



# Press Conference Grand Opening New Chocolate Factory Eskişehir Tapping into a fast-growing chocolate market

OCTOBER 2, 2013 / ESKIŞEHİR, TURKEY





- **Barry Callebaut worldwide - the leading manufacturer of high-quality cocoa and chocolate products**
  - *Juergen Steinemann, CEO*
- **Barry Callebaut in EEMEA / Turkey – strengthening our position in a fast-growing chocolate market**
  - *Filip de Reymaeker, President EEMEA (Eastern Europe, Middle-East and Africa)*
  - *Serdar Tulek, Sales Director & Country Coordinator*



**BARRY CALLEBAUT WORLDWIDE –  
THE LEADING MANUFACTURER OF  
HIGH-QUALITY COCOA AND CHOCOLATE  
PRODUCTS**



# 1 out of 5 chocolate and cocoa product contains Barry Callebaut

- ▶ Company founded in 1996
- ▶ Rich heritage and roots dating back more than 150 years
- ▶ Serving the entire food industry
- ▶ Fully integrated, strong position in cocoa-origin countries
- ▶ Sales volume: 1.6 million tonnes; sales revenue: EUR 4.9 billion\*
- ▶ 8,000 employees, 50 factories, on 4 continents
- ▶ Headquarters in Zurich, Switzerland; listed at Swiss stock exchange



