

# Half-Year Results 2017/18

Media & Analysts Conference

April 11, 2018



## 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 2017/18. 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 11, 2018. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

# Agenda

- ▶ Highlights HY 2017/18 – CEO Antoine de Saint-Affrique
- ▶ Financial review HY 2017/18 – CFO Remco Steenbergen
- ▶ Strategy & Outlook – CEO Antoine de Saint-Affrique
- ▶ Q&A – CEO&CFO

## Highlights HY 2017/18





## Strong performance in the first six months



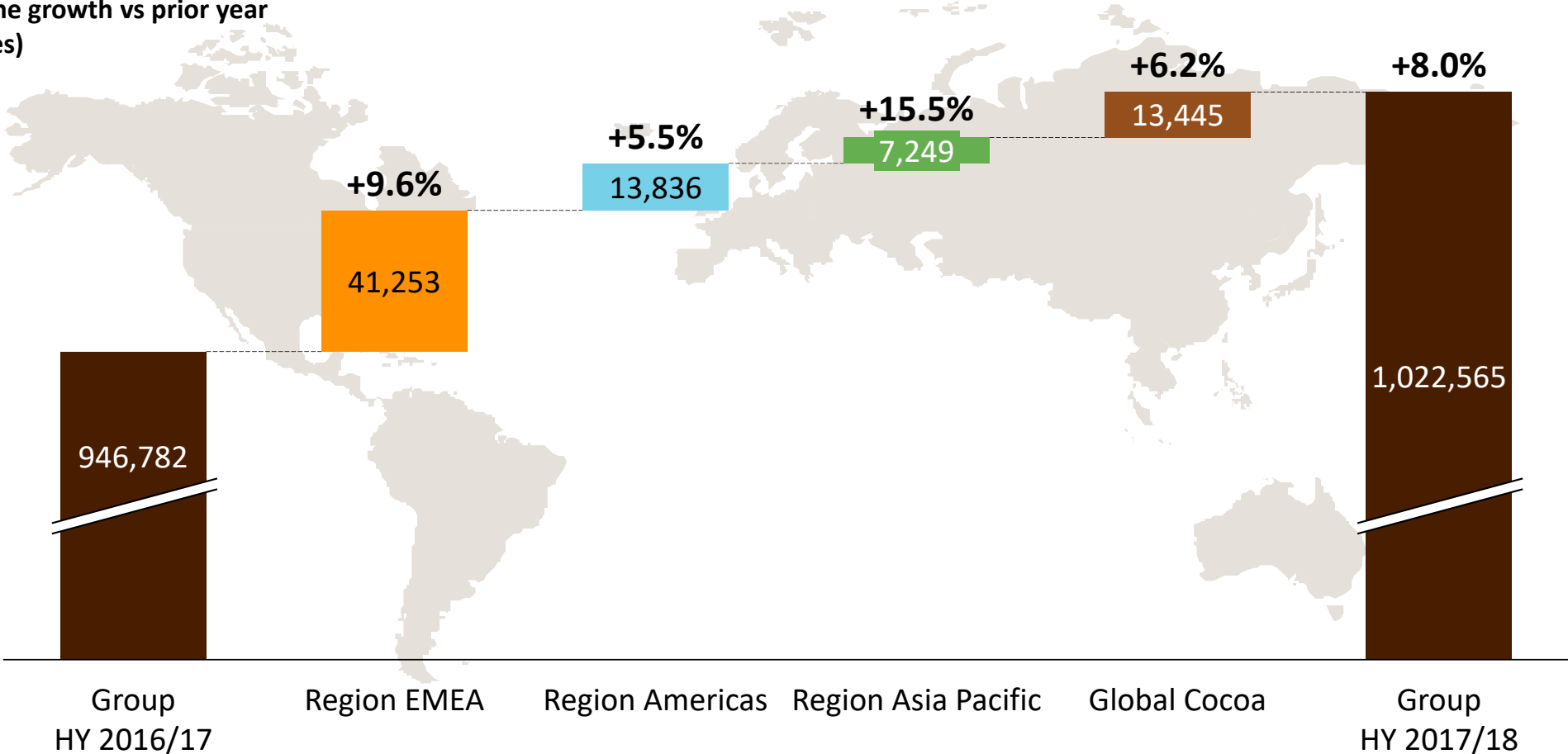
- ▶ Sales volume growth +8.0%
- ▶ Sales revenue of CHF 3.5 billion, -1.8% in local currencies (+0.3% in CHF)
- ▶ Operating profit (EBIT)<sup>1</sup> up +20.6 % in local currencies (+24.6% in CHF)
- ▶ Net profit<sup>1</sup> up +32.9% in local currencies (+37.5% in CHF)
- ▶ Mid-term guidance confirmed



<sup>1</sup> On a recurring basis (excluding the one-off impact from comparable prior year period)

# Broad-based volume growth, significantly above the market

HY volume growth vs prior year  
(in Tonnes)



