

# Roadshow presentation –Half-Year Results 2017/18

April 2018



# Agenda

- ▶ BC at a glance
- ▶ Highlights HY 2017/18
- ▶ Financial Review HY 2017/18
- ▶ Strategy & Outlook

# BC at a glance



Who are we?

## The heart and engine of the chocolate industry

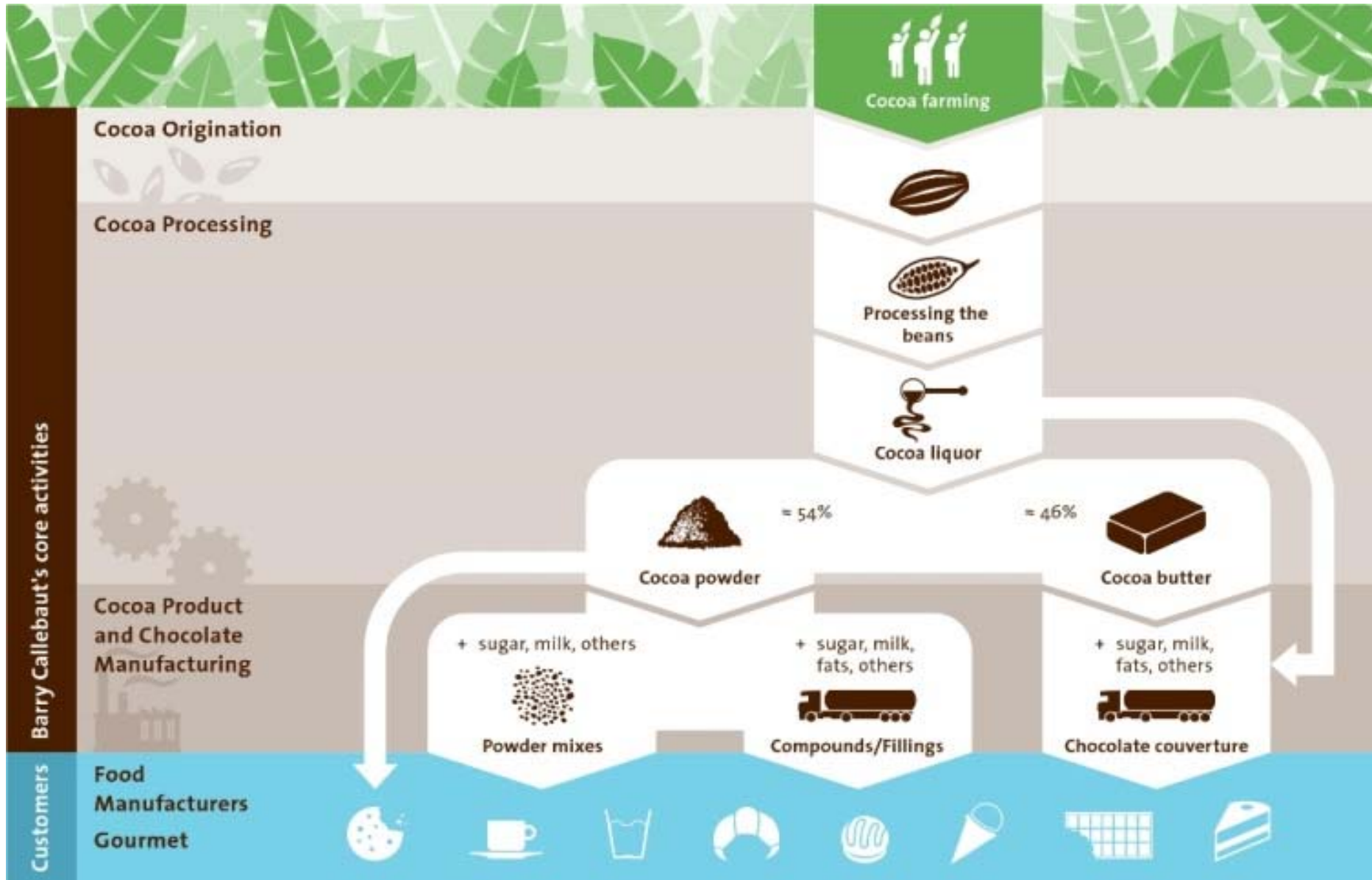


- ▶ A merger between **Cacao Barry**, the very first French chocolate connaisseur since 1842 and **Callebaut** a Belgian chocolate couverture manufacturer expert since 1911
- ▶ Listed on the SIX Swiss Exchange since 1998
- ▶ Today, the world's leading manufacturer of high-quality chocolate and cocoa 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 2016/17

More than  
**175 years**  
of chocolate heritage




About  
**11,000**  
employees




New type  
of chocolate  
created: Ruby chocolate  
**The 4<sup>th</sup>**



**1.9**  
sales volume  
in million tonnes

CAGR   
**+5.7%**  
volume growth  
over 5 years

Sustainably sourced cocoa  
**36%**



**488.2**  
EBIT  
in CHF million

**6,805.2**  
sales revenue  
in CHF million

  
**55**  
factories  
worldwide

Selling to  
**140**  
countries

  
**20**  
CHOCOLATE  
ACADEMY™  
centers

**38,280**  
chocolate aficionados  
trained in 2016/17

What do we offer?

A broad offering from standard to the most premium products

### Cocoa Products



### Food Manufacturers



### Gourmet & Specialties

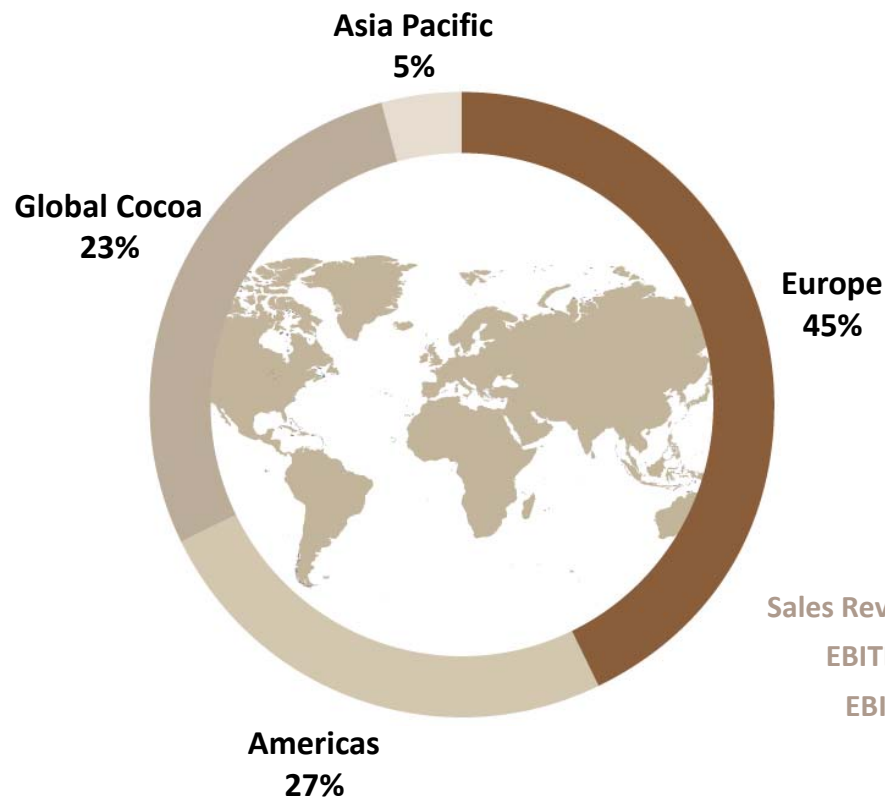


How are we organized?

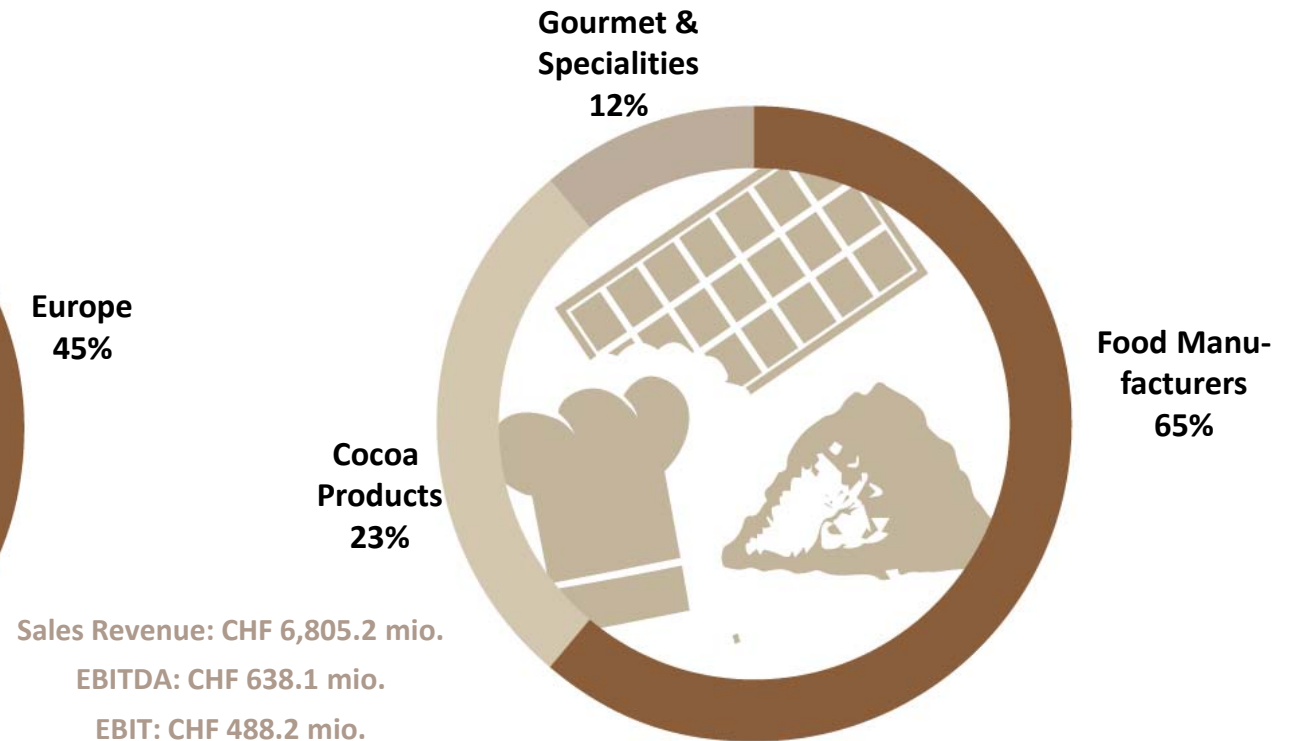
## Our Regional and Product split

FY 2016/17 Sales Volume: 1.9 million tonnes

### Sales Volume per Region



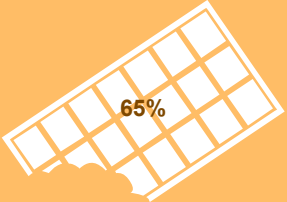
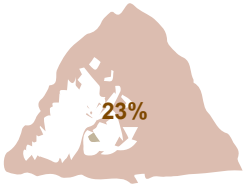