\* Estimated sales figures; incl. acquisition of cocoa business from Petra Foods



# Covering all stages of the chocolate value chain

**Cocoa plantations**

**Cocoa Beans**

**Core activities**

**Cocoa Liquor**

**Cocoa Powder**

**Cocoa Butter**

+ Sugar,  
Milk, others

+ Sugar, Milk,  
fats, others

+ Sugar, Milk,  
others

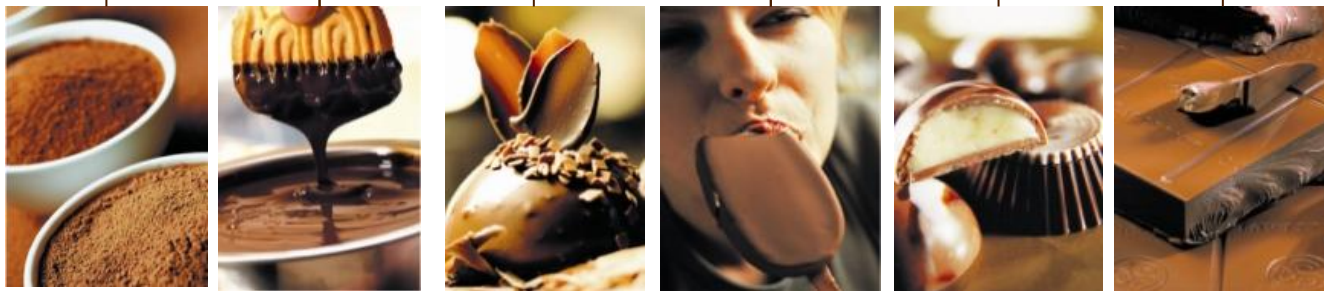
**Powder Mixes**

**Compound &  
Fillings**

**Chocolate Couverture**

**Customers**

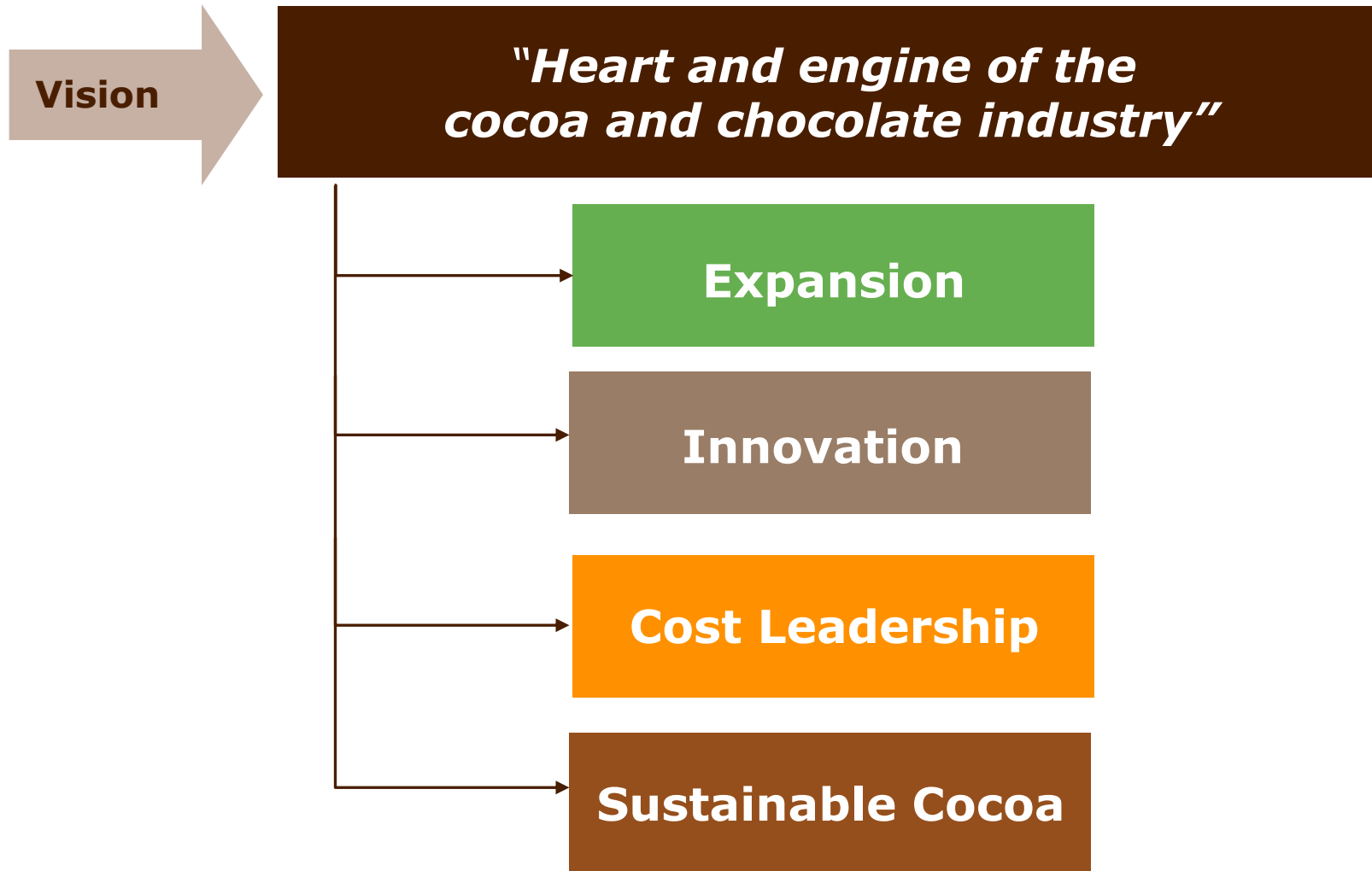
**Food manufacturers,  
artisans and  
professional users of  
chocolate**







# The strategic pillars of our growth strategy





# Expansion based on 3 key growth drivers

## Geography



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

## Outsourcing & Strategic Partnerships



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

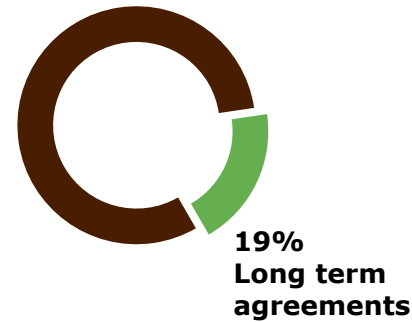
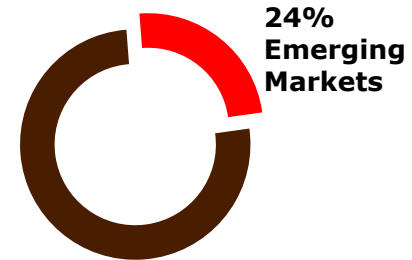
## Gourmet



- ▶ Accelerate growth of Gourmet & Specialties Products business
- ▶ Two global premium brands Callebaut® and Cacao Barry®

