



# Barry Callebaut

CAGE – Consumer Analyst Group Europe  
CEO – Juergen Steinemann

London, March 20th 2013

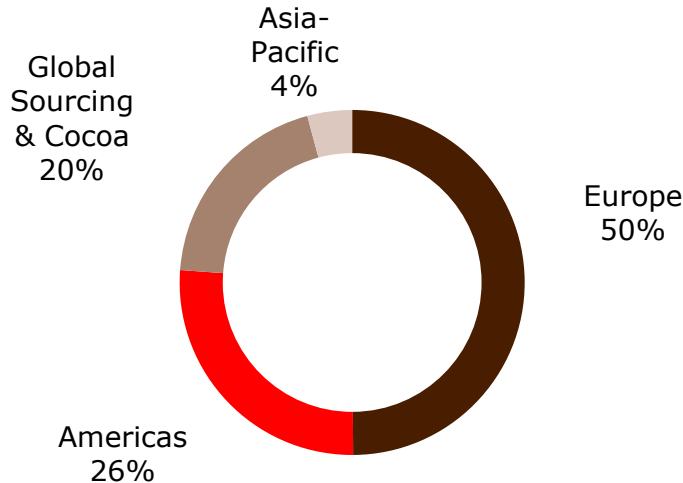




# Barry Callebaut at a glance

## FY 2011/12

Sales volume = 1.4 mio tonnes



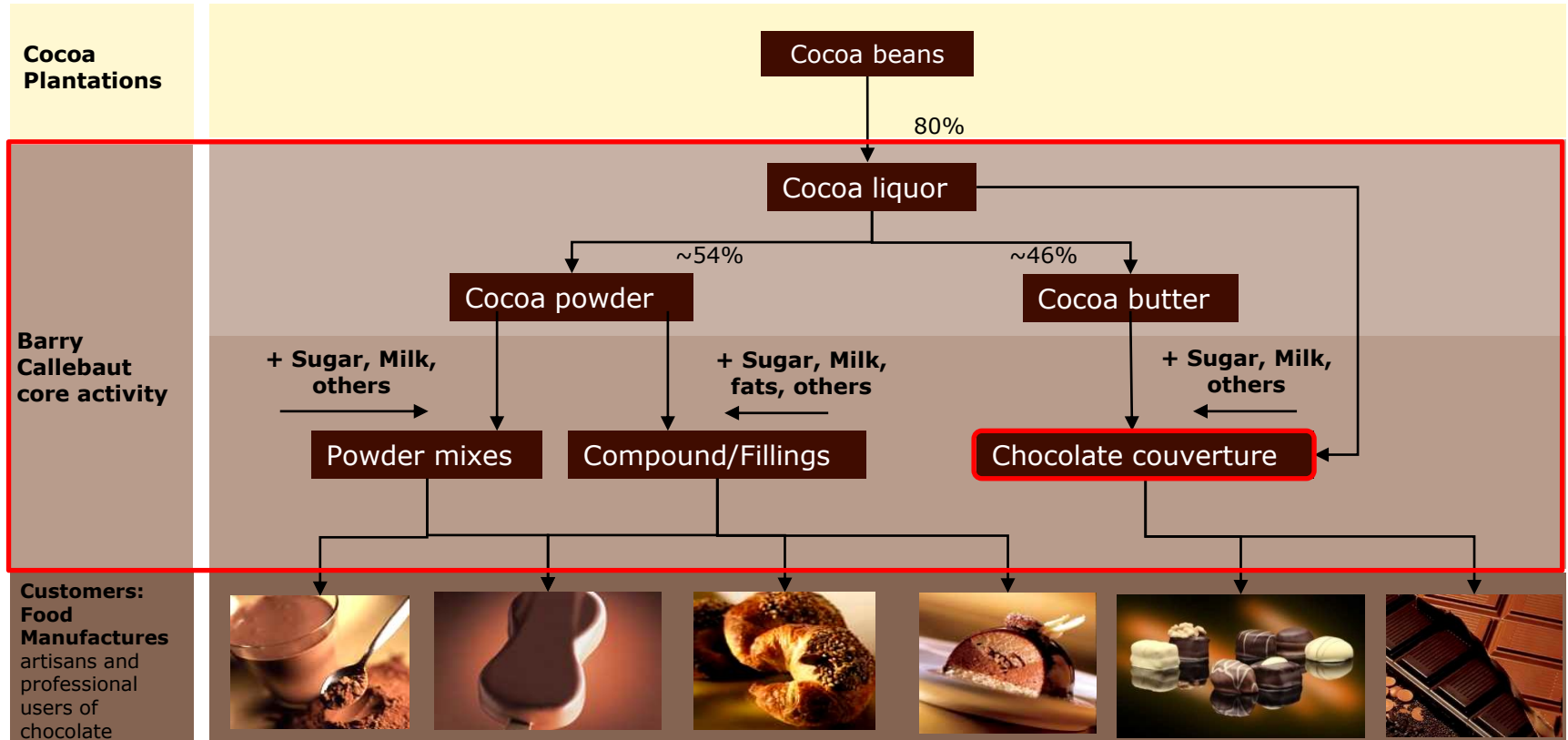
Sales revenue = CHF 4,829.5 m

EBIT = CHF 353.2 m

- ▶ **World leader** in high-quality cocoa and chocolate products and **outsourcing/ strategic partner** of choice
- ▶ World's **largest supplier of Gourmet & Specialties** chocolate for artisanal customers
- ▶ **6,000 people** worldwide, **45 factories**
- ▶ **Fully integrated** with a strong position in cocoa-origin countries
- ▶ **Over 6,000 recipes** to cater for a broad range of individual customer needs
- ▶ We **serve the entire food industry**, from food manufacturers to artisans and professional users



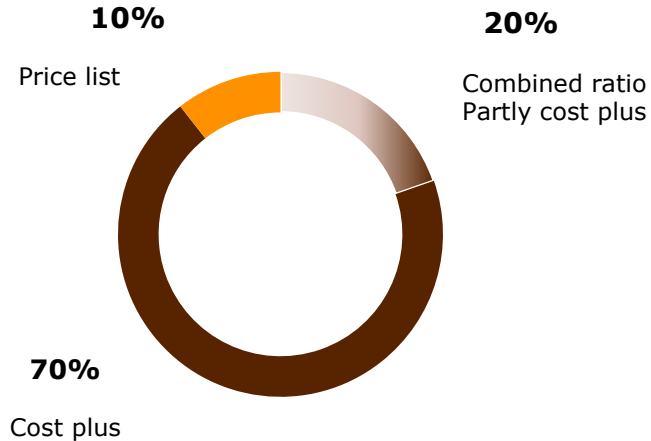
# Vertically integrated in cocoa sourcing and processing





