

# Roadshow presentation 2015/16

December, 2016



**"We are the heart and engine  
of the chocolate and cocoa industry"**

# Agenda

- ▶ BC at a glance
- ▶ Highlights FY 2015/16
- ▶ Strategy & Outlook



BC at a glance



Who are we?

## The heart and engine of the chocolate industry



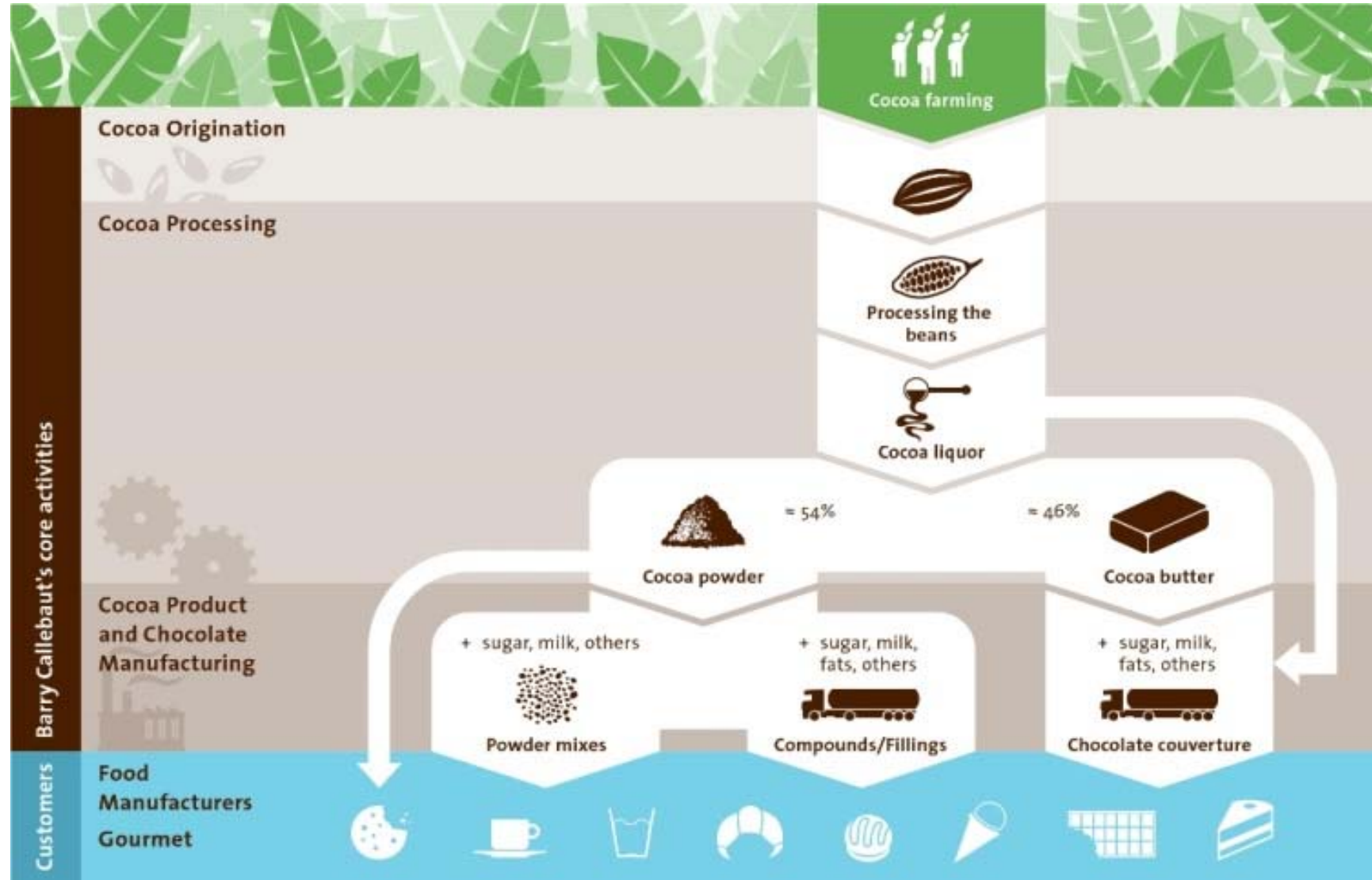
- ▶ A merger between **Cacao Barry**, the very first chocolate connoisseur since 1842 and **Callebaut**, a chocolate couverture manufacturer expert since 1911
- ▶ Listed on the SIX Swiss Exchange since 1998
- ▶ Today, the world's leading manufacturer of high-quality chocolate and cocoa products
- ▶ Barry Callebaut is part of 25% of all consumer products containing cocoa or chocolate





Who do we do?

We add value in every step of the cocoa and chocolate value chain



# This is Barry Callebaut

“Shaping the world of chocolate and cocoa”



More than  
**175 years**  
of chocolate heritage

**1.8**  
sales volume  
in million tonnes

**401.7**  
EBIT  
in CHF million



**53**  
factories  
worldwide

Close to  
**10,000**  
employees  
of whom 1 in 2 works  
either in an origin  
or emerging market



CAGR   
**+7.4%**  
volume growth  
over 5 years

**6,676.8**  
sales revenue  
in CHF million

Selling to  
**131**  
countries

More than  
**200**  
co-creation  
sessions  
conducted with  
customers



**28**  
R&D centers  
worldwide  
driving innovation

More than  
**115,000**  
farmers  
trained in good  
agricultural practices



**19**  
CHOCOLATE  
ACADEMY™  
centers

**37,500**  
chocolate aficionados  
trained in 2015/16

Barry Callebaut | Annual Report 2015/16

What do we offer?

A broad range from standard to the most premium products

### Cocoa Products



### Food Manufacturers



### Gourmet & Specialties

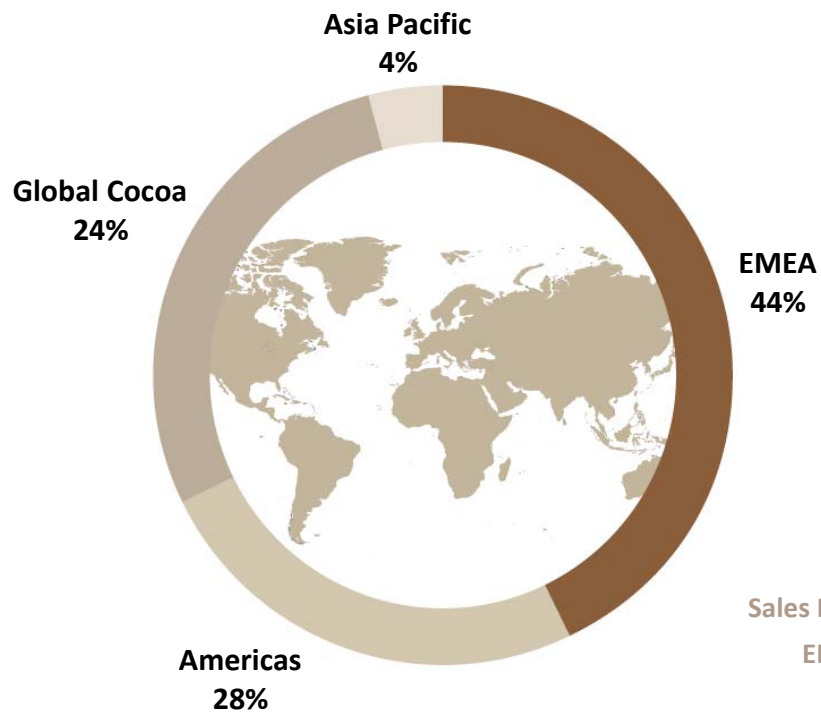


How are we organized?

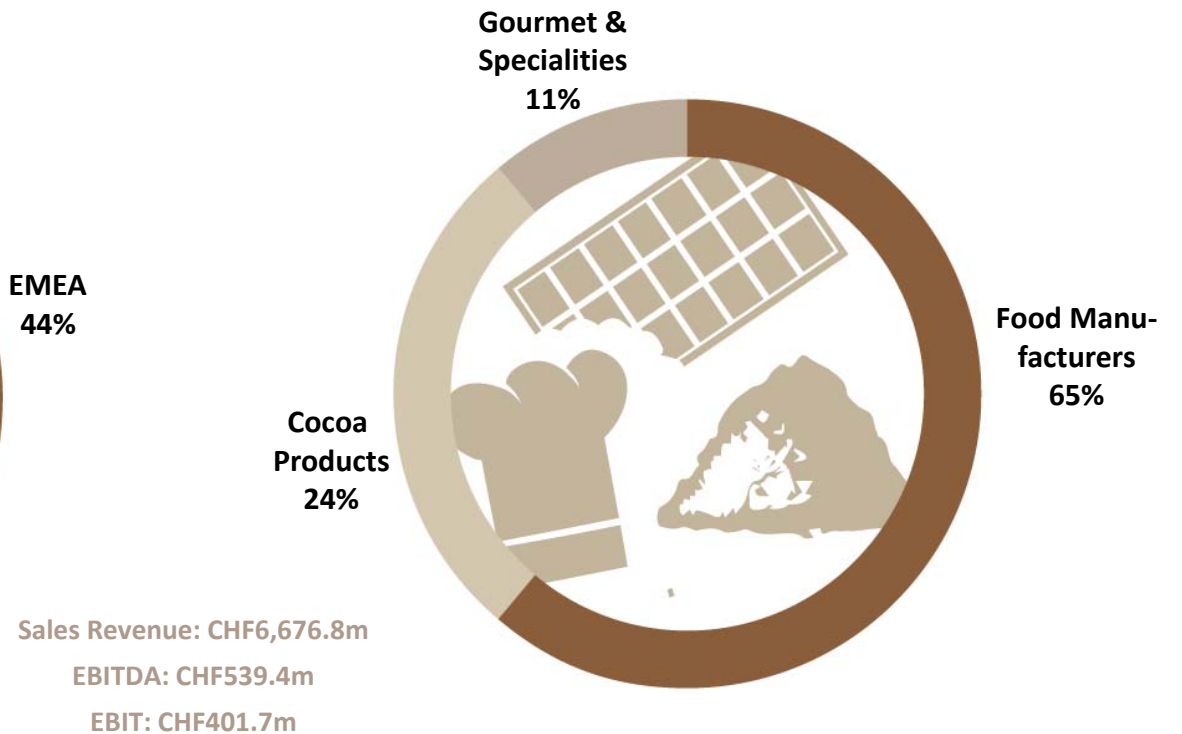
## Our Regional and Product split

FY 2015/16 Sales Volume: 1.8 mio tonnes

### Sales Volume per Region



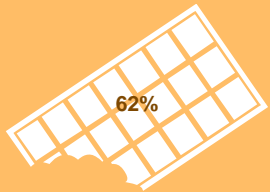
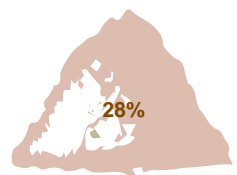