### Sales Volume per Product Group





## 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>

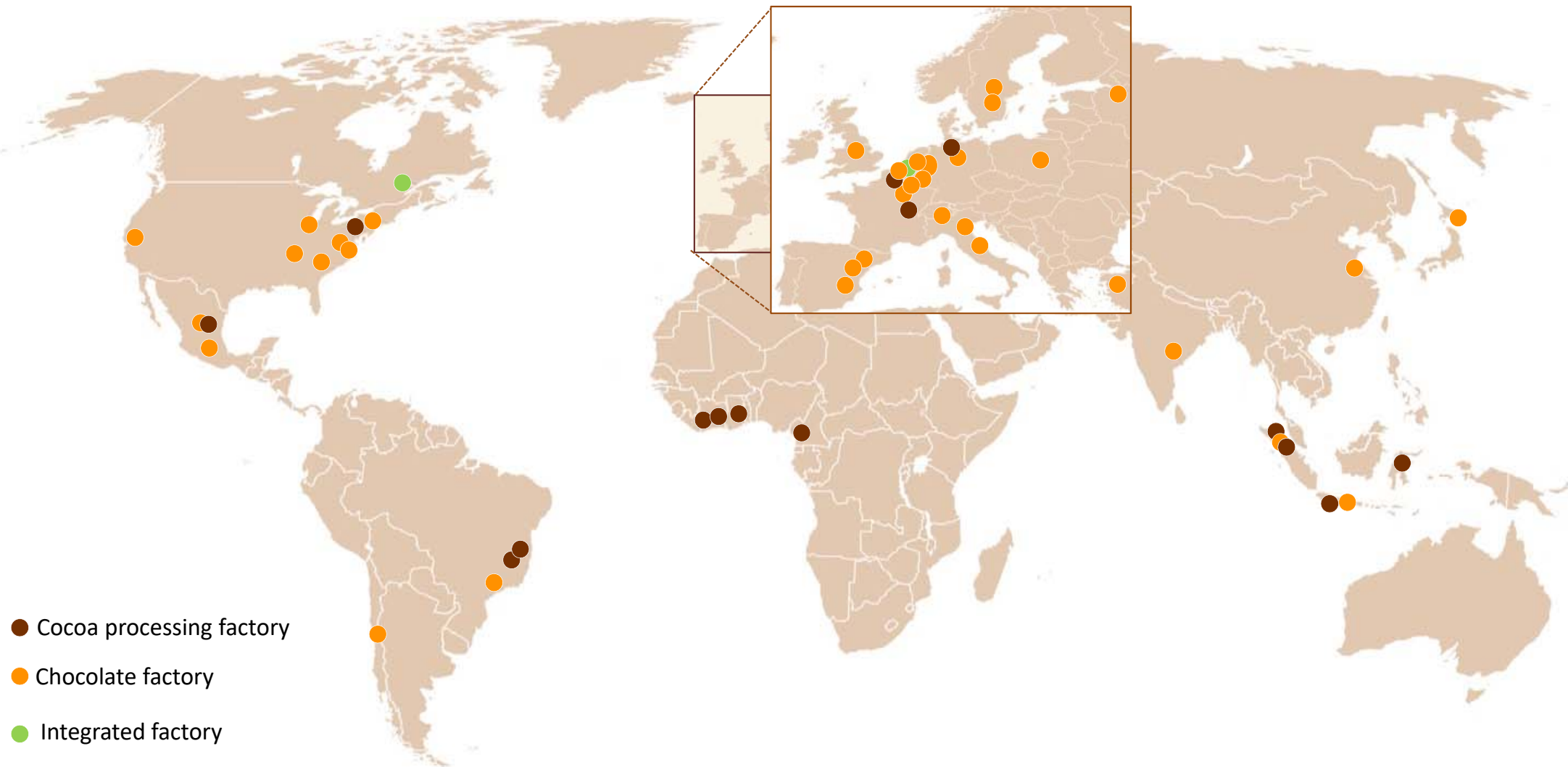
Note: Percentage of FY2015/16 Group sales volume

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

Where are we present?

## A global footprint and a local service: 55 factories worldwide

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



## Highlights HY 2017/18



## Strong performance in the first six months



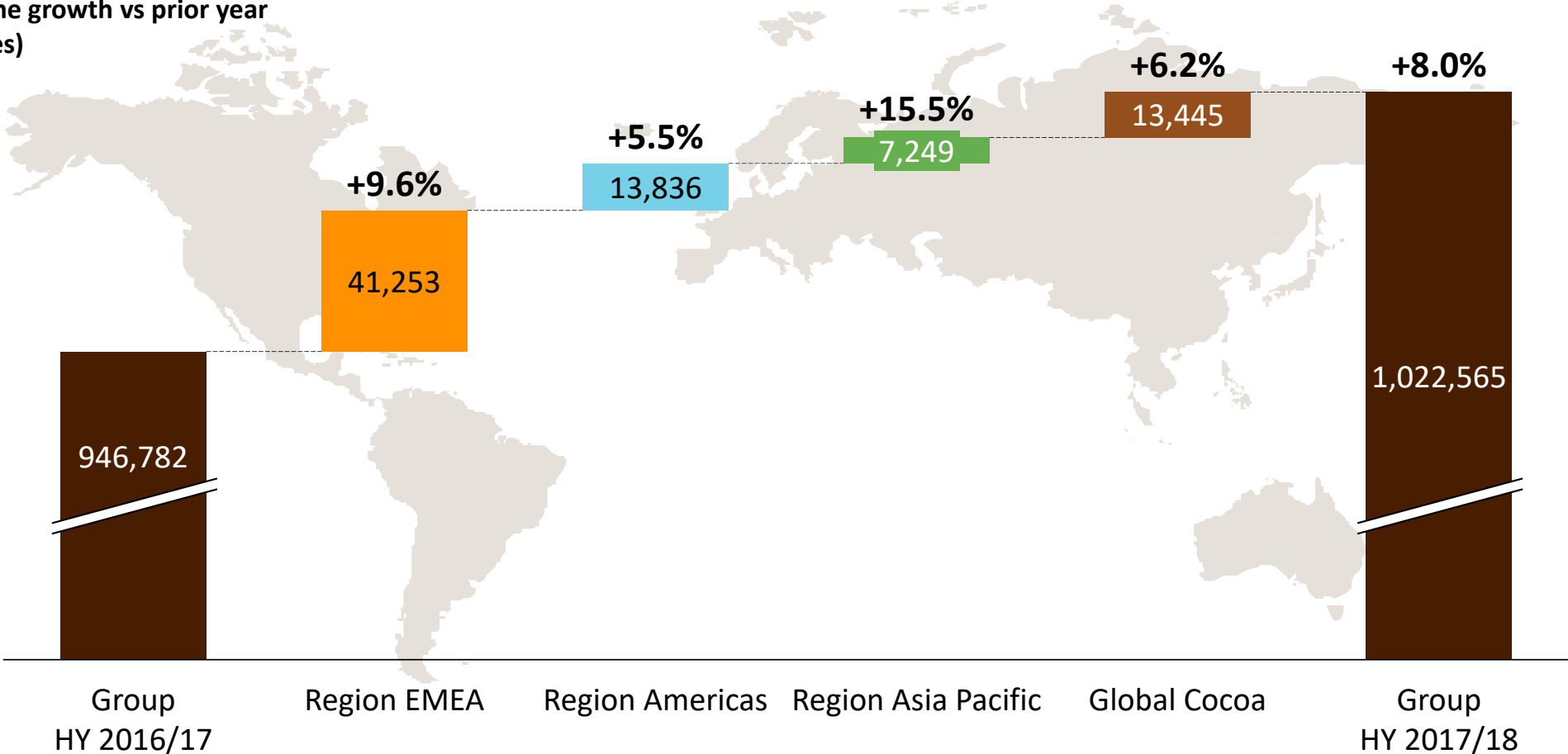
- ▶ Sales volume growth +8.0%
- ▶ Sales revenue of CHF 3.5 billion, -1.8% in local currencies (+0.3% in CHF)
- ▶ Operating profit (EBIT)<sup>1</sup> up +20.6 % in local currencies (+24.6% in CHF)
- ▶ Net profit<sup>1</sup> up +32.9% in local currencies (+37.5% in CHF)
- ▶ Mid-term guidance confirmed



<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)



