

# Half-Year Results 2015/16

Analysts Conference  
April 6, 2016



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

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## Cautionary note

Certain statements in this presentation regarding the business of Barry Callebaut are of a forward-looking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe," "estimate," "intend," "may," "will," "expect," and "project" and similar expressions as they relate to the company. Forward-looking statements involve certain risks and uncertainties because they relate to future events.

Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect Barry Callebaut's future financial results are discussed in the Letter to Investors HY 2015/16. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. The reader is cautioned to not unduly rely on these forward-looking statements that are accurate only as of today, April 6, 2016. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

# Agenda

- ▶ Highlights HY 2015/16
- ▶ Financial Review
- ▶ Strategy & Outlook
- ▶ Q&A

Highlights HY 2015/16 - CEO Antoine de Saint-Affrique



## Solid volume growth, strong Free cash flow

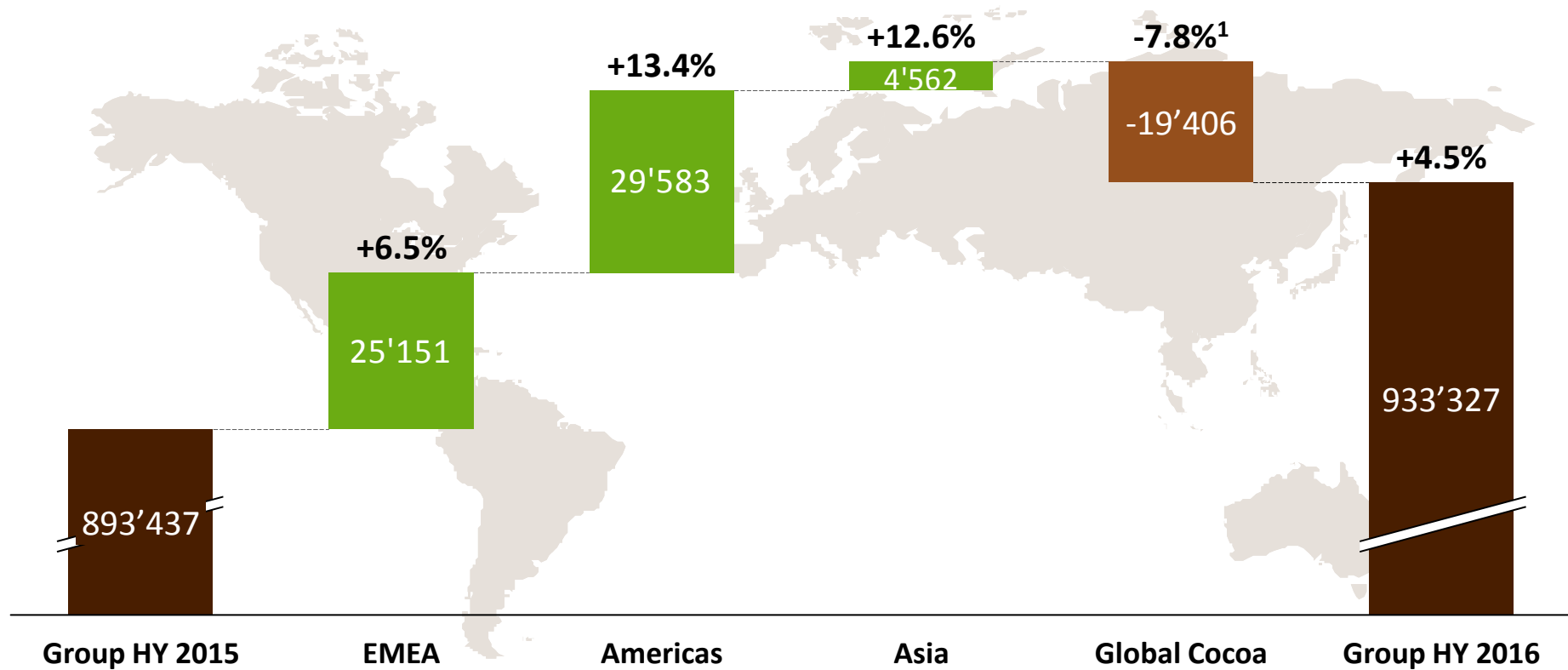


- ▶ Sales volume up +4.5%, significantly outpacing the market
- ▶ Strong growth in the chocolate business, intentionally phasing out unprofitable contracts in Global Cocoa
- ▶ Volume growth supported by all key growth drivers
- ▶ Gross Margins improved +4.7%<sup>1</sup> in line with volume; EBIT stable (-0.3%<sup>1</sup>)
- ▶ Free cash flow CHF 220.4 mio; Net Working Capital down -11.8%, Net Debt down -14.1%

<sup>1</sup> in local currencies

# Outperforming the market, growth driven by main Chocolate Regions

Sales Volume  
(in tonnes)

