



## Letter to Shareholders

# Good growth momentum continues

Our proven long-term strategy and its consistent execution delivered another set of strong results, creating value for our shareholders and other stakeholders. The successful completion of our 4-year mid-term guidance gave us the confidence to renew it for the next 3-year period.

Dear Shareholders,

As a company, we are committed to the long-term creation of value for our shareholders and other stakeholders. For the 4-year period 2015/16 to 2018/19 we set ourselves the ambitious target of 4–6% volume growth and EBIT above volume growth in local currencies on average per annum. Now, at the end of these four years, we are proud to have achieved an average above-market volume growth of +4.5% and EBIT growth in local currencies of +13.9%, three times faster than volumes. During the same period, our share price increased by +90.8%. These achievements confirm the strength of our long-term ‘smart growth’ strategy and gave us the confidence to renew our guidance for the next 3-year period ending on August 31, 2022.

In fiscal year 2018/19, the consistent execution of our strategy delivered another strong set of results. We achieved broad based volume growth of +5.1% to 2.1 million tonnes across all Regions and key growth drivers: Outsourcing, Emerging Markets and Gourmet. Sales volume in the chocolate business rose by +5.9%, about three times faster than the underlying global chocolate confectionery market, which grew +1.8% according to Nielsen. Sales revenue increased by +7.8% in local currencies to CHF 7,309.0 million, supported by higher raw material prices and the first-time adoption of IFRS 15. Operating profit (EBIT) increased by +11.9% in local currencies to CHF 601.2 million. EBIT growth was more than double the volume growth, supported by all Regions and product groups. Net profit for the year – excluding the one-off effect for the early bond repayment – grew by +14.2%<sup>1</sup> in local currencies to CHF 394.7 million. Reported net profit

amounted to CHF 368.7 million, up +6.9% in local currencies. Free cash flow amounted to CHF 290 million and was impacted by the one-off effect of CHF 33 million of the early bond repayment.

To allow shareholders to participate in the Group’s success, the Board of Directors proposes a payout of CHF 26.00 per share to the Annual General Meeting of Shareholders on December 11, 2019, an increase of +8.3% on top of the strong increase last year.

In fiscal year 2018/19, we again achieved a number of strategic milestones:

**Expansion.** We strengthened our presence and accelerated the expansion of our capacities and capabilities in all Regions. In Russia, the integration of Inforum, a leading B2B producer of chocolate, coatings and fillings, is well on track. In Serbia, the state-of-the-art facility in Novi Sad, our first chocolate factory in Southeastern Europe, is expected to be operational by 2021. We opened CHOCOLATE ACADEMY™ Centers in Beijing and Antwerp, bringing the number of these training centers for chocolate professionals to 23. In Region Americas, we accelerated the expansion of our chocolate production capacities. In India, one of the fastest growing chocolate markets in Asia, we laid the first stone for the construction of a chocolate factory in Baramati. In Indonesia, we strengthened our partnership with Garudafood, a leading food company, by opening a second chocolate plant in Rancaek. In Côte d’Ivoire, we inaugurated a cocoa processing unit in Abidjan, enabling us to expand our capacity there by 40% by 2022.

**Innovation.** The fourth type of chocolate, Ruby, was launched in the US, the world’s largest chocolate and confectionery market, and Canada in May 2019; Ruby is now available in more than 50 countries worldwide. Our sugar-reduced solutions, like the new dark and milk

<sup>1</sup> Net profit excluding one-off costs for early bond repayment of CHF 33 million, partly offset by the tax effect of CHF 7 million.



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**“Barry Callebaut’s results continue to create sustainable long-term value for our shareholders and all other stakeholders.”**

Patrick De Maeseneire, Chairman of the Board

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**“The consistent execution of our strategy, a strong innovation portfolio and our great team successfully delivered on our 4-year mid-term guidance and build the basis for future growth.”**

Antoine de Saint-Affrique, CEO

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chocolate with only 1% added sugar, cater to the desires of wholesome choice consumers. Bendsdorp, our premium cocoa powder brand, introduced “Natural Dark”. This 100% natural cocoa powder enables food manufacturers to deliver dark cocoa creations with an intense chocolate taste and a 100% clean label. In September 2019, we unveiled ‘Cacaofruit Experience’, a new Food & Drink category including ‘Wholefruit Chocolate’, which makes use of the entire cacaofruit.

**Cost leadership:** In February 2019, we successfully placed a EUR 600 million equivalent Schuldscheindarlehen that improves our debt and liquidity structure. At least two-thirds of the proceeds will finance sustainability related projects to support cocoa farmers and their communities. Given the success of our debut in the Schuldscheindarlehen market, we repaid the outstanding 5.375% Senior Note, due 2021, in the amount of EUR 250 million in August 2019. As a result, we expect a positive impact on net finance expense of around CHF 10 million as of fiscal year 2019/20. This, together with the ongoing roll-out of our SAP system and more efficient business processes, will contribute to our cost competitiveness.

**Sustainability.** For us, sustainability is business critical. Forever Chocolate, our plan to make sustainable chocolate the norm by 2025, is proving to be highly impactful in creating a sustainable cocoa and chocolate supply chain. We are proud that our investments in a sustainable value chain were acknowledged in July 2019, when Sustainalytics – a global leader in ESG and Corporate Governance research and ratings – ranked Forever Chocolate as the #1 sustainability strategy out of 178 food companies. In September, we joined two initiatives at the United Nations Climate Action Summit in New York: The One Planet Business for Biodiversity (OP2B) coalition, a coalition of food and agriculture companies determined to protect and restore cultivated and natural biodiversity within their value chains, and the “Just Rural Transition” initiative, which is committed to transforming by 2030 the way in which food is produced and consumed.

### Ample opportunities for growth

Growth opportunities can be found everywhere: in new markets, customer segments, product categories or channels. We look to the next 3-year period with confidence. Not least because of the extraordinary talent we have at Barry Callebaut. The dedication, expertise and passion of our employees, together with our strong corporate values, are the best recipe for continued business success. We would like to warmly thank our employees for another very strong performance in 2018/19.

Going forward, we remain committed to pursuing our ‘smart growth’ strategy. Good growth momentum, a strong innovation portfolio and discipline in execution make us confident of delivering on our renewed mid-term guidance, which is on average for the 3-year period 2019/20 to 2021/22: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events.

To conclude, we would like to thank all our customers and shareholders for their trust and continued support.

  
**Patrick De Maeseneire**  
Chairman of the Board

  
**Antoine de Saint-Affrique**  
Chief Executive Officer