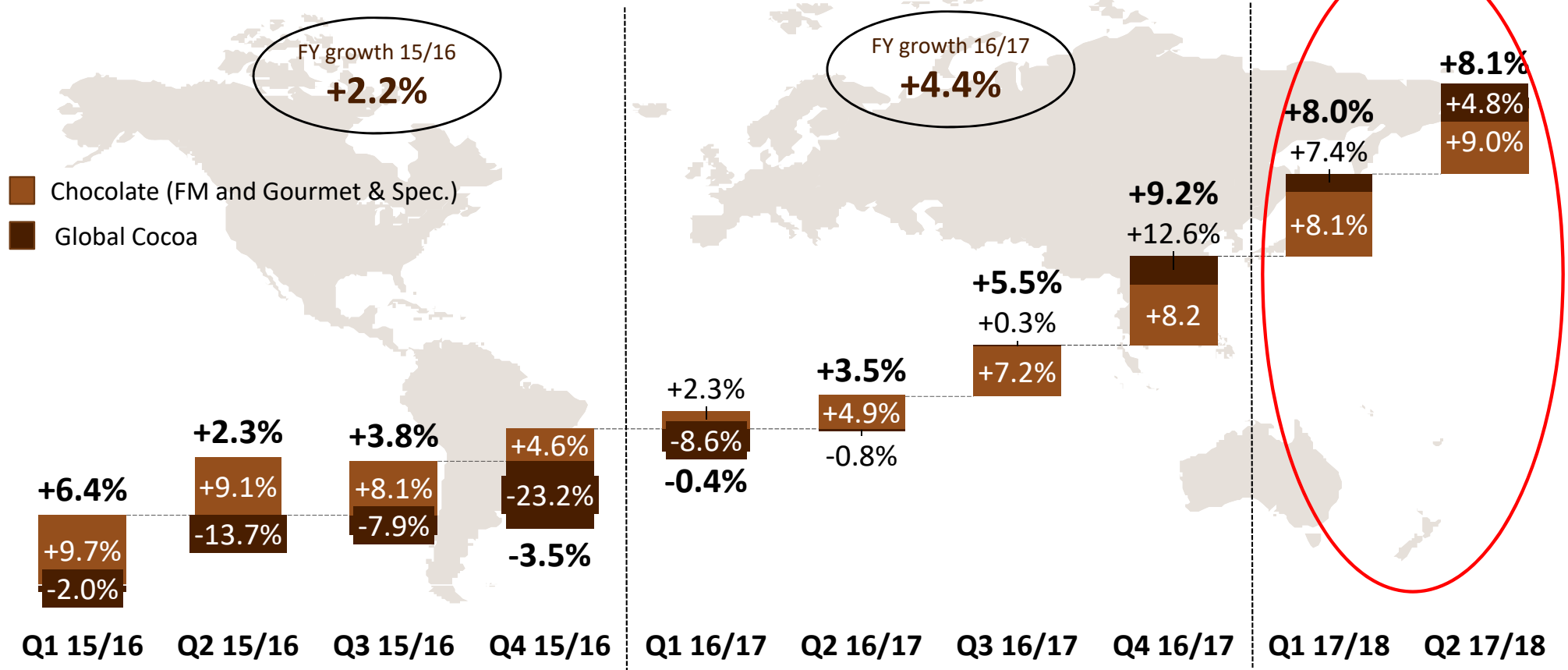
Market Volume growth*	Group HY 2016/17	Region EMEA	Region Americas	Region Asia Pacific	Global Cocoa	Group HY 2017/18
	-2.1%	+2.8%	+1.4%	+4.0%		+2.5%

\*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



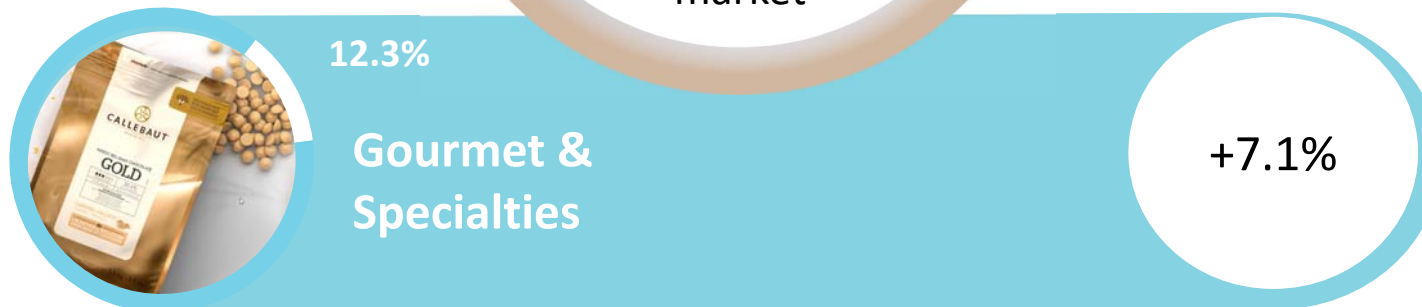
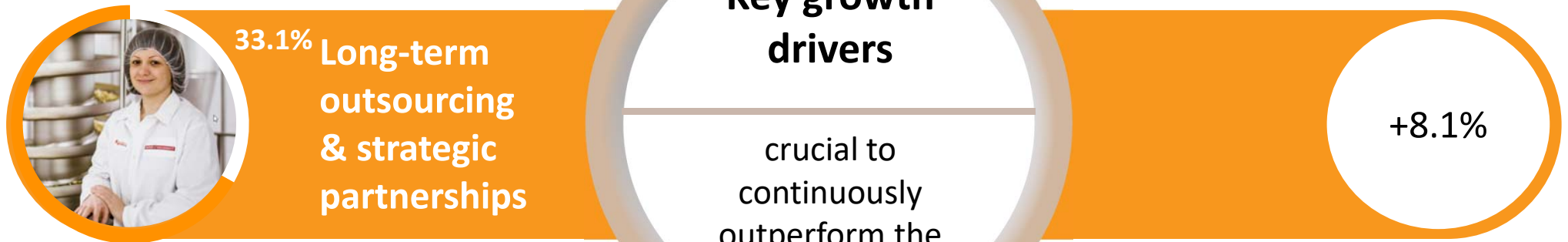
Market Volume growth*	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16	Q1 16/17	Q2 16/17	Q3 16/17	Q4 16/17	Q1 17/18	Q2 17/18
	-3.7%	-1.3%	-0.7%	-1.5%	-2.3%	-1.4%	+2.3%	+2.2%	+3.1%	+1.7%

\*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



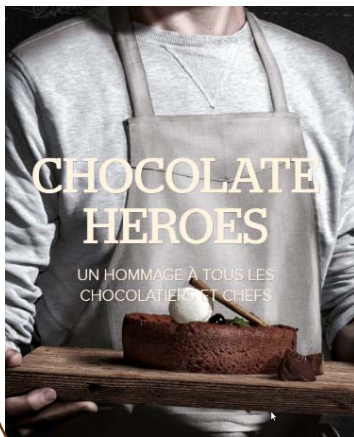
- ▶ Integration of Gertrude Hawk Ingredients ongoing
  - ▶ Included in Region Americas as of Dec 2017
  - ▶ Capabilities: High versatility with one-shot technology, enrobing with two types of coating and panning with double coat
  - ▶ Products: Ice cream inclusions and bake-stable filled inclusions

— Supplying the Most Delicious Ingredients Since 1936 #1

# 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>	270.7	+15.4%	<b>+11.6%</b>
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:**

