

# Roadshow presentation - Half-Year Results 2016/17

April – May 2017



---

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

---

# Agenda

- ▶ BC at a glance
- ▶ Highlights HY 2016/17
- ▶ Financial Review
- ▶ Strategy & Outlook

## BC at a glance



Who are we?

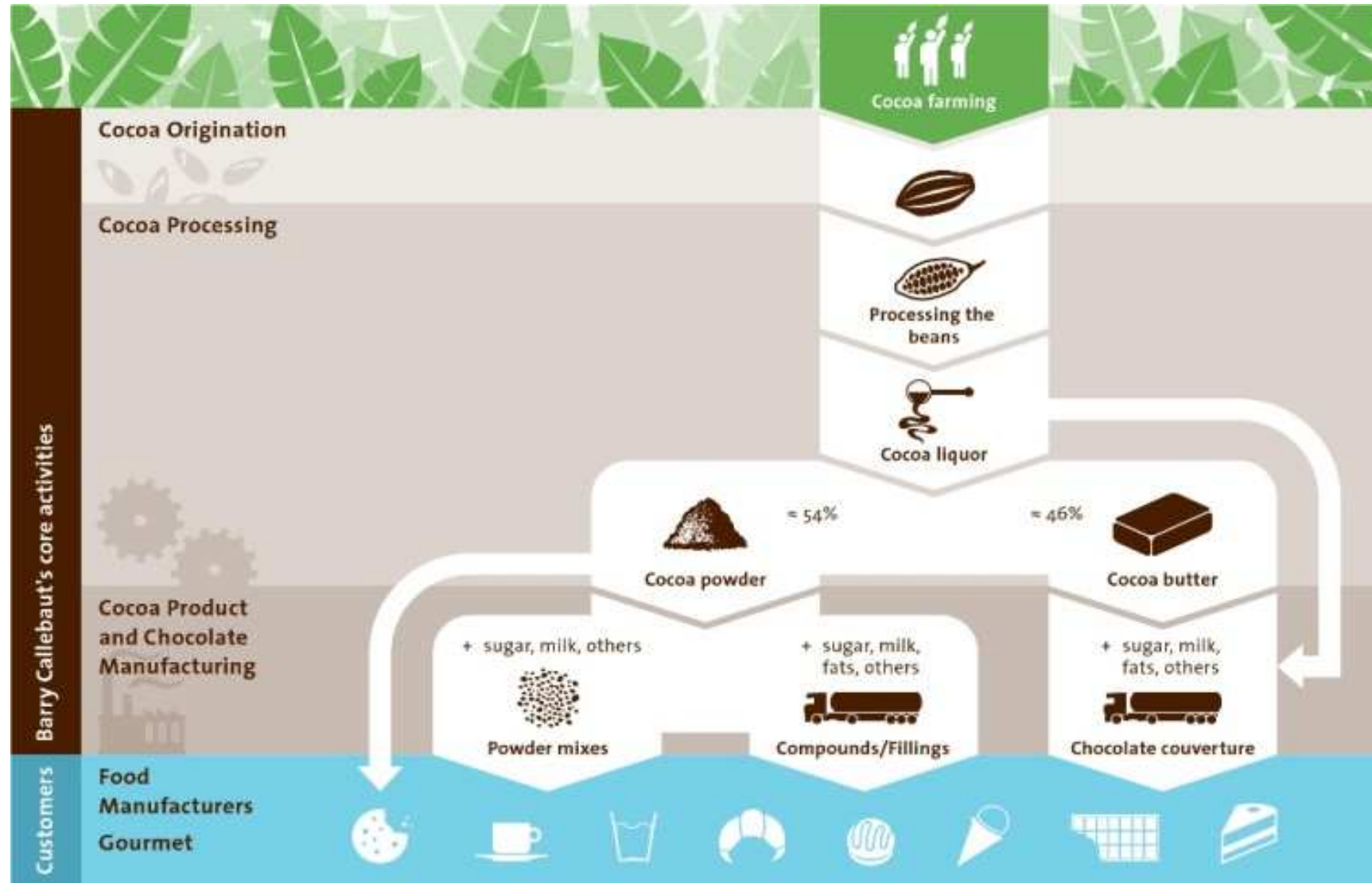
## The heart and engine of the chocolate industry



- ▶ A merger between **Cacao Barry**, the very first chocolate connoisseur since 1842 and **Callebaut** a chocolate couverture manufacturer expert since 1911
- ▶ Listed on the SIX Swiss Exchange since 1998
- ▶ Today, the world's leading manufacturer of high-quality chocolate and cocoa products
- ▶ Barry Callebaut is inside 25% of all consumer products containing cocoa or chocolate

What do we do?

We are present in the key parts of the cocoa and chocolate value chain



# This is Barry Callebaut

“Shaping the world of chocolate and cocoa.”

FY 2015/16



More than

**175 years**  
of chocolate heritage

More than

**9,000**  
employees

of whom 1 in 2 works  
either in an origin  
or emerging market



**health  
claim**

on Acticoa®  
extended to  
cocoa extracts  
within Europe

Innovation  
contributed

**10%**

to sales volume

**1.8**  
sales volume  
in million tonnes

**414.8**  
EBIT  
in CHF million

CAGR



**+9.1%**  
volume growth  
over 5 years

**6,241.9**  
sales revenue  
in CHF million



**53**  
factories  
worldwide

Selling to

**131**  
countries



**19**  
CHOCOLATE  
ACADEMY™  
centers

**36,545**  
chocolate aficionados  
trained in 2014/15

**70,500**  
farmers

trained in good  
agricultural practices



What do we offer?

A broad offering from standard to the most premium products

### Cocoa Products



### Food Manufacturers



### Gourmet & Specialties

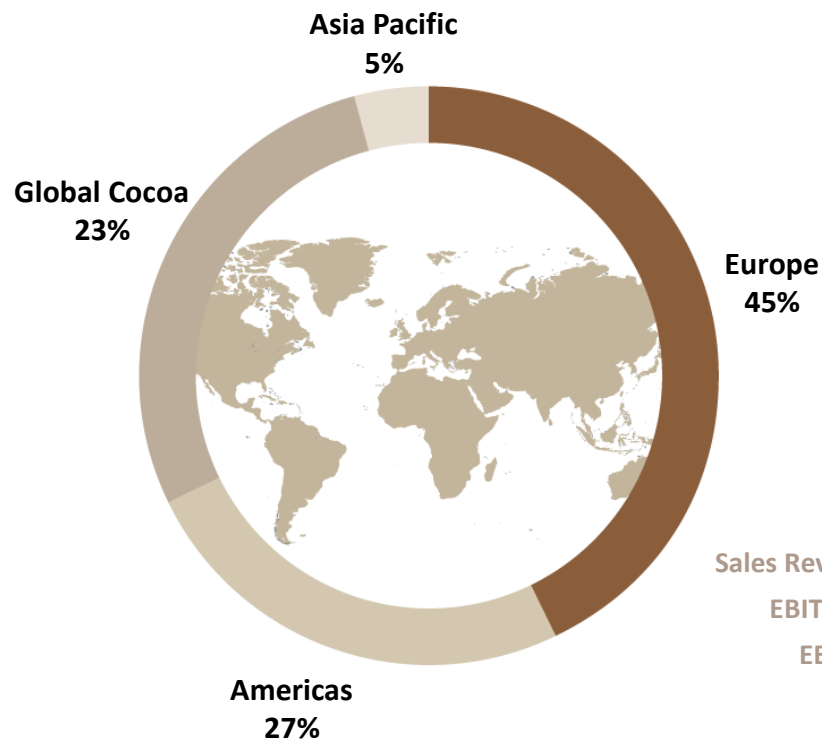


How are we organized?

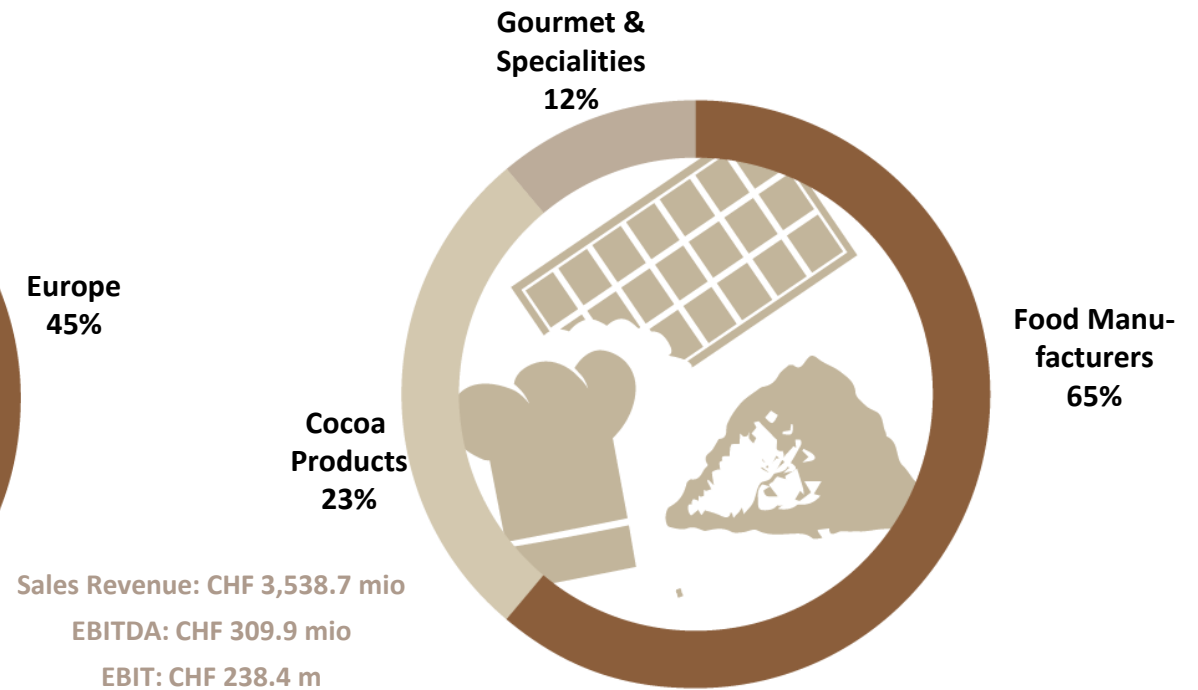
## Our Regional and Product split

HY 2016/17 Sales Volume: 946,782 tonnes

### Sales Volume per Region



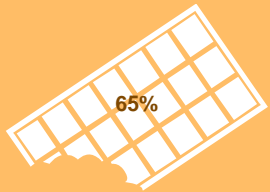
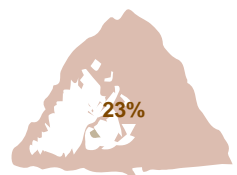