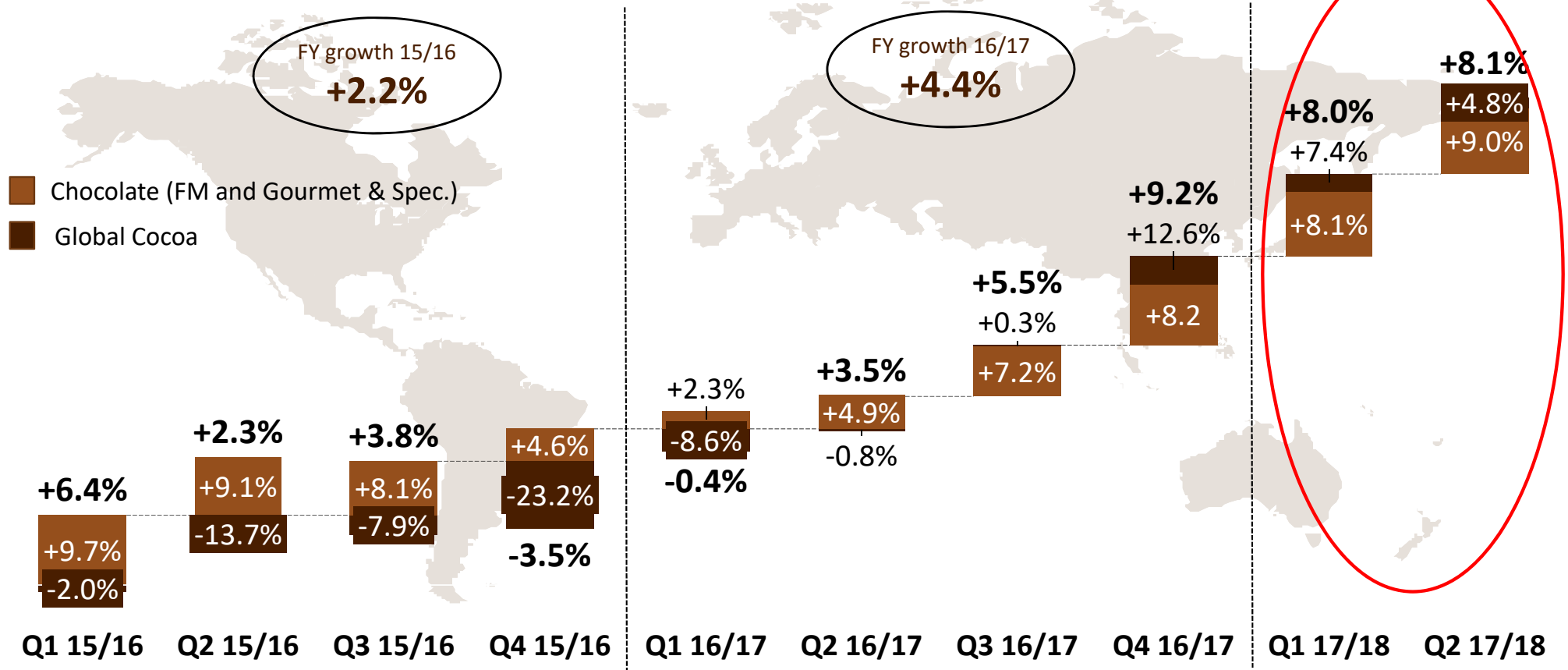
Market Volume growth*	Group HY 2016/17	Region EMEA	Region Americas	Region Asia Pacific	Global Cocoa	Group HY 2017/18
	-2.1%	+2.8%	+1.4%	+4.0%		+2.5%

\*Source: Nielsen chocolate confectionery in volume – 25 countries

# Quarterly volume evolution

## Exceptional volume growth in the first six months of FY 2017/18

Quarterly volume growth vs prior year



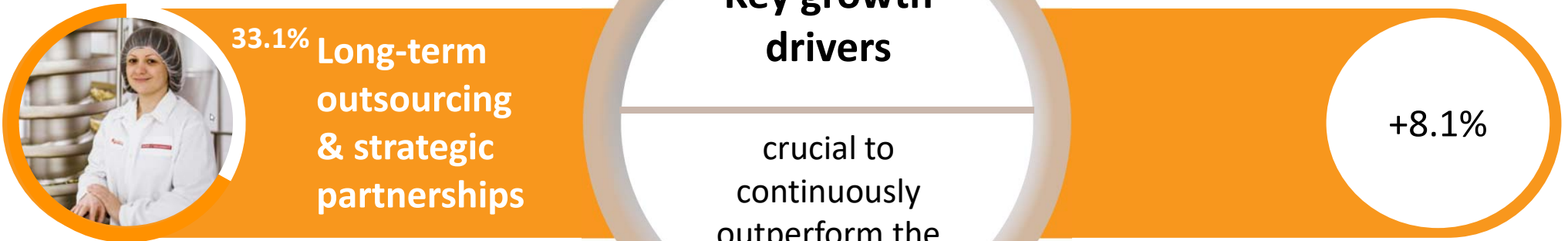
Market Volume growth*	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16	Q1 16/17	Q2 16/17	Q3 16/17	Q4 16/17	Q1 17/18	Q2 17/18
	-3.7%	-1.3%	-0.7%	-1.5%	-2.3%	-1.4%	+2.3%	+2.2%	+3.1%	+1.7%

\*Source: Nielsen chocolate confectionery in volume – 25 countries

# Strong volume growth supported by all our key growth drivers

% of total Group volume

Volume growth vs prior year



**Key growth drivers**  
crucial to continuously outperform the market



# Expansion around the globe



- ▶ Strong double-digit growth in key emerging markets, across different product Groups

## Asia-Pacific

- ▶ Accelerated momentum in Japan
- ▶ Expanding our Gourmet distribution via Alibaba

## Africa

- ▶ Started sales of cocoa powder in South Africa
- ▶ Developing West-African sales of cocoa powder

## Eastern Europe

- ▶ Good momentum in Russia, Turkey and Balkan States

- ▶ Further strengthening our footprint, additional chocolate production capacity:

- ▶ Region EMEA, North America and Singapore

# Integration of bolt-on acquisitions in process



- ▶ Integration of D'Orsogna Dolciaria in process
  - ▶ Part of Region EMEA as of Oct 2017
  - ▶ Capabilities: Multiple technologies (some patented), highly flexible and tailor-made product offering
  - ▶ Products: amaretti, meringues, cookies, glazings, toppings, inclusions and other products for ice cream, yogurts, snacks and chocolate decorations

