

# Letter to Shareholders

## Setting the course for sustainable profitable growth

Dear Shareholders,

We are looking back on a year when we embarked on a journey to prepare ourselves for the next decade of sustainable profitable growth and long-term shareholder value creation. First of all, allow us to thank our over 13,000 colleagues worldwide for their ongoing strong dedication and commitment throughout the past year.

In fiscal year 2022/23, our total sales volumes of 2,280,925 tonnes were slightly below the previous year's level (-1.1%), as the global chocolate confectionery market declined by -1.0%<sup>4</sup>. Sales revenue amounted to CHF 8,470.5 million, up +9.7% in local currencies. Our Operating profit (EBIT) increased by +12.2% in local currencies (compared to prior-year EBIT recurring<sup>5</sup>). Net profit amounted to CHF 443.1 million, an increase of +9.6% in local currencies compared to the prior-year recurring<sup>5</sup> figure. Our adjusted Free cash flow<sup>6</sup> of CHF 251.8 million, compared to CHF 358.5 million in the prior fiscal year, was heavily impacted by high raw material prices, in particular for cocoa.

At the Annual General Meeting of Shareholders on December 6, 2023, the Board of Directors will propose an increased dividend of CHF 29.00 per share, corresponding to a payout ratio of 36% of the reported Net profit.

We achieved our results for the fiscal year 2022/23 against the backdrop of several internal and external factors, such as the inflationary pressures that have dampened consumer appetite in some of our key markets. Furthermore, we saw a significant increase in

raw material prices, including the price of cocoa beans, which was on average +23.5% higher than in 2021/22. The price of raw sugar also rose by an average of +16.1% worldwide and +46.3% in Europe in fiscal year 2022/23.

### Taking Barry Callebaut to the Next Level

Our mission is to be the heart and the engine for the global cocoa and chocolate industry. We have delivered robust growth for nearly 25 years. Given the current market situation and evolving customer demands for more sustainable and innovative products, it is now time to bring the Barry Callebaut Group to the next level by strategically investing in our future. Under the leadership of Peter Feld, who took over as CEO from Peter Boone in April, we announced in September 2023 *BC Next Level*, a CHF 500 million strategic investment program through 2025. With this, we will move decision-making closer to our markets and customers while fostering simplicity and digitalization to advance our well-recognized innovation and sustainability approach to deliver additional value for all our stakeholders.

At the heart of *BC Next Level* is a new operating model that increases the number of Regions from three to five and creates a true end-to-end Customer Supply & Development organization. In addition, the Executive Committee has been streamlined from nine to six members, including the appointment of some new key leaders. The rapid implementation of our *BC Next Level* program will lead to unlocking the full potential of Barry Callebaut for the decade to come and position us for sustainable profitable growth.

<sup>4</sup> Source: Nielsen volume growth excluding e-commerce – 26 countries, September 2022 to August 2023, data subject to adjustment to match Barry Callebaut's reporting period. Nielsen data only partially reflects the out-of-home and impulse consumption.

<sup>5</sup> Refer to page 189 for the detailed recurring results reconciliation.

<sup>6</sup> Free cash flow adjusted for the cash flow impact of cocoa bean inventories regarded by the Group as readily marketable inventories (RMI).



Chairman of the Board Patrick De Maeseneire and CEO Peter Feld.

## Patrick De Maeseneire

*Chairman of the Board*

**"We have embarked on a journey to secure the long-term success of the company that will benefit all stakeholders. With BC Next Level, Barry Callebaut is set to become even more customer-focused, agile, and efficient."**

## Peter Feld

*CEO*

**"Our purpose is to create the world's best chocolate solutions for our customers – now and in the future. As the leader in the attractive, growing chocolate ingredients market and our strength in sustainability and innovation, we are ideally positioned to outgrow the market."**

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## BC Next Level: Unlocking growth and creating a step-change in profitability and cash generation

In total, the investment program *BC Next Level* will position Barry Callebaut for sustainable profitable growth: the measures will move the company closer to customers and markets and digitalize the front and back ends. By optimizing its portfolio, go-to-market strategy, supply chain, and manufacturing, Barry Callebaut aspires to deliver the most sustainable and high-value solutions to customers. The program will bring Barry Callebaut to a higher profit margin and cash generation level and subsequently allow for a more attractive financial profile in the medium-term. The *BC Next Level* program will unlock CHF 250 million of cost savings, of which 75% are expected to flow-through to bottom line and will deliver a one-time step-function improvement in profit margin supporting the Group in building towards a 10% EBIT margin ambition.

## Long-term profitability and growth plan to deliver value for all stakeholders

Barry Callebaut expects a 24-month transition period as it undertakes the actions necessary to create the profitable growth platform that delivers long-term value.

For the fiscal year 2023/24, Barry Callebaut sees flat volume, reflecting positive underlying growth, partially offset by *BC Next Level* actions, such as product rationalization and distributor optimization.

In addition, Barry Callebaut guides towards flat EBIT on a recurring basis (in local currencies and without *BC Next Level* one-time costs), reflecting first modest impact of permanent *BC Next Level* benefits, offset by product rationalization, distributor optimization and pricing actions taken to increase the value delivered to Gourmet customers.

In the fiscal year 2024/25, the Group expects to grow volume and EBIT modestly on an underlying basis (without *BC Next Level* one-time costs and permanent benefits), delivering a stronger EBIT growth including permanent benefits.

The company will deliver its long-term growth objective from the fiscal year 2025/26 onwards with Low Single-digit Plus to Mid Single-digit volume growth, and Mid Single-digit Plus to High Single-digit EBIT growth<sup>7</sup>.

During the transition period, our dividend per share will not be lower than prior year.

We look to the future with great confidence and would like to thank all our employees again for their passion and commitment. We would also like to thank our customers for their partnership over the past year. Finally, we thank you, our valued shareholders, for your continued trust in us.



**Patrick De Maeseneire**

*Chairman of the Board*



**Peter Feld**

*Chief Executive Officer*

<sup>7</sup> FY 2025/26 still includes *BC Next Level* one-time costs and permanent benefits