### Sales Volume per Product Group





## Our business model

# We apply a cost plus approach to the majority of the business

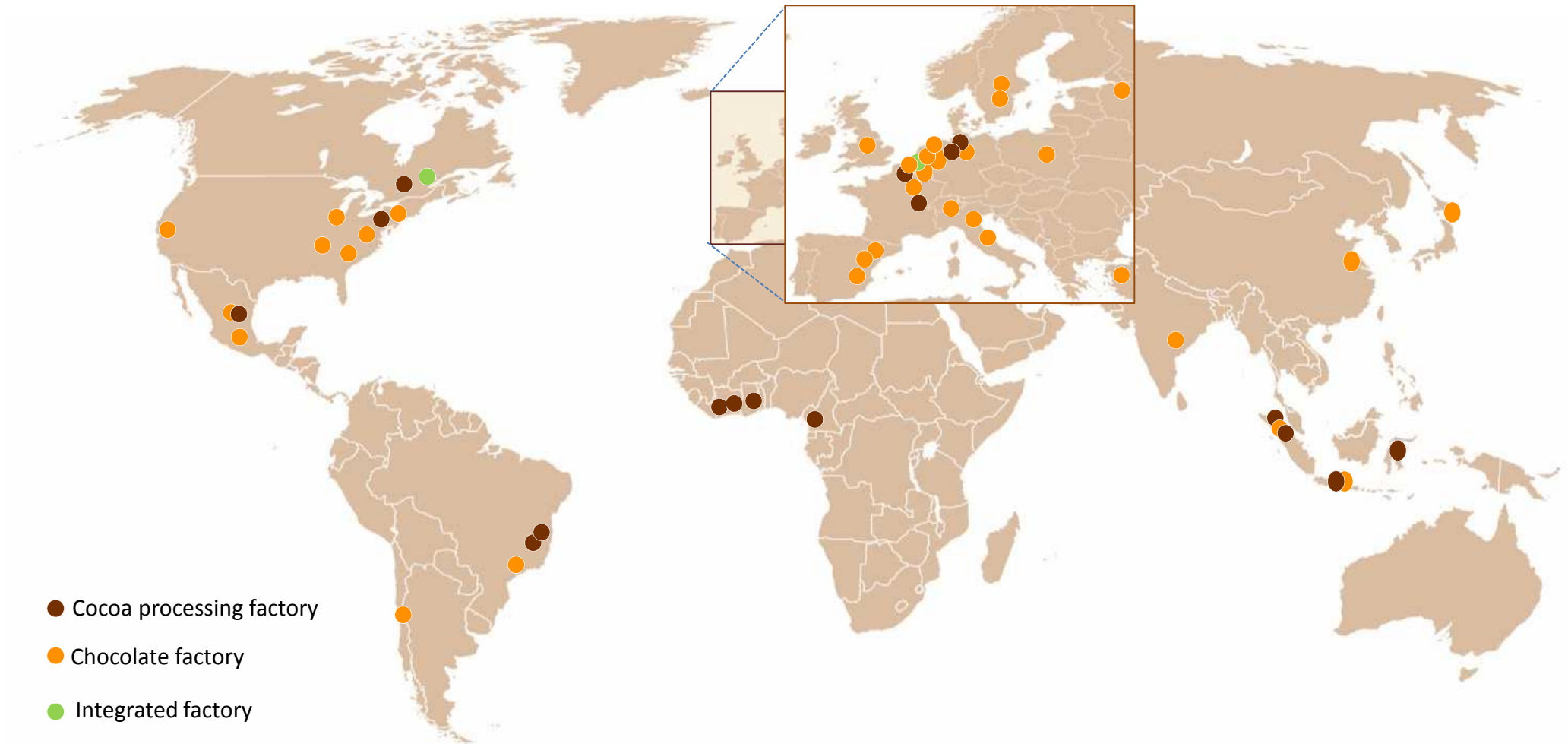
	Customers	Pricing model	Profit levers
<b>Food Manufacturers</b> 	<ul style="list-style-type: none"><li>Small, medium and Global Food Manufacturers</li></ul>	<ul style="list-style-type: none"><li>Cost Plus</li></ul>	<ul style="list-style-type: none"><li>Customer mix</li><li>Product mix</li><li>Economies of scale</li></ul>
<b>Cocoa Products</b> 	<ul style="list-style-type: none"><li>Small, medium and Global Food Manufacturers</li></ul>	<ul style="list-style-type: none"><li>Market prices</li><li>Cost Plus (partly)</li></ul>	<ul style="list-style-type: none"><li>Global set-up</li><li>Combined ratio</li><li>Customer/product mix</li></ul>
<b>Gourmet &amp; Specialties</b> 	<ul style="list-style-type: none"><li>Professional users, Food Chains, Distributors</li></ul>	<ul style="list-style-type: none"><li>Price list</li></ul>	<ul style="list-style-type: none"><li>Expansion of global brands</li><li>Adjacent products</li><li>Innovation/Sustainability</li></ul>

Note: Percentage of FY2015/16 Group sales volume

Passing on the cost of raw materials to customers underpins profit stability by mitigating volatility impact of main raw materials

# A global footprint and a local service

Cocoa factories in origin countries and chocolate factories close to our customers



## Highlights HY - 2016/17



## Volume growth picking up, significant profit improvement

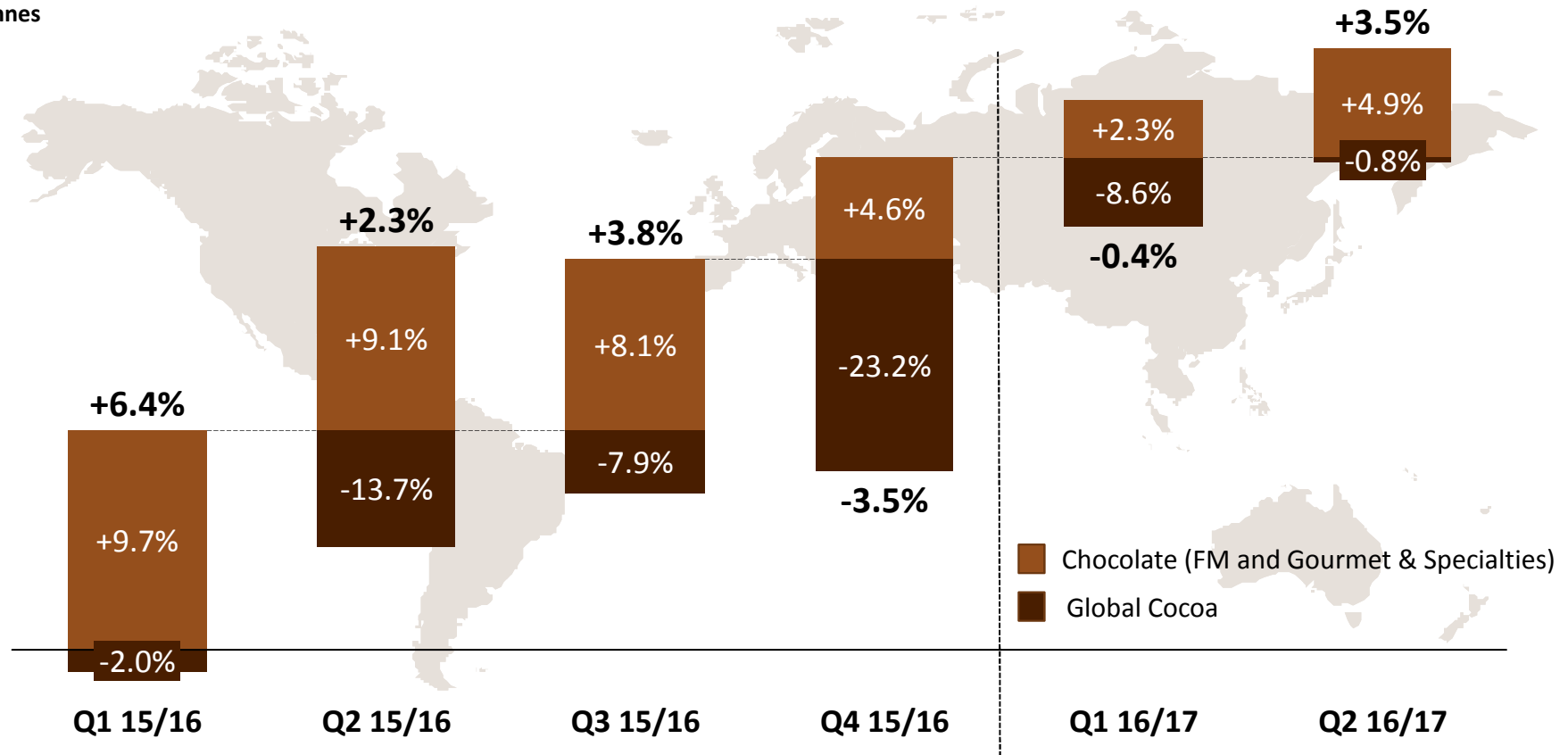


- ▶ Volume growth picking up in Q2 +3.5%, first six months +1.4%
- ▶ Chocolate business volume up +3.5%. Intentional phase out of less profitable contracts in Cocoa completed
- ▶ Sales revenue up by +2.5% in local currencies
- ▶ Strong EBIT improvement +19.3% to CHF 238.4 mio. (recurring +11.1%)
- ▶ 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