# Robust business model

## Barry Callebaut business model

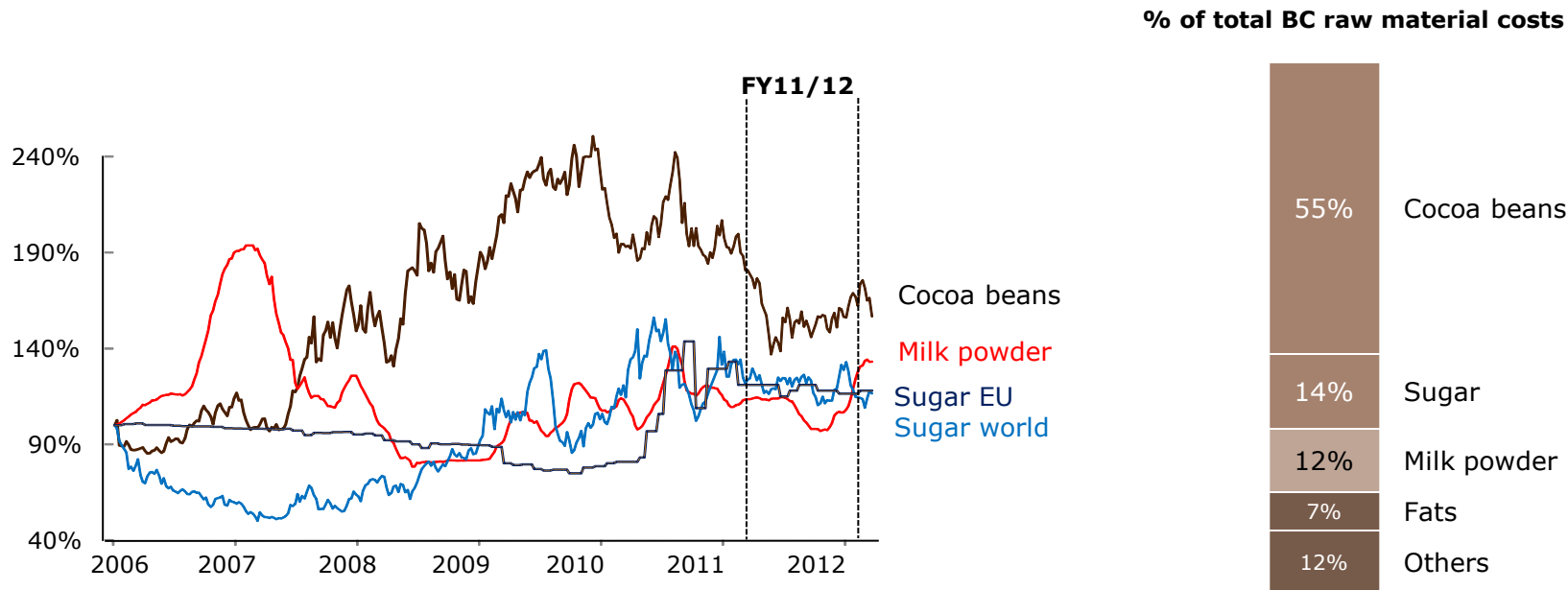


■ **80% Cost Plus**

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



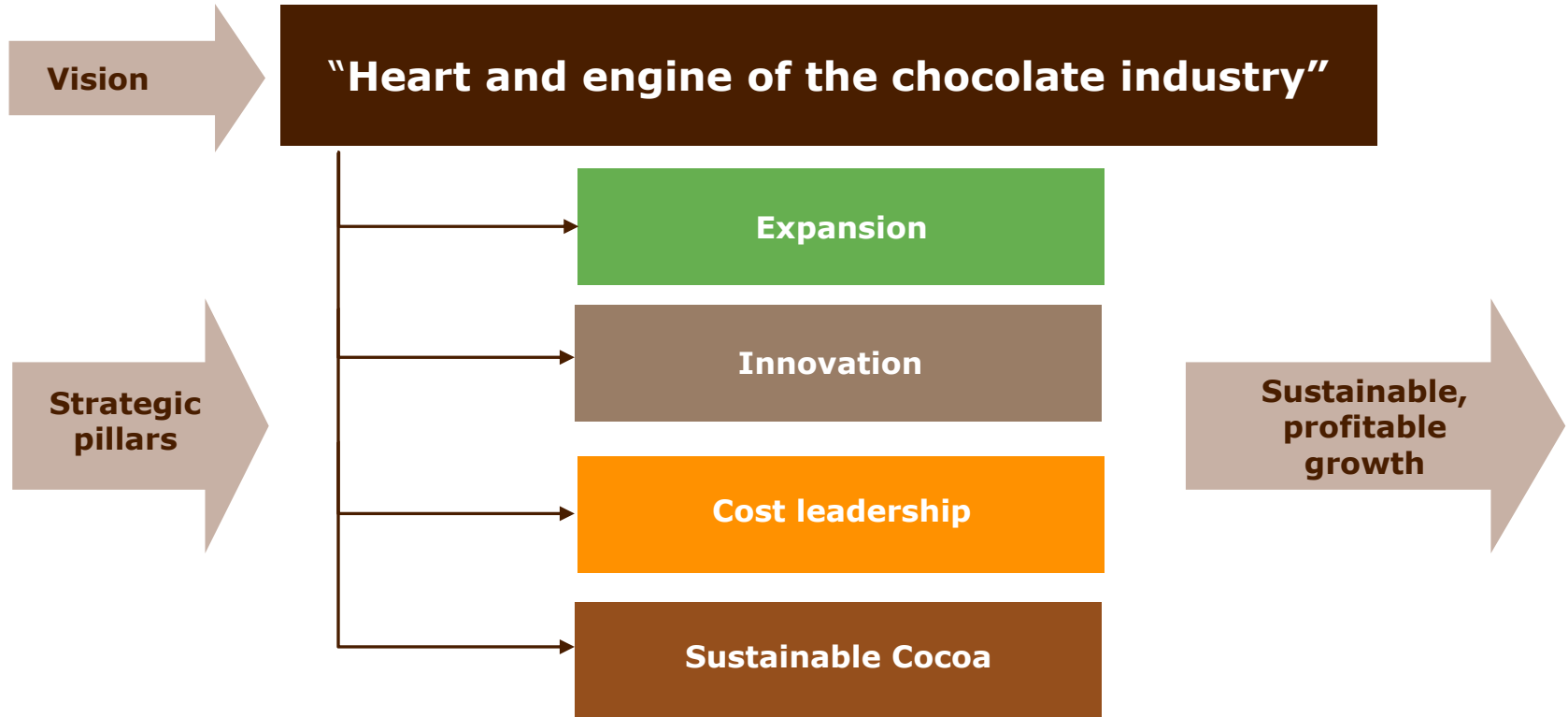
# ...mitigates volatility of main raw materials



