



# Barry Callebaut

Media Conference - Half-year results 2012/13

April 8, 2013





## Cautionary note

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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 2012/13. 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 8, 2013. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.



## Agenda

- **Highlights HY 2012/13**
- Financials
- Strategy update
- Q&A



## Half-year results 2012/13

Strong volume growth, product margins improved, continued investments in future growth

- ▶ Sales volume growth +7.8%, significantly outpacing the market
- ▶ Growth fueled by
  - ▶ outsourcing and strategic partnerships +19%
  - ▶ Gourmet +6.9%
  - ▶ emerging markets +13%
- ▶ Product margins improved
- ▶ EBIT -2.4% mainly due to
  - ▶ investments in future growth
  - ▶ unfavorable combined cocoa ratio
- ▶ Net Profit from continuing operations declined -7.7%
- ▶ Closing and integration plan for Cocoa Ingredients Division acquisition from Petra Foods well on track
- ▶ Mid-term guidance confirmed

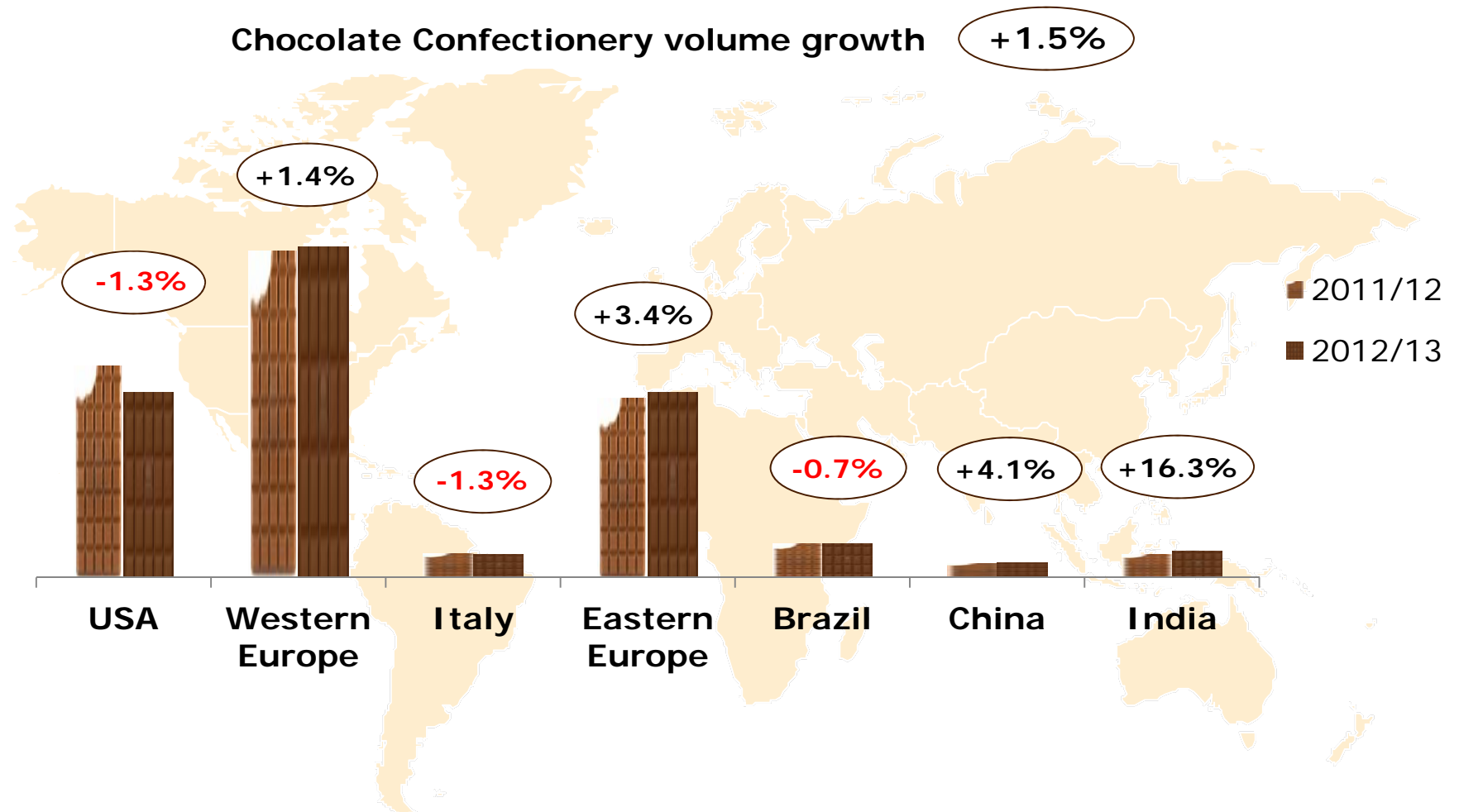




# Market development

## Global chocolate confectionery market grew +1.5% in the last half-year

5 Months Sep-Jan 2013 (in 1,000 tonnes)<sup>1</sup>

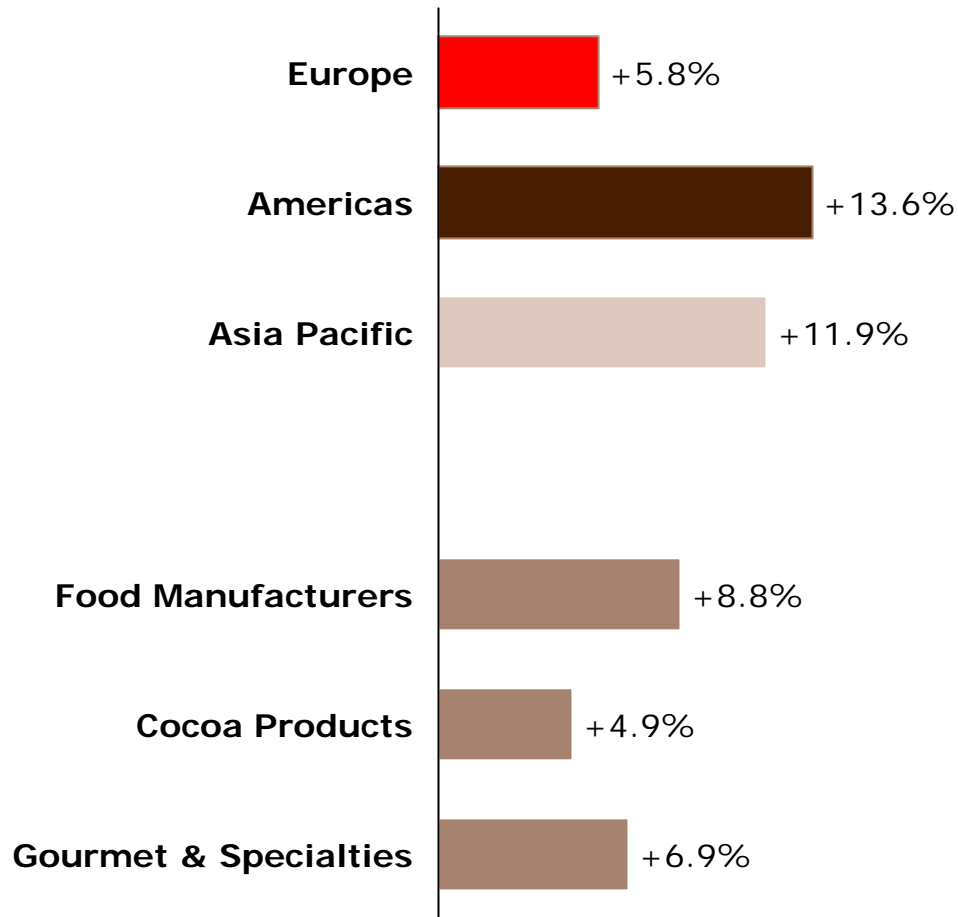


1) Source: Nielsen data (Sep 2012- Feb 2013); - Top 16 countries represent app. 75% of the global chocolate market in volume; - USA total volumes are estimated based on a share distribution by Euromonitor; Eastern Europe includes: Russia, Ukraine, Poland, Turkey. Asia Pacific includes: India and China