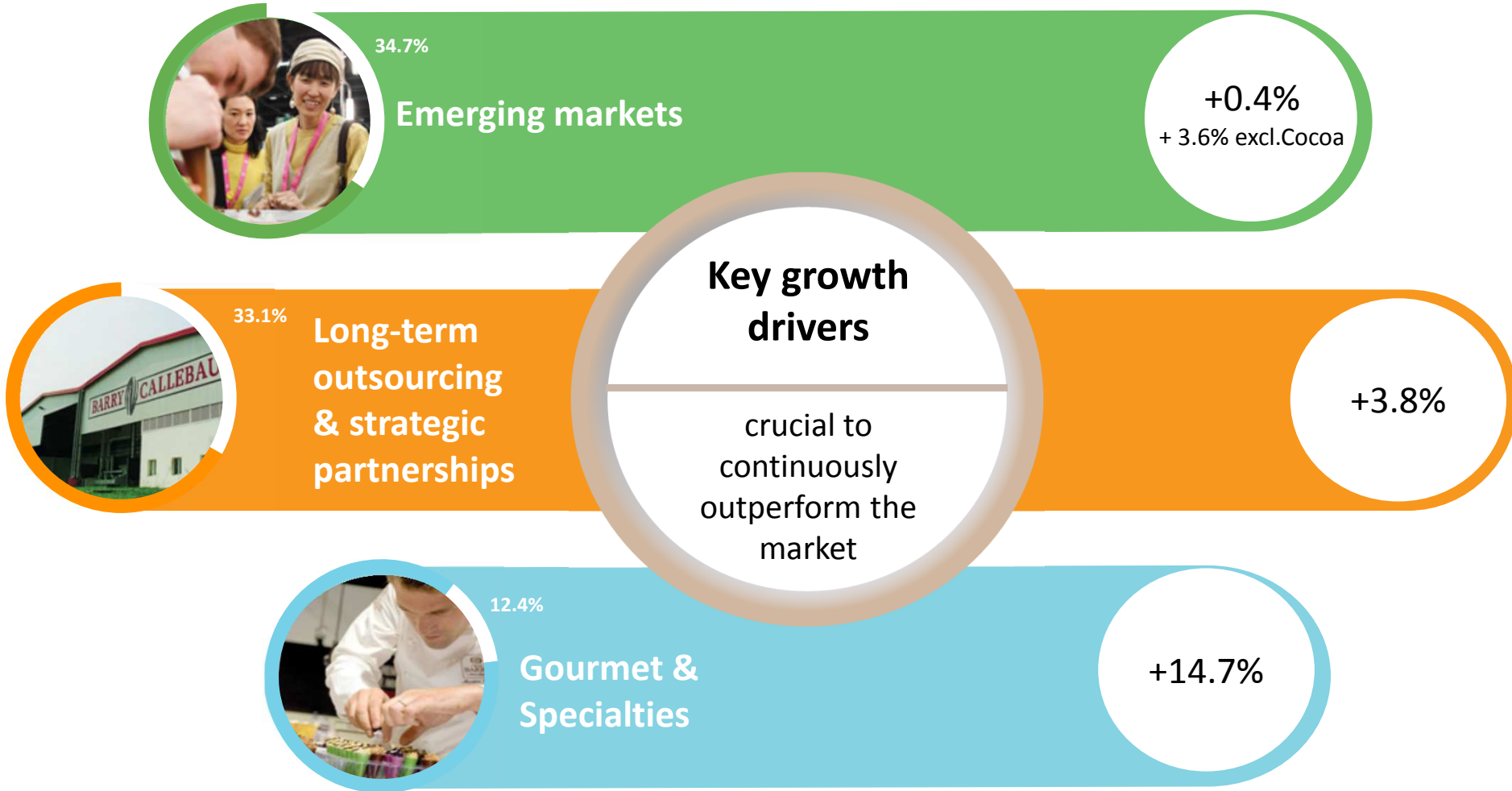


Market Volume growth*	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16	Q1 16/17	Q2 16/17
	-3.7%	-1.3%	-0.7%	-1.5%	-2.3%	-2.1%

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

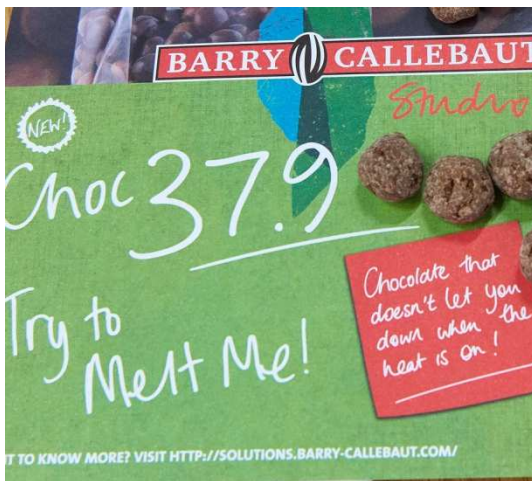
# Positive impact from all our key growth drivers

Volume growth vs prior year



## 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

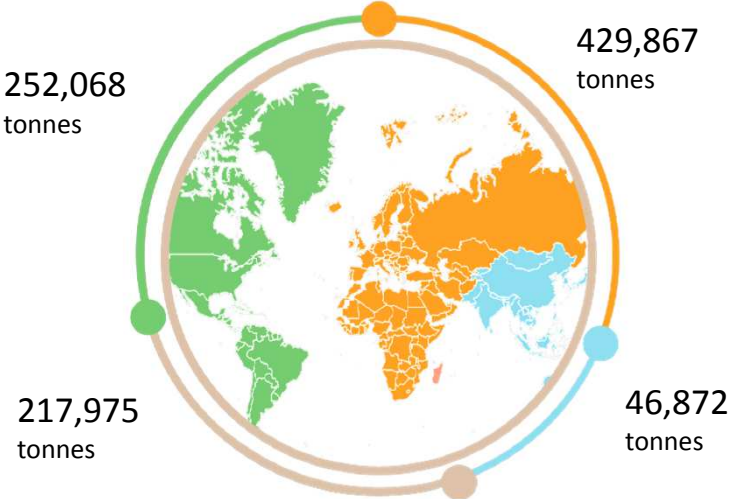
## Volume picking up, significant profit improvement

Group performance (In CHF mio.)	HY 2016/17 (in CHF)	% vs prior year (in CHF)	% vs prior year in 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%	<b>+18.9%</b>
Free cash flow	-29.0	(113.2%)	<b>(112.8%)</b>

