

# Nestle S.A.

**CORE HOLDING\***

Recommended since 20.04.15

09.01.2025



<b>Country</b> CH	<b>Market capitalization (bn)</b> CHF 197,4	<b>Perf. since reco. (%)</b>
<b>Sector</b> Food & Beverage	<b>Free float</b> 98,0%	Nestle S.A. 1,8
<b>Factset</b> NESN-CH	<b>Closing price</b> CHF 75,36	Sector -2,9
<b>ISIN</b> CH0038863350	<b>ESG Risk score*</b> 22,7 Medium risk	

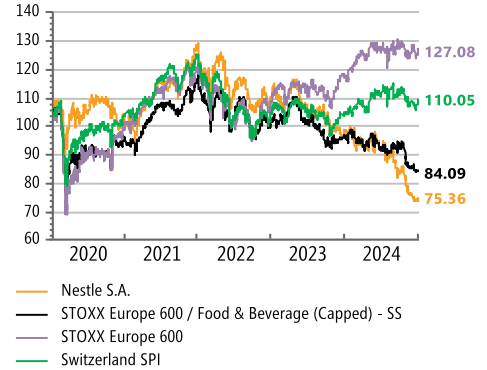
\*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## Profile

Nestlé is one of the world's leading food companies with strong positions in the business categories in which it operates: Water (Vittel, Perrier, Contrex, San Pellegrino), Dairy Products (Chambourcy, Laitière), Soluble Beverages (Nescafé, Nespresso, Nesquik), Chocolate (Cailler, KitKat), Food (Maggi, Buitoni), Pet Food (Purina, Friskies), Ice Creams (Mövenpick, Motta), Baby Food (Gerber, Cerelac). Nestlé holds a 23% stake in L'Oréal.

## Market - competition - positions - barriers to entry

Nestlé operates in a growing (+4% annually) but highly competitive food market, particularly in developed regions where price pressure is significant. Its leadership and strong brands provide critical pricing power to protect margins despite intense competition and low entry barriers.



Source: Factset

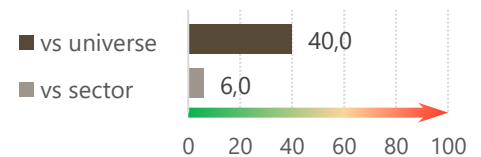
## Investment case

- Nestlé is maintaining its strategic course despite challenges. Under the leadership of the new CEO Laurent Freixe, the group continues to focus on organic growth and optimizing its core segments without relying heavily on acquisitions. Nestlé is now prioritizing high-growth, high-margin segments, including Pet Food, Coffee, Waters, and Baby Food, which together contribute 60% of EBIT. Simultaneously, the group has continued to streamline its portfolio by divesting underperforming assets (notably U.S. Confectionery, Gerber Insurance, Galderma, Herta, Yinlu, and U.S. Waters). While Food remains strategic, as evidenced by its partnership with Starbucks in the Coffee segment, Nestlé is also investing in Consumer Health with key acquisitions like Atrium, Terrafertil, Zenpep, and Aimmune Therapeutics.
- In 2024, organic growth is expected to stabilize around 2%, but Nestlé aims to support its volumes through a robust product pipeline and increased investments in marketing and innovation to drive demand. Nestlé anticipates an operating margin of 17%, a slight decrease due to higher investments required to drive revenue growth, particularly in North American and European markets. Over the 2024-2026 period, the group will likely adjust its average annual organic growth expectations to +2-4%, with an operating margin target between 16.5% and 17.5% by 2025, along with EPS growth at constant exchange rates between 6% and 10%. Its share buyback program, announced for a total of CHF 20 billion between 2022 and 2024, remains a key element in supporting shareholder returns.
- In an environment marked by inflation, rising energy costs, and economic slowdown, Nestlé's message, supported by its diversified portfolio and focus on high-demand categories, remains reassuring. Beyond its solid fundamentals, the group retains an attractive defensive profile with strong earnings growth prospects (forward P/E of 17.3x and dividend yield of 3.9%).

