



**Emerging markets were the growth driver for Nestlé in the first nine months, with 13.1 percent underlying sales growth. A strong Swiss franc caused overall sales to fall 15.1 percent.** PHOTO: BLOOMBERG

## Nestlé forecasts tough times in major markets

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WEAKENING consumer sentiment in developed markets would make it harder to improve margins, Nestlé said yesterday, as the world's biggest food group raised its sales growth outlook for 2011 after beating forecasts for the first nine months.

The Swiss company said that price hikes and strong demand in emerging markets allowed it, like other big European food groups, to make up for weakening consumer sentiment in the mature markets of western Europe and the US.

The maker of KitKat chocolate bars and Nespresso coffee capsules, softened its optimism about margins, however, saying it was looking for an increase this year following a more confident tone at its half-year results in August.

"For the year as a whole, in spite of input cost pressures, we expect to slightly overperform against our long-term organic growth range of 5 to 6 percent and continue to strive for a margin improvement in constant currencies," chief executive Paul Bulcke said in a statement yesterday.

Underlying sales at the owner of brands such as Perrier, Maggi, Carnation and Nescafe grew 7.3 percent, down from 7.5 percent growth in the first half.

"Very solid set of figures with a clear beat of consensus at the organic growth and

raises its guidance," Kepler Capital Markets analyst Jon Cox said. He noted that Nestlé had tweaked its margin outlook comment to say it was "striving" for an increase in constant currencies. "That may raise some eyebrows."

Asked about this change in wording, Nestlé investor relations head Roddy Child-Villiers said: "Consumer sentiment has turned down in Europe and the US. So if we say 'striving', we're just taking into account the tougher environment."

Nestlé's shares fell 1 percent to Sf51.05 (R453) in midmorning trade in Zurich, in line with the Stoxx 600 Europe food & beverages index.

Nestlé achieved volume growth of 4.1 percent and raised prices by 3.2 percent on average between January and September. It said the underlying sales growth contribution was more weighted to pricing as the year progressed.

Emerging markets remained the growth driver with 13.1 percent underlying sales growth and Child-Villiers said there was no sign of a slowdown in these markets.

Total sales in Swiss francs fell 15.1 percent, severely affected by the franc's strength, to Sf60.9bn.

Nestlé shares, which have lost 6 percent so far this year, compared with a 3.6 percent drop in the sector index, trade at about 15.9 times estimated 2012 earnings, at a premium to Danone on 14.4 and Unilever on 14.1. – Reuters