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

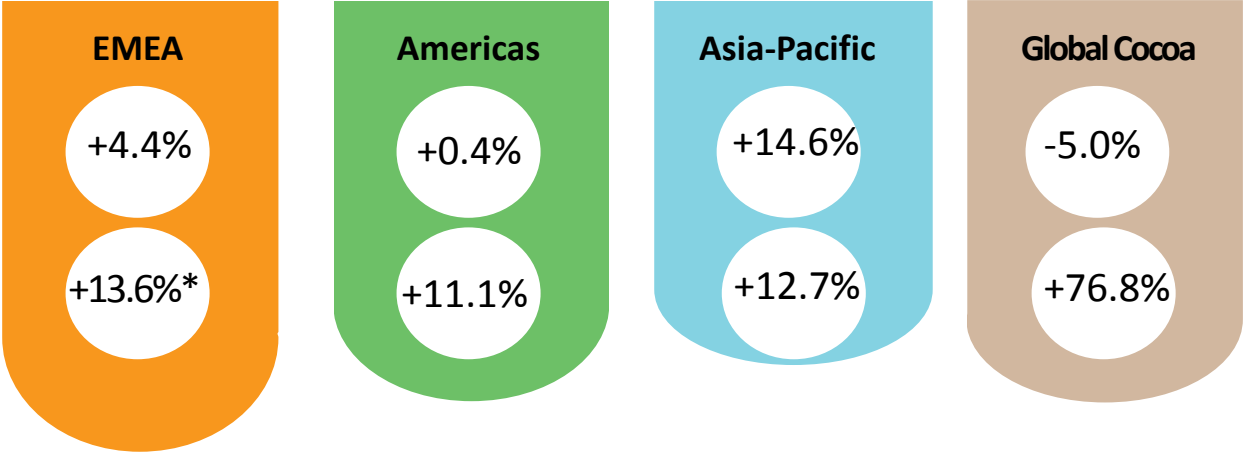
**Group Sales Volume:**

946,782 tonnes



**HY volume growth**

**EBIT growth in local currencies**



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

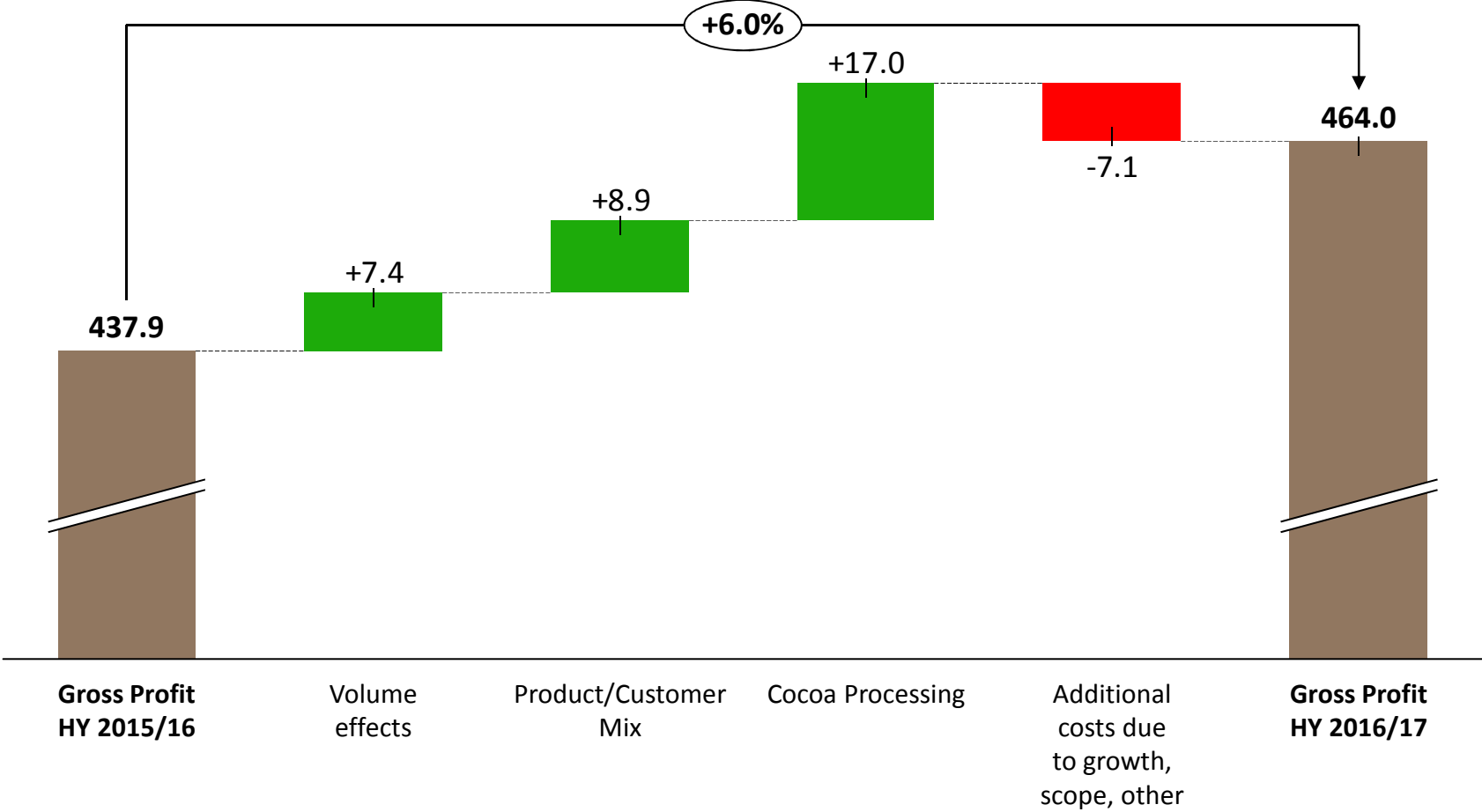
\* EBIT recurring +2.3%

-2.0%                      -3.4%                      +1.6%

Gross Profit H1 2016/17

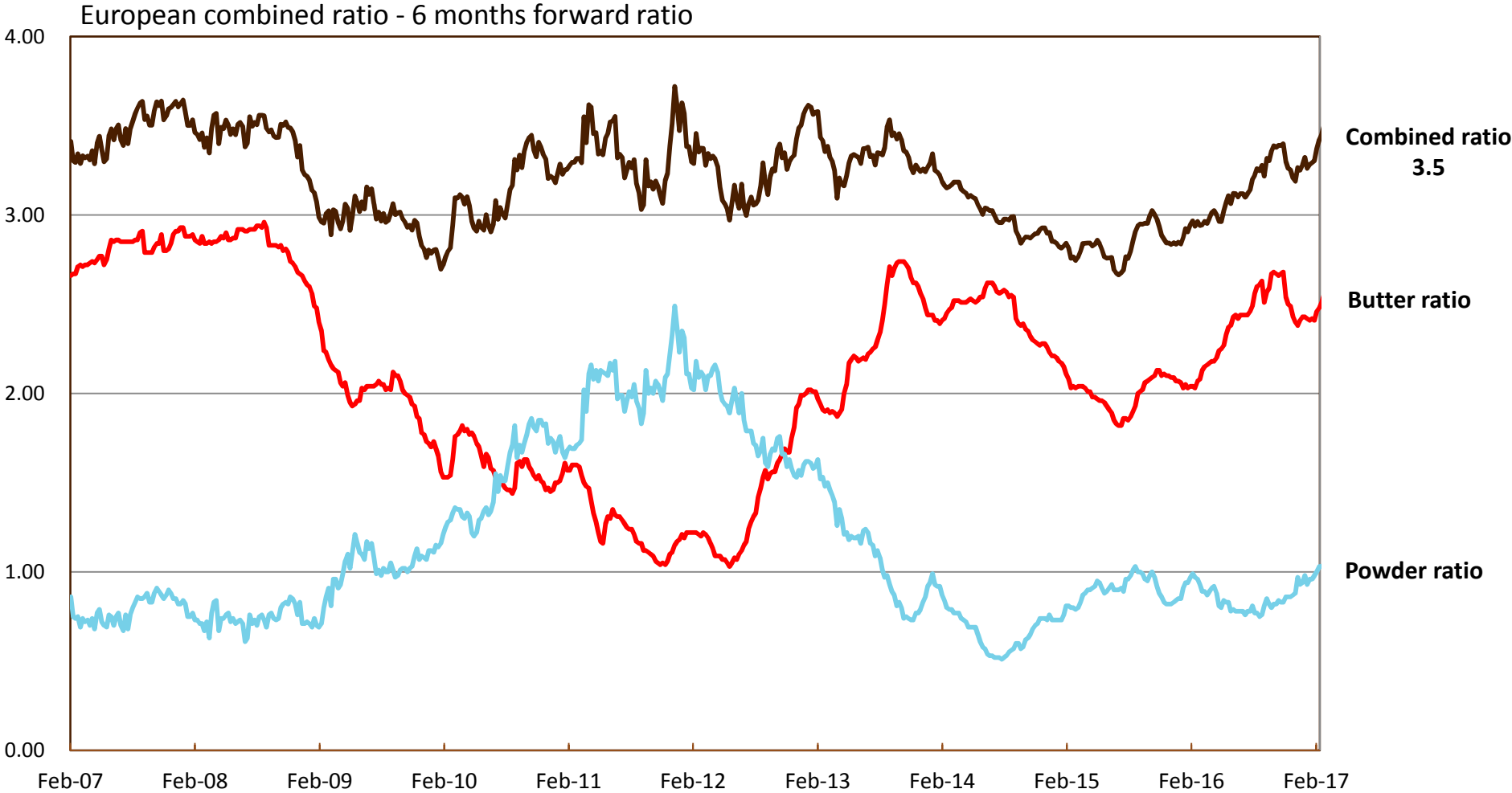
Gross profit up +6.0% driven by chocolate volume growth, better product and customer mix and strong improvement of our cocoa business

In CHF mio



# Cocoa processing profitability

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

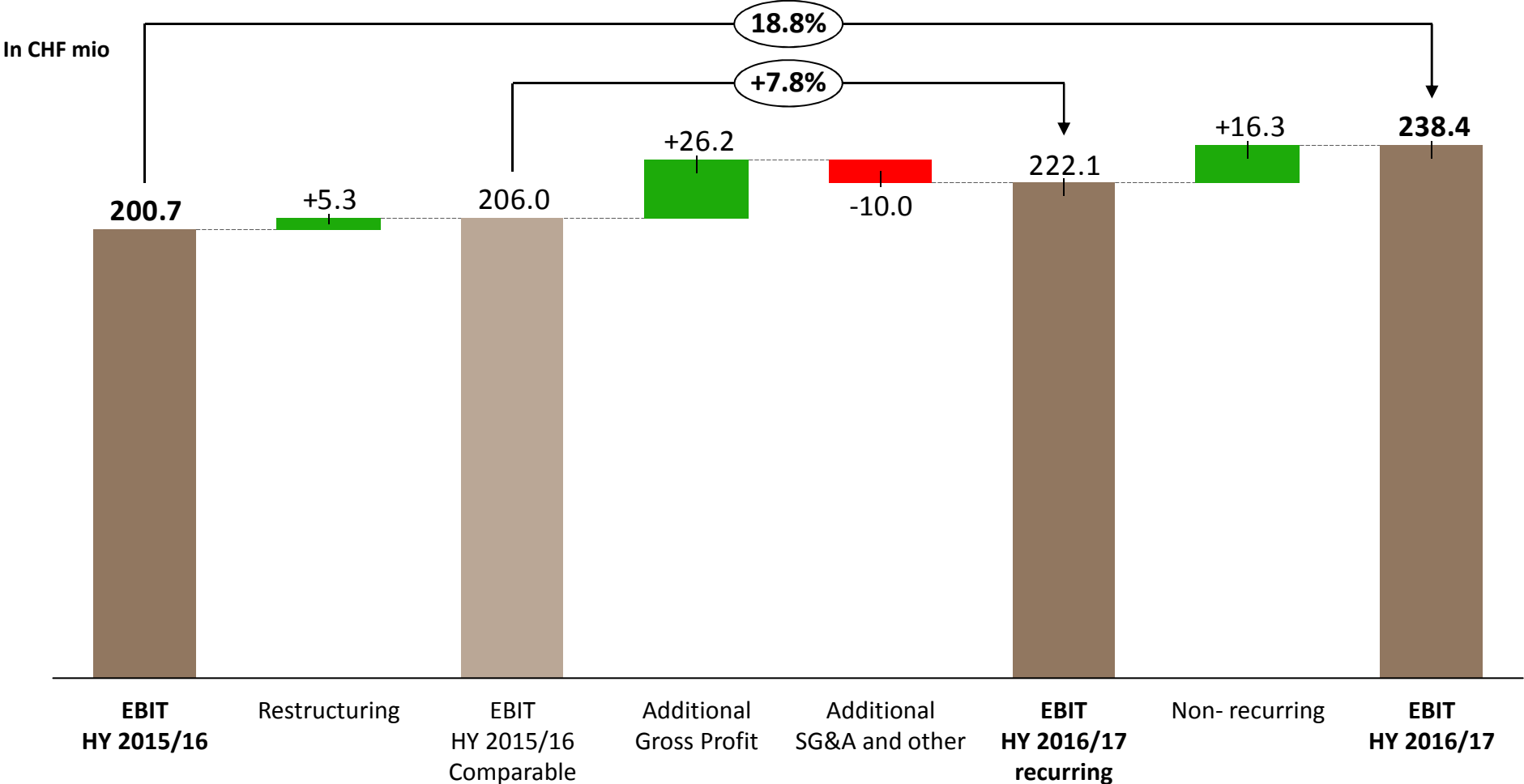


For cocoa processors, profitability depends on the ratio between input costs (price of cocoa beans) and combined output prices (price of cocoa butter and powder).