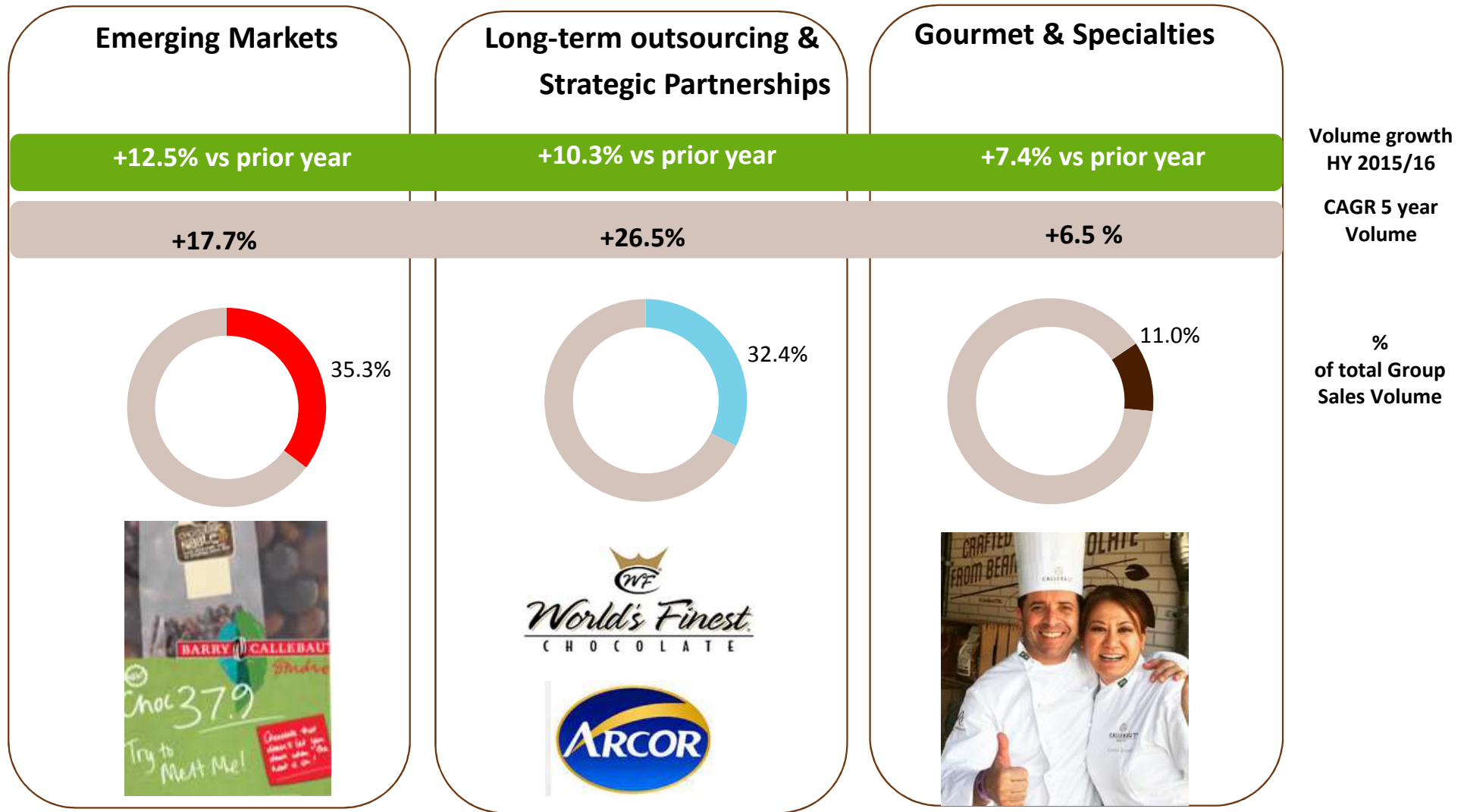


Market Volume growth <sup>2</sup>	-2.2%	-3.7%	-1.7%	-2.6%
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<sup>1</sup> Due to the intentional phasing out of low-profit contracts, including long-term ingredients agreements

<sup>2</sup> Source: Nielsen chocolate confectionery in volume – 26 countries - Sep 2015 – Feb 2016

# Positive contribution from all key growth drivers



## Successful stories in our Food Manufacturers business



- ▶ Two new long-term outsourcing agreement in emerging markets with local players



- ▶ Decorations business growing at double-digit



- ▶ Belgian customer launches the first chocolate brand in Europe that makes a cocoa flavanol health claim that it is «good for your blood flow»



## Solid growth in Gourmet & Specialties, based on strong strategic execution



- ▶ Solid growth of the two Global brands: Callebaut and Cacao Barry around the globe, while maintaining profitability
- ▶ Growing weight of emerging markets in overall growth
- ▶ Cacao Barry next generation packaging & design implemented
- ▶ Ground Chocolate Beverage won best introduction in 2015
- ▶ Broaden portfolio to adjacent products (e.g. nuts, decorations, etc) under the global brands
- ▶ Winning Chefs' hearts & minds via increased social media activity



## Expanding our Specialties business through bolt-on acquisition



- ▶ Acquisition of commercial beverages vending activities of FrieslandCampina Kievit
- ▶ Becoming a leading supplier of vending powder mixes in Europe, adding technical and innovation capabilities
- ▶ Additional volume of about 20,000 tonnes, and CHF 55 million of sales revenue
- ▶ Long-term contract manufacturing agreement, whereby FrieslandCampina Kievit will continue to produce and supply to Barry Callebaut
- ▶ Closing of the transaction in March 2016

## Good progress achieved on Cocoa Leadership Project



### Commercial leadership

- ▶ SKU reduction on-going
- ▶ Customer segmentation
- ▶ Stronger focus on added-value products
- ▶ Harmonized sales tools

### Operations leadership

- ▶ Manufacturing footprint reduced in Asia
- ▶ Working Capital optimized through better product flows

### Global leverage

- ▶ Centralized combined cocoa ratio management in place
- ▶ Setting up Global market intelligence