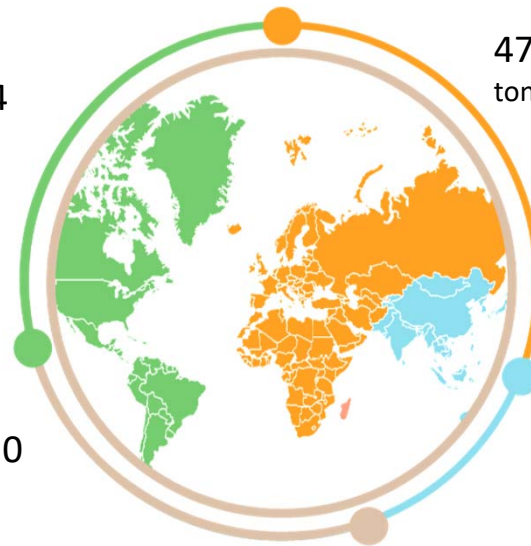
1'022'565  
tonnes

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%

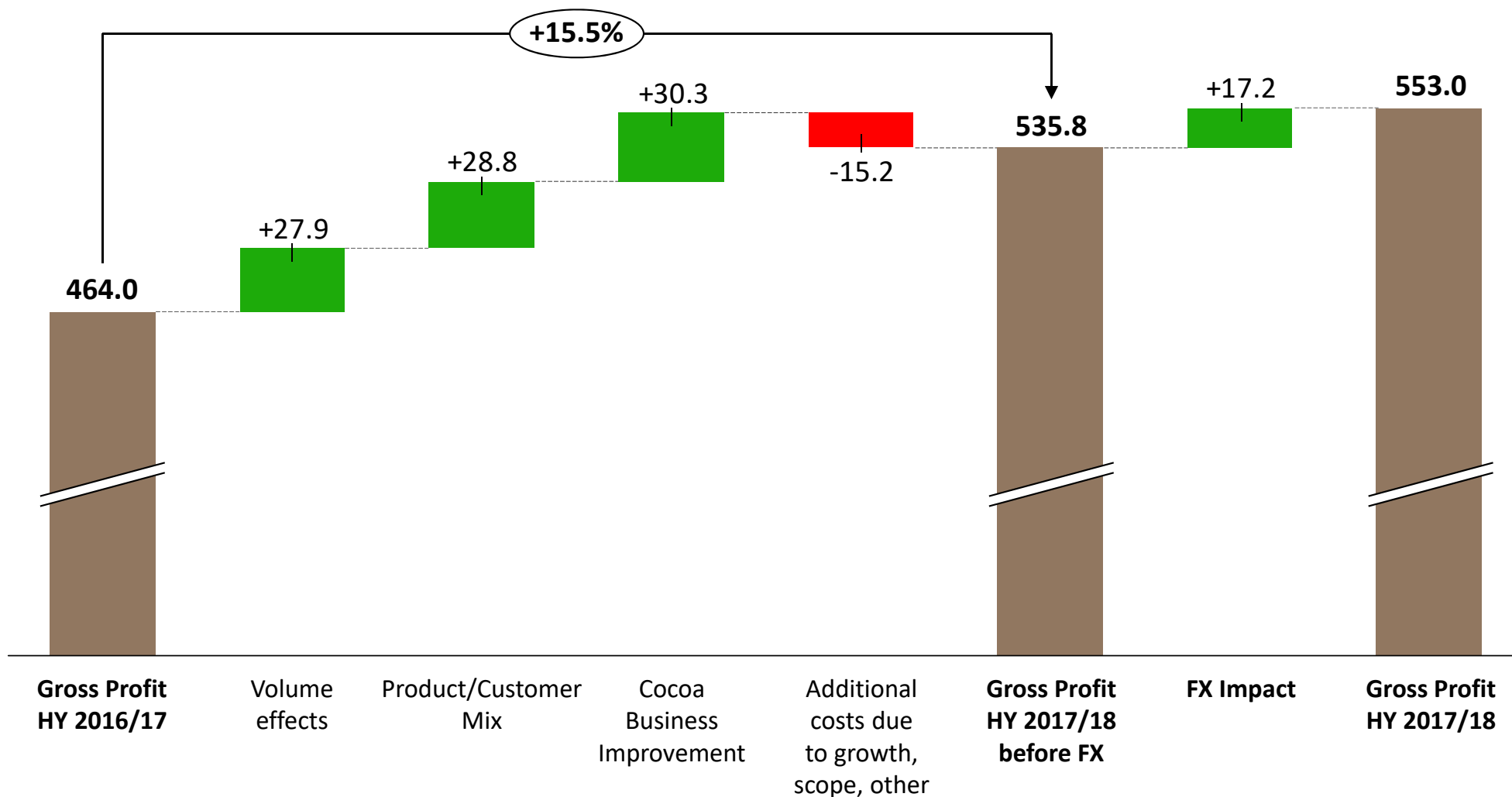
+4.0%

\* 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

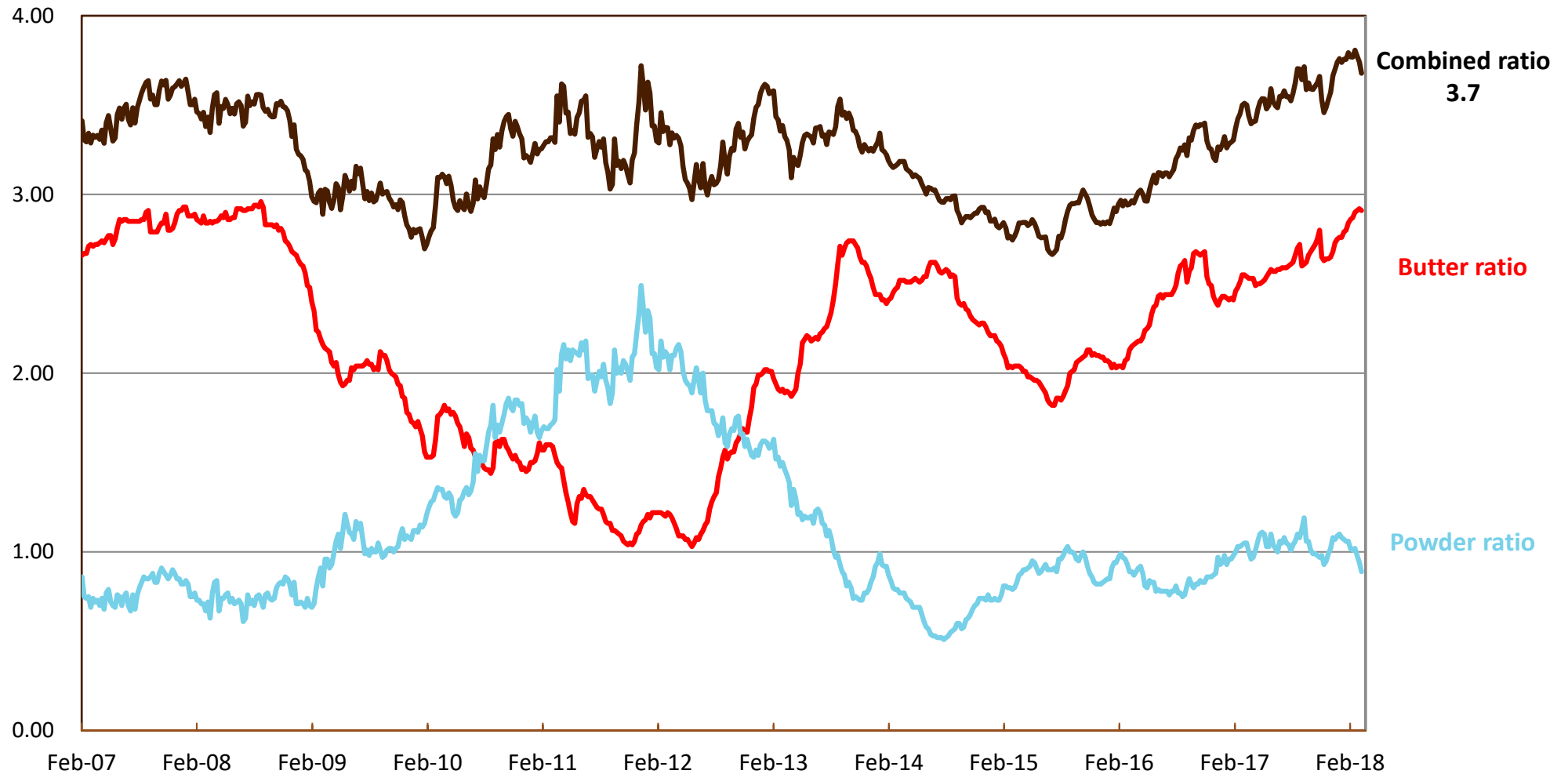
in CHFmio



## Cocoa processing profitability

# Combined ratio favourable for HY 2017/18

European combined ratio - 6 months forward ratio

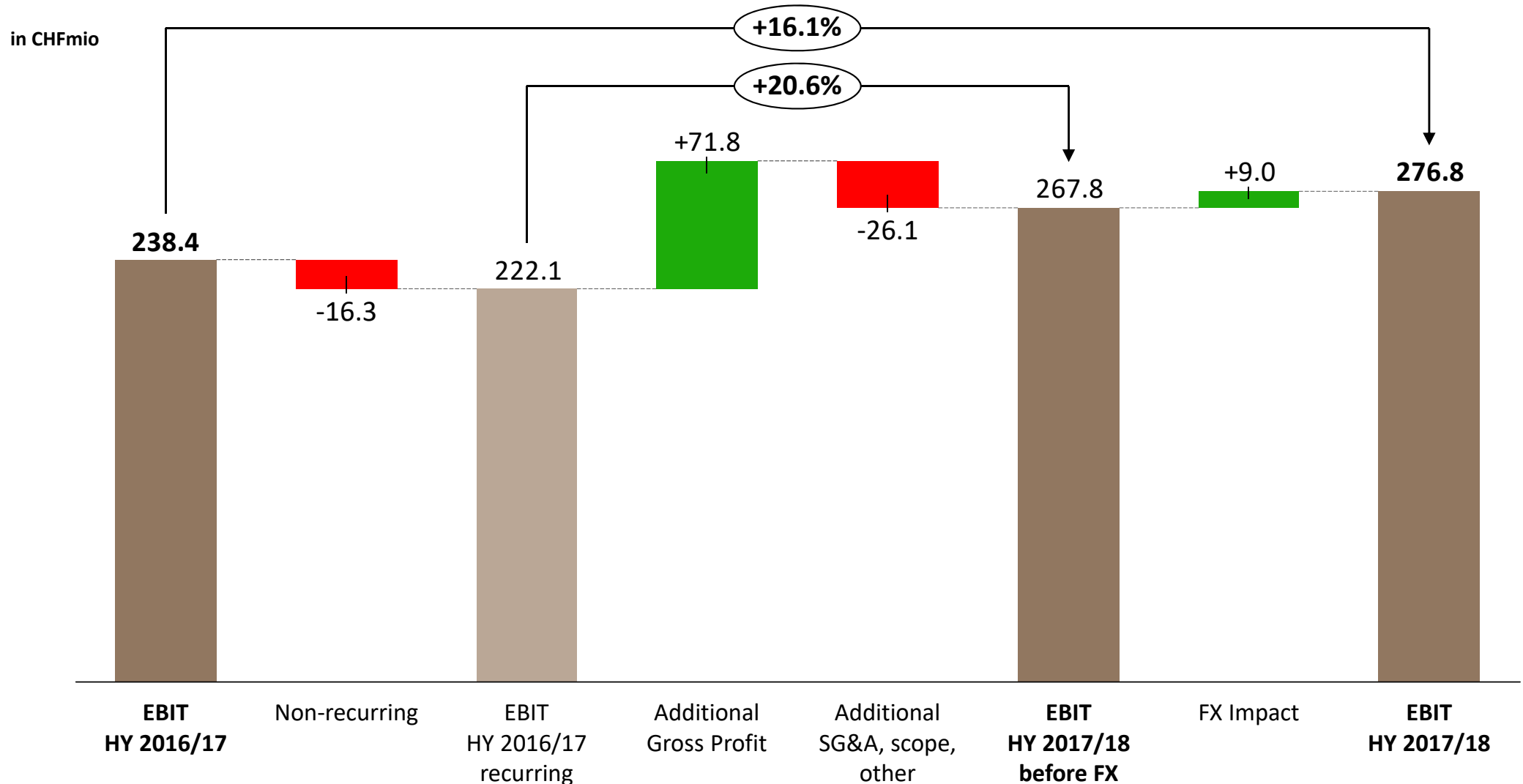


For cocoa processors, profitability depends on the ratio between input costs (price of cocoa beans) and combined output prices (price of cocoa butter and powder).