EBIT HY 2016/17

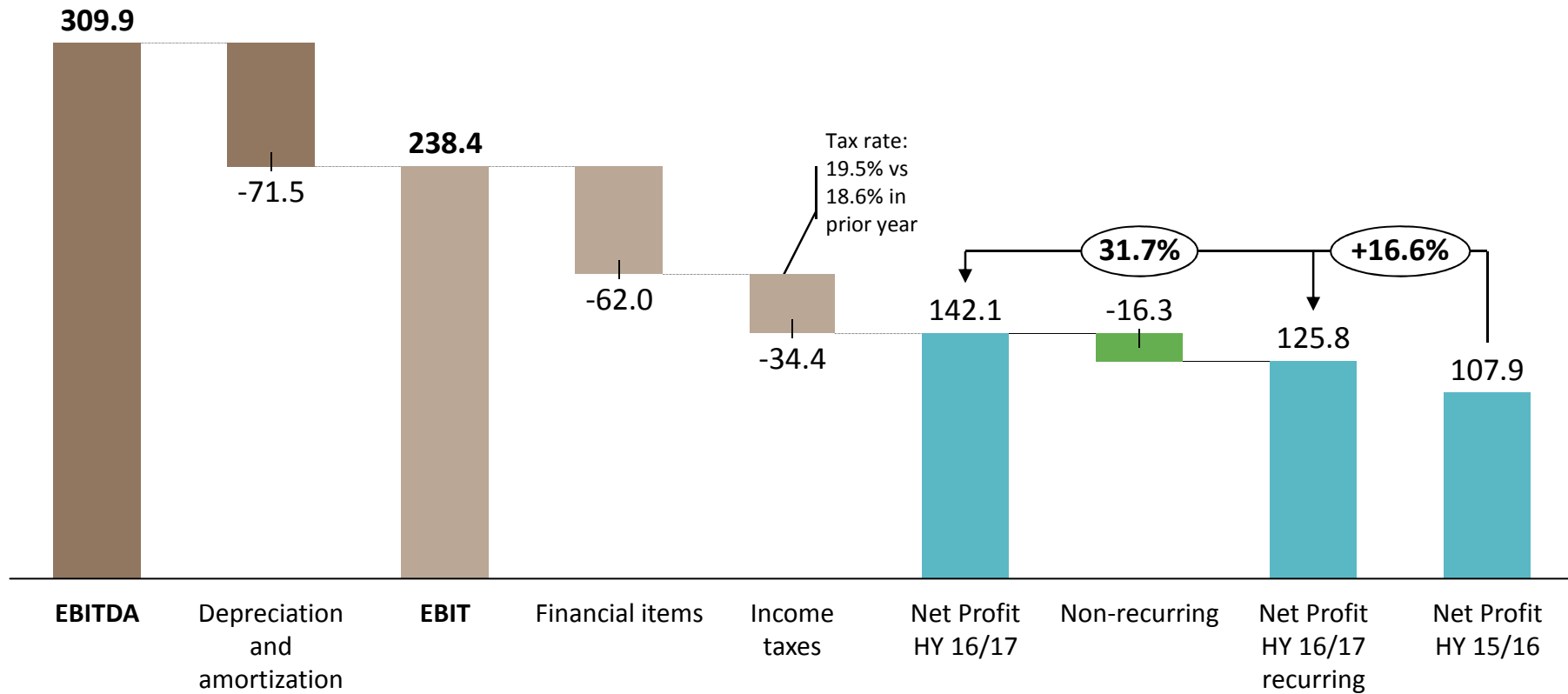
Strong operating profit up +18.8% including non-recurring, +7.8% like for like



