

# Half-Year Results 2016/17

Analysts & Media Conference

April 12, 2017



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**“We are the heart and engine  
of the chocolate and cocoa industry”**

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# Agenda

- ▶ Highlights HY 2016/17
- ▶ Financial review
- ▶ Strategy and Outlook
- ▶ Q&A

## Cautionary note

Certain statements in this presentation regarding the business of Barry Callebaut are of a forward-looking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe," "estimate," "intend," "may," "will," "expect," and "project" and similar expressions as they relate to the company. Forward-looking statements involve certain risks and uncertainties because they relate to future events.

Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect Barry Callebaut's future financial results are discussed in the Half-year report 2016/17. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. The reader is cautioned to not unduly rely on these forward-looking statements that are accurate only as of today, April 12 2017. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

## Highlights HY - 2016/17



## Volume growth picking up, significant profit improvement

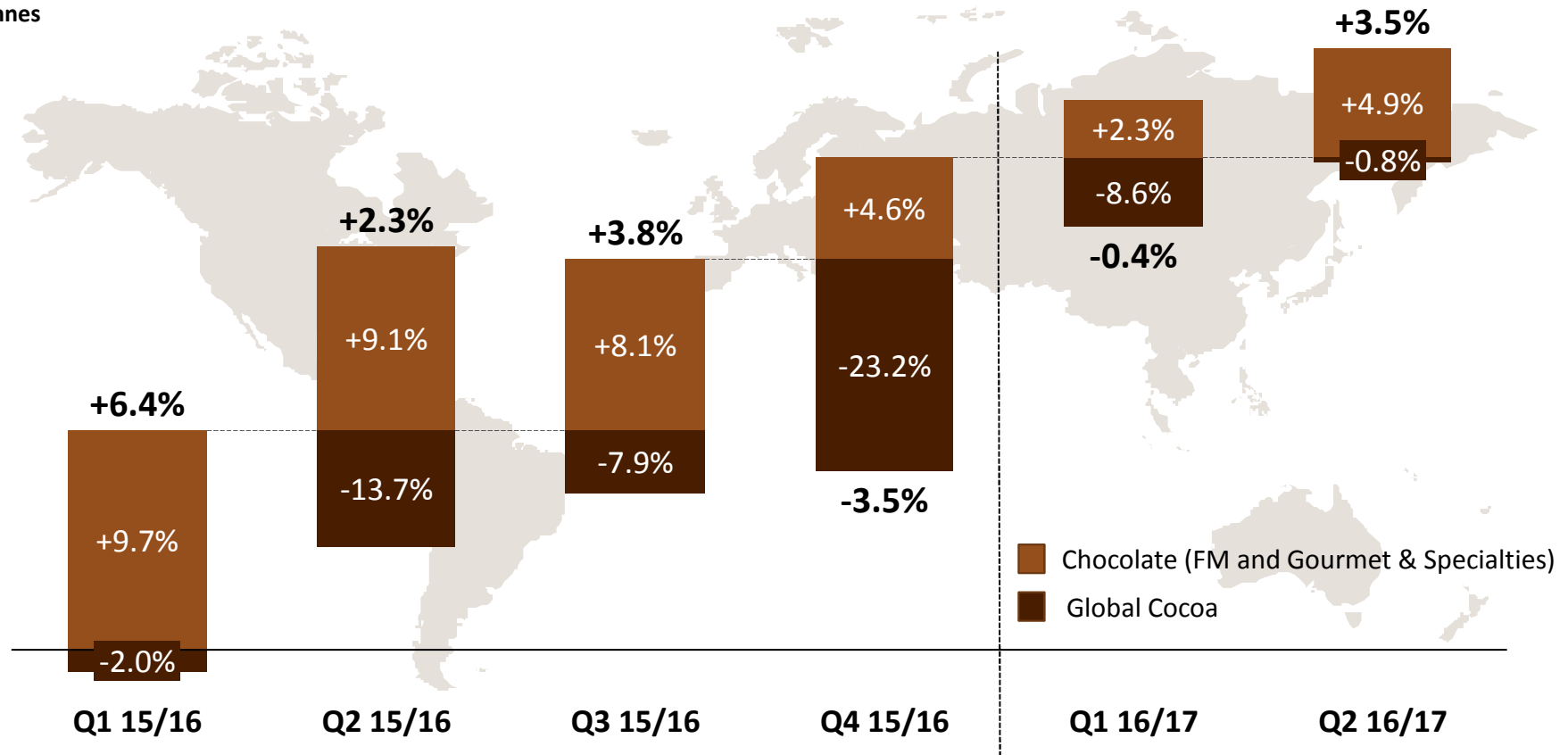


- ▶ Volume growth picking up in Q2 +3.5%, first six months +1.4%
- ▶ Chocolate business volume up +3.5%. Intentional phase out of less profitable contracts in Cocoa completed
- ▶ Sales revenue up by +2.5% in local currencies
- ▶ Strong EBIT improvement +19.3% to CHF 238.4 mio. (recurring +11.1%)
- ▶ Net Profit up +32.6% to CHF 142.1 mio. (recurring +18.9%)
- ▶ Continued focus on free cash flow and returns

HY results 2016/17

# Volume growth picking up, phasing-out of less profitable contracts in Global Cocoa concluded

in tonnes



| Market Volume growth* | Q1 15/16 | Q2 15/16 | Q3 15/16 | Q4 15/16 | Q1 16/17 | Q2 16/17 |
|-----------------------|----------|----------|----------|----------|----------|----------|
|                       | -3.7%    | -1.3%    | -0.7%    | -1.5%    | -2.3%    | -2.1%    |

