

NESTLÉ S.A.

2021 NESTLE GLOBAL VIRTUAL INVESTOR SEMINAR PRESENTATION TRANSCRIPT

17th November, 2021, 14.00 CET

Speakers:

Mark Schneider, CEO, Nestlé S.A.

François Xavier Roger, CFO, Nestlé S.A.

Bernard Meunier, Head of Strategic Business Units and Marketing and Sales, Nestlé S.A.

Aude Gandon, Global Chief Marketing Officer, Nestlé S.A.

Luca Borlini, Head of Investor Relations, Nestlé S.A.

This transcript may have been edited for clarity, and the spoken version is the valid record. This document is subject to the same terms and conditions found at <http://www.nestle.com/info/tc>

Luca Borlini, Head of Investor Relations, Nestlé S.A.:**Slide: Title slide**

Good morning / good afternoon to all. We are pleased to welcome you to our virtual investor seminar. While we cannot host an in-person event, we still want to take the opportunity to engage with the investment community on some of the important work we are doing.

As the Food and Beverage industry has reached a tipping point in terms of digitalization, we want to provide greater insight on how we use data and digital technologies to unlock growth opportunities at Nestlé.

In the following pre-recorded presentation, Bernard Meunier, our Head of Strategic Business Units and Marketing and Sales, and Aude Gandon, our Global Chief Marketing Officer, outline their views on Nestlé's digital transformation. By way of brief introduction, Bernard has been a pioneer in building digitally powered business models in our PetCare business. Aude brings extensive digital and brand building experience having worked for major international brands and more recently a leading technology company.

Our CFO Francois Roger will then outline how the digital work we are doing ties into our value creation strategy.

Following the presentation, we will open up for questions from financial analysts and investors, who have pre-registered for the event. The Q&A session will be hosted by our CEO Mark Schneider, along with Francois, Bernard and Aude.

Slide: Disclaimer

Before we begin, I direct you towards the usual disclaimer. And with that, let's move to Bernard and Aude's pre-recorded presentation.

Bernard Meunier, Head of Strategic Business Units and Marketing and Sales:**Slide: Title slide**

The last 18 months have been pivotal for Nestlé, with massive shifts impacting every consumer in every market in which we operate.

Our purpose, as always, is to unlock the power of food to enhance the quality of life for everyone, today and for generations to come. This is what Good food, Good life means.

Unprecedented times call for unprecedented solutions. Our industry is transforming into one that is driven and shaped almost entirely by data and technology. Now is the time to move forward in our digital transformation with even greater purpose and determination. Now is the time to accelerate.

Slide: Acceleration is now

Today is about having a conversation with you, investors, financial analysts, and media to unpack our digital transformation strategy and answer any questions you might have concerning our ambitious and we believe exciting plans for the future.

Slide: Digitalization is dramatically reshaping consumer behaviors

Covid has without a doubt accelerated even more the changes in consumer behavior brought upon us by digitalization. We all know how that translates: more content hungry connected consumers, more demand for frictionless shopping experiences, more desire to explore the universe of food digitally, overlaying seamlessly the physical world around us.

E-commerce penetration has increased dramatically as consumers spend more time at home and value convenience as their key need. This has significant implications for our brands, our innovation and distribution strategies and for the capabilities we need to develop and attract in order to succeed.

Slide: Nestlé is leading the transformation

The speed of digitalization in the consumer goods industry has accelerated exponentially over the last ten years, initially driven by categories like electronics or beauty. However, the speed of change in the Food & Beverage industry has accelerated so rapidly in recent years that it is now comparable to these pioneering categories.

With new actors appearing along the value chain, especially in the last mile delivery space, and new competitors entering the categories through innovative business models such as meal kits & personalized subscriptions. A new competitive reality is emerging. Nestlé is not only fully embracing this reality but is consistently outperforming its peers in the industry.

Slide: Successful brands now require a different consumer engagement model

The way successful brands are being built and managed has changed completely. Today it is about designing the optimum product concept and the optimum experience. Brands need to

engage very differently with their consumers to stay relevant and earn their active brand recall.

A product proposition needs to be sustainable by design, delivering the right experience and the right content to fit different audiences, optimized for every platform they appear on.

