

Nestlé whips up 6% rise in profits

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Swiss group defies surge in costs

Net earnings reach SFr5.21bn

Nestle, maker of Kit Kat bars and Perrier water, defied surging energy and commodity prices to continue strong sales and earnings growth in the first half, and predicted a sustained improvement for the full year.

The forecast came as the world's biggest foods group beat analysts' expectations, with sales and profits growth above the industry trend and a bullish outlook for 2008.

In spite of "challenging economic times", Nestle said sales growth would at least match last year's level, which was well above the group's long-term target, while profit margins would be higher.

"Nestle's drive to become the world's recognised leader in nutrition, health and well-ness, its strong billionaire brands and its focus on speed and discipline in execution have allowed the company to further accelerate its performance under difficult economic conditions," said Paul Bulcke, chief executive since April.

Group sales rose by 3.8 per cent to SFr53.07bn (\$50bn) in spite of the strong Swiss franc. Operating profits before interest and tax climbed by 6.1 per cent to SFr7.34bn. Net earnings rose by 6.1 per cent to SFr5.21bn.

The higher figures reflected better margins based on improved efficiency, which outweighed surging costs. The operating profit margin climbed by 0.30 percentage points to 13.8 per cent.

Nestle's focus on its biggest brands and* shift into higher margin "wellness" and lifestyle products, such as Nespresso, allowed it to expand sales faster than most rivals, with organic growth of 8.9 per cent and its own "real internal growth" measure, excluding price rises, up 3.5 per cent.

The core foods and beverages divisions performed strongly, with organic growth of 8.9 per cent and real internal growth of 3.2 per cent, taking half-year revenues to SFr49.3bn.

Sales were depressed by more than 8 per cent by currency factors, while acquisitions, notably two big operations from Novartis, added 3.2 per cent to revenues net of disposals. Analysts welcomed the results, especially the acceleration of the SFr25bn share buyback programme, with plans to complete about half the scheme, or SFr13bn, this year.

However, there were concerns over the sharp slowdown in bottled waters and the slowdown in real internal growth in food and beverages to 2.6 per cent in the second quarter from 4.5 per cent in the first three months.

Fonte: Financial Times, London, August 8 10 2008. Primeiro Caderno. p.16.