\*Source: Nielsen chocolate confectionery in volume – 26 countries



# Positive impact from all our key growth drivers

Volume growth vs prior year

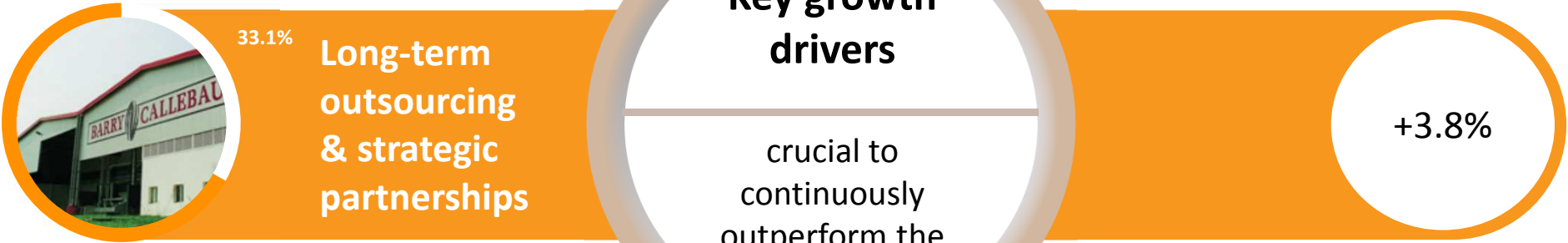


34.7%

**Emerging markets**

+0.4%  
+ 3.6% excl.Cocoa

This section features a green horizontal bar. On the left, a circular inset shows three people smiling. The text 'Emerging markets' is centered on the bar. To the right, a white circle contains the volume growth figures.

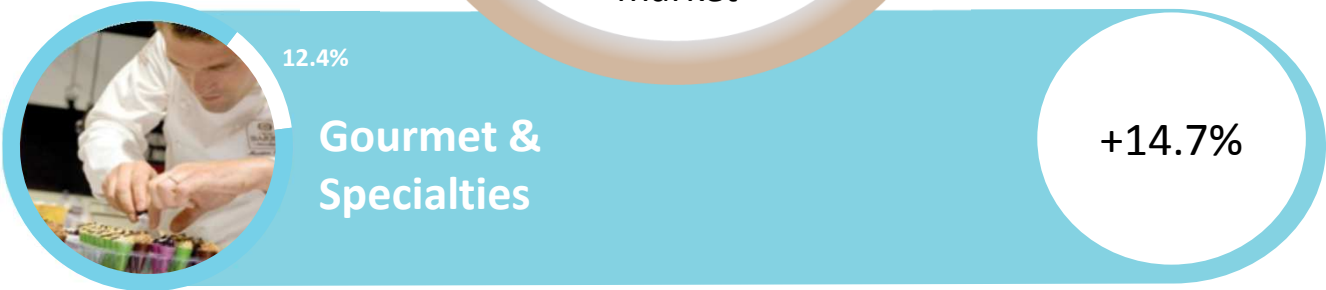


33.1%

**Long-term outsourcing & strategic partnerships**

+3.8%

This section features an orange horizontal bar. On the left, a circular inset shows a building with 'BARRY CALLEBAUT' signage. The text 'Long-term outsourcing & strategic partnerships' is centered on the bar. To the right, a white circle contains the volume growth figure.

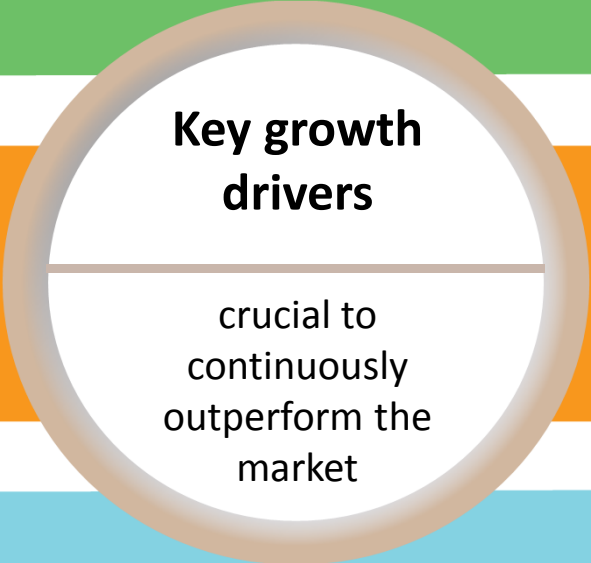


12.4%

**Gourmet & Specialties**

+14.7%

This section features a light blue horizontal bar. On the left, a circular inset shows a chef working with chocolate. The text 'Gourmet & Specialties' is centered on the bar. To the right, a white circle contains the volume growth figure.



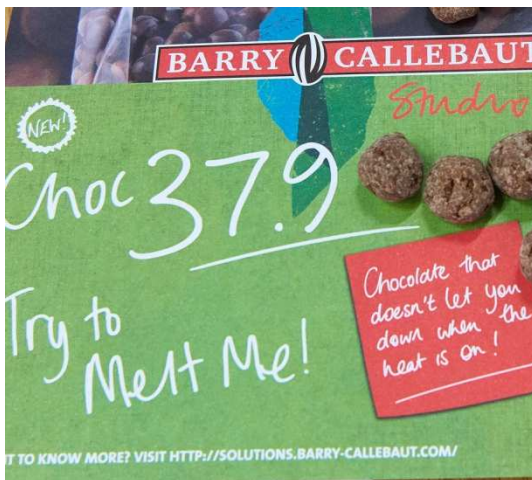
**Key growth drivers**

crucial to continuously outperform the market

A central white circle with a brown border, containing the text 'Key growth drivers' and 'crucial to continuously outperform the market'.

## Emerging Markets

### Continue to expand in key emerging markets...



- ▶ Double-digit growth in Brazil, China, India, Indonesia, challenging environment in Eastern Europe
- ▶ Demand for value for money and premium products
- ▶ Growth across Food Manufacturers and Gourmet
- ▶ Expansion with existing and new customers
- ▶ Successful ramp-up of the new chocolate factory in Gresik, Indonesia. Expansion of the chocolate factory in Singapore



## Long-term outsourcing & Strategic Partnerships

# Successful ramp-up of additional volume from new long-term contracts



- ▶ Integration of Halle factory in Belgium and first deliveries to Mondelez started beg of 2017
- ▶ Jan 2017, first deliveries to Garuda Foods in Indonesia
- ▶ Additional volume with some existing partners in Europe such as Colian
- ▶ Additional volume with customers in Mexico and Chile such as Bimbo and Arcor



## A success story that goes on...

### Strong brand activation programs

- ▶ Callebaut Hero Campaign
- ▶ Cacao Barry Challenger #unboxcreativity
- ▶ Connecting to our customers online and offline