### Sales Volume per Product Group





## Our business model

# We apply a cost plus approach to the majority of the business

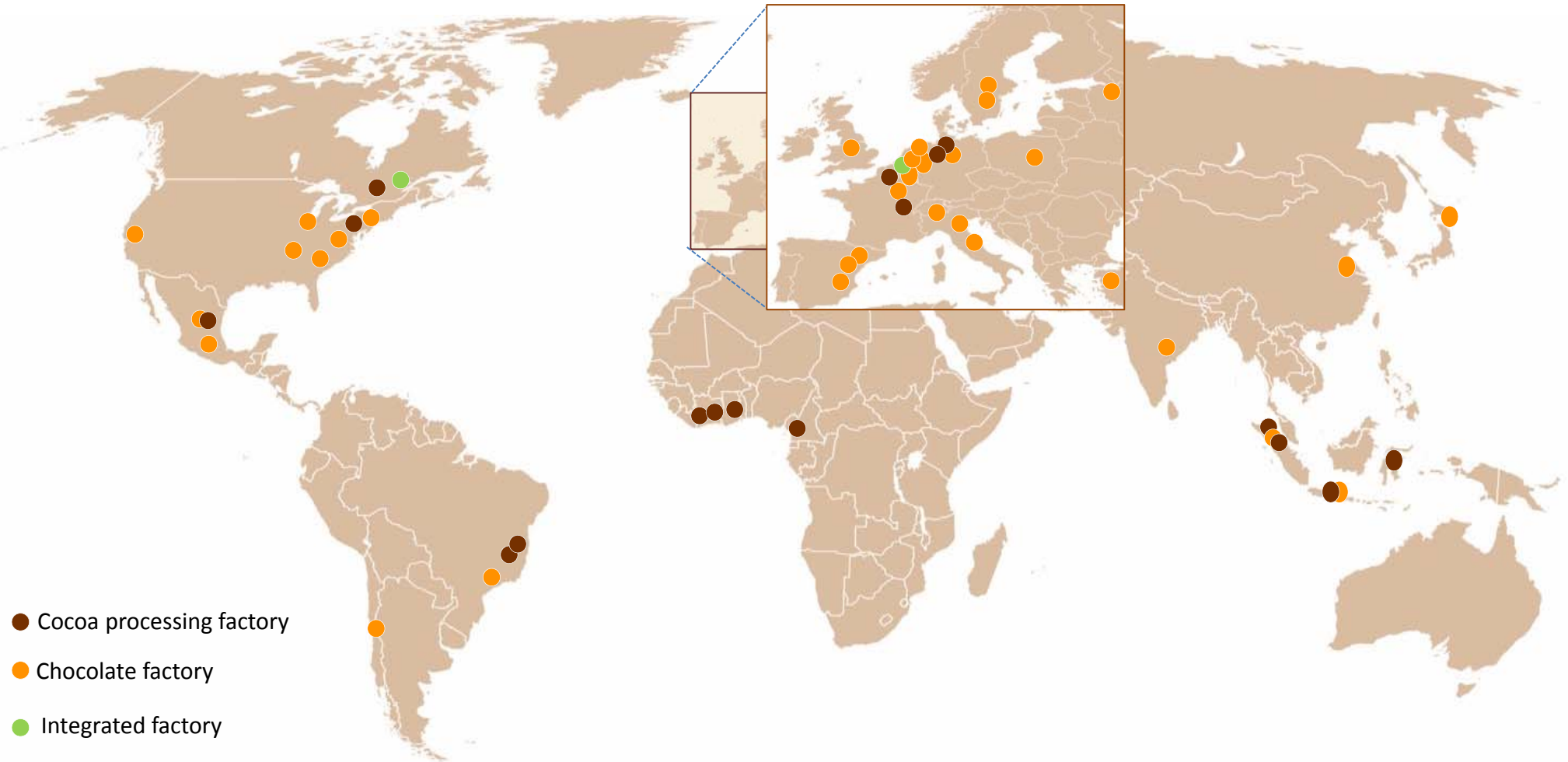
|   | Customers   | Pricing model   | Profit levers  |
|---|---|---|--|
| <b>Food Manufacturers</b><br>          | <ul style="list-style-type: none"> <li>Small, medium and Global Food Manufacturers</li> </ul>   | <ul style="list-style-type: none"> <li>Cost Plus</li> </ul>                                 | <ul style="list-style-type: none"> <li>Customer mix</li> <li>Product mix</li> <li>Economies of scale</li> </ul>                            |
| <b>Cocoa Products</b><br>              | <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><br> | <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 FY2014/15 Group sales volume

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

# A global footprint and a local service

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



## Highlights FY 2015/16





FY results 2015/16

## Proposal to the Annual General Meeting of Shareholders of December 7, 2016



Dr. W. Andreas Jacobs

### Changes in the Board of Directors

- ▶ Dr. W. Andreas Jacobs to step down as Chairman
- ▶ Patrick De Maeseneire proposed for election as new Chairman
- ▶ All other Board members are standing for reelection for another term of office of one year.



Patrick De Maeseneire



FY results 2015/16

## “Smart growth” getting traction, strong free cash flow generation

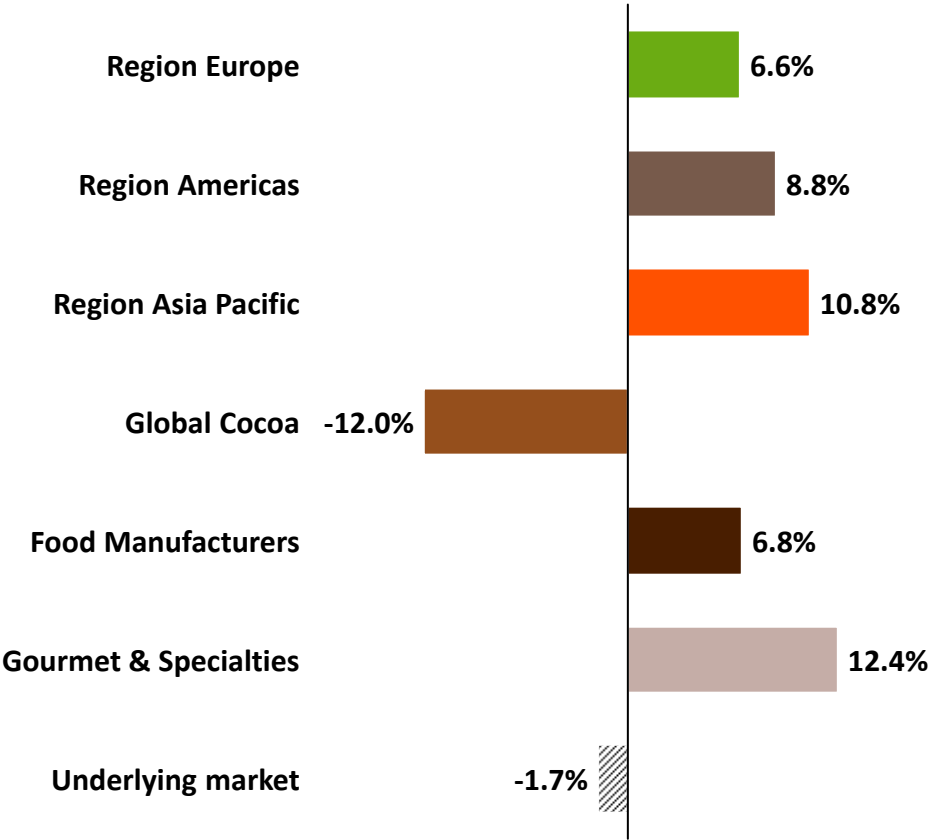


- ▶ Sales volume growth +2.2%, outperforming the market<sup>1</sup>
  - ▶ Strong growth of chocolate business +7.6%
  - ▶ Intentional phase out of less profitable contracts in cocoa products -12.0%
- ▶ Positive contribution from all key growth drivers
- ▶ Profitability as anticipated, Operating profit (EBIT) flat at 0.1% in local currencies, Net profit down -5.1% in local currencies
- ▶ Strong free cash flow of CHF 404 mio.
- ▶ Dividend CHF 15.50 per share. Payout ratio of 39%

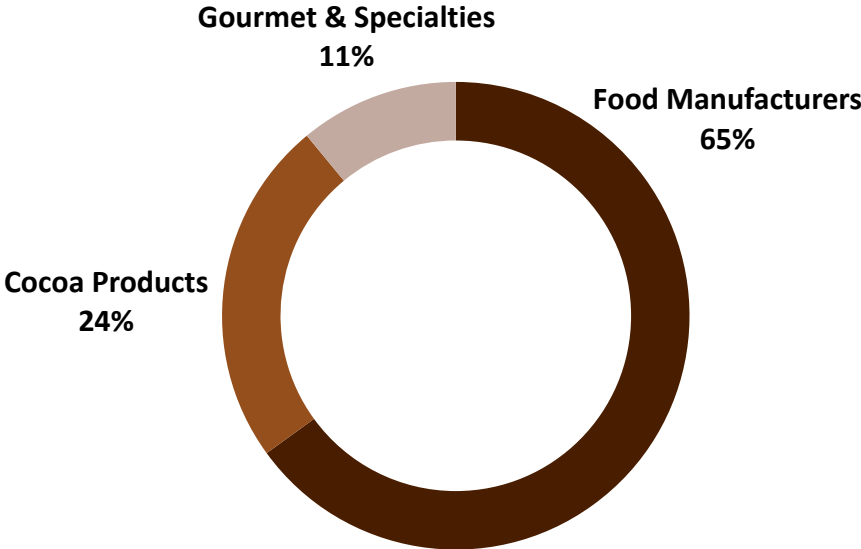
<sup>1</sup> Source Nielsen: -1.7% volume growth in chocolate confectionery for 26 countries from Sept 2015-Aug 2016

# Strong chocolate business across all regions, outperforming the market, while intentional decline in Global Cocoa

Sales volume growth 2015/16 vs. prior year



Sales volume per Product Group



# Highlights 2015/16



Launch of Cocoa Horizons Foundation

Sep 2015



License agreement with Naturex to market Acticoa

Nov 2015



Launch of BC Studio «craft and co-create» chocolate of tomorrow

Dec 2015



Opening of the first Van Houten Beverage™ Academy center in Sweden

Jun 2016



Introduction of Katchilé, Innovative tool for geo-traceability and farm impact measurement

Jun 2016



Opening new, relocated CALLEBAUT® CHOCOLATE ACADEMY center in Mumbai

Aug 2016



Acquisition of commercial vending activities from FrieslandCampina

Nov 2015



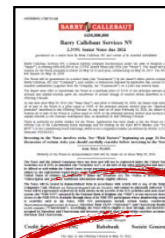
Acquisition of Nyonkopa for sustainable cocoa sourcing from Ghana