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



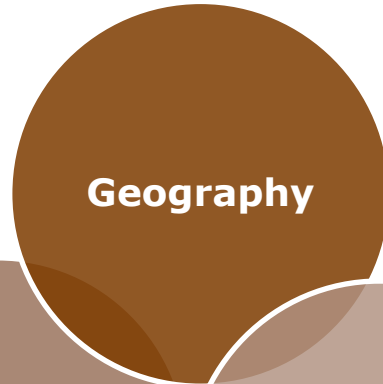
# Our Strategy



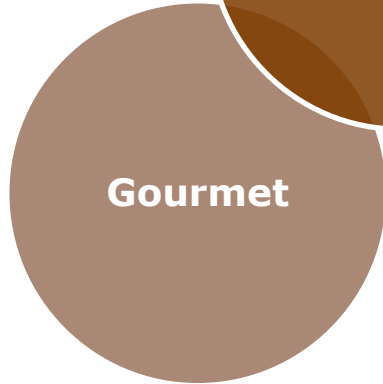


# Expansion based on key growth drivers

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



**Geography**



**Gourmet**



**Outsourcing  
& Strategic  
Partnerships**



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

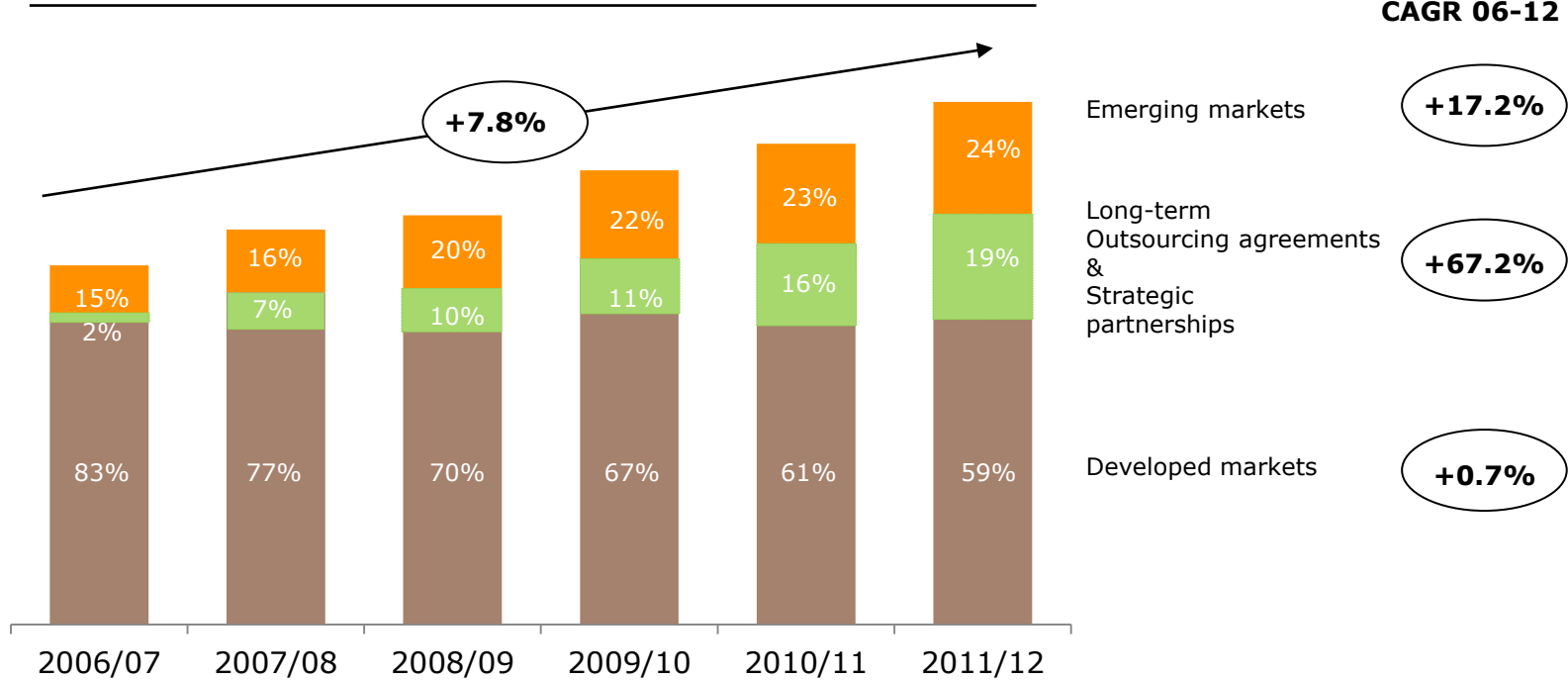
- Accelerate growth of Gourmet & Specialties Products business



# Expansion

Based on our strategy we grew almost 8% on average per year, driven by emerging markets and strategic partnerships

**% of total consolidated sales volume \***

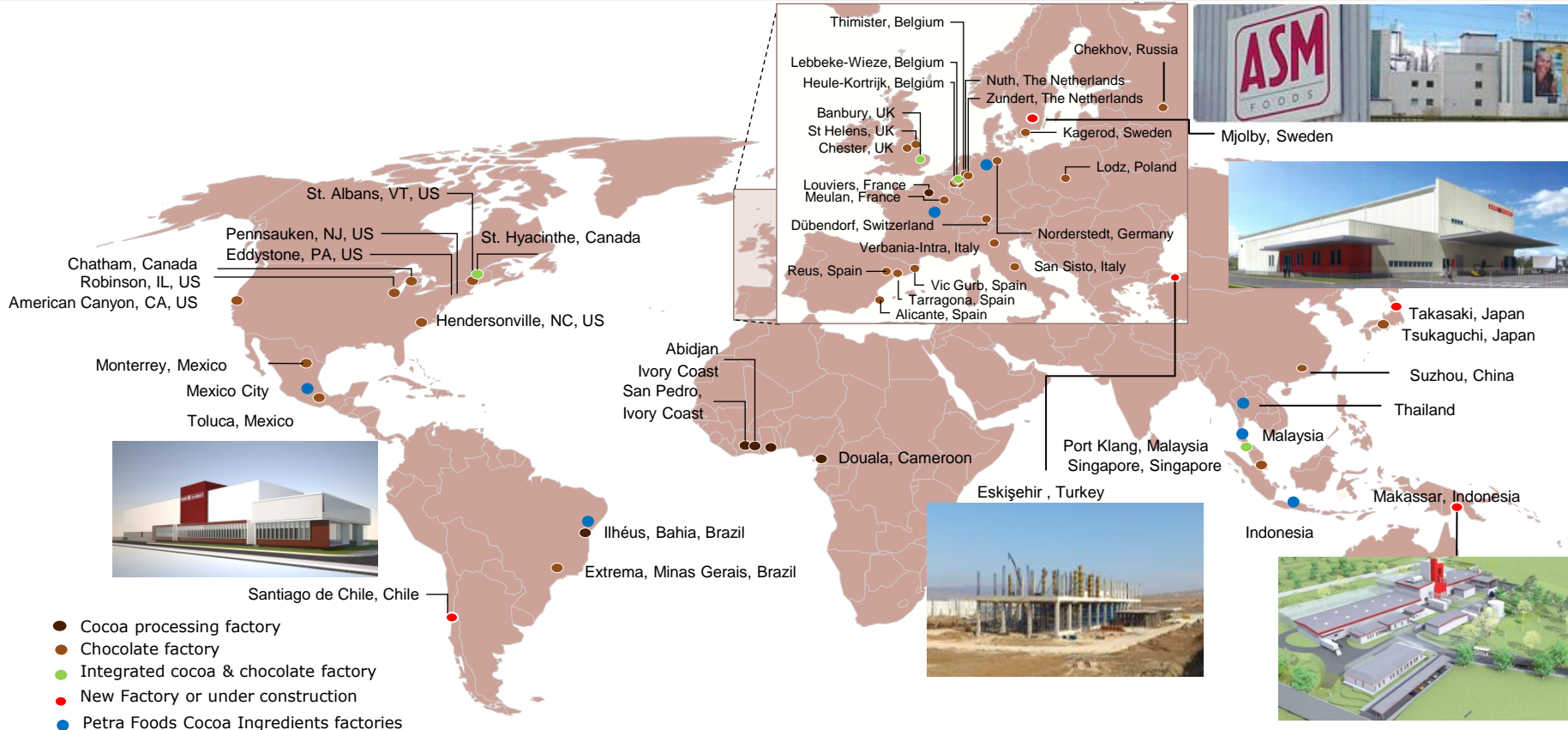


\* Excluding Consumer Business





# Our global manufacturing footprint continues to expand





## 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





# Successful R&D activities enable further growth

## 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    Cocoa Nibs</p> <p>Marzipan Deco    Aerated Fillings</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>No added, refined sugar</p> <p>Probiotics</p>  	<p>Certified Cocoa</p> <p>Certified Chocolate</p> <p>Quality Partner Program</p> <p>With Sustainable Palm</p>   	<p>Origin Cocoa    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> 

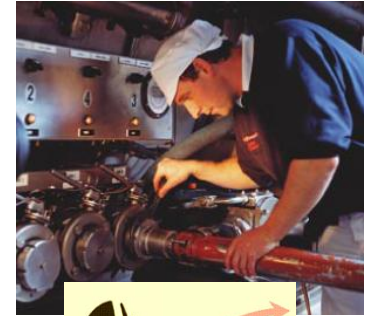
## ... based on unique capability for continuous Innovation delivery