### Expanding products and categories

- ▶ Callebaut Gelato
- ▶ Cacao Barry Zéphyr Caramel
- ▶ Carma Black Zabuye 83%



### Driving bolt-on acquisitions

- ▶ Beverages activity from FrieslandCampina Kievit
- ▶ Double-digit growth in Decorations from Mona Lisa
- ▶ New production location for American Almonds



# Financial review HY 2016/17



HY results 2016/17

## Volume picking up, significant profit improvement

| Group performance<br>(In CHF mio.)                   | HY 2016/17<br>(in CHF) | % vs prior year<br>(in CHF) | % vs prior year in<br>local currencies |
|------------------------------------------------------|------------------------|-----------------------------|----------------------------------------|
| Sales Volume Total (in tonnes)                       | 946,782                | +1.4%                       |                                        |
| Sales Revenue                                        | 3,538.7                | +3.3%                       | <b>+2.5%</b>                           |
| Gross Profit                                         | 464.0                  | +6.0%                       | <b>+6.2%</b>                           |
| EBIT Total                                           | 238.4                  | +18.8%                      | <b>+19.3%</b>                          |
| <i>EBIT per tonne</i>                                | 251.8                  | +17.1%                      | +17.6%                                 |
| <i>EBIT excl. non-recurring</i>                      | 222.1                  | +10.6%                      | <b>+11.1%</b>                          |
| Net profit for the year                              | 142.1                  | +31.7%                      | <b>+32.6%</b>                          |
| <i>Net profit for the period excl. non-recurring</i> | 125.8                  | +16.6%                      | +18.9%                                 |
| Free cash flow                                       | -29.0                  | (113.2%)                    | <b>(112.8%)</b>                        |