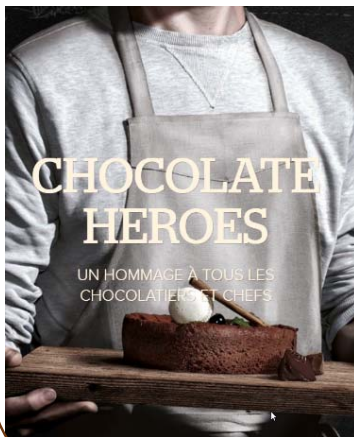


- ▶ Integration of Gertrude Hawk Ingredients ongoing
  - ▶ Included in Region Americas as of Dec 2017
  - ▶ Capabilities: High versatility with one-shot technology, enrobing with two types of coating and panning with double coat
  - ▶ Products: Ice cream inclusions and bake-stable filled inclusions

# Gourmet & Specialties continues its strong expansion path

## Focusing on the core

- Chocolate Hero campaign
- Specialties
- Sustainable cocoa



## Innovating and inspiring

- Roll out of Callebaut Gold
- Chocogelato roll out
- Launch Callebaut Ruby RB1



## Empowering the artisan

- Online and off-line Chocolate Academy
- Strong social media activities
- Cacao Barry WCM





# Our breakthrough innovation Ruby chocolate hits the market





# Financial Review





## Strong volume growth translates into a significant improvement of bottom-line performance

Group performance (in CHF mio.)	HY 2017/18 (in CHF)	% vs prior year (in CHF)	% vs prior year (in local currencies)
Sales volume Total (in tonnes)	1'022'565	+8.0%	
Sales revenue	3'549.9	+0.3%	<b>-1.8%</b>
Gross profit	553.0	+19.2%	<b>+15.5%</b>
EBIT Total	276.8	+16.1%	<b>+12.3%</b>
EBIT recurring	276.8	+24.6%	<b>+20.6%</b>
<i>EBIT per tonne recurring</i>	<i>270.7</i>	<i>+15.4%</i>	<i>+11.6%</i>
Net profit for the year	173.0	+21.7%	<b>+17.6%</b>
Net profit recurring	173.0	+37.5%	<b>+32.9%</b>
Free cash flow	39.0	-	-