Quick access to actionable data insights is key to understanding fast-changing consumer needs and of course, to optimizing our demand-generation activities, thus maximizing each and every one of the dollars we invest.

At the same time, we continue to see the rise in the importance of digital communities. Today more than ever those communities can exert more influence than traditional awareness vehicles and become advocates for our brands.

So, when we put together those insights, we come to our first big take away. Direct access to consumer data is not just a plus, it's a pre-requisite to be the leading data-powered experience brands company.

Slide: Acceleration is now – E-commerce and Digital marketing

We wanted to share with you our goals for 2025, and as I said in the introduction, they are ambitious but, in reality very achievable, given the power of the strategic plan that we will be revealing later on.

We believe these objectives will establish Nestlé as a leader in all key digital battlegrounds over the coming years.

Obviously, we will continue to enhance our e-commerce offerings and increase our spend in digital marketing. In parallel, we will focus on capturing more valuable consumer data points in the ongoing quest to deeply understand our consumers and build more impactful and personalized experiences for them, taking our sales online from around 13% at the end of 2020 to 25% by 2025, double the average of total consumer goods.

Marketing investment spent online will go from around 47% today to 70% in 2025, with continuous strong return on investment of digital channels.

And to create more meaningful connections with our consumers through relevant experiences, consumer data records will double over the next four years which will drive sales across all our key channels.

Slide: Strategic approach

So, our second big take away today: Acceleration is now. This is a unique time for society and a unique time in Nestlé's history and as our CEO likes to remind us when talking about digital opportunities "The best is yet to come".

Slide: Our focus is to rejuvenate the core and accelerate the new

With our scale and our complex portfolio, transformation comes through two horizons. Rejuvenate our core and amplify the digital native brands and new business models we are bringing into Nestlé.

Slide: Dual transformation roadmap

This is our dual transformation roadmap. We have built solid digital foundations for our billionaire brands; we are bringing digital intensity to all categories and we will amplify fully our digital-first brands to act as lighthouses for our organization worldwide. As an example, Tails.com for Purina or Garden of Life for Nestlé Health Science help transform our billionaire brands into digital-first brands.

I have personally witnessed it taking place in Nestlé over the last few years and recently in leading the accelerated transformation in PetCare. However, it will come as no surprise to my colleagues when I say the key to success is execution. Which is why I am so delighted to introduce Aude Gandon, my transformation partner because she's going to tell us where we are going to focus our efforts, on which strategies and how we are going to execute them. Over to you Aude.

Aude Gandon, Global Chief Marketing Officer, Nestlé S.A.

Slide: Three strategic priority areas

Thank you, Bernard. Acceleration is Now. This is the time. And I'm very excited to share with you our strategy for the years to come. This is where all the leverage is in a rapidly changing world.

We have three strategic priority areas which we believe are essential to growth. It is these three priorities which will transform our brands. It is these three priorities which will redefine the way we connect and engage with our consumers. And it is these three priorities which will ultimately change the way we drive continued growth.

Slide: 3 strategic priorities to drive growth through digital

The first, as Bernard has already mentioned, is critical: Direct access to consumer at scale, use our penetration in every household as a critical competitive advantage to collect consumer's data at scale and leverage this access to create value throughout our portfolio.

The second, channel-less commerce, make shopping effortless, something consumers don't even have to think about. A world where we focus, together with our retail partners, on the actual brand experience rather than thinking about individual channels. Consumers don't think channel. They don't care about channels. They have a need, and they think about what brands can fulfil that need. For us, it means being there at the right "demand moment", providing the right experience to each consumer's need, preference, and location.

And third, Always-on analytics, identify new growth opportunities through the strategic use of data and analytics capabilities. Tracking the ROI of every dollar we spend, using more advanced data science capabilities to improve sales performance and make smarter investment decisions.

As you can see, these three priorities feed off and are amplified by each other, to nourish one over-arching objective: to raise our Growth IQ throughout the whole organization. All categories and all markets. This is for everyone. Everyone in our organization should be concerned with raising their Growth Intelligence. The ability to detect growth potential, to deliver actionable initiatives that fuel growth.

The seeds of Growth IQ, its critical components and key enablers are all in these 3 strategic priorities.

Slide: Direct access to consumers at scale (1)

Let's go into each one of them in more detail.