# Chocolate Regions fuelled growth, Cocoa Products as major driver for profit improvement

**Group Sales Volume:**

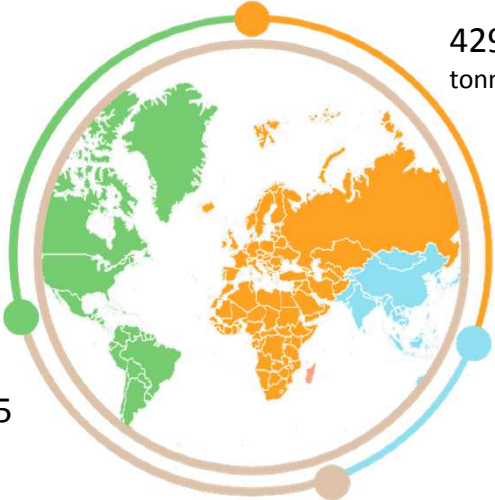
946,782 tonnes

252,068 tonnes

429,867 tonnes

217,975 tonnes

46,872 tonnes



**HY volume growth**

+4.4%

+0.4%

+14.6%

-5.0%

**EBIT growth in local currencies**

+13.6%\*

+11.1%

+12.7%

+76.8%

-2.0%

-3.4%

+1.6%

**Underlying market<sup>1</sup>:**

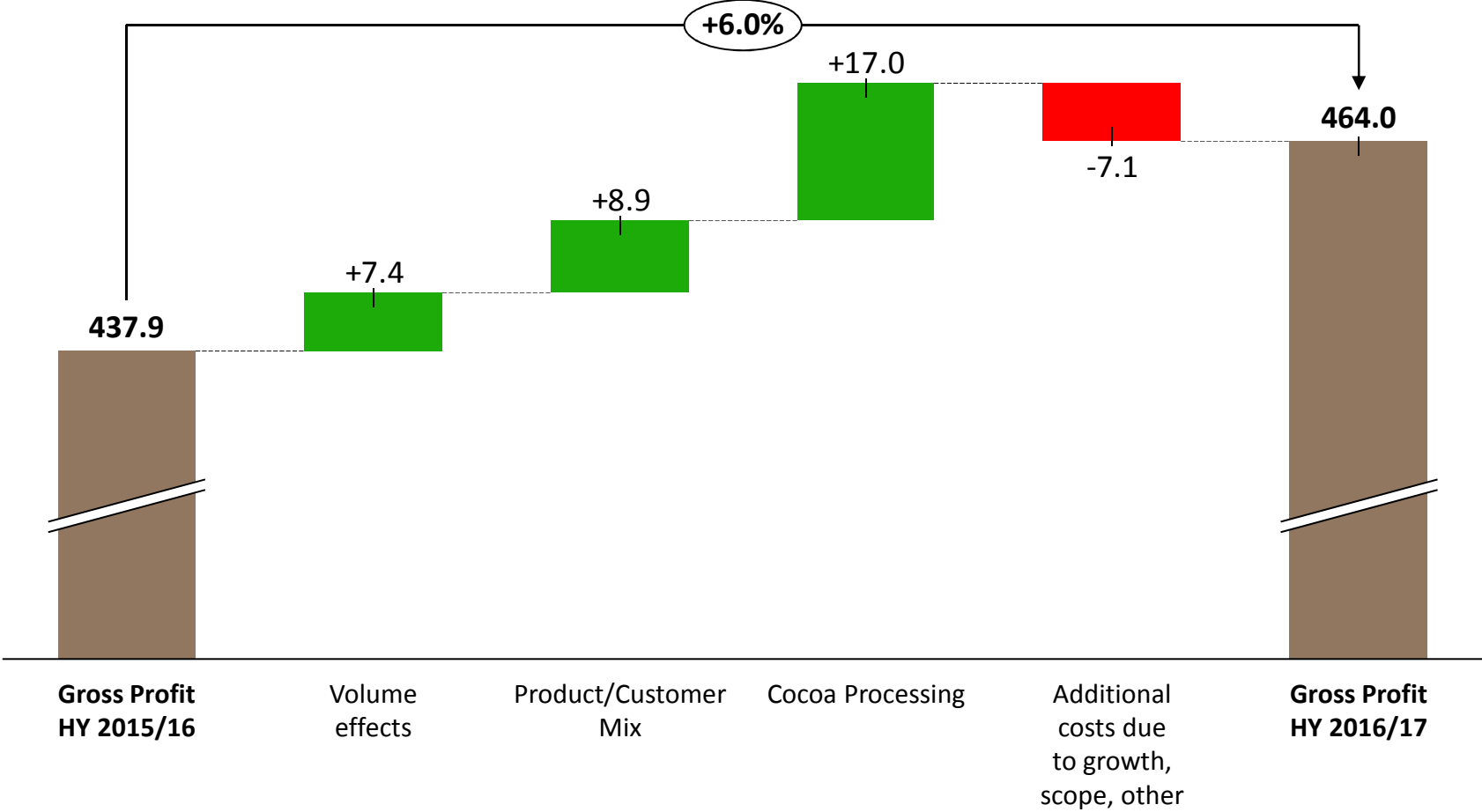
\* EBIT recurring +2.3%



Gross Profit H1 2016/17

Gross profit up +6.0% driven by chocolate volume growth, better product and customer mix and strong improvement of our cocoa business

