



# Barry Callebaut

Roadshow presentation – 9 months key sales figures 2012-13

July 2013





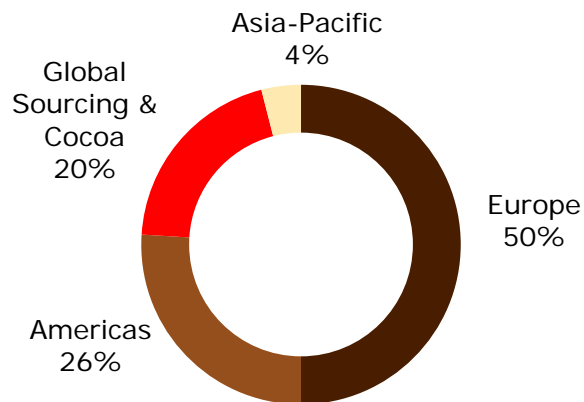
## Agenda

- **BC at a glance**
- Highlights 9 months 2012-13
- Acquisition of Petra Foods Cocoa Ingredients Division
- Financial Performance
- Concluding Remarks



# Barry Callebaut at a glance

FY 2011/12  
Sales volume = 1.4 million tonnes

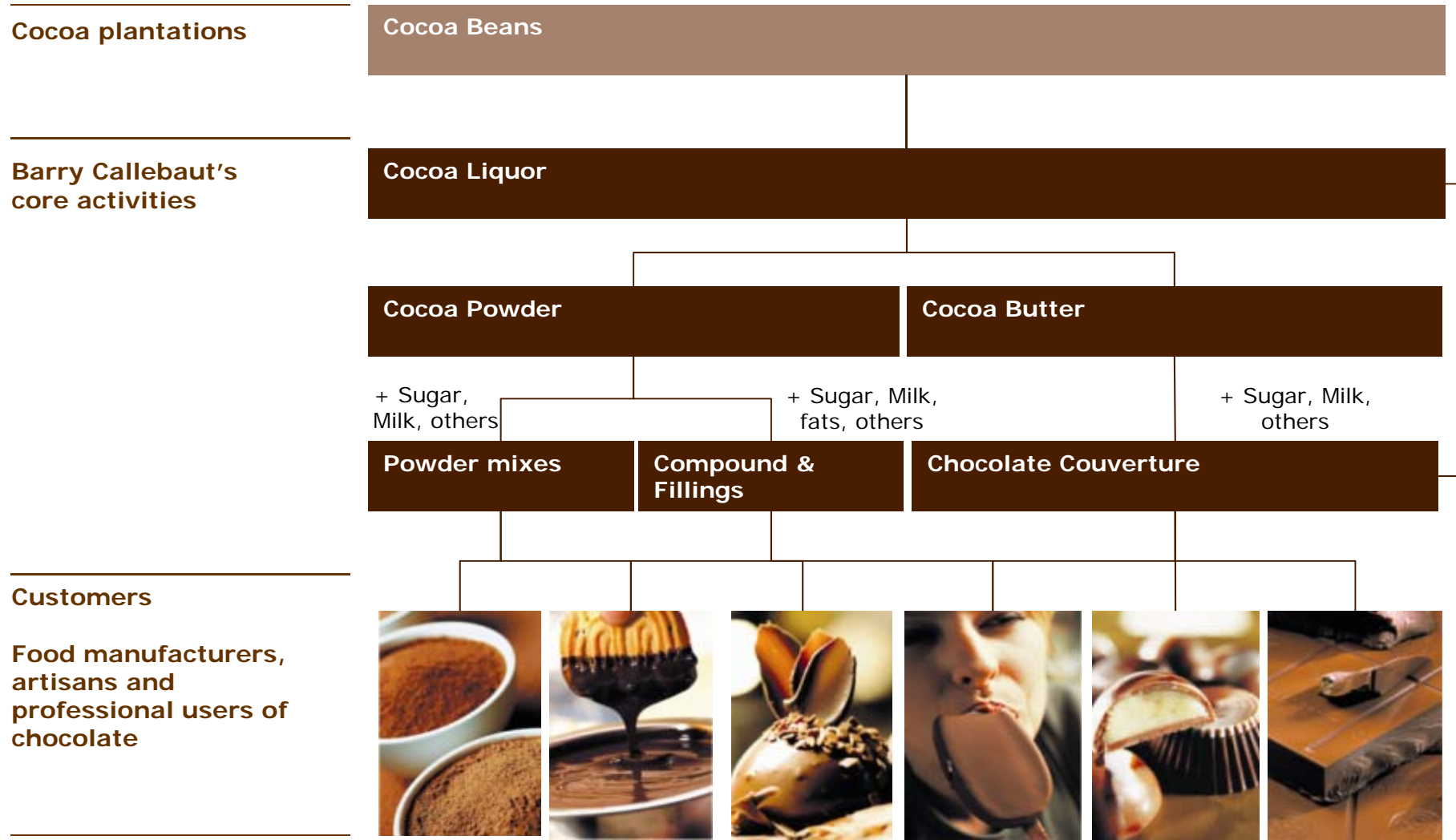


Sales revenue	= CHF 4,830m
EBITDA	= CHF 434m
EBIT	= CHF 353m

- **Founded in 1996** via the combination of the Belgian chocolate producer Callebaut and the French chocolate company Cacao Barry
- **World leader** in high-quality cocoa and chocolate products and **outsourcing / strategic partner** of choice
- **Fully integrated** with a strong position in cocoa-origin countries
- **Serving the entire food industry**, from industrial food manufacturers to artisans and professional users
- World's **largest supplier of Gourmet** chocolate for artisanal customers
- Headquartered in **Switzerland** with **8,000 employees** worldwide, **50** production facilities, sales in more than 100 countries



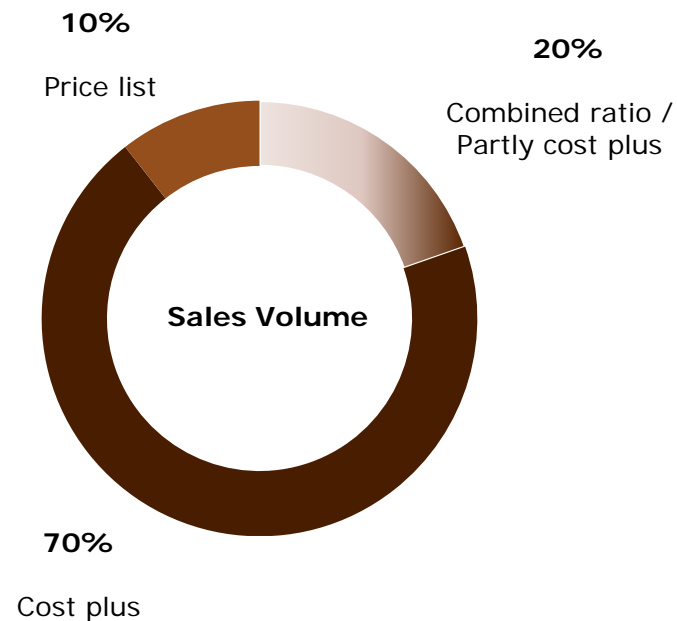
# Barry Callebaut is present in all stages of the industrial chocolate value chain