Slide: Direct access to consumers at scale (2)

Direct access to consumers at scale requires more 1st party data, collected across our category ecosystems through key digital properties that have search authority to drive traffic.

In each category ecosystem, we leverage the data across the consumer journey to create more impactful experiences and identify new business opportunities for our brands and any partner we bring in this ecosystem, bringing growth for all concerned.

For example, in the Culinary category, some Nestlé recipes websites reach a monthly traffic of above 200 million visits already. We are using this asset to drive more sales of our culinary brands or connect it with our direct-to-consumer businesses we have recently invested in.

Bernard, you led the digital transformation of Nestlé's PetCare business, what can you tell us about the importance of consumer data in this business?

Bernard Meunier:

I think about the value of this data in very simple terms. It gives us a considerable competitive advantage that we never enjoyed in the analogue world: to be connected directly to our consumers more often and at the right demand moment. I also consider 1st party data as a critical asset, especially looking at our near-term future, which will, of course, eventually become cookie-less.

Aude Gandon:

You are right Bernard. In a world where the 3rd party cookie is slowly disappearing, reducing our ability to find qualified audiences in the marketplace, 1st party consumer data is even more strategic. And Nestlé is uniquely positioned to build direct relationships across the entire Food and Beverage ecosystem, which will bring business opportunities for the entire household: from babies to grandparents to pets.

Slide: Direct access to consumers at scale (3)

So how do we use that consumer data to drive growth? We take into account four personalization principles.

For our brand campaigns, the goal is to identify more precise and effective audience segments through data. This is what we refer to as "precision marketing". Enabling us to target them with more personalized content and experiences. Integrating more and more AI technology to dynamically associate the right content to the right audience.

For a more "direct engagement", the opportunity is to deliver programs across the entire consumer journey to increase loyalty throughout the category portfolio and identify new growth opportunities beyond our core product offer with personalized products or services.

We are looking at scaling and monetizing these data ecosystems over the next few years by moving from simply "reaching" consumers to really engaging and serving them.

Let's take a look at the transformation journey in PetCare.

Slide: Purina PetCare video

Video Transcript

Jeff Hamilton, CEO Purina EMENA:

Welcome, I am proud to represent Purina EMENA today. We are passionate PetCare professionals and are driven by a brand purpose 'Creating richer lives for pets and the people who love them.'

So, since 2017, we have been on a journey of digital transformation. On this journey we transformed from being a petfood to a pet care business. We have challenged ourselves to be at the forefront of consumer revolutions, to disrupt the category, creating digital experiences for pet owners and building partnerships that strength the bond between people and their pets.

So let me tell you more about this journey and what's next for Purina. The pet care competitive landscape has evolved rapidly due to digitalization, disruptive innovation, new direct-to-consumer models and hundreds of start-ups. This has increased fragmentation of the pet parenthood journey. Consumers have changed too. They are younger, more digitalized and expect a more personalized, tailor-made proposition, seamless experience and convenient shopping.

Starting from 2017, Purina EMENA began rapidly digitalizing its pet experience. We added Wamiz, the most successful digital pet publisher and adoption platform in France to our portfolio for granting access to a large audience of pet lovers and pet owners.

In 2018, Nestlé acquired a majority stake in Tails.com, the most advanced player in the direct-to-consumer tailor-made petfood category, boosting our data and analytic capabilities.

In 2019 and 2021, through our IVC EVIDENSIA partnership, we strengthened our collaboration with scientists, veterinarians and pet care professionals to help deliver petfood solutions and first-class pet care services.

In parallel, we enriched our petfood portfolio by acquiring two leading natural petfood brands: Terra Canis in Germany and Lily's Kitchen in the UK. These strategic investments have delivered strong business results, demonstrating growth against all of our key success metrics. Leading in direct to consumer in EMENA above 30% market share, leading in digital pet media and making a step change in 1st party data.

We are now focused on scaling and rolling out our strategic investments across EMENA to help our portfolio thrive in this transformed PetCare market. Thanks to this momentum, we have become an attractive partner of choice for start-ups in Europe. In 2020, we launched Unleashed; the Purina accelerator lab designed to be at the cutting edge of next generation pet services. Novel nutrition and health technologies, always aiming to strengthen the bond between pets and their owners. This year more than 300 start-ups from 50 countries applied to part of our 2021 cohort.