Nov 2015



Expansion of West Coast Factory, American Canyon, US

Mar 2016



Successful issue of EUR 450 million 2.375% Senior Notes due 2024

May 2016



Partnership with IDH, the Sustainable Trade Initiative

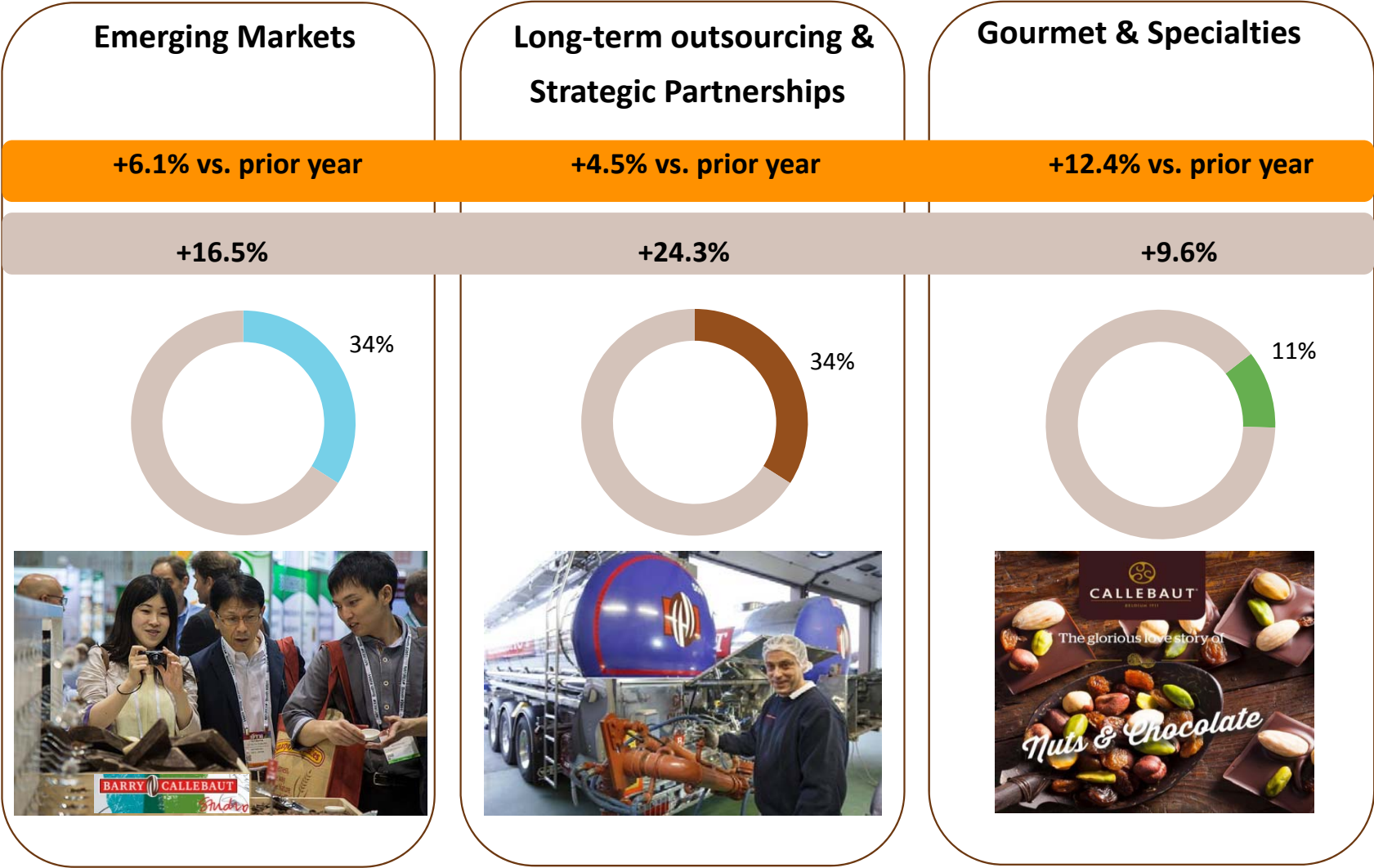
Jun 2016



Strategic partnership with Tony's Chocolonely chocolate from fully traceable sustainable cocoa

Aug 2016

# Volume growth continues to be fuelled by our key drivers



Volume growth  
FY 2015/16

CAGR 5 year  
Volume

%  
of total Group  
Sales Volume



## Driving growth in Emerging Markets...



- ▶ Opening our first chocolate factory in Indonesia to supply our long-term agreement with Garuda Foods
- ▶ Major expansion of our chocolate factory in Singapore: new production line, molding line and warehouse facility. Total investment of CHF 18 million
- ▶ Opening new, relocated CALLEBAUT® CHOCOLATE ACADEMY center in Mumbai
- ▶ Double-digit growth in China, India and Latin America in both Food Manufacturers and Gourmet businesses, capturing new customers

# Driving growth in Gourmet & Specialties...

**Fast growing with  
global and local brands**



**Expanding our successful  
Beverages business**



**Accelerating growth in  
Specialties and  
Decorations**



## Driving growth by expanding and capturing strategic partnerships...



- ▶ **Extension of strategic partnership with Mondelēz International**
  - ▶ Intention to acquire and integrate the chocolate production facility of Mondelēz International in Halle, Belgium
  - ▶ Long-term agreement for the supply of **additional 30,000 tonnes of liquid chocolate per year**
  - ▶ Closing expected by Dec 2016



- ▶ **New long-term contracts with mid-size customers in emerging markets**
- ▶ **Strategic partnership to supply chocolate from fully traceable cocoa with Tony's Chocolonely**

## Bringing Global Cocoa to the next level

### Driving commercial excellence

- Sharpening focus on customers
- New pricing model in place and sales incentive scheme aligned
- SKU reduction by 25%



### Leveraging our scale in execution

- Combined ratio organization & governance in place
- Global product availability
- Elevating our market intelligence



### Optimizing our operations

- Creating an optimal manufacturing footprint
- More competitive direct sourcing model
- More efficient product flows and optimal stock levels





# “Smart growth” getting traction in FY 2015/16

**Growing with customers while adding value**



**Bringing cocoa to the next level**



**Greater discipline on free cash flow**



## Financial Highlights FY 2015/16



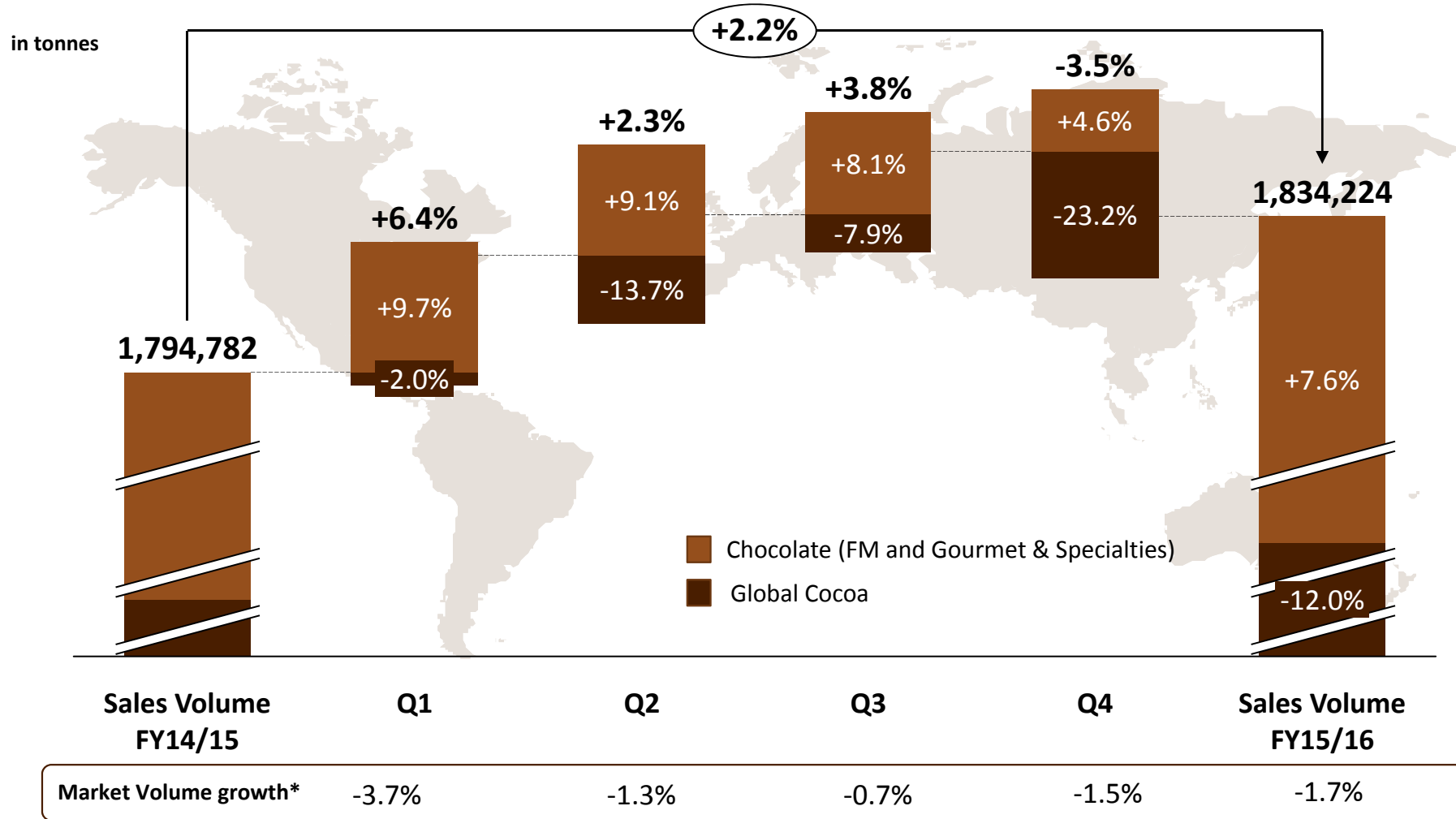
FY results 2015/16

## Solid volume growth, profitability as anticipated and flat in local currencies

| Group performance<br>(In CHF mio.) | FY 2015/16<br>(in CHF) | % vs prior year<br>(in CHF) | % vs prior year<br>in local<br>currencies |
|------------------------------------|------------------------|-----------------------------|---|
| Sales Volume Total<br>(in tonnes)  | 1,834,224              |                             | <b>+2.2%</b>                              |
| Sales Revenue                      | 6,676.8                | +7.0%                       | <b>+8.8%</b>                              |
| Gross Profit                       | 863.2                  | +1.9%                       | <b>+4.4%</b>                              |
| EBIT Total                         | 401.7                  | -3.2%                       | <b>+0.1%</b>                              |
| <i>EBIT per tonne</i>              | 219.0                  | -5.2%                       | <b>-2.0%</b>                              |
| Net profit for the year            | 219.0                  | -8.7%                       | <b>-5.1%</b>                              |
| Free cash flow                     | 404.0                  |                             |   |

FY results 2015/16

Strong volume growth across all the chocolate Regions, while intentional phase out of less profitable contracts in Global Cocoa

