition business and complement its portfolio of therapeutic products. The purchase of Zenpep is expected to be completed during the second quarter of this year.

In April 2020, Nestlé also announced and completed the acquisition of Lily's Kitchen, a premium natural pet food business.

## Strategic Developments

The Board of Directors has decided to explore strategic options, including a potential sale, for its Yinlu peanut milk and canned rice porridge businesses in China. The intention is to ensure the long-term growth and success of these Yinlu businesses, which had sales of CHF 700 million in 2019. Nestlé will retain its ready-to-drink *Nescafé* coffee business, currently filled and distributed by Yinlu. *Nescafé* is a strategic growth driver, and Nestlé will continue to invest heavily in the brand in China.

The Board of Directors has also reaffirmed and emphasized the strategic importance of the Chinese market for the Group. Nestlé currently operates 31 factories, three R&D centers and four product innovation centers in the Greater China Region. The Group has made significant capital expenditure investments in the Region and continues to see significant opportunities for further investments and sustainable growth.

## Zone Americas (AMS)

- 7.4% organic growth: 7.9% RIG; -0.5% pricing.
- North America saw high single-digit organic growth, with strong RIG and negative pricing.
- Latin America reported mid single-digit organic growth, with positive RIG and pricing.

	Sales 3M-2020	Sales 3M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Zone AMS	CHF 8.3 bn	CHF 8.6 bn	7.9%	-0.5%	7.4%	-4.0%	-6.1%	-2.7%

Organic growth increased to 7.4%, supported by higher RIG of 7.9%. Pricing decreased by 0.5%, mainly reflecting timing of promotions in North America. Acquisitions net of divestitures reduced sales by 4.0%, largely related to the divestment of the U.S. ice cream business. Foreign exchange had a negative impact of 6.1%. Reported sales in Zone AMS decreased by 2.7% to CHF 8.3 billion.

North America grew at a high single-digit rate, supported by strong RIG in most product categories. The largest growth contributor was *Purina* PetCare, which saw sustained momentum in e-commerce and premium brands. *Purina Pro Plan*, *Fancy Feast* and veterinary products grew at a double-digit rate. Beverages, including Starbucks products, *Nescafé* and *Coffee mate*, grew at a high single-digit rate. Frozen food posted high single-digit growth, with positive contribution from all brands, particularly *DiGiorno*, *Stouffer's* and *Hot Pockets*. Baking products, including *Toll House* and *Carnation*, saw elevated consumer demand. *Gerber* baby food reported mid single-digit growth, supported by its organic range and healthy snacking. Water posted positive growth, based on strong momentum for *S.Pellegrino* and a positive sales development for regional brands outside of the out-of-home channel. Nestlé Professional reported a sales decline, as out-of-home channels closed or cut back services in March.

Latin America saw mid single-digit growth, supported by most geographies and product categories. Sales in Brazil grew at a high single-digit rate, with significant growth in infant nutrition, ambient dairy and coffee. Mexico saw mid single-digit growth, based on increased sales for *Nescafé* and *Coffee mate*. Chile posted high single-digit growth. Latin America recorded double-digit growth for *Purina* PetCare and culinary products. *KitKat* continued to grow, partially offsetting a sales decline in other confectionery products.

### Zone Europe, Middle-East and North Africa (EMENA)

- 7.1% organic growth: 8.2% RIG; -1.1% pricing.
- Western Europe saw mid single-digit organic growth. Strong RIG was partially offset by negative pricing.
- Central and Eastern Europe had high single-digit organic growth, with strong RIG. Pricing was negative.
- Middle East and North Africa posted high single-digit organic growth, based on strong RIG and slightly positive pricing.

	Sales 3M-2020	Sales 3M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign Exchange	Reported growth
Zone EMENA	CHF 5.3 bn	CHF 5.3 bn	8.2%	-1.1%	7.1%	-0.5%	-6.2%	0.4%

Organic growth was 7.1%, with increased RIG of 8.2%. Pricing decreased by 1.1%, as deflationary trends continued to affect the food and retail sectors across most European markets. Acquisitions net of divestitures reduced sales by 0.5%. Foreign exchange negatively impacted sales by 6.2%. Reported sales in Zone EMENA increased by 0.4% to CHF 5.3 billion.