We are proud of how, with our ecosystem powered by data, we have been able to re-define the category by consolidating a network of partners, alliances and investments which leverage the expertise, people and resources of Purina. And that is why we will continue to accelerate the consolidation of our ecosystem to become the first and most trusted PetCare company across Europe, the Middle East and North Africa.

Slide: Channel-less commerce

Bernard Meunier:

As you saw in the video, this journey from petfood to pet care will accelerate further, solidifying our leadership in pet data, in pet media and in e-commerce, driving solid growth by delivering first class data-powered experiences through our brands. A blueprint and source of inspiration for other categories and brands at Nestlé

Now, let's move now to our second priority.

Slide: Next phase of retail is channel-less

Aude Gandon:

Channel-less commerce. Now I know that omnichannel is a word you have heard a lot over the past few years, and it of course focuses on connecting more channels to the consumer. The more the merrier. Well, we believe that this traditional approach no longer really reflects what's actually going on in the world. In reality, consumers are not in love with a channel or channels, they are in love with getting their needs met as quickly and as seamlessly as possible. This is an important distinction.

With channel-less commerce, we are anticipating a world where the focus is about the actual brand experience and not in which channel or where it takes place. This paradigm shift positions shopping as being effortless, something consumers don't even have to think about. This means, of course, they don't necessarily see the fragmented ecosystem of partners delivering the experiences. For them, it "feels like" there are no channels. Hence "Channel-less commerce".

As an example, say a family wants to enjoy a last-minute meal at home on a Friday night, nowadays with the blurring of lines between out of home channels and at home consumption, which has accelerated during COVID, this family has many options to get this meal delivered to their door. But the channel is not the driver, it is the experience itself and the brand recall that is the driver.

So, for us, it means providing the relevant solutions in every channel to deliver that friction-less shopping journey for each and every consumer. The opportunity here is to be ready to create best in class experiences across the full consumer journey with partners, to excel in every outlet, anywhere, at any time. This is where Nestlé has to focus Growth IQ and deploy resources, to fully leverage this emerging reality: channel-less commerce.

Bernard, you spoke about Nestlé e-commerce intensity in your introduction, can you tell us more about where we are in 2021 and how you see the progress er have made in this new reality?

Slide: Maintaining momentum

Bernard Meunier:

Our investment and focus to date have already delivered strong results with enhanced organic growth in 2021 after a big acceleration in 2020. This has been driven by a combined acceleration of all e-commerce models. Through pure players and click & mortar models where we outperformed competition in almost 2/3rds of the cells we monitor with growth

continuing even beyond the COVID peak, and through direct-to-consumer models already representing 6% of total group sales.

Our e-commerce teams in the markets have been able to work strategically with our retail partners to retain new online shoppers acquired during the pandemic and maintain strong profitability levels.

So, what are the critical enablers we are investing in for this second priority?

Slide: Investing in critical enablers

With our scale and our understanding of online shoppers and online retailers, we have equipped our business operations with new capabilities: new e-commerce packaging solutions and a more agile supply chain to handle different logistic challenges. Already more than 40% of our e-commerce sales are in fit-for-purpose packaging formats and our supply chain has been strengthened to cope with the increased demand, especially in Petcare and Coffee.

Since 2019, our e-retail media investment, made directly with e-commerce platforms, has more than doubled.

We know we need to win in every shelf everywhere, from organic search to advanced content. This is what drives the highest conversion rates. So, like digital native brands, we currently track daily all key online stores that carry our brands in more than 60 markets to ensure content accuracy, product availability and to review consumer feedback, critical details that can increase our products add-to-cart rate by up to 30%.

This is the new reality of our markets to support the e-commerce acceleration.

This is how we win every day when we sell directly online and build a full channel-less experience.

Slide: Nespresso

Aude Gandon:

Now let me tell you a little more about a perfect example of excellence in consumer experience that is driving considerable business growth that I'm sure you all know very well – Nespresso.

Nespresso has always been about elevating the simple act of drinking coffee as a daily routine into a true experience for the consumer. In a very competitive environment, our unique direct-to-consumer business model is a true competitive advantage. It, above all, enables us to know, understand and serve our consumers where and when they expect us, with a truly seamless experience, especially through digital, and the strategic use of data and personalization at scale.