# All regions contributed to the strong performance in the first six months

**Group Sales Volume:**

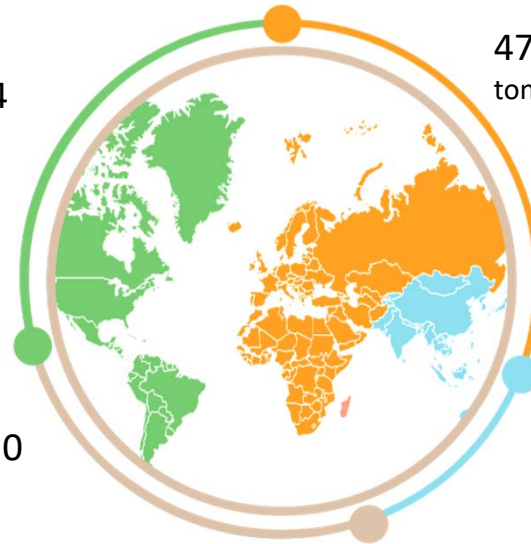
1'022'565  
tonnes

265'904  
tonnes

471'120  
tonnes

231'420  
tonnes

54'121  
tonnes



**FY volume growth**

+9.6%

+5.5%

+15.5%

+6.2%

**EBIT growth in local currencies\***

+12.1%

+9.2%

+15.6%

+130.5%

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

+2.8%

+1.4%

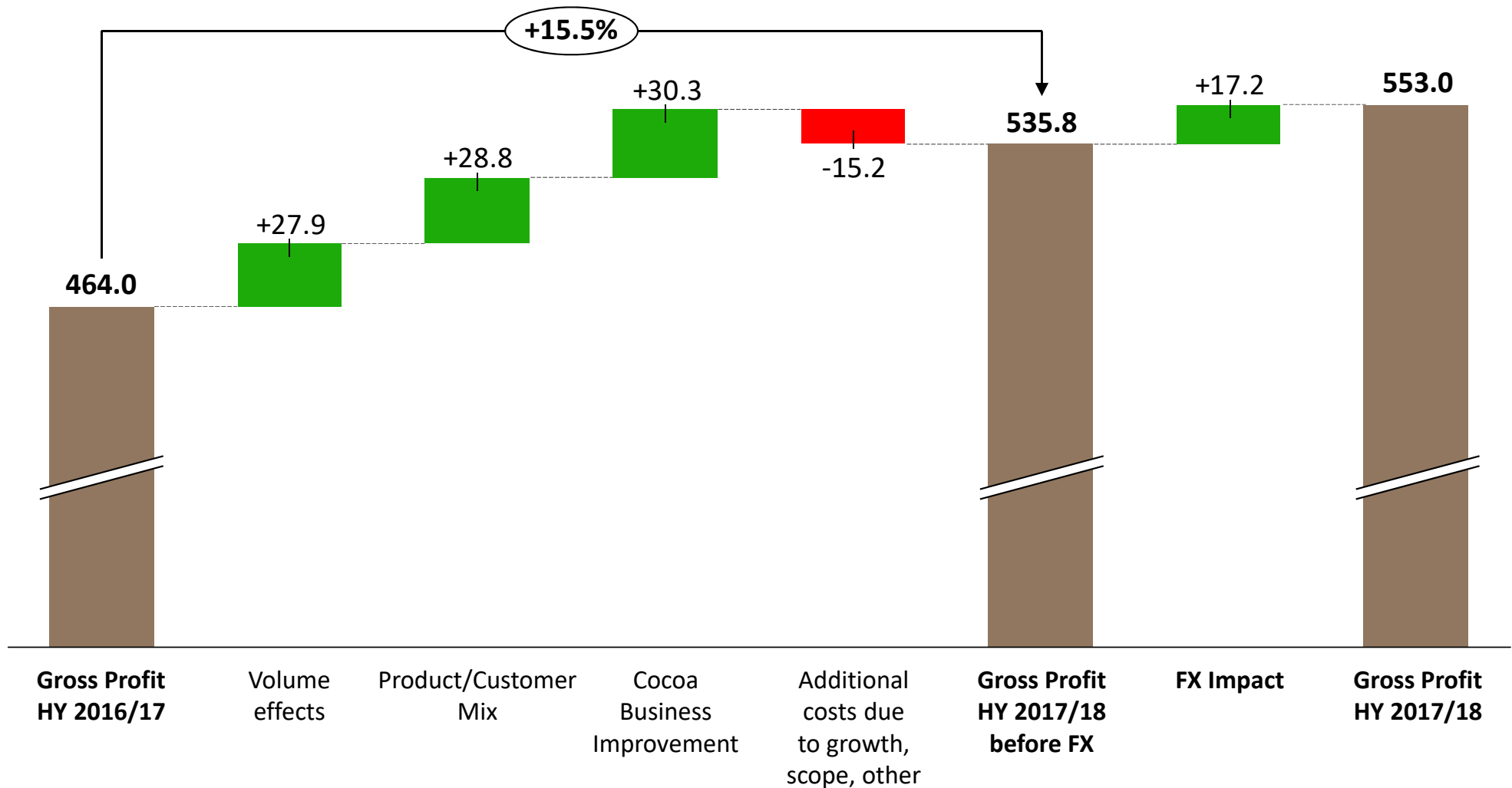
+4.0%

\* On a recurring basis (excluding the one-off impact in prior year comparable period)

## Gross Profit HY 2017/18

Gross Profit up +15.5% before FX impact, driven by strong volume, good product and customer mix and a more supportive market environment