# Robust business model underpins earnings stability...

## Barry Callebaut business model

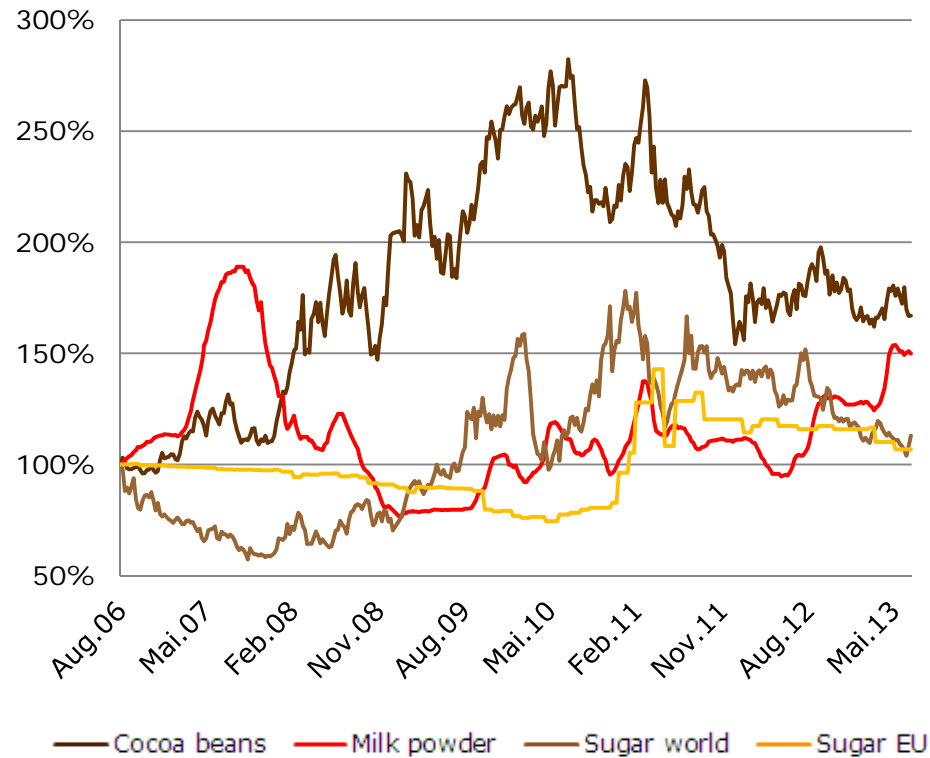


Cost Plus model – pass-on the cost of raw materials to customers

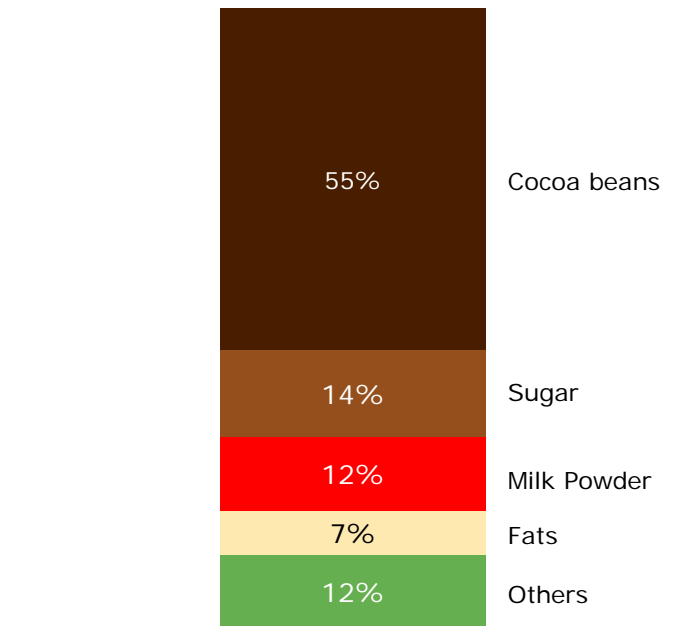


# ...by mitigating volatility impact of main raw materials

### Historical evolution



### % of total BC raw material costs



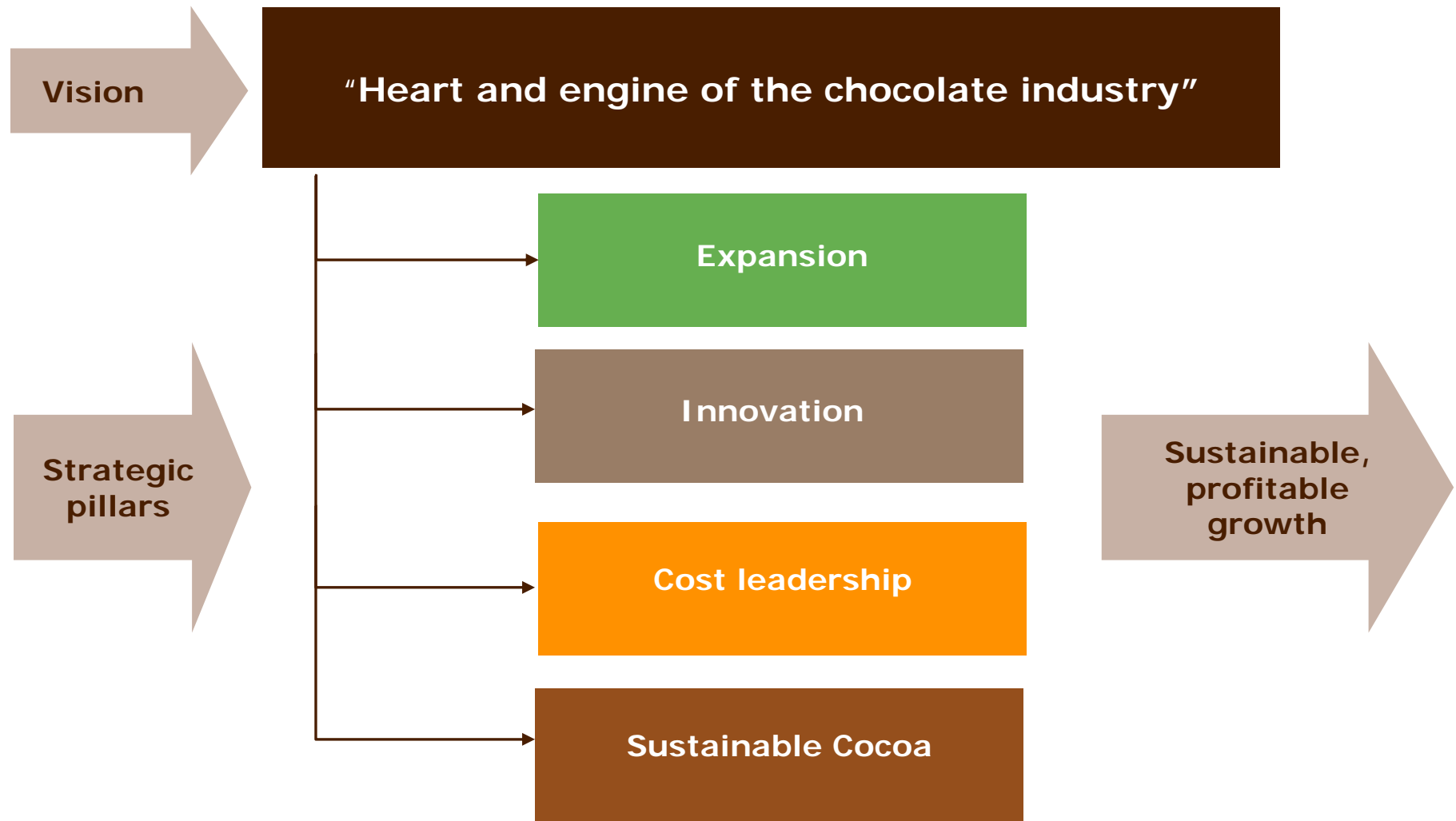
Note: All figures are indexed to Aug 2006.

Source: Sugar world London n°5 (2nd position), Sugar EU Kingsman estimates W-Europe DDP, skimmed milk powder average price Germany, Netherlands, France.

**Raw materials represent about 80% of operating costs**



# Our Strategy





# Expansion based on key growth drivers

## Geography



- Consolidation in mature markets
- Achieve full potential in recently entered emerging markets
- Further expand in new emerging markets

## Outsourcing & Strategic Partnerships



- Strengthen current partnerships
- Implement recently signed contracts
- New outsourcing deals with local and regional players

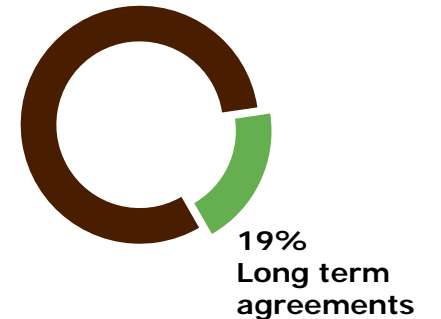
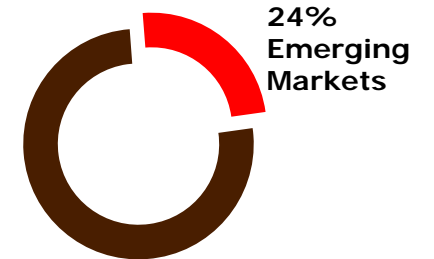
## Gourmet



- Accelerate growth of Gourmet & Specialties Products business

FY 2011/12

% of total Group Volume





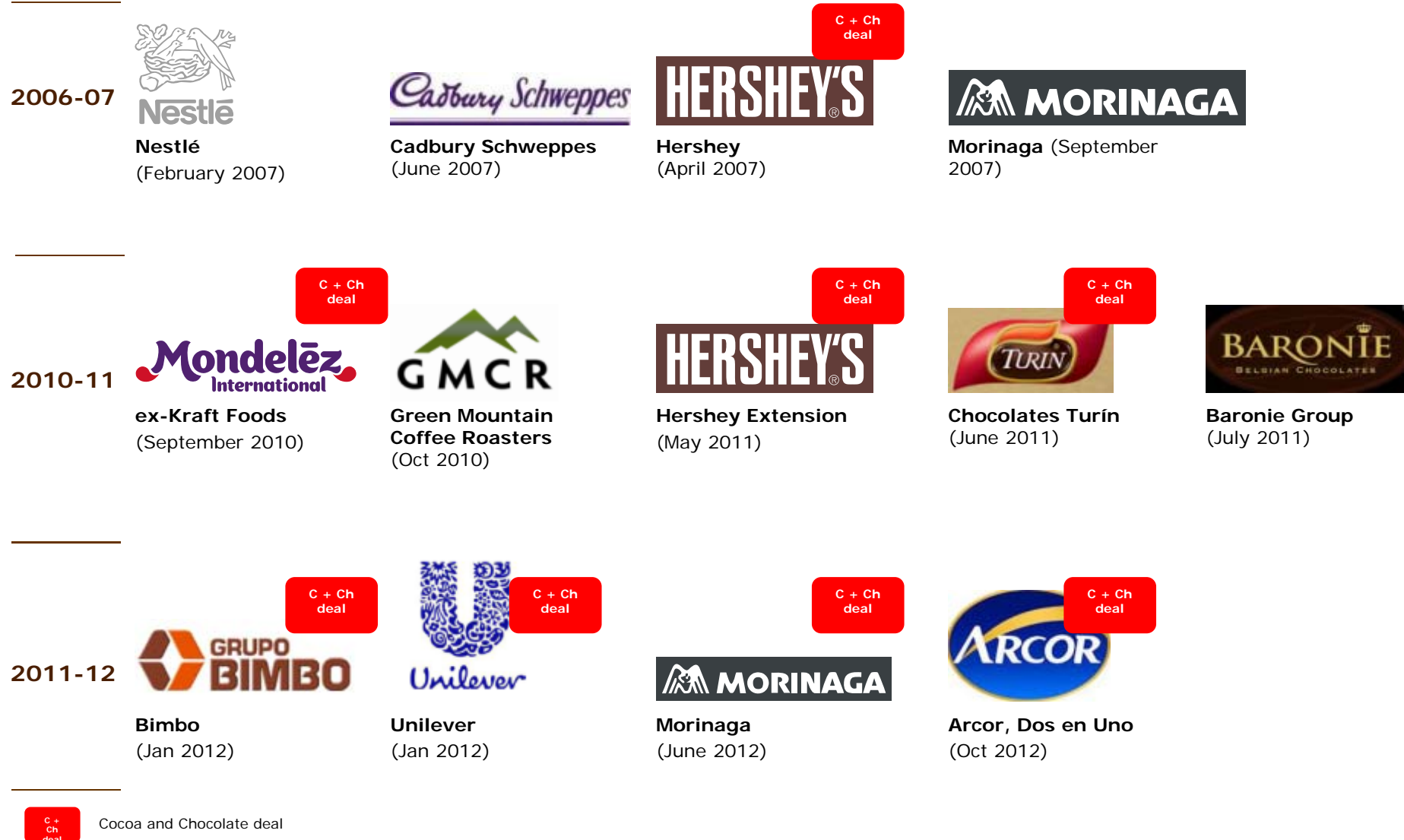


# Global manufacturing footprint provides diversification and a unique competitive advantage





# Increasing market share through long-term outsourcing and strategic partnership agreements





# Outsourcing trend provides clear growth opportunity

Global Industrial Chocolate market in 2011/12 = 6,100,000 tonnes\*

Open market

Captive market

Competitors

Big 4 chocolate confectionary players

Others

Others



BARRY CALLEBAUT

40%

48%

52%



The Open Market continues to grow in share

\* BC estimates.