### Fiscal Year 2011/12

% of total Group Volume





# From cocoa processing to the manufacturing of chocolate

## Factory footprint close to customers







# Innovation-led growth

## Enjoy Superior Sensorics

*Nut pastes Cocoa Nibs*

*Aerated Fillings*

*Marzipan Deco*

*Crispy Fillings*

*Flavoured Fillings*

*Coloured Chocolate*



## Navigating Health & Nutrition

*Natural Flavour Colors*



*Better Fat Balance*

*Lactose Free*

*Sugar Free / Stevia*

*No added, refined sugar*

*Probiotics*



## Making a difference

*Certified Cocoa*



*Certified Chocolate*

*Quality Partner Program*

*With Sustainable Palm*



## As real as we can get

*Origin Cocoa*

*La Morella Nuts*

*Origin Chocolate*

*Java & Cameroon TC*



## Make it easy

*Bake Stable Chips, Fillings*

*Low Fat Cocoa*

*Fast Drying Compound*

*Ready to Use Ganache*

*Heat Resistant Chocolate*



- ▶ Latest success:
  - ▶ European Commission's approval of a health claim "Cocoa flavanols support a healthy blood circulation"



# Ensure long-term and sustainable cocoa supply

## Long-term threats:

- ▶ Lack of sufficient quantity and quality of cocoa beans
- ▶ Consumption outpaces bean production
- ▶ Competitive crops more profitable
- ▶ Volatile cocoa bean price
- ▶ Farmers giving up the crop

## Our answer:





## **BARRY CALLEBAUT IN EEMEA / TURKEY**

**STRENGTHENING OUR POSITION IN A  
FAST-GROWING CHOCOLATE MARKET**



# Turkey – hub of EEMEA region and key market for Barry Callebaut





# EEMEA: Significant growth potential – also in chocolate

- ▶ 1.4 billion people
- ▶ Average age: 28
- ▶ 89 countries
- ▶ 12% of global economy
- ▶ GDP per capita: USD 6,100
- ▶ USD 17 billion chocolate confectionery
- ▶ Strategic target markets:
  - ▶ Core: Russia, Turkey, South East
  - ▶ 2<sup>nd</sup> wave: Saudia Arabia, Egypt, Maghreb, South Africa, Ukraine







# Chocolate market in Turkey: Attractive growth potential for innovative B2B solutions

- ▶ Sound economic growth (GDP): > 4% p.a.
  - ▶ Growing, young population
- ▶ Still rather low chocolate consumption:
  - < 2 kg/capita
  - ▶ Mainly milk, but dark chocolate growing fast
- ▶ Fast-growing chocolate market<sup>1</sup>:
  - ▶ Volume growth in last 5 years: +50%
  - ▶ Volume growth forecast: +6.4% p.a. (2013 – 2018)
  - ▶ Within Top 5 of fastest growing chocolate markets worldwide
- ▶ Turkish chocolate market is still rather a captive market
  - ▶ Market will start to follow the global trend of outsourcing
- ▶ Key confectionary players are looking for innovative solutions



<sup>1</sup> Source: Euromonitor.





## **BARRY CALLEBAUT IN EEMEA / TURKEY**

**STRENGTHENING OUR POSITION IN A  
FAST-GROWING CHOCOLATE MARKET**



Barry Callebaut in Turkey

Started 15 years ago, significantly strengthened position today

- ▶ 1999: First industrial chocolate sales
- ▶ June 2005: Opening of sales office in Istanbul; started to locally source Turkish hazelnuts
- ▶ October 2011: Establishing own Gourmet Sales team
- ▶ 2013: Istanbul becomes EEMEA headquarters
- ▶ October 2013: Inauguration of first chocolate factory
- ▶ November 2013: Opening of 2<sup>nd</sup> Chocolate Academy™ center in EEMEA region (Istanbul)





# Eskişehir – an ideal location to serve our customers

- ▶ Centrally located
  - ▶ 400 km radius to potential customers
  - ▶ Short transport routes for raw materials' supply
- ▶ Well-developed industrial zone
- ▶ Initial capacity:
  - ▶ 14,000 tonnes of dark and milk chocolate
- ▶ Employees on site:
  - ▶ 30 (all locally recruited)
- ▶ Amount invested:
  - ▶ TL 35 million (EUR 13 million)
- ▶ Erected with local Turkish constructors and builders
- ▶ Planned to double output to 28,000 tonnes