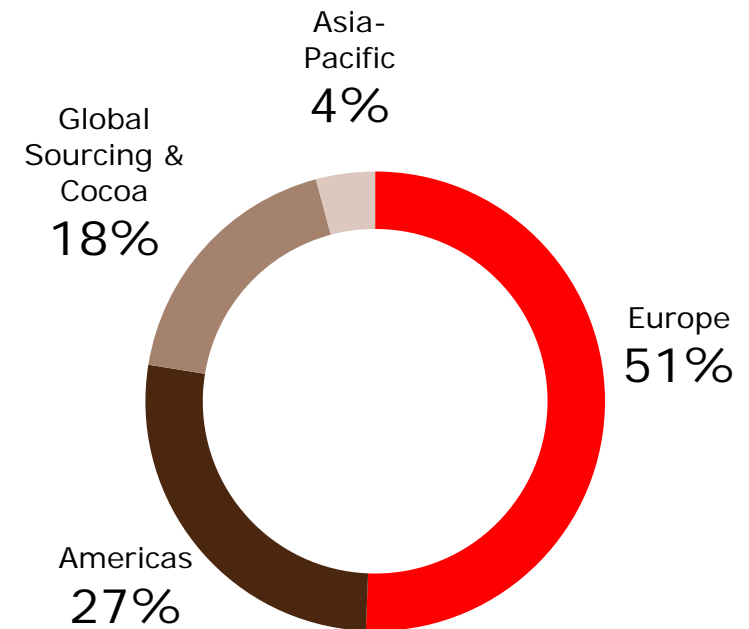


# Growth across all Regions and Product Groups

Six months volume growth vs. prior year



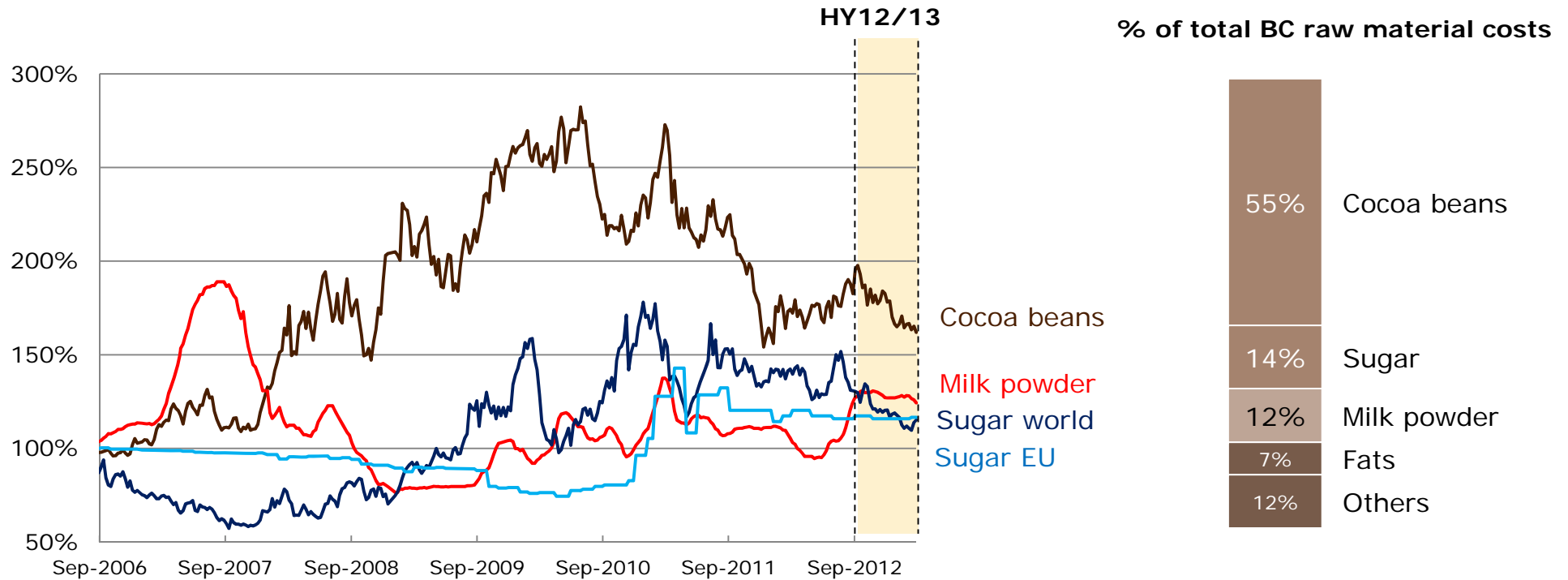
Sales Volume per Region – HY 2012/13





## Raw material price development

Average prices of main raw materials lower compared to prior year



- Cocoa bean price continues at a relatively low level compared to historical prices, on average 15% lower compared to prior year (12 months)
- The sugar crop 2012/12 was very good, world market is in surplus. World sugar prices continued to decrease. EU sugar prices stayed the same, still at rather high levels
- Milk powder prices remained flat due to a balanced supply and demand





# Highlights first six months – HY 2012/13

## Significant strategic steps to generate further growth



First **long-term outsourcing agreement** in South America with Arcor, Dos en Uno

October 2012



Completion of Dijon sale to "Chocolaterie de Bourgogne"

November 2012



Acquisition of ASM Foods AB in Sweden. Strengthening presence in Scandinavia. Long-term outsourcing agreement with Carletti

January 2013



Announcement of the building of a **new factory in Turkey**

October 2012



Barry Callebaut to **acquire the Cocoa Ingredients Division from Petra Foods, Singapore**

December 2012

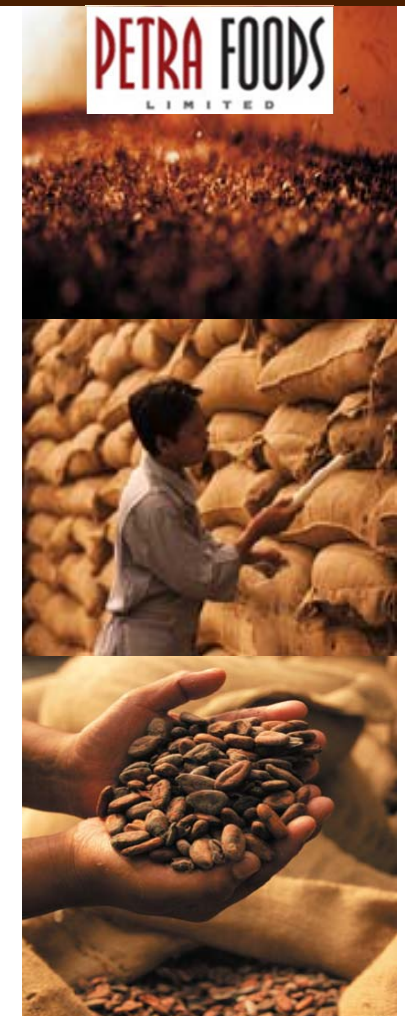




## Petra Foods Cocoa Ingredients' acquisition in line with our strategy

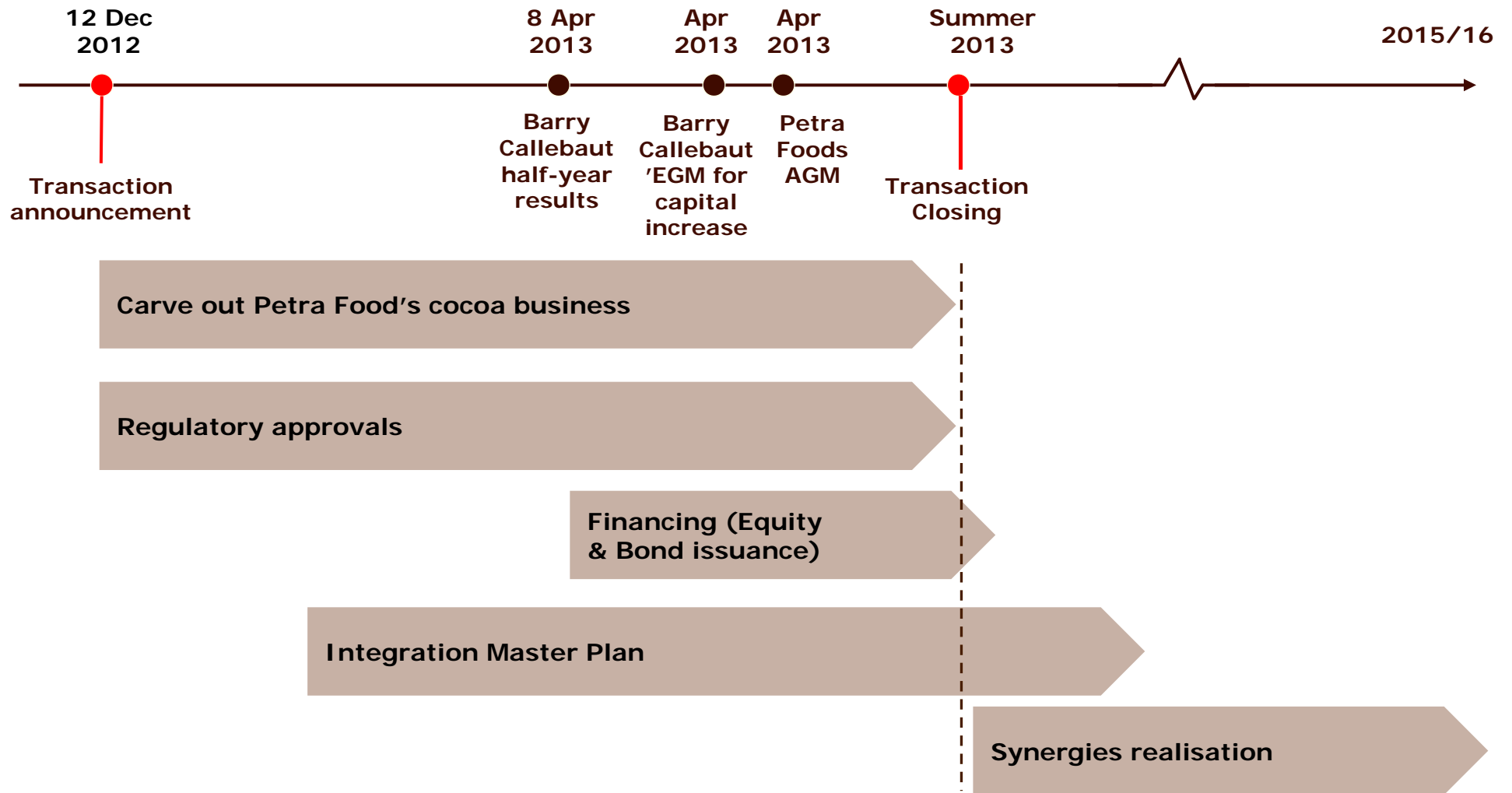
**Excellent strategic fit at the core of Barry Callebaut's cocoa and chocolate business, supporting the company's overall growth**

