

Nestle reports slowest Q1 sales growth since 2009

Kinibiz.com

Apr 15, 2014

By Matthew Boyle, Bloomberg

Nestle SA, the world's largest food company, reported its worst first-quarter sales growth since 2009 on pricing pressure in Europe and decelerating conditions in emerging markets.

Sales rose 4.2% excluding acquisitions, divestments and currency shifts in the three months through March, the Vevey, Switzerland-based maker of DiGiorno pizzas said today in a statement. That matched the 4.2% median estimate of 13 analysts surveyed by Bloomberg.

Sales in Europe fell 0.8%. Deflation will probably persist in Europe after pricing pressure led to the weakest sales growth in the region last year since 2009, Nestle said Feb 13, 2014. Currency depreciations in emerging markets have also damped sales growth of the maker of Gerber baby food, and a later Easter in 2014 means chocolate sales are being pushed into the second quarter from the first this year.

"Europe remains weak with pricing still negative," Warren Ackerman, an analyst at Societe Generale, said in a note today. "Southern Europe continues its recovery but Northern Europe is slowing," a comment echoed by rival Unilever, the maker of Flora spreads, earlier this year.

Nestle's net revenue declined 5.1% to 20.8 billion francs (RM76.1 billion), hurt by "substantial" currency fluctuations, the company said, along with divestments. That's below the 21.4 billion-franc median estimate of analysts polled by Bloomberg. Chief executive officer Paul Bulcke added that the continued strengthening of the Swiss franc will hurt reported sales.

Frozen Meals

"The underlying result will come as a relief to investors after management have consistently talked down the quarter and there were some concerns that organic growth could slip below 4%," Jefferies analyst Alex Howson said in an April 8, 2014 note.

The maker of Lean Cuisine frozen meals confirmed its forecast for 2014, saying organic revenue will rise about 5% this year, with the second half stronger than the first. The average increase over the past 10 years has been 6.1%. Nestle has also forecast improvement in margins and underlying earnings per share excluding currency shifts.

Confectionery sales declined 0.5% in the first quarter, pulled down by the later Easter, while “severe weather” hurt sales across North America, which grew 4.1% in a “subdued” market, Nestle said. Yesterday, L’Oreal SA posted its weakest quarterly sales in more than four years due to slowing demand for its cosmetics in North America. Nestle’s new products in the quarter included Lean Cuisine Stuffed Pretzels and Girl Scout-themed flavors for Coffee-Mate creamers.

‘Remains Sluggish’

Revenue increased 5.3% in Nestle’s Asia, Oceania and Africa division, Nestle said, below both analysts’ estimates and last year’s 5.6% rate, due to a “mixed and volatile” economic environment. The region “remains sluggish,” according to Exane BNP Paribas analyst Jeff Stent, hurt by worsening conditions in China and India, which combined account for about 10% of Nestle’s sales.

“Our organic growth in the first months of the year was in line with expectations and driven by volume rather than price,” Bulcke said. Sales volume, or the number of units sold, grew 2.6% in the quarter, in line with analysts’ estimates.

L’Oreal Transaction

In February, Nestle agreed to sell part of its L’Oreal SA stake back to the French cosmetics maker for 6 billion euros (RM26.7 billion), its first sale of shares after four decades of ownership. The food company said it would use the proceeds to help fund stock repurchases, and an announcement on the new program would come later.

Nestle shares have gained 2.1% in the past 12 months, giving the maker of Perrier bottled water a market value of about 216 billion francs. The company doesn’t report earnings for the first quarter.

The company also took full control of the Galderma dermatology business, forming a new skin-health division. Nestle has divested laggard food units like PowerBar snacks and Jenny Craig diet centers.

Chairman Peter Brabeck-Letmathe has been diagnosed with a curable illness that will require periodic medical treatment over the next six months, Nestle said last week. The company said that won't affect his ability to carry out his role.

Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd

Source: <http://www.kinibiz.com/story/world-biz/81231/nestle-reports-slowest-q1-sales-growth-since-2009.html>