## Barry Callebaut in Turkey – set for profitable growth

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- ▶ Barry Callebaut – the world’s leading manufacturer of high-quality cocoa and chocolate products
- ▶ Expansion as a key pillar of our strategy
- ▶ Turkey – the hub for our activities in the EEMEA region and a fast-growing chocolate market
- ▶ Key confectionary players looking for innovative solutions in the market
- ▶ Centrally located, state-of-the-art new chocolate factory
- ▶ Ready to produce 14,000 tonnes of chocolate and with plans to double output near-term
- ▶ Further expansion potential



**QUESTIONS?**



**THANK YOU VERY MUCH!**





# ANNEXE



# Our product offering focuses on cocoa and chocolate



% of total volume 2011/12

70%

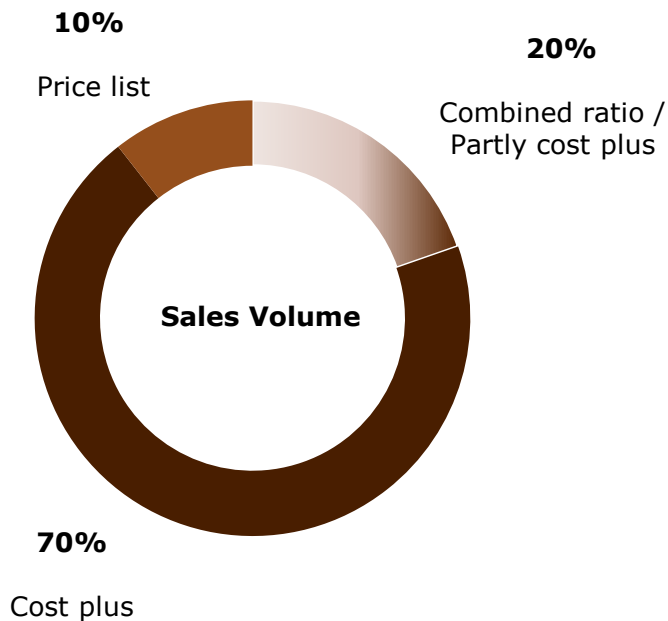
10%

20%



# Robust business model underpins earnings stability...

## Barry Callebaut business model



**Cost Plus model – pass-on the cost of raw materials to customers**



# Outsourcing trend provides clear growth opportunity

Global Industrial Chocolate market in 2011/12 = 6,100,000 tonnes\*

Open market

Captive market

Competitors

Big 4 chocolate confectionary players

Others

Others



BARRY CALLEBAUT

40%

48%

52%



The Open Market continues to grow in share

\* BC estimates.



# Increasing market share through long-term outsourcing and strategic partnership agreements

2006-07



**Nestlé**  
(February 2007)



**Cadbury Schweppes**  
(June 2007)



**Hershey**  
(April 2007)



**Morinaga** (September 2007)

C + Ch deal

2010-11



**ex-Kraft Foods**  
(September 2010)



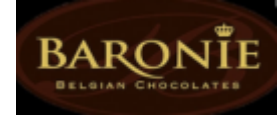
**Green Mountain Coffee Roasters**  
(Oct 2010)



**Hershey Extension**  
(May 2011)



**Chocolates Turin**  
(June 2011)



**Baronie Group**  
(July 2011)

C + Ch deal

C + Ch deal

C + Ch deal

2011-12



**Bimbo**  
(Jan 2012)



**Unilever**  
(Jan 2012)



**Morinaga**  
(June 2012)



**Arcor, Dos en Uno**  
(Oct 2012)

C + Ch deal

C + Ch deal

C + Ch deal

C + Ch deal

C + Ch deal

**Cocoa and Chocolate deal**



## Gourmet – strong focus on growth acceleration

- Gourmet & Specialty business represents 10% of our total sales, but stronger EBIT contribution
- Highly fragmented market with different segments (Bakery, HORECA, Confectioners)
- Two global premium brands Callebaut® and Cacao Barry® with long heritage
- Push & Pull strategy (direct sales force, Chocolate Academies, Ambassadors's club, Demonstrations, Fairs, etc.)
- Approx 24% estimated market share worldwide
- Mostly operated through distributors