- ▶ Supporting further chocolate growth by stepping up the integrated cocoa sourcing and processing activities
- ▶ Strengthening current and future outsourcing and partnership agreements
- ▶ Boosting sales volume in fast growing emerging markets, mainly in Asia and Latin America, by 65% to almost one-third of Group sales volume
- ▶ Becoming a pro-active market player in the fast growing cocoa powder market
- ▶ Adding Asia as a strong cocoa sourcing base next to West Africa





# Transaction and integration timeline





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Key figures HY 2012/13 – from continuing operations  
 Strong volume growth, product margin improved,  
 continued investments in future growth

Six months - Sep 2012-Feb 2013

[CHF m]	Change in % in local currencies	Change in % in CHF	H1 2012/13	H1 2011/12 (restated)
Sales volume [in tonnes]		7.8%	745'256	691'061
Sales revenue	-2.6%	-2.4%	2'391.6	2'449.6
	<i>CHF per tonne</i>	-9.7%	3'209	3'545
Gross profit	4.9%	5.5%	357.3	338.8
	<i>CHF per tonne</i>	-2.7%	479	490
EBITDA	1.8%	2.1%	220.1	215.6
	<i>CHF per tonne</i>	-5.6%	295	312
Operating profit (EBIT)	-2.4%	-2.1%	173.8	177.6
	<i>CHF per tonne</i>	-9.5%	233	257
Net profit for the period	22.0%	22.4%	110.3	90.1
	<i>CHF per tonne</i>	13.1%	148	130

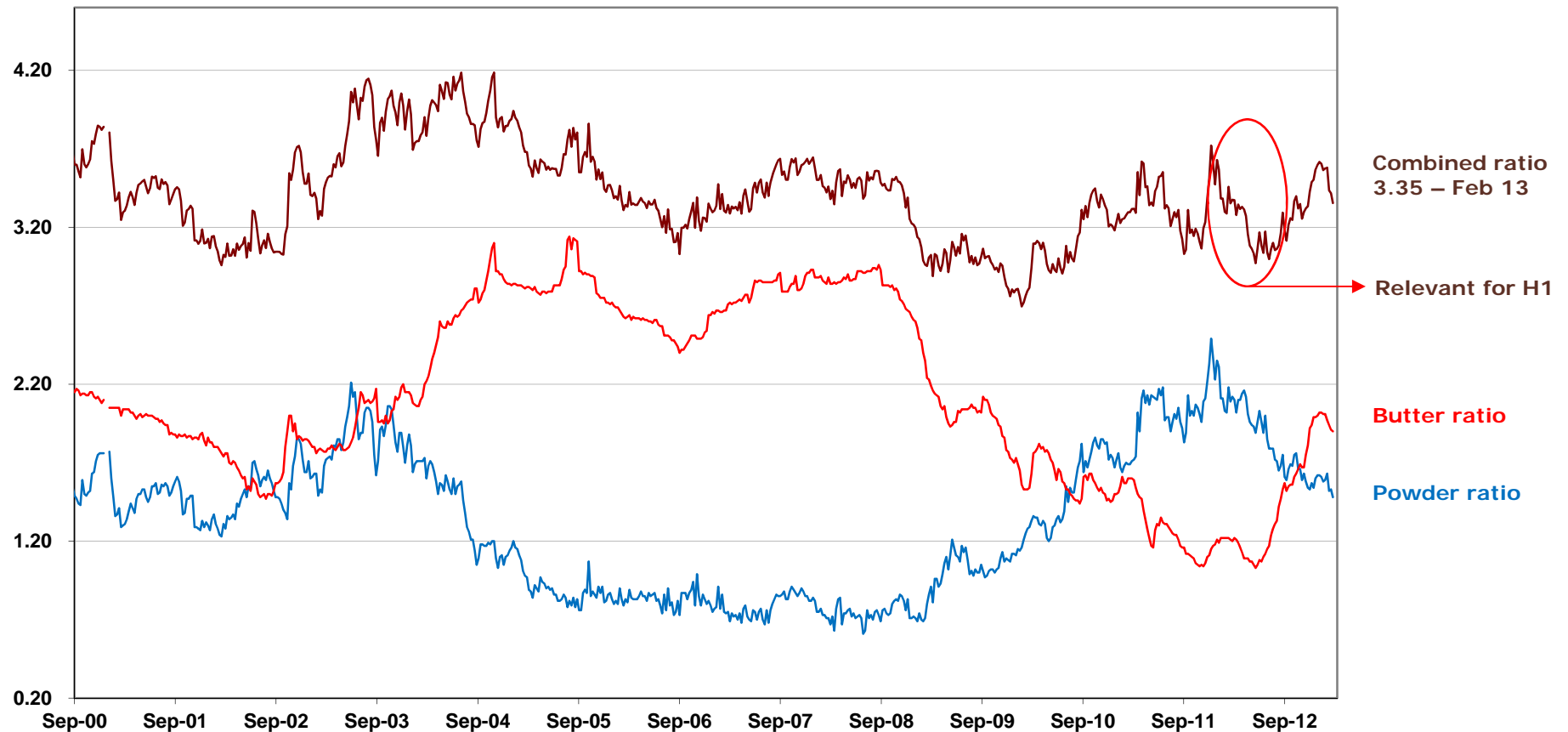


## Cocoa processing activity

Low combined ratio for H1 driven by lower cocoa powder prices, partly offset by higher cocoa butter

