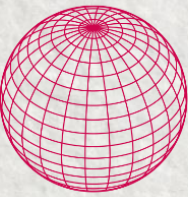


Nestlé, the M&A leader, even acquired Starbucks (sort of)

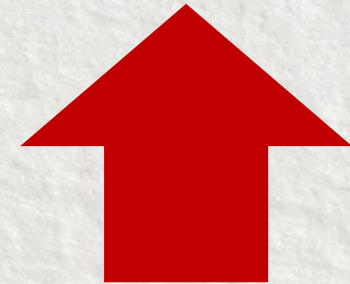


CASE  STUDY

VALUATION MASTER CLASS

by  INVESTMENT
RESEARCH

Welcome to this...



Valuation Master Class

Nestlé, the M&A leader, even acquired Starbucks (sort of)



This is not a recommendation
or investment advice.

- 🌐 What is the company's background?
- 🌐 What is its competitive strategy?
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 What does the valuation look like?

Swiss based Nestlé owns over 2,000 brands!

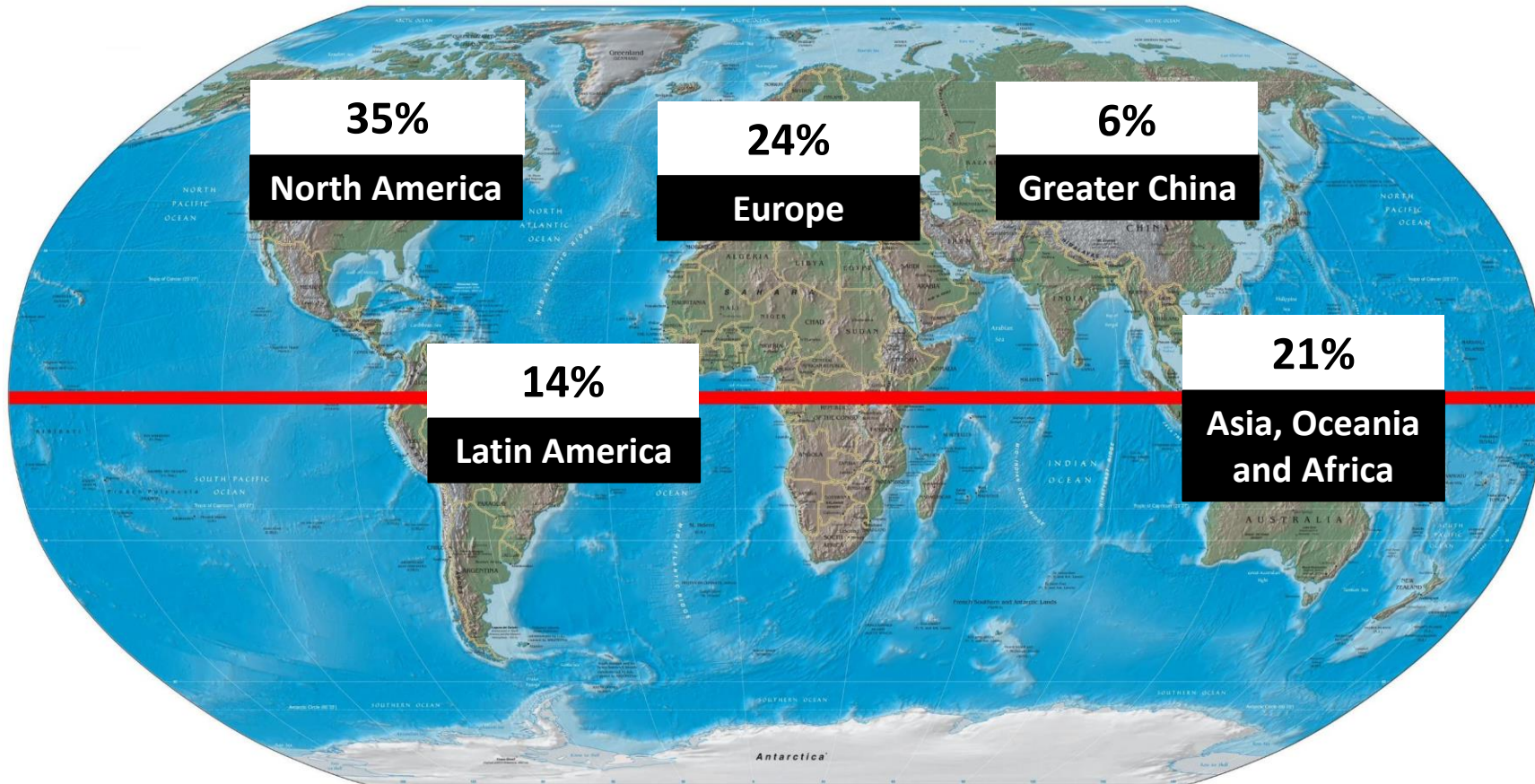
- ★ Some major brands you know
 - KitKat, Nespresso, and Maggi
- ★ Sells products across 188 countries