## Financial Review – CFO Victor Balli



April 6, 2016

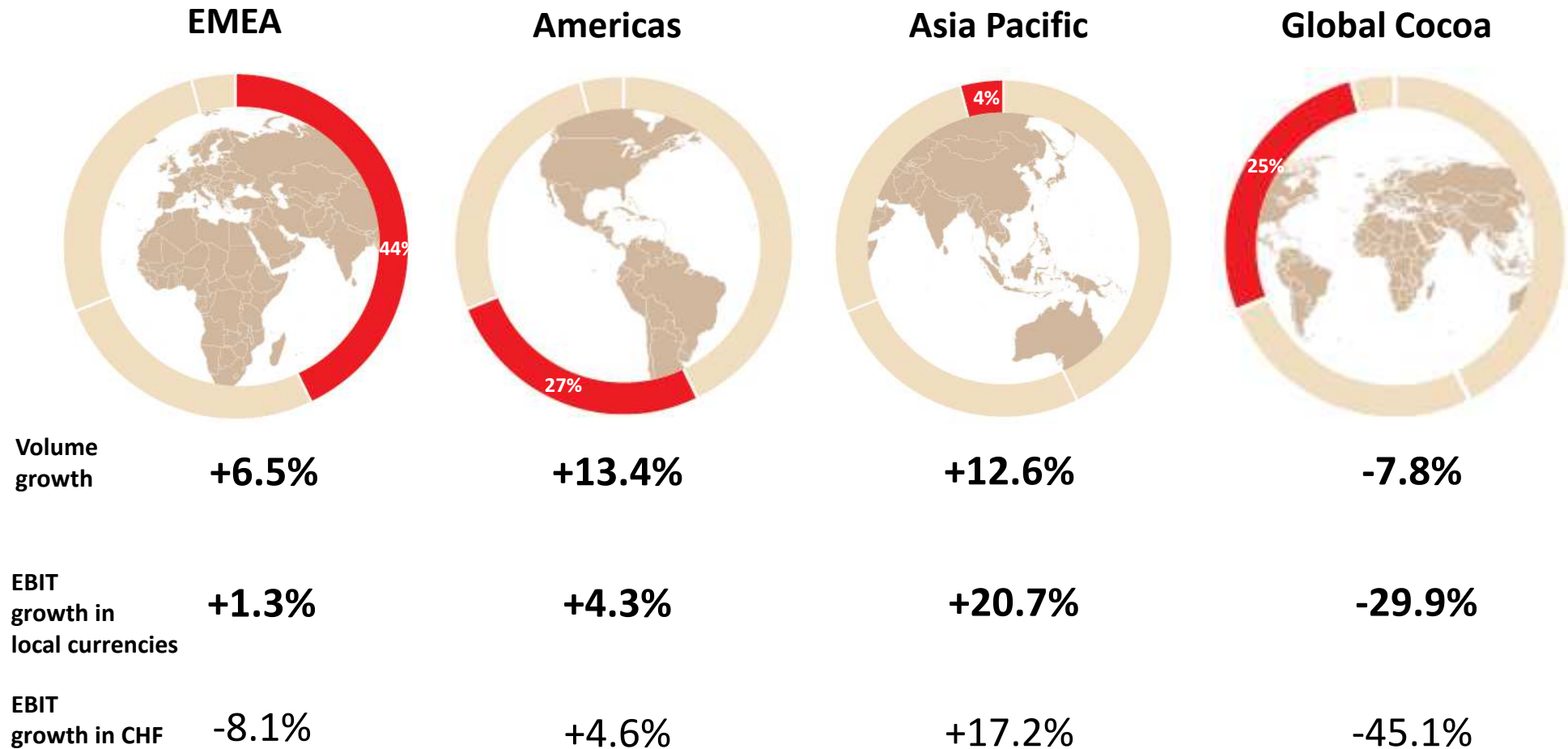
HY results 2015/16

## Solid volume growth, profitability as anticipated, improved cash flow

Group performance (In CHF mio.)	HY 2015/16 (in CHF)	% vs prior year (in CHF)	% vs prior year in local currencies
Sales Volume Total (in tonnes)	933,327		<b>+4.5%</b>
Sales Revenue	3,424.3	+5.6%	<b>+11.7%</b>
Gross Profit	437.9	-1.9%	<b>+4.7%</b>
EBIT Total	200.7	-8.4%	<b>-0.3%</b>
<i>EBIT per tonne</i>	215.0	-12.4%	<b>-4.5%</b>
Net profit for the period	107.9	-18.5%	<b>-12.5%</b>
Free Cash Flow	220.4	-254.3%	<b>-246.7%</b>

HY results 2015/16

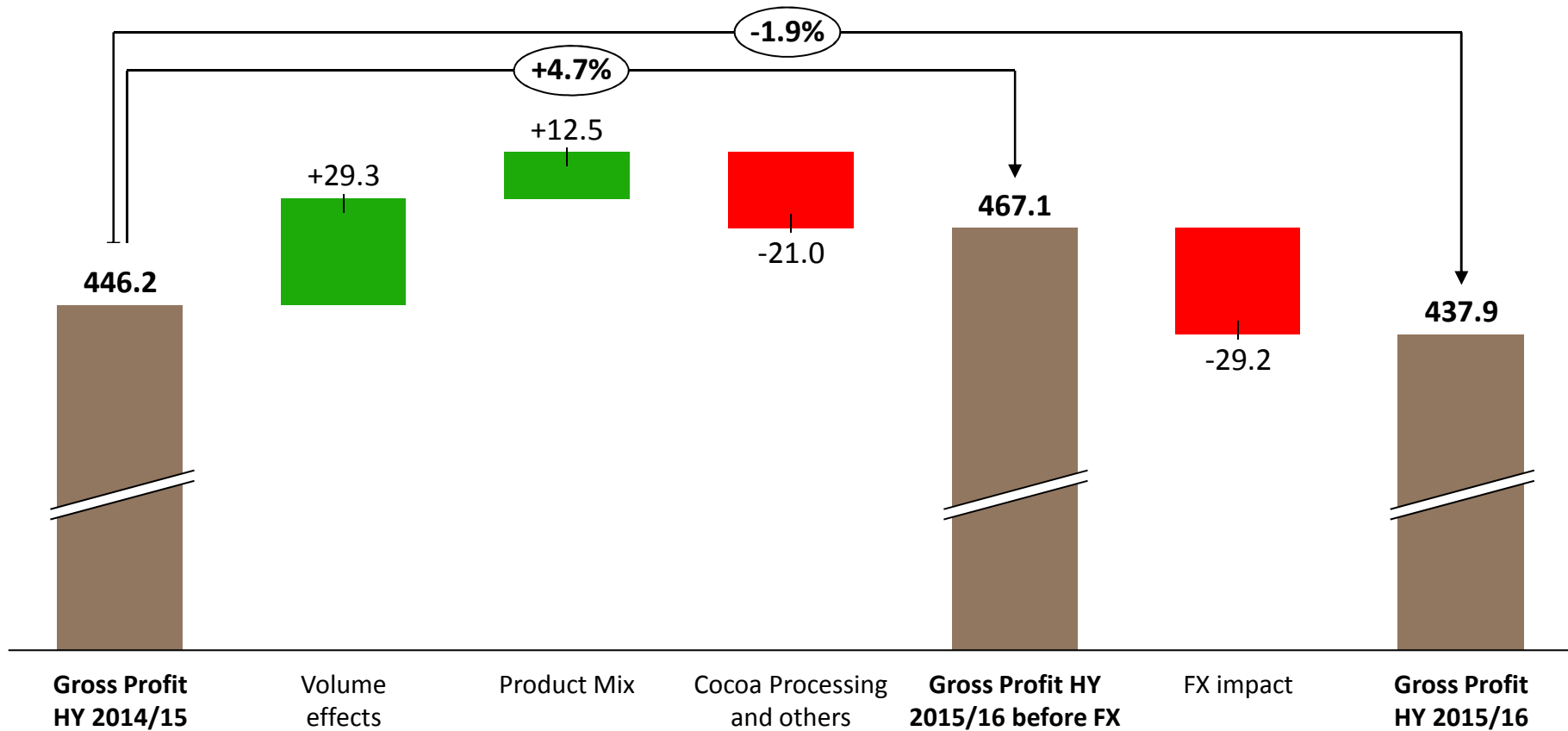
## Good performance in the chocolate business, Global Cocoa as anticipated



## Gross Profit HY 2015/16

Gross profit up +4.7%, driven by solid volume growth, better product mix and despite difficult cocoa powder margins