European combined ratio - 6 months forward ratio

HY 12/13



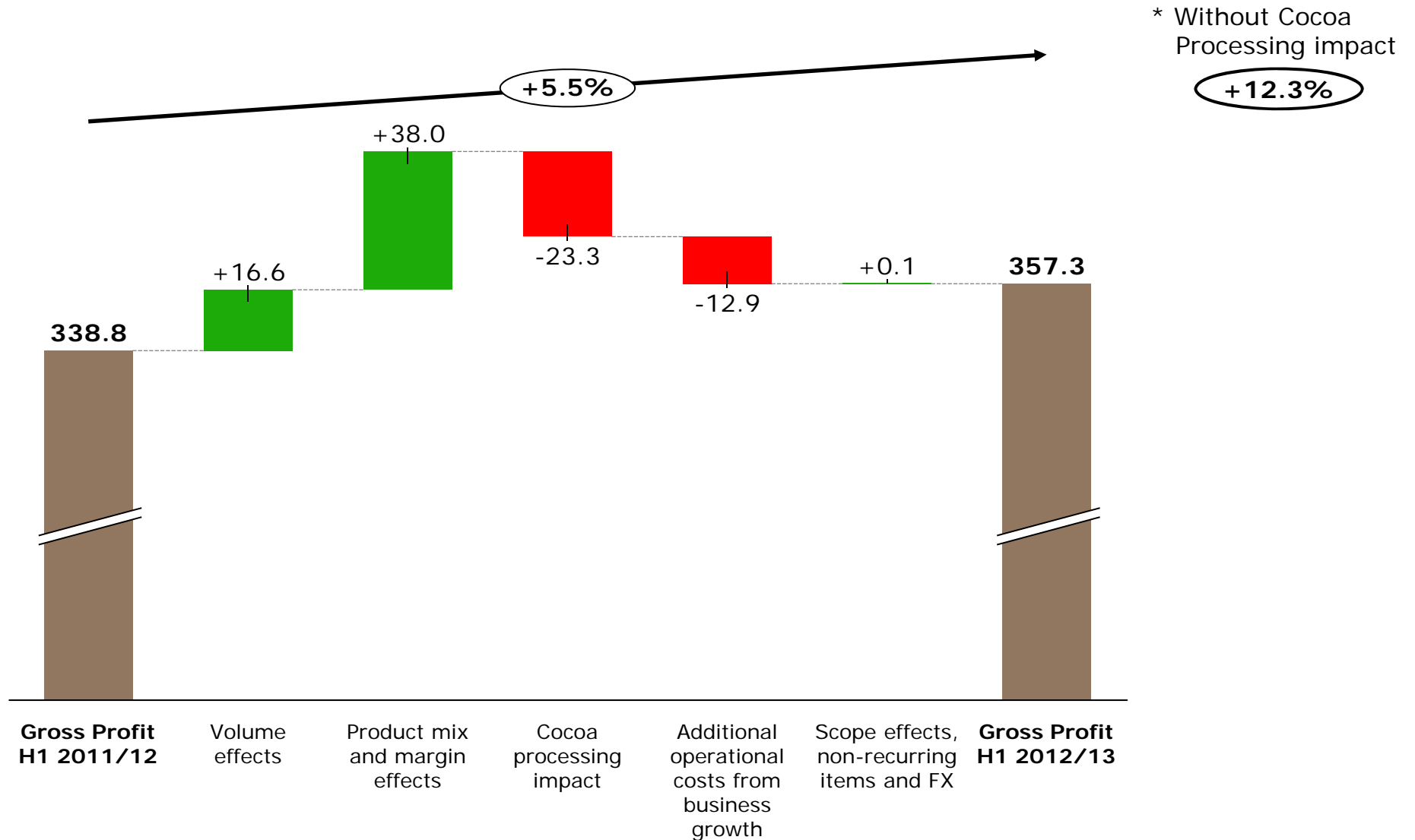
- Low combined cocoa ratios = negative impact on BC cocoa (semi-finished products) business



# Gross Profit – February 2013

## Improved Gross Profit despite negative combined ratio effect

in mCHF

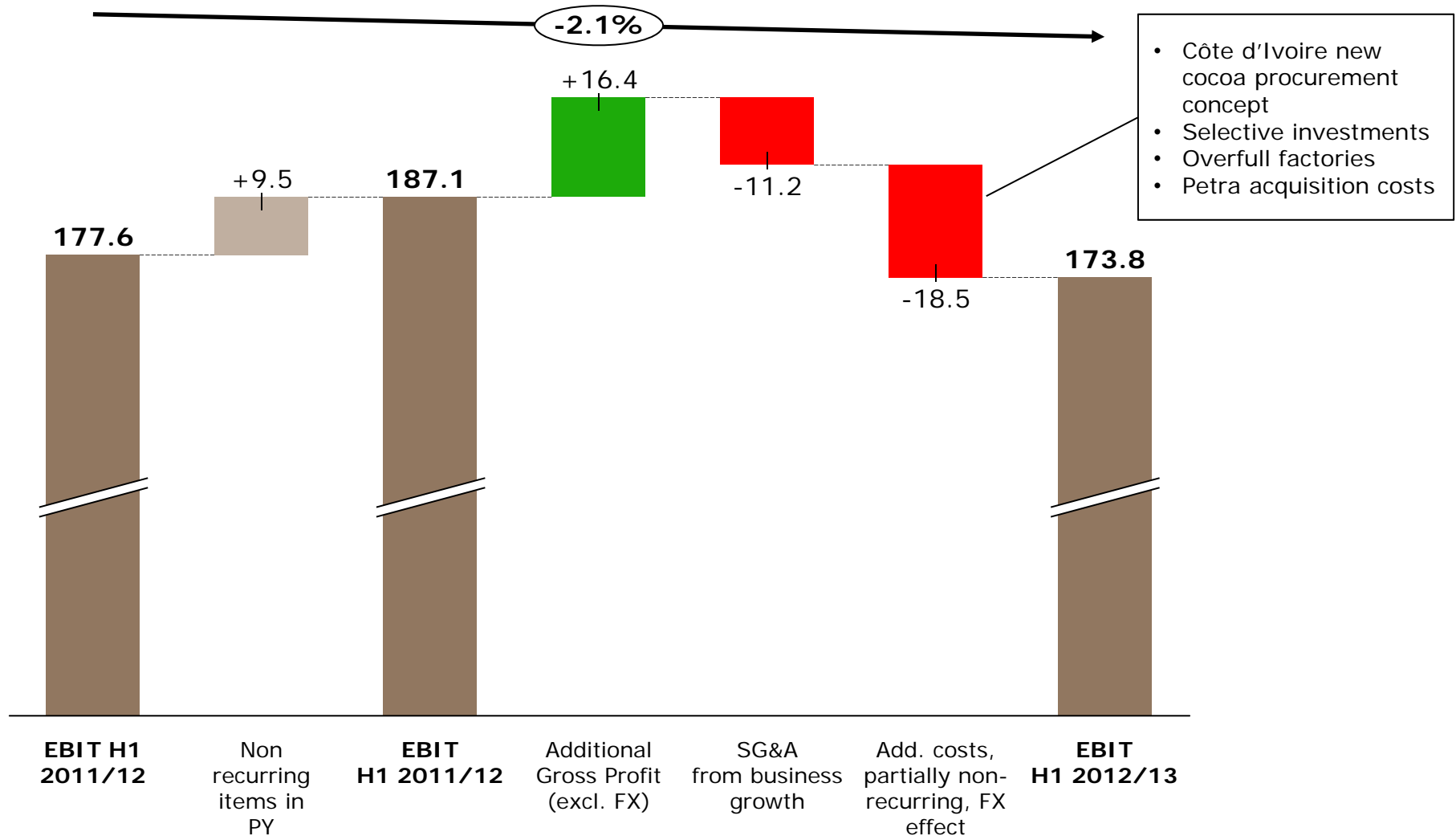




## EBIT – February 2013

# Operating profit mainly impacted by ongoing investments into future growth

in mCHF







## From EBIT to PAT

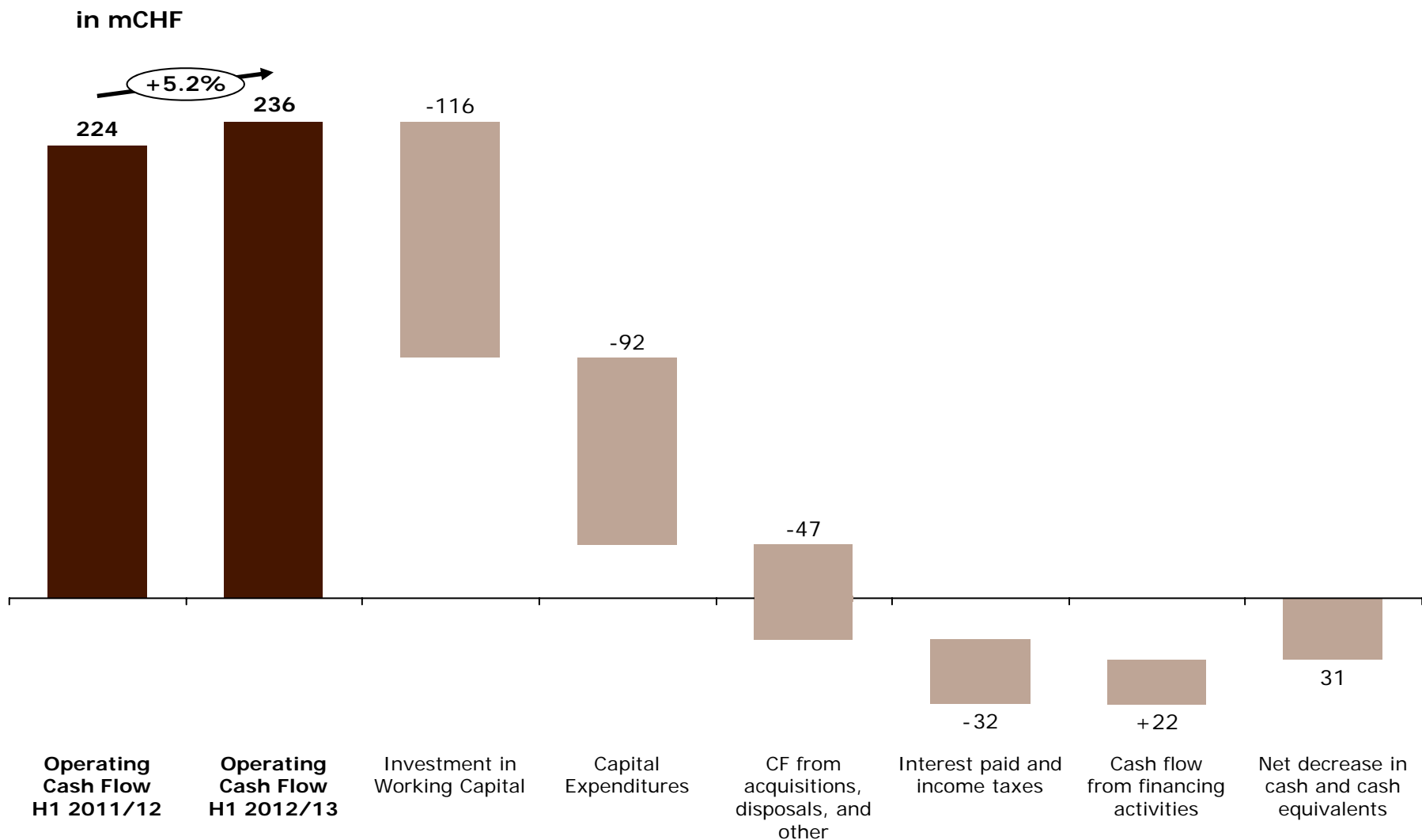
# Net profit from continuing operations affected by higher financial items and higher taxes