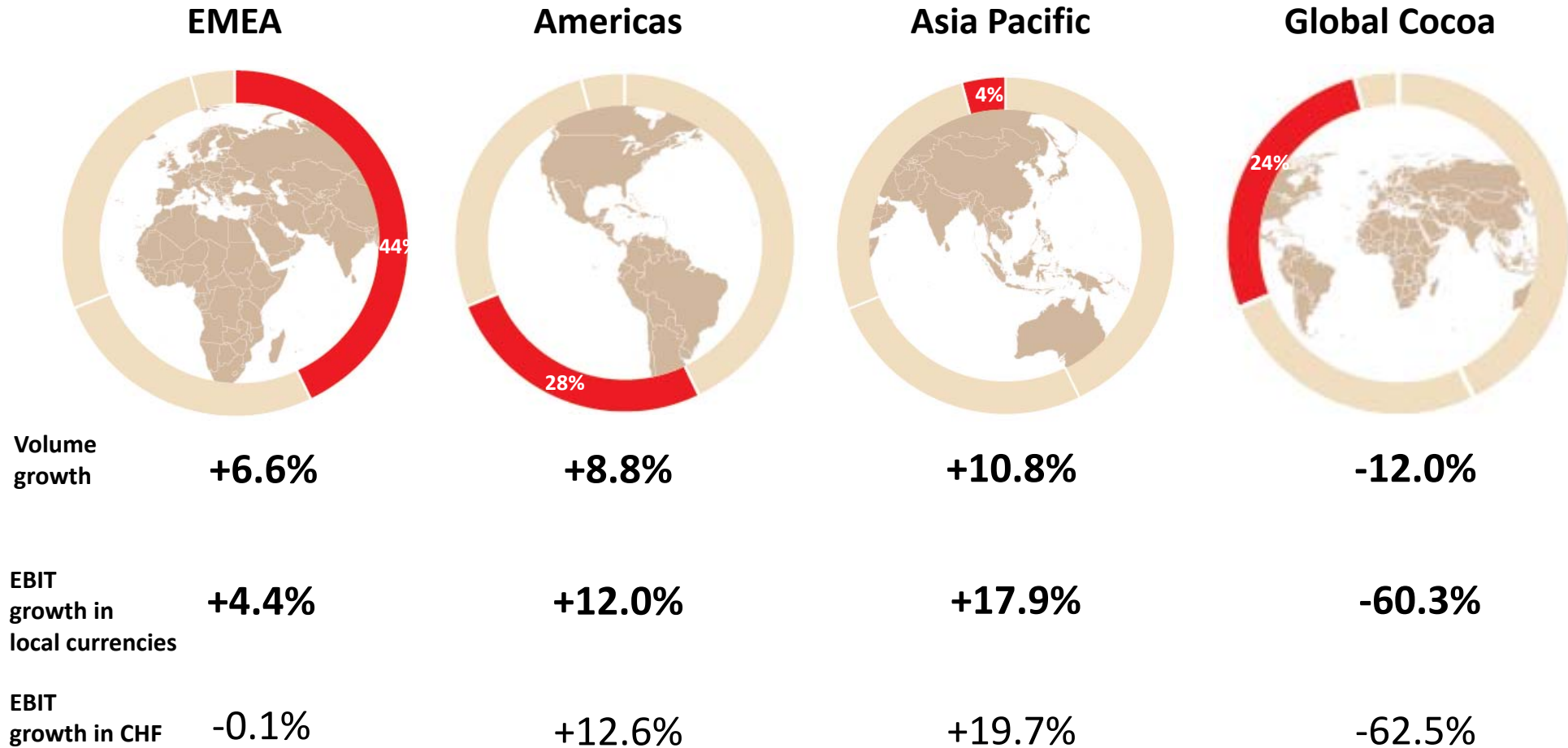


\*Source: Nielsen chocolate confectionery in volume – 26 countries



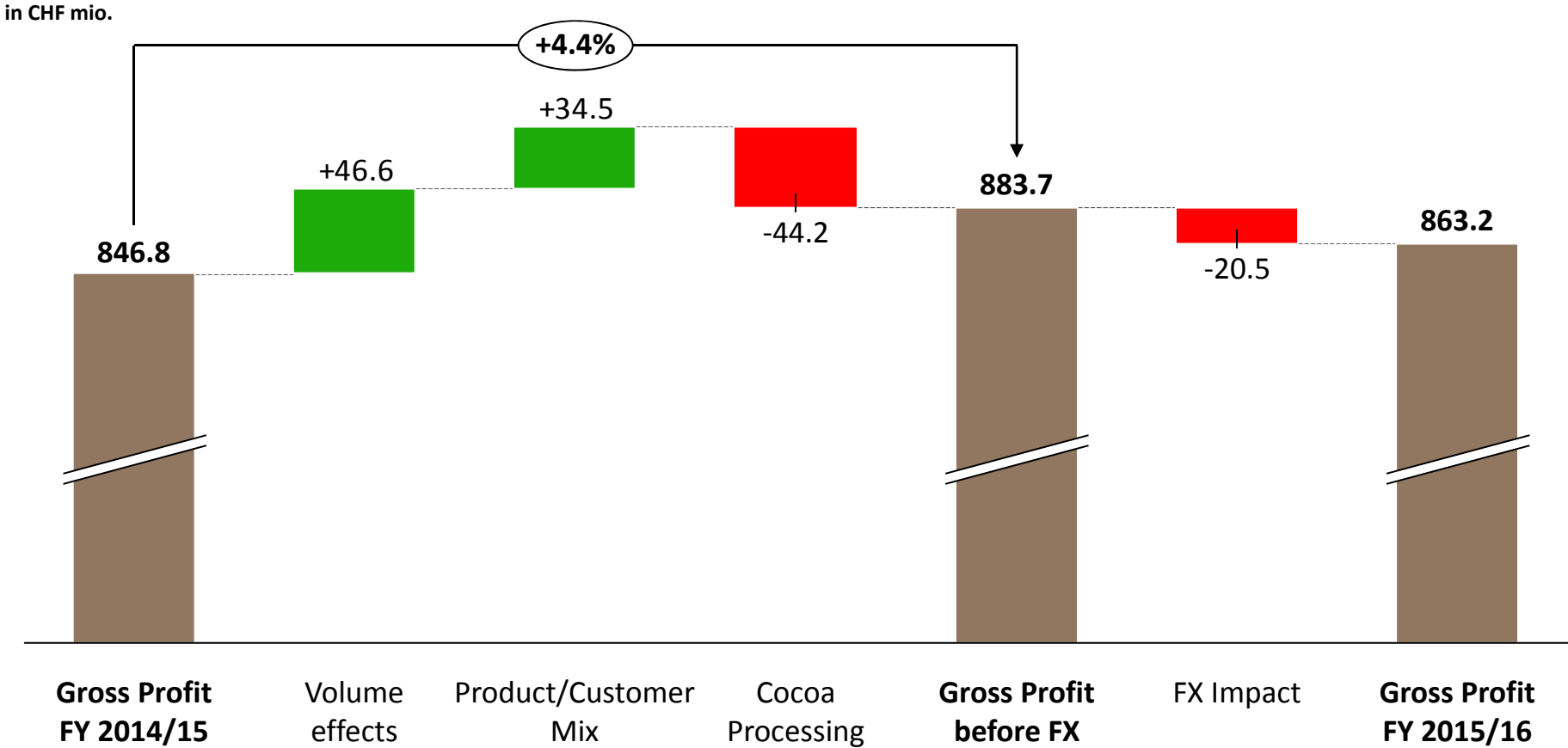
FY results 2015/16

Strong chocolate performance, in Global Cocoa profitability temporarily affected by challenging cocoa products market



Gross Profit FY 2015/16

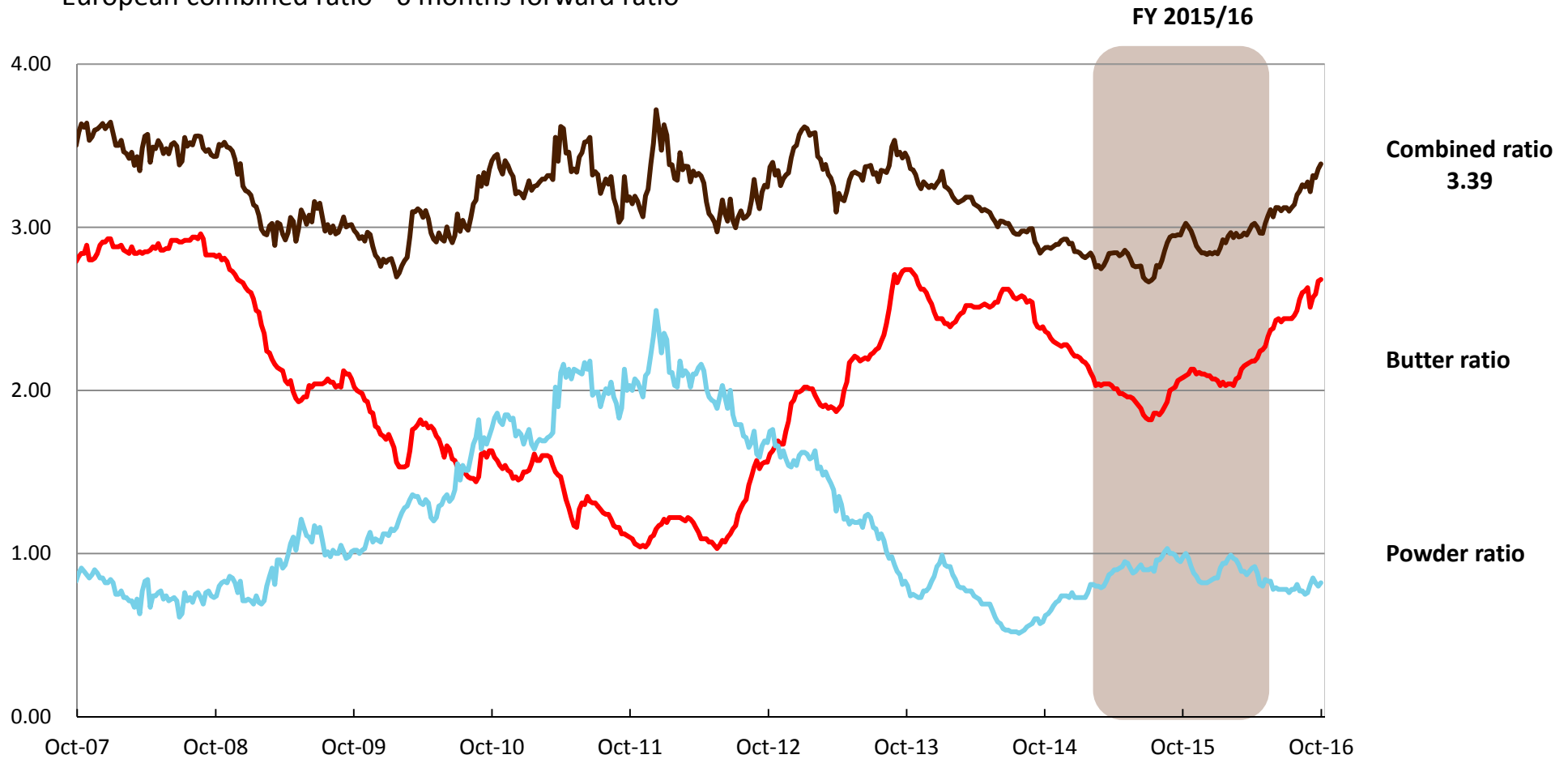
Gross profit up +4.4% before FX impact, driven by positive volume effects, margin mix and despite a historically low combined cocoa ratio



## Cocoa processing profitability

Historically low combined cocoa ratio strongly impacted FY 2015/16; recent signs of recovery, albeit with regional differences

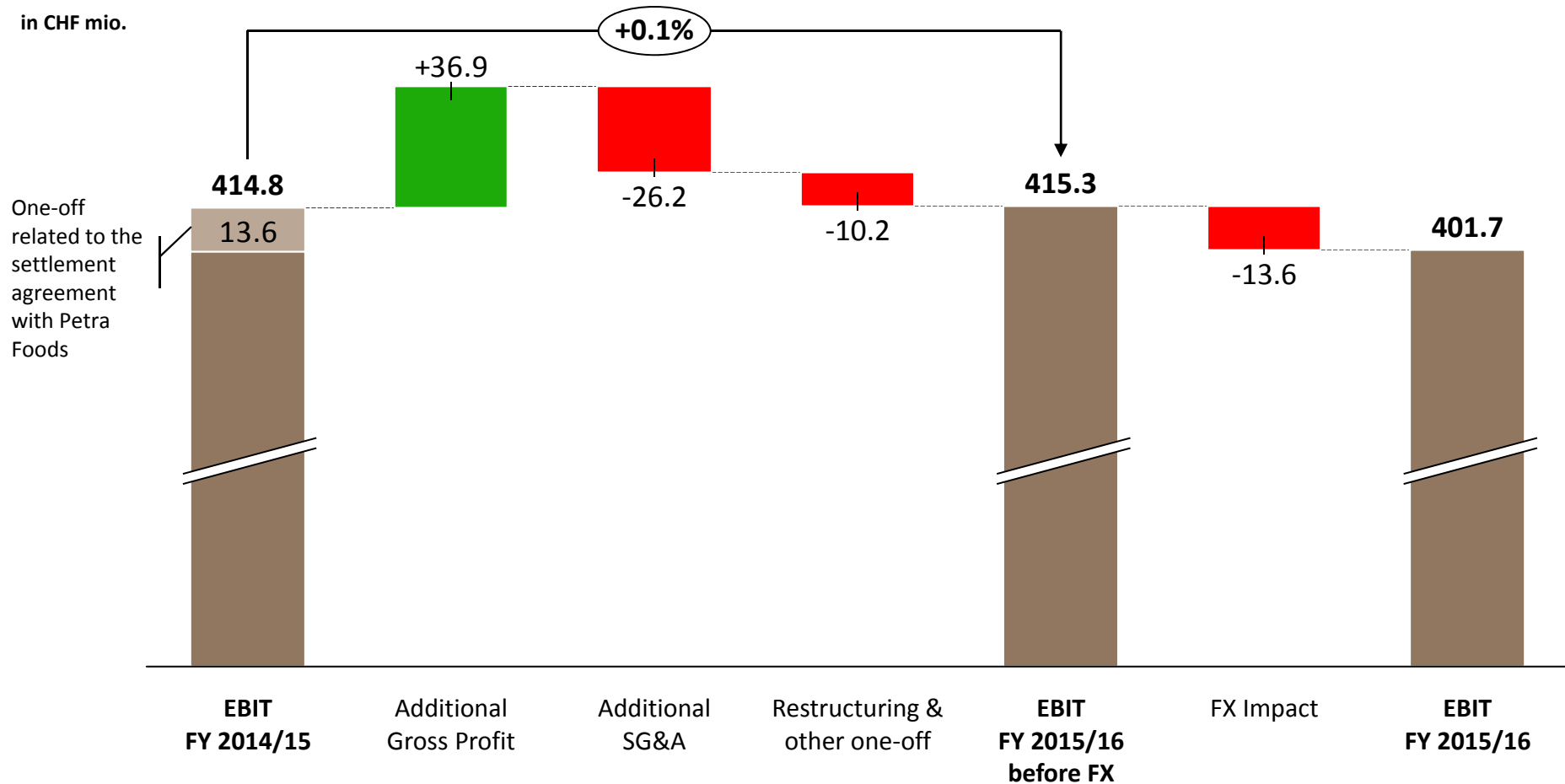
European combined ratio - 6 months forward ratio