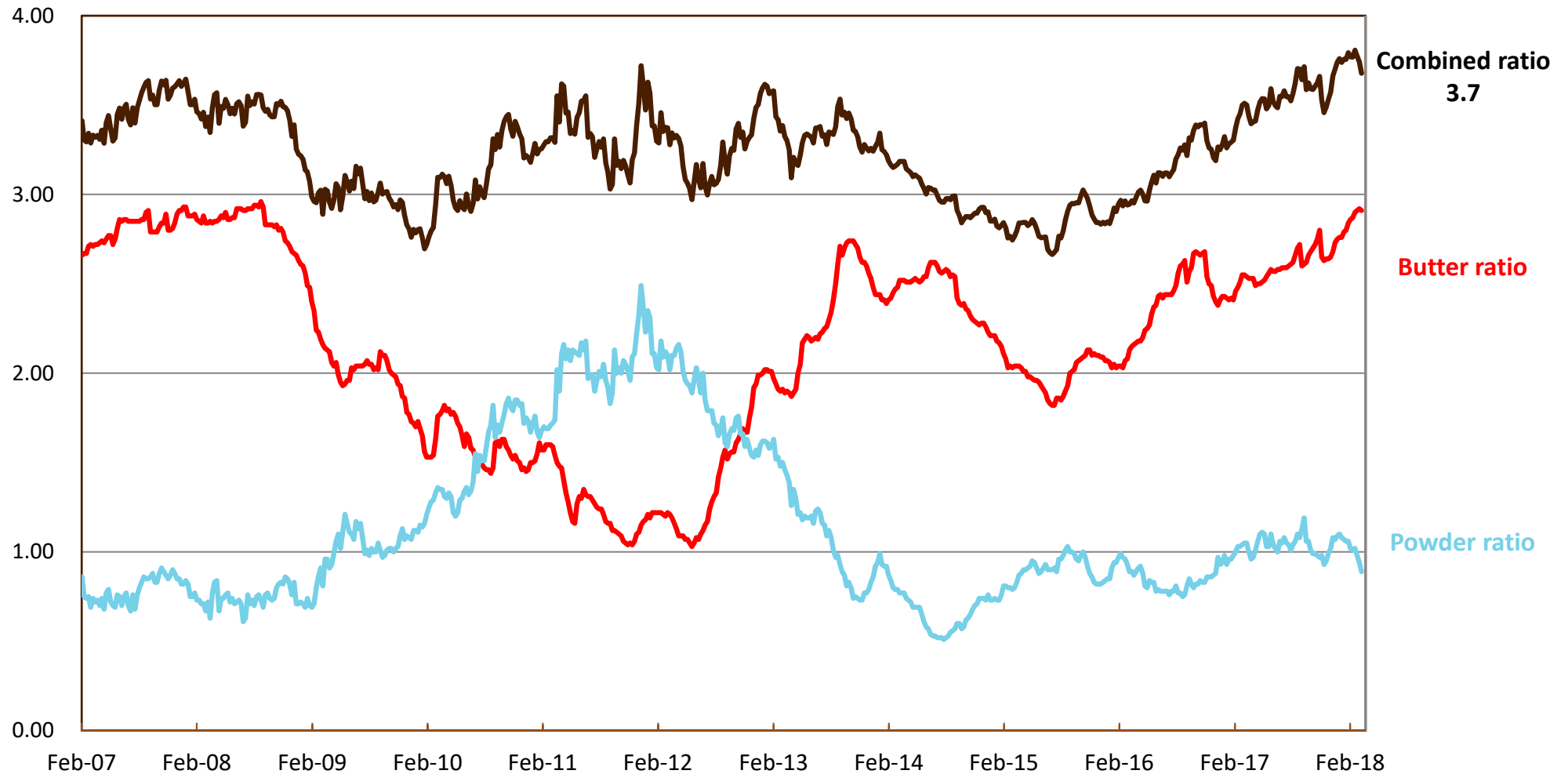
in CHFmio



# Cocoa processing profitability

## Combined ratio favourable for HY 2017/18

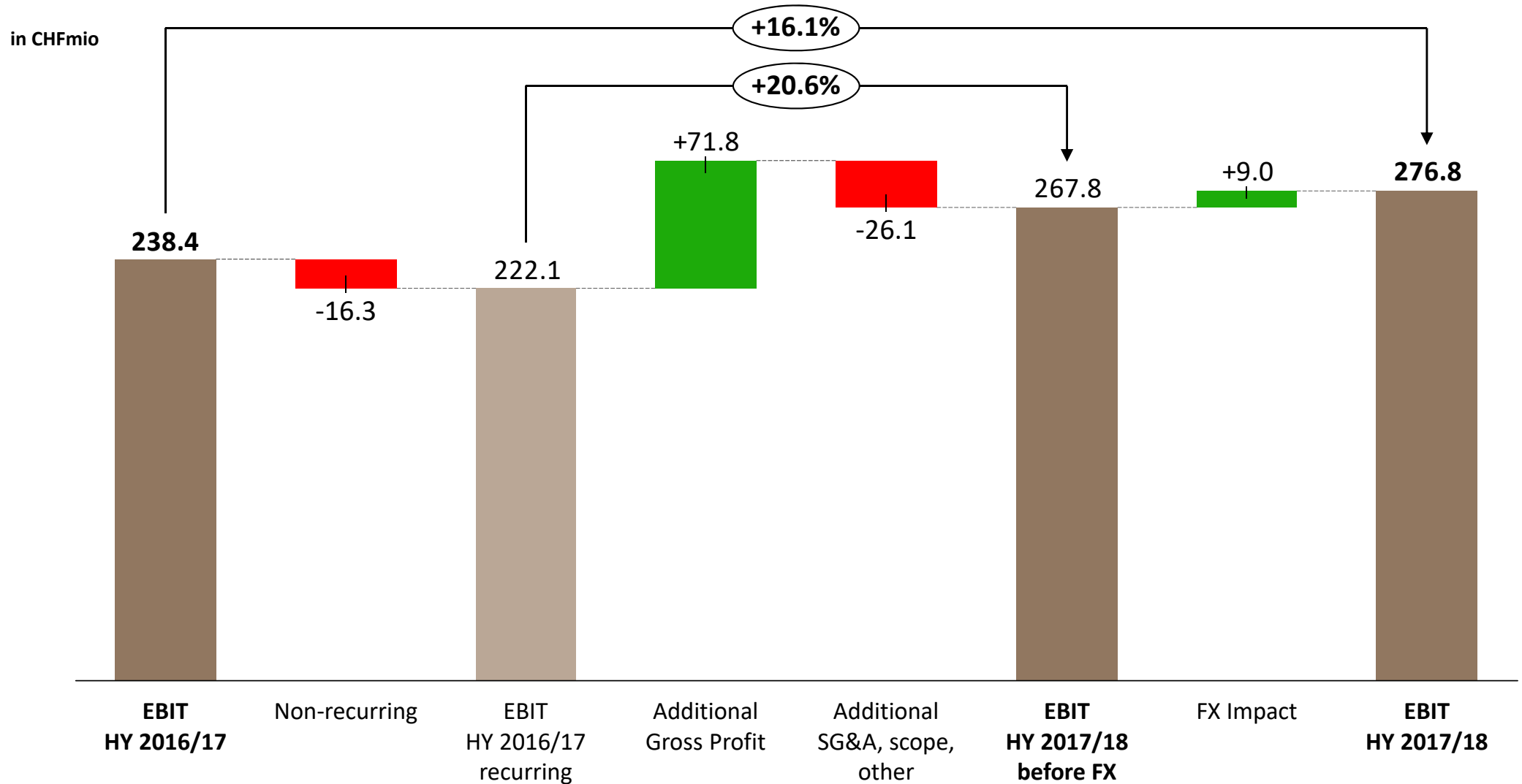
European combined ratio - 6 months forward ratio



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 2017/18

Steep increase in operating profit up +20.6% on a recurring basis and before FX impact