[CHF m]	Change in % In local currencies	Change in % CHF	H1 2012/13	H1 2011/12 (restated)
Operating profit (EBIT)	-2.4%	-2.1%	173.8	177.6
Financial items	-14.8%	-14.2%	(35.4)	(31.0)
Result from investments in associates and joint ventures			(0.3)	0.3
Profit before Taxes [CHF m]	-6.4%	-6.0%	138.1	146.9
Income taxes		-2.4%	(21.7)	(21.2)
<i>Tax rate [in %]</i>			15.7%	14.4%
Net profit from continuing operations <sup>1</sup>	-7.7%	-7.4%	116.4	125.7
Net result form discontinued operations			(6.1)	(35.6)
Net profit for period	22.0%	22.4%	110.3	90.1



## Cash Flow

# Higher operating cash flow which supports further growth



\* Paid from paid-in capital reserves



## Balance Sheet

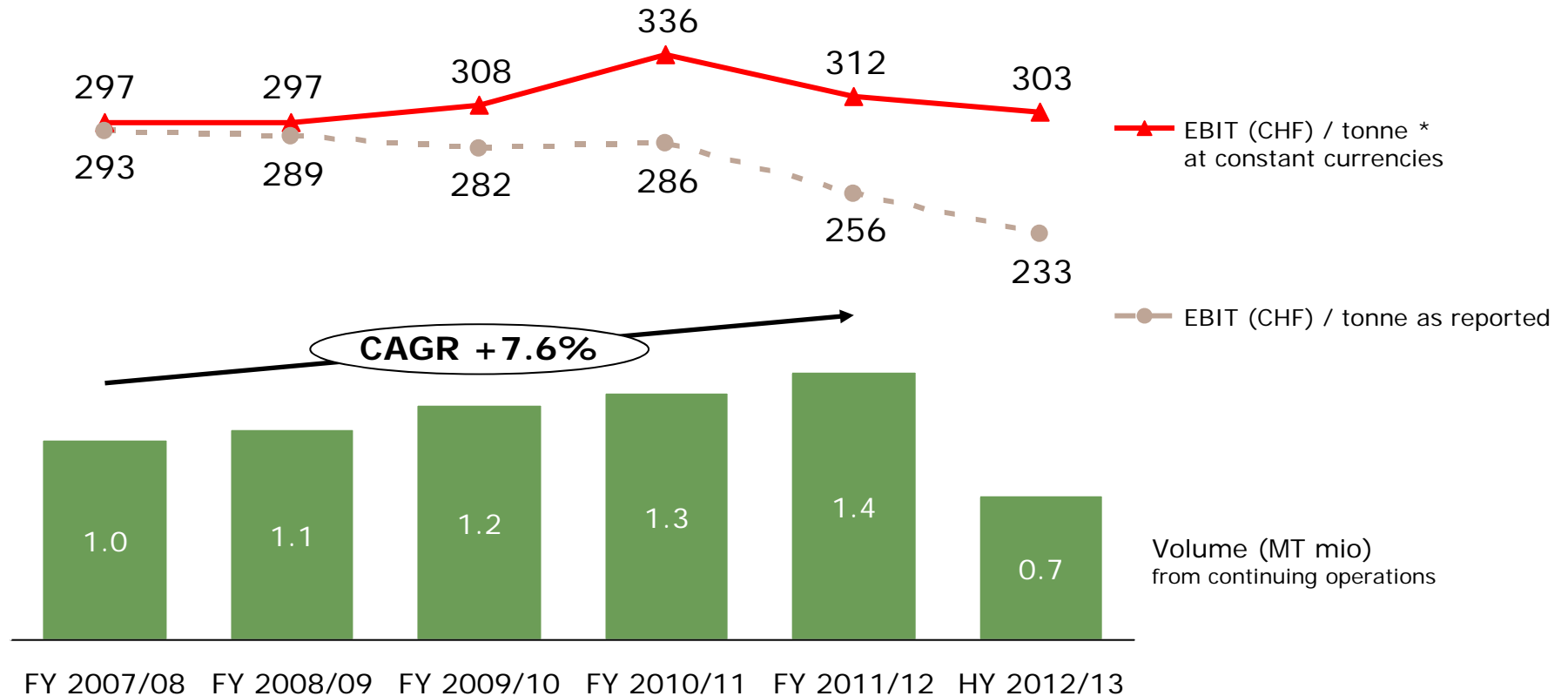
# Ongoing investments, stable Balance Sheet and financial ratios

	Change in %	Feb 13	Feb 12
Total Assets [CHF m]	-8.2%	3'556.0	3'875.7
Net Working Capital [CHF m]	-1.8%	1'026.2	1'045.1
Non-Current Assets [CHF m]	10.0%	1'488.4	1'353.1
Net Debt [CHF m]	2.9%	993.9	965.5
Shareholders' Equity [CHF m]	6.5%	1'386.0	1'301.0
Debt/Equity ratio		71.7%	74.2%
Solvency ratio		39.0%	33.6%
Net debt / EBITDA		2.3x	2.4x
Interest cover ratio		5.5x	5.4x
ROIC		12.1%	14.0%
ROE		16.9%	18.5%