- 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

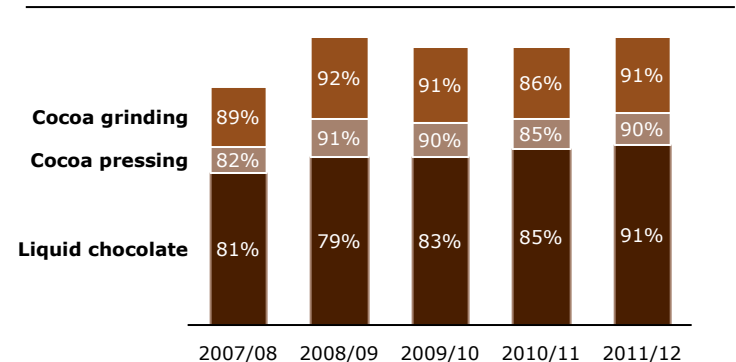


# Staying the leader in cost through our key initiatives

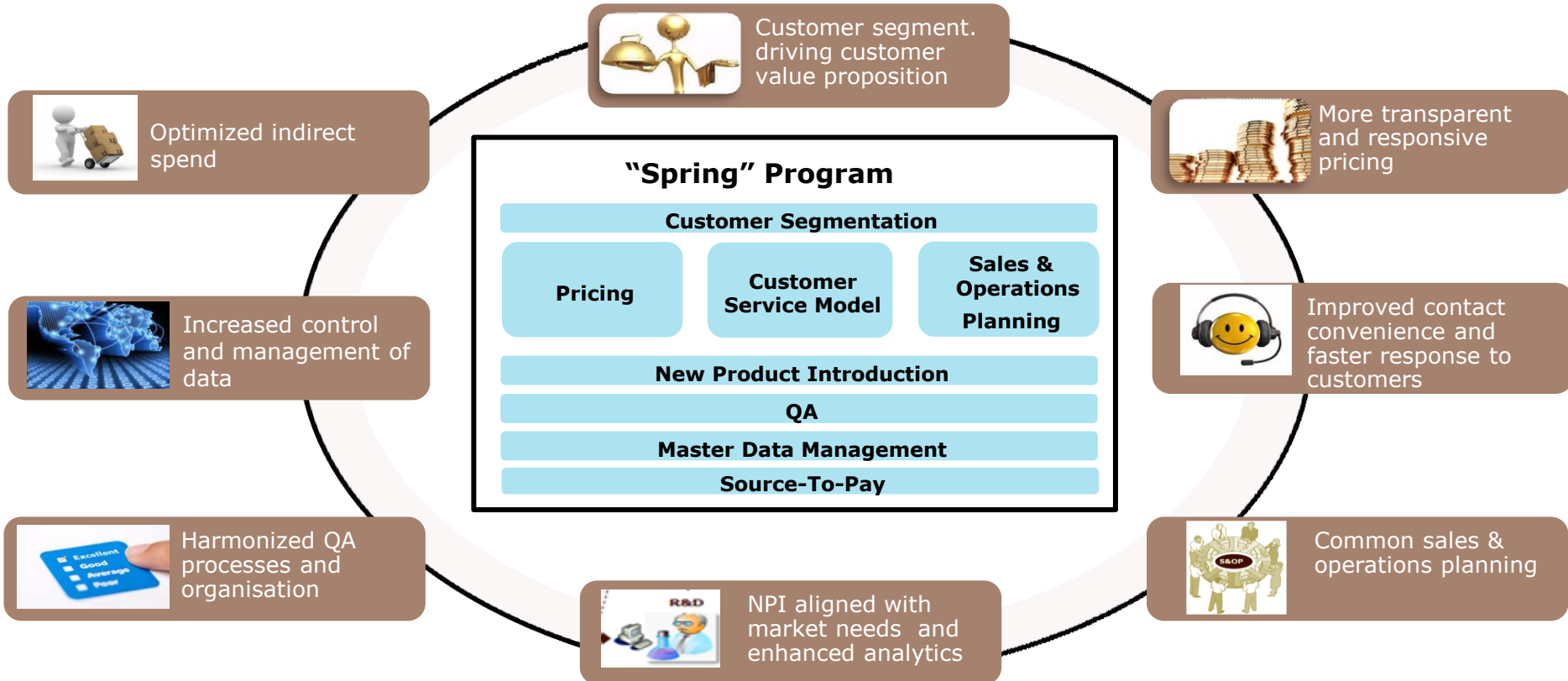
- Manufacturing costs per ton of activity like-for-like basis = - 3% (target: -2%)
- Volume growth, technology and process improvements increased capacity utilization for liquid chocolate to 91% Cocoa processing to 90%
- “One +” achieved savings of about CHF 8.7 mio. last year
- Two initiatives designed to save costs throughout the value chain in Europe and in Americas delivered savings of CHF 9.1 mio.
- Extensive efforts to reduce energy consumption and tight cost controls



Capacity utilization



# «Spring» Program to accelerate our speed towards our customers is well on track





# Increased investments in our sustainable cocoa program to secure enough supply in the future



## Long-term threats

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

## Our actions

### Farmer Practices

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

- +20,000 farmers trained and certified
- First Centre of Excellence built
- 5 show farm cases started

### Farmer Education

**Aim: develop next generation of farmers**

- Schools: 3 built, 4 under construction
- Curriculum development for Secondary and Rural Schools
- Child labor sensitisation

### Farmer Health

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

- New water wells drilled



# Petra Foods Cocoa Ingredients' acquisition in line with our strategy

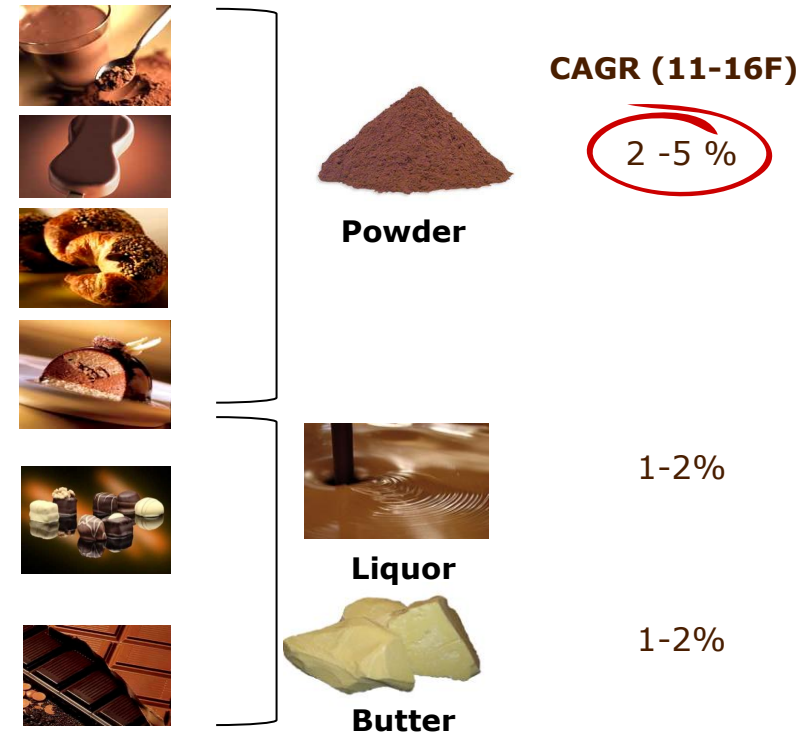
## **Excellent strategic fit at the core of Barry Callebaut's cocoa and chocolate business, supporting the company's overall growth**