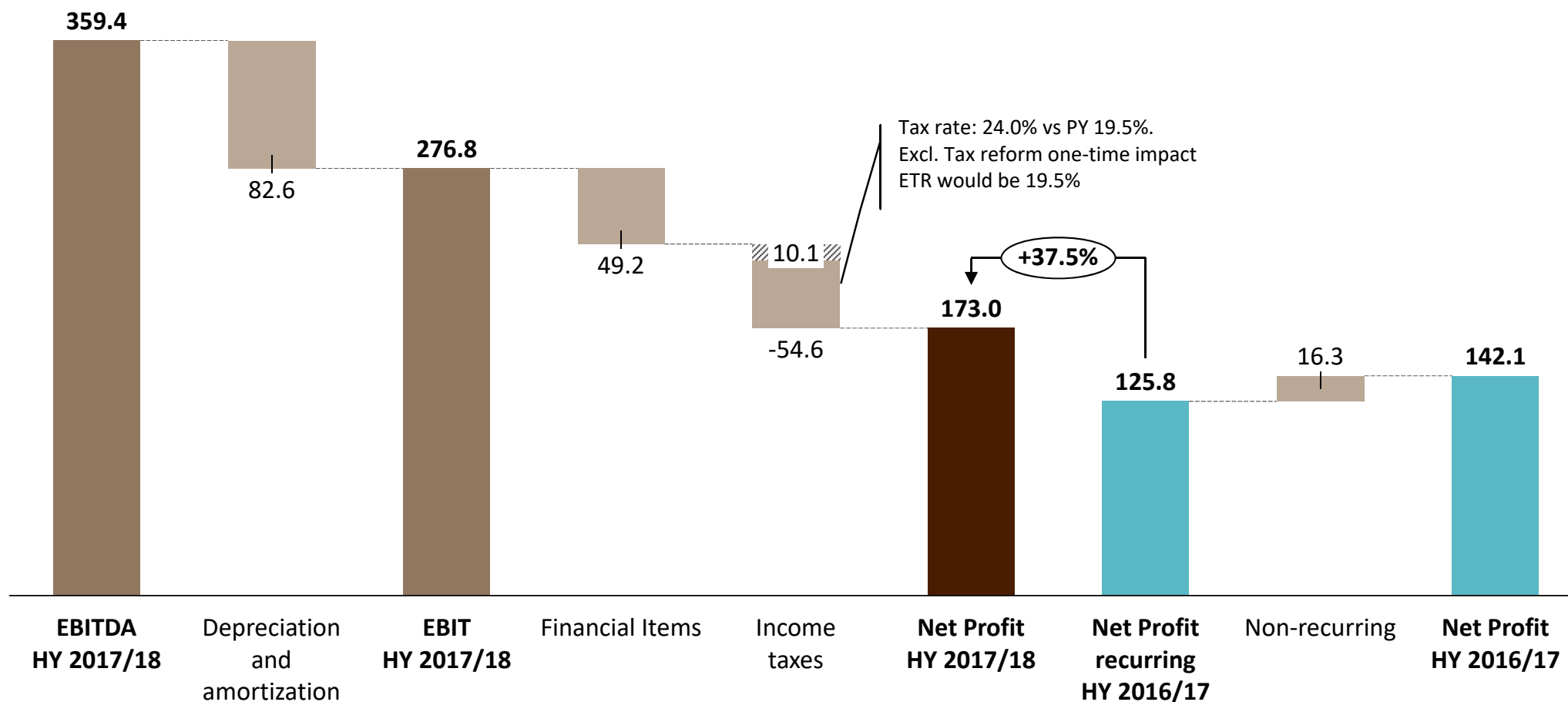




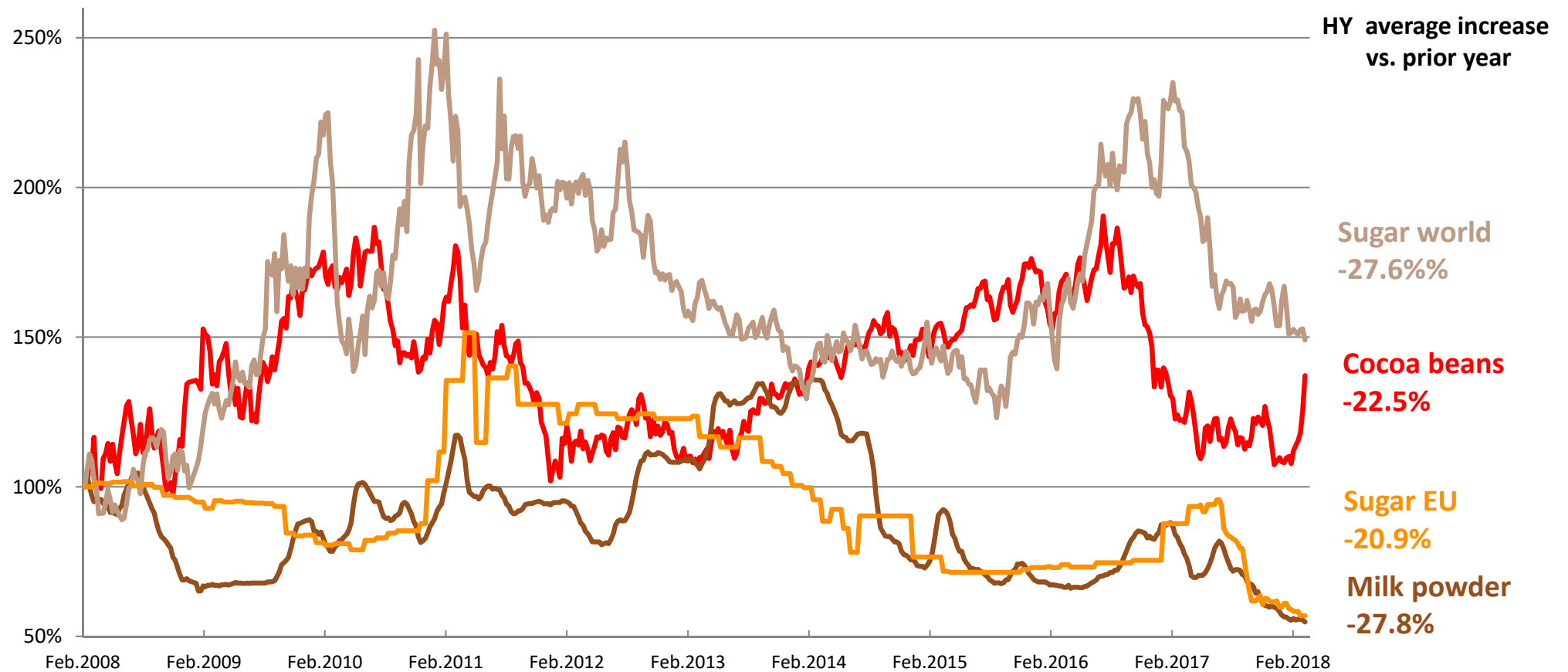
## EBITDA to Net Profit

# Net Profit up +37.5% in CHF, as a result of strong profitability and lower financial expenses

In CHF mio



# Lower prices of main raw materials until end of February 2018, cocoa bean prices recently increased



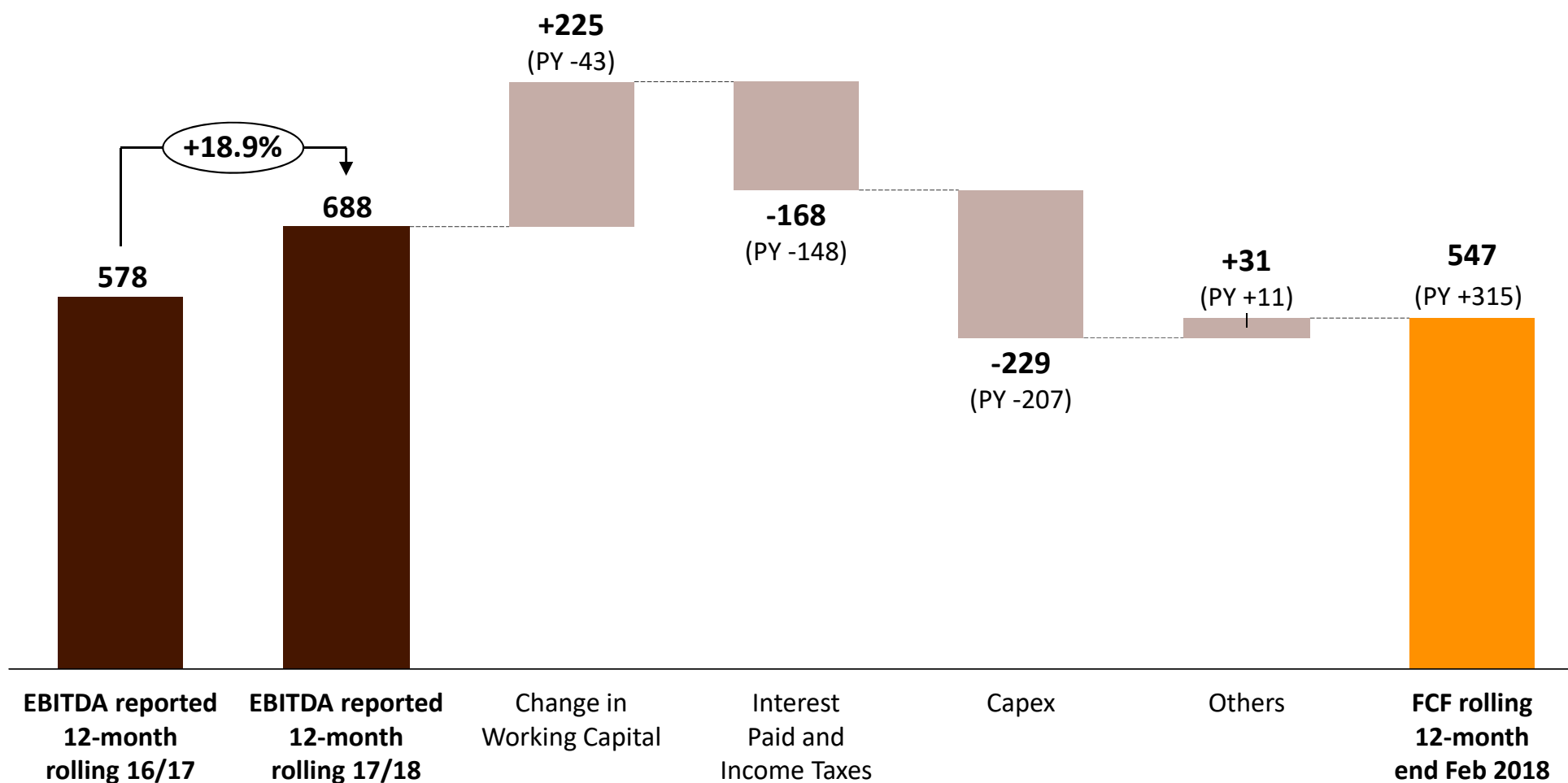
Note: All figures are indexed to Feb 2008

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.

## Free Cash Flow – 12-month Rolling

Robust Free Cash Flow generated from higher profitability, lower working capital requirements and discipline on Capital Expenditures

in CHF mio.



## Solid Balance Sheet, focus on improvement of key financial ratios

(in CHF mio)	Feb-18	Aug-17	Feb-17
Total Assets	6,187	5,534	5,912
Net Working Capital	1,175	1,130	1,398
Non-Current Assets	2,547	2,458	2,378
Net Debt	1,208	1,111	1,455
Shareholders' Equity	2,218	2,179	2,022
<hr/>			
Debt / Equity ratio	54.5%	51.0%	72.0%
Solvency ratio	35.8%	39.4%	34.2%
Net debt / EBITDA*	1.9x	1.8x	3.6x
ROIC*	12.1%	11.5%	10.7%
ROE*	15.7%	13.1%	13.5%