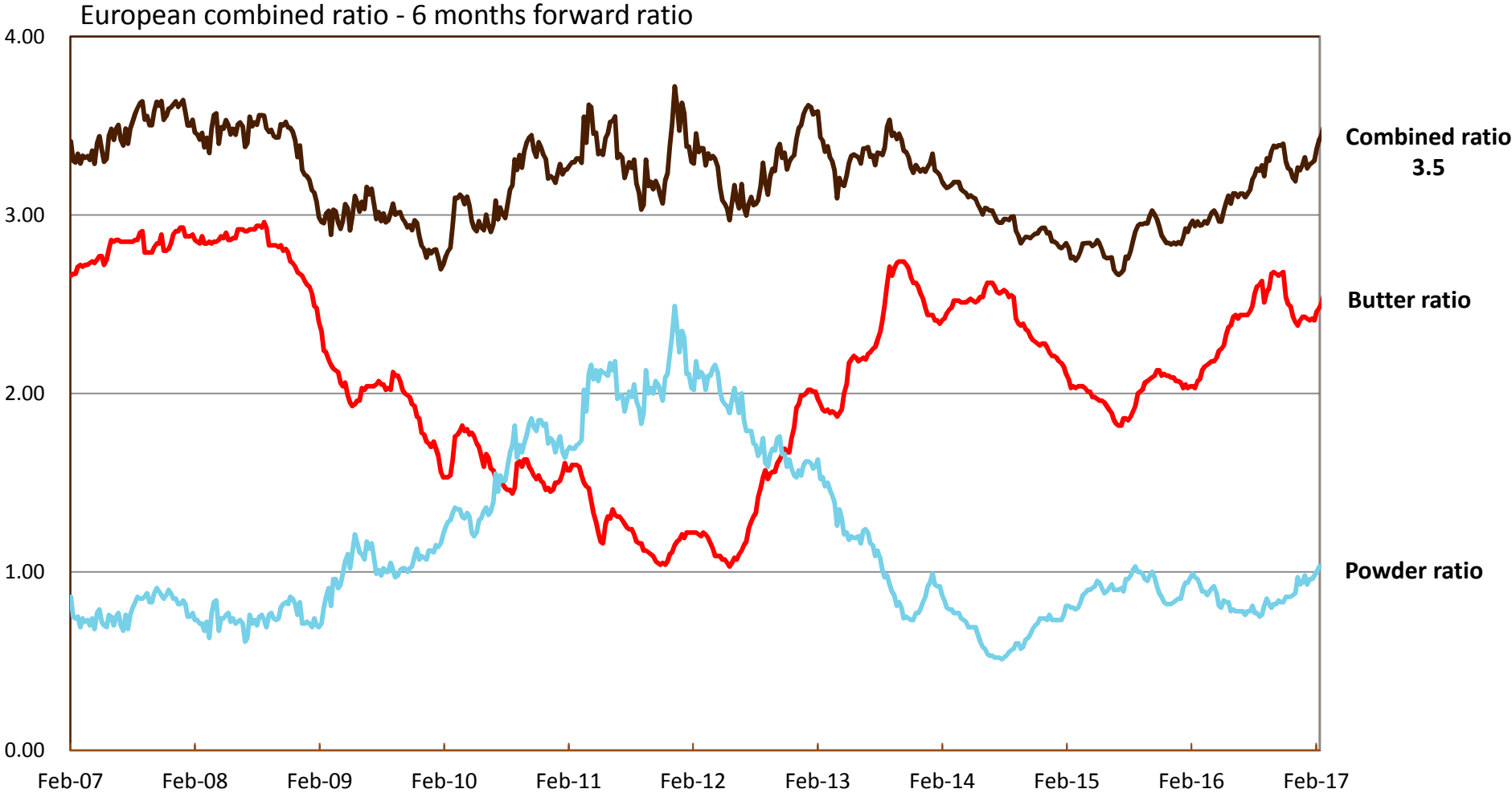
In CHF mio





# Cocoa processing profitability

## Combined ratio up, driven by tight supply and lower cocoa bean prices

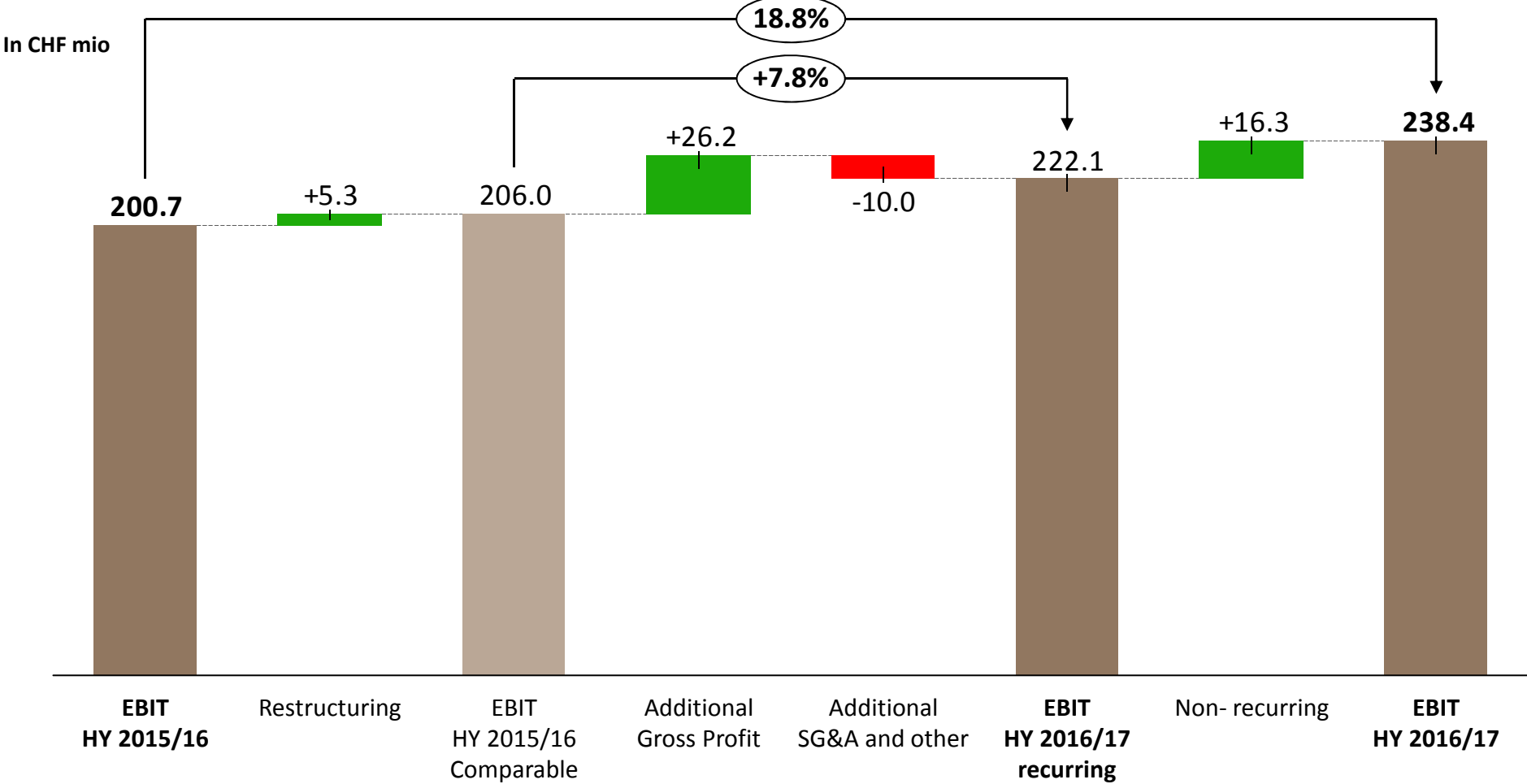


For cocoa processors, profitability depends on the ratio between input costs (price of cocoa beans) and combined output prices (price of cocoa butter and powder).



EBIT HY 2016/17

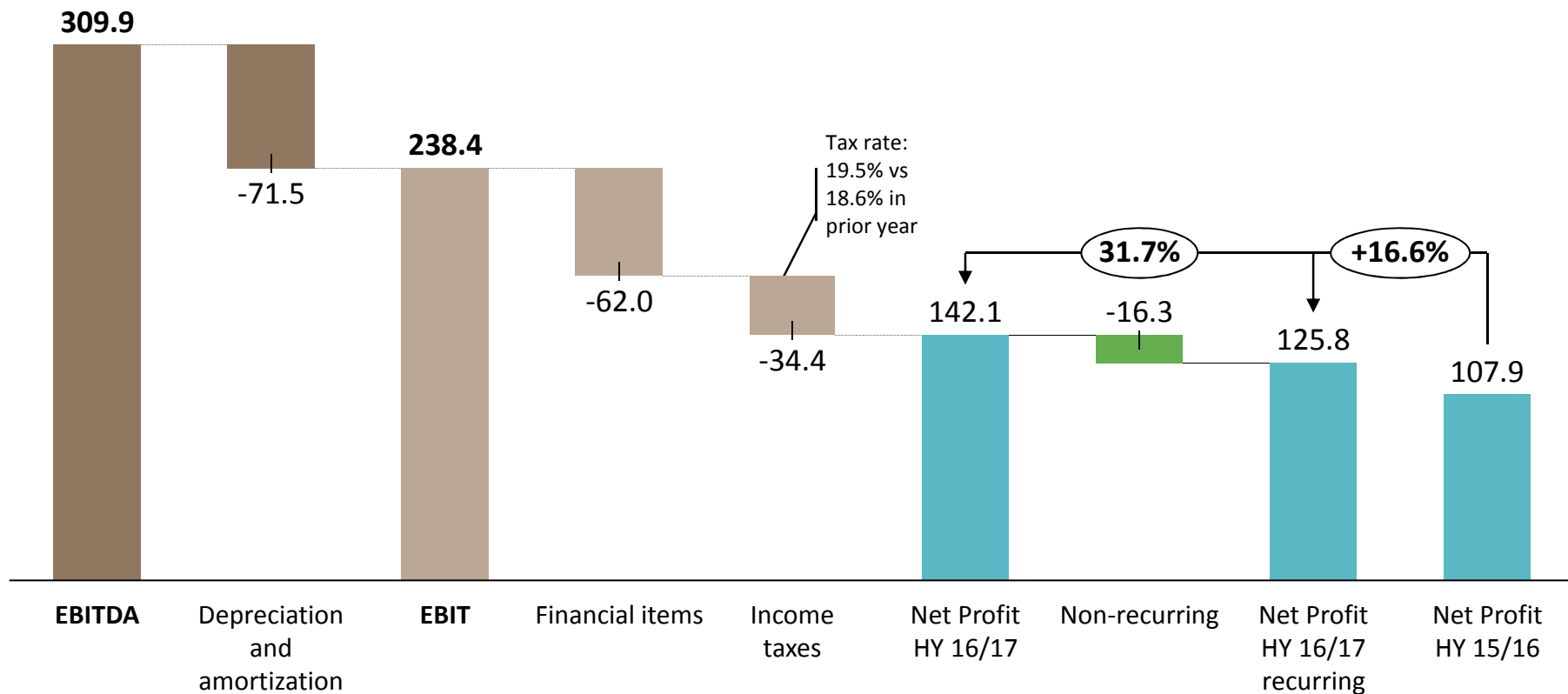
Strong operating profit up +18.8% including non-recurring, +7.8% like for like