A few weeks back, I spoke with Guillaume Le Cunff, Nespresso's CEO about data and technology and how they have transformed their business model.

Slide: Nespresso Video

Video Transcript

Aude Gandon:

Hello Guillaume. Thank you so much for welcoming us in one of your 800 stores.

Guillaume Le Cunff, CEO Nespresso:

Welcome.

What does consumer experience mean for Nespresso?

Obviously, it starts with a great cup of coffee. That's why we put so much effort and expertise to really craft the best coffee experience from a product standpoint. Now once you have that, that's where you can start to build an experience around this cup and welcoming in our boutique is definitely one great example. Obviously when you are on-line it has to be absolutely frictionless. We are directly connected with our customers. We can personalize and customize any experience you might have. But while it has to be relevant, it also has to be different from one touchpoint to another one. When you mix channels this is where we have the best customers.

Does channel still matter for Nespresso customers?

Working with Chiara Ferragni is the perfect example of when the channels merge. When she started to post on this partnership, the same minute you had people lining up at the door of this boutique. There was no wall anymore between the online activities, even starting up in the funnel on social media activation, till the product sales.

How does consumer data and technology help drive your business today?

Data is a great asset if we use it to better serve you. We have an amazing set of data and make this data talk and being able to move into actions through the algorithms that we put behind that, we can adapt the experience, anything we will offer you and it has to be real-time. That is what we call personalization at scale. Now we can also predict the risk. We can also, based on different algorithms, know depending on your first contact to the brand how much risk we have for you to stay or leave. As we want you to stay, we can adapt and react in advance.

What's next for Nespresso?

Innovation has been at the core of what we have been doing for years. To innovate, be it on coffee or any kind of experiences. But I see Nespresso becoming even more a relational brand. We have the chance to be connected with many stakeholders, from the farms to the end consumers. It's a unique opportunity to create relations. We can connect you directly to the farmers who produced this cup of coffee. I think this is the future. You know just building and leveraging the business model to create new relations.

Slide: Always-on-analytics

Aude Gandon:

With Nespresso, we talked about using consumer data to identify consumers who were at risk of leaving. Obviously, this is not just valid for Direct to Consumer. Transforming data into an asset by building new analytics capabilities is a true competitive advantage across all business models. This is why Always on Analytics is our third priority.

Slide: Harness the power of data

Because of our scale we have access to a very large quantity of data, granular information such as store level data, e-commerce sales data or online consumer behavior data. On a weekly basis, we speak with more than 200 000 consumers, we monitor 500 000 product reviews every month and analyze millions of interactions.

We have developed advanced data science capabilities to use these data sources strategically, build predictive analytical models to help improve sales outcomes and consumer lifetime value and surface these in real time to identify early trends and innovation opportunities.

Let's see how this translates into specific advantages in different areas of the world, with many retail partners. First up the US, then India and finally China.

Slide: Examples in US and India

In the US, we now use predictive capability to identify potential opportunities for new items, detect possible out of stock and propose to our retail partners store level personalized recommendations on pricing, promotion or assortment optimization. Taking Strategic Revenue Management to a different level to drive incremental sales for us and the retailer.

In India, in a much more fragmented and traditional trading landscape, we consolidated all store data to capture the effect of generating demand activities (media, trade investment and promotions) so as to identify optimal allocation of resources, depending on the geography or the channel we operate in.

We use data solutions to better segment retail outlets, suggesting "must sell SKUs" per store and mapping more strategical areas to focus our sales force effort, helping us to enhance significantly distribution, availability, and visibility.

We use predictive models to improve sales demand accuracy and better anticipate "out of stock". These capabilities combined drove incremental sales from 2% to 4% and help us optimize 10% of our investment to be more productive. These are all examples of concrete applications of Growth IQ in action. Of course, the US and India are just illustrations of what is happening worldwide.

Those new capabilities now power our commercial teams in many markets to drive significant investment optimization and growth opportunities, transforming the way we engage with all our retail partners.

Slide: Nestlé China: Innovation agility through real-time consumer data

Now let's look at how we bring consumer data into our innovation engine. For this we wanted to share some insights from China. China is arguably the most innovation-led market in Food & Beverages. Incredibly competitive, with a pace for new product launches that is unmatched in the rest of the world.