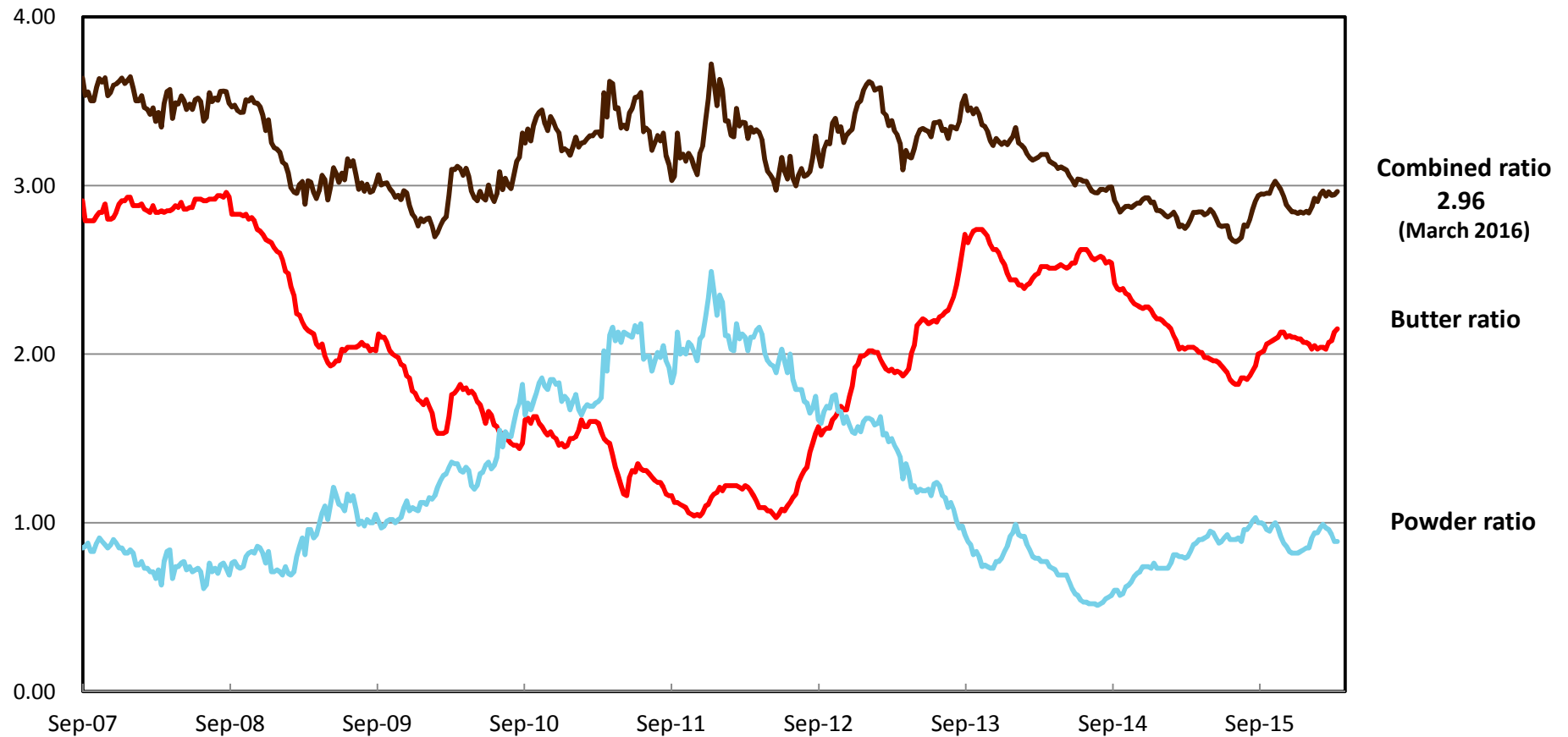
in CHF mio.



## Cocoa processing profitability

Slowly improving cocoa product pricing environment; contracts from lowest market situation (2015) being executed in current business year

European combined ratio - 6 months forward ratio



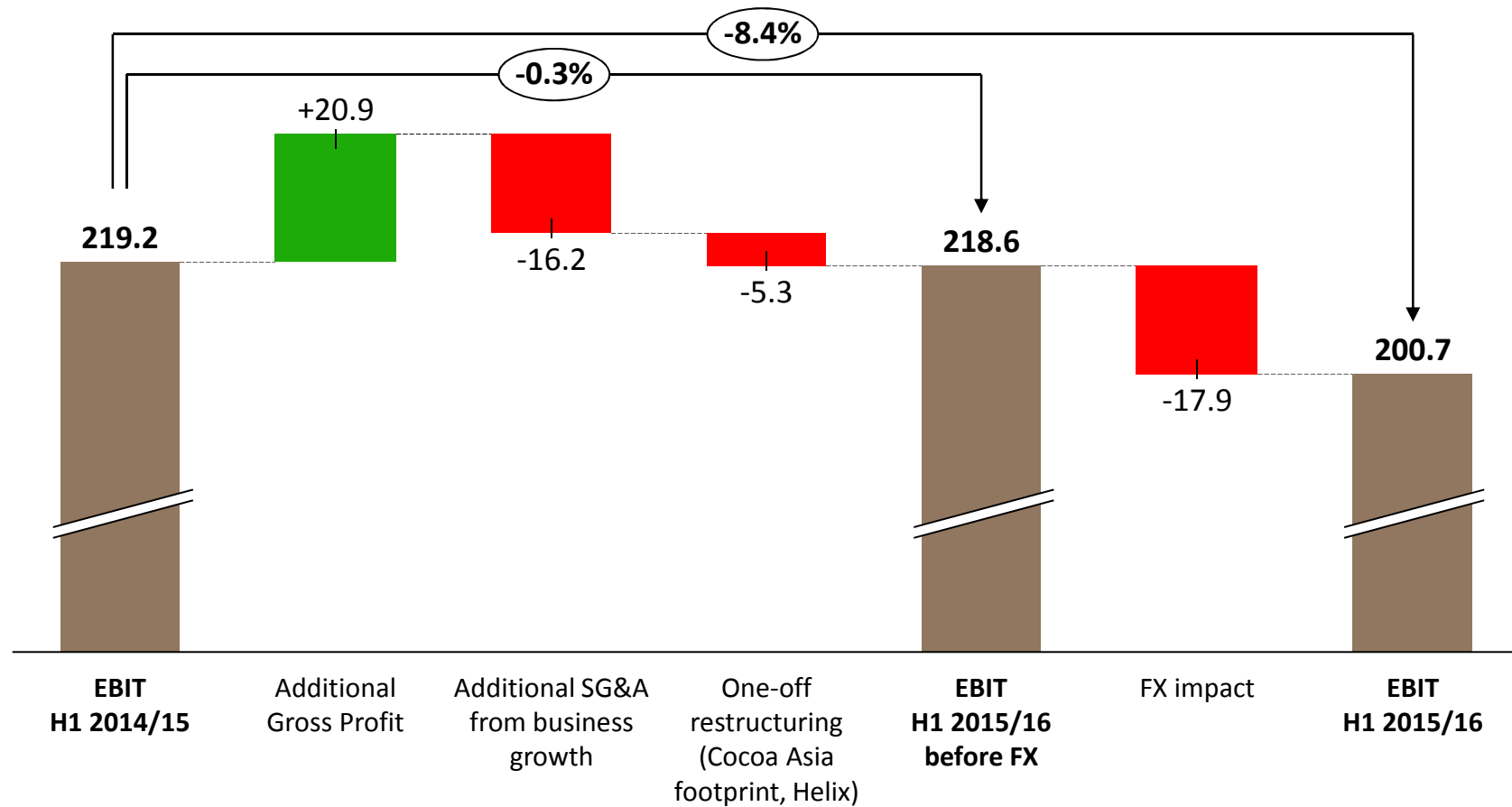
For cocoa processors, profitability depends on the ratio between input costs (price of cocoa beans) and combined output prices (price of cocoa butter and powder).