## Gourmet – strong focus on growth acceleration

- Gourmet & Specialty business represents 10% of our total sales, but stronger EBIT contribution
- Highly fragmented market with different segments (Bakery, HORECA, Confectioners)
- Two global premium brands Callebaut® and Cacao Barry® with long heritage
- Push & Pull strategy (direct sales force, Chocolate Academies, Ambassadors's club, Demonstrations, Fairs, etc.)
- Approx 24% estimated market share worldwide
- Mostly operated through distributors



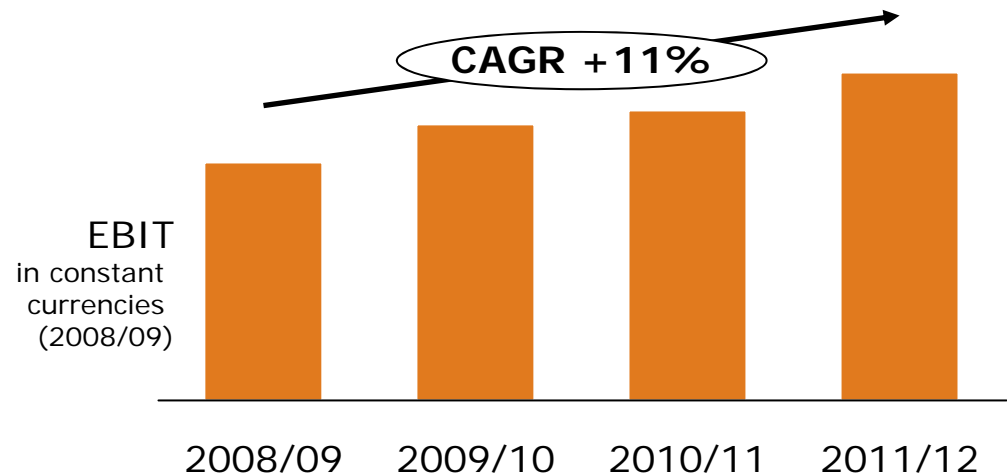
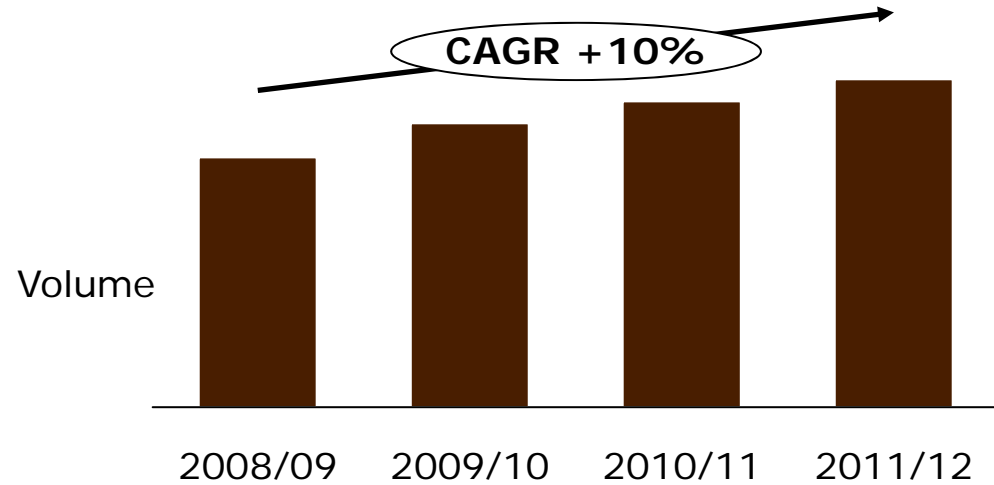


As a result of our focus and recent investments in the Gourmet business, we grew double-digit top and bottom-line

Expansion



Group Gourmet Business (excluding Beverages)





# Focus on R&D drives further growth while defending market leadership

## Fully loaded portfolio of future facing Innovations...

Enjoy Superior Sensorics	Navigating Health & Nutrition	Making a difference	As real as we can get	Make it easy
<p>Nut pastes</p> <p>Cocoa Nibs</p> <p>Aerated Fillings</p> <p>Marzipan Deco</p>  <p>Crispy Fillings</p> <p>Flavoured Fillings</p> <p>Coloured Chocolate</p>	<p>Natural Flavours &amp; Colors</p>  <p>Better Fat Balance</p> <p>Lactose Free</p> <p>Sugar Free / Stevia</p>  <p>Probiotics</p> <p>No added, refined sugar</p>	<p>Certified Cocoa</p>  <p>Certified Chocolate</p>  <p>Quality Partner Program</p> <p>With Sustainable Palm</p> 	<p>Origin Cocoa</p> <p>La Morella Nuts</p> <p>Origin Chocolate</p> <p>Java &amp; Cameroon TC</p> 	<p>Bake Stable Chips, Fillings</p> <p>Low Fat Cocoa</p>  <p>Fast Drying Compound</p> <p>Ready to Use Ganache</p> <p>Heat Resistant Chocolate</p>

... based on unique capability for continuous Innovation delivery

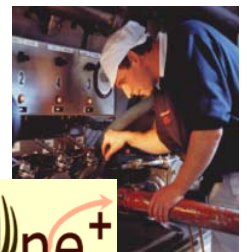
- Widely recognised team of 200+ food and agronomy scientist and engineers
- Unparalleled network of Application Labs, Academies, Chefs and Ambassadors
- Long term Discover Programs for Differentiation and Sustainability
- Open Innovation Partnerships with Network of more than 30 global knowledge institutes
- Over 6,000 recipes to cater for a broad range of individual customer needs





## Maintaining cost leadership through our key initiatives

- Continuously **improving our operational and cost efficiency** by:
  - upgrading our technology and achieving higher scale effects through better capacity utilization
  - optimizing product flows, logistics and inventory management
  - reducing our energy consumption and lowering fixed costs
- **“Dedicated factory” approach**: each one of our 50 factories has a clear focus and a particular role within our production network, resulting in:
  - Economies of scale
  - Specialist know-how
- **Presence in country of origin** gives us first hand access to cocoa beans at competitive prices
- **Manufacturing costs per ton reduced 3% for FY 2011/12 on LFL basis** (target: 2%)
- Numerous cost saving initiatives: One+, efforts to reduce energy consumption, initiatives to save costs through the value chain in Europe and Americas





# Increased investments to secure sufficient cocoa supply and to improve farmer livelihoods



## Long-term threats

- Lack of sufficient quantity and quality of cocoa beans
- Consumption outpaces bean production
- Competitive crops more profitable
- Low and volatile cocoa bean price

## Our latest actions

### Farmer Practices

**Aim: double yield +800kg/hectare**

- Cocoa Center of Excellence in Côte d'Ivoire operational as of April 2013



### Farmer Education

**Aim: develop next generation of farmers**

- 5 new Farmer Academies
- 2 rural schools & community learning centers in Côte d'Ivoire



### Farmer Health

**Aim: improve the livelihood of the farmers**

- New water wells drilled
- Vaccination program
- Insecticide nets







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## Highlights Q3 2012/13

- Strong volume growth: +8.2%
- Growth driven by strategic partnerships, emerging markets and Gourmet
- Significant strategic step: successful closing of the acquisition of Petra Foods' Cocoa Ingredients Division
- Growth targets as of consolidation confirmed

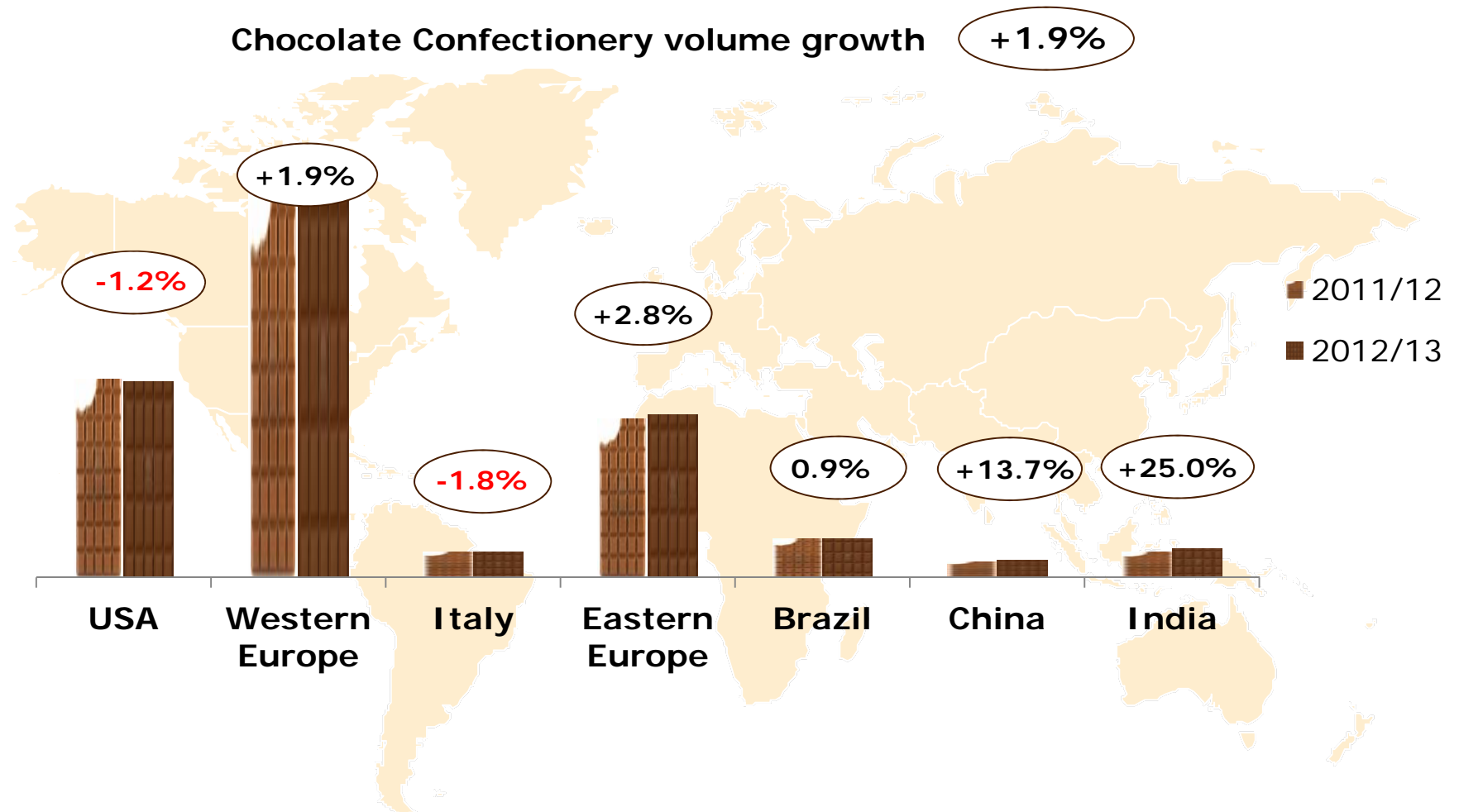




## Market development

# Global chocolate confectionery market grew +1.9% in the last 9 months

9 Months Sep-May 2013 (in 1,000 tonnes)<sup>1</sup>



1) Source: Nielsen data (Sep 2012- April 2013); - Top 16 countries represent app. 75% of the global chocolate market in volume; - USA total volumes are estimated based on a share distribution by Euromonitor; Eastern Europe includes: Russia, Ukraine, Poland, Turkey. Asia Pacific includes: India and China