From EBITDA to Net Profit

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

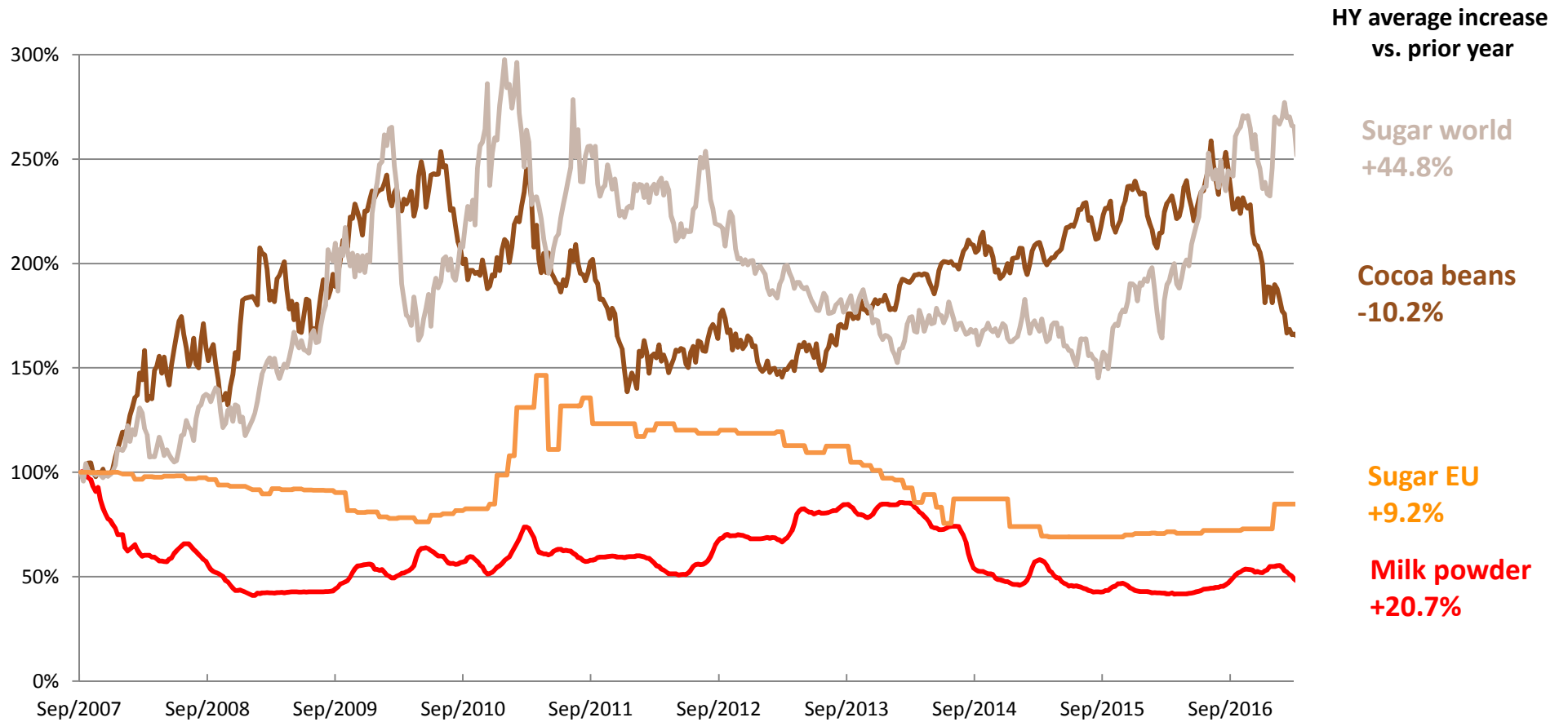
In CHF mio





## Raw materials price evolution

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

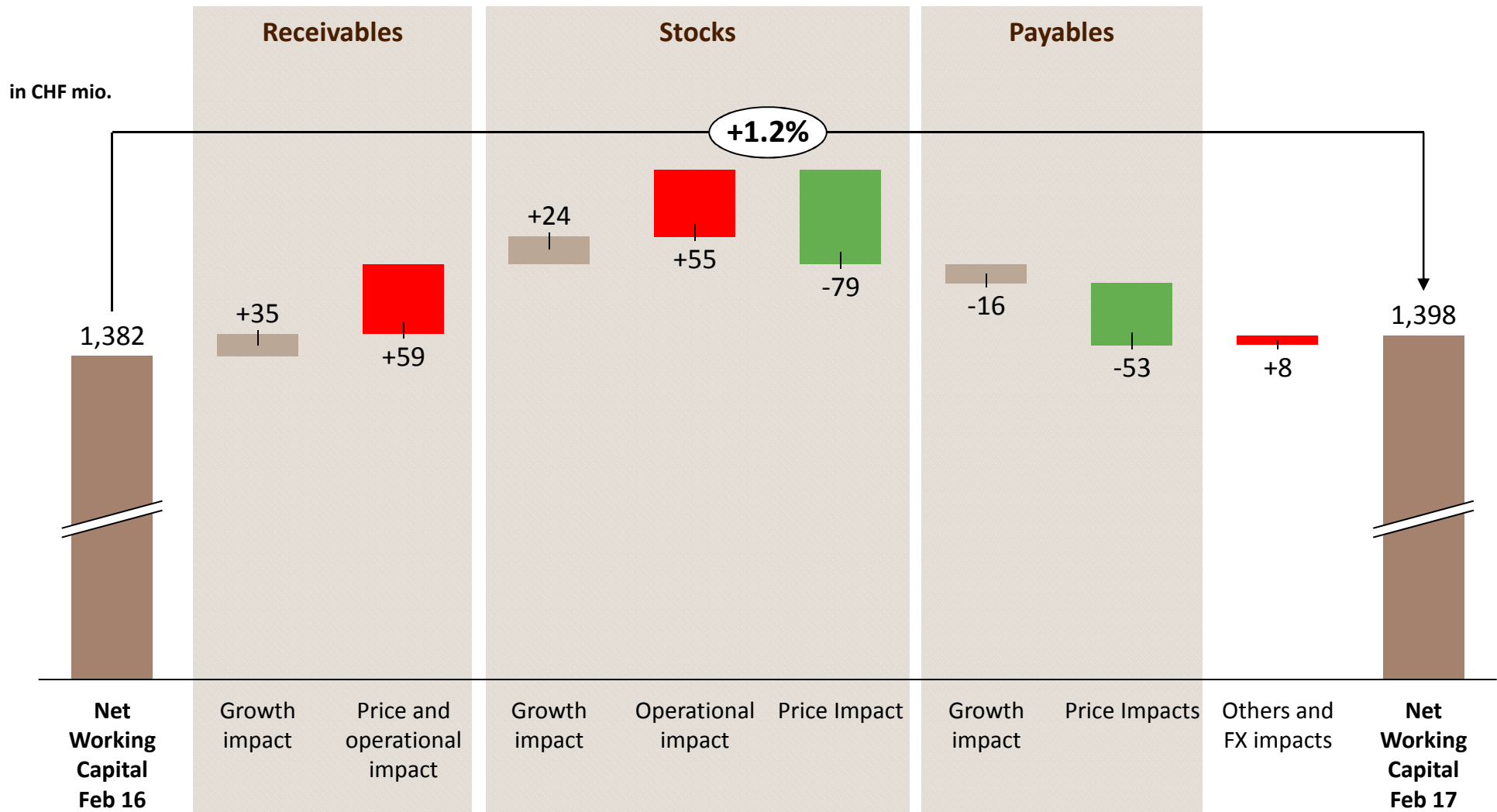


Note: All figures are indexed to Sep 2007

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

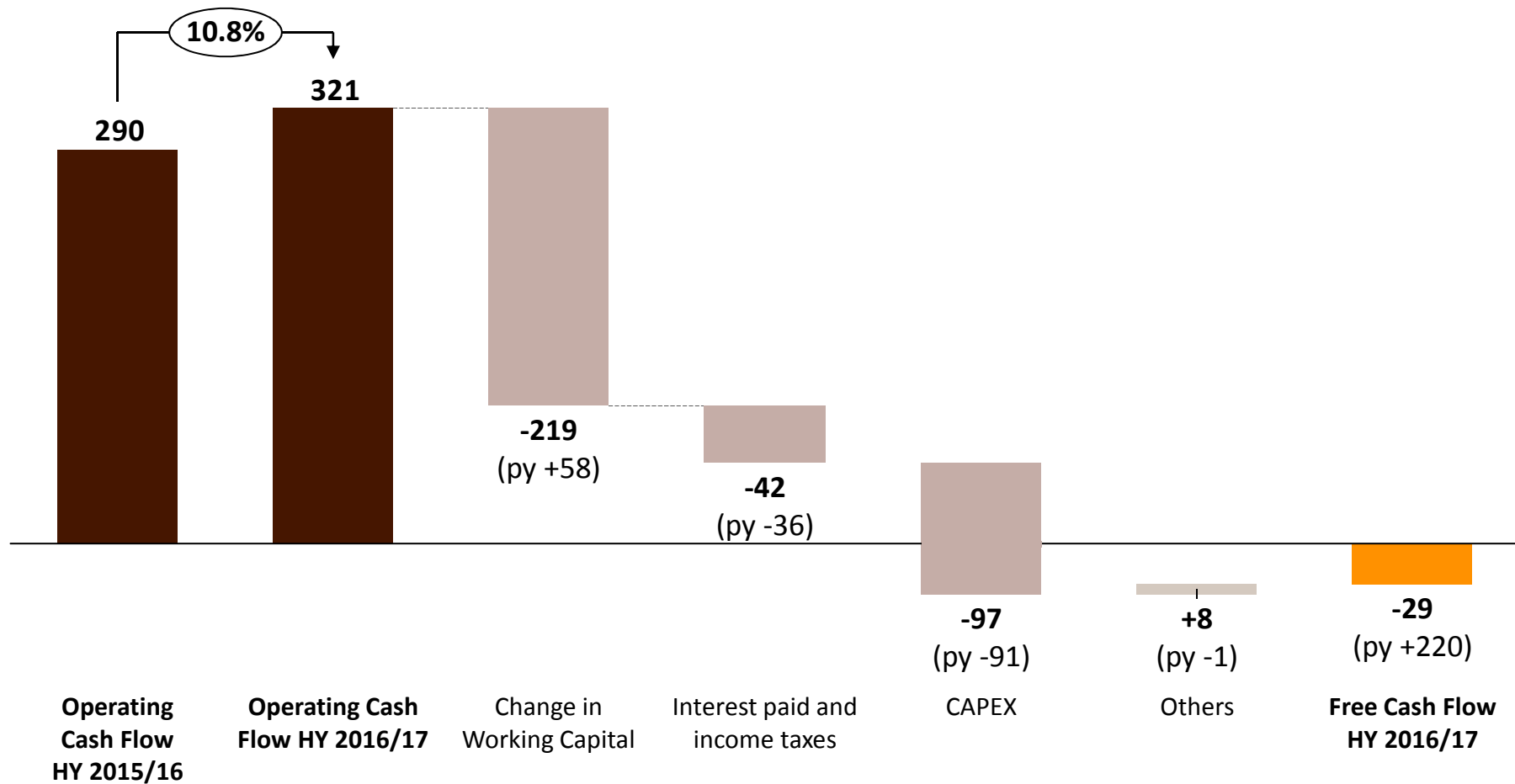
A stable working capital, inventories price reduction partly offset by higher volumes (correction from an exceptionally low prior year)



## 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.



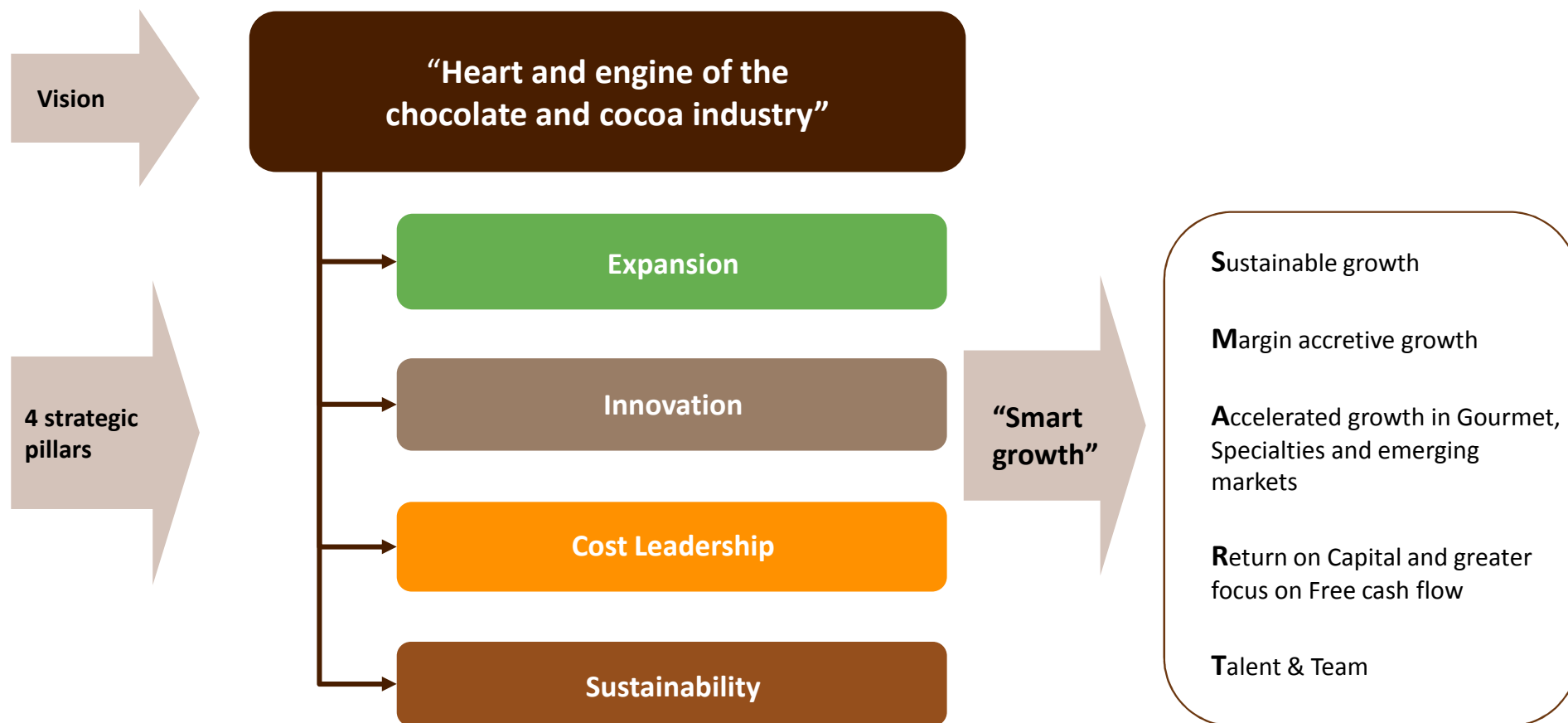
## Continuous improvement of key financial ratios

	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





## Our plan to make sustainable chocolate the norm



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

Twelve of the world's largest cocoa and chocolate companies have committed to develop a cooperative, multi-stakeholder framework to end deforestation and forest degradation in the cocoa supply chain.



- ▶ 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

## Appendix



# What makes Barry Callebaut unique?



- ▶ Global number one player in chocolate and cocoa
- ▶ Deep chocolate and cocoa expertise
- ▶ Global leader in Gourmet & Specialties
- ▶ Proven and long-term oriented strategy
- ▶ Unparalleled global footprint, present in all key markets
- ▶ Preferred outsourcing and strategic partner
- ▶ Leader in Innovation
- ▶ Cost leadership along the value chain
- ▶ Pioneer in sustainability
- ▶ Entrepreneurial spirit
- ▶ Balancing short and long-term

# Chocolate confectionery market development – Nielsen data

**North America** (29% of market)  
 2012-16 average: -1.0%  
 2017 H1: -1.3%

**Western Europe** (41% of market)  
 2012-16 average: 0.0%  
 2017 H1: -1.9%

**Eastern Europe** (18% of market)  
 2012-16 average: -0.5%  
 2017 H1: -2.1%

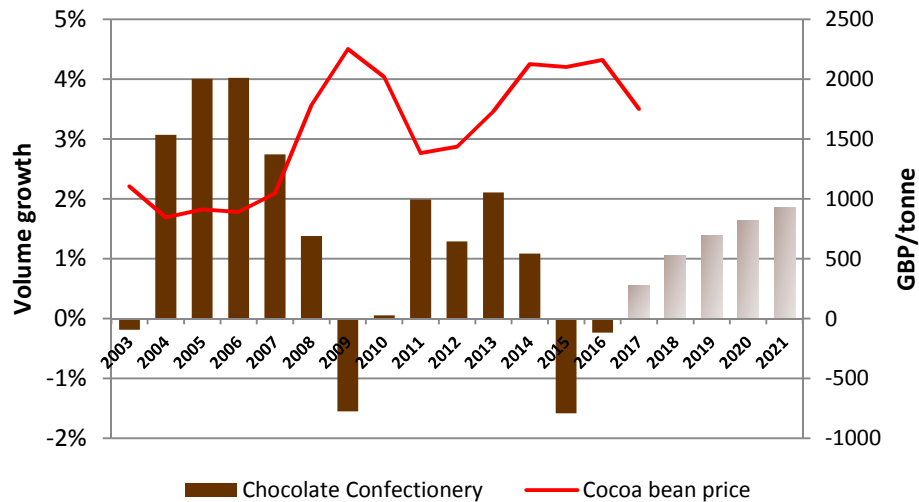


**South America** ( 5% of market)  
 2012-16 average: -1.6%  
 2017 H1: -12.8%

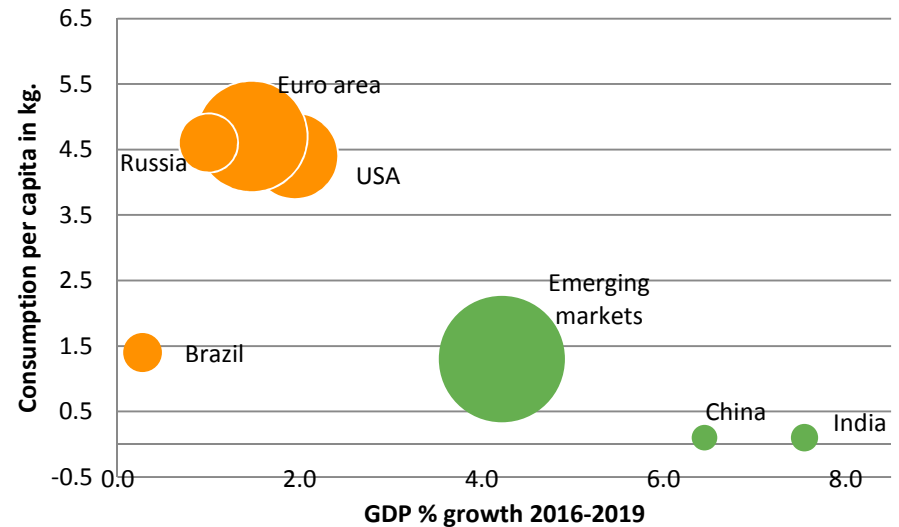
**Asia Pacific** (8% of market)  
 2012-16 average: +5.3%  
 2017 H1: +1.6%