## EBIT HY 2015/16

# EBIT flat excluding negative FX impact, despite lower cocoa result and restructuring costs

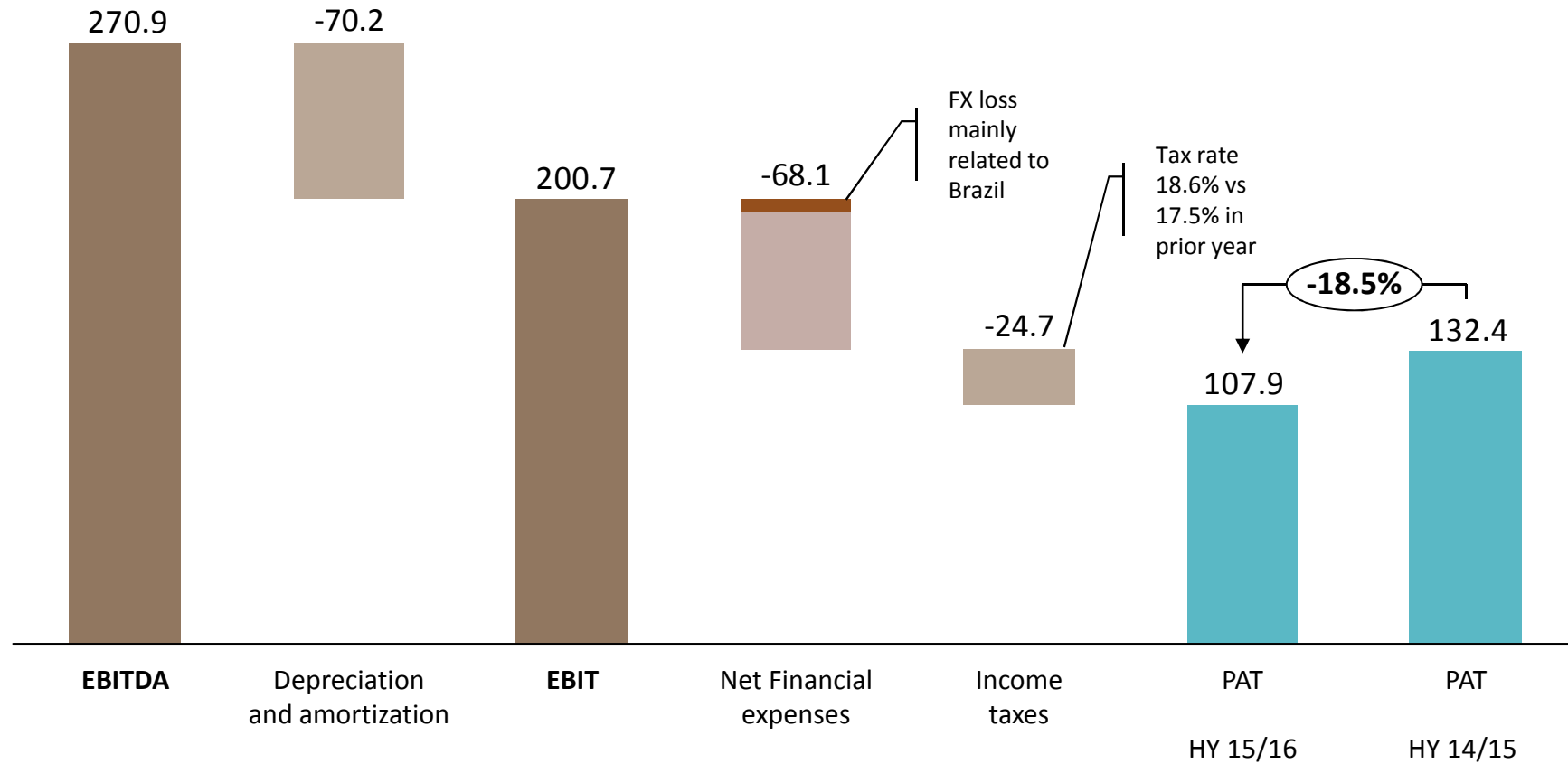
in CHF mio.