## EBIT HY 2017/18

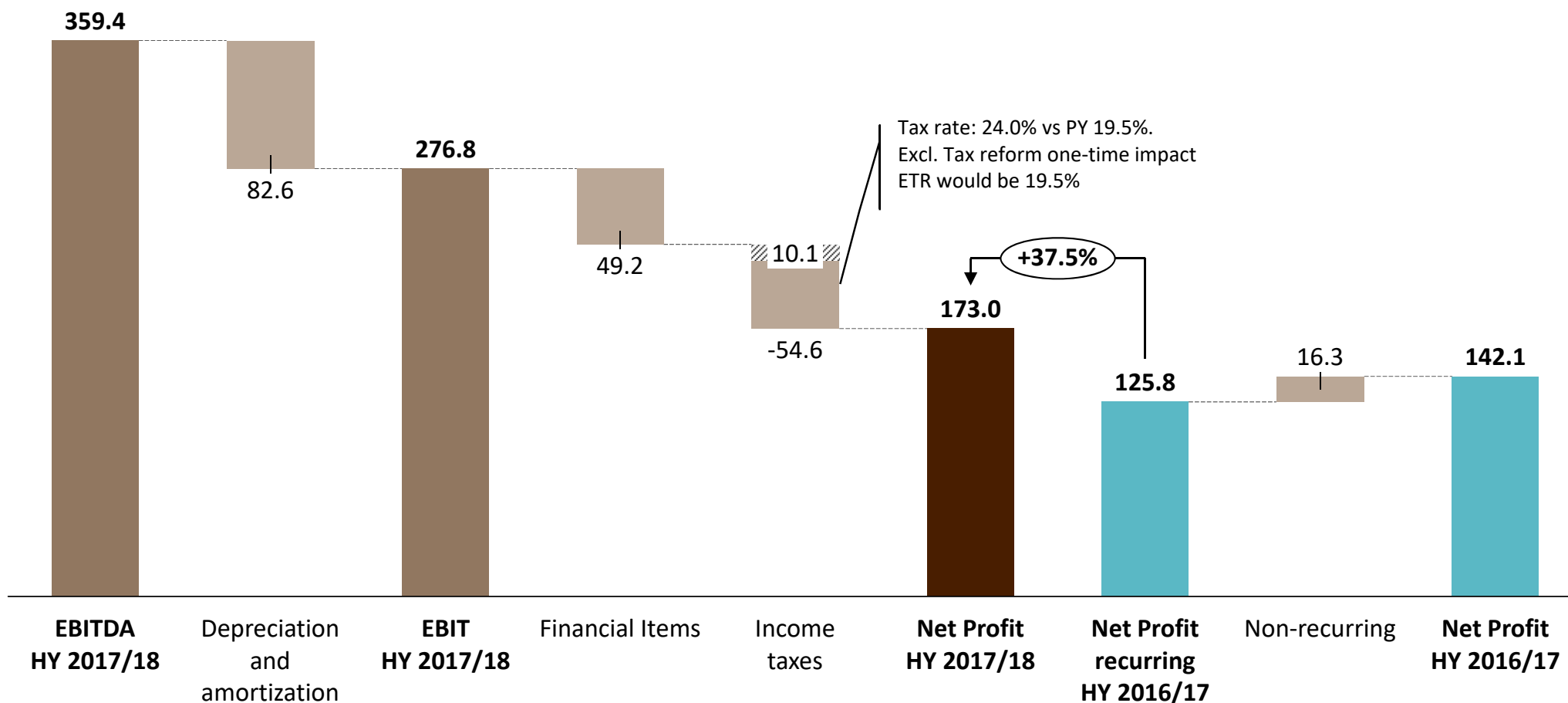
Steep increase in operating profit up +20.6% on a recurring basis and before FX impact



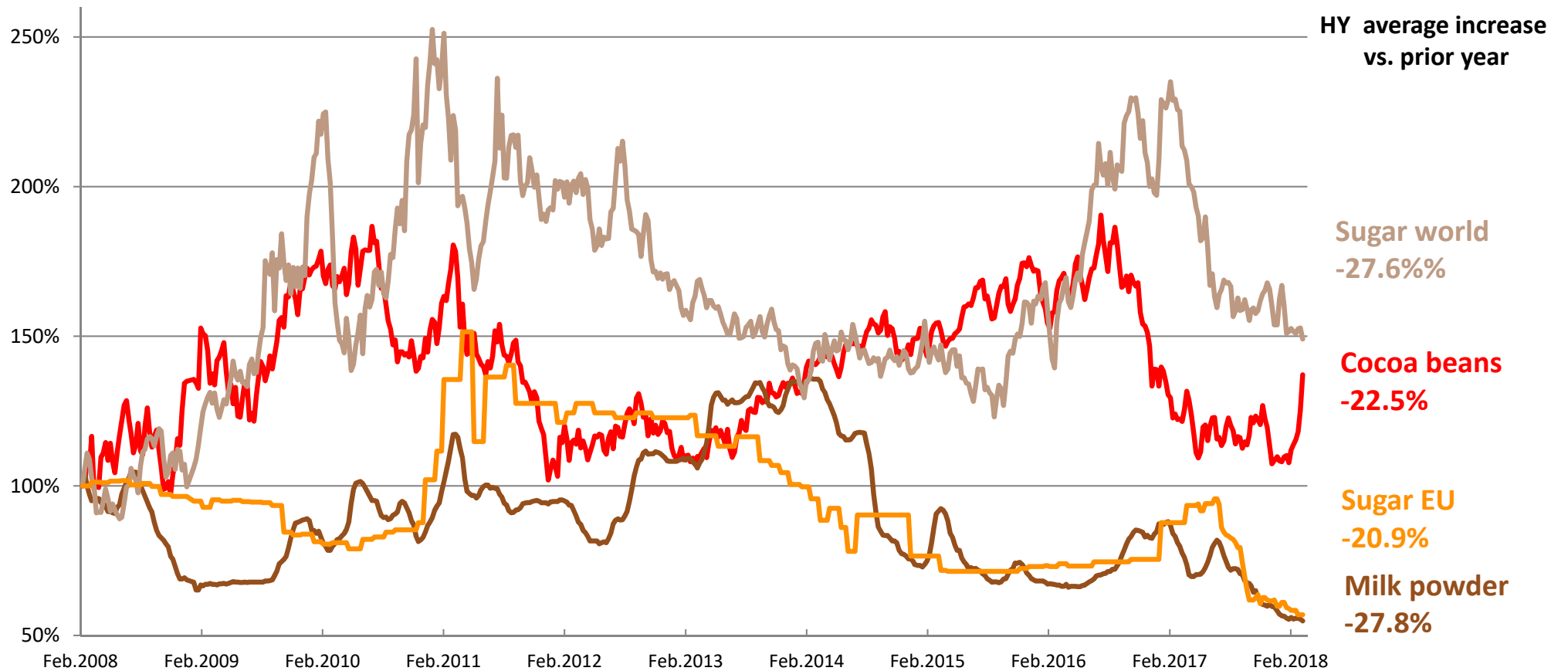
## EBITDA to Net Profit

# 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



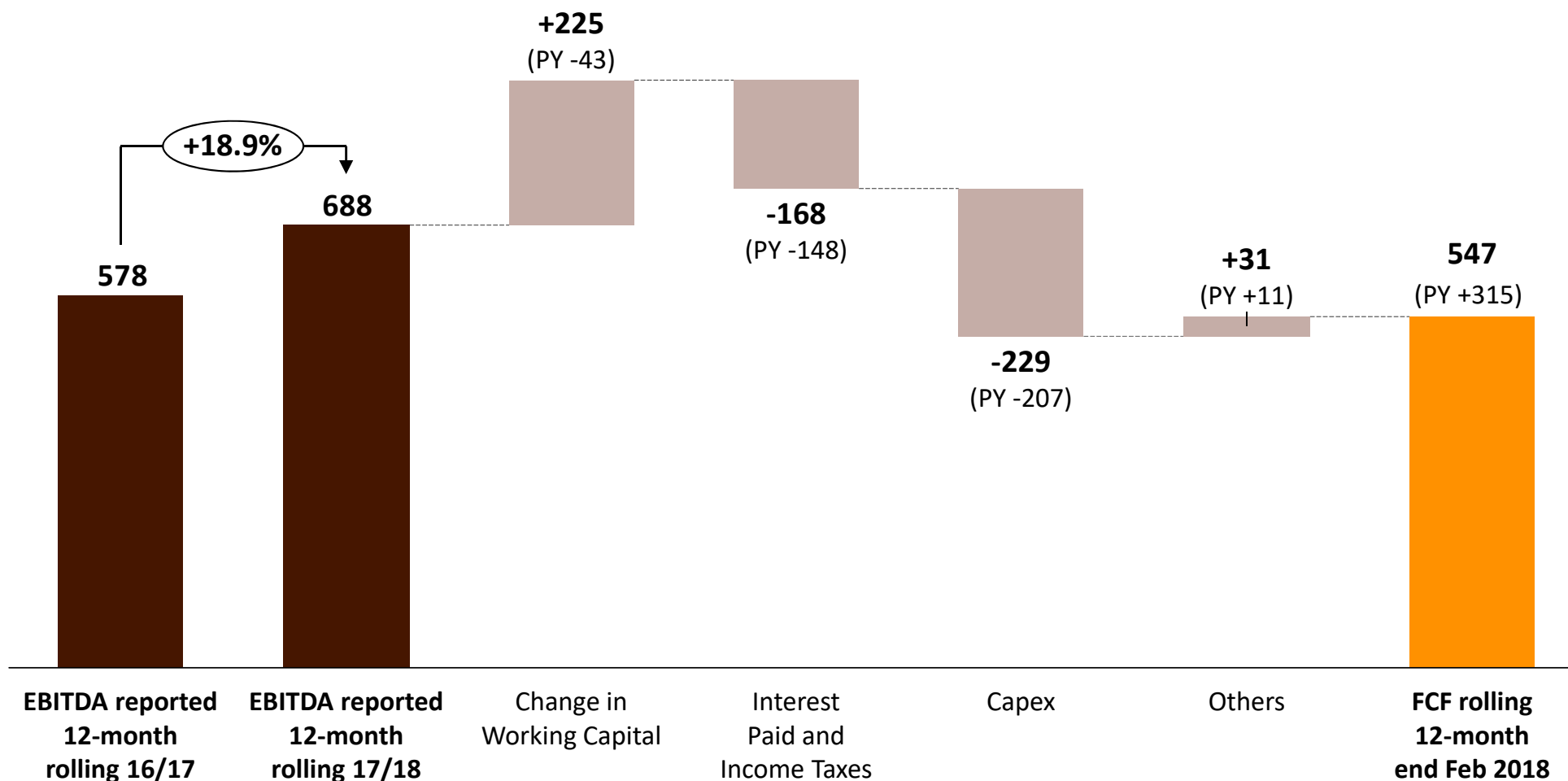
Note: All figures are indexed to Feb 2008