# Our market and opportunities ahead

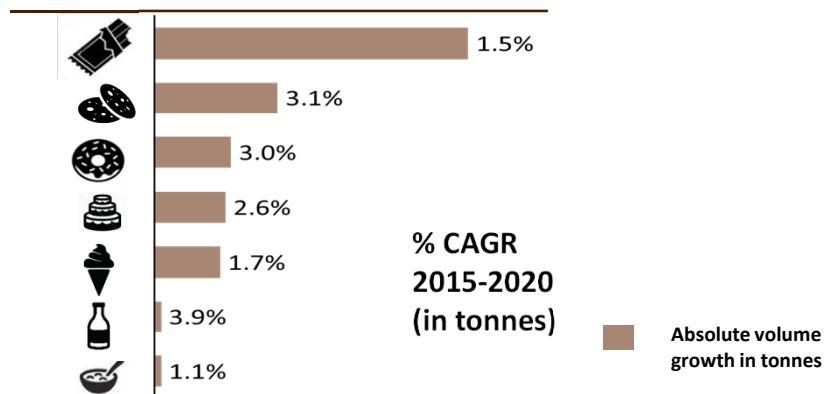
Global Chocolate confectionery volume growth vs cocoa bean price



Growing economies with still low chocolate consumption per capita

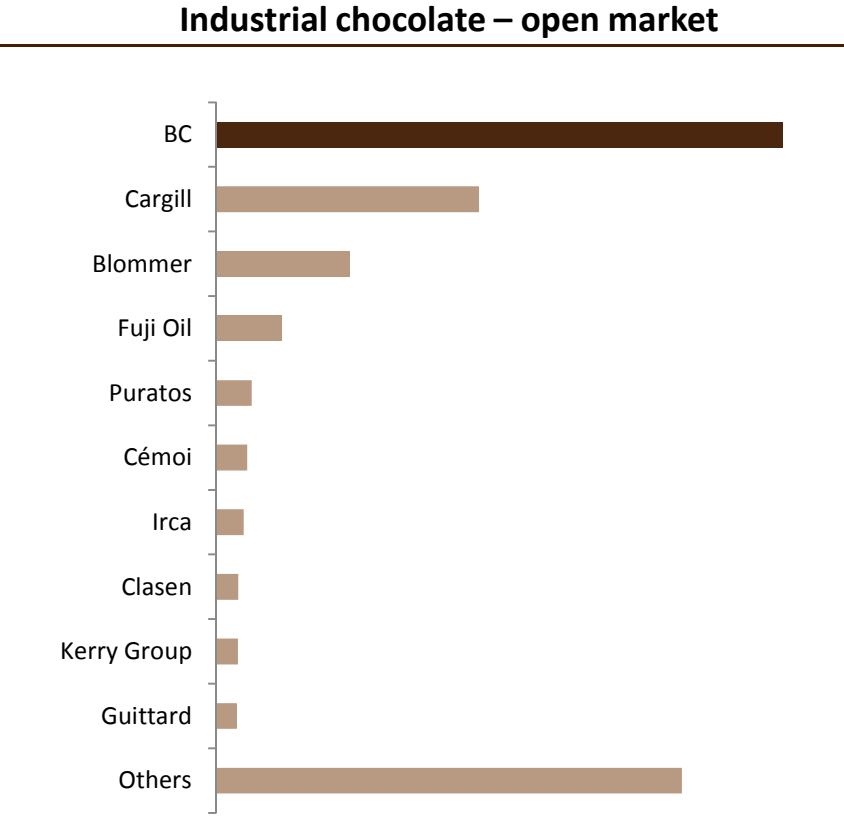
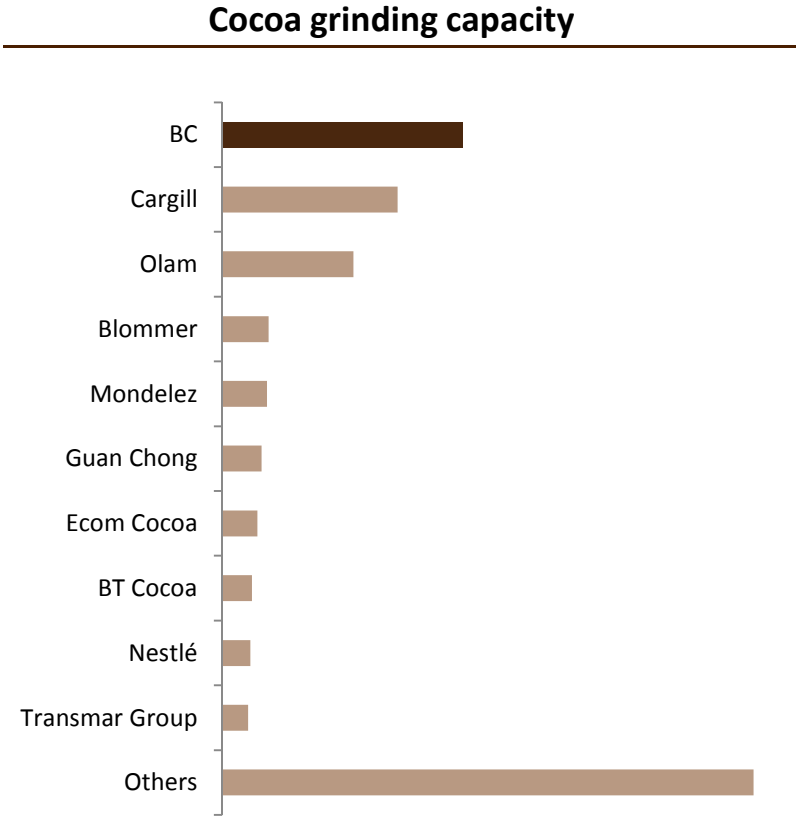


Forecast volume growth per application 2015-2020



Chocolate and Cocoa markets

# Barry Callebaut uniquely positioned in industrial chocolate and cocoa markets

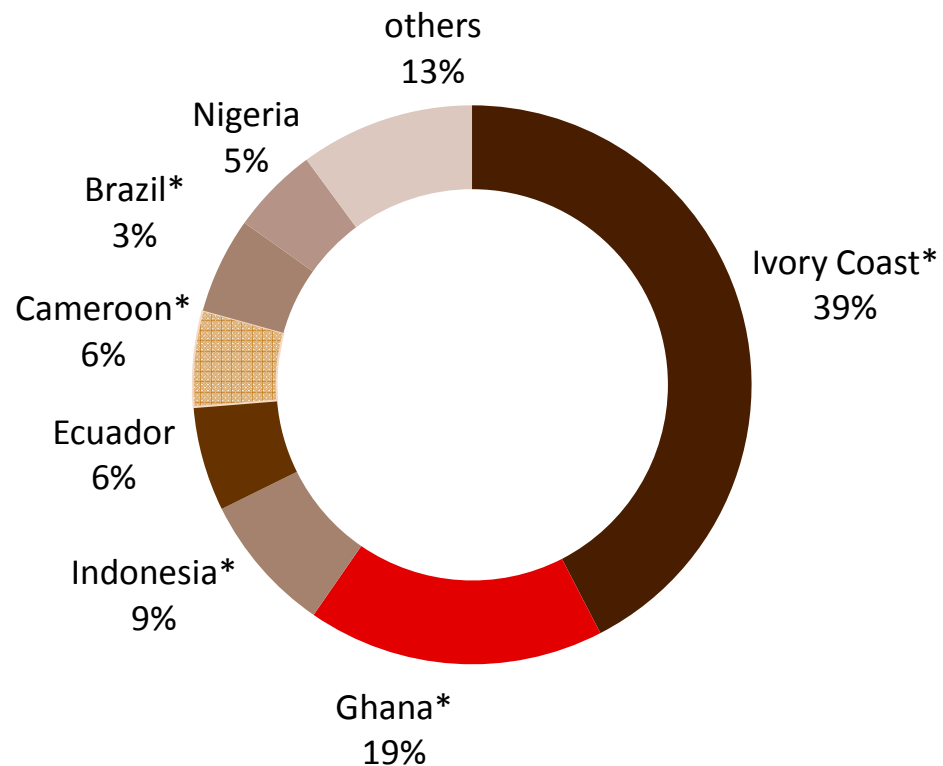


**Notes:** Olam incl. ADM; Cargill incl. ADM chocolate business; Fuji Oil incl. Harald  
**Sources:** Proprietary estimates