A. Stotz
ACADEMY

Andrew Stotz, PhD, CFA



Worldwide company: CHF93bn 2023 revenue spread nearly equally across regions



Nearly 60% of 2023 revenue comes from top three product categories



Powdered and liquid beverage
27%



PetCare
20%



Nutrition and health science
16%

A. Stotz
ACADEMY

Andrew Stotz, PhD, CFA

- 🌐 The powdered and liquid beverage products sales led by the Nescafé, Nespresso, Starbucks, and Milo brand
- 🌐 PetCare sales led by the Purina brand

Four other categories are filled with brands we all know



Prepared dishes and cooking aids
13%



Milk products and ice cream
12%



Confectionery
9%



Water
3%

Nestlé ranked as the world's most valuable food brand in 2023 by Brand Finance



Top 10 Most Valuable Food Brands

© Brand Finance Plc 2023



Andrew Stotz, PhD, CFA

This is not a recommendation or investment advice.

Sources: brandirectory.com

Nestlé, the M&A leader, even acquired Starbucks (sort of)



This is not a recommendation
or investment advice.

- 🌐 What is the company's background?
- 🌐 What is its competitive strategy?
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 What does the valuation look like?

Nestlé S.A. - Switzerland - Founded 1905

Cons. Staples sector, 270,000 employees, US\$102bn revenue

Main segments/products

- Nescafe
- Nestlé Pure Life
- KitKat

Its competitive advantage

Competitive advantage through diverse brand portfolio, global reach, and acquisitions.

How it achieved its competitive advantage

By building a diverse brand portfolio and expanding globally, it solidified its position in the consumer goods market.



Andrew Stotz, PhD, CFA



Key M&A milestones (1929 to 1988)



1929

Bought Switzerland's largest chocolate company Peter-Cailler-Kohler



1947

Merged with a Swiss company Alimentana, which produces Maggi products



1962

Bought the Findus frozen food brand from Swedish manufacturer Marabou



1988

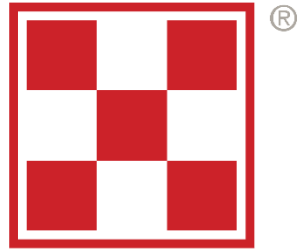
Bought a UK confectionery company Rowntree Mackintosh. Adding KitKat, After Eight, and Smarties brands

A. Stotz
ACADEMY

Andrew Stotz, PhD, CFA



Key M&A milestones (2001 to 2022)



RALSTON PURINA COMPANY

2001

Bought US pet food business
Ralston Purina, a leading pet care company



2002

Acquired the licensing rights to premium ice cream Häagen-Dazs in the US and Canada



Nutrition

2012

Acquired Pfizer Nutrition, a global infant nutrition business



2022

Acquired a majority stake in Orgain, a leader in plant-based nutrition

A. Stotz
ACADEMY

Andrew Stotz, PhD, CFA



Nestlé's deal of a lifetime

- ★ In mid-2018, Nestlé gained perpetual global rights to sell Starbucks consumer and food service products (adding RTD in 2021)
- ★ Nestlé paid Starbucks US\$7.15bn upfront cash (Which came in handy for Starbucks during Covid lockdowns)
- ★ Nespresso & Dolce Gusto can sell Starbucks
- ★ Nestlé also acquired rights for Starbucks teas
- ★ Boosted Nestlé's premium coffee profile



Andrew Stotz, PhD, CFA

Let's understand recent transactions



Andrew Stotz, PhD, CFA

- ★ JAB Holdings paid
 - **3.1x price-to-sales for Keurig Green Mountain**
 - **2.5x price-to-sales for Peet's Coffee and Tea**
 - **2.8x price-to-sales for DE Master Blenders**
- ★ Nestle paid 3.6x price-to-sales for limited, by perpetual rights to Starbucks

Innovate, innovate and innovate

- ★ In 2017 alone, Nestlé launched 1,000 new products

A. Stotz
ACADEMY

Andrew Stotz, PhD, CFA



Nestlé, the M&A leader, even acquired Starbucks (sort of)



This is not a recommendation
or investment advice.