From EBITDA to Net Profit

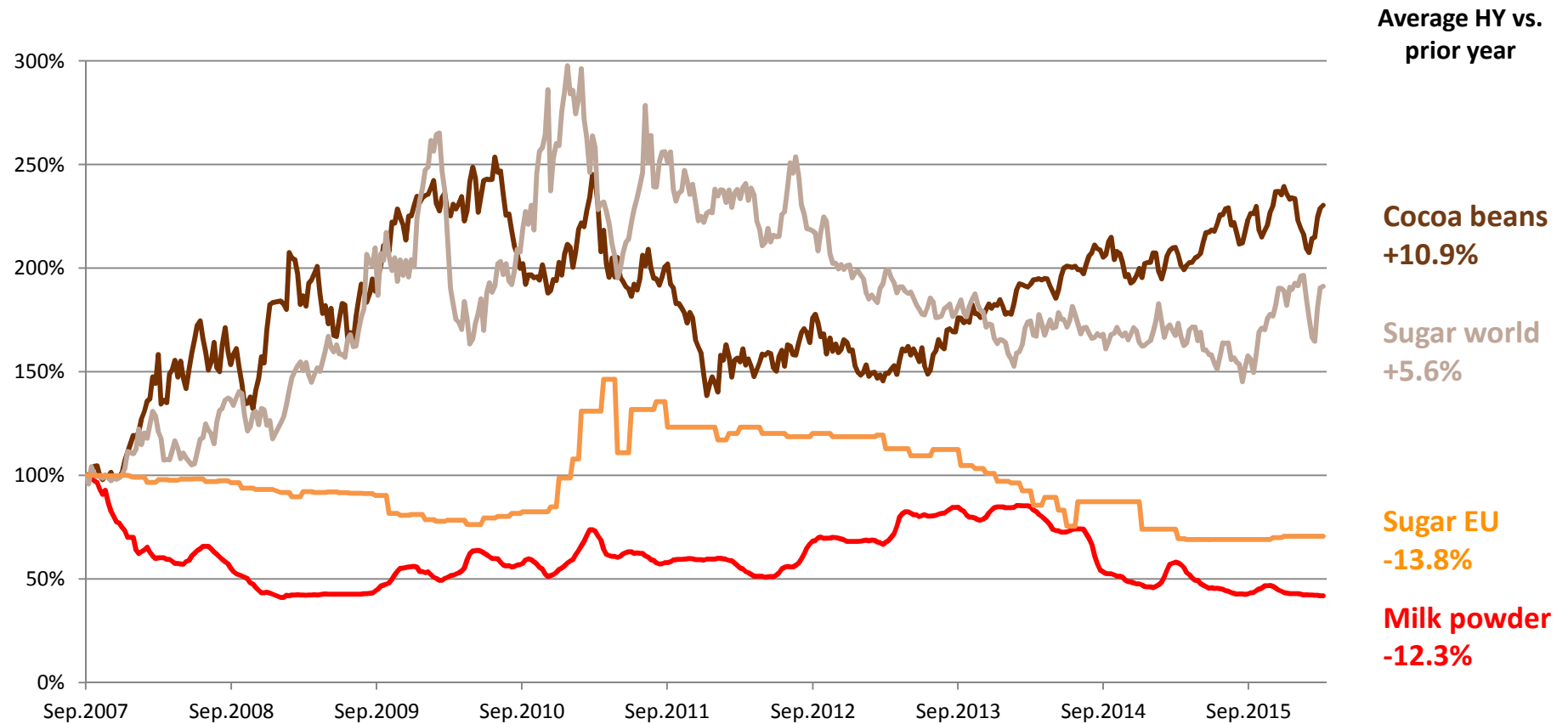
Net Profit down 18.5%, due to higher financial expenses, a foreign exchange loss, as well as higher income taxes

in CHF mio.



## Raw materials evolution

# Cocoa bean price still at relatively high levels, other raw materials below prior year



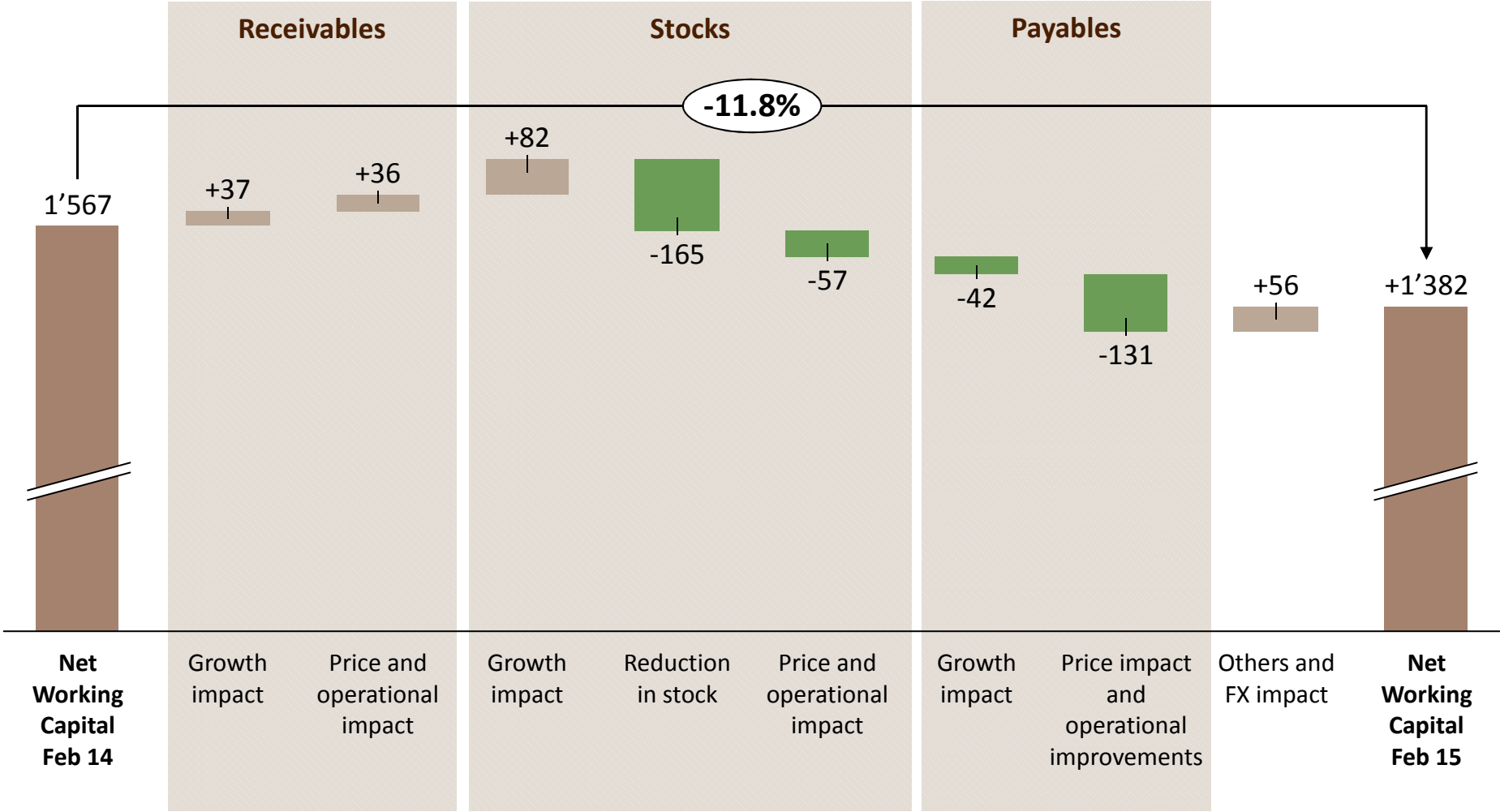
Note: All figures are indexed to Sep 2007