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 FY 2015/16

Operating profit flat in local currencies, supported by good product and customer mix, while setting up the path for continued “smart growth”

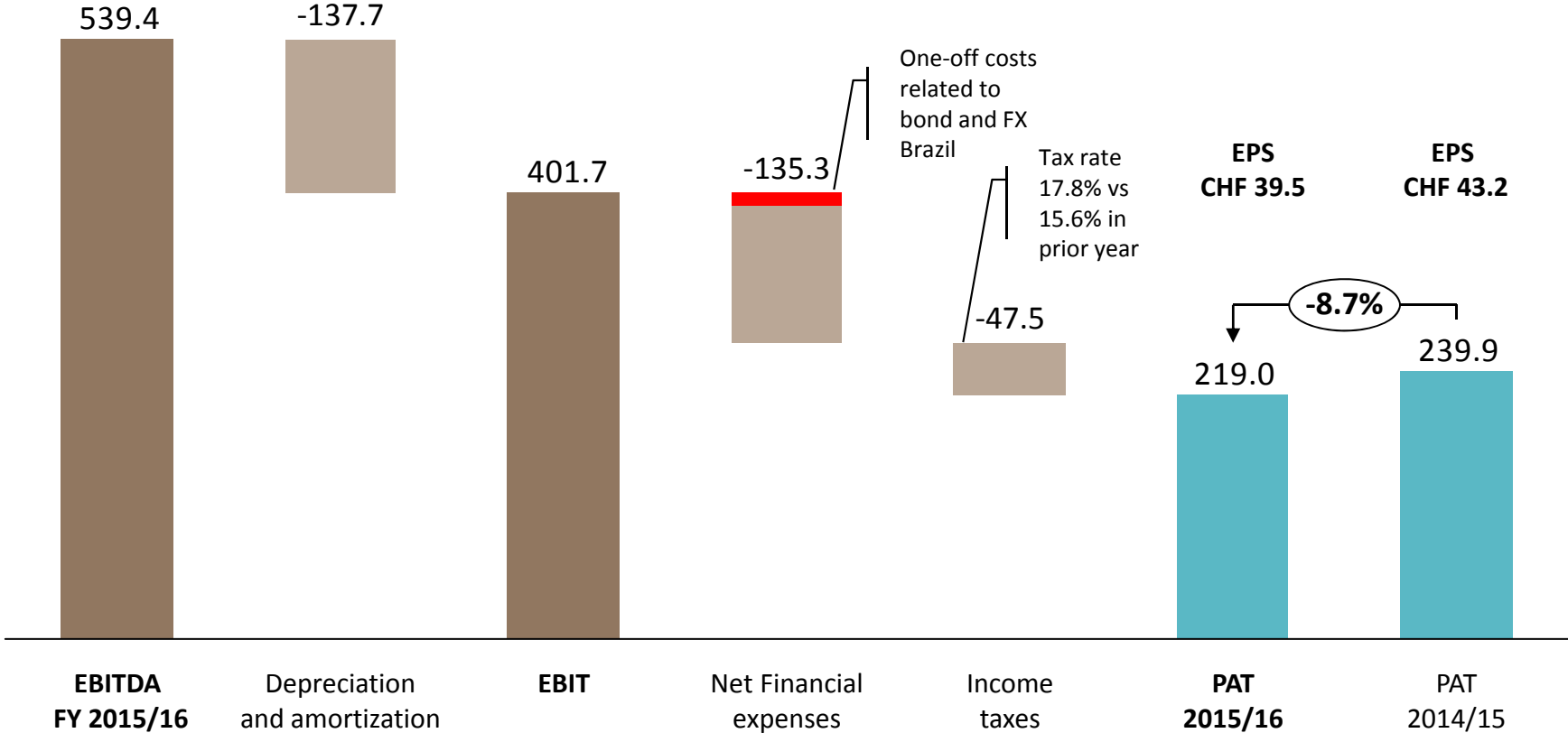




From EBITDA to Net Profit

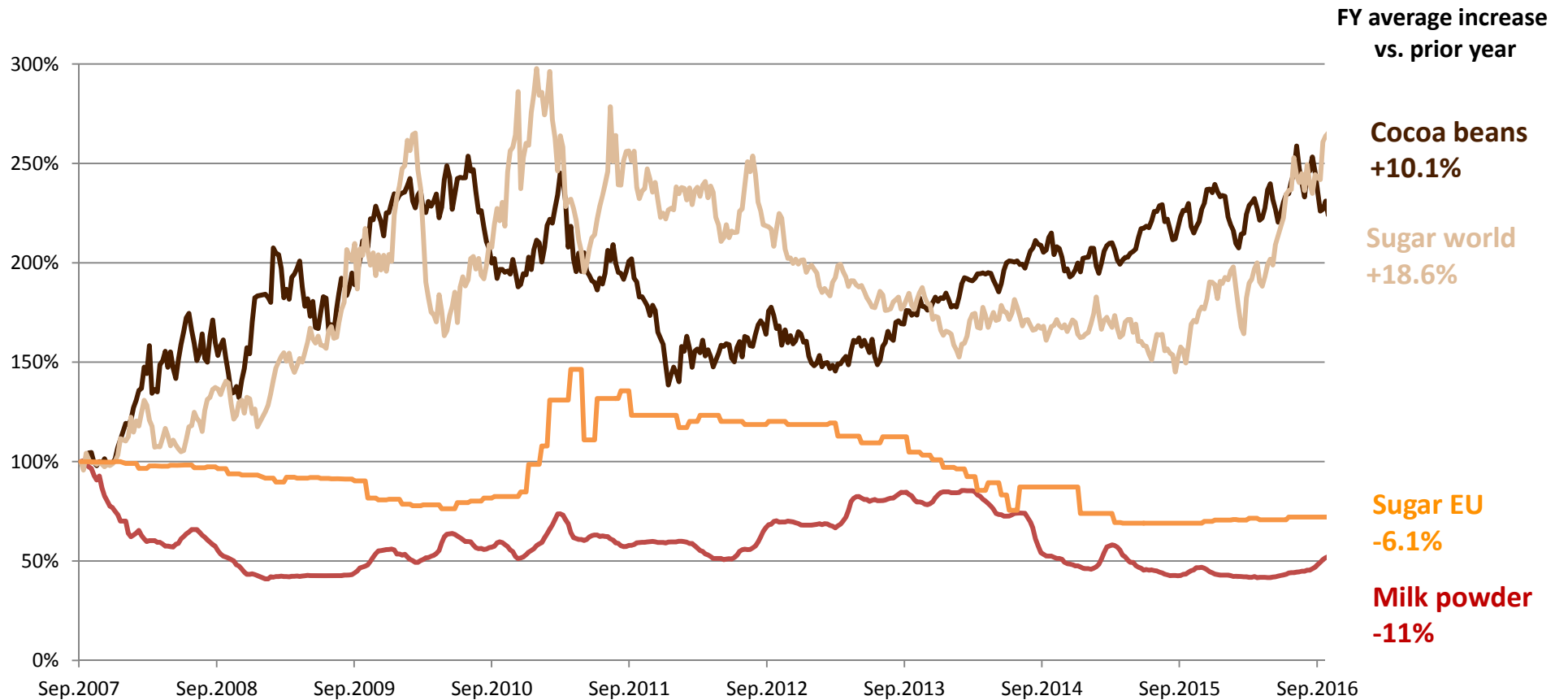
# Net Profit down 8.7% in CHF, due to higher financial expenses, as well as higher taxes

in CHF mio.