Zone EMENA reported high single-digit organic growth, with broad-based market share gains across most product categories and geographies. Germany, Russia, Israel and Spain saw particularly strong growth.

Prepared dishes and cooking aids, coffee, *Purina* PetCare and infant nutrition reported double-digit growth. Culinary products saw elevated consumer demand across all segments, particularly *Maggi* and *Garden Gourmet* vegetarian and plant-based food products. Coffee posted increased growth, supported by Starbucks products and *Nescafé*. *Purina* PetCare reported continued strong momentum, led by *Felix*, *Purina ONE* and *Tails.com*. Infant nutrition saw increased consumer demand across most geographies, particularly for products with Human Milk Oligosaccharides (HMOs). Water posted negative growth, impacted by sales declines in the out-of-home channel. Nestlé Professional recorded a double-digit decline in sales.

### Zone Asia, Oceania and sub-Saharan Africa (AOA)

- -4.6% organic growth: -4.6% RIG; 0.0% pricing.
- China posted a double-digit decline in organic growth, mainly due to negative RIG. Pricing was negative.
- South-East Asia maintained mid single-digit organic growth, led by RIG. Pricing was slightly positive.
- South Asia reported high single-digit organic growth, with solid RIG.
- Sub-Saharan Africa saw double-digit organic growth, based on strong RIG.
- Japan and Oceania had low single-digit organic growth. Solid RIG was partially offset by negative pricing.

	Sales 3M-2020	Sales 3M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign Exchange	Reported growth
Zone AOA	CHF 5.0 bn	CHF 5.5 bn	-4.6%	0.0%	-4.6%	0.0%	-5.1%	-9.7%

Organic growth was -4.6%, with RIG of -4.6%. Pricing was flat. Acquisitions net of divestitures had no impact on sales. Foreign exchange reduced sales by 5.1%. Reported sales in Zone AOA decreased by 9.7% to CHF 5.0 billion.

Zone AOA reported negative organic growth, mainly due to a sales decline in China. Other sub-regions saw mid single-digit growth.

China posted double-digit negative growth, due to a significant sales decline for the out-of-home channel and the timing of Chinese New Year. Examples include Nestlé Professional, *Yinlu* peanut milk and canned rice porridge, *Hsu Fu Chi* confectionery, ready-to-drink products and ice cream. *Wyeth* infant formula sales decreased, particularly the *S-26* range. Infant cereals and *Purina* PetCare posted double-digit growth. E-commerce sales saw double-digit growth, supported by *Nescafé* and Starbucks products.

South-East Asia posted solid growth, supported by strong momentum in Indonesia and improved growth in the Philippines and Thailand. *Bear Brand* and *Maggi* grew at a double-digit rate. South Asia recorded high single-digit growth. India continued to perform well, with continued momentum for *NAN*, *Maggi* and *KitKat*. Pakistan returned to positive growth, based on improved sales development for ambient dairy. Sub-Saharan Africa accelerated to a double-digit growth rate, supported by *Nido*, *Milo* and coffee. Japan and Oceania saw low single-digit growth. Oceania posted strong growth across all product categories, particularly *Purina* PetCare, confectionery and *Nescafé*. Japan saw a decline in sales, with *KitKat* impacted by a reduced number of inbound tourists.

By product category, *Purina* PetCare, *Milo* and *Maggi* delivered positive growth. Within coffee, Starbucks products continued to see strong consumer demand. Outside of China, infant nutrition saw good sales momentum. Nestlé Professional recorded a double-digit decline in sales.

## Other Businesses

- 8.5% organic growth: 8.0% RIG; 0.5% pricing.
- Nespresso reported mid single-digit organic growth, with positive RIG and pricing.
- Nestlé Health Science saw double-digit organic growth, entirely driven by RIG.

	Sales 3M-2020	Sales 3M-2019	RIG	Pricing	Organic growth	Net M&A	Foreign exchange	Reported growth
Other Businesses	CHF 2.2 bn	CHF 2.8 bn	8.0%	0.5%	8.5%	-25.4%	-5.5%	-22.4%

Organic growth of 8.5% was supported by RIG of 8.0% and pricing of 0.5%. Acquisitions net of divestitures reduced sales by 25.4%, due to the divestment of Nestlé Skin Health. Foreign exchange had a negative impact of 5.5%. Reported sales in Other Businesses decreased by 22.4% to CHF 2.2 billion.