- 🌐 What is the company's background?
- 🌐 What is its competitive strategy?
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 What does the valuation look like?

**Is the company
financially world class?**



I use my **World Class Benchmarking** scorecard to measure if a company has a **competitive advantage**



I developed this scorecard ten years ago; here's how we construct it



Andrew Stotz, PhD, CFA

- ★ My team gathers the yearly and quarterly financial data of 26,000 companies worldwide
- ★ We then calculate each company's **Profitable Growth** score
 - Which is a composite measure of both profitability and growth

I developed this scorecard ten years ago; here's how we construct it

- ★ After that, we rank the company relative to sector peers of similar size
 - A decile ranking of 1 or 2 is financially world class, while 10 is the worst
- ★ We assess the company's performance over the prior four years and the past 12 months (PTM)



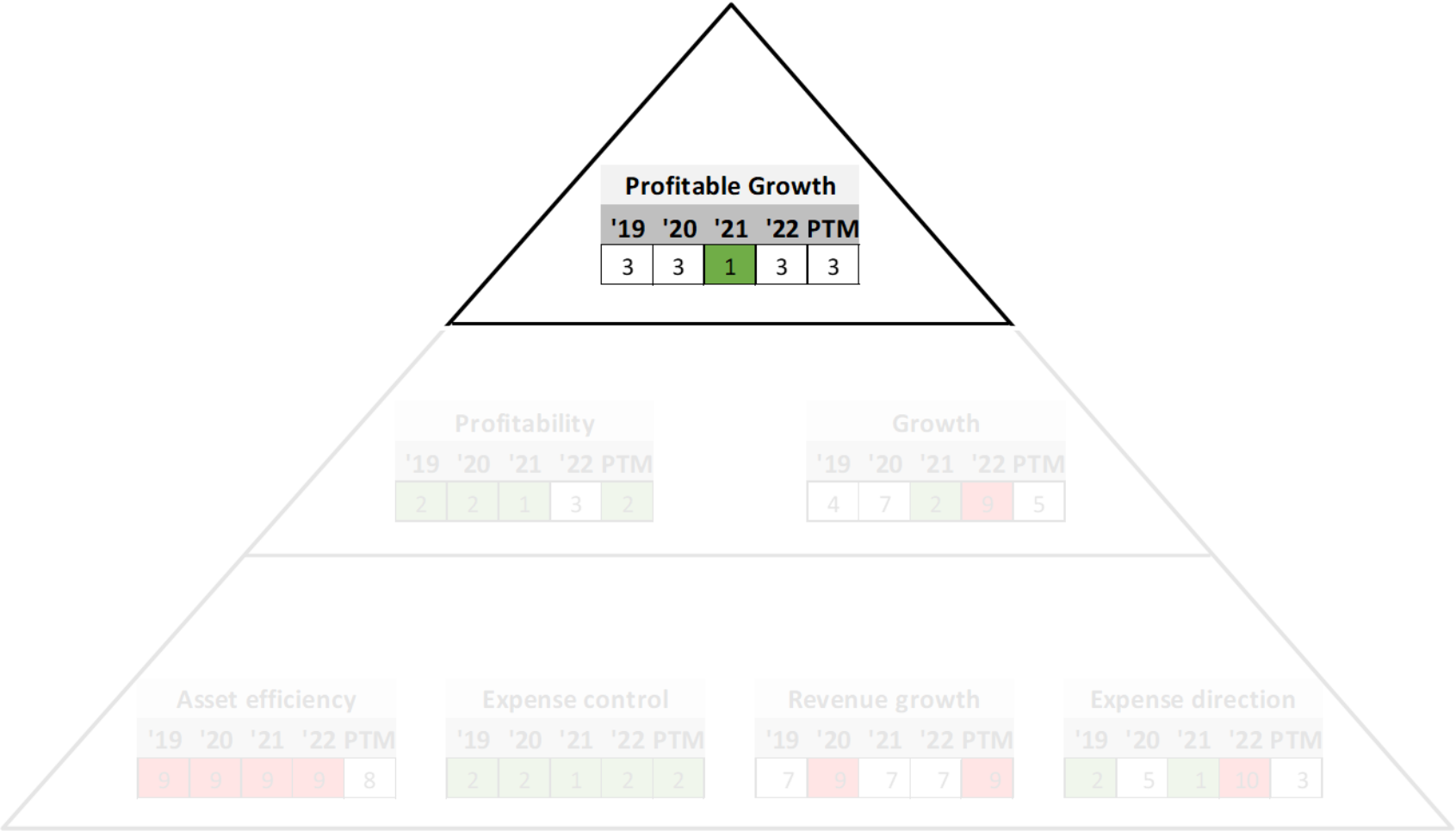
Andrew Stotz, PhD, CFA

**Is the company
financially
world class?**

Nestlé: A. Stotz Profitable Growth



Andrew Stotz, PhD, CFA



Benchmarked against 540 large Cons. Staples companies worldwide.



This is not a recommendation or investment advice.

Source: A. Stotz Investment Research. Notes: 1 = top ranking and 10 = worst. Most recent year's data is based on the past 12 months (PTM) of published data.

Nestlé, the M&A leader, even acquired Starbucks (sort of)



This is not a recommendation
or investment advice.

- 🌐 What is the company's background?
- 🌐 What is its competitive strategy?
- 🌐 Does that strategy lead to a competitive advantage?
- 🌐 What does the valuation look like?