Source: Cocoa beans London (2<sup>nd</sup> position), 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

Significant reduction in working capital, mainly due to an improvement in Inventories

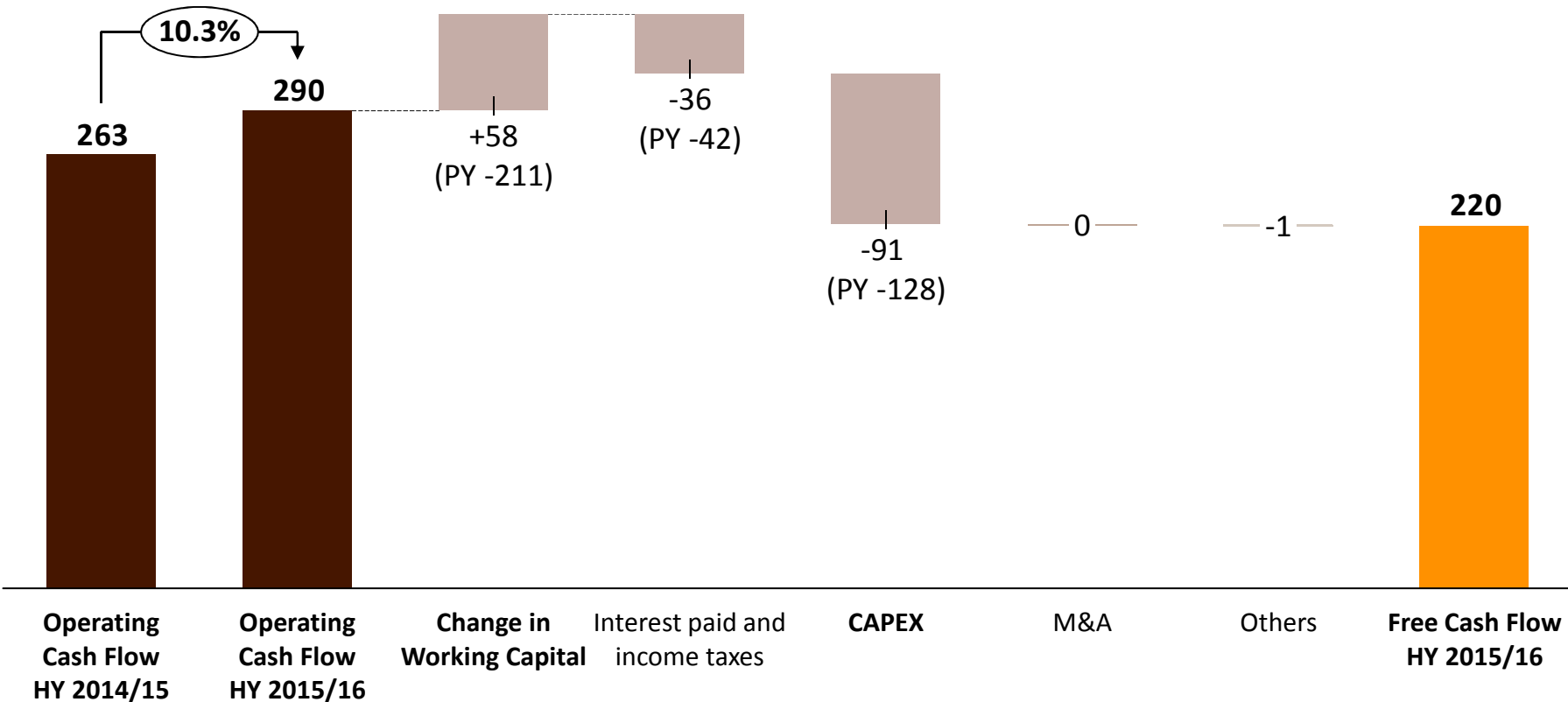
in CHF mio.



Free Cash Flow

Efforts on reducing working capital and CAPEX start to pay off, improved cash flow generation

in CHF mio.



Balance Sheet & key ratios

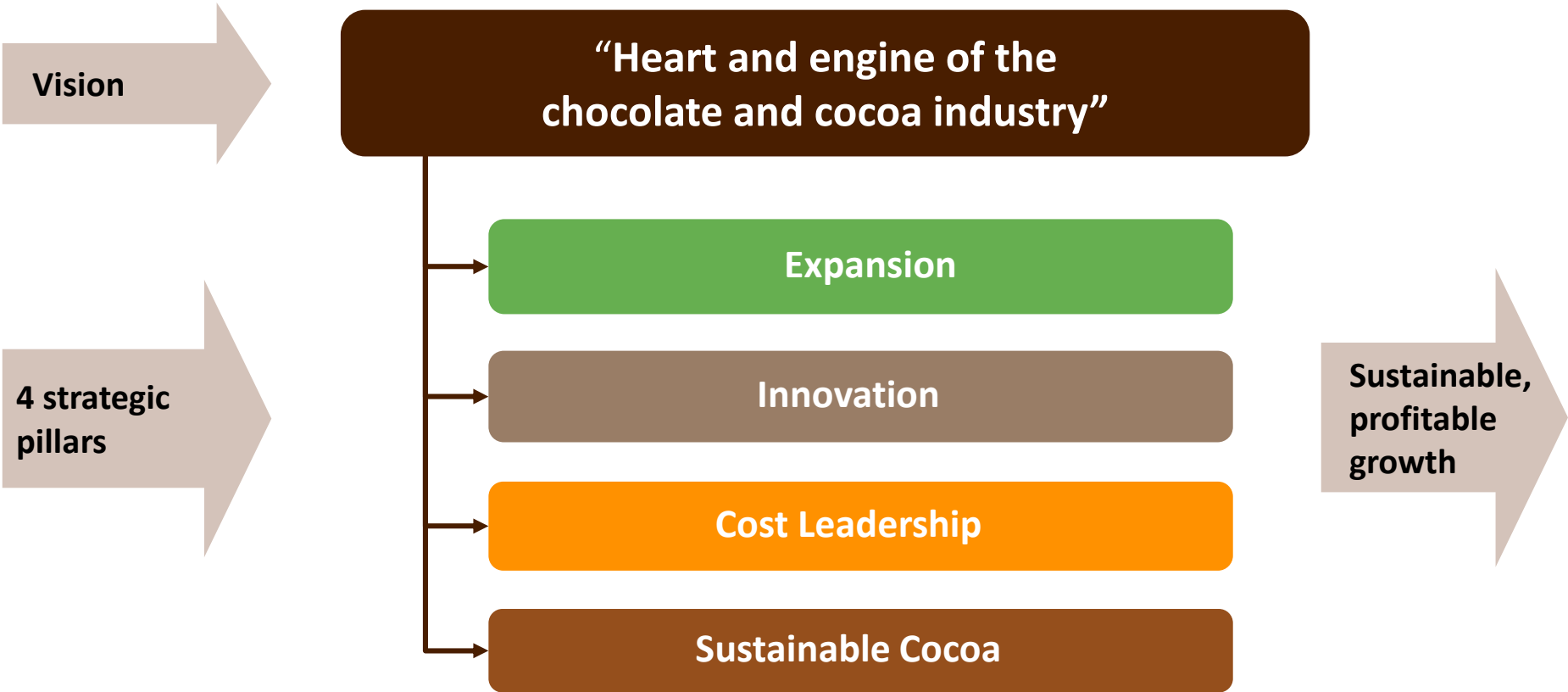
## Deleveraging of the company and improvement of key financial ratios remain a high priority