Rashid Qureshi our Nestlé Greater China CEO will tell us more about what they doing at the moment.

Slide: Nestlé Greater China region video**Video Transcript**

Rashid Qureshi CEO and Chairman, Nestlé Greater China region:

I'm Rashid Qureshi Chairman and CEO of Nestlé Greater China region. Today I would like to talk about innovation agility.

No matter how you describe innovation, it's happening right now in China and provides us with challenges and opportunities that keep defining our future success.

China is arguably the most innovation-led market in F&B. Brands are rising exponentially in China. This is powered by the digitization of the business environment and an open data ecosystem. In fact most CPGs are challenged by the overall velocity of the market. Nestlé stepped up to this challenge by digitizing the innovation process to fast-track output and to fine tune concepts based on data insights.

We can now leverage our innovation big data tool to screen-out key trends and innovation opportunities using real-time social data. This data and insights get translated into innovation ideas and concepts which are accelerated through our local Product Innovation Centers and manufacturing capabilities.

With our e-commerce partner platform we are capable of testing these concepts very rapidly. Looking back at some results, Nestlé China multiplied its innovation intensity by 3, in three years.

Let's take an example. Some of you may have heard of our Nescafé Youth Line. With Tmall innovation center we verified the concept and fruit flavor recommendations, within two weeks and even identified specific target audience profiles. Youth Line was launched in three flavors, penetrated over 3 million families. 20% were new category users, demonstrating a strong recruiter role to the brand, and in six months-time Nescafé's 1+2 shares drove up by +50bps. With the positive feedback gained from the test launch we expanded to always-on formats, plus seasonal editions to continuously excite consumers. This case truly exemplifies how we can leverage data and technology to innovate faster and increase success rates. And we are rolling out these capabilities to more categories.

We will keep on elevating our innovations as this demand keeps increasing. This edge is truly where everything begins.

Aude Gandon:

Thank you, Rashid and the team in China for giving us a glimpse of what the future might look like for other parts of the world in just a few years from now.

Slide: Three priorities

So there you have our three priorities. This is where we will be focusing our energy. Of all the predictions about what's going to happen over the next thirty years, I think we can be sure of one thing. The world's population will increase and will be even more connected.

Slide: Growth IQ

To meet that challenge as a business, our entire organization has to evolve fast, creating the conditions for our talents to grow across the different dimensions of our digital transformation. The pre-requisite of our success will be our people, empowered by the right technology.

This is where Growth IQ takes center stage.

Slide: Raising Growth IQ through our people

Nestlé has been investing tremendously in its workforce over the past years. Getting ourselves ready for the accelerated transformation we are all experiencing today.

Slide: Investing in our people

We have been investing in upskilling more than 31,000 marketing and sales employees, representing 75% of our generating demand population. Enhancing their digital literacy, using cutting edge training developed in partnership with our technology platform partners Facebook and Google. That means that from Nigeria to the Philippines, from Brazil to the US and Europe, our people will follow the same world-class bespoke training delivered by the finest in the digital world.

We have integrated new talents & experts to further accelerate in areas such as data science, digital experience and digital media: more than 500 digital experts worldwide and even more account managers dedicated to e-commerce.

Creating a culture where our people are not afraid to experiment, to innovate and to lead. This is what Growth IQ is all about: to champion innovation and digital creativity across the organization.

This agile mindset is already embedded in our innovation cycle, orchestrated with our R&D colleagues. Bernard, can you explain how we do it consistently?

Slide: Fast-paced trial and error

Bernard Meunier:

Yes, Aude. In the last few years, we have created multiple R&D accelerators to embrace a test & learn mindset and accelerate our speed to market for our innovative new concepts. This test and learn methodology is a critical enabler as it allows us to quickly validate our ideas with consumers and make faster, smarter go-to-market decisions.

Our multi-disciplinary teams are equipped with the latest technology to create products & experiences. They can test and validate them with consumers – all in record time. It's what we call fast-paced trial and error.

An example you may have heard of is the development of Wunda where we utilized those capabilities to develop and test a new non-dairy drink in record time. The product concept and branding was tested first with consumers online with a Direct-to-Consumer website set up in 4 weeks. Following successful reactions gathered online, the product is now rolling out across Europe.