# Recent acquisition of Petra Foods' cocoa business as a milestone in implementing Barry Callebaut's strategy

## Expansion

- ▶ Supporting further growth
- ▶ Boosting presence in emerging markets

## Innovation

- ▶ Access to knowledge in cocoa processing and powder blending

## Cost Leadership

- ▶ Larger footprint in cost-competitive countries
- ▶ Product flow optimizations

## Sustainable Cocoa

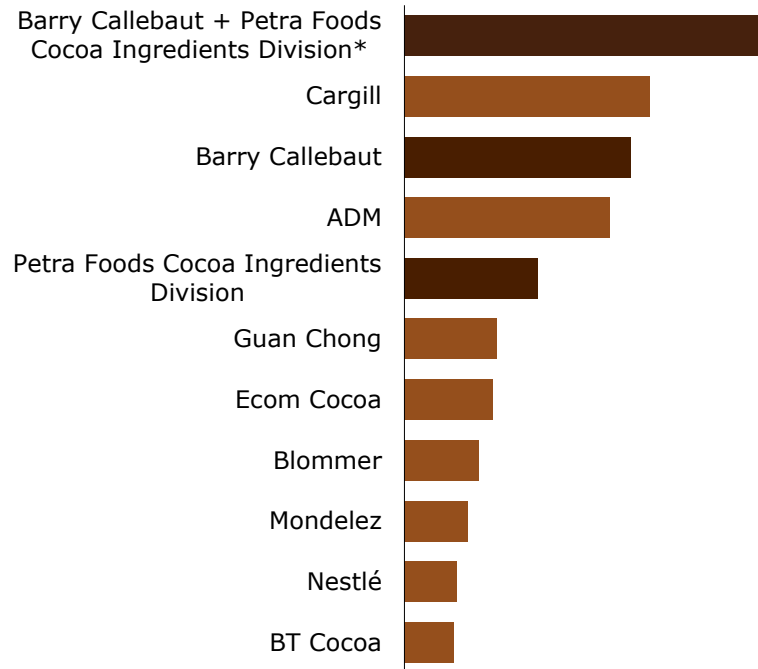
- ▶ Further diversify cocoa sourcing
- ▶ Adding second sourcing base in Asia



# Ability to leverage clear leadership positions to capitalize on growth opportunities

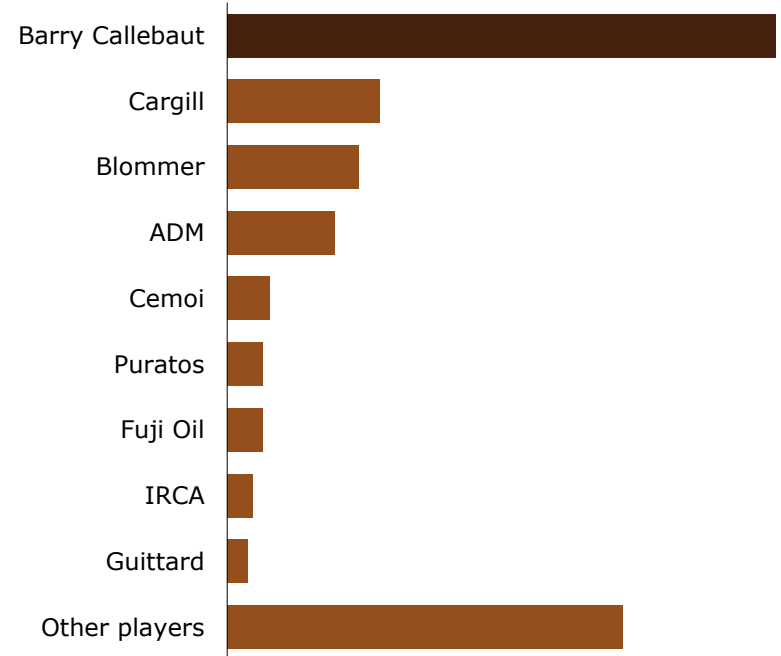
- Barry Callebaut is the largest global industrial chocolate supplier

### Cocoa Grinding Capacity



Volume (MT)

### Industrial chocolate – Open market



Sales Volume (MT)

Source: Third-Party Study – 2013.

