

Nestle Warns It Will Miss Sales Target

Reuters News Service

ZURICH — Nestle SA won't achieve its goal of 4% sales-volume growth for 1998.

Peter Brabeck, Nestle's chief executive officer, informed financial analysts of the news on Friday, a week before Nestle is due to report its 1998 results, said a spokeswoman for the world's biggest food company.

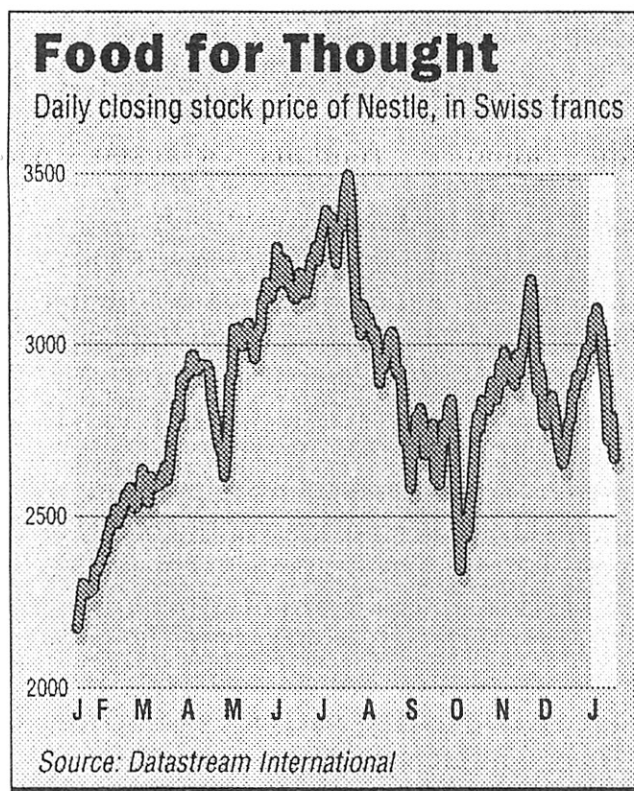
Mr. Brabeck said the company will miss its target due to three factors: the Asian financial crisis; the August turmoil in Eastern Europe; and a slowdown in western Europe toward the end of 1998.

Nestle stock fell sharply on Monday in reaction to the news. The shares dropped 4.3% to 2,669 Swiss francs (\$1,929.69), off 121 francs each. The shares had fallen as far as 2,625 francs.

Some equity analysts, worried about the group's exposure to emerging markets, cut their price targets for the stock.

Analysts study a company's sales volume to gauge underlying revenue after the impact of currency fluctuations, acquisitions and price changes is stripped away.

Nestle's sales volume rose 4.6% in the first 10 months of 1998, while overall sales



rose 4% to 59.2 billion francs.

Mr. Brabeck discussed general economic trends for 1999 with the analysts, the Nestle spokeswoman said. "He basically said that a lot depended on Latin America, because clearly there is a lot of uncer-

tainty there at the moment," she said.

The rest of the discussion covered long-term strategic issues, the spokeswoman said. She didn't elaborate.

James Amoroso, an analyst for Bank Julius Baer, described Mr. Brabeck's comments as another setback for Nestle, which had warned analysts in November that they shouldn't expect the company to post double-digit profit growth amid turmoil on global markets.

"Nestle will miss its one publicly stated target for 1998, which represents a major psychological blow for the Nestle registered share at a time of general economic uncertainty," Mr. Amoroso wrote in a research note.

The 4% target had seemed safe after the first 10 months, Mr. Amoroso added. The analyst reiterated his neutral recommendation on the stock, but cut his year-end 1999 price target to 2,900 francs from 3,100 francs.

Morgan Stanley Dean Witter said it trimmed its price target to 3,200 francs from 3,300 francs, but the firm reiterated its outperform rating on the stock.