

# Barry Callebaut

## 9-month key sales figures 2010/11

July 2011



© Barry Callebaut

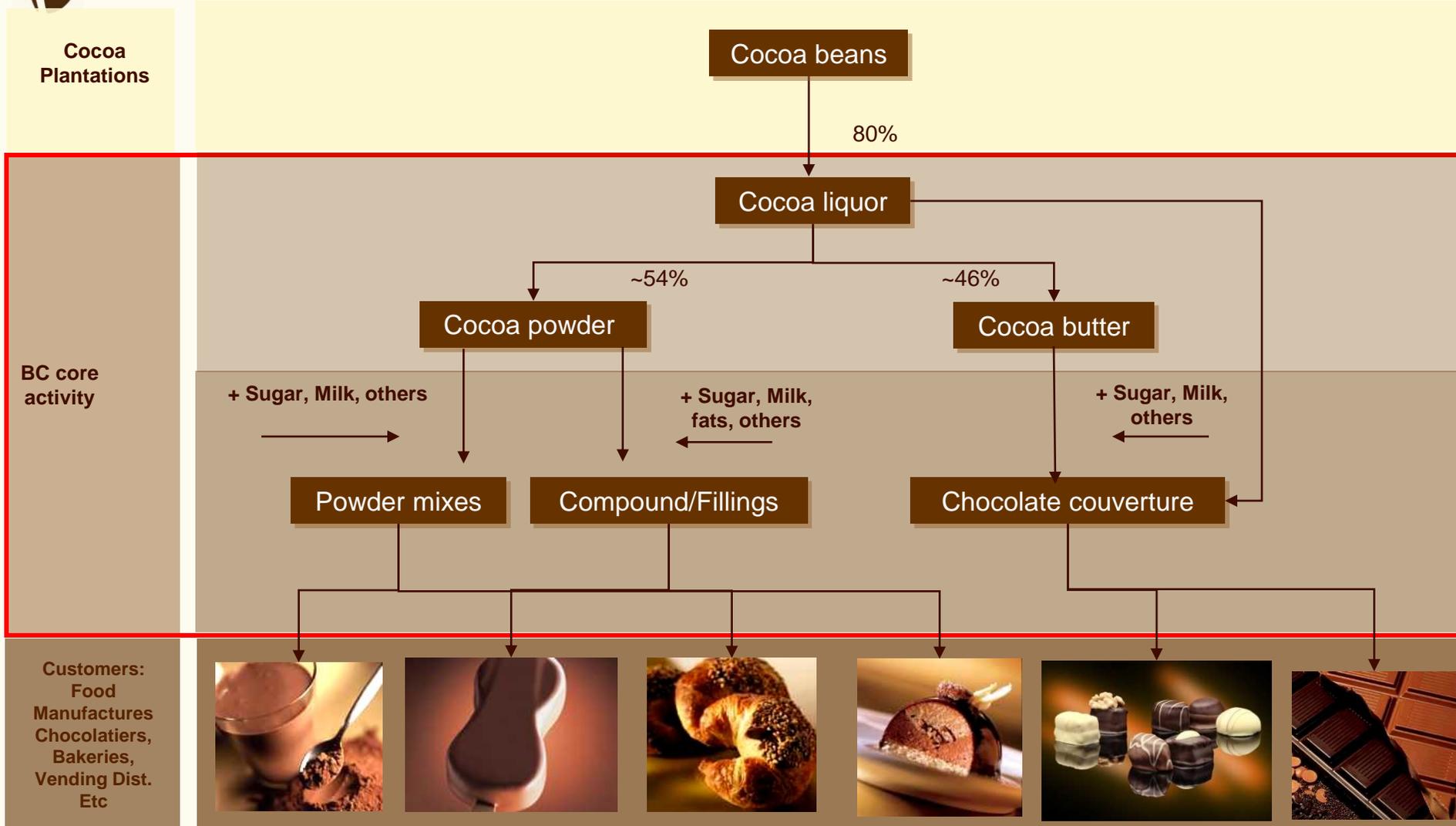
# Agenda



- ▶ **Company and Industry Overview**
- ▶ First 9 months highlights
- ▶ Outlook



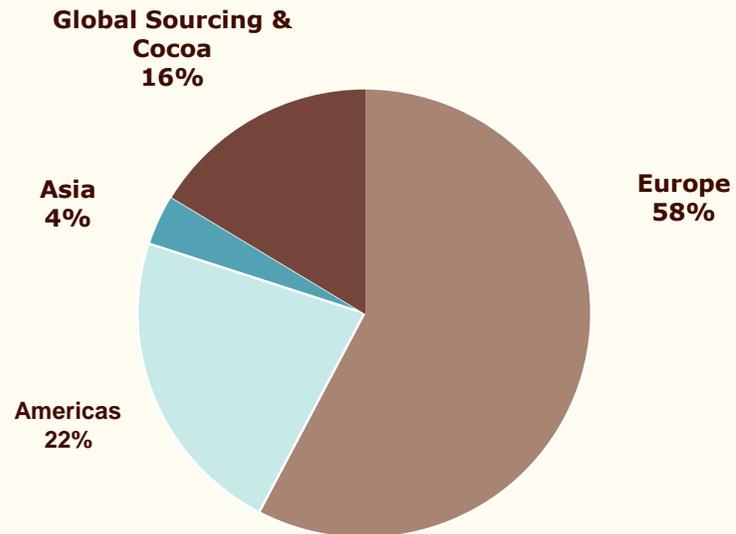
# Barry Callebaut is present in all of the stages of the chocolate industry value chain



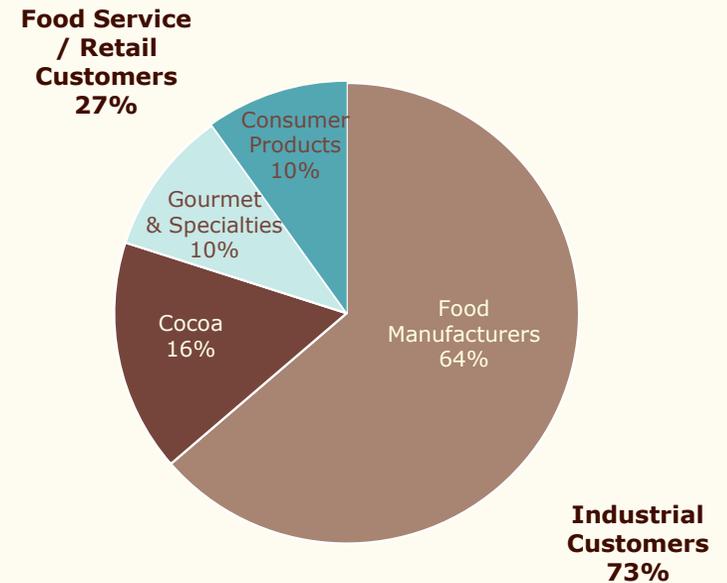
# Barry Callebaut at a glance



## FY-2010 Sales Volume by Region



## FY-2010 Sales Volume by Product Group



**FY-2010 Sales Volume: 1,3 mn