I use my **FVMR** methodology
to determine the
attractiveness of the
company



Andrew Stotz, PhD, CFA

EARNINGS

MANAGEMENT

FUNDAMENTALS

FVMR

INVESTORS

PRICE



EARNINGS

MANAGEMENT

FVMR

VALUATION

PRICE

INVESTORS



EARNINGS

MANAGEMENT

MOMENTUM

FVMR

MOMENTUM

INVESTORS

PRICE



EARNINGS

MANAGEMENT

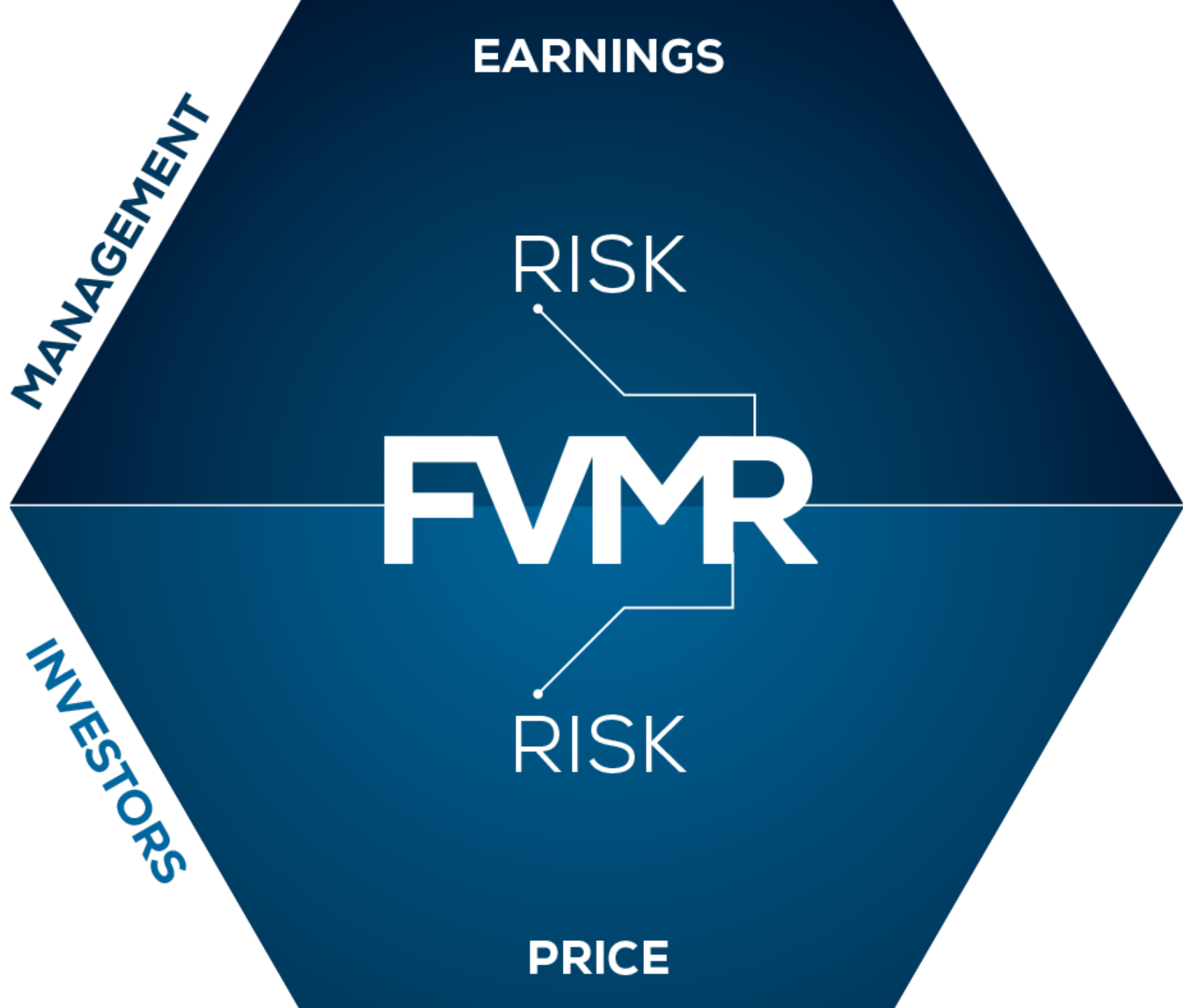
RISK

FVMR

RISK

INVESTORS


PRICE



Abbreviated FVMR Scorecard

Sector/Company	F (%)	V (x)	M (% chg)		R (x)		FVMR
	ROA	PE	EPS	Price	TIE	Beta	Rank
Cons. Staples							
Altria Group	23.4	8.6	2.3	(0.3)	1.5	0.4	7/65
Philip Morris	14.7	15.7	0.5	1.6	1.5	0.3	25/65
British American	6.2	6.3	1.1	(3.9)	1.6	0.7	26/65
PepsiCo	10.9	23.2	12.2	10.3	1.6	0.1	28/65
Coca-Cola	12.2	22.5	8.5	11.0	1.2	0.1	36/65
Wuliangye Yibin	17.5	21.0	14.2	0.6	1.4	1.0	49/65
Unilever	8.6	17.3	1.2	(2.6)	1.7	0.7	52/65
Nestle	9.7	19.6	0.0	(4.7)	1.5	0.6	58/65

Andrew Stotz, PhD, CFA