## Raw materials price evolution

# Cocoa bean at high levels; world sugar prices increased, milk powder at low levels

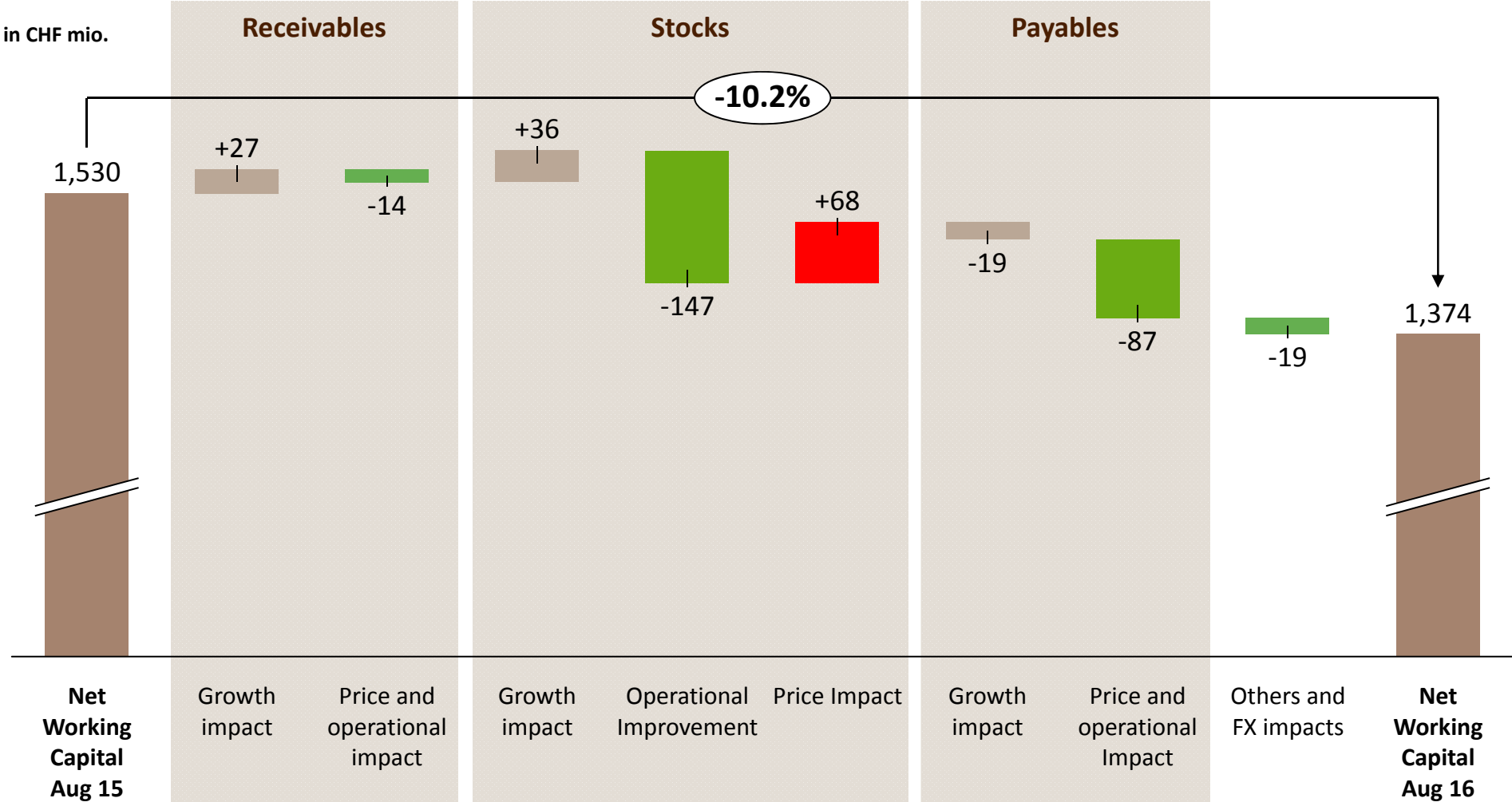


Note: All figures are indexed to Sep 2007

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

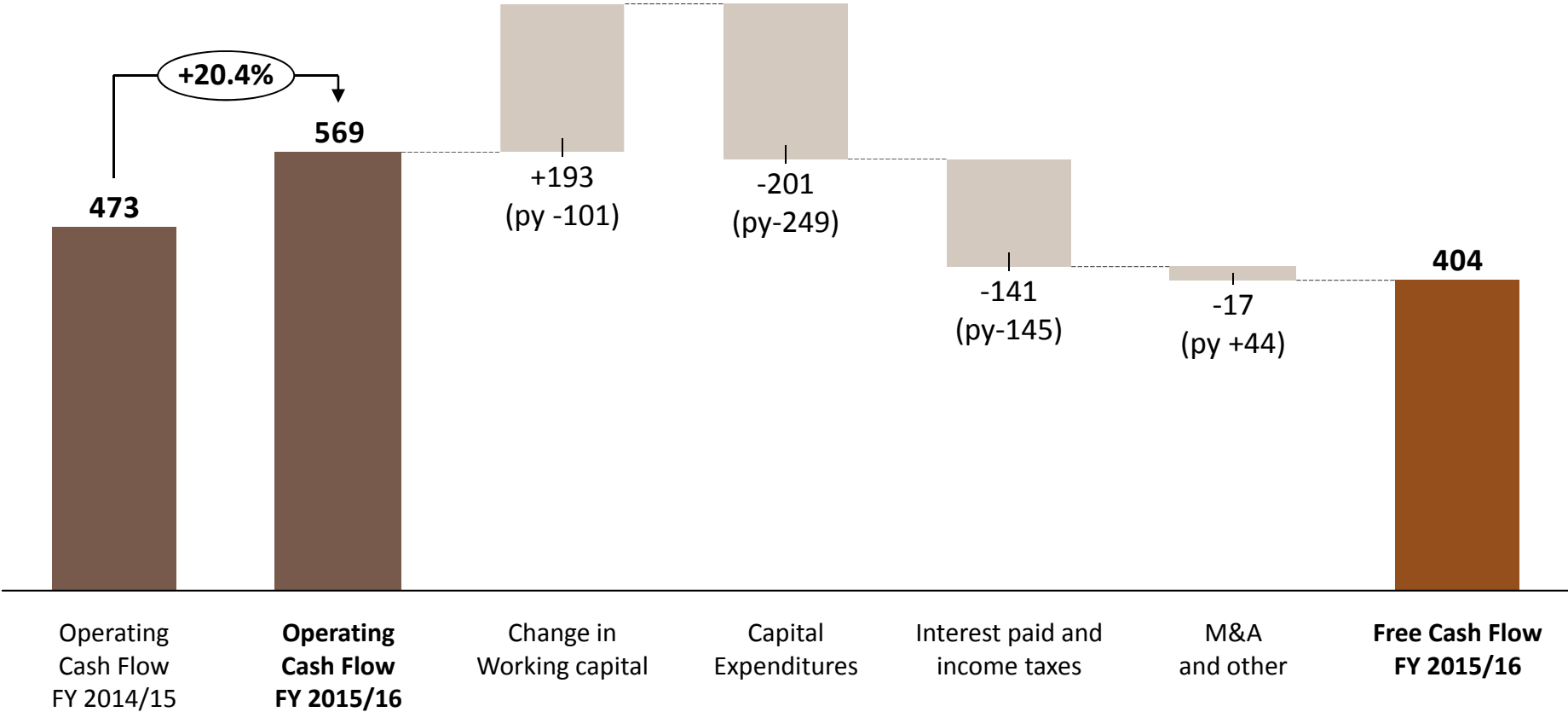
Working Capital below prior year as a result of successful inventory reduction program and positively impacted by one-offs



Free Cash Flow

Strong cash flow generation as a result of efforts to reduce working capital and strict discipline on CAPEX

in CHF mio.





## Balance Sheet & key ratios

Improvement of our some financial ratios, based on our “smart growth” strategy and some positive one-off effects

|                              | Aug 16  | Aug 15  |
|------------------------------|---------|---------|
| Total Assets [CHF m]         | 5,640.8 | 5,429.4 |
| Net Working Capital [CHF m]  | 1,374.6 | 1,529.7 |
| Non-Current Assets [CHF m]   | 2,301.0 | 2,185.5 |
| Net Debt [CHF m]             | 1,452.8 | 1,728.0 |
| Shareholders' Equity [CHF m] | 1,956.3 | 1,772.8 |
| Debt/Equity ratio            | 74.3%   | 97.5%   |
| Solvency ratio               | 34.7%   | 32.7%   |
| Net debt / EBITDA            | 2.7x    | 3.2x    |
| Interest cover ratio         | 4.0x    | 4.1x    |
| ROIC                         | 9.5%    | 9.8%    |
| ROE                          | 11.2%   | 13.5%   |

## Dividend

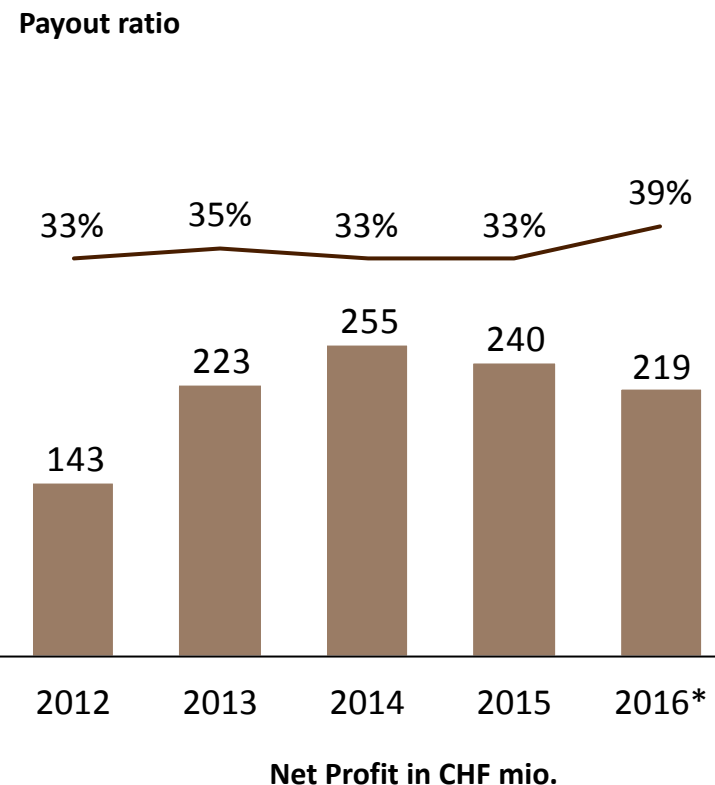
# Proposed payout of CHF 15.50 per share, up CHF 1.00 per share

### Proposed dividend

- ▶ CHF 15.50 per share<sup>1</sup>
- ▶ Payout of 39% of Net Profit
- ▶ Not subject to withholding tax<sup>2</sup>

### Timetable for dividend

- ▶ Shareholder approval: Dec 7, 2016 (AGM)
- ▶ Expected ex-date: Feb 28, 2017
- ▶ Expected payment date: March 2, 2017



\* As proposed by the Board to our Shareholders

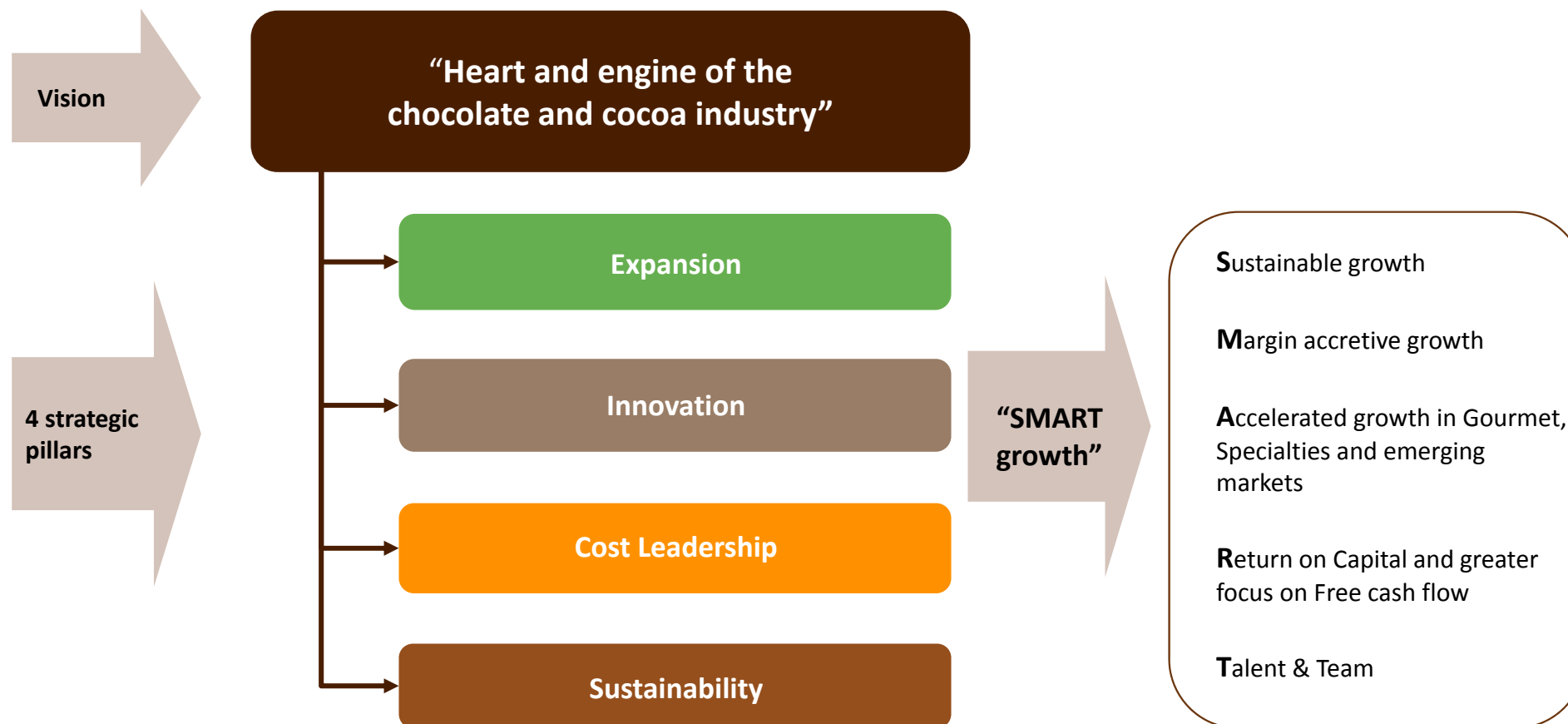
1) Partly from reserves from capital contributions (CHF 4.19 per share) and partly in the form of a capital repayment by way of a par value reduction (CHF 11.31 per share)

2) For individuals who are taxed in Switzerland and hold the shares privately also no income tax

