



SWITZERLAND: Water the weakspot in Nestle sales, profit rise

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Falling bottled water sales in 2008 provided the blip in Nestle's sales and profit rise for its full-year.

Nestle said today (19 February) that like-for-like net sales for the 12 months of 2008 rose by 8% to CHF110bn (US\$93.5bn), up 2% on a reported basis.

Shares in the food and drink giant rose by 4% this morning after it reported net profit up by 69% to CHF18bn, boosted by the group's sale of a stake in Alcon during the year.



Water sales dampen Nestle rise

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Organic sales growth halved from a rate of 14% in 2007, but Nestle said that it remained confident of further rises in 2009, despite the weak global economy.

Bottled water blighted across-the-board sales rises elsewhere in the group. Nestle Waters reported that sales fell by 1.6% on an organic basis during 2008, mirroring a decline announced by rival firm Groupe Danone last week.

Nestle Waters operating margins also shrank, by 220 basis points. All other Nestle business divisions reported growth.

Slowing sales in Western Europe and North America, together with higher PET plastic and distribution costs, damaged the water business, Nestle said. Emerging markets achieved organic sales growth of almost 20%, however.

Independent analyst James Amoroso said that water was the "black spot" in Nestle's results. Commenting on Nestle Waters' 2009 strategy, he said: "Nestlé will focus in 2009 on maintaining share and margins. It is difficult to separate structural from temporary negative factors, but Nestlé is unlikely to exit the business".

In its outlook, Nestle predicted group-wide organic sales growth of 5% in 2009. It said that it planned to increase shareholder dividend for 2008 by 15%, to CHF1.4 per share, compared to 2007.

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