# Strong volume growth over the last 5 years and EBIT per tonne maintained, excluding negative FX impact

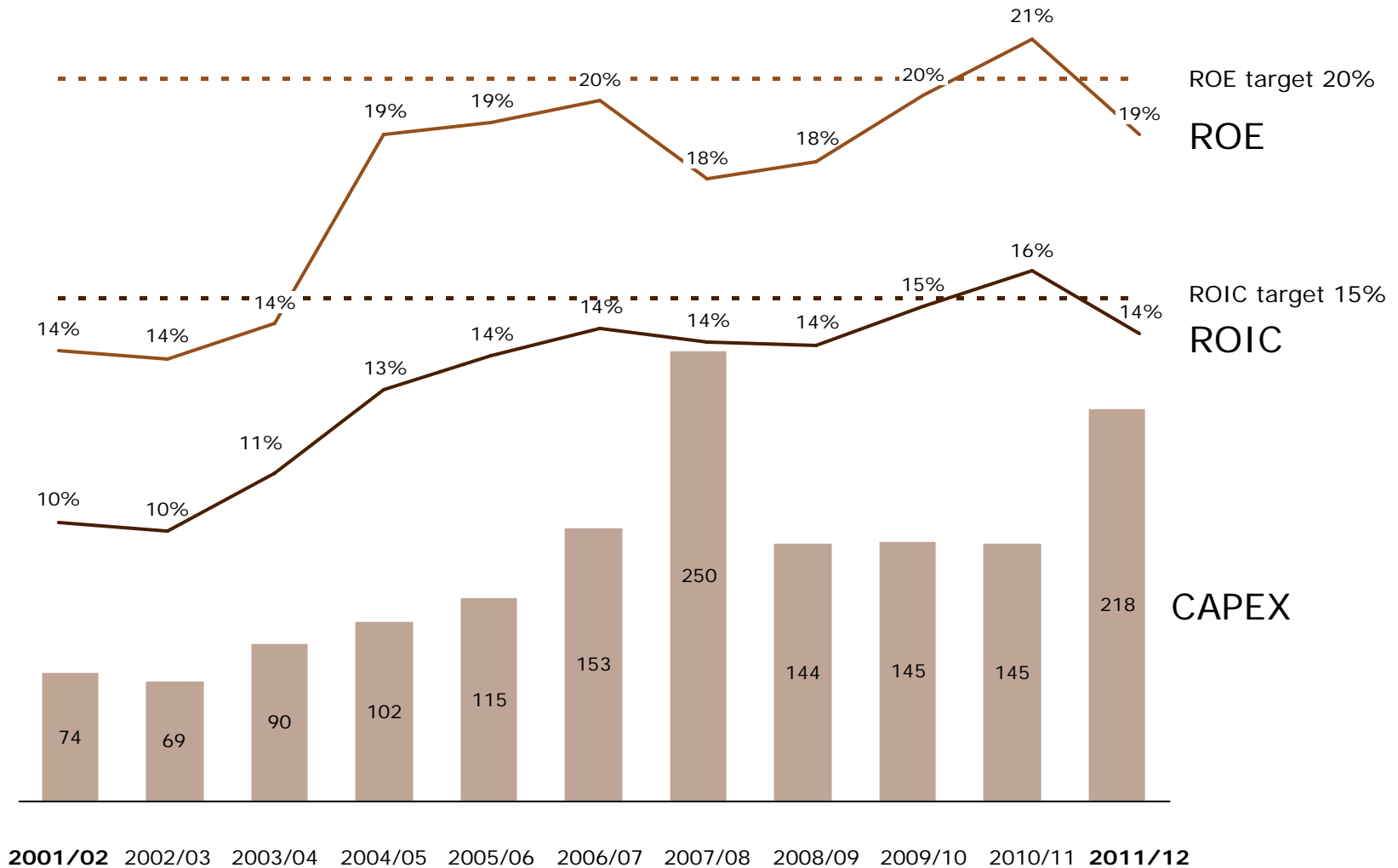
## Group development



\* Excluding negative FX impact (at constant currencies 2007/08) and excluding Consumer business



# Committed to long-term volume growth, while improving our return on equity and on invested capital





# Financing of the Petra Foods' Cocoa Ingredients Division acquisition

- ▶ Total consideration: USD 950 mio
- ▶ Bridge loan for total consideration provided by Credit Suisse currently in place
- ▶ Take out – bridge loan
  - ▶ USD 300 mio equity via accelerated book building or rights issue
  - ▶ USD 600 million Rule 144A/Reg S USD bond offering
- ▶ Expected timing of the equity and bond offering, shortly before or after the closing of the transaction (June – August 2013)
- ▶ Waiver on the Revolving Credit Facility received from all 12 banks
- ▶ As expected downgrade to BB+ by S&P at the end of March 2013, due to lower ratios for the combined business in the first years.





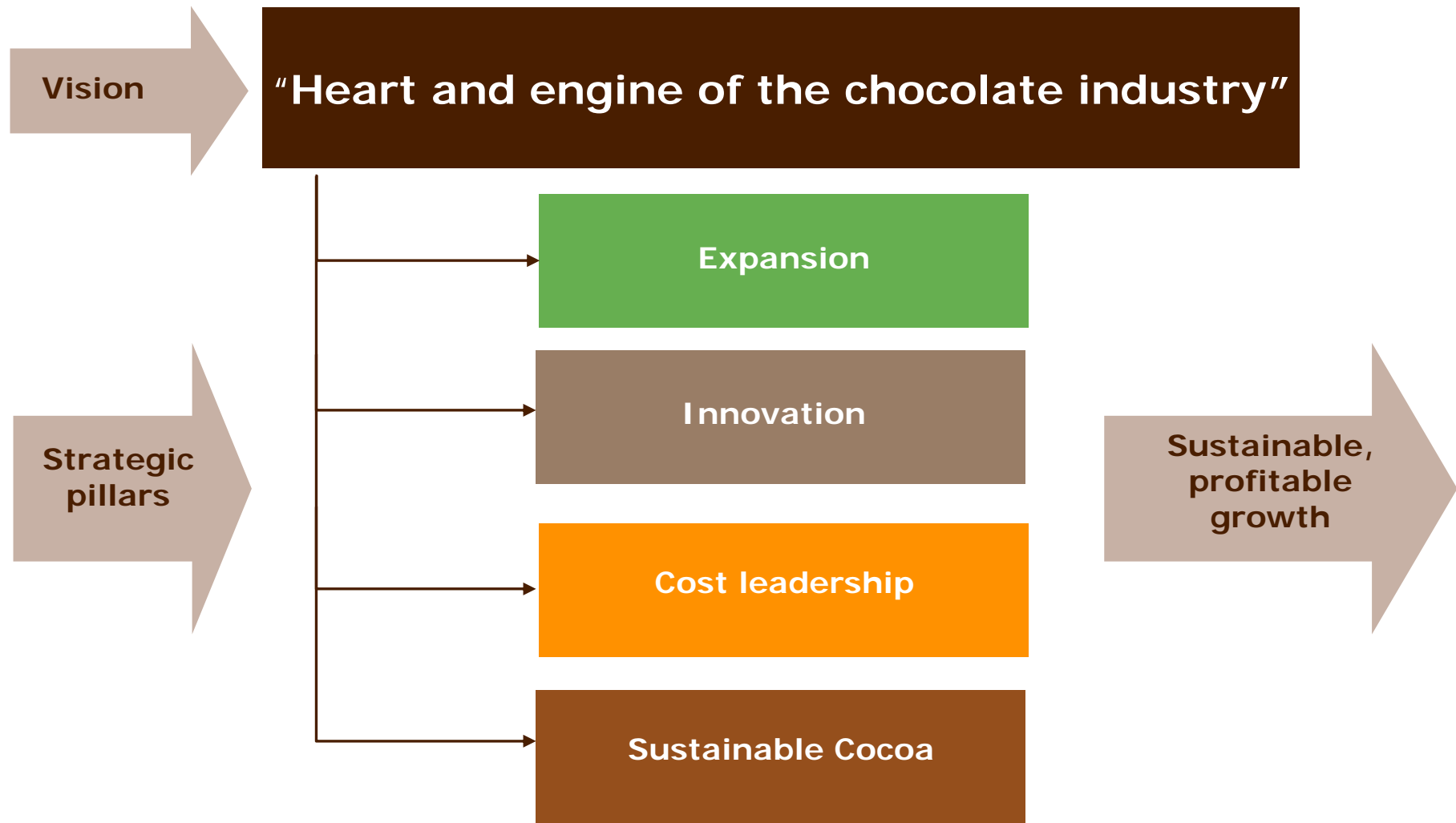
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# Our Strategy

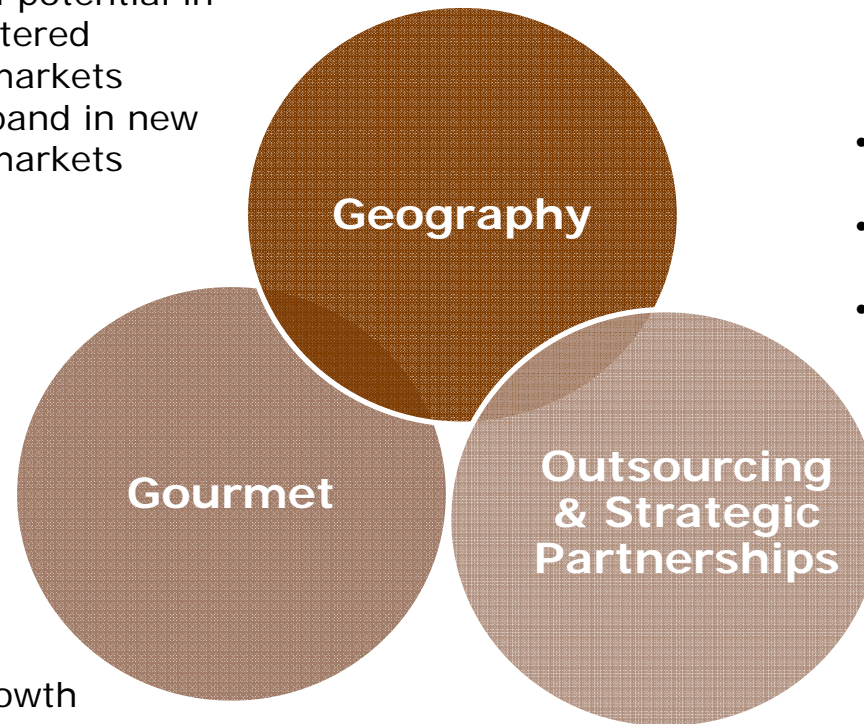




# Expansion based on key growth drivers



- Consolidation in mature markets
- Achieve full potential in recently entered emerging markets
- Further expand in new emerging markets