Slide: In-housing talents to build more effective end-to-end content engines

We have taken a similarly digital-agile approach in the way we communicate. As the number of digital platforms soars, the need for creative assets has dramatically increased. To answer this challenge we created a more effective, more agile end-to-end content production model. Let me now show you a short video that brings it all to life.

Slide: Content Studio video

Video voiceover:

Our brands today they need to connect with consumers in millions of micro moments. To connect where and when they're receptive. To be relevant in a world of extreme competition for attention, the need for digital creative assets has never been greater.

To answer this challenge we have built more effective, more agile content production model powered by Nestlé in-house content studios operating across our Zones and markets.

Consolidating the creation and adaptation of original brand content for all digital channels.

Removing the inefficiency of multiple specialized digital agencies.

Since 2017, we moved from five to a network of 35 content studios with over 400 dedicated resources and have reduced our number of digital agencies by 60%. Today our studios are at the forefront of our digital transformation journey. They're filled by world-class digital creators, powered by social listening tools and always on insights to drive effectiveness and relevance. And supported by best-in-class digital technology services to localize creative assets faster.

For hundreds of brands across Nestlé, this new model is delivering hard-working digital content 40% faster and helped us reduce production costs by 50%. A true competitive advantage for our brands to be agile and remain current in a fast-changing digital world.

Slide: Starbucks global roll-out: leveraging new digital content capabilities

Aude Gandon:

New content production, new digital experience capabilities are available in markets and for central teams to roll out more efficiently for best-in class digital communication for global brands. The best example to bring this transformation to life is Starbucks at-home, where new capabilities helped us deploy successfully the launch campaign in 70 countries in record time.

Slide: Starbucks video

Video Transcript

Video voiceover:

Over the last two and half years Starbucks coffee has come home with the launch of the global coffee alliance between Nestlé and the iconic coffeehouse brand from Seattle. To support the ambitious roll-out of Starbucks at-home our coffee team leveraged our new content operating model to deliver at scale the new 'Starbucks is coming home' campaign and all creative assets designed to deliver a unique brand experience in all major digital platforms and retailers worldwide.

How did we do this?

An integrated communication plan with more than 600 master creative assets created centrally by our lead agency partner and newly created Coffee content studio.

Rich content tailored for every social media platform. Product content design to win the e-shelf and a full website experience to drive consumer awareness and engagement with the new coffee offerings.

Localization of global master assets operated through our integrated marketing services. With fully automated process, CGI product images technology. Accelerated by AI capability for content identification.

So far 30,000 local assets have been developed in 60 languages and deployed one master website into 49 local Starbucks websites operated by digital experts in content management and search engine optimization.

With this new model Starbucks at-home is now live in 79 markets, ensuring a consistent and premium brand experience across the globe. Bringing agility and speed with efficiencies of 65% for content creation and website deployment. An industry leading practice to support the successful rollout of Starbucks at-home, becoming one of the fastest growing billionaire brands at Nestlé. Setting the new standard for all Nestlé global brands rolling out this new content operating model.

Slide: Key takeaways

Bernard Meunier:

So with that final inspiring example from Starbucks, we would like to bring this presentation to a conclusion and then answer any questions you might have.

Slide: Acceleration is now

The accelerated phase of Nestlé's transformation journey has begun. Acceleration is Now.

The future of the food and beverage industry is technology and data-driven and Nestlé will lead this transformation.

Slide: 3 strategic pillars

Aude Gandon:

With 3 strategic pillars: First, direct access to consumer at scale to move from selling to serving, to build category ecosystems, to partnering disruptive start-ups with our lighthouse brands.

Second, channel-less commerce is our new normal to win with shoppers anywhere.

Third, Always-on analytics to identify growth opportunities through data. Innovation, M&A, marketing investment decisions, and portfolio choices.

Slide: Growth IQ takes center stage

We have the right people in place worldwide, they have the necessary state of the art digital knowledge, they are equipped with the right tools, R&D, and content engines.

This is the right time, now, to bring Growth IQ center stage to champion a culture of innovation and digital creativity across the whole organization.

Bernard Meunier:

Through this transformation journey to a more data & technology driven company, led by our teams across all our categories and markets, we will continue to deliver profitable growth while serving our purpose of enhancing quality of life for people and pets.

