

Nestlé posts \$9.7 billion profit for 2007



Among the products produced by Nestlé is the baby formula, Beba. The company posted a 2007 profit of 10.65 billion Swiss francs. (Fabrice Coffrini/AFP).

Nestlé, the world's largest food company, brushed off high commodity prices and the global slowdown to post a 15.8 percent rise in 2007 net profits, above forecasts, sending its shares soaring.

The maker of Nescafé coffee and KitKat chocolate bars, which is based in, Switzerland, sidestepped higher costs for milk, cocoa and grains by raising its own prices to lift its sales to an above target 7.4 percent and said the outlook for 2008 was bright.

Nestlé, the owner of brands such as Nescafé, Haagen Dazs and Perrier, posted a net profit of 10.65 billion Swiss francs, or \$9.7 billion, in 2007, fueled by a 3 percent increase in prices that helped push sales up 9.2 percent to 107.55 billion francs.

An average forecasts of 14 analysts polled by Reuters expected net profit to rise 11 percent to 10.22 billion francs and sales to be 107 billion francs.

"The results are well ahead of our expectations - that were already ahead of consensus - and indicate a strong end to what has been an exceptional year for Nestlé," said Andrew Wood, a senior analyst with Sanford C. Bernstein in New York.

Nestlé's own predictions for organic growth of 5 percent to 6 percent this year were likely to be conservative, in line with past guidance, he said. One of Nestlé's rivals, Groupe Danone, said last week that its organic sales would grow by 8 percent to 10 percent in 2008.

The chief executive of Nestlé, Peter Brabeck, said he expected continued global economic growth in 2008, especially in emerging markets, and said the recent record rises in commodity prices will start to cool in the second half of 2008.

"There will be important growth in 2008," he said in an interview after results. "I am a little bit optimistic."

Brabeck, who will be succeeded by Paul Bulcke later this year as chief executive and assume the chairman's role, has said the group has the wherewithal to weather an economic slowdown in the United States, where Nestlé generates around 30 percent of its profit.

Analysts said that Nestlé's push into healthy foods and strong name brands, like Nespresso coffee, will help insulate it as global economic growth and raw food prices remain high in the first half of 2008.

The company said it would seek shareholder approval for a 10-for-1 share split at its upcoming annual meeting and a dividend increase of 17.3 percent to 12.20 francs.

Asked about the future of Nestlé's stakes in the U.S.-based contact lens company Alcon and the French cosmetics and beauty group L'Oréal , Brabeck told CNBC television that Alcon does not need Nestlé anymore and vice versa, while there was nothing he wanted to change with its stake in L'Oréal .

Nestlé has a 75 percent stake in Alcon with a market value of around \$34 billion and a 29 percent stake in L'Oréal with a market value of around \$22 billion.

Nestlé shares rose 16.25 francs, or 3.5 percent, to close at 482.50 francs.

Disponível em: <<http://www.iht.com>>. Acesso em 22/2/2008.

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