From EBITDA to Net Profit

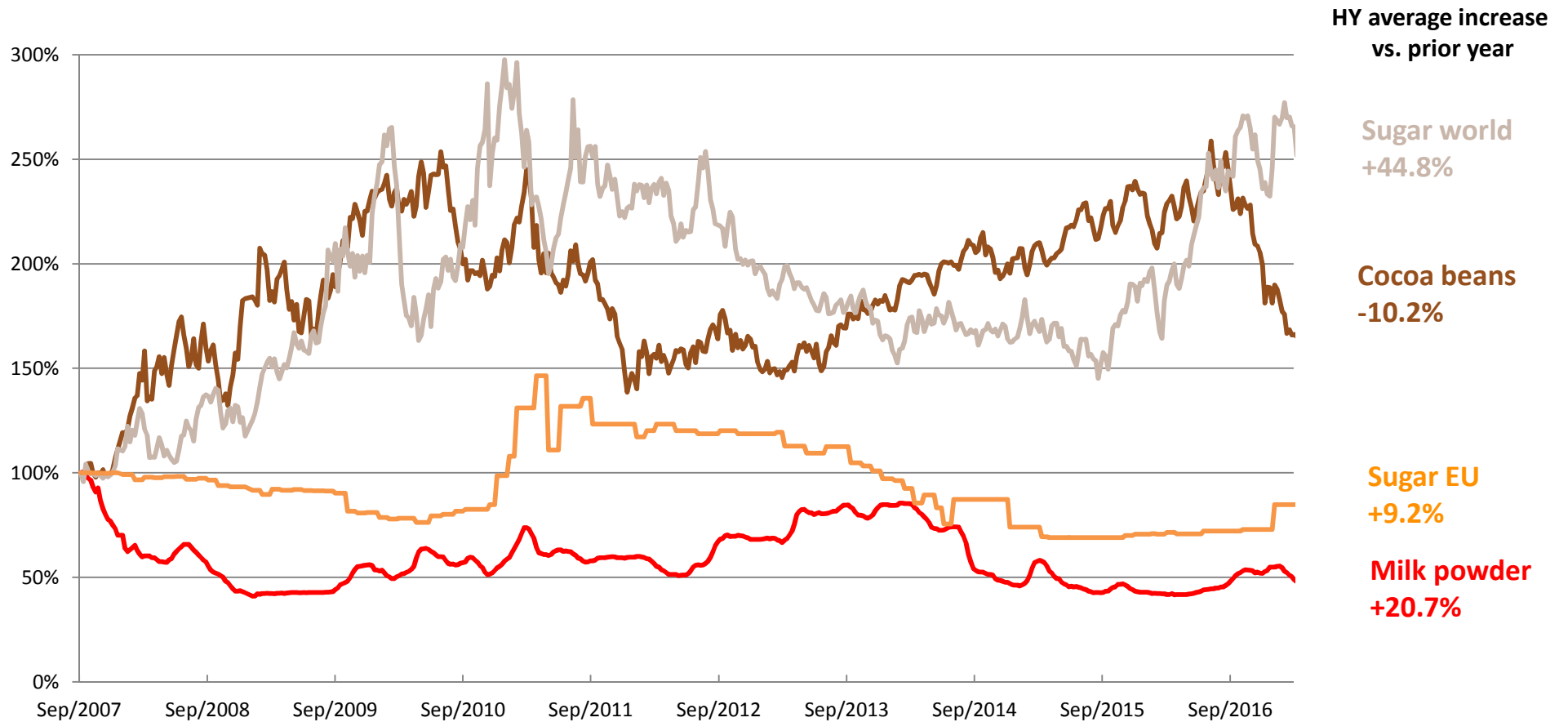
Net Profit up 31.7%, driven by higher EBIT and structurally lower financing costs. Like for like +16.6%