# West Africa is the world's largest cocoa producer

Total world harvest (15/16): 4,031 TMT

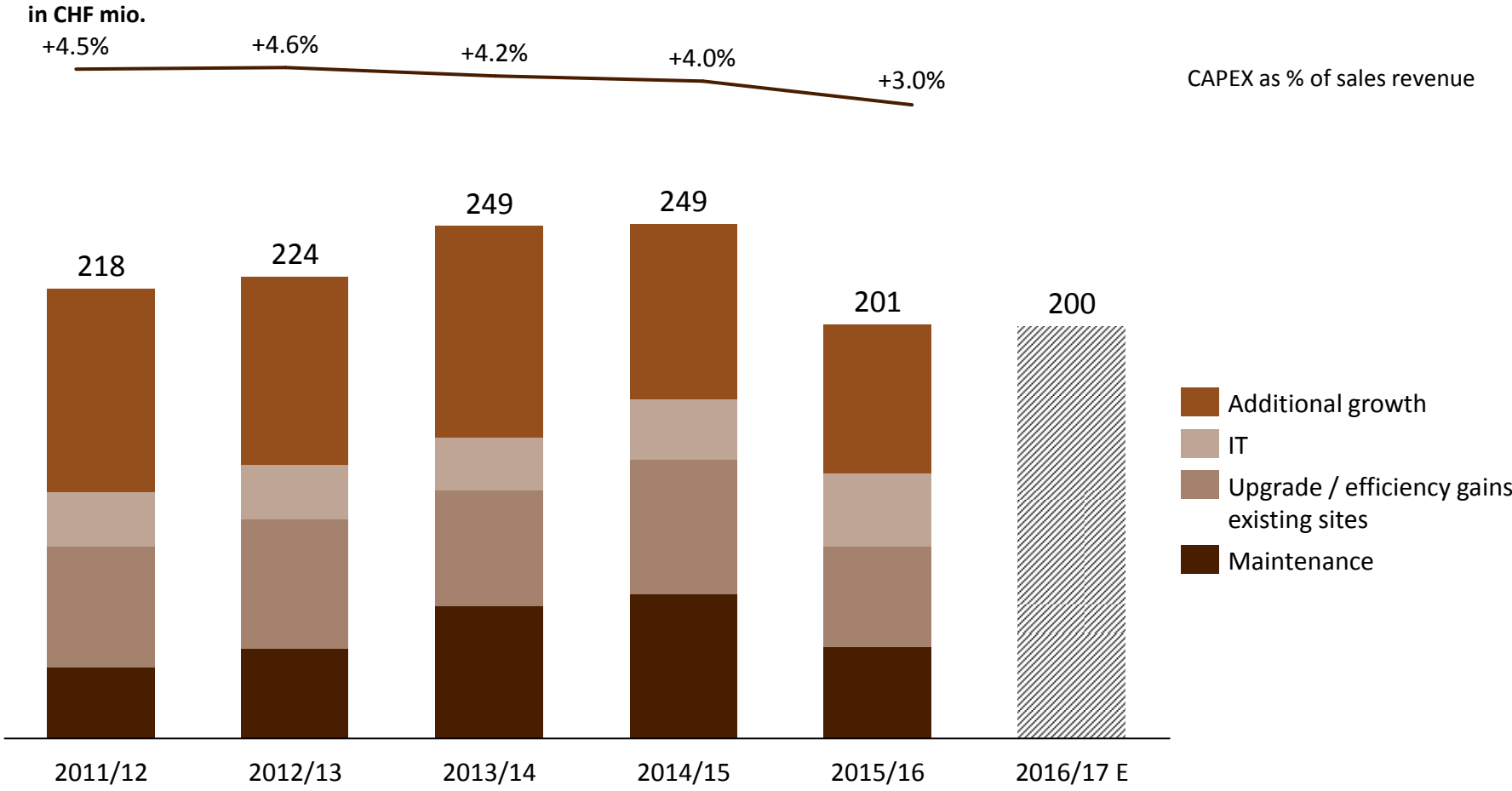


- ▶ About 70% of total cocoa beans come from West Africa
- ▶ BC processed ~900,000 tonnes or 22% of the world crop
- ▶ Barry Callebaut has various cocoa processing facilities in origin countries\*, in Europe and in the USA

Source: ICCO estimates

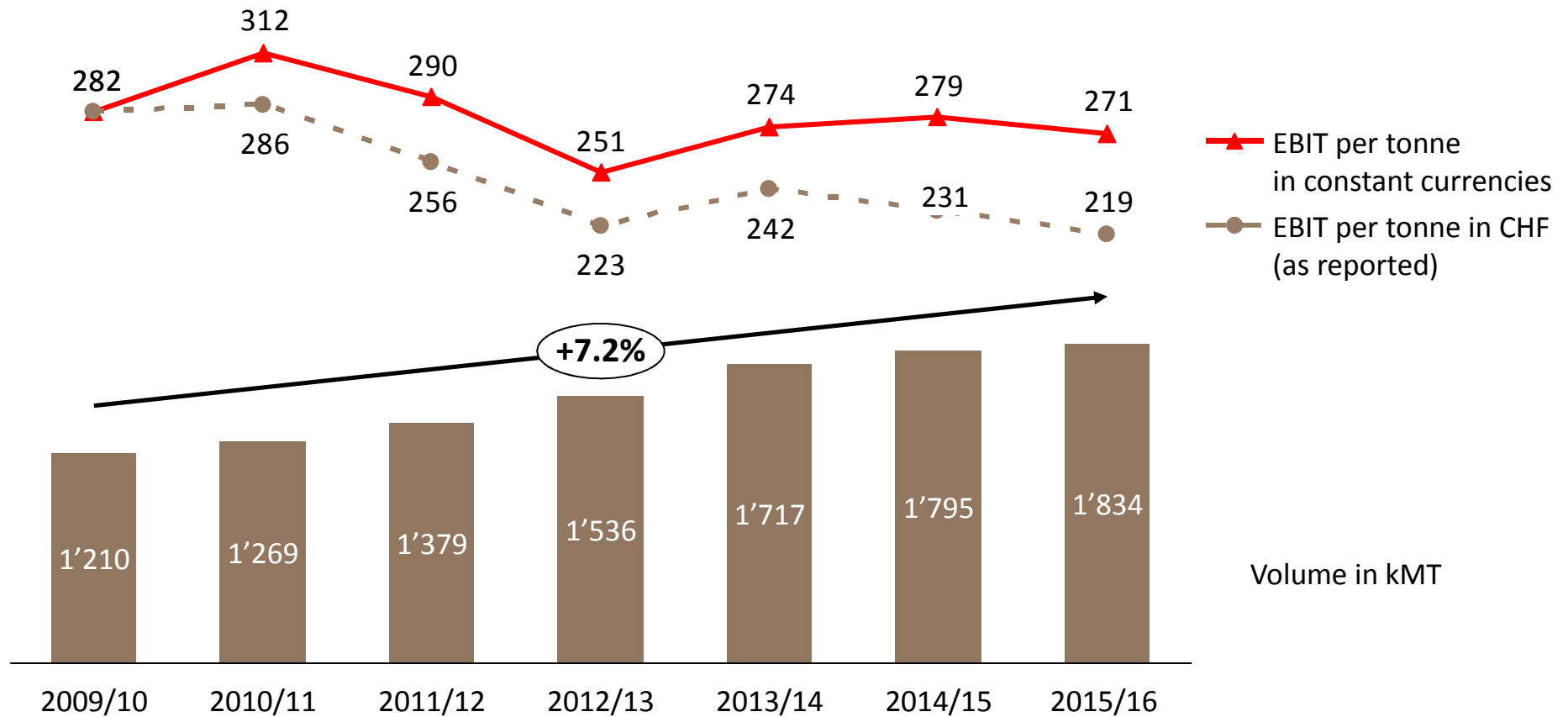


# Capital Expenditures



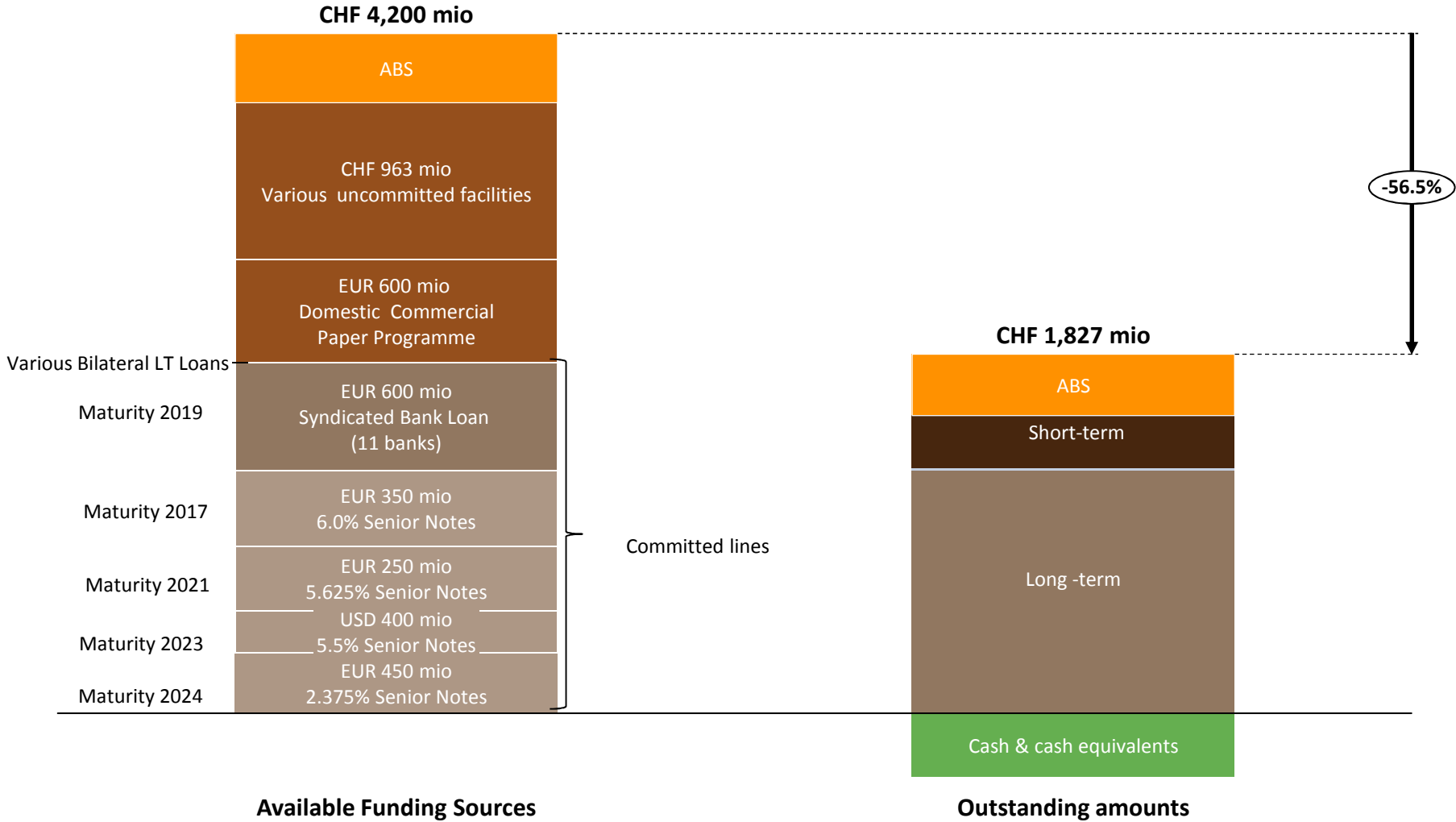
## 7-year EBIT per tonne development

EBIT per tonne temporarily affected by a challenging cocoa products market and a strong Swiss franc



# Enough headroom for further growth and raw material price fluctuations

As of 28 February 2017



# Liquidity – Debt maturity profile

As of 28 February 2017

In CHF mio