# Growth driven by outsourcing, emerging markets and Gourmet

## Sales Volume per Region – 9 months 2011/12



### Europe +5.7%

- Western Europe performed very well against the background of a still challenging market environment
- The Gourmet & Specialties Products business showed high single digit growth in Q3. EEMEA sales volume went up double-digit in both the Food Manufacturers Products and the Gourmet business. Russia performed particularly well



### Americas +17.1%

- Double-digit growth; driven by corporate accounts in the industrial business and Gourmet thanks to a continued improvement in the food service business
- Business in South America went up double-digit positively influenced by good Gourmet sales



### Asia-Pacific +5.4%

- Food Manufacturers Products business both strategic as well as local customers contributed to the good growth. Driven by good sales with the global brand Callebaut®, the Gourmet & Specialties Products business increased double-digit.



### Global Sourcing & Cocoa +3.5%

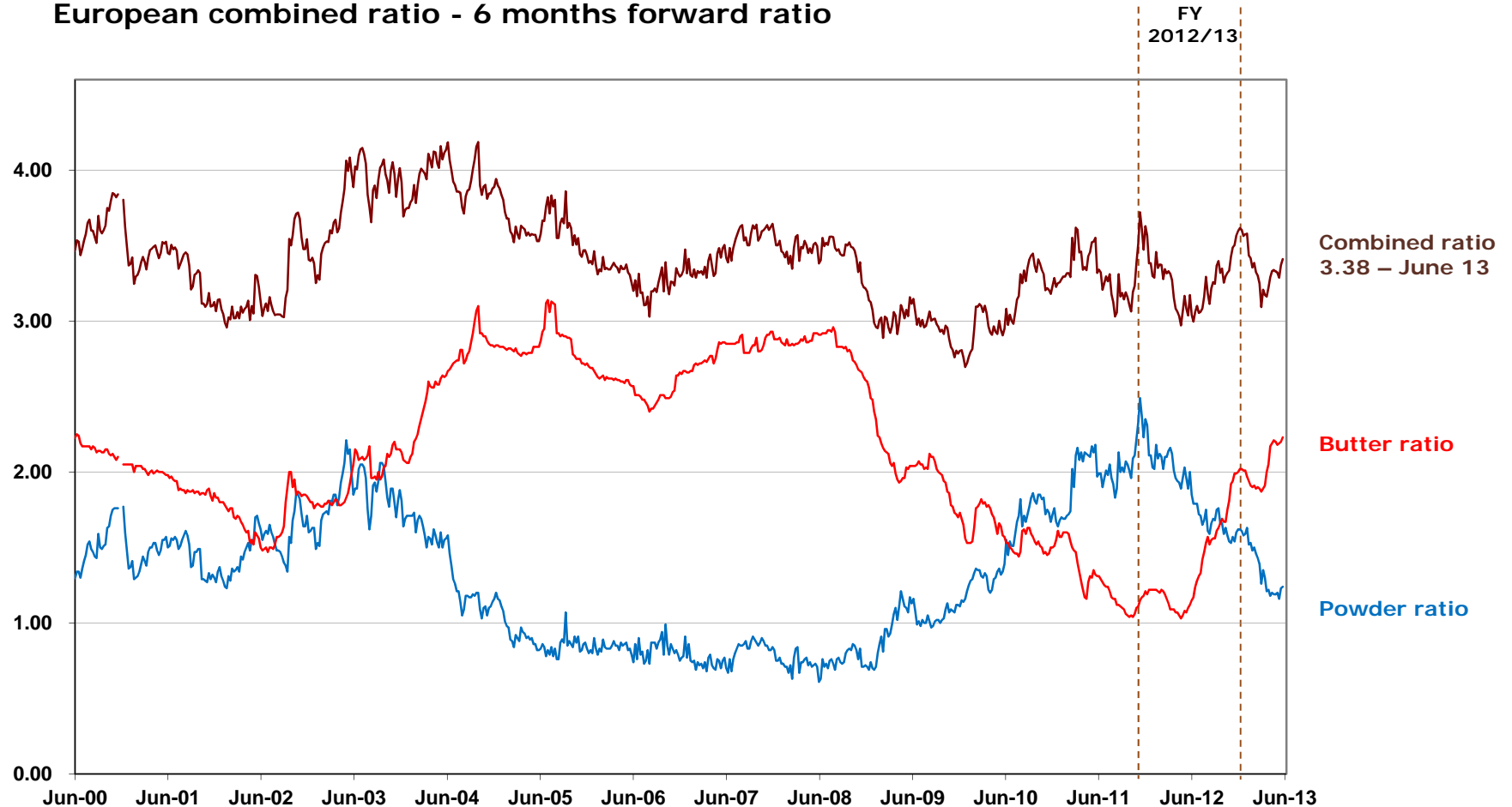
- Market and selling prices for cocoa powder were significantly lower compared to last year. Mainly in Americas and Asia



## Cocoa processing activity

# Continued decline in powder prices offset by butter ratios

European combined ratio - 6 months forward ratio



- ▶ Combined cocoa ratio started at a low level first half of FY2012/13, it continued close to break even levels and only in June slightly improved, but still driven by butter ratios
- ▶ Low combined cocoa ratios = negative impact on BC cocoa (semi-finished products) business

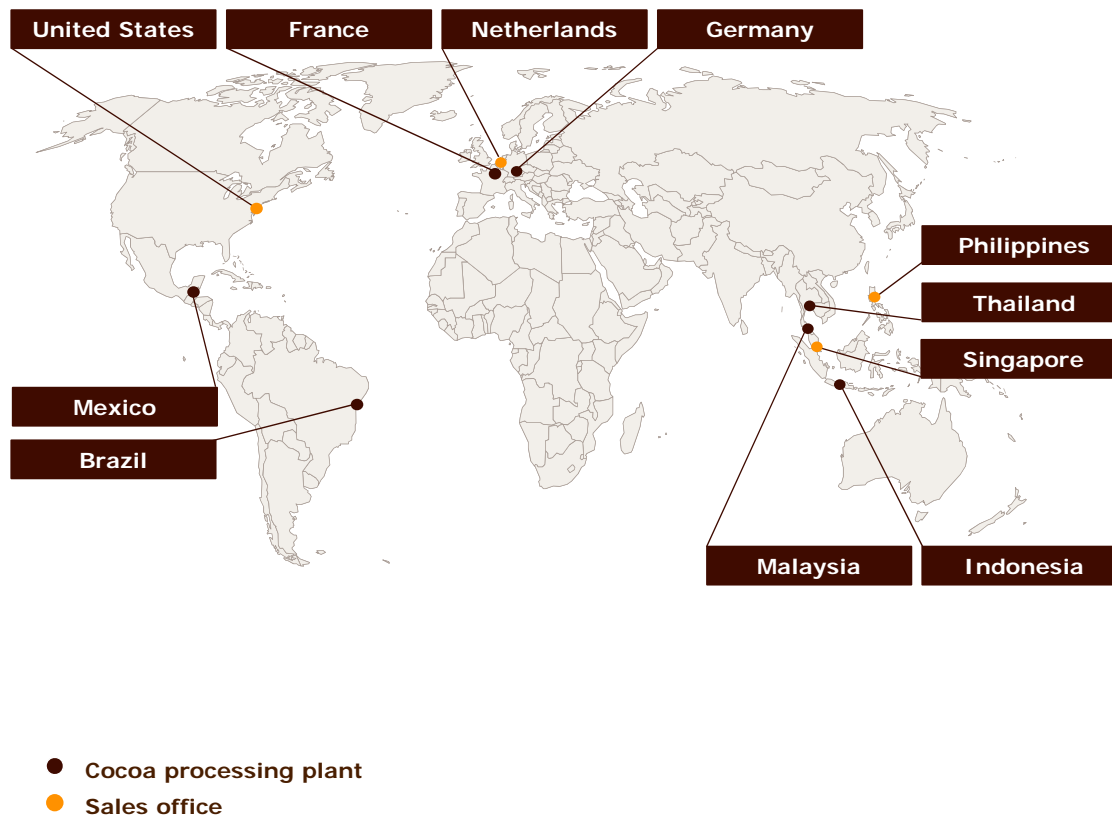


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# Petra Foods Cocoa Ingredients Division – company overview



Source: Company information

## Global cocoa business with exposure to emerging markets

- Largest cocoa products supplier in Asia-Pacific with around 1,800 employees
- Sales volume of 255,872 tonnes, sales revenue of USD 1,029m and EBITDA of USD 23m in FY2012
- Global footprint with seven production sites, four sales offices and total cocoa bean-grinding capacity of 405,000 tonnes
- Manufactures, markets and distributes cocoa products under the “Delfi” brand



## Petra Foods Cocoa Ingredients division acquisition supports our core strategy

**Excellent strategic fit at the core of Barry Callebaut's cocoa and chocolate business supporting the company's overall growth**

- Supporting further chocolate growth by stepping up the integrated cocoa sourcing and processing activities
- Strengthening current and future outsourcing and partnership agreements
- Boosting sales volume in fast growing emerging markets, mainly in Asia and Latin America, by 65% to almost one-third of Group sales volume
- Becoming a pro-active market player in the fast growing cocoa powder market
- Adding Asia as a strong cocoa sourcing base next to West Africa

