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SMART MONEY

Falling profits? No way

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The world in the grip of a global recession can be a horrid place, but chocolate's the pal that never lets you down. "Consumers still want simple moments of pleasure," says James Singh, chief financial officer of global food colossus Nestlé SA.

The Canadian is the low-key chap who tots up the profits—more than \$15 billion (U.S.) last year—from processing and marketing stuff that a planet jams into its mouth when it can't be bothered to chop spinach. First, there are those addictive treats that make life worth living. Häagen-Dazs, Nescafé and Kit Kat. For snooty pets, there's Fancy Feast and Cat Chow. For dinner, Hot Pockets, Stouffer's and Lean Cuisine. Babies glug down Nestlé's powdered formula, a business swollen by its takeovers of rivals Gerber and Novartis Medical Nutrition. And there's water, a category in which Nestlé's emerging-market sales soared 20% last year. The company hiked its dividend by 15%, and predicted growth ex-acquisitions of close to 5% this year.

Don't sweat the downturn, Singh says during a recent visit to the Canadian operations. Nestlé's massive product lineup, he argues, offers plenty at the "lower end of affordability." In Africa, the company keeps its Maggi bouillon cubes cheap by selling them in individual packs. Economically reeling Brits can skimp with a tiny four-ounce jar of instant coffee. In Singh's packaged-goods speak: "Consumers can now trade up or down without trading out of Nestlé."

The 63-year-old stepped into the CFO role in January, 2008, in time for a bout of executive turmoil. He replaced rock-star executive Paul Polman, a Dutchman who helped kick aside the traditional secretiveness at Swiss-based Nestlé, delighting investors. Polman was poised to become the first CEO in almost a century who hadn't risen through Nestlé's staid bureaucracy. When the job went to long-time company man Paul Bulcke, Polman left to run Unilever. *Polman is "very charismatic," says James Amoroso, a Swiss-based food industry consultant who follows Nestlé. "Jim's style is calm and conservative, more Nestlé-like."*



Singh joined Nestlé Canada in 1977, after doing an MBA at the University of Windsor. By 1995, he had risen to CFO of the local operation, which posts sales of \$2.3 billion. His career took a global turn in 2000 when he was named to, among other postings, head of mergers and acquisitions, overseeing the 2002 IPO of eye care subsidiary Alcon. Singh won't be drawn out about his next move, but *Amoroso says he's "obviously too old to be a contender for the top job....So in a way, he is a caretaker CFO. He was chosen because he was a very safe pair of hands."*

Those hands will be kept busy. Some analysts fret that Nestlé's strategy of exploiting its awesome brand power and raising prices may backfire in a recession. "The notion that there is no downside is not entirely correct," J.P. Morgan warned in February, advising investors to underweight the stock.

Still, for investors, Nestlé remains über defensive. Bankers just about everywhere have turned out to be fairground carneys with bad teeth and grubby fingers, but Singh rejoices that "we make real things, things you can consume."

His sang-froid is winning fans. *"When he explains something, you automatically believe him; you believe it to be the truth," says Amoroso. "It's not easy these days for any CFO to be believed by these sceptical markets. Jim has pulled it off, very quickly."*

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