- Strengthen current partnerships
- Implement recently signed contracts
- New outsourcing deals with local and regional players


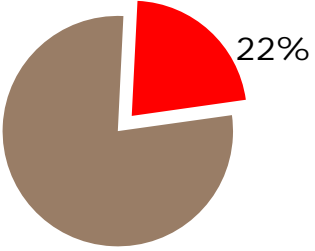

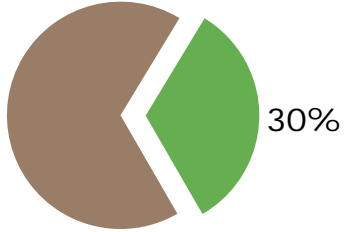

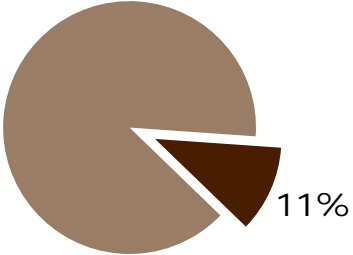


- Accelerate growth of Gourmet & Specialties Products business



# Development of our growth drivers

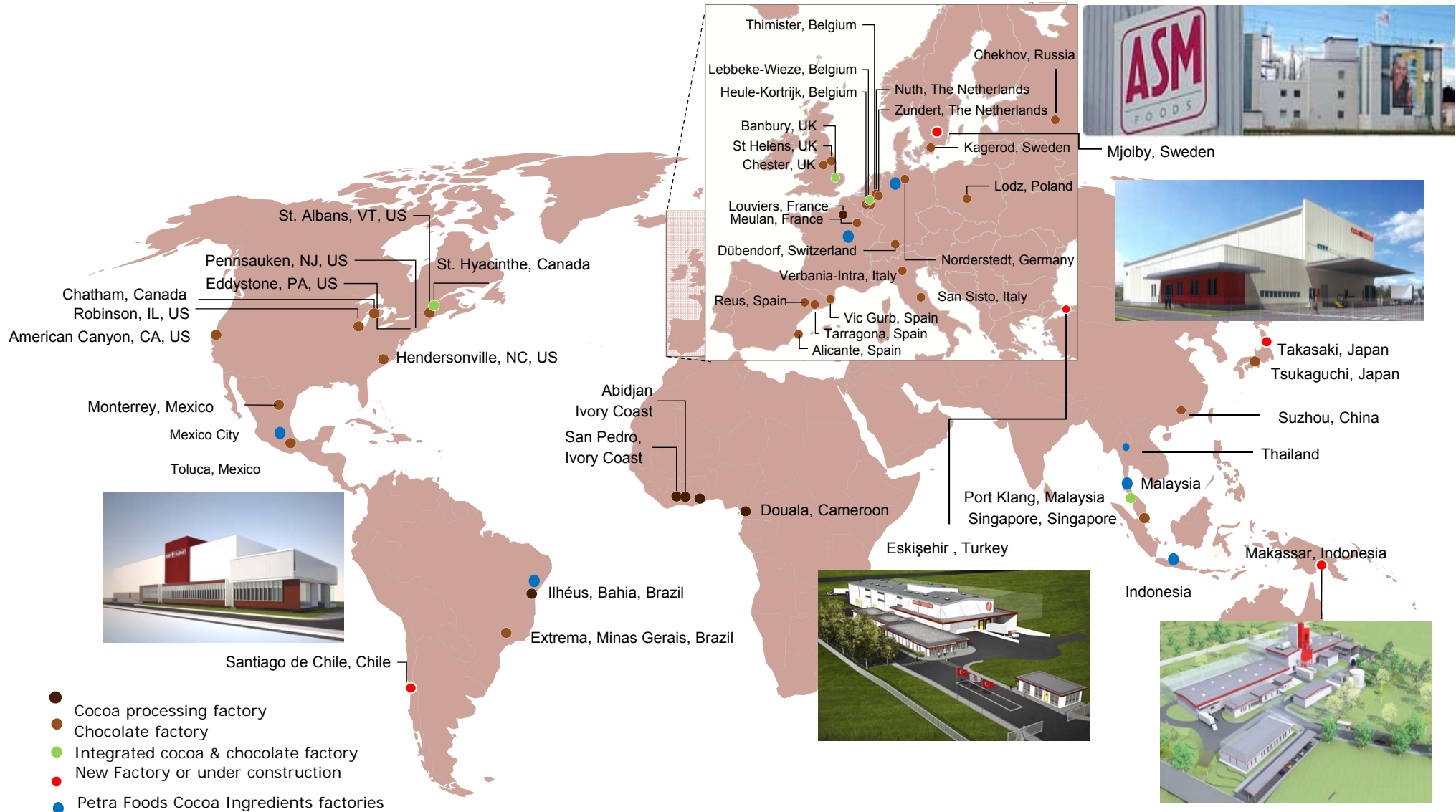
Expansion

	HY 2012/13	CAGR 07/13
<b>Total Group</b>	% of total Group Volume	+6.7%
<b>Emerging markets</b> 	 <p>22%</p>	+16.3%
<b>Outsourcing &amp; Strategic Partnerships</b> 	 <p>30%</p>	+89.0%
<b>Gourmet &amp; Specialties</b> 	 <p>11%</p>	+6.0%
<b>Global chocolate market*</b>		+1.0%

\* Source: Euromonitor CAGR 07/13 and Nielsen last 6 months.



# Our global manufacturing footprint continues to expand by 12 factories



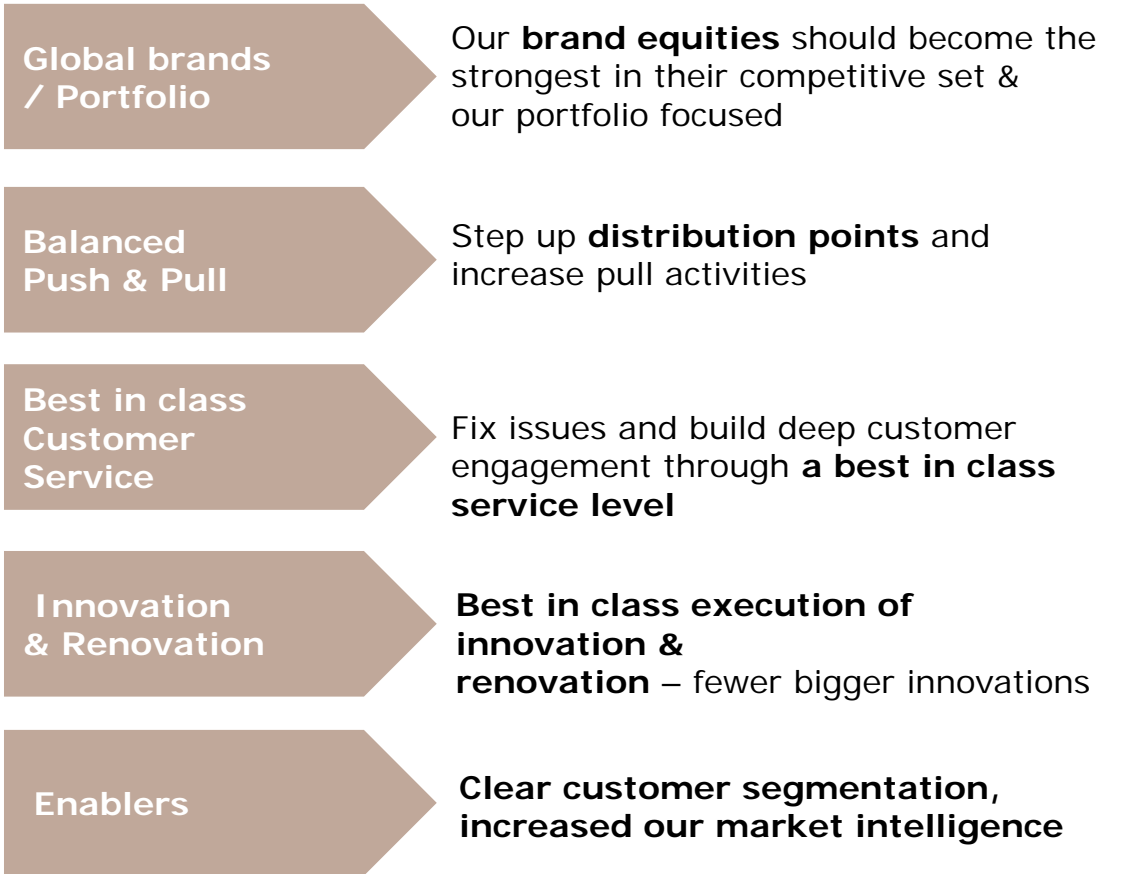


# Continuous strong focus on Gourmet, our strategy has translated into key actions

We want our brands to empower chef & artisans to delight customers with superior creations anywhere, anytime and lead sustainable cocoa



