

Preview – Nestle Q2

11 August 2009 | **Source: Katy Humphries**

Nestle, the world's largest food maker, is expected to reveal that sales growth has slowed in the first half of the current fiscal year when it reports its results tomorrow (12 August).

Second-quarter organic sales are expected to rise by about 4%, analysts have said. This compares to organic growth of 8.1% in the second quarter of last year.

However, the estimate does represent a modest improvement on growth posted in the first quarter of this year, when actual organic sales rose 3.8%.

Foreign exchange is also expected to dent total sales, Kepler Capital Markets analysts have indicated. According to Kepler estimates, first-half sales are likely to total CHF52.75bn, down 0.6% on last year's sales of CHF53.07bn.

In the first quarter, total sales slipped 2.1% to CHF25.2bn as the strong Swiss franc had a negative impact of 5.2%.

Kepler also predicted that net profit would slide 9.4% during the half, dropping to CHF4,726m from net profit of CHF5,214m.

However, Kepler's Jon Cox said that Nestle could well "positively surprise" given "generally low expectations".

"Emerging markets, which account for a third of sales, have been generally robust while there are signs that volume growth has picked up after the sector was probably overly reliant on prices to drive revenues. In addition, easier commodity prices should help," he wrote in a note.

Likewise, independent analyst James Amoroso predicted that the market could be "positively surprised" by either organic sales growth or operating profitability, possibly both.



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