 Click the link in the description to download this PDF and get the Abbreviated FVMR Scorecard for the world's top 100 companies

Sector/Company	ROA	PE	EPS	Price	TIE	Beta	Rank
Comm. Serv.							
Meta	18.8	32.4	73.1	56.1	1.9	1.0	5/65
AT&T Inc	4.3	6.8	(6.2)	6.0	2.5	0.5	8/65
Comcast	6.3	10.2	9.3	(5.3)	2.3	0.6	33/65
Tencent	10.0	18.1	37.9	10.9	1.5	1.1	54/65
Cons. Disc.							
Amazon	6.1	61.1	5,900.0	41.6	3.6	1.1	1/65
Volkswagen	2.8	4.4	7.7	21.4	3.1	1.7	4/65
Airbnb	30.7	18.4	204.7	34.4	0.7	0.7	6/65
Mercedes-Benz	5.6	5.5	(0.7)	19.5	NA	1.1	9/65
BMW	4.5	6.0	(35.3)	13.2	2.4	1.1	10/65
Industria de	17.2	25.8	30.3	33.5	1.8	1.0	11/65
Hermes	22.8	56.2	27.3	39.6	1.5	1.4	18/65
McDonald's	16.4	23.1	18.2	6.8	1.4	0.6	39/65
Home Depot	19.8	22.2	(9.5)	17.4	1.6	1.5	43/65
Starbucks	14.2	24.9	19.6	(6.4)	1.8	0.7	48/65
BYD	5.1	20.2	80.7	(12.8)	2.7	1.0	56/65
LVMH Moet	10.9	26.3	8.2	20.0	1.8	2.5	64/65