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

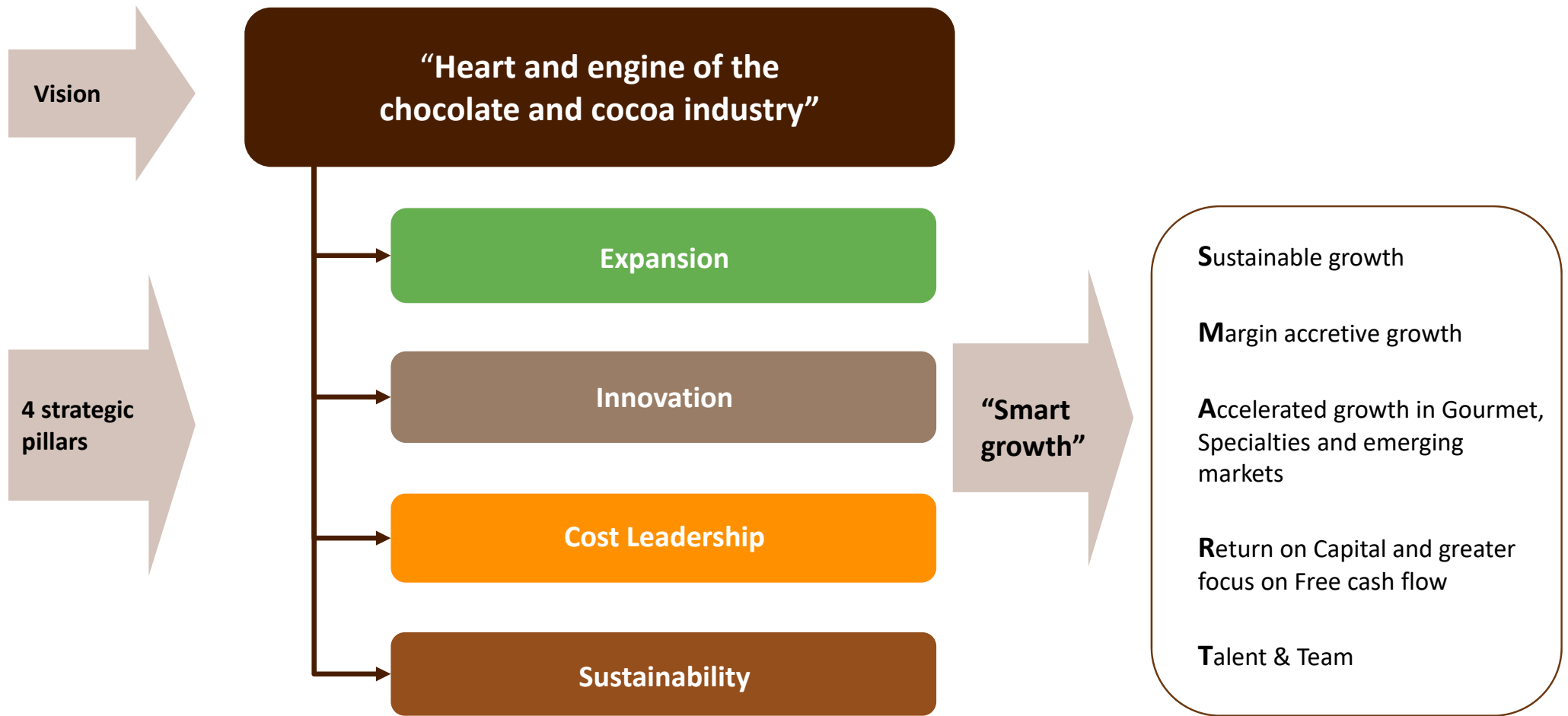
(in CHF mio)	Feb-18	Aug-17	Feb-17
Total Assets	6,187	5,534	5,912
Net Working Capital	1,175	1,130	1,398
Non-Current Assets	2,547	2,458	2,378
Net Debt	1,208	1,111	1,455
Shareholders' Equity	2,218	2,179	2,022
<hr/>			
Debt / Equity ratio	54.5%	51.0%	72.0%
Solvency ratio	35.8%	39.4%	34.2%
Net debt / EBITDA*	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 our palm oil is traceable to mill level
- ▶ 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

2018 / CHOCO  
VISION

## 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

**REGISTER  
NOW**



[www.chocovision.ch](http://www.chocovision.ch)



# Appendix



MoNA  
LISA

# 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 (22% of market)

2012-17 average: 0.1%

2018 H1: 0.1%

## Western Europe (33% of market)

2012-17 average: 0.0%

2018 H1: 1.8%

## EEMEA (24% of market)

2012-17 average: -0.6%

2018 H1: 5.3%



## South America ( 7% of market)

2012-17 average: -1.2%

2018 H1: 7.4%

## Asia Pacific (14% of market)

2012-17 average: 4.4%

2018 H1: 4.0%

Source, growth: Nielsen chocolate confectionery in volume – 25 countries, up to January 2018

Source regional market shares: Euromonitor

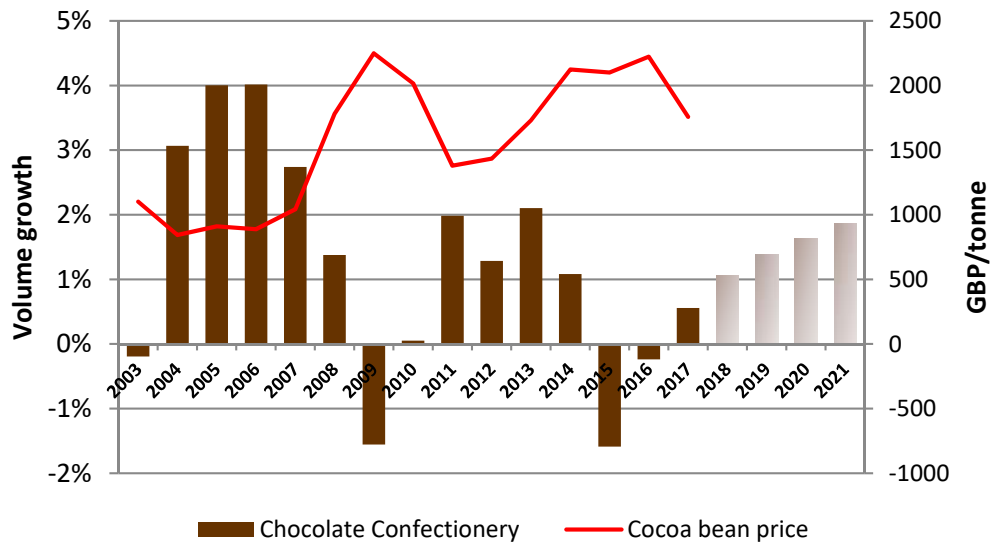
April 2018

HY 2017/18 Roadshow Presentation

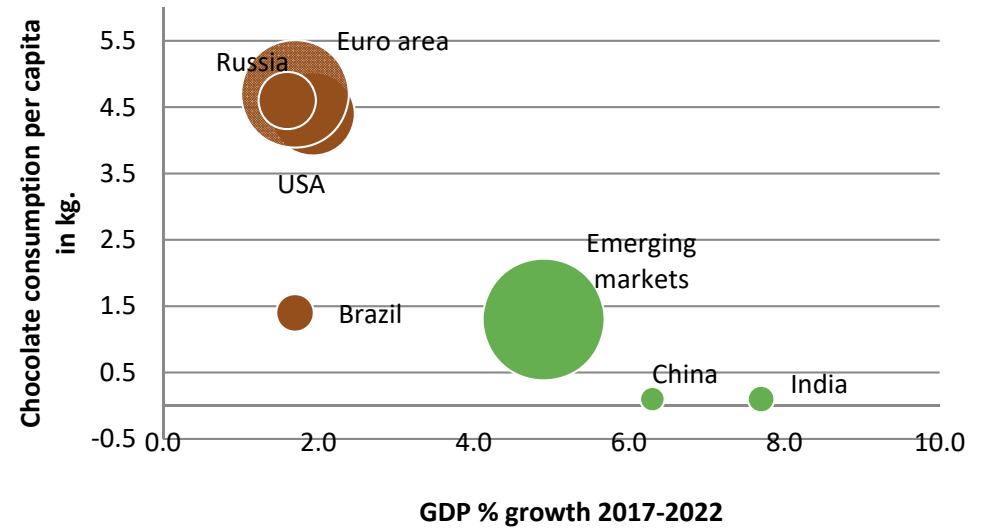


# Our market and opportunities ahead

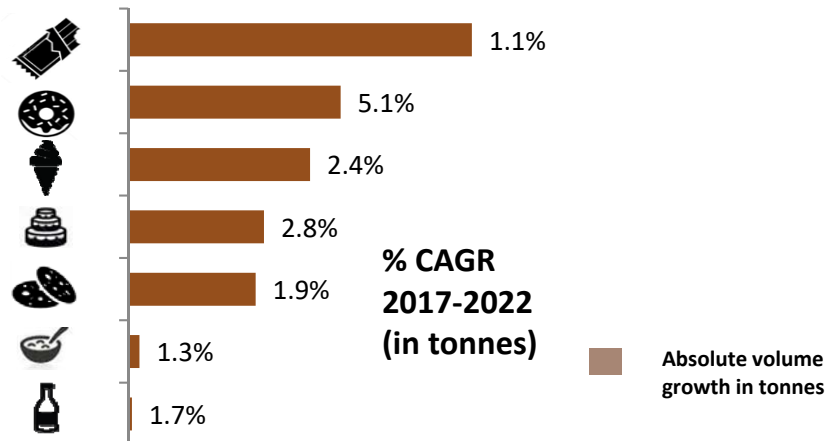
## Global Chocolate confectionery volume growth vs cocoa bean price