## Strategy update & Outlook

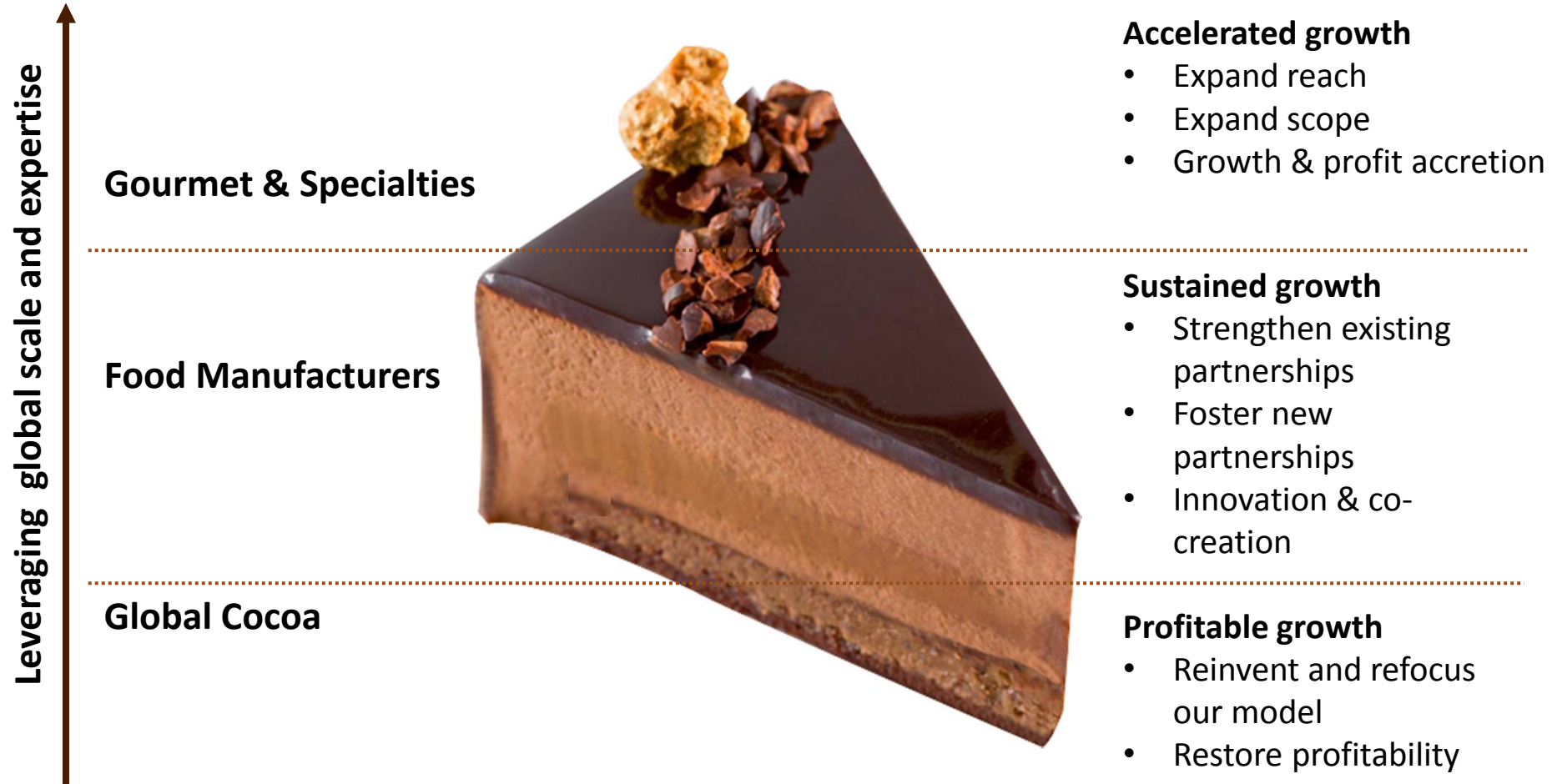


# Consistent long-term strategy, focus on execution





# Execution translated into our Product groups



# Strategic priorities 2016/17



- ▶ **Grow Competitively**
  - ▶ Further leverage our innovation capabilities
    - ▶ Inspire and co-create
  - ▶ Nourish & expand partnerships
  
- ▶ **Grow Sustainably**
  - ▶ Cocoa
  - ▶ Beyond cocoa
  - ▶ Talents & teams
  
- ▶ **Grow Profitably**
  - ▶ Cocoa Leadership deployment
  - ▶ Increase leverage
    - ▶ Footprint & Capabilities
  - ▶ Disciplined execution
    - ▶ Quality & service
    - ▶ Profitability & cash

## Outlook

Continue to strive for a smart balance between consistent, above-market volume growth and enhanced profitability



### Outlook

- ▶ Continue to implement “smart growth”, we have good visibility on volume growth and expect positive contribution to profitability from our Cocoa Leadership project.

### Mid-term guidance (2015/16 - 2017/18)

- ▶ 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



# Appendix



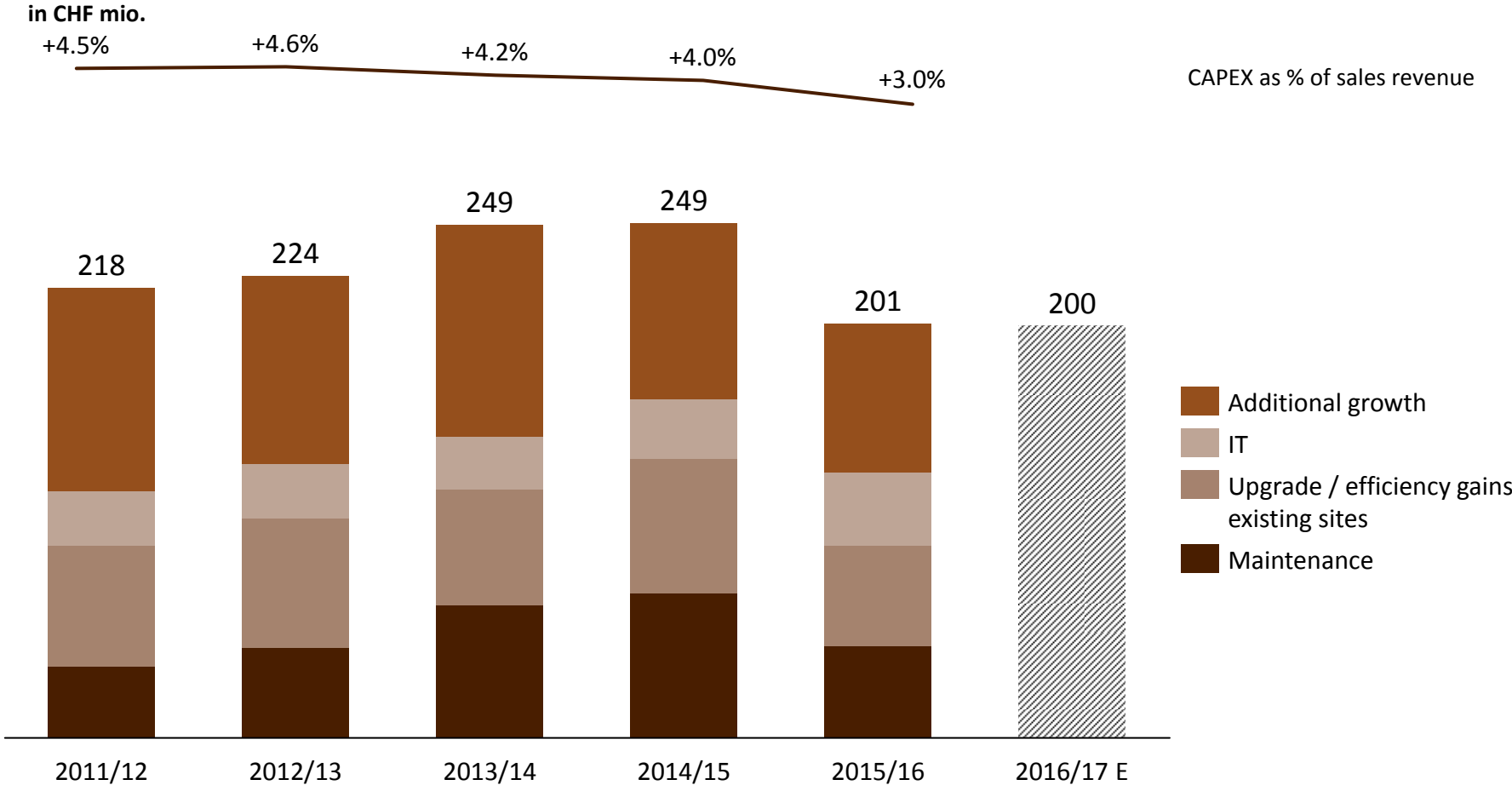
# What makes Barry Callebaut unique?