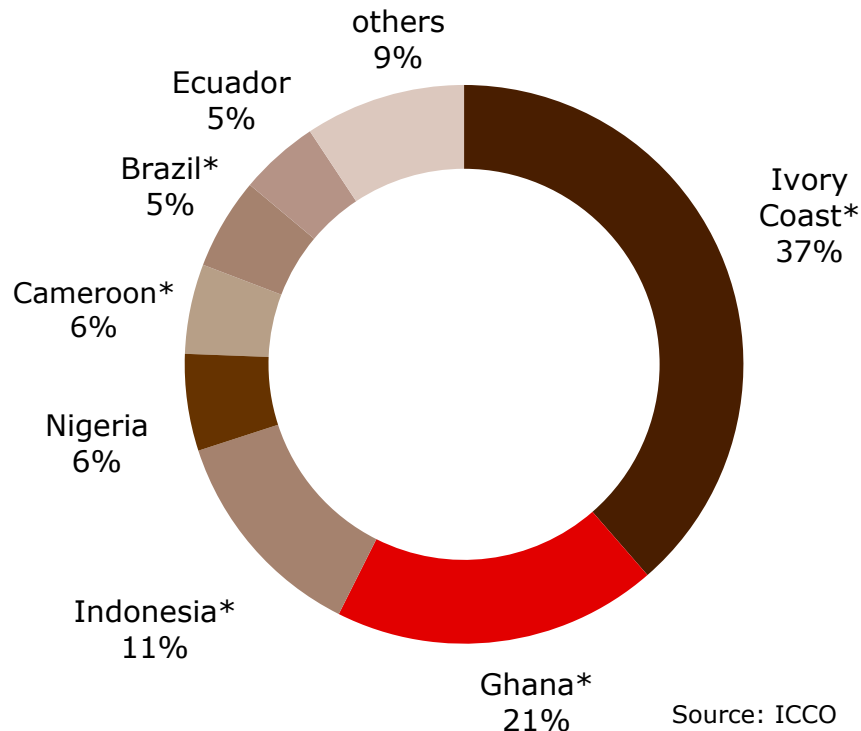
Note: (\*) Does not include any adjustments for the acquisition and may not reflect the grinding capacity of the actual combined businesses.