- ▶ 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 besides West Africa

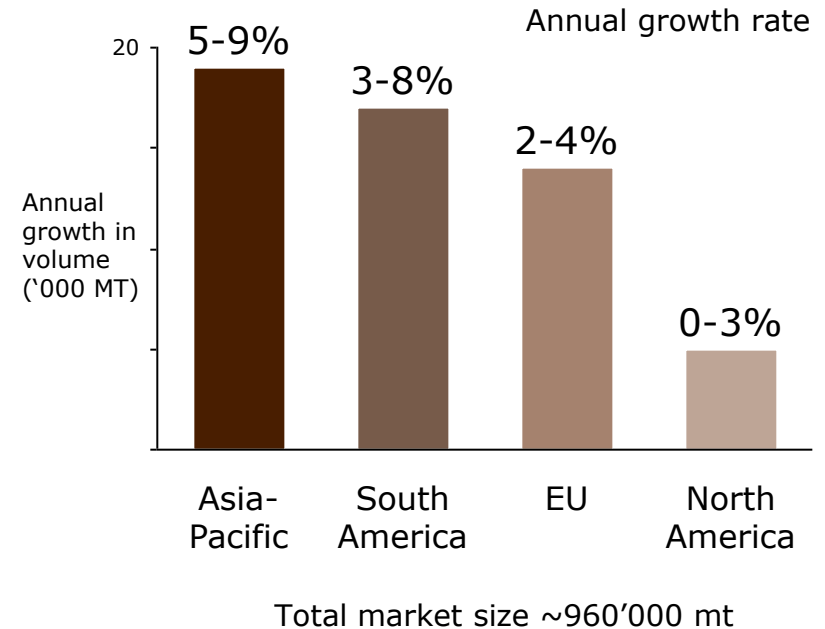


# Acquisition background

## Higher demand for product categories containing powder



## Cocoa Powder demand driven by emerging markets







# Long-term outsourcing and strategic partnership agreements include both chocolate and cocoa products

2006-07



**Nestlé**  
(February 2007)



**Cadbury Schweppes**  
(June 2007)



**Hershey**  
(April 2007)

C + Ch  
deal



**Morinaga** (September  
2007)

2010-11



**ex-Kraft Foods**  
(September 2010)

C + Ch  
deal



**Green Mountain  
Coffee Roasters**  
(Oct 2010)



**Hershey Extension**  
(May 2011)

C + Ch  
deal



**Chocolates Turín**  
(June 2011)

C + Ch  
deal



**Baronie Group**  
(July 2011)

2011-12



**Bimbo**  
(Jan 2012)

C + Ch  
deal



**Unilever**  
(Jan 2012)

C + Ch  
deal



**Morinaga**  
(June 2012)

C + Ch  
deal



**Arcor, Dos en Uno**  
(Oct 2012)

C + Ch  
deal

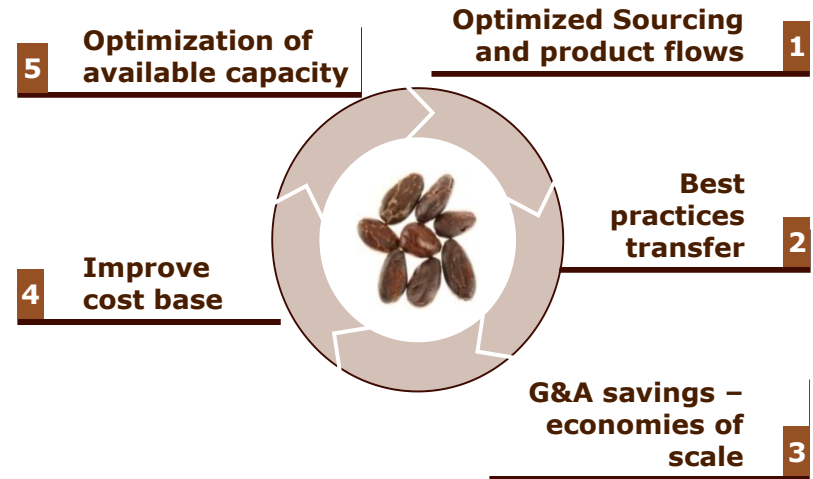


# Petra's Cocoa Ingredients highly complementary to Barry Callebaut

## Petra's Cocoa Ingredients Division today

- ▶ Largest cocoa products supplier in Asia-Pacific and the third largest worldwide
- ▶ One of the major suppliers of premium cocoa products
- ▶ Global network of: 7 factories (Indonesia, Malaysia, Thailand, France, Germany, Brazil, Mexico)
- ▶ 65% of total sales in emerging markets
- ▶ Significant sourcing base in Asia
- ▶ Experienced management team with strong knowledge in Asian market

## Numerous sources of synergies identified



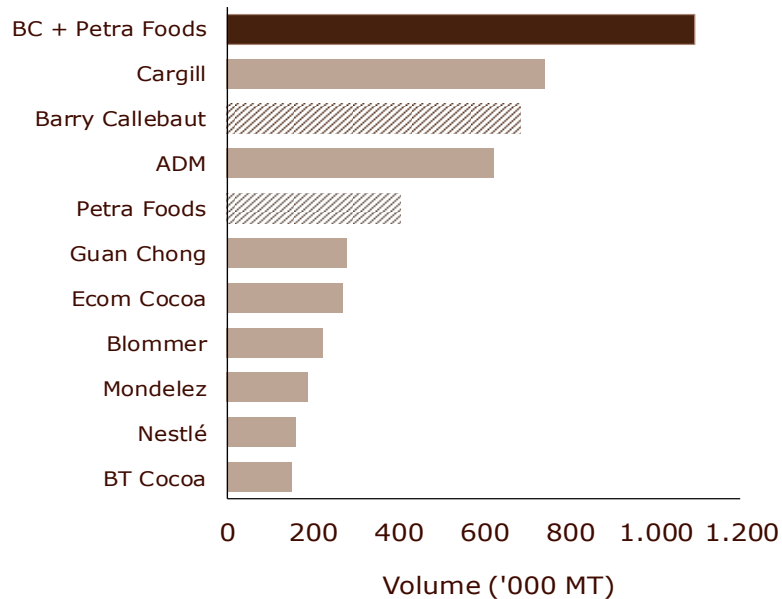
**Run-rate synergies of CHF 30-35 mio in year 4 after closing of the transaction**



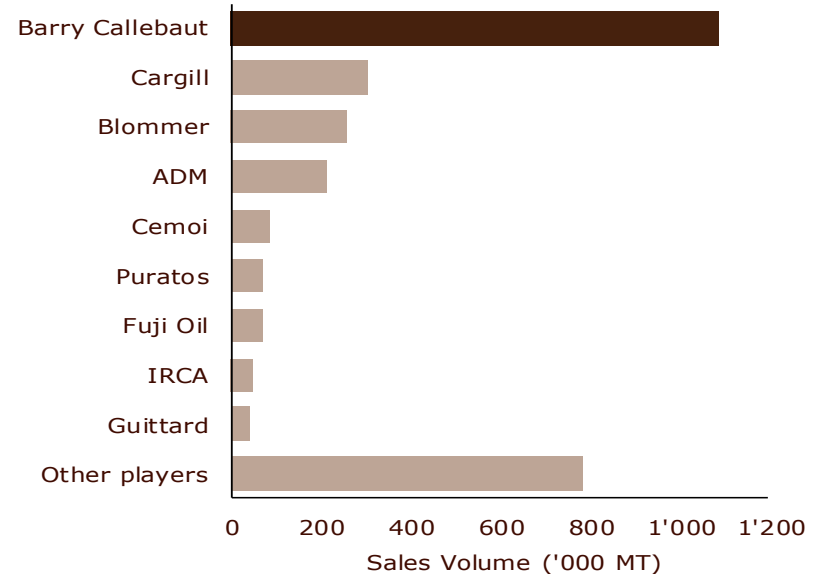
# Acquisition will position Barry Callebaut as a large, proactive market player in Cocoa Powder business globally