- ▶ 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

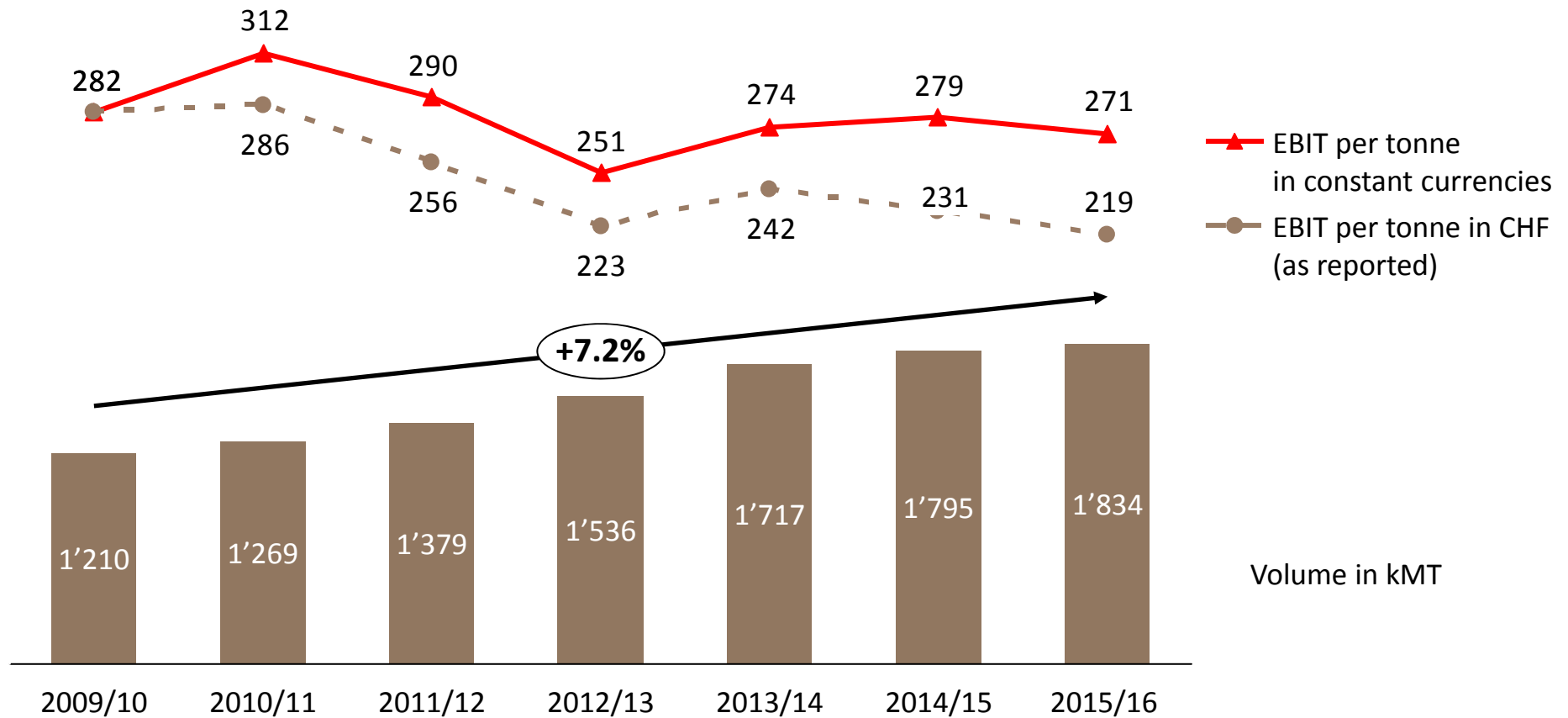


# Capital Expenditures



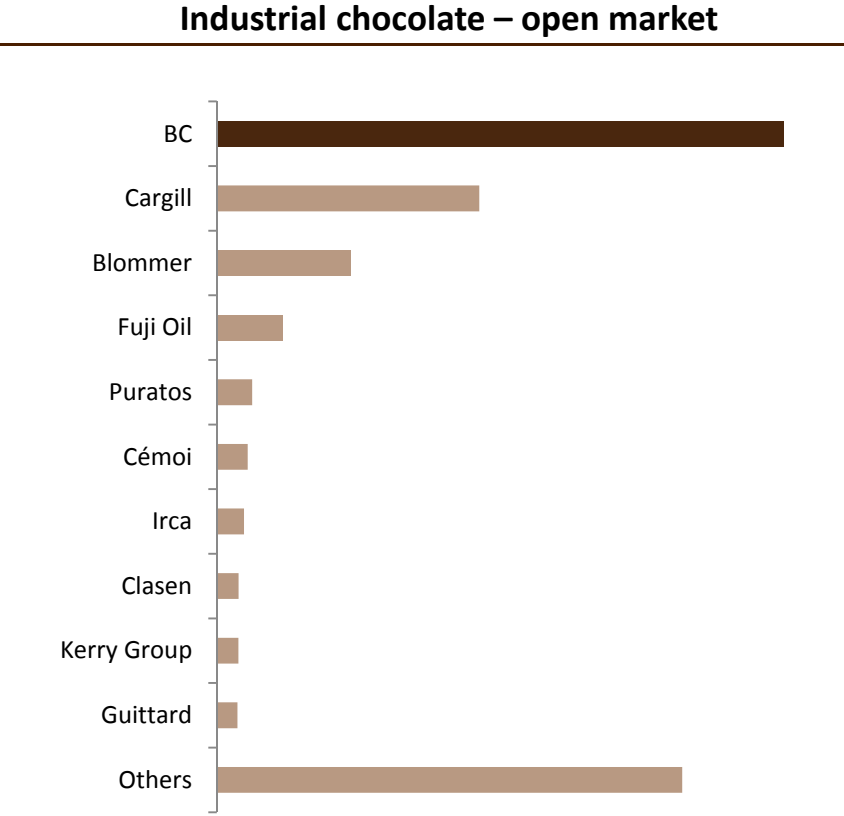
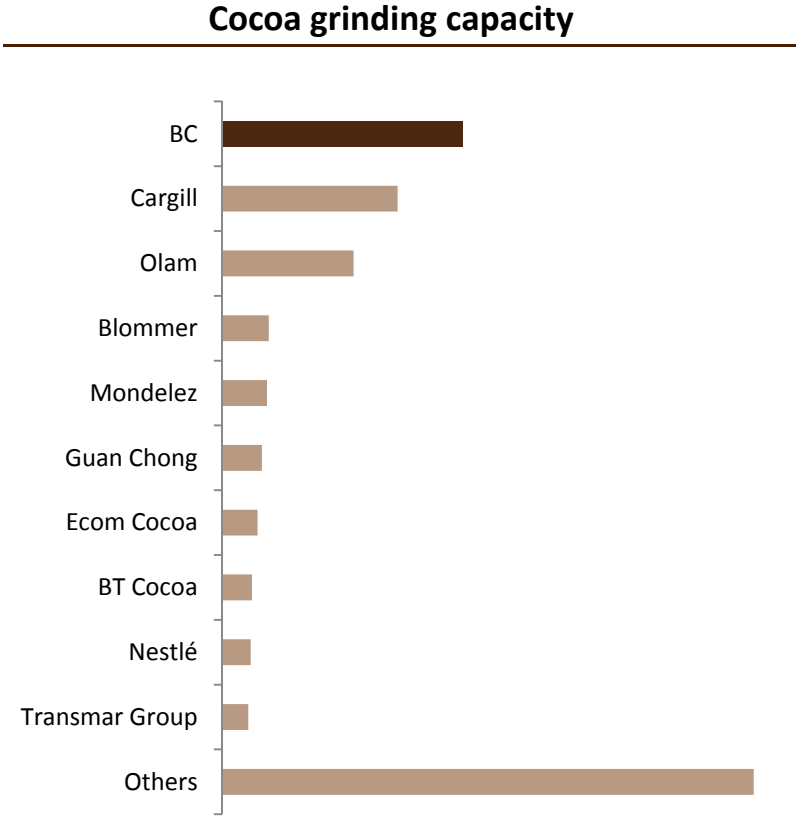
## 7-year EBIT per tonne development

EBIT per tonne temporarily affected by a challenging cocoa products market and a strong Swiss franc



Chocolate and Cocoa markets

# Barry Callebaut uniquely positioned in industrial chocolate and cocoa markets

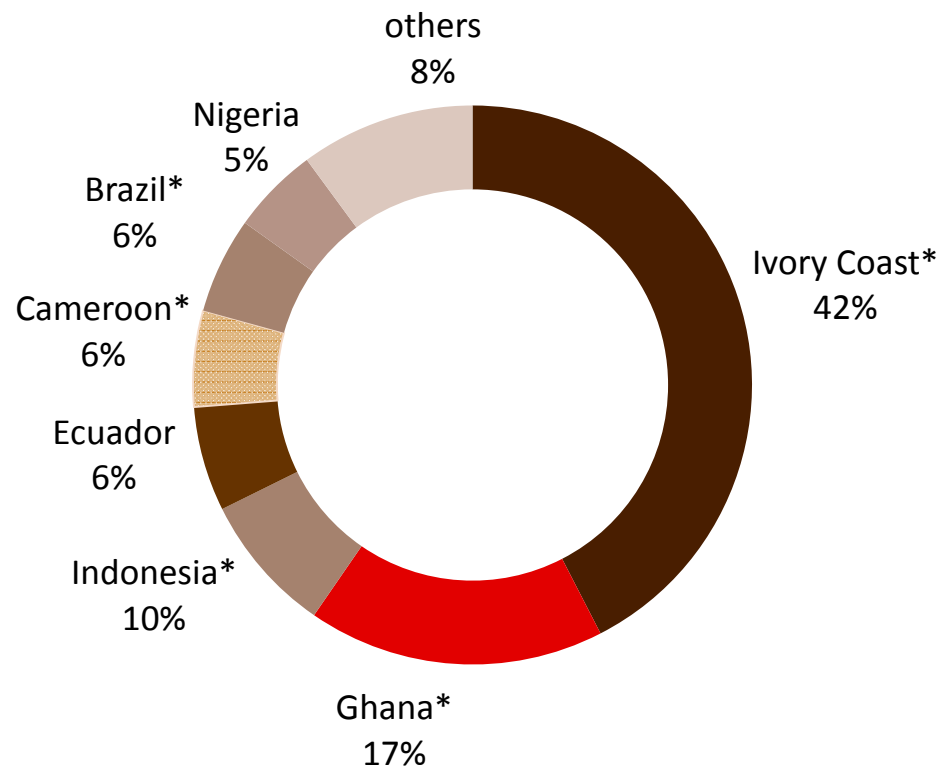


**Notes:** Olam incl. ADM; Cargill incl. ADM chocolate business; Fuji Oil incl. Harald  
**Sources:** Proprietary estimates



# West Africa is the world's largest cocoa producer

Total world harvest (14/15): 4,157 TMT

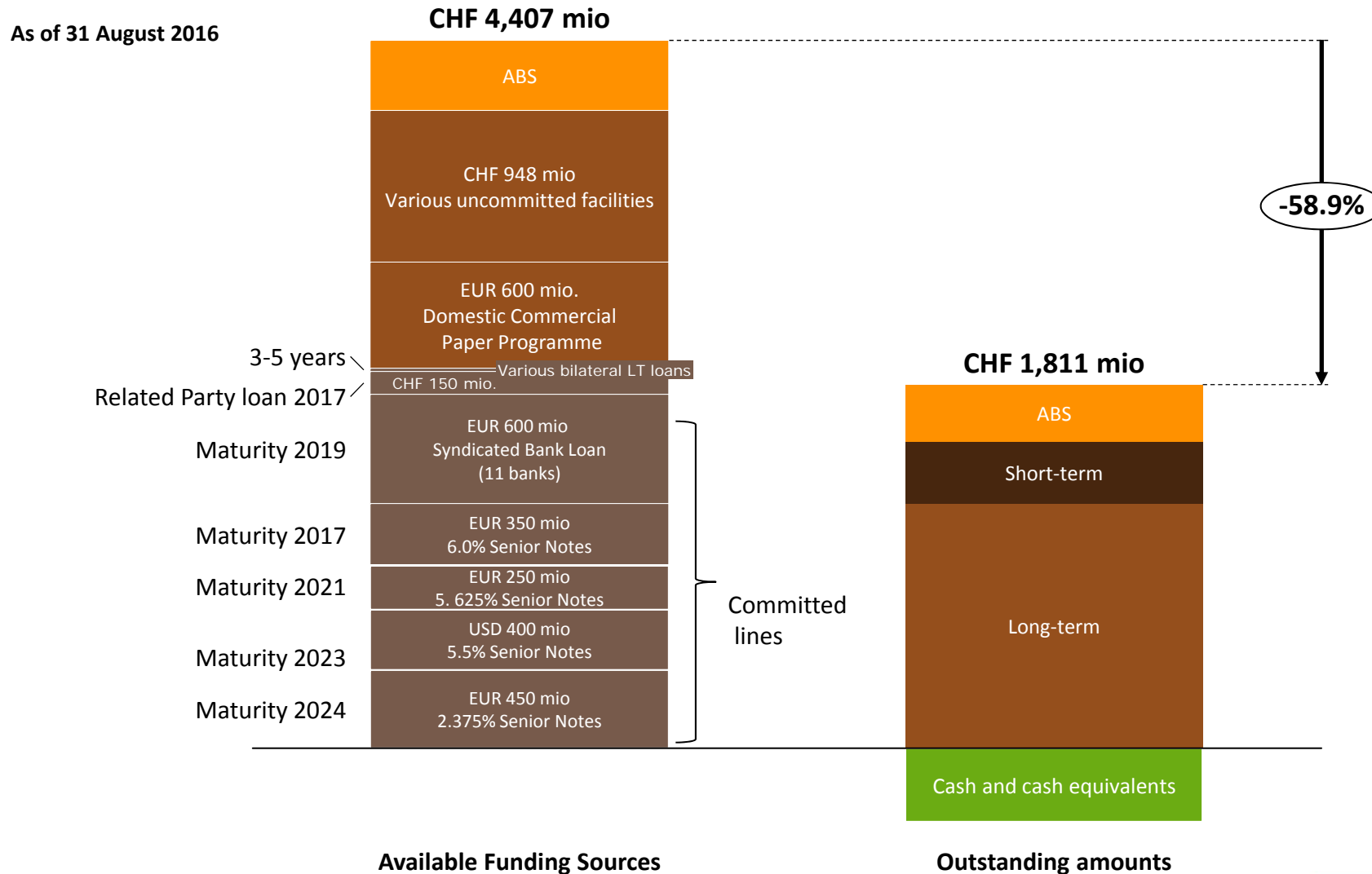


- ▶ About 70% of total cocoa beans come from West Africa
- ▶ BC processed ~925,000 tonnes or 22% of the world crop
- ▶ Barry Callebaut has various cocoa processing facilities in origin countries\*, in Europe and in the USA

Source: ICCO estimates

# Available Financing

## Enough headroom for further growth and raw material price fluctuations





# Liquidity – Debt maturity profile

As of 31 August 2016

In CHF mio