# West Africa is the world's largest cocoa producer

## – BC sources locally

### Total world harvest (12/13): 3'966'500 MT

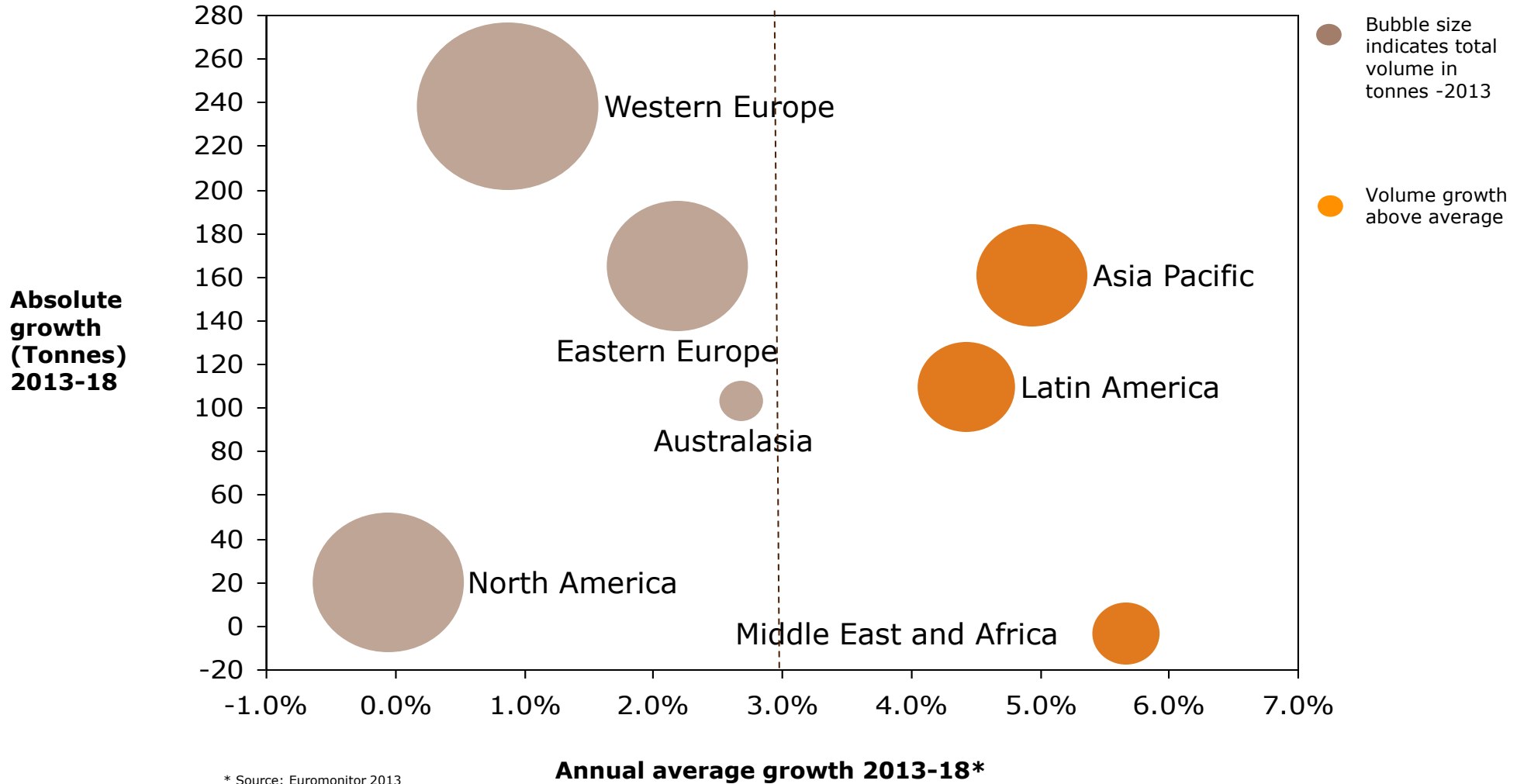


- ▶ About 70% of total cocoa beans come from West Africa
- ▶ BC processed ~603,000 tonnes of cocoa beans or 15% of total world harvest
- ▶ 69% sourced directly from farmers, cooperatives & local trade houses
- ▶ BC has various cocoa processing facilities in origin countries\*, in Europe and in the USA



# Significant growth in the next 5 years to come from emerging markets, although growth from mature markets remains important