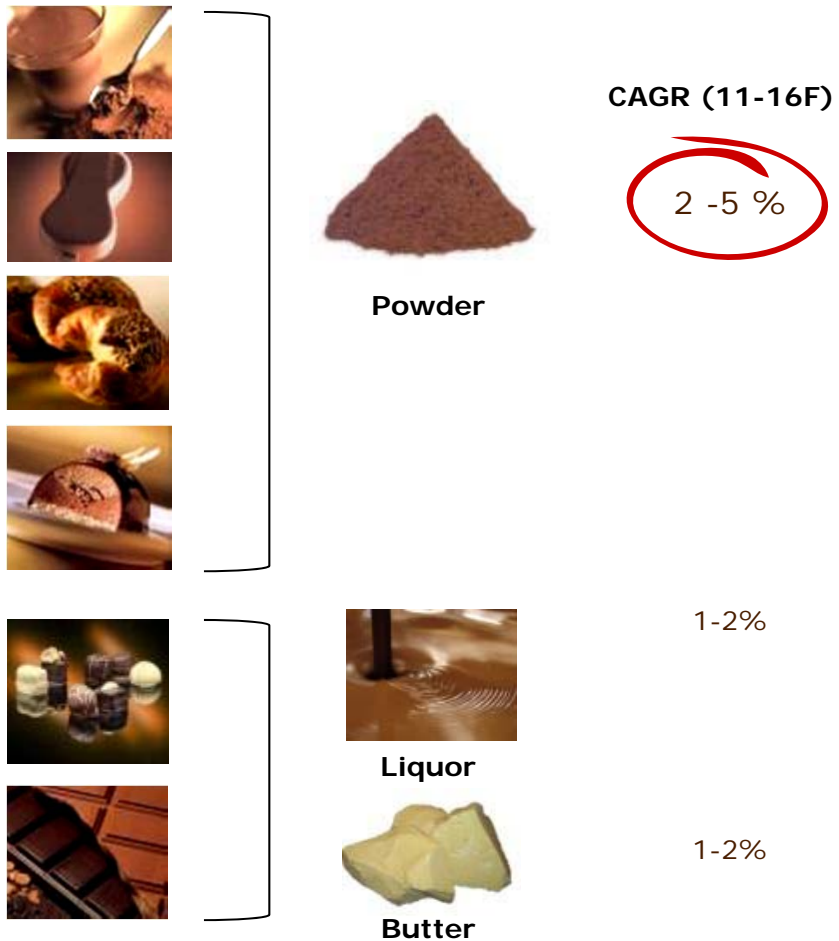




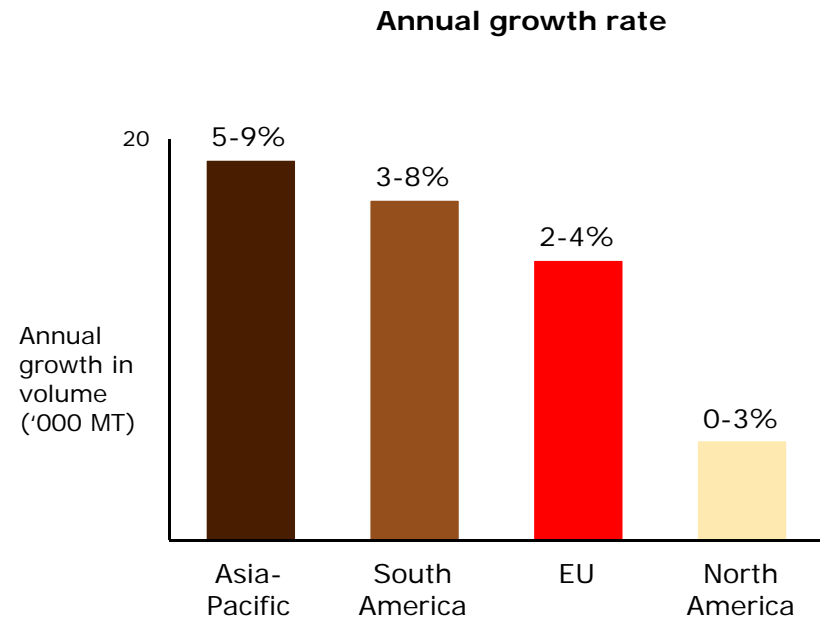


# The acquisition increases our strength in high growth markets

## Higher demand for product categories containing powder



## Cocoa Powder demand driven by emerging markets



Total market size ~960,000 mt

Source: Customer interviews, Sunflower Project market size, Euromonitor.



# Numerous sources of synergies identified

## 1 Optimized Sourcing and product flows

- Reduce transportation / logistics costs through a more efficient utilisation of the combined network
- Enhanced purchasing platform

## 2 Best practices transfer

- Best practices transfers to improve profitability at Petra Foods Cocoa Ingredients Division

## 3 G&A savings – economies of scale

- Streamlining of functions and processes
- Our operating team has identified and analysed in detail numerous pockets of synergies, and we are confident that we can deliver run-rate synergies of CHF 30-35m in year 4 after closing of the transaction
- The one-off integration costs are estimated at CHF 10-15m, to be incurred equally between the first 2 years post transaction
- Additionally, we estimate one-off transaction costs of approx. CHF 15m (excluding costs relating to financing)
- The Capex related to the integration is estimated at CHF 20m over the next years



## Optimization of available capacity 5

- Utilization of complementary “pockets of excess capacity” in the Petra Foods Cocoa Ingredients division and BC facilities

