

SWITZERLAND: Nestlé to “meet and beat” challenges

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Nestlé said that its global businesses are focused on "meeting and beating" the challenges it faces, as it reported a slowdown in sales growth for the first quarter today (22 April).

Speaking at the group's results conference this morning, Roddy Child-Villiers, head of investor relations for Nestlé, said the trading environment in 2009 had "not come as a surprise", and reiterated the group's 2009 organic sales growth of "at least approaching 5%" compared to its long-term target of 5-6%.



CEO Paul Bulcke

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Total sales for the group slipped 2.1% to CHF25.2bn (US\$21.53bn) as the strong Swiss currency had a negative impact of 5.2%. Organic sales growth, which strips out currency effects and acquisitions, was 3.8% in the first quarter.

Nestlé achieved organic growth of 3.8%, including 0.3% real internal growth for the quarter.

Questioned as to why five out of the company's seven categories had posted negative growth, Child-Villiers said that acceleration "doesn't literally mean growing organic growth faster".

"It's about initiatives around costs, capital, accelerating innovation...doing all things that are driving our success and doing them harder and faster."

Nestlé's confectionery division experienced 4.3% organic growth with sales of CHF2.7bn. The emerging markets in Asia, Africa and the Middle East continued to enjoy strong growth. The UK also performed well, particularly KitKat, which achieved double-digit growth.

In Nestlé's Americas region sales reached CHF7.5bn, achieving 7.1% organic growth and 2% real internal growth. In North America, the company said frozen food and ambient dairy performed well.

James Amoroso, analyst with consultancy Amoroso Strategic Insights, said that 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," Amoroso said. "It is also clear that Nestlé is not interested in growth per se. It has to be 'profitable growth', as stated during the call. This is not new but it is especially reassuring to hear in these uncertain economic times that its strategy is unchanged."

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