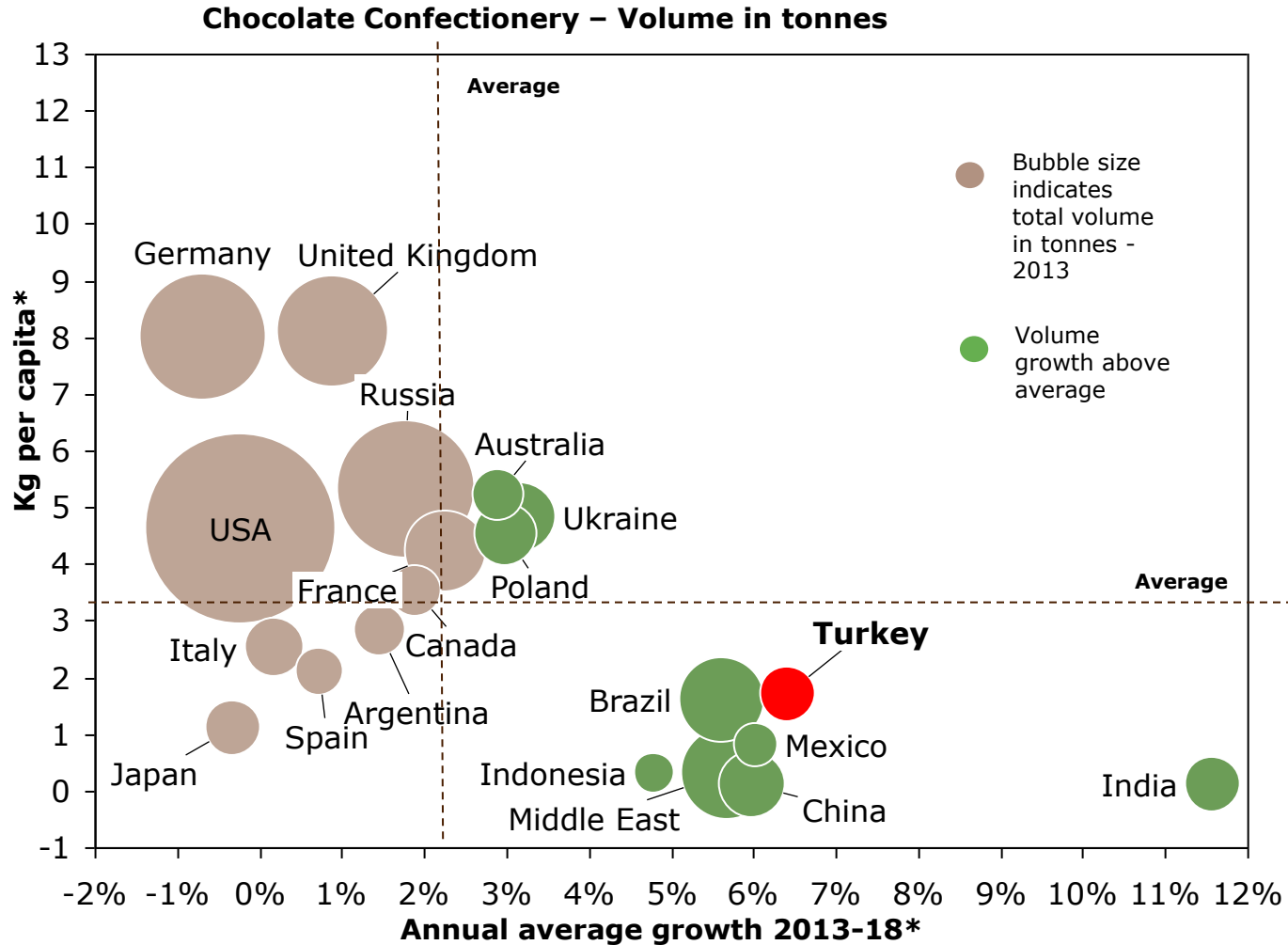
**Chocolate Confectionery – Volume in tonnes**



\* Source: Euromonitor 2013



# Chocolate confectionery market in Turkey



\* Source: Euromonitor 2013



# **FROM THE BEAN TO THE FINEST CHOCOLATE PRODUCT**





# Growing cocoa

- ▶ Cocoa tree grows in warm and humid climate around equatorial belt
  - ▶ Within 20°N and 20°S of equator
  - ▶ Life span of 25 years, bearing pods after 5–6 years
- ▶ The cocoa tree flowers in two cycles of six months the whole year round
- ▶ Flowers develop into cocoa pods
  - ▶ Fully grown after 6 months
  - ▶ Harvested twice a year (main crop and mid crop)





# Harvesting the beans

- ▶ After cutting pods open, beans are removed and left to ferment
  - ▶ 5–7 days, covered with banana leaves
  - ▶ During fermentation beans develop aroma
- ▶ After fermentation beans are left to sun dry
  - ▶ About 6 days, until moisture content is around 6-8%
- ▶ Beans brought to collection center where they are graded and packed
  - ▶ Allotment of quality code
- ▶ After second quality control, sacks shipped from ports to different Barry Callebaut plants or processed in origin countries





# From beans to liquor

- ▶ Cocoa beans are cleaned, dried and broken, shells removed
  - ▶ Pieces of kernel or “nibs” remaining
- ▶ Nibs are roasted, then ground into cocoa liquor
  - ▶ Forms basis for cocoa butter, cakes and powder
- ▶ Cocoa liquor ready for use as ingredient of chocolate





# From liquor to chocolate

- ▶ Ingredients for dark, milk or white chocolate blended into chocolate dough
  - ▶ Dark chocolate: liquor, butter and sugar
  - ▶ Milk chocolate: liquor, butter, sugar and milk powder
  - ▶ White chocolate: butter, sugar and milk powder
- ▶ Dough is refined into chocolate powder
  - ▶ Gives finished chocolate smoother texture
- ▶ Adding of cocoa butter and lecithin makes chocolate liquid and smooth
- ▶ Chocolate supplied to customers
  - ▶ Liquid chocolate to industrial customers
  - ▶ Blocks, bars and drops to industrial and Gourmet customers

