SWITZERLAND: Weak water sales, strong currency damage Nestlé Q1

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Global food and beverage giant Nestlé has reported a slowdown in sales growth for the first quarter, with the company's bottle water division showing particular weakness.

Total group sales slipped 2.1% to CHF25.2bn (US$21.53bn) for the first three months of 2009 as the strong Swiss currency had a negative impact of 5.2%, Nestlé said today (22 April).

Despite this, Nestlé said it still expects 2009 organic sales growth of "at least approaching 5%", compared to its long-term target of 5-6% annual growth.

Nestlé Waters saw reported sales down 4% for the period, to CHF2.1bn. The figure, Nestlé said, reflects the "continued adverse trend in the bottled water industry", particularly in Western Europe and the home-and-office segment in North America.

Nestlé's retail business in North America gained market share. The emerging market business enjoyed double-digit organic growth. Nestlé Pure Life achieved double-digit organic growth with both the emerging markets and North America contributing.

Speaking at the group's results conference this morning, Roddy Child-Villiers, head of investor relations for Nestlé, said water was the category experiencing the "least significant" improvement. "I won't factor in hope for a great summer," he said. "The water market is tired and we don't expect to see much improvement there. The category remains under pressure in north America and in western Europe we achieved no market growth. But this is more a reflection economy environment rather than the impact on water."

James Amoroso, analyst with consultancy Amoroso, reiterated this and said that water was indeed "the only real issue".

He said that it is clear Nestlé is "not interested in growth per se".

"It has to be "profitable growth", as stated during the call," Amoroso said. "This is not new but it is especially reassuring to hear in these uncertain economic times that its strategy is unchanged.

"It is clear from the overall stance taken by the company during the conference call, and in particular on input costs, that there are unlikely to be price decreases in 2009. If raw materials fall further, I would expect some tactical promotional activity instead."