- ▶ Barry Callebaut is the largest global industrial chocolate supplier

### Cocoa grinders



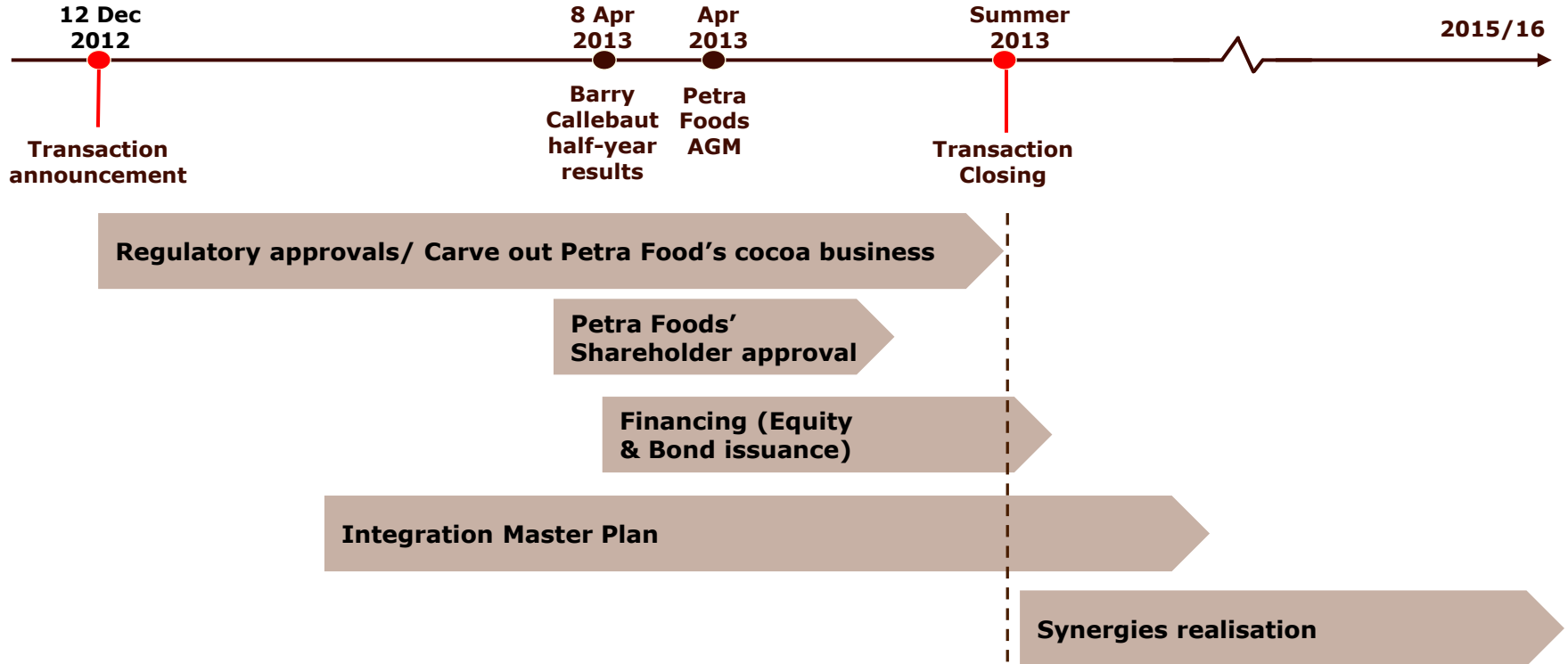
### Industrial chocolate – Open market



Source: Barry Callebaut 2011/12 estimates (both charts)



# Transaction and integration timeline





# Based on our growth drivers, there is enough potential for further expansion...

## Performance past 5 years

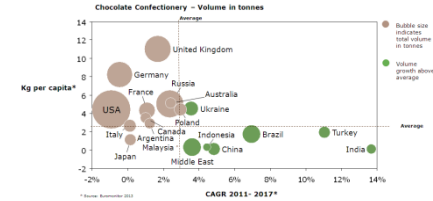
### Geography



- ✓ Sales volume in emerging markets increased by + 121% (24% of total Group volume)
- ✓ 17 new factories, 5 new countries
- ✓ Consolidated presence in US, Spain, Scandinavia

## Future potential

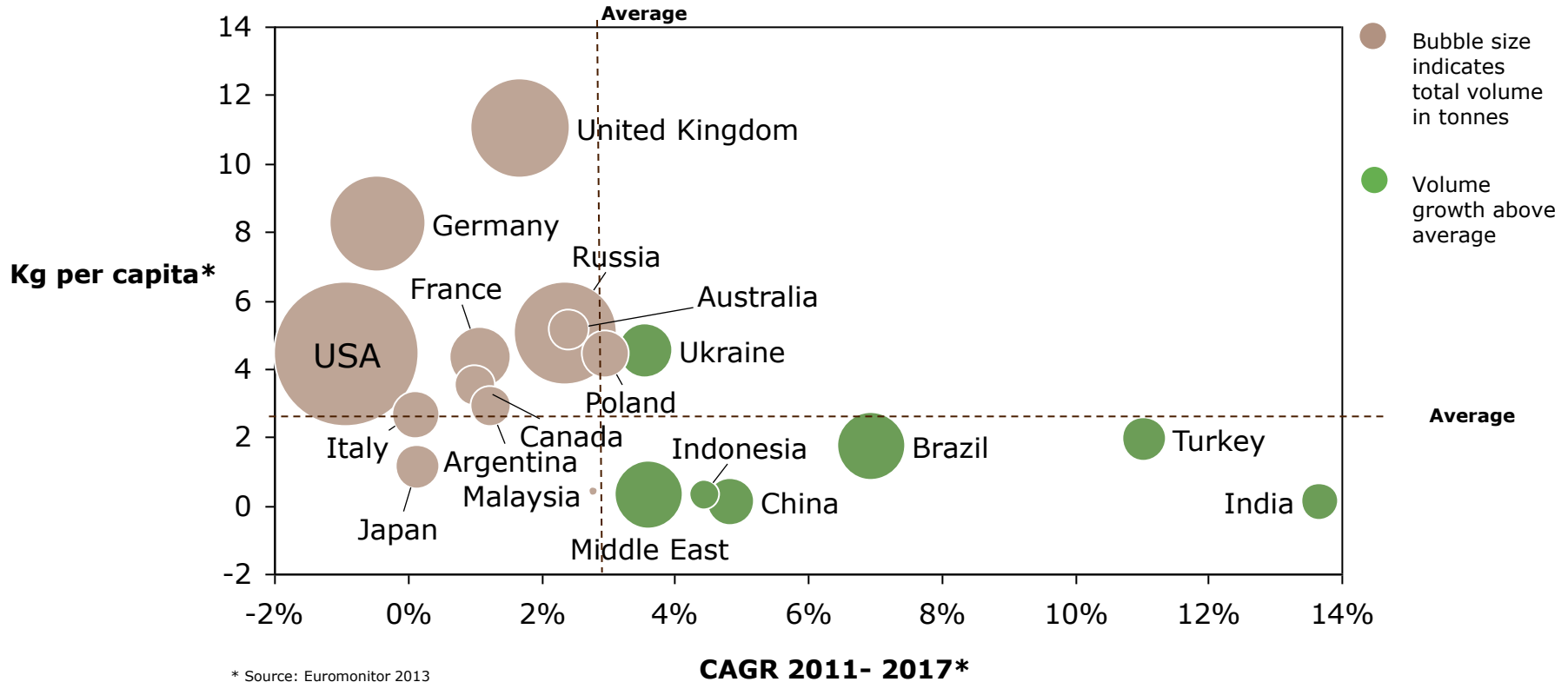
- Asia-Pacific, Latin America, EEMEA
- Strengthen position in Western Europe and North America





