

Nestle Expects Growth, Despite Turmoil in Asia

By MARGARET STUDER

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VEVEY, Switzerland — Nestle SA Chief Executive Peter Brabeck said strong profit growth this year should be followed by a "good" 1998, despite market turbulence in Asia.

Mr. Brabeck said sales are expected to total about 70 billion Swiss francs (\$49.7 billion) in 1997, up 16% from 60.5 billion francs in 1996. Nestle said sales in the first ten months of the year jumped 17.5% to 56.9 billion francs from 48.4 billion francs a year earlier.

The company didn't report 10-month profit figures, but Mr. Brabeck said 1997 net profit should grow in line with the 18% sales growth recorded in the first half. James Amoroso, a food analyst at Bank Julius Baer, said Nestle is being "ultra-conservative." He thinks net profit will rise 24%. In 1996, Nestle reported net profit of 3.4 billion francs.

Nestle officials said earnings this year have been boosted by a significant appreciation of many currencies against the Swiss franc; higher sales volume with particularly strong demand in Eastern Europe, most South American countries, Malaysia and Indonesia; and a restructuring to focus on brands and products with good profit margins through acquisitions and divestitures in industrialized countries. Nestle also has benefited this year from stable volume sales of coffee combined with higher prices.

So far, the economic uncertainty in Asia hasn't affected Nestle's sales, Mr. Brabeck said. He added that "we expect to be protected" against a slowdown in the region because Nestle doesn't sell luxury goods and has the advantage of being a local producer. In addition, Mr. Brabeck

pointed out that Southeast Asia is only a small part of Nestle's sales — Thailand, Malaysia, Indonesia and the Philippines account for only 5%.

"Our trust in the region remains unshattered," Mr. Brabeck said. "The upheaval is temporary." Nevertheless, he warned that economic ups and downs are a normal process of maturing for emerging markets and globally active companies must be able to adjust to this.

Some financial analysts are skeptical. Bank Sal. Oppenheim analyst Frederick

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Hasslauer said Nestle can't escape being affected if there is a severe recession in emerging markets. "Nestle may not sell luxury goods; but if consumers get scared, Nestle also does not sell cheap food," Mr. Hasslauer said. Nevertheless, he retained a buy recommendation on Nestle as a "defensive investment in volatile times."

In trading on the Swiss exchange Tuesday, Nestle shares gained 31 francs, or 1.5%, to 2,041 francs.

Mr. Brabeck, who took over as CEO this year, said he expects to announce more divestitures and acquisitions in the coming months as Nestle focuses even more on profitable businesses.

However, he added, there was nothing to the speculation that Nestle will sell Alcon, its highly profitable eye-care unit, to eventually finance a takeover of cosmetic giant L'Oreal SA.