	F (%)	V (x)	M (% chg)		R (x)		FVMR
Sector/Company	ROA	PE	EPS	Price	TIE	Beta	Rank
Cons. Staples							
Altria Group	23.4	8.6	2.3	(0.3)	1.5	0.4	7/65
Philip Morris	14.7	15.7	0.5	1.6	1.5	0.3	25/65
British American	6.2	6.3	1.1	(3.9)	1.6	0.7	26/65
PepsiCo	10.9	23.2	12.2	10.3	1.6	0.1	28/65
Coca-Cola	12.2	22.5	8.5	11.0	1.2	0.1	36/65
Wuliangye Yibin	17.5	21.0	14.2	0.6	1.4	1.0	49/65
Unilever	8.6	17.3	1.2	(2.6)	1.7	0.7	52/65
Nestle	9.7	19.6	0.0	(4.7)	1.5	0.6	58/65
Energy							
Petroleo Brasileiro	13.5	4.1	(21.0)	4.5	1.9	0.1	2/65
Exxon Mobil	10.3	12.7	(32.3)	8.5	1.9	0.2	12/65
Chevron	9.5	12.3	(30.3)	(2.9)	NA	0.6	40/65
Schlumberger	6.0	16.6	36.7	(14.9)	1.9	0.6	60/65
Financials							
Mastercard	28.6	37.3	15.1	18.8	1.3	1.1	14/65
Visa	20.8	31.1	16.9	16.7	1.3	0.8	29/65
PayPal	7.0	12.4	23.5	18.4	1.3	1.0	46/65

	F (%)	V (x)	M (% chg)		R (x)		FVMR
Sector/Company	ROA	PE	EPS	Price	TIE	Beta	Rank
Health Care							
HCA Healthcare	9.7	16.6	10.5	28.7	2.5	1.1	13/65
Novartis	13.2	12.7	12.7	3.0	1.7	0.4	17/65
Gilead	13.5	10.0	(7.4)	(13.9)	NA	0.3	19/65
Johnson & Johnson	14.3	15.0	(2.3)	(2.5)	NA	0.6	30/65
CVS Health	4.7	8.0	0.6	0.8	1.8	0.5	31/65
EssilorLuxottica	4.9	31.0	1.9	24.5	NA	0.9	50/65
Becton Dickinson	6.7	19.2	7.6	(9.6)	1.9	0.6	55/65
Zoetis Inc	16.8	27.4	9.0	(12.9)	NA	1.4	61/65
Pfizer	5.0	14.3	(72.0)	(14.3)	1.0	0.0	62/65
Industrials							
General Electric	1.8	53.4	7.3	77.5	3.0	0.4	3/65
Illinois Tool	19.2	25.6	0.1	11.8	NA	0.7	15/65
Eaton Corp.	10.0	33.8	20.5	58.8	NA	1.4	21/65
Condor Resources	9.3	24.3	(2.4)	21.4	1.8	0.6	35/65
Airbus	4.3	25.4	10.2	33.1	1.6	0.5	38/65
Honeywell	9.9	21.4	4.6	7.9	1.3	0.5	51/65
Uber	5.3	79.3	118.7	60.6	2.1	2.3	53/65
Siemens	5.4	17.6	115.9	37.1	1.7	1.9	57/65

	F (%)	V (x)	M (% chg)		R (x)		FVMR
Sector/Company	ROA	PE	EPS	Price	TIE	Beta	Rank
Info. Tech.							
Lam Research	25.8	25.4	3.1	44.6	1.2	1.8	16/65
IBM	6.8	18.9	5.4	32.6	1.6	0.5	23/65
Cisco	16.3	12.4	15.8	(9.0)	1.2	0.2	32/65
Microsoft	18.9	40.9	6.5	22.7	1.4	0.9	34/65
Apple	27.5	27.1	0.3	(4.1)	1.3	1.0	37/65
Oracle	11.6	22.4	4.5	12.4	1.9	0.9	44/65
Taiwan Semi.	16.0	22.9	(17.5)	33.5	1.7	1.8	45/65
Accenture	15.4	27.2	9.0	6.9	1.6	1.0	47/65
Adobe	25.9	29.1	17.2	(13.7)	1.3	1.4	59/65
Shopify	8.6	96.6	1,725.0	37.9	0.9	3.7	63/65
Materials							
L'Air Liquide	6.3	31.8	11.7	23.1	2.3	0.9	41/65
BHP Group	13.7	17.2	(37.1)	2.2	2.1	1.0	42/65
Glencore	5.2	896.0	(63.2)	9.1	2.6	1.9	65/65
Real Estate							
Equinix	3.1	73.2	34.4	7.0	3.8	0.6	22/65
American Tower	2.2	54.2	(16.8)	7.6	4.8	1.1	27/65
Utilities							
Southern	2.9	20.0	1.4	11.0	2.6	0.1	20/65
Iberdrola	3.1	15.9	15.2	12.3	3.0	0.8	24/65

Nestlé, the M&A leader, even acquired Starbucks (sort of)