## Growing economies with still low chocolate consumption per capita



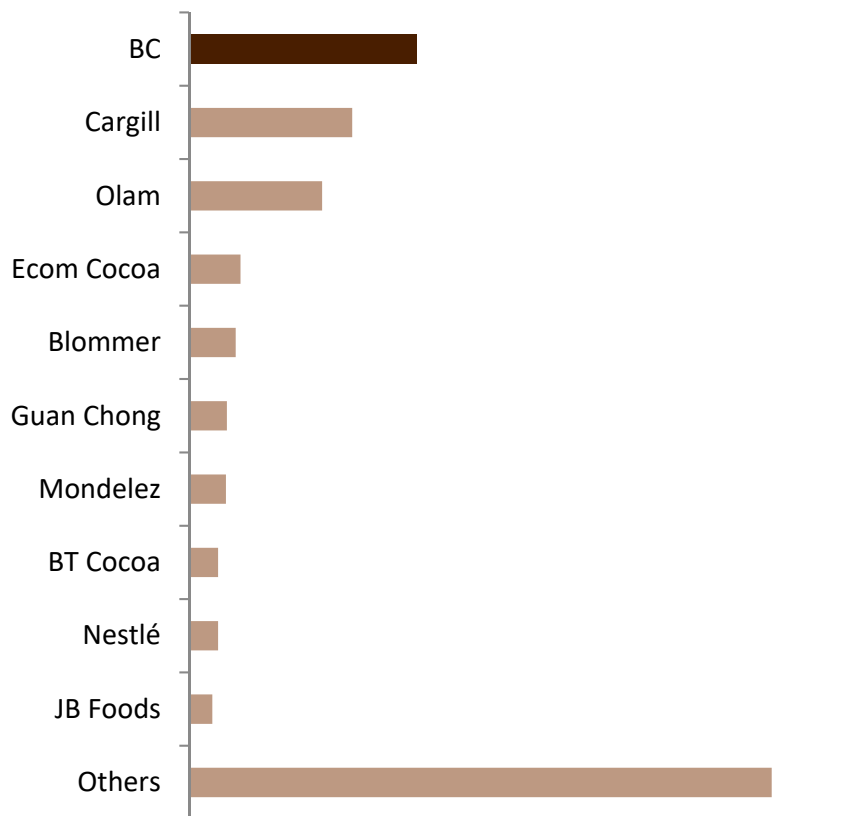
## Forecast volume growth per application 2017-2022



