

Nestle raises outlook as revenue increases

DERMOT DOHERTY Geneva , NESTLE, the world's biggest food company, yesterday raised this year's sales forecast after nine-month revenue rose at the fastest pace in three years, helped by higher prices for Nescafe soluble coffee and increased volume in Asia. Revenue on a comparable basis would "slightly" beat a long-term sales growth target of 5%-6% this year, the Vevey, Switzerland-based KitKat maker said. Nestle previously said it expected to reach the upper-end of the range. Nine-month sales on that basis rose 7,3%, beating the 7,2% average estimate. New products including Maggi Juicy Roasting products in Europe helped boost sales. Higher pricing added 3,2 percentage points to growth, while volume rose 4,1%. The maker of Pure Life bottled water and Gerber baby food is passing on higher prices to consumers this year, a period in which it has estimated its raw-material costs may jump as much as Sf3bn (\$3,3bn). Nestle said it was "striving" to expand margins at constant currency rates this year after saying in August it was "confident" of doing so. "What Nestle does, and what none of the other food companies do, is grow strongly in Western Europe," Kepler Capital Markets analyst Jon Cox said. "And that's why they're the best in their class." Consumer sentiment had worsened in Europe and the US since the end of the first half, Roddy Child-Villiers, head of investor relations, said on a webcast. The weakness of emerging market currencies is also a reason for the new guidance. Nestle shares fell 0,4% to Sf51,35 early yesterday in Zurich. Sales of Nescafe Dolce Gusto coffee boosted growth in Europe, where comparable revenue rose 3,8%. Danone of France had revenue growth in Europe of 0,1% on a comparable basis in the third quarter. Revenue at Nestle's Americas unit increased 5,6%, boosted by Lean Cuisine snacks and DiGiomo Pizza Combos. Sales at Nestle's Asia, Oceania and Africa unit increased about 12%. Total sales during the first nine months fell to Sf60,9bn from Sf70,4bn a year earlier, dragged down by a strengthening of Switzerland's currency and the sale of a stake in eyecare company Alcon. The dollar was 23% lower against the franc and the euro was worth 12% less during the period, reducing the value of sales from outside Switzerland when translated into Nestle's home currency. The Swiss National Bank last month imposed a ceiling on the franc of Sfl,20/€ for the first time in more than three decades to help bolster the economy. Nestle is looking for "bolt-on" acquisitions, chief financial officer Jim Singh said in August. Mr Singh will retire in April and be replaced by Wan Ling Martello, who is Walmart Stores' executive vice-president of global e-commerce and emerging markets. Bloomberg