# Why we believe there is still potential for future growth?

## Chocolate Confectionery – Volume in tonnes



\* Source: Euromonitor 2013



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## Geography

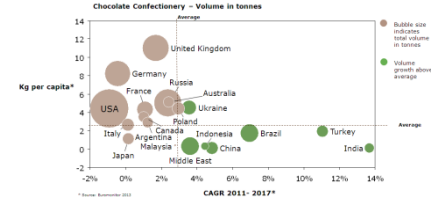


### Performance past 5 years

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### Future potential

- Asia-Pacific, Latin America, EEMEA
- Strengthen position in Western Europe and North America



## Outsourcing/ Partnership agreements

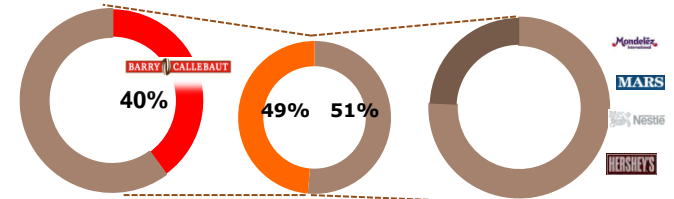


- ✓ 9 new outsourcing agreements / strategic partnerships signed
- ✓ 4 significant agreements implemented in 2012/2013
- ✓ First agreements in Latin America

- Potential for further outsourcing

### Open market

### Integrated market





# ...and therefore continue to deliver on our guidance



## Performance past 5 years

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- ✓ Average annual volume growth of 8%
- ✓ Sharpened focus on global brands Cacao Barry ® and Callebaut ®
- ✓ Dedicated Management team (Independent but interdependent)
- ✓ Increased product offering (incl. adjacent products )
- ✓ 4 acquisitions (IBC, Chocovic, La Morella, Monalisa)

## Future potential

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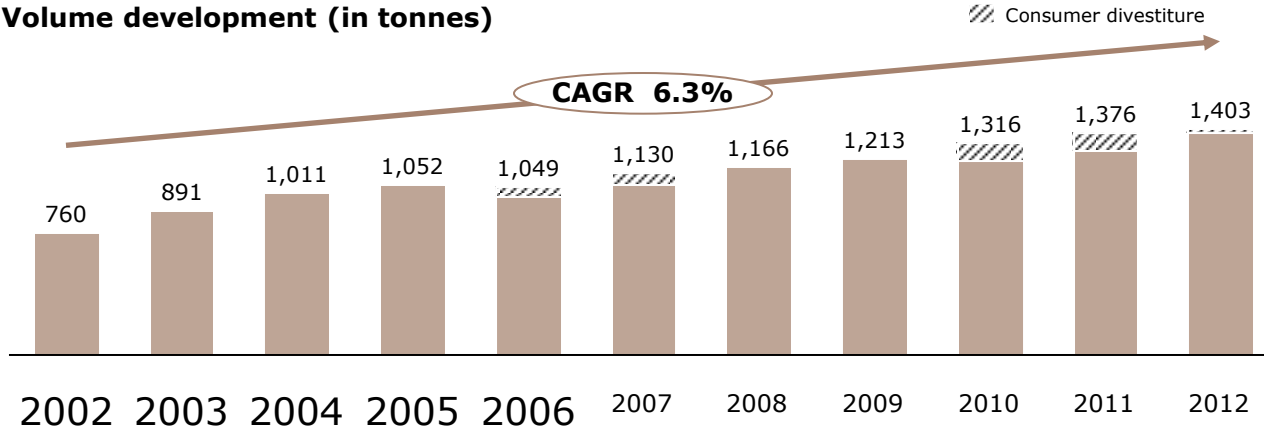
- Accelerate geographical expansion
- From product focus to segment focus
- Further acquisitions