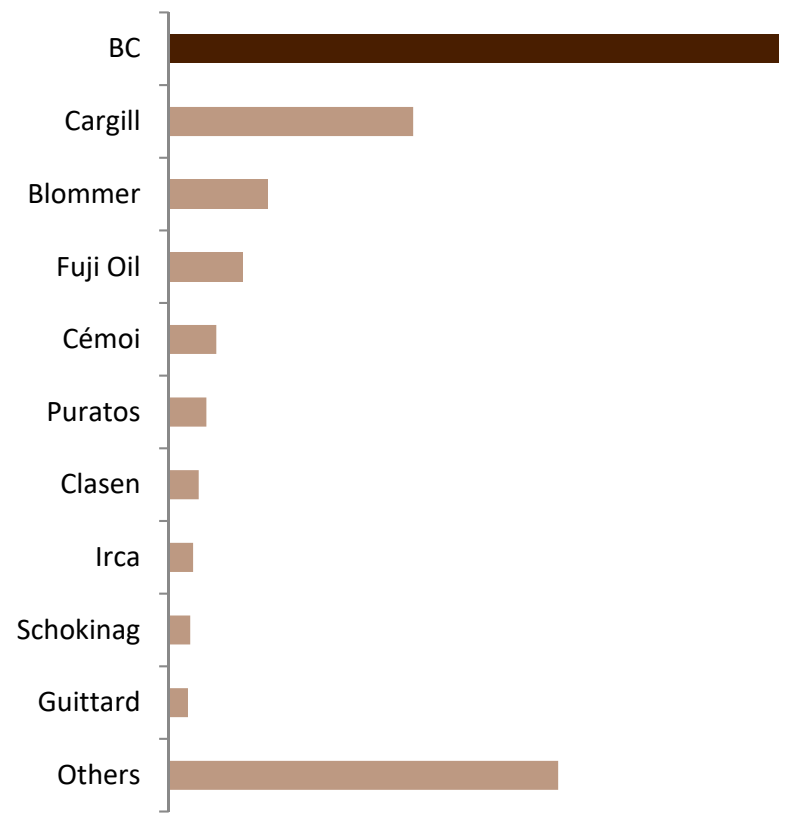
Sources: Euromonitor, IMF & Global Bank

# Barry Callebaut uniquely positioned in industrial chocolate and cocoa markets

Cocoa grinding capacity



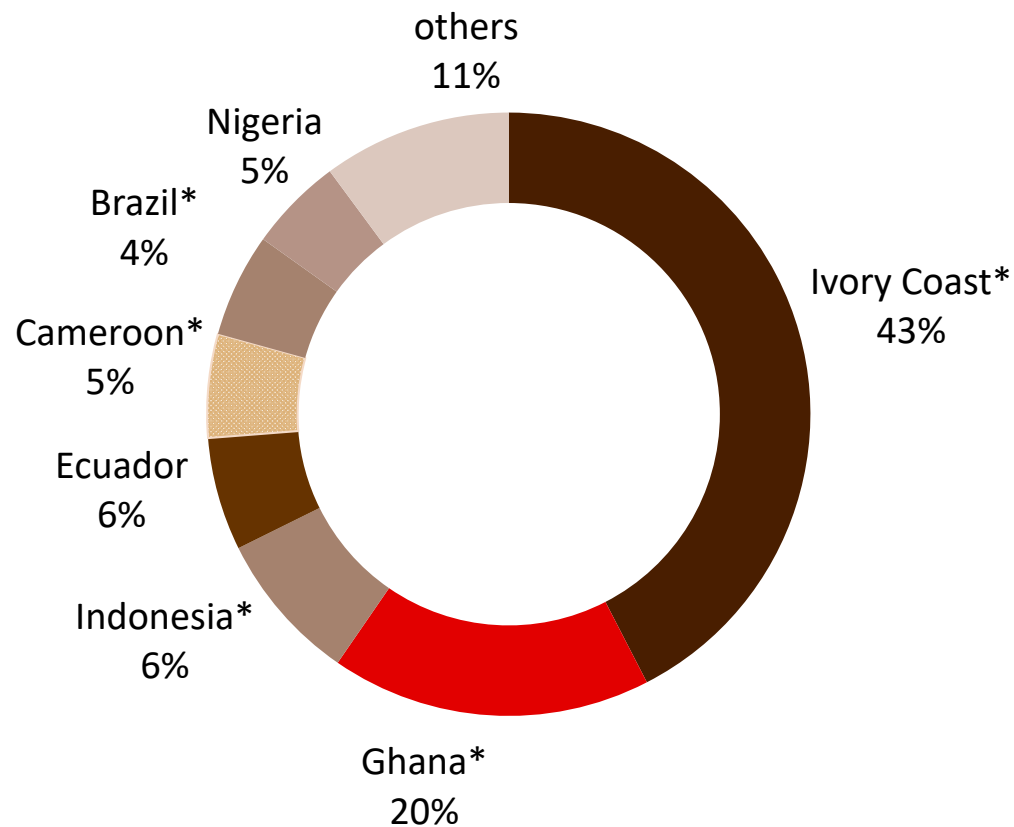
Industrial chocolate – open market



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 (16/17): 4,748 TMT

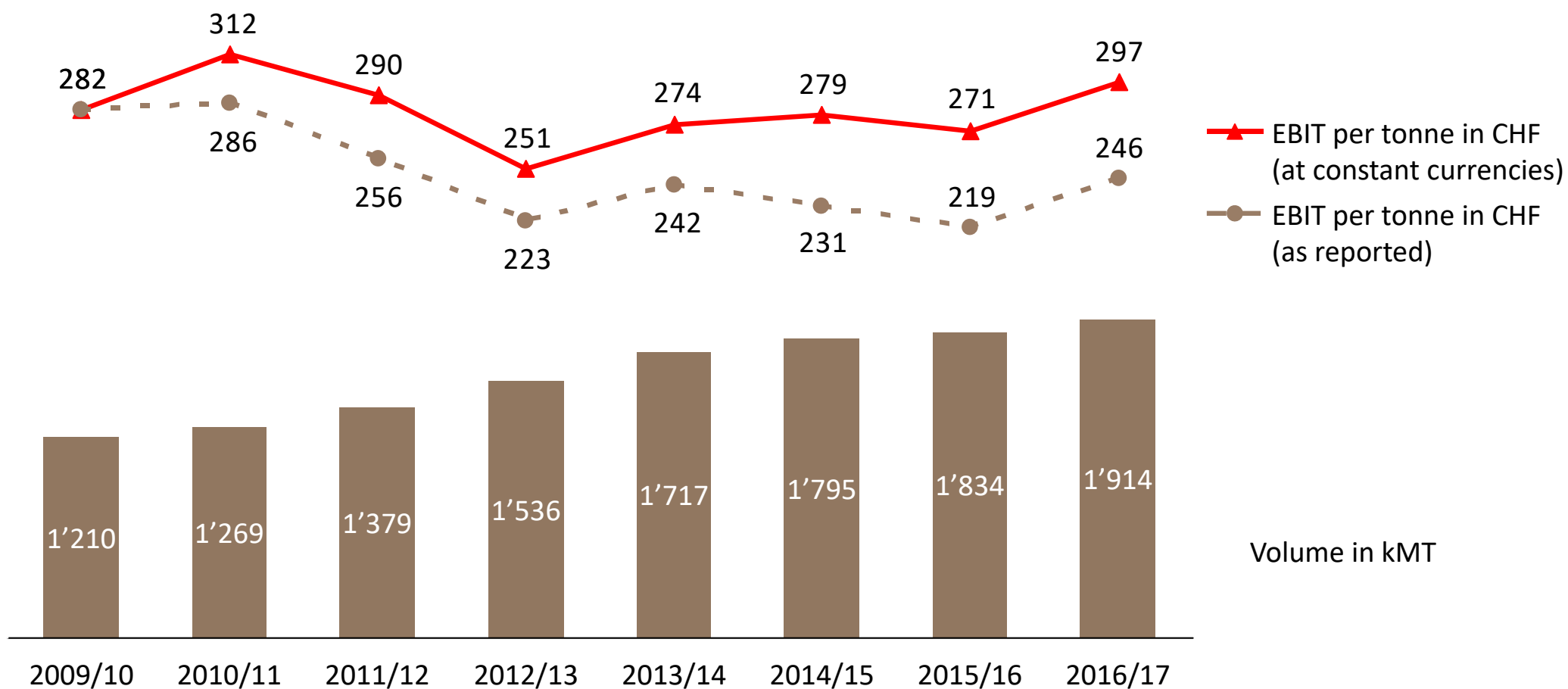


- ▶ About 70% of total cocoa beans come from West Africa
- ▶ BC processed ~925,000 tonnes or approximately 20% of the world crop
- ▶ Barry Callebaut has various cocoa processing facilities in origin countries\*, in Europe and in the USA

Source: ICCO estimates

## 8-year EBIT per tonne development

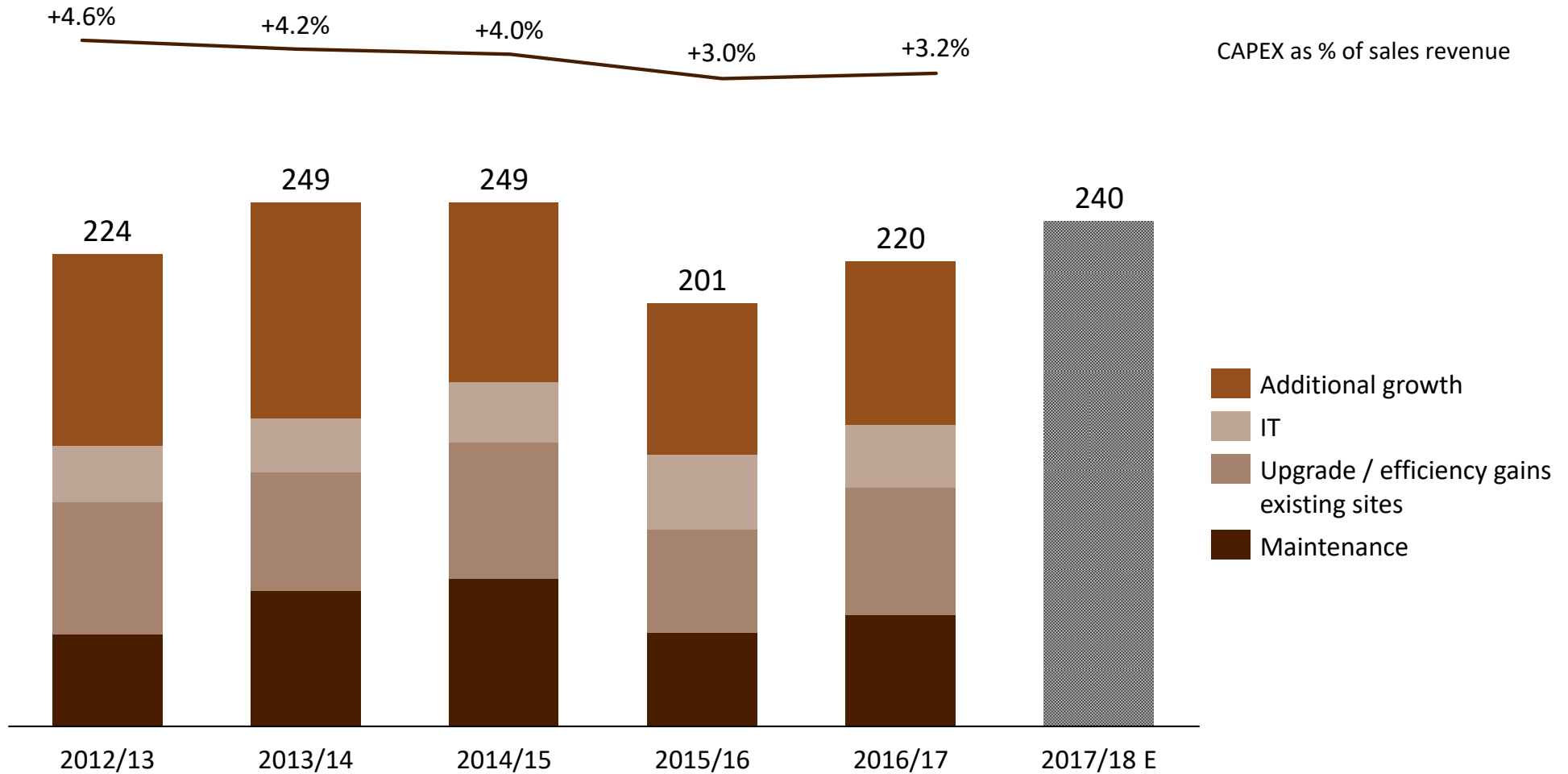
Increase in EBIT per MT thanks to more favorable cocoa processing margin and improvement of product and customer mix



12 months – CAPEX

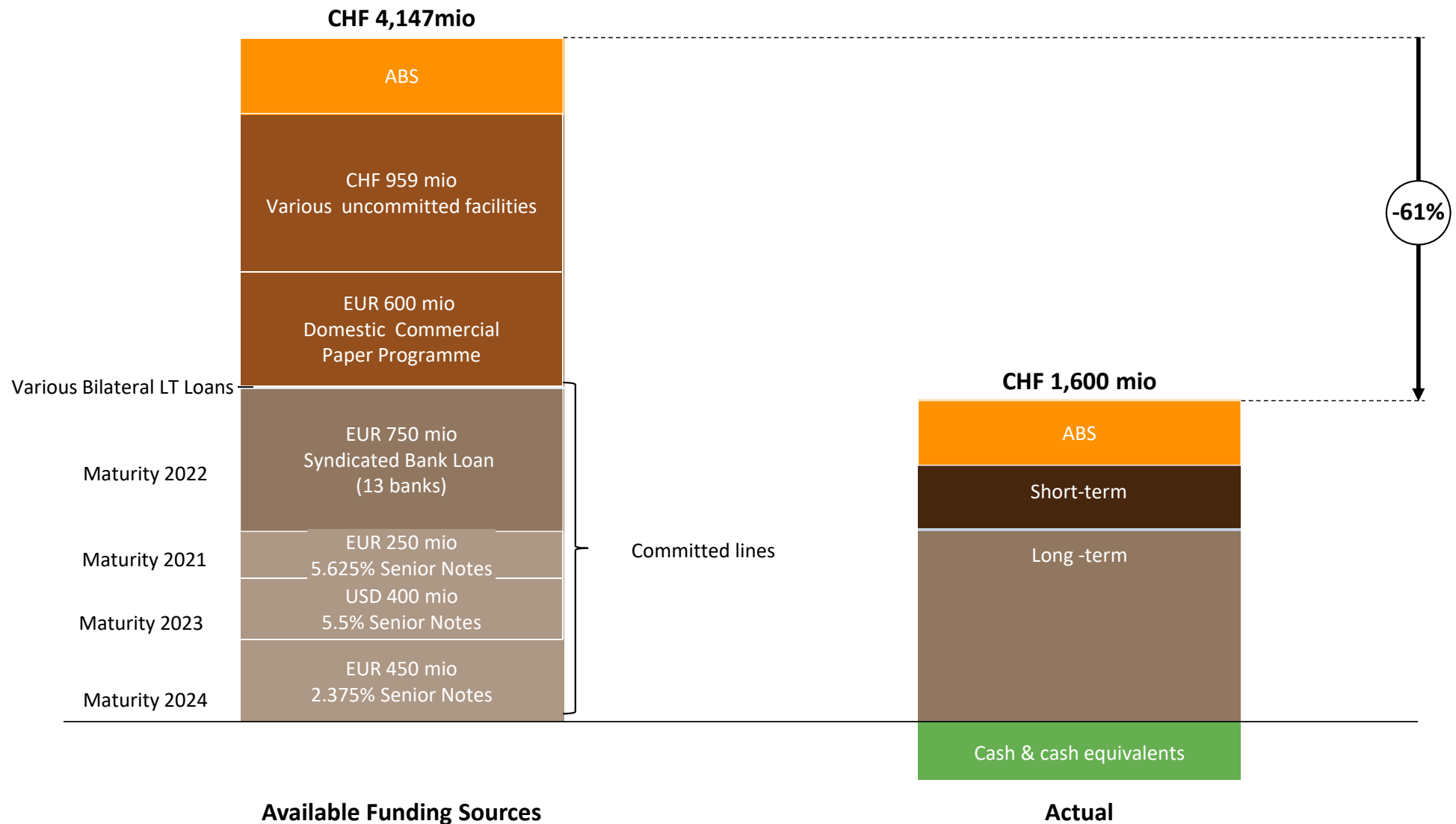
# Capital Expenditures

in CHF mio.



# Enough headroom for further growth and raw material price fluctuations

As of February 28, 2018



# Liquidity – Debt maturity profile

As of February 28, 2018

in CHF mio