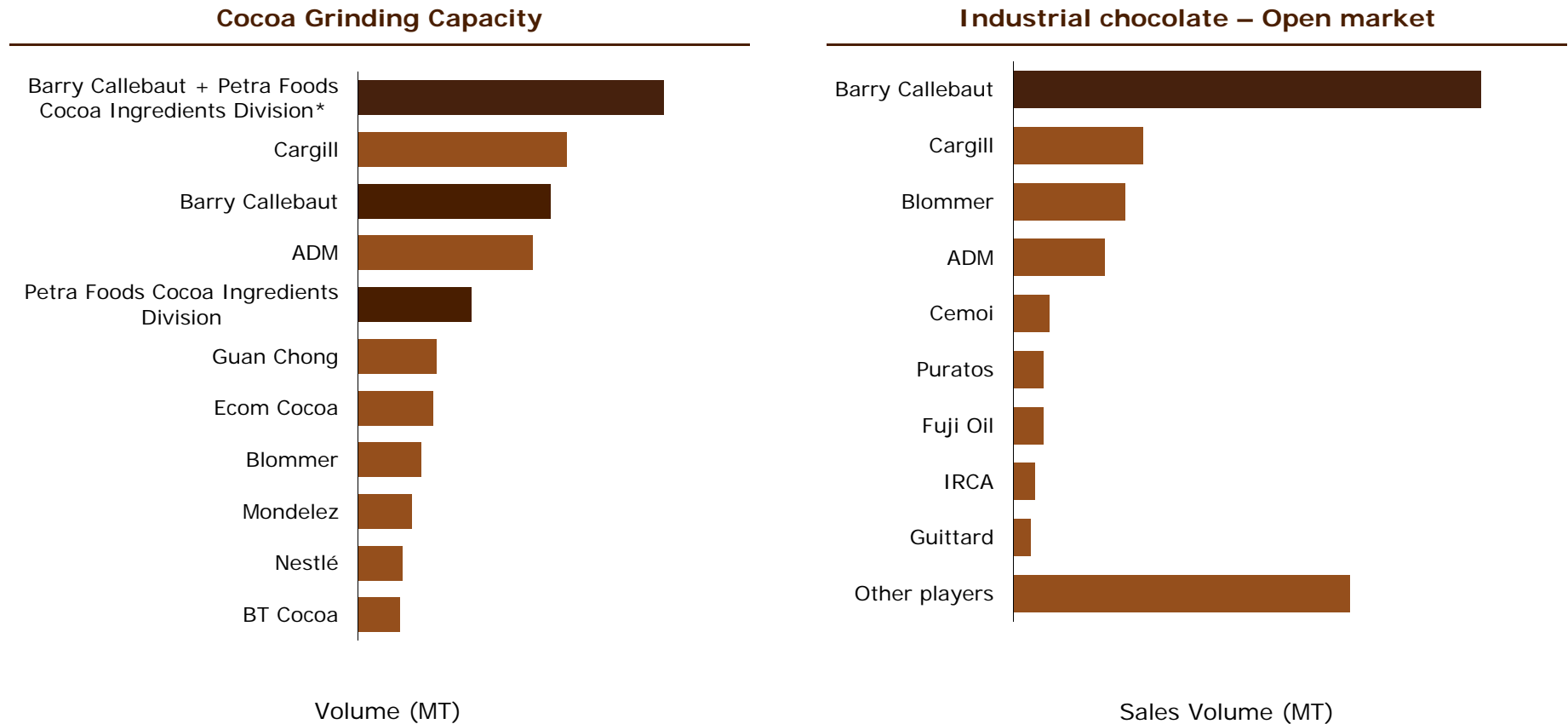
## Improve cost base 4

- Access to facilities with lower cost base
- Cost efficiency improvement



# Ability to leverage clear leadership positions to capitalize on growth opportunities

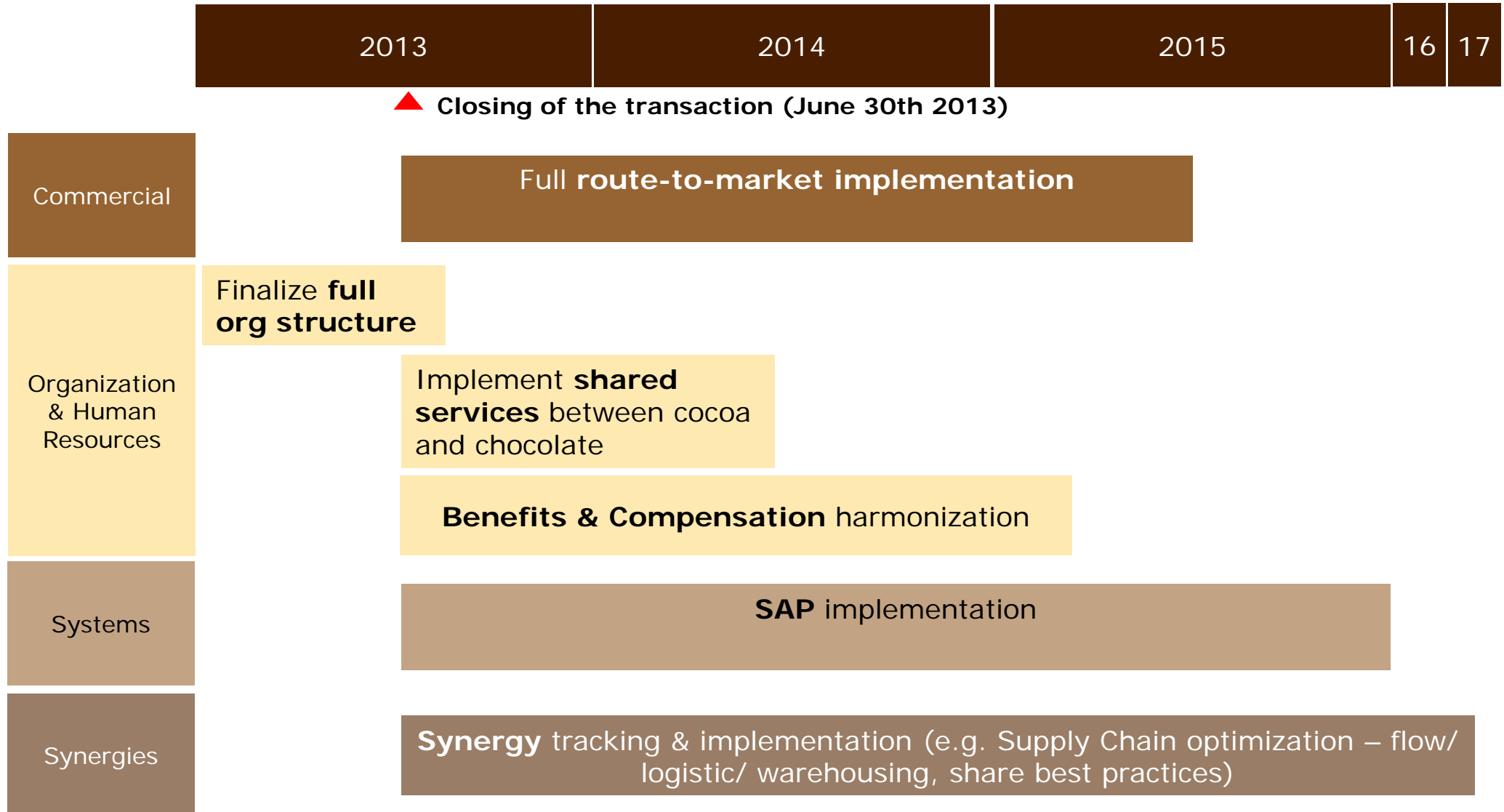
- Barry Callebaut is the largest global industrial chocolate supplier



Source: Third-Party Study – 2013.  
Note: (\*) Does not include any adjustments for the acquisition and may not reflect the grinding capacity of the actual combined businesses.



# Upcoming integration milestones – Petra Cocoa Ingredients' acquisition



▲ Closing of the transaction (June 30th 2013)



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# Key Figures Barry Callebaut

[CHFm]	FY ending August			HY ending February	
	FY 2009/10 (restated)	FY 2010/11 (restated)	FY 2011/12	H1 2011/12 (restated)	H1 2012/13
Sales volume [in tonnes]	1'209'654	1'268'925	1'378'856	691'061	745'256
<i>% growth</i>		4.9%	8.7%		7.8%
Sales revenue	4'525	4'460	4'830	2'450	2'392
Gross profit	650	659	673	339	357
EBITDA	415	430	434	216	220
Operating profit / EBIT	341	362	353	178	174
<i>EBIT / tonne (as reported in CHF)</i>	282	286	256	257	233
<i>EBIT / tonne (constant currencies)*</i>	308	336	312	274	303
Total assets	3'571	3'263	3'577	3'876	3'556
Net working capital**	965	888	1'039	1'045	1'026

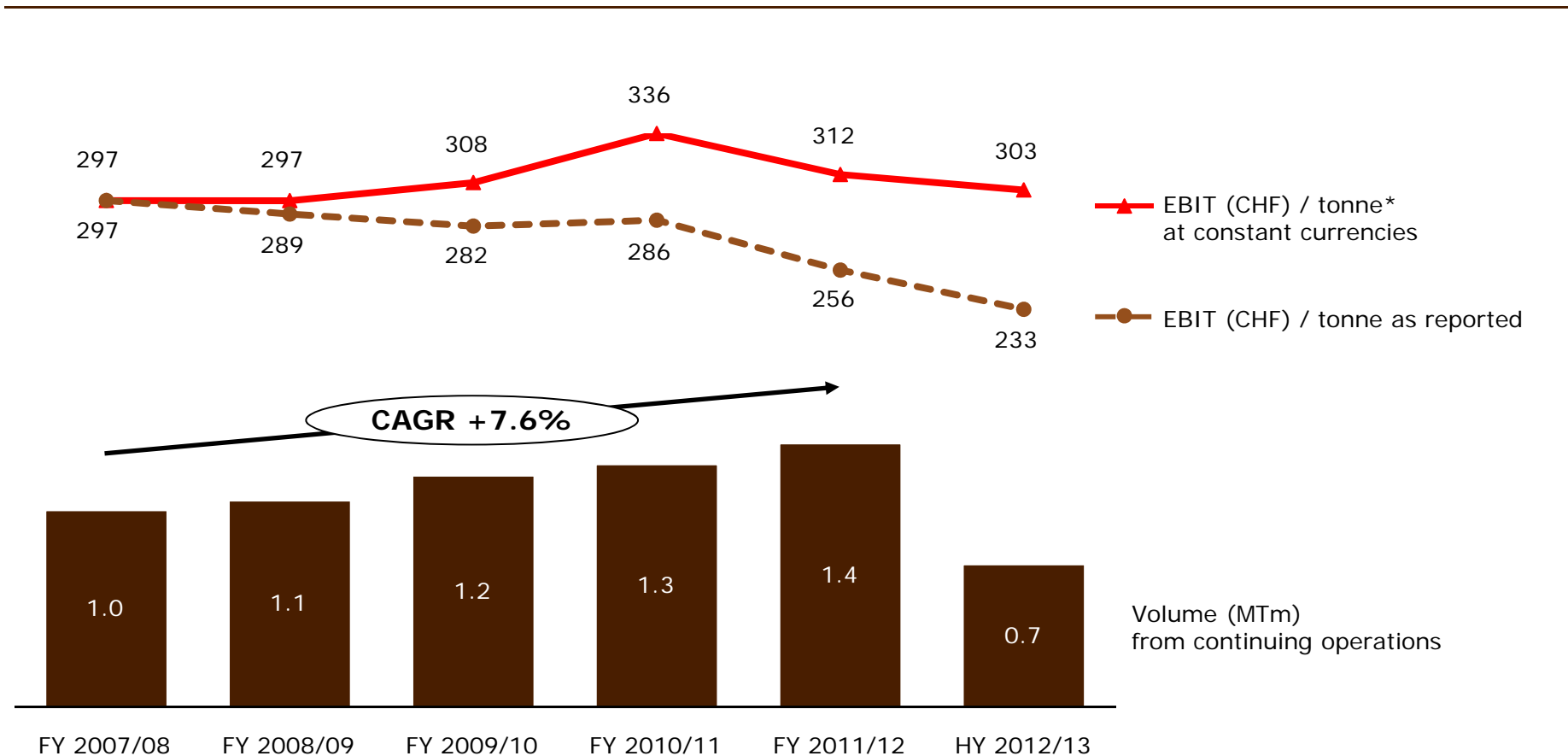
\* In CHF, excluding negative FX impact (at constant currencies 2007/08) and excluding Consumer business.

\*\* Defined as current assets less current liabilities, excluding cash and cash equivalents, short term deposits and derivative financial assets and liabilities in relation to financial activities.