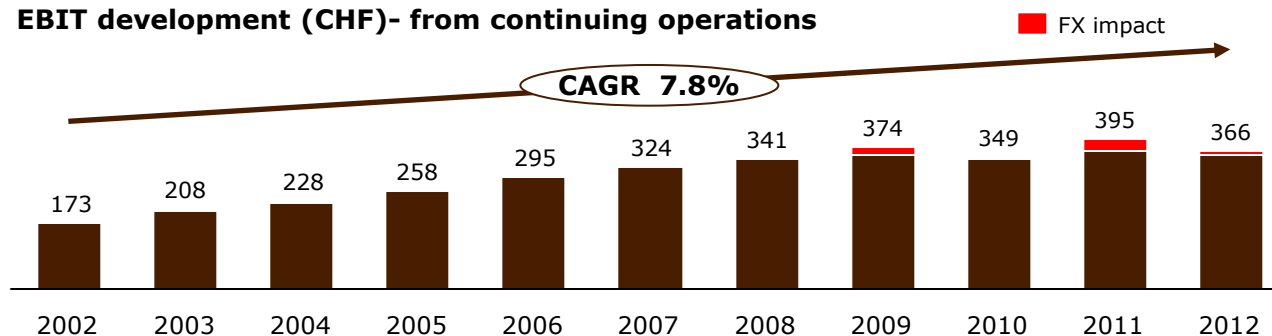


# Based on our strategy, we delivered 6-8% average annual profitable growth over the last 10 years

### Volume development (in tonnes)

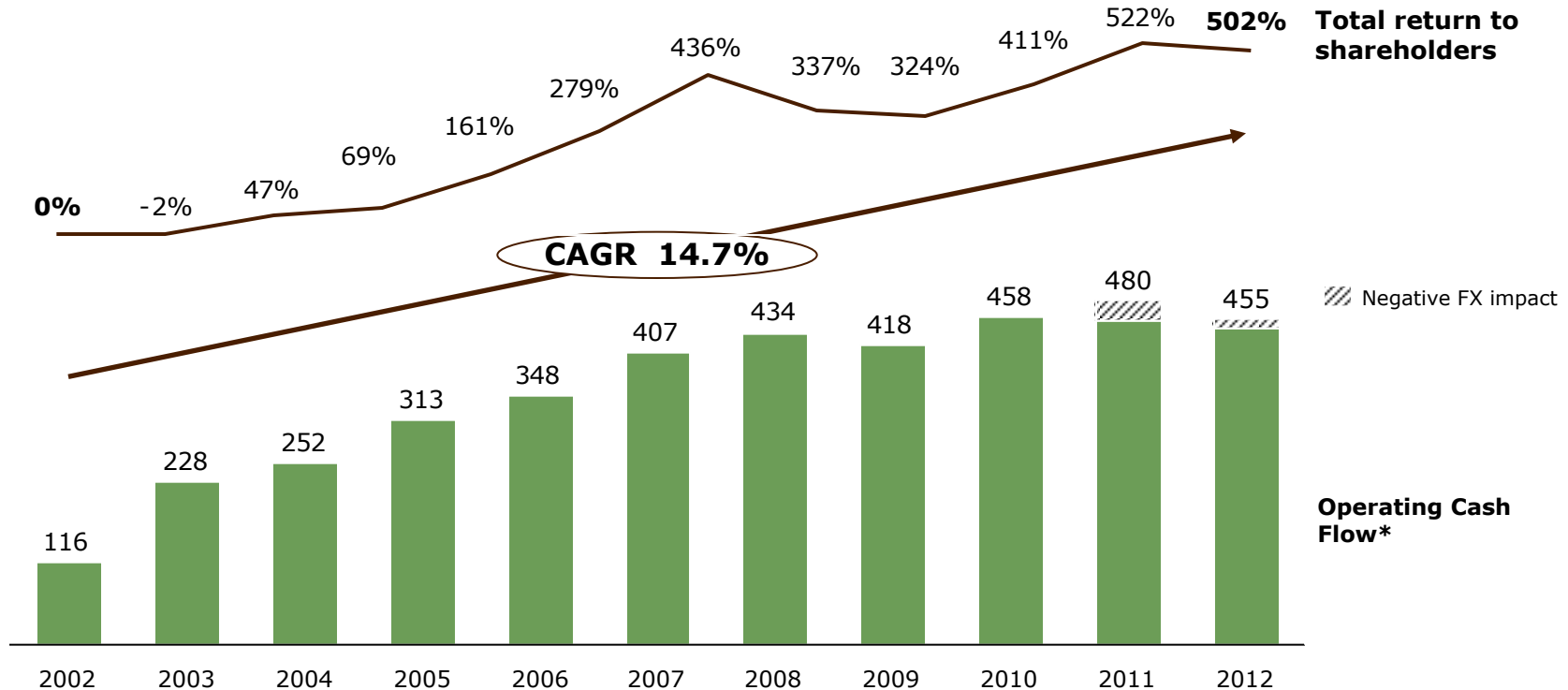


### EBIT development (CHF)- from continuing operations





# ... which also translated into higher cash flow generation and high return to shareholders



\* Operating Cash Flow before working capital changes



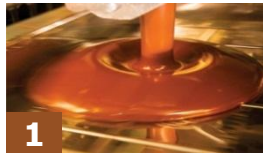
# Group – mid term guidance as of consolidation

## As of consolidation:

- ▶ Volume growth: 6-8% on average per year until 2015/16
- ▶ EBIT/tonne restored to Barry Callebaut's pre-acquisition level by 2015/16
- ▶ Our view for the 2012-2016 period reflects current economic forecasts for the markets we operate in as well as internal developments and their assumed impact on our performance, we assume that the combined ratio will go to average historic levels, and barring any major unforeseen events

## Other indicative ratios:

### ROE



- ▶ Return to 20% in 3 – 4 years

### ROIC



- ▶ Return to 15% in 3 -4 years

### Working capital



- ▶ In line with Barry Callebaut best practices

### Leverage



- ▶ Solid BB+/Ba1 rating with the target to return to investment grade within few years



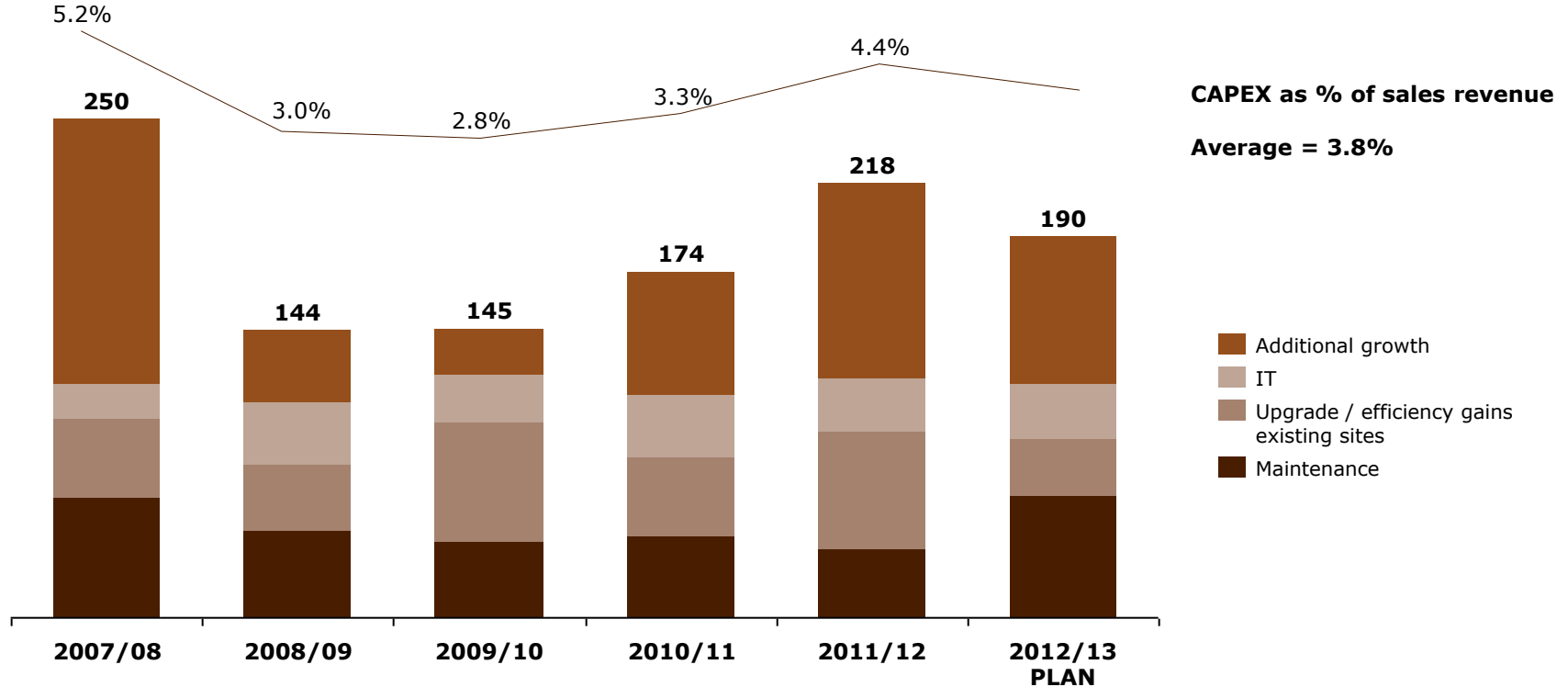
# Q&A session



CAPEX development

# Investments support the growth of our business

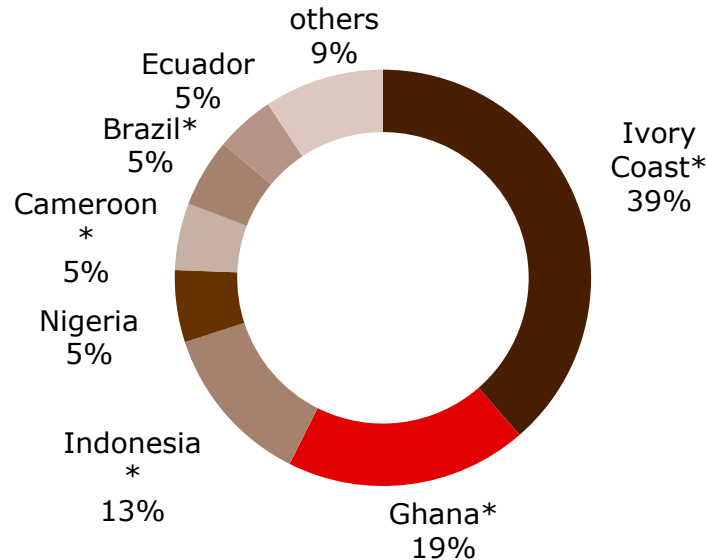
in mCHF





# 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