As the leading experience brands company in the food and beverage industry, Nestlé will ensure that “Good food, Good life” remains a reality in today’s world, and for generations to come.

I am delighted to hand over to François Roger for some closing remarks before we move to Q&A.

François Xavier Roger, Chief Financial Officer, Nestlé S.A.**Slide: Title slide**

Thank you, Bernard and good morning / good afternoon to all.

Slide: Our virtuous circle of value creation

I would like to start with a reminder of our model for value creation at Nestlé and the important role that digital transformation plays.

Our value creation model starts with freeing up financial resources, which allows us to invest for future growth. We have been generating such resources over recent years through a combination of disciplined control of our structural cost base and acceleration of our organic growth. We expect to follow a similar model going forward, with more of the freed-up resources being used to invest behind growth platforms with a key focus on digitalization and sustainability.

Our focused investments are driving market share gains. This is clearly evidenced by our recent strong market share performance, gaining or holding share in more than 60% of business cells, the highest level since 2013.

We expect our value creation model to enable the delivery of profitable growth and capital efficiency.

Of course, we believe our company will only be successful in the long term if we create value for both society and our shareholders.

When all these elements come together, the result is a virtuous circle of value creation.

Slide: Driving efficiencies to invest for growth

We have delivered on this value creation strategy over the last few years.

Since 2016, we have reduced our structural cost base by around 300 basis points as a percentage of sales. Structural costs amount to around 16 billion Swiss francs, representing 19% of our 2020 sales, and include fixed industrial costs, fixed distribution costs and G&A.

At the same time, we stepped up our growth investments. Since 2016, we have increased our investment in trade spend, consumer-facing marketing and R&D by around 200 basis points as a percentage of sales.

Over the last 4 years a lot of our value creation came from reductions and improvements with items such as structural costs and working capital. Going forward, while further opportunities exist in these areas, increasingly we expect value creation to be driven by “softer” elements such as digitalization and data analytics. The digital transformation of Nestlé should not only drive growth, but it can also generate savings and free up financial resources.

Slide: Increasing the return on marketing investments

Over the last few years, we have been very focused on increasing the returns on our investments. For example, last year we improved our return on invested capital for the 6th consecutive year.

Looking at our marketing spend more specifically, we have been increasing the return on our investments through 2 key pillars.

Firstly, we are increasing the share of our marketing investment that is tracked and assessed systematically for ROI. Today we conduct systematic ROI analysis on around 50% of our media investments. We can do more, and we are accelerating our coverage to better track every Swiss franc we invest. Last year, we increased tracking by 40% and this resulted in a 10% increase in ROI in our test markets.

Secondly, we have been increasing the proportion of our media spend that is digital. Last year, digital media spend represented 47% of our total spend, a significant increase compared to 32% in 2017. Importantly, the shift to digital media generates even higher returns as it enables us to move faster, to better focus investments and to increase personalization. Indeed, we estimate that the return on digital media spend at Nestlé is around two times higher compared to traditional media. We see that across categories and geographies, for example: Dog Chow in Mexico or KitKat in Spain have seen double the return on digital spend versus traditional media. And even if we look at Nescafé in South Africa has even seen three times the return.

Enhancing our efficiency and effectiveness goes beyond marketing spend. We are significantly investing in Artificial Intelligence, in data analytics and algorithms, as well as in talents and competencies to support our digital journey. For example, we have built three data and analytics hubs starting with Barcelona in 2018, which has now been expanded to Argentina and India. Since the digital hubs started, they have rolled out over 500 initiatives in 40 countries. Digitalization is clearly an area where we see a lot of value creation going forward across the entire company.

Slide: Supporting our value creation model

So, to conclude, we are moving faster, we are becoming more effective and more efficient with our investments across the board.

In turn, this frees up resources that can be invested behind key growth platforms. Accelerating our digital transformation is clearly an important area of investment to support growth, along with technology, innovation and sustainability. Our digital investments are clearly not limited to marketing and we are also digitalizing other functions such as R&D, operations, finance and HR.

Such investments support our medium-term outlook to deliver sustainable mid single-digit growth, continued moderate margin improvement, and prudent capital allocation, as well as value creation for both society and our shareholders.

I will now hand over to Luca for the Q&A session.

End of Transcript.