# Strong volume growth over the last 5 years and EBIT per tonne maintained, excluding negative FX impact

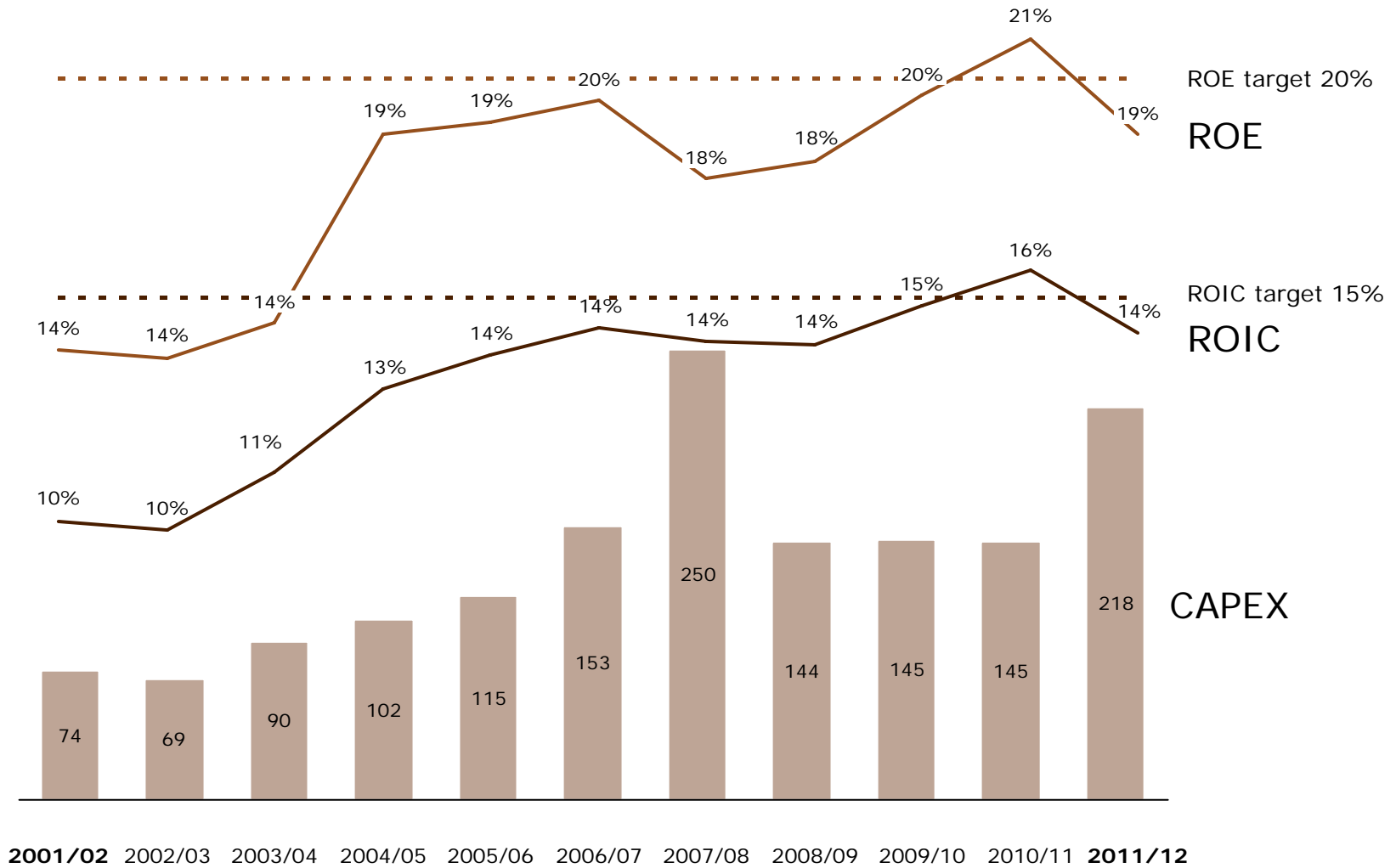
## Group development



\* Excluding negative FX impact (at constant currencies 2007/08) and excluding Consumer business.



# Committed to long-term volume growth, while improving our return on equity and on invested capital







## Key Figures Petra Foods Cocoa Ingredients Division

[USDm]	FY 2011	FY 2012
Sales volume [in tonnes]	265'053	255'872
<i>% growth</i>		(3.5%)
Sales revenue	1'276	1'029
EBITDA	66	23
<i>EBITDA / tonne (in USD)</i>	248	90
Total assets		941
Net working capital*		497

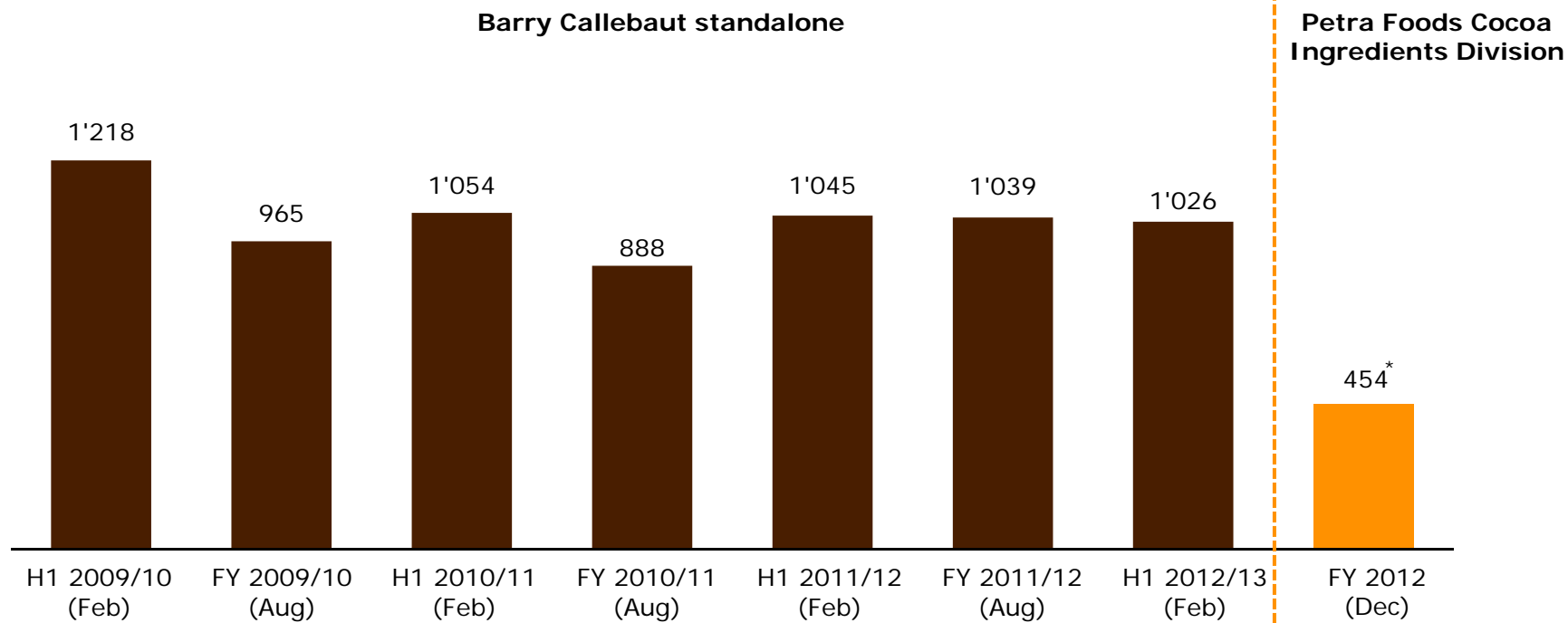
- Estimated annual synergy potential for Barry Callebaut will amount to CHF 30 to 35m at EBIT level resulting from:
  - Optimizing sourcing and product flows
  - Best practices transfers to improve profitability at Petra Foods Cocoa Ingredients Division
  - General and administrative costs savings, economies of scale and streamlining of functions and processes
  - Improving cost base
  - Optimizing available capacity
- Synergies to be fully achieved four years after closing of the Acquisition

\* Defined as inventories, trade and other receivables and other current assets less trade payables and other payables.



# Working capital is mostly composed of highly liquid inventories

in mCHF



- Working capital is mostly composed of highly liquid inventories
- Net working capital requirements are closely linked to the cocoa bean harvest, with inventories peaking around January
  - Ample flexibility in financial arrangements to cover peaks in working capital needs

\* Defined as inventories, trade and other receivables and other current assets less trade payables and other payables amounting to USD497m (CHF454m).



# 10 Reasons to invest in Barry Callebaut

- World leader in high-quality cocoa and chocolate products
- Cost Leadership along the entire value chain with a continuous improvement structure
- Leader and growing presence in emerging markets
- World's largest supplier of Gourmet chocolate for artisanal customers
- Proven, focused and long-term oriented strategy
- Recognized innovation leader
- Superior growth opportunities through strong positioning in outsourcing and long-term strategic partnerships with major food companies
- Global cocoa and chocolate production footprint, with 50 production facilities and sales in more than 100 countries, with a strong presence in key cocoa origin countries
- Strong track record of cash flow generation with conservative leverage policy
- Experienced, international and proven Management team





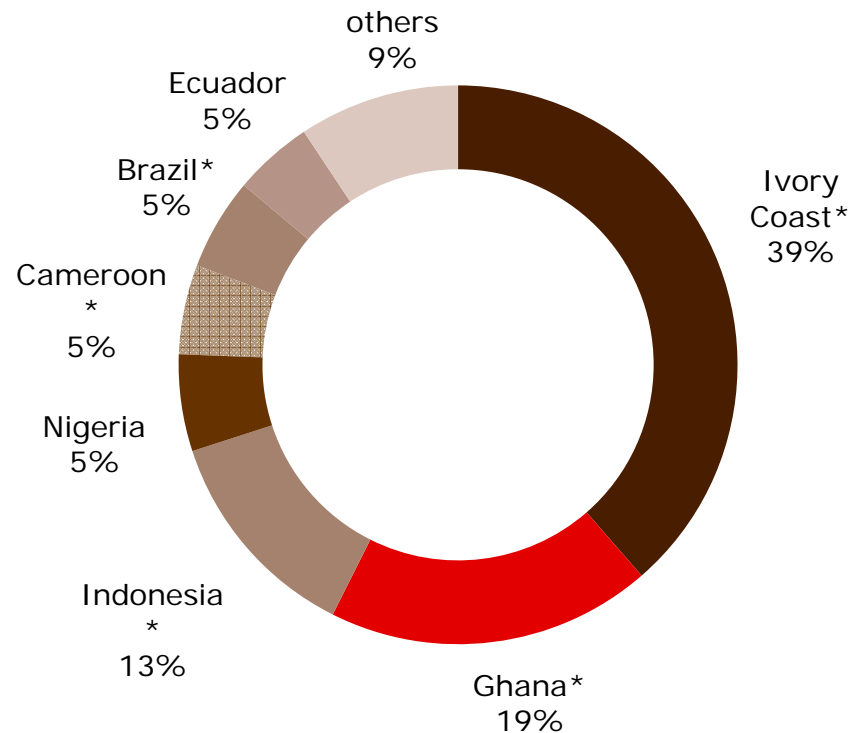
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# Appendix



# West Africa is the world's largest cocoa producer – BC sources locally

Total world harvest (11/12): 3'962'000 MT



Source: ICCO estimates

- ▶ About 70% of total cocoa beans come from West Africa
- ▶ BC processed ~603,000 tonnes of cocoa beans or 15% of total world harvest
- ▶ 69% sourced directly from farmers, cooperatives & local trade houses
- ▶ BC has various cocoa processing facilities in origin countries\*, in Europe and in the USA