In CHF mio



## Raw materials price evolution

# Lower cocoa bean prices, milk powder and sugar above prior year

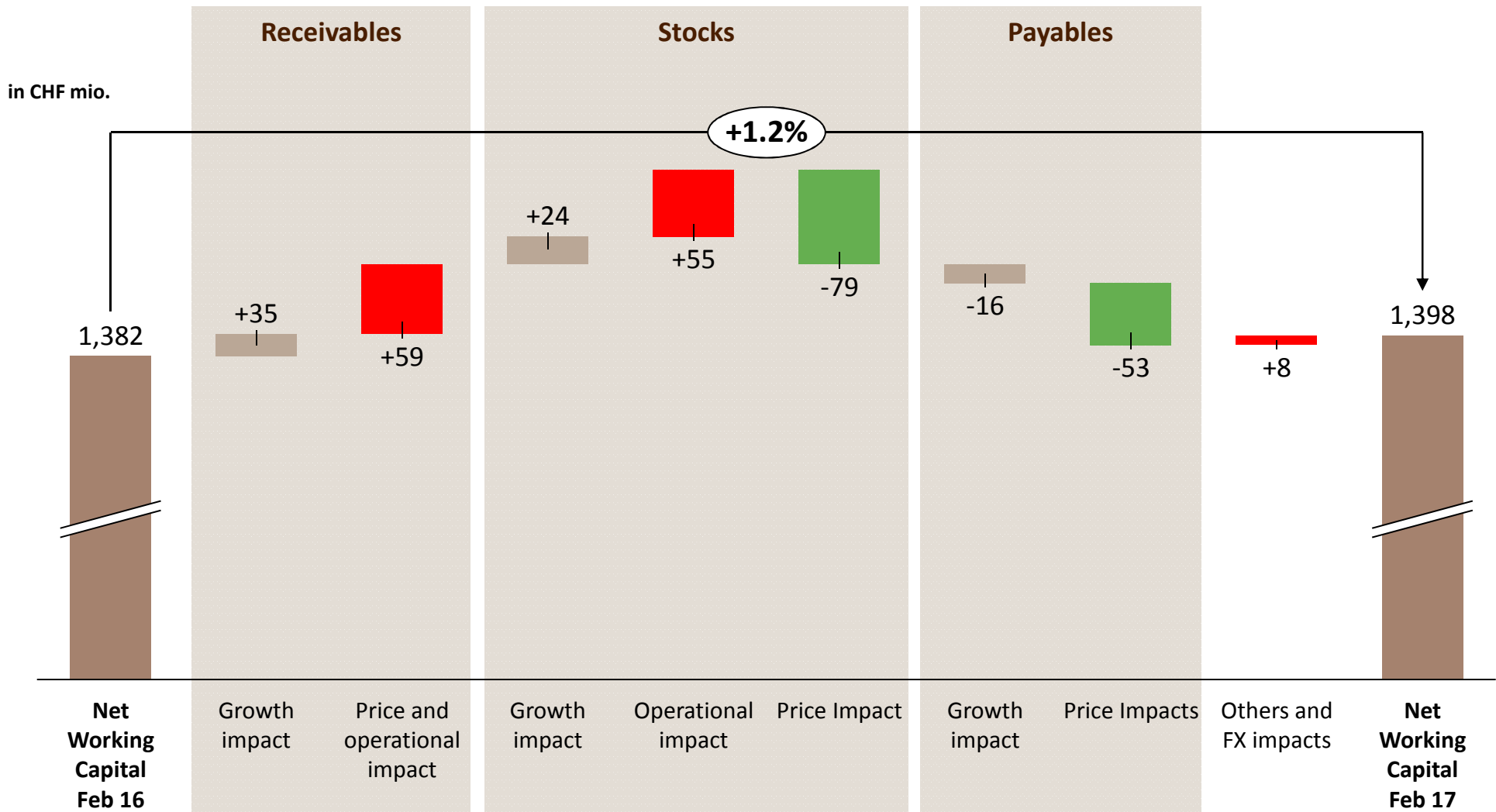


Note: All figures are indexed to Sep 2007

Source: Cocoa beans London (2<sup>nd</sup> position) in CHF/tonne, Sugar world London n°5 (2<sup>nd</sup> position), Sugar EU Kingsman estimates W-Europe DDP, skimmed milk powder average price Germany, Netherlands, France.

# Net Working Capital

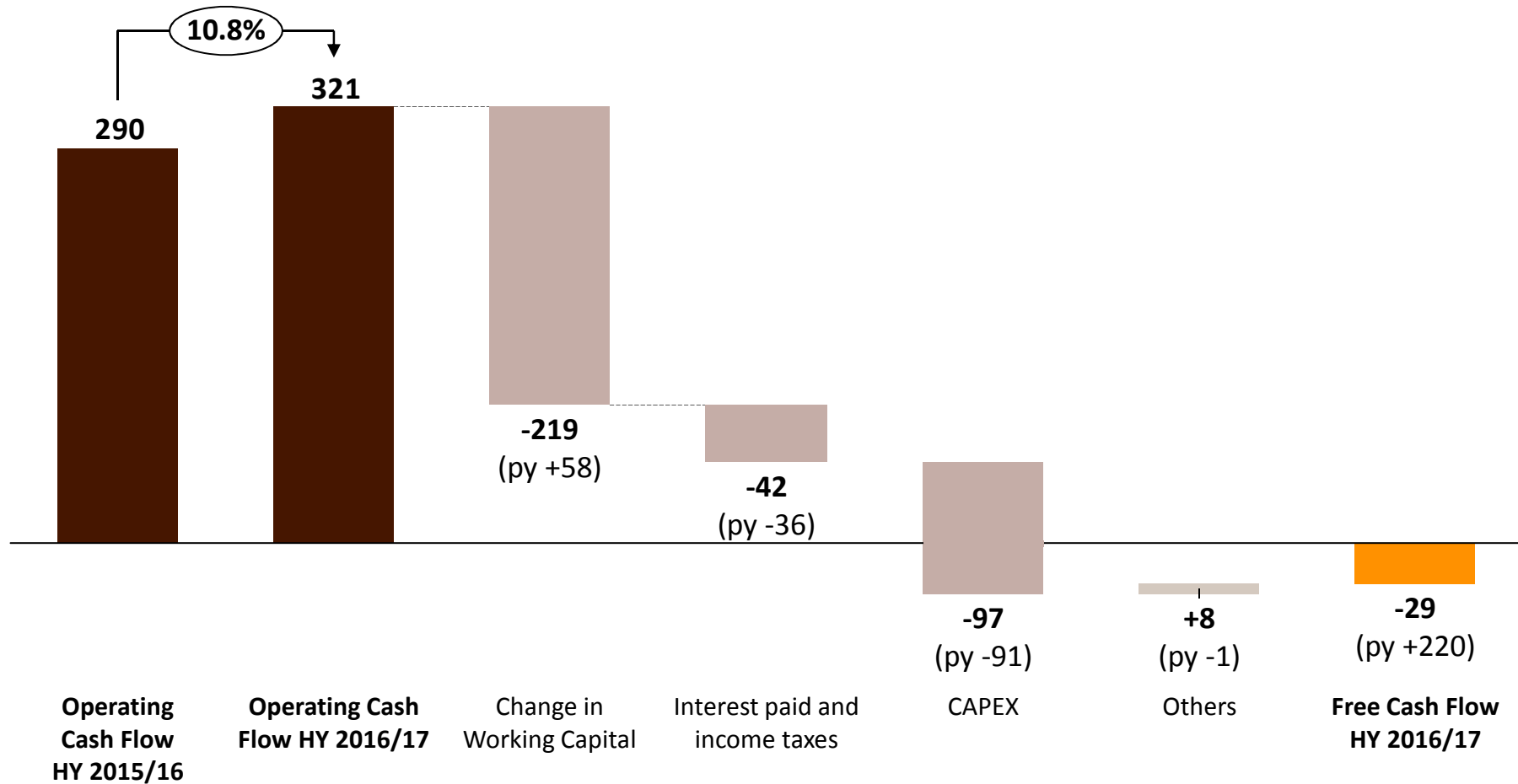
A stable working capital, inventories price reduction partly offset by higher volumes (correction from an exceptionally low prior year)



## Free Cash Flow

Continued focus on free cash flow, temporarily affected by seasonality of cocoa crop and hedging of volatile raw materials prices

in CHF mio.





