

28th June 2016

Food & Beverages

**Nestlé**

Price CHF71.10

Former CEO of Fresenius to replace Mr Paul Bulcke from January 2017

Fair Value CHF80 (+13%)

**BUY**

#### ANALYSIS

- Mr Ulf Mark Schneider is to join Nestlé in September 2016 and become CEO of the group from 1st January 2017. Fresenius announced the resignation of its CEO on Sunday. **Mr Paul Bulcke will become chairman of Nestlé in April 2017 as Mr Brabeck-Letmathe will have reached the mandatory age of retirement.**
- **This appointment comes a bit as a surprise as the market was expecting the CEO to come from the inside, as it is usually the case.** Mme Wang Ling Martello, former CFO and current CEO of AOA, was considered as the most probable successor.
- **We think this appointment shows the group's aim to intensify its exposure to Health segments.** In yesterday's release, Nestlé also announced its decision to fully integrate Nestlé Health Science and Nestlé Skin Health (which account for a total of 5% of the group's sales) into the Nestlé organisation, reporting directly to the CEO of the group from 1st January 2017.
- **This could also signal a push for acquisitions.** Fresenius made more than a dozen acquisitions since 2003 under Mr Schneider, including Helios Kliniken (2005), APP pharma (2008) and Rhoen Klinikum (2013).

#### VALUATION

- At yesterday's share price, the stock is trading at 2016e P/E of 20.3x vs 19.9x for Danone and 21.0x for Unilever.

#### NEXT CATALYSTS

- Unilever's H1 2016 results on 21st July / Danone's H1 2016 results on 28th July

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Bloomberg	NESN.VX
Reuters	NESZn.VX
12-month High / Low (CHF)	76.8 / 67.5
Market Cap (CHF)	221,274
Avg. 6m daily volume (000)	5 941

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.2%	0.6%	-3.1%	-4.6%
Food & Bev.	-5.4%	-2.1%	-6.1%	-6.2%
DJ Stoxx 600	-11.7%	-7.9%	-15.7%	-15.6%

	2015	2016e	2017e	2018e
P/E	21.5x	20.3x	19.0x	17.6x
Div yield (%)	3.2%	3.2%	3.3%	4.7%



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BUY ratings 56,5%

NEUTRAL ratings 34%

SELL ratings 9,5%

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