

# Nestle warns market will stay tough in 2013

VEVEY, SWITZERLAND: Swiss-based food giant Nestle warned Thursday, 14 February 2013, that business was likely to be tough this year, after its 2012 results showed a slowdown in growth in emerging markets.

Nestle's net profit of 10.6 billion Swiss francs (8.8 billion euros, \$11.5 billion), representing an increase of 11.5% on the 2011 performance, was slightly ahead of analysts' forecasts.

Sales at what is the world's top food industry player, known for products such as Nespresso coffee capsules and Maggi stock cubes, rose by 10.2% to hit 92.2 billion Swiss francs.

But in the Asia, Oceania and African regions, which have been Nestle's main growth drivers, sales rose by 8.4% to 18.9 billion Swiss francs, down from an increase of 11.4% in 2011.

"In 2012 we delivered on our commitment: a good, broad-based performance building upon the profitable growth achieved consistently over previous years," said Paul Bulcke, Nestle's Belgian chief executive.

He cautioned that Nestle did not expect an easy ride this year. "The environment in 2013 looks to be every bit as challenging as it was in 2012," he said.

British-Dutch rival Unilever recently warned of tough times, with intense competition and volatility on the raw materials market both playing a role.

Despite the relatively downbeat market outlook, Nestle stuck to its forecast for organic growth this year.

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

In 2012, organic growth was 5.9%. The figure was 5.9% in the Americas, 2.4% in Europe and 10.3% in Asia, Oceania and Africa.

Price rises contributed 2.8% of the group's growth. Patrick Hasenboehler, an analyst of Bank Sarasin, said in a research note that the results were "solid" but highlighted the "only minor improvement" on emerging markets.

Jon Cox, of Kepler Capital Markets, said Nestle's performance was "solid enough overall".

"But emerging markets continue to decelerate and that might have spooked the markets a bit," he told AFP.

In afternoon trading on the Swiss exchange, Nestle's shares fell 2.56% to 62.85 Swiss francs.

Nestle's board has proposed a dividend of 2.05 Swiss francs per share for 2012, up from 1.95 Swiss francs the previous year.

Source: *AFP*

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