Nestle Posts $11.55B Profit in 2012

JOHN HEILPRIN,Associated Press

VEVEY, Switzerland (AP) — Nestle SA, the world's biggest food and drinks maker, predicted another challenging year ahead but overcame tough global economic conditions to post a full-year net profit Thursday of 10.6 billion Swiss francs ($11.55 billion) for 2012.

With 330,000 employees worldwide and 461 factories in 83 countries, Nestle is a major buyer of food commodities such as wheat, sugar, milk and coffee and its results are a good indicator of consumer demand in various regions of the world and the health of the global economy as a whole.

The maker of Nescafe, Perrier, Jenny Craig, Haagen Dazs and Carnation reported broad-based growth across all product ranges and regions with sales reaching 92.2 billion francs ($100.5 billion), up from 83.6 billion francs ($91.11 billion) in 2011. The results compare with a full-year 2011 profit of 9.5 billion Swiss francs ($10.35 billion).

In its financial statements, the Swiss-based food giant predicted 2013 will prove to be every bit as challenging as last year.

This year began with an improved economic climate but a still-uncertain recovery, particularly in Europe where officials remain anxious whether reforms will prevent failed banks from adding to government debt through bailout.

This year "will have its difficulties, definitely, but there will also be many opportunities to deliver value," Chief Executive Officer Paul Bulcke told a news conference at the company's elegant headquarters on the shoreline of Lake Geneva. Even in Europe, he added, there was "good growth," even if it lagged well behind other regions.

The weakest growth was in Europe — up just 1.8 percent compared with 5.2 percent in the Americas and higher everywhere else — and with products such as prepared dishes and cooking aids. Overall sales for 2012 showed that the strongest growth was in China and other parts of Asia along with Africa and the Oceania regions.

"This year was not a walk in the park," said Chief Financial Officer Wan Ling Martello, who noted that Nestle had its slowest growth in Europe in the face of some shrinking local economies. "Even so, we delivered good top-line results."

But consumer confidence remains "very low," said Martello, a former Wal-Mart executive, who singled out health and wellness items such as Nesquik made with less sugar and organic Gerber baby food as examples of what is selling well.

Product-wise, the best sellers were powdered and liquid beverages and pet care. In

North America, which is Nestle's most important market, pet care and frozen foods were the stalwarts, said Chris Johnson, the company's executive vice president for the Americas.

Nestle said its sales growth rebounded during the last three months of 2012 and that it strengthened its standing as a seller of premium nutritional and health products.

Over the course of 2012, the company acquired Pfizer's infant nutrition business Wyeth Nutrition, inaugurated its Nestle Institute of Health Sciences in Lausanne, Switzerland, and added two new research and development units in China.

Bulcke said all of the company's businesses, both in developed and emerging markets, contributed to the overall 5.9 percent organic growth.

"Despite the many challenges 2013 will no doubt bring, we expect to deliver the Nestle model of organic growth between 5 percent and 6 percent as well as an improved margin and underlying earnings per share in constant currencies," he said.

Asked whether the company might accelerate that growth, Bulcke replied, "There is wisdom is consistency, what I call the mountaineer coming up the mountain — you have to pace yourself. ... It walks on a line that is sustainable."

Bulcke said the news that horsemeat had found its way into products across Europe that were packaged as containing beef is adversely affecting the global food industry.

"It has affected us because the whole industry is in question again, and that is unfortunate," he said. "Because of a few actions, a few initiatives, a few bad things and bang — the whole industry again is questioned."

There have been no such discoveries involving Nestle's products, said Bulcke, who suggested that companies and consumers alike must pay a certain price for quality.

"Are we affected directly? No," Bulcke added. "We do have very stringent and very disciplined policies with our supplies, we check them permanently. ... Also quality has a price. So that is why we sometimes are a little bit more expensive, maybe, because these things, they cost money."

Nestle said it plans an increase in the dividend later this year to 2.05 francs per share. Shares in Nestle fell 2.3 percent to close at 63 francs ($68.36) on the Zurich exchange, reflecting a measure of profit-taking with the stock rising more than 7 percent since the start of the year.