	Feb 16	Aug 15	Feb 15
Total Assets [CHF m]	5'509.9	5'429.4	5'433.4
Net Working Capital [CHF m]	1'382.3	1'529.7	1'566.6
Non-Current Assets [CHF m]	2'253.4	2'185.5	2'139.5
Net Debt [CHF m]	1'538.2	1'728.8	1'790.6
Shareholders' Equity [CHF m]	1'792.4	1'772.8	1'654.4
Debt/Equity ratio	85.8%	97.5%	108.2%
Solvency ratio	32.5%	32.7%	30.4%
Net debt / EBITDA	2.9x	3.2x	3.2x
ROIC	9.8%	9.8%	10.9%
ROE	12.5%	13.5%	16.2%

## Strategy & Outlook – CEO Antoine de Saint-Affrique



# Our successful and long-term strategy remains unchanged





## Setting up the path towards “smart growth”



Focus on consistent, above market-growth and enhanced profitability:  
“SMART GROWTH”

**Sustainable growth**

**Margin accretive growth**

**Accelerated growth in Gourmet, Specialties and emerging markets**

**Return on Capital and greater focus on Free cash flow**

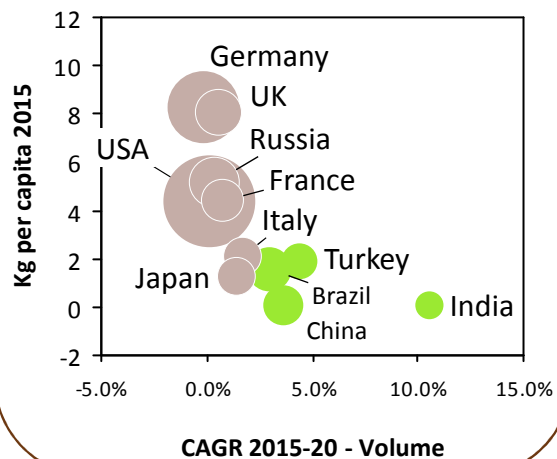
**Talent & Team**



# We see significant growth opportunities ahead

## Emerging Markets

- ▶ Low market share
- ▶ Currently low consumption per capita in chocolate
- ▶ Significant growth expected in the next 5 years



## Long-term outsourcing & Strategic Partnerships

- ▶ 70% in emerging markets still in-house production
- ▶ Top 5 chocolate players currently outsource only 10-20% of chocolate needs
- ▶ Co-creating with current customers



## Gourmet & Specialties

- ▶ 20% market share globally
- ▶ Low presence in emerging markets
- ▶ New product categories
- ▶ Adjacent products



# While we continue to fine-tune the execution of our strategy in different areas

## Talent Management & Career development

- ▶ As of April 1 2016, new CHRO is part of the Executive Committee
- ▶ Improving our talent development and succession plans



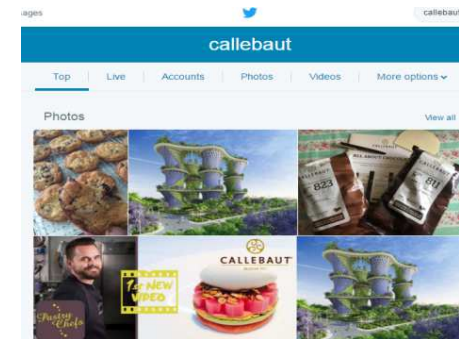
## Leveraging our capabilities in Innovation

- ▶ Cross-fertilisation of FM and Gourmet customers in our Chocolate Academies
- ▶ Co-creation with customers as key for additional volume



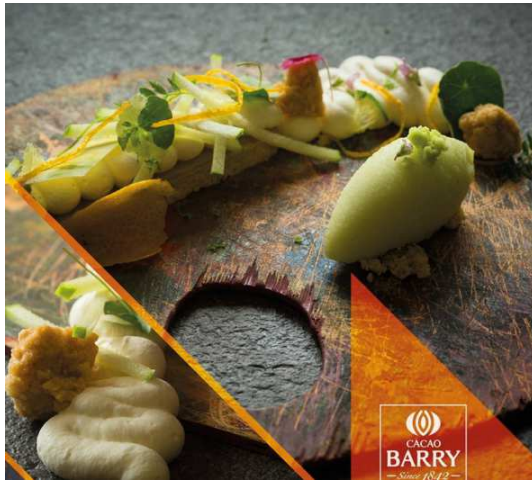
## Digital Capabilities

- ▶ Stronger digital presence in both Food Manufacturers and Gourmet
- ▶ New technologies



## Outlook

# Continued challenging market environment; mid-term targets confirmed



### Outlook 2015/16

- ▶ As anticipated in Nov 2015: challenging fiscal year 2015/16 due to the current cocoa products market, which will temporarily affect profitability
- ▶ Optimistic for the chocolate business



### Mid-term guidance (until 2017/18)

We will strike a balance between volume growth and enhanced profitability as well as free cash flow generation: “smart growth”

- ▶ 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