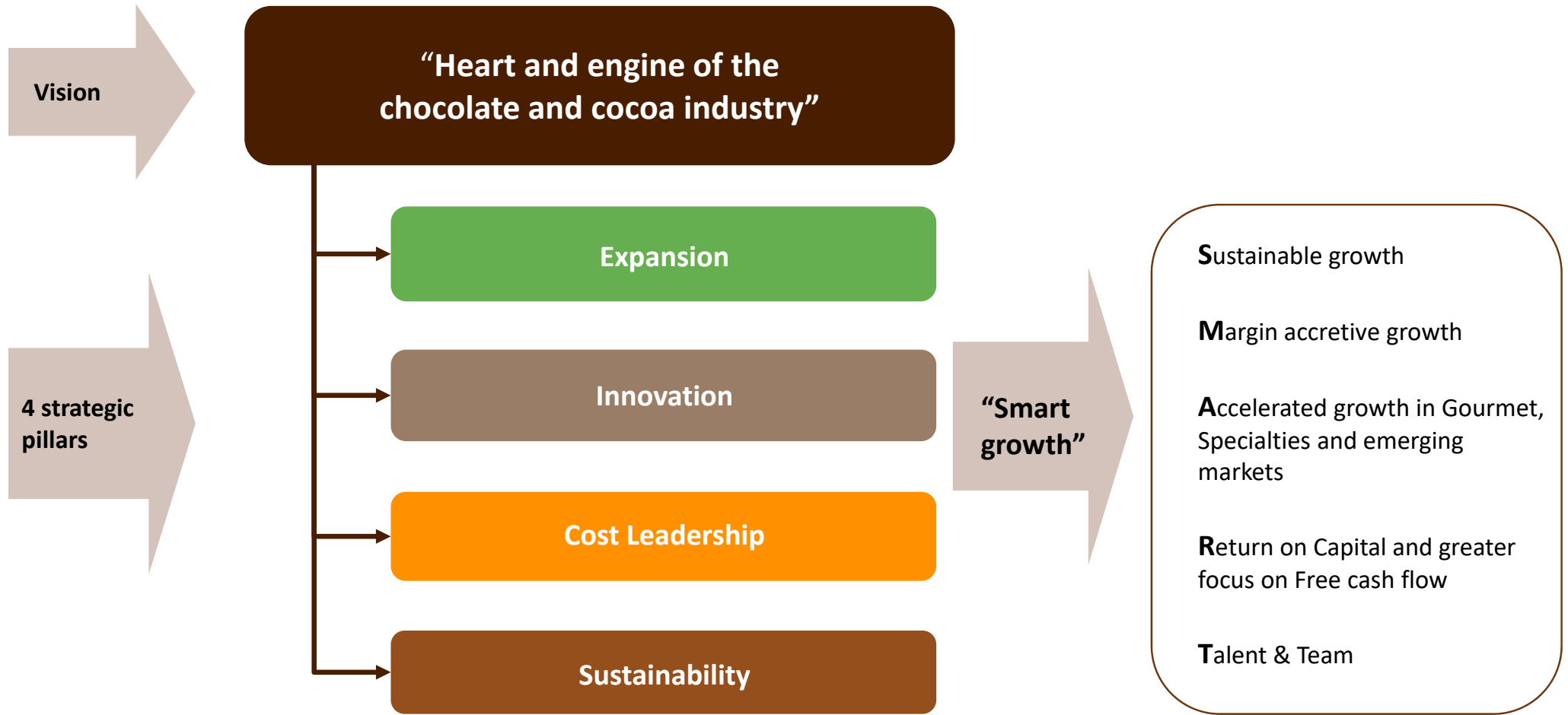
\* On a recurring basis (excluding the one-off impact in prior year comparable period)

## Strategy & Outlook





# Consistent long-term strategy, continued focus on execution



# Focus on further commercializing our innovations and expanding our value-adding portfolio across all our Product Groups

## Gourmet & Specialties

- Callebaut Gold, leveraging on our global R&D and expanding the product range to artisans



## Food Manufacturers

- Global approach to Specialties and Decorations, leveraging scale
- Value adding chocolate: e.g. high fiber, low sugar, sustainable



## Global Cocoa

- Continued focus on Specialty cocoa powders (e.g. Bendsorp)



# Continuous progress made in Sustainability



- ▶ First progress report published December 2017
  - ▶ 36% of sustainable cocoa
  - ▶ 98% of sustainable palm oil
- ▶ Signatory to the Cocoa & Forest Initiative Framework for Action in November 2017
- ▶ Forever Chocolate Pilots
  - ▶ Purpose is to accelerate the impact in sustainable cocoa production
  - ▶ First pilot launched in Indonesia – Feb 2018
  - ▶ 5 pilots in total are planned
  - ▶ Partnering with Wageningen University & Research



# Going digital with customer focus



## ▶ **Online Chocolate Academy**

- ▶ Offer expert chocolate education for chefs, by chefs. Interactive video courses – techniques – recipes – community
- ▶ Go-live in Summer 2018



## ▶ **Customer portal**

- ▶ With the “My BC” customer portal, we will offer an improved experience through a 24/7 self-service channel, including: consulting online contracts, orders, invoices, certificates and technical sheets.



## ▶ **Online Gourmet sales**

- ▶ Through our partnership with Alibaba we will reach more professional users for our Gourmet products in particular in Asia

# Operational excellence accross different functions to drive efficiencies and value added activities



## FOX

- ▶ Focus on harmonization and automation of Finance key processes
- ▶ Definition of an operating model for Finance that allows resources to focus on business partnering
- ▶ Clear roles and career paths defined for Finance people

## Cocoa Leadership

- ▶ Embedding cocoa leadership practices in the daily business
- ▶ Building the learnings from the project and start creating a culture of continuous process improvement
- ▶ Enable leverage in the organization





## Outlook

Good portfolio visibility and diligent execution of 'smart growth' strategy.  
Mid-term guidance confirmed



### Outlook

- ▶ We continue to see healthy market dynamics, despite increasing cocoa bean prices. We have good visibility on our portfolio.



### Mid-term guidance (2015/16 – 2018/19) confirmed

- ▶ 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

## TO THE POINT. JOIN THE CONVERSATION.

International conference for senior business leaders and key stakeholders in the cocoa and chocolate industry

June 5-7, 2018  
Davos, Switzerland

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