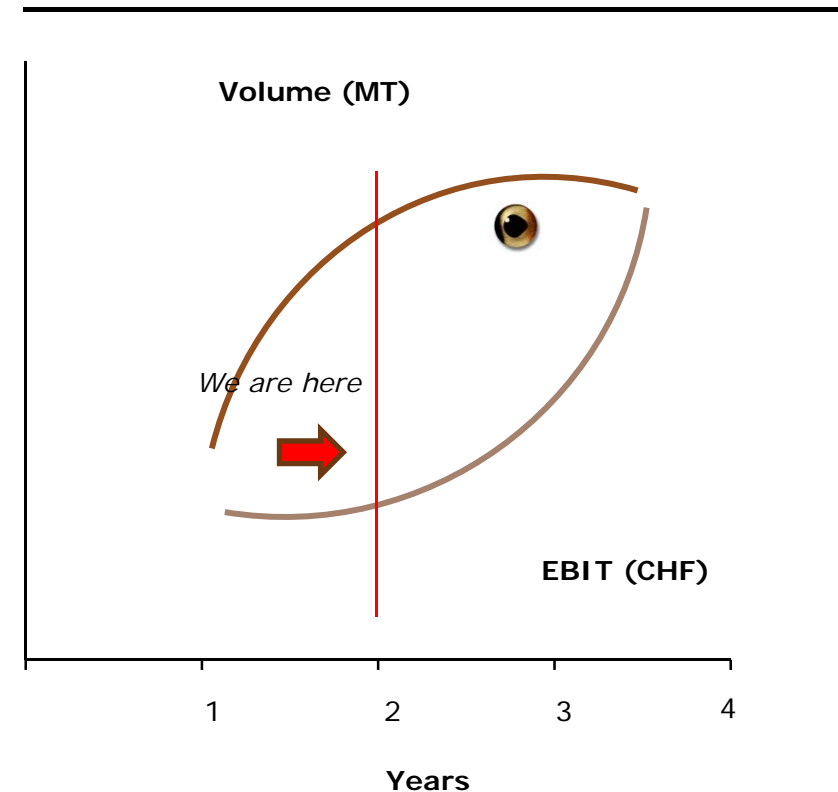


# Impact from investments in future growth

Future volume growth requires:

- Additional production capacity: lower utilization and higher fixed costs at the beginning
- Additional overhead, such as QA, planning and supply chain management, customer service, IT support, etc
- Ramp-up related costs: engineering teams, matching recipes, sensoring teams, customer audits, pilot & small batch runs, etc
- Additional sourcing costs, such as working capital ramp-up, additional handling costs, cocoa certification and traceability efforts

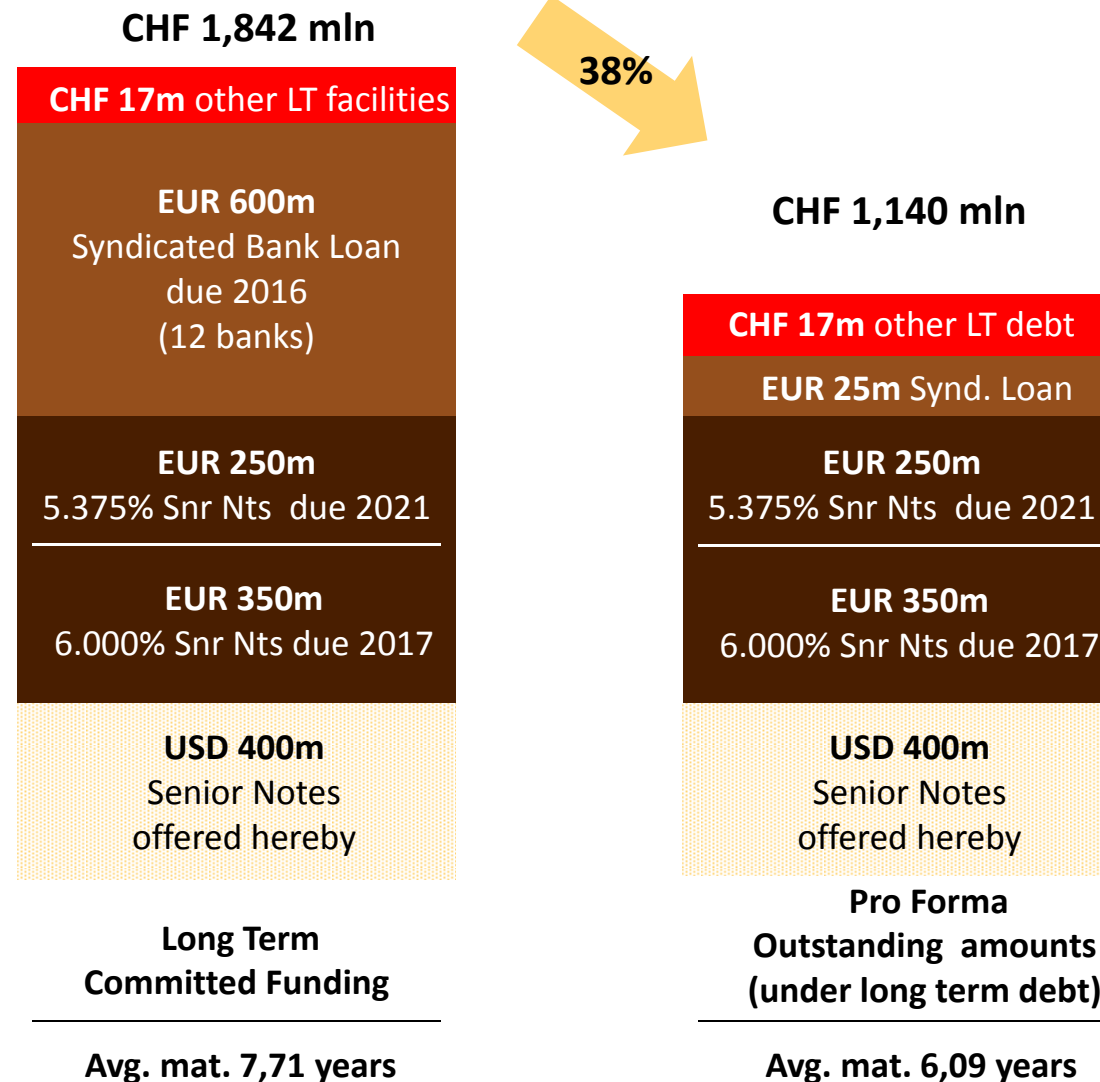
## Investing cycle for future growth





# Stable long term financing offering enough headroom for future growth and improved duration

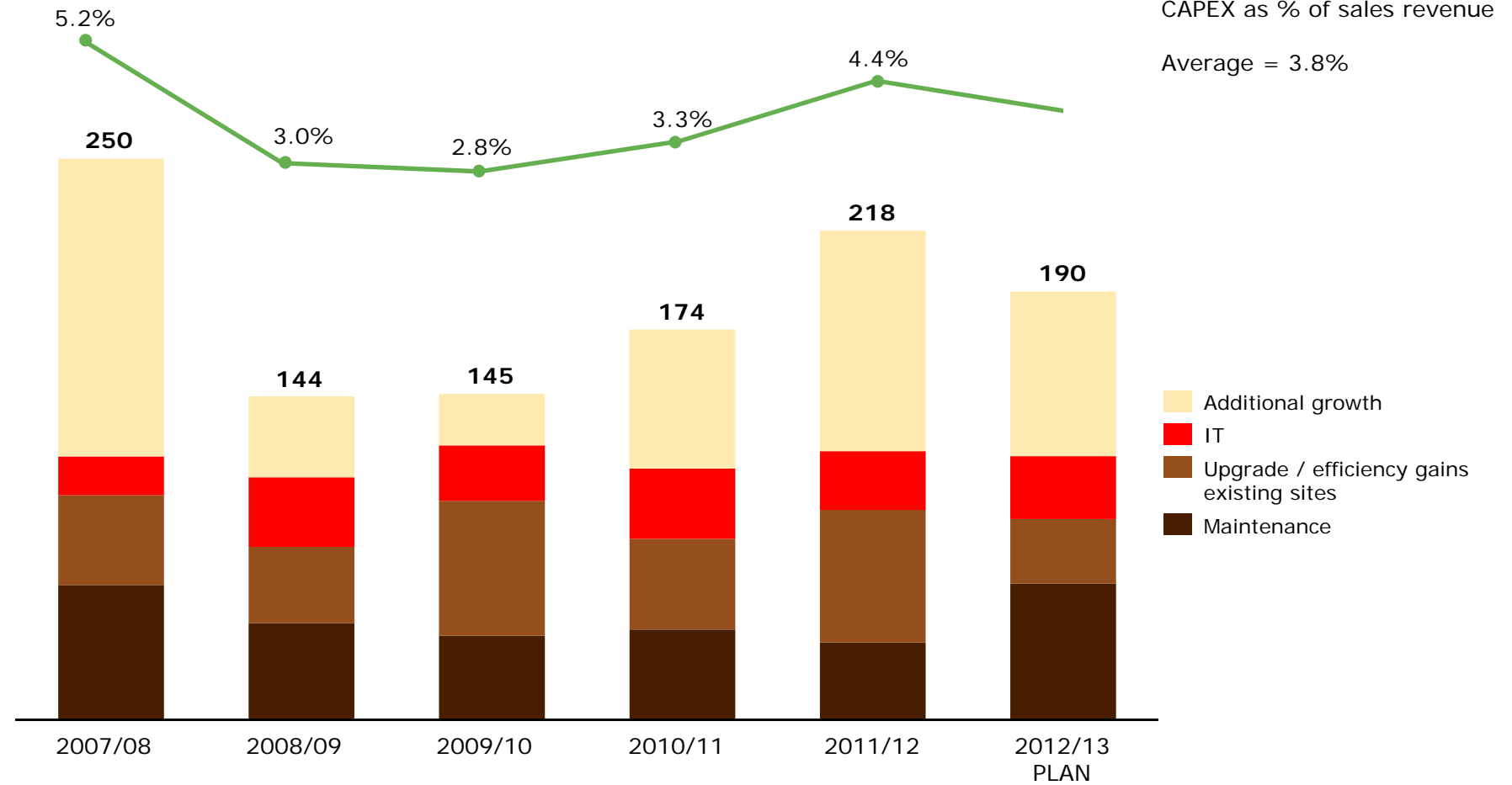
Pro Forma as per 28/February/2013





# Capex investments support the growth of our business

in mCHF







## Balance Sheet

# Ongoing investments, stable Balance Sheet and financial ratios

	Change in %	Feb 13	Feb 12
Total Assets [CHF m]	-8.2%	3'556.0	3'875.7
Net Working Capital [CHF m]	-1.8%	1'026.2	1'045.1
Non-Current Assets [CHF m]	10.0%	1'488.4	1'353.1
Net Debt [CHF m]	2.9%	993.9	965.5
Shareholders' Equity [CHF m]	6.5%	1'386.0	1'301.0
Debt/Equity ratio		71.7%	74.2%
Solvency ratio		39.0%	33.6%
Net debt / EBITDA		2.3x	2.4x
Interest cover ratio		5.5x	5.4x
ROIC		12.1%	14.0%
ROE		16.9%	18.5%