## ESG - risks and key points

- Nestlé has an average risk of suffering significant financial impacts related to ESG factors, due to its high exposure (with a diversified product portfolio and a global revenue base) and its rigorous management of significant issues.
- Nestlé has experienced controversies related to human rights (sourcing), raw materials (cocoa, palm oil), water resources and product management, but the high quality of its governance is recognised.

## ESG risk vs. universe & sector (percentile)\*



Source: Sustainalytics

## Valuation\*\* in CHF

<b>Current price</b>	<b>Value Bordier Scenario</b>
75	102

Our scenario assumes 10-year interest rates in Switzerland at 1.75%, stabilization of organic sales starting in 2025, and an EBIT margin of 17.5% on a steady-state basis.

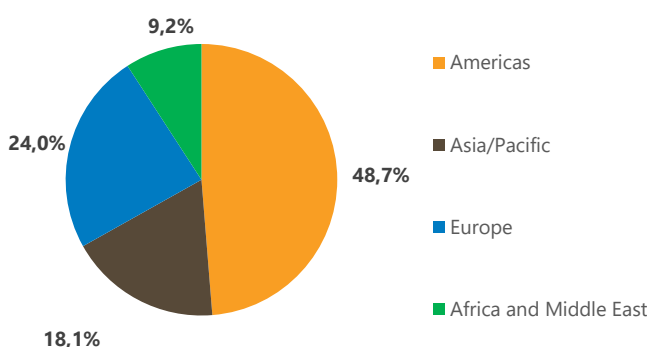
\*\*) The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

## "Bordier Core Holding" indicators

In millions of CHF	2022	2023e	2024e	2025e	2026e
<b>Sales revenue</b>	<b>87 088</b>	<b>94 424</b>	<b>92 998</b>	<b>91 045</b>	<b>92 320</b>
<b>Sales growth %</b>	<b>3,3%</b>	<b>8,4%</b>	<b>-1,5%</b>	<b>-2,1%</b>	<b>1,4%</b>
<i>o/w organic</i>	7,5%	8,2%	-1,0%	-2,1%	1,4%
<i>o/w perimeter</i>	-2,9%	1,1%	0,0%	0,0%	0,0%
<i>o/w forex</i>	-1,3%	-0,9%	-0,5%	0,0%	0,0%
<b>EBITDA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>% of sales</b>	<b>20,4%</b>	<b>19,7%</b>	<b>19,5%</b>	<b>20,0%</b>	<b>19,5%</b>
<b>EBIT</b>	<b>11 679</b>	<b>12 326</b>	<b>14 063</b>	<b>14 824</b>	<b>14 570</b>
<b>% of sales</b>	<b>13,4%</b>	<b>13,1%</b>	<b>15,1%</b>	<b>16,3%</b>	<b>15,8%</b>
<b>Adjusted EPS</b>	<b>4,4</b>	<b>3,4</b>	<b>4,2</b>	<b>4,7</b>	<b>4,7</b>
<b>Adjusted EPS growth</b>	<b>5,3%</b>	<b>-22,5%</b>	<b>23,7%</b>	<b>11,8%</b>	<b>-1,1%</b>
<b>FCF/Sales</b>	<b>10,3%</b>	<b>7,2%</b>	<b>14,5%</b>	<b>12,2%</b>	<b>11,9%</b>
<b>Dividend yield</b>	<b>3,7%</b>	<b>3,9%</b>	<b>4,1%</b>	<b>4,4%</b>	<b>4,8%</b>
<b>ROCE - WACC</b>	<b>10,0%</b>	<b>10,2%</b>	<b>11,0%</b>	<b>9,3%</b>	<b>8,8%</b>
<b>ROE (%)</b>	<b>23,2%</b>	<b>22,1%</b>	<b>31,4%</b>	<b>37,2%</b>	<b>33,9%</b>
<b>Net debt/Ebitda</b>	<b>223,2%</b>	<b>262,5%</b>	<b>277,5%</b>	<b>292,2%</b>	<b>287,6%</b>

Source: Factset, Bordier estimates

## Sales breakdown - 12/2023



## Governance and ownership structure

Since 2024, CEO Laurent Freixe

## Key shareholders (if any):

The Vanguard group 2.9%, Norges Bank 2.7%.

## Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements, etc.):

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## Glossary

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition &amp; b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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