Nespresso saw mid single-digit organic growth. The Americas and AOA grew at a double-digit rate, with continued market share gains in the United States and Canada. Sales in Europe decreased, reflecting boutique closures and significantly reduced demand in the out-of-home channel, particularly in the latter part of the quarter.

Nestlé Health Science accelerated to a double-digit growth rate, supported by strong momentum for consumer and medical nutrition products. *Garden of Life* and *Pure Encapsulations* saw increased growth, based on high demand for quality supplements that support overall health and the immune system.

### **Our business as a force for good during COVID-19: Coming together globally, working locally**

Companies around the world are called upon to support the fight against the spread of the virus, to provide urgently needed goods and to safeguard livelihoods. We are joining all our stakeholders to provide a helping hand to the communities around us and to the most vulnerable around the globe.

Our people are fully committed and are working hard to ensure that supply is maintained. As employees rise to these new challenges, we are providing extra support to ensure their health, safety and wellbeing. This includes guaranteeing 12 weeks of regular wages for all hourly and salaried staff affected by temporary stoppages.

Since the very beginning of this crisis, we have led local relief efforts all over the globe. We have provided support to charities, medical institutions and other frontline organizations fighting this pandemic. In addition to local efforts, we are increasing our support to partners to support emergency relief and vulnerable populations. The following are just two of many examples of how our businesses and people are supporting the communities in which they operate.

**Partnering with IFRC to help strengthen its emergency response.** Building on a long-standing global partnership, we announced in March that we were joining forces with the International Federation of Red Cross and Red Crescent Societies (IFRC) to provide urgent help for emergency services and caregivers. We will exceed our initial contribution of CHF 10 million and have already identified projects in almost 40 countries for immediate support on the ground. We will continue to match donations to the IFRC made by our employees.

**Partnering with physicians treating COVID-19 patients.** Providing nutrition to patients who are critically ill with COVID-19 is an additional challenge for health care professionals. COVID-19 patients in intensive care often experience acute respiratory failure and need to be tube fed with high-protein and high-energy nutrition. Our Nestlé Health Science team has long-standing expertise in supporting patients with specially developed medical nutrition products. Our experts have been working with physicians to create a simplified algorithm and feeding protocol based on updated international guidelines. This approach, which does not require Nestlé products, is being shared with healthcare providers around the world to help improve patient outcomes and reduce the strain on the healthcare system. In addition, Nestlé Health Science has donated medical nutrition products to support patient recovery and help medical staff keep up their strength in many markets including China and Italy.

### **Outlook**

As it is still too early to assess the full impact of COVID-19, we maintain our original full-year 2020 guidance for the time being. We expect continued improvement in organic sales growth and underlying trading operating profit margin. Underlying earnings per share in constant currency and capital efficiency are expected to increase.

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## Annex

### Three-month sales overview by operating segment

	Total Group	Zone AMS	Zone EMENA	Zone AOA	Other Businesses
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Pricing	-0.4%	-0.5%	-1.1%	0.0%	0.5%
Organic growth	4.3%	7.4%	7.1%	-4.6%	8.5%
Net M&A	-4.7%	-4.0%	-0.5%	0.0%	-25.4%
Foreign exchange	-5.8%	-6.1%	-6.2%	-5.1%	-5.5%
Reported sales growth	-6.2%	-2.7%	0.4%	-9.7%	-22.4%

\* 2019 figures restated following the decision to integrate the Nestlé Waters business into the Group's three geographical Zones, effective January 1, 2020.

### Three-month sales overview by product

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	PetCare
Sales 3M-2020 (CHF m)	20 812	5 440	1 586	2 642	3 058	2 952	1 632	3 502
Sales 3M-2019 (CHF m)	22 183	5 538	1 679	3 124	3 833	2 928	1 858	3 223
RIG	4.7%	3.8%	1.9%	2.0%	2.8%	7.9%	-2.3%	13.3%
Pricing	-0.4%	0.1%	-3.3%	0.1%	0.1%	-0.8%	-1.9%	0.6%
Organic growth	4.3%	3.9%	-1.4%	2.1%	2.9%	7.1%	-4.2%	13.9%

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