## Our key focus





# Further efforts on global brands and balanced push-pull approach

## Global brands



Building Brand Equity: Core Range Differentiation  
Belgian Chocolate Leadership through "Growing Great Chocolate" & New packaging



Cacao Barry Brand reactivation to be initiated in H2 2012/13

## Balanced push - pull



Increased distribution points worldwide. Focus on increasing distribution points & portfolio in key cities

## Balanced push - pull



- Increasing presence in social media: First Live Academy by Cacao Barry in Jan '13 generating over thousand participants from more than 50 countries
- Callebaut TV re-launch May '13 and Chocolizer taste tool



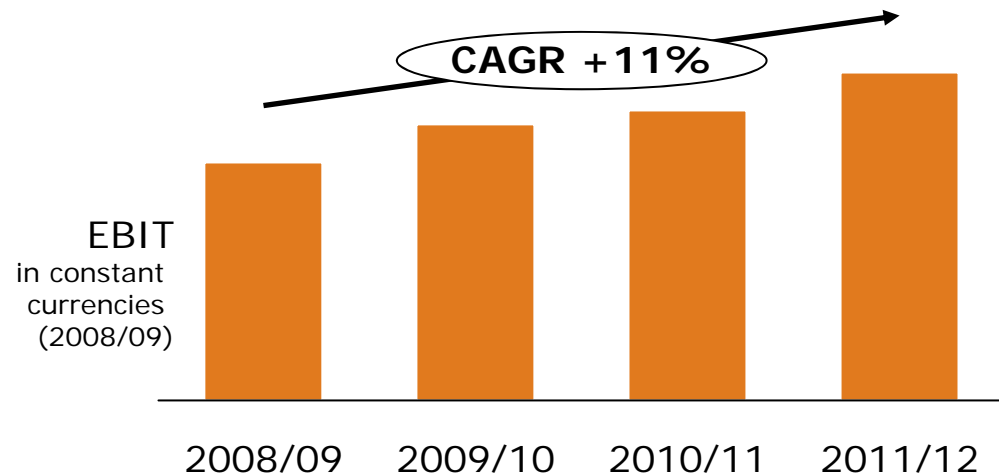
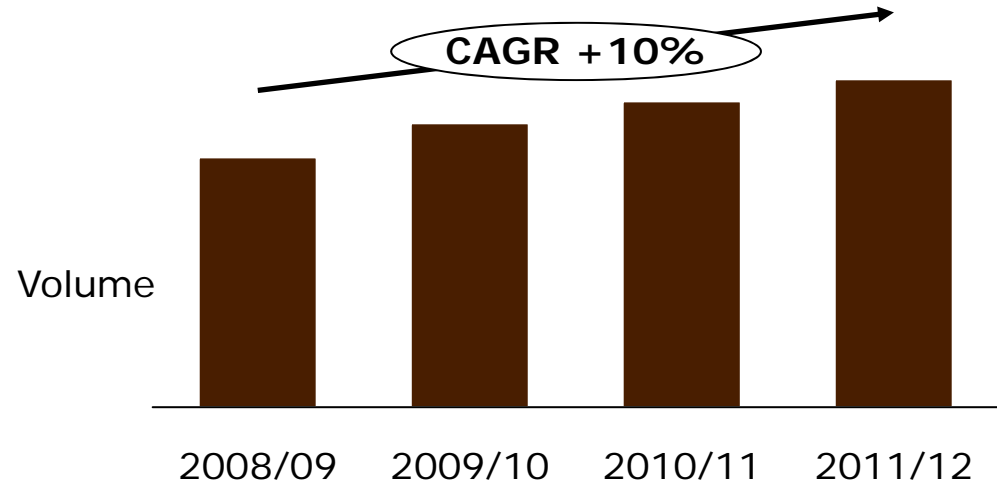


As a result of our focus and recent investments in the Gourmet business, we grew double-digit top and bottom-line

Expansion



Group Gourmet Business (excluding Beverages)







# Successful R&D activities enable further growth

*Fully loaded portfolio of future facing Innovations...*

Enjoy Superior Sensorics	Navigating Health & Nutrition	Making a difference	As real as we can get	Make it easy
<p><i>Nut pastes Cocoa Nibs</i></p> <p><i>Aerated Fillings</i></p> <p><i>Marzipan Deco</i></p> <p><i>Crispy Fillings</i></p> <p><i>Flavoured Fillings</i></p> <p><i>Coloured Chocolate</i></p> 	<p><i>Natural Flavour Colors</i></p>  <p><i>Better Fat Balance</i></p> <p><i>Lactose Free</i></p> <p><i>Sugar Free / Stevia</i></p> <p><i>No added, refined sugar</i></p> <p><i>Probiotics</i></p> 	<p><i>Certified Cocoa</i></p>  <p><i>Certified Chocolate</i></p> <p><i>Quality Partner Program</i></p> <p><i>With Sustainable Palm</i></p> 	<p><i>Origin Cocoa</i></p> <p><i>La Morella Nuts</i></p> <p><i>Origin Chocolate</i></p> <p><i>Java &amp; Cameroon TC</i></p> 	<p><i>Bake Stable Chips, Fillings</i></p> <p><i>Low Fat Cocoa</i></p> <p><i>Fast Drying Compound</i></p> <p><i>Ready to Use Ganache</i></p> <p><i>Heat Resistant Chocolate</i></p> 



## Cost Leadership

# Coping with strong growth, while striving to be cost leader

Cost Leadership

### Factory costs

- Efficiency gains like for like of -0.5% vs target of -2%
- Costs driven by volume growth, new factories, CAPEX and inflation
- Overload of factories in WE and Asia had high single digit additional cost effect
- Continuous improvement program One + generates recurring single digit million costs improvement

### Capacity utilization

- Capacity utilization: Cocoa liquor - 92% (target 90-95%), Cocoa pressing – 88%, Chocolate 92%, in Europe 98% (target 82-85%)

### Logistics costs

- Up +15% driven by additional volume, warehousing costs, fuel increases and intercompany transports





# Increased investments to secure enough cocoa supply and to improve farmer livelihoods



## Long-term threats

- ▶ Lack of enough quantity and quality cocoa beans
- ▶ Consumption outpaces bean production
- ▶ Competitive crops more profitable
- ▶ Low and volatile cocoa bean price

### Farmer Practices

**Aim: double yield (+ 800kg/hectare)**

- Cocoa Center of Excellence in Côte d'Ivoire operational as of April 2013



### Farmer Education

**Aim: develop next generation of farmers**

- 5 new Farmer Academies
- 2 rural schools & community learning centers in Côte d'Ivoire



### Farmer Health

**Aim: improve the livelihood of the farmers**

- New water wells drilled
- Vaccination program
- Insecticide nets



**QPP & Biolands Cocoa Buying Programs  
'Callebaut' range shifted to sustainable QPP cocoa  
Switch to 100% RSPO-certified sustainable palm oil**



## Growth targets for 2011/12-2014/15:

- ▶ On average 6-8% volume growth
- ▶ Average EBIT growth at least in line with volume growth

\* Our view for the 2011-2015 period reflects current economic forecasts for the markets we operate in as well as internal developments and their assumed impact on our performance, barring any major unforeseen events and based in local currencies.



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# Summary

- ▶ Strong broad based volume growth: sales volume +7.8%, fueled by strategic growth drivers outsourcing, Gourmet and emerging markets
- ▶ Product margins improved; gross profit up +5%, despite an unfavorable combined cocoa ratio
- ▶ EBIT decreased by 2.4% in local currencies (-2.1% in CHF) impacted by continued investment in future growth
- ▶ Closing and integration plan of Cocoa Ingredients Division acquisition from Petra Foods well on track
- ▶ Growth targets confirmed







**Gourmet:**

**To become the undisputed branded chocolate & chocolate convenience leader in all out of home markets**



**Empower chefs to delight**



**Anywhere - Anytime**



**Lead sustainable cocoa**

**Many thanks**