



Good food, Good life

Press Release – Q2 2022

Nestlé House, 28th July 2022

Nestlé India Delivers Robust Sales Growth, Crosses INR 40 billion for the Second Quarter

Signals Premiumisation by Announcing Acquisition of Pet Food Business from PURINA Petcare India and Launch of Brand GERBER in India

The Board of Directors of Nestlé India today approved the results for the second quarter of 2022.

Commenting on the results, **Mr. Suresh Narayanan, Chairman and Managing Director, Nestlé India said**, “I am pleased to share that we have continued to deliver robust sales growth this quarter and breached the INR 40 billion (4000 crore) mark. This is attributable to the resilience of my team and the tenacity of our partners. Our endeavour this quarter was to secure our ‘engines of growth’ in this inflationary context and to enable sharp overall business recovery when the pressures abate. The growth is broad based and while being primarily driven by pricing, has a healthy underlying volume and mix evolution. I am also happy to share that the ‘out of home’ space got back to accelerated growth in channels like hotels, education centres and workplaces. As far as channels are concerned, ‘organized trade’ saw broad based growth across consumers and categories.

The Milk Products and Nutrition category witnessed a double-digit growth across brands with MILKMAID leading the way. The Confectionery category led by KITKAT and Nestlé MUNCH performed with strong double-digit growth aided by media campaigns, attractive consumer promotions, trade inputs and focused distribution drives. The Beverages category turned in another double-digit growth across channels based on the pivotal equity of NESCAFÉ and a consistent strategy of customized communication in the summer, as well as driving penetration and distribution. The Foods category continued its strong double-digit streak of growth, with improved market share in MAGGI Noodles.

We continued to see strong momentum in mega cities and metros, as well as strong acceleration across smaller town classes which reinforces the execution of our RURBAN strategy. We are also heartened by a smart uptick in sales in rural markets this quarter which augurs well for a credible momentum in future.

It has been the stated strategy of Nestlé India that we would aggressively seek new platforms and categories for future growth opportunities.

Towards moving firmly in this direction, I welcome the Pet Food Business of PURINA Petcare India into our Nestlé India family and larger ecosystem. As a transparent and responsible organization, Nestlé always seeks to recalibrate its strategies given new challenges and opportunities. In this spirit, we have revisited our earlier stance regarding the operating model of Pet Foods in India. The valuation report of the registered valuer (PwC) and the

related party transaction was approved by the Audit Committee and then by the Board with only independent directors voting.

Pet Food business has evolved very positively and has an exciting future with pet adoption on the rise post pandemic. There are far greater synergies with evolution in channel strategies now than when the business was launched in 2018. The Pet Food Business of PURINA Petcare India has gained traction amongst Indian pet owners and established the Pet Food brands across key segments, while building a robust pet specialty distribution network. Going forward, leveraging Nestlé India's network would further accelerate the growth of Pet Food Business in India and for Nestlé India a promising business would be a part of its portfolio from the last quarter ending 31st December 2022.

Nutrition business has been perceived as a somewhat 'mature' business in the past and it has been our endeavor to find new and exciting consumer insight led opportunities in this promising category.

Its therefore with great delight that I announce the launch of globally renowned brand GERBER in India. In coming months, products tailored to the needs in the toddler segment, relevant and resonant to their nutrition needs in India would be introduced under brand GERBER. It is with great pride that I share that these products are 'Made in India' and 'Made for India'. The launch of brand GERBER showcases our continuous evolution to adapt to consumer needs for newer product experiences, more sophisticated forms of nutrition and leverage the significant expertise that Nestlé brings to the science of nutrition. Equally important, such significant initiatives are testimony to our confidence in the market opportunities in India."

Financial Highlights – Q2 2022:

- Total Sales of INR 4,007 Crore
- Total Sales Growth at 15.7%. Domestic Sales Growth at 16.4%.
- Profit from Operations at 18.2% of Sales
- Net Profit of INR 515 Crore
- Earnings Per Share of INR 53.4

Business Comments – Q2 2022:

- **E-commerce:** The channel sustained good growth despite higher base from Covid related tailwinds in Q2'21 and contributed 6.4% to the quarterly sales.
- **Organized Trade:** The channel witnessed strong growth albeit on a subdued base impacted by COVID wave 2.
- **Out of Home (OOH):** The channel posted strong performance driven by better channel opening and business led initiatives.
- **Exports:** Expanding our product offering across the globe remains a key growth driver, especially with the MAGGI range in both ethnic and mainstream channels in the UK, Canada and USA.

Category Performance – Q2 2022 (Domestic):

- **Prepared Dishes and Cooking Aids:** Growth driven by MAGGI Noodles, aided by media and trade inputs.

- **Milk Products and Nutrition:** Nutrition performed well, strong growth in MILKMAID as well.
- **Confectionery:** All key products registered double-digit growth.
- **Beverages:** Strong growth in NESCAFÉ, Ready To Drink and Vending mixes.

Petcare Business Transaction:

The Board of Directors have approved the acquisition of the Pet Food Business from PURINA Petcare India Private Limited. The integration of Pet Food Business with Nestlé India Limited is proposed with effect from 1st October 2022. The cost of this transaction is INR 123.5 Crore subject to change in net asset position between 31st March 2022 and 30th September 2022 along with net cash/debt as on 30th September 2022.

Commodity Outlook in Short to Medium Term

We are witnessing early signs of softening in few of the commodities like edible oils and packaging materials. Fresh milk, fuels, grains and green coffee costs are expected to remain firm with continued increase in demand and volatility.

Cautionary Statement:

Statements in this Press Release, particularly those which relate to outlook, describing the company's projections, estimates and expectations may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in the statement depending on the circumstances.

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