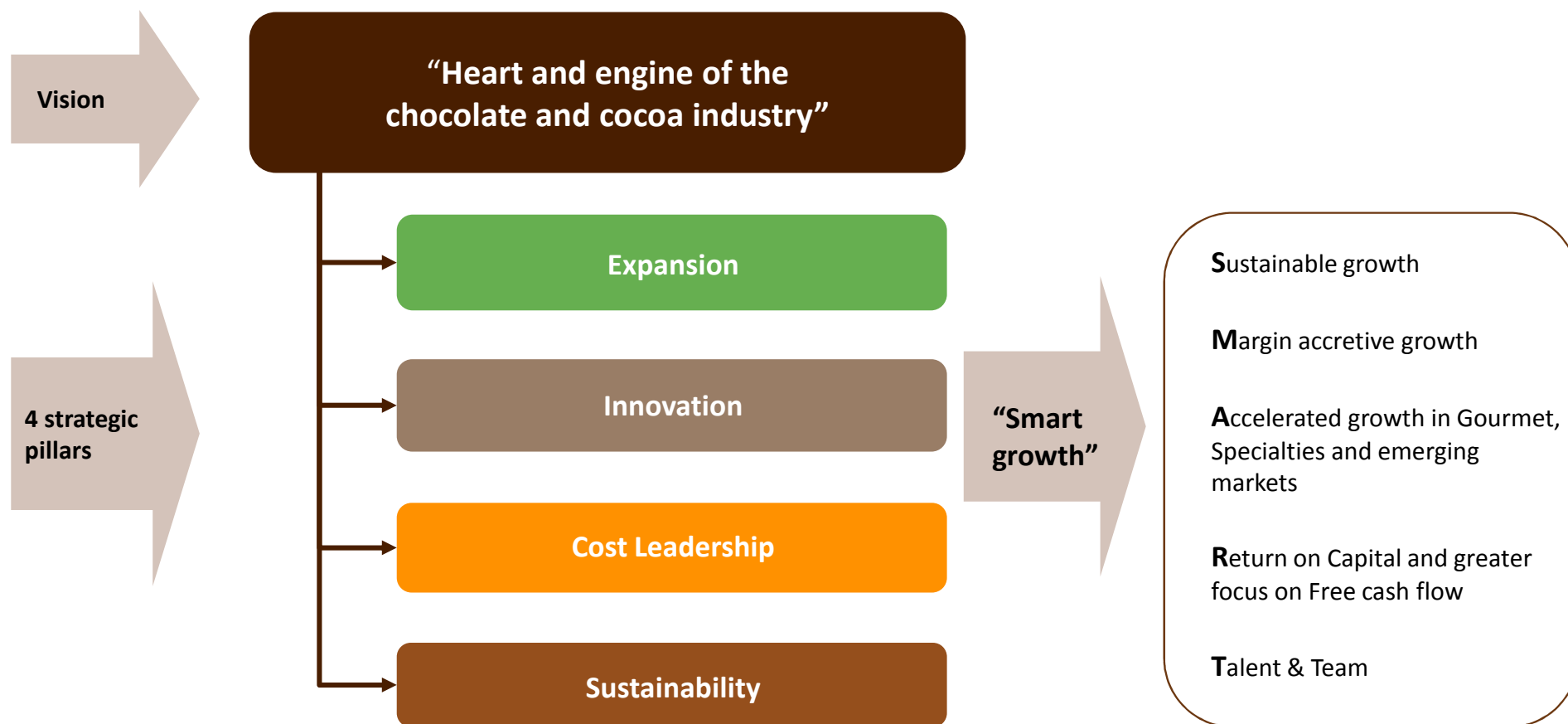
## Continuous improvement of key financial ratios

|                              | Feb-17  | Aug-16  | Feb-16  |
|------------------------------|---------|---------|---------|
| Total Assets [CHF m]         | 5,912.3 | 5,640.8 | 5,509.9 |
| Net Working Capital [CHF m]  | 1,398.4 | 1,374.2 | 1,382.3 |
| Non-Current Assets [CHF m]   | 2,378.5 | 2,301.0 | 2,253.4 |
| Net Debt [CHF m]             | 1,454.9 | 1,452.8 | 1,538.2 |
| Shareholders' Equity [CHF m] | 2,021.6 | 1,956.3 | 1,792.3 |
| Debt/Equity ratio            | 72.0%   | 74.3%   | 85.8%   |
| Solvency ratio               | 34.2%   | 34.7%   | 32.5%   |
| Net debt / EBITDA            | 2.5x    | 2.7x    | 2.9x    |
| ROIC                         | 11.1%   | 9.5%    | 9.8%    |
| ROE                          | 14.4%   | 11.2%   | 12.5%   |

## Strategy & Outlook



# Consistent long-term strategy, focus on execution



# Continuously innovating on different fronts



2D+ printing for personalised products

# Increased digital contact with our customers





# Ahead of the curve in trends, targeting different needs

Functional health claims



Develop "better for you" alternatives



Benefit from the positive halo of Free-From



Leverage better perception



We aim to inspire, we live taste, we are committed to sustainability  
We are the partner to #CraftCreateCollaborate





## Our plan to make sustainable chocolate the norm



- ▶ Signed the Cocoa and Forests Initiative, committing with 11 other leading cocoa and chocolate companies



- ▶ On track to deliver 500,000 cocoa plant seedlings from its nurseries to farmers in Indonesia in 2017
- ▶ 26% of non-cocoa ingredients are sustainably sourced

## Outlook

Good momentum expected to continue. Mid-term guidance confirmed



### Outlook

- ▶ Markets to remain volatile, with an equal balance of tail- and headwinds
- ▶ Good momentum in volume growth and profitability to continue, we will further implement our Cocoa Leadership program and consistently execute our “smart growth” strategy



### Mid-term guidance (2015/16 - 2017/18)

- ▶ Average volume growth 4-6%
- ▶ EBIT growth on average above volume growth<sup>1</sup>

<sup>1</sup> In local currencies and barring any major unforeseen events



## Questions & Answers