tonnes**

**FY-2010 Sales: CHF 5,213mn**

**FY-2010 EBIT: CHF 370.4 mn**

**FY-2010 Net Profit: CHF 251.7 mn**

# Barry Callebaut is the market leader in the open market



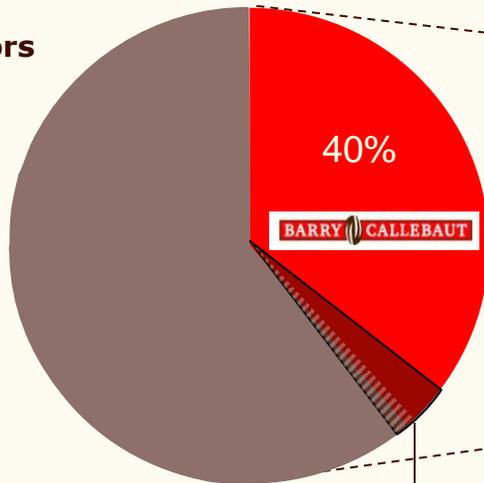
**Global Industrial Chocolate market in 2009 = 5,400,000 tonnes\***

(Long-term average annual market growth of approx 2-3%)

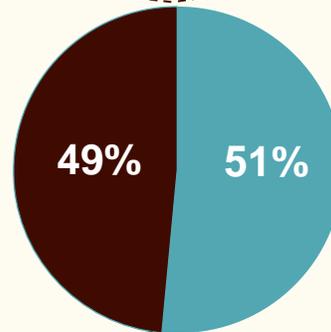
## Open market

## Integrated market

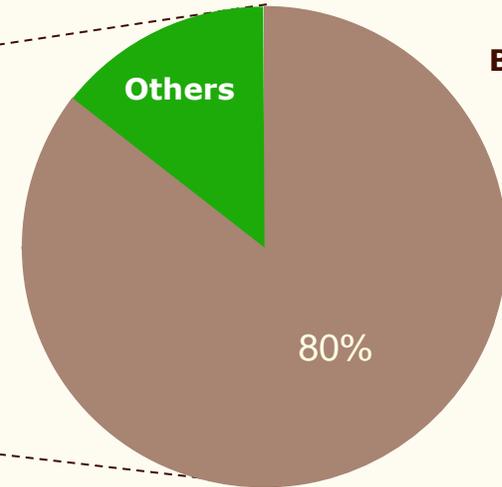
### Competitors



**Outsourced  
(long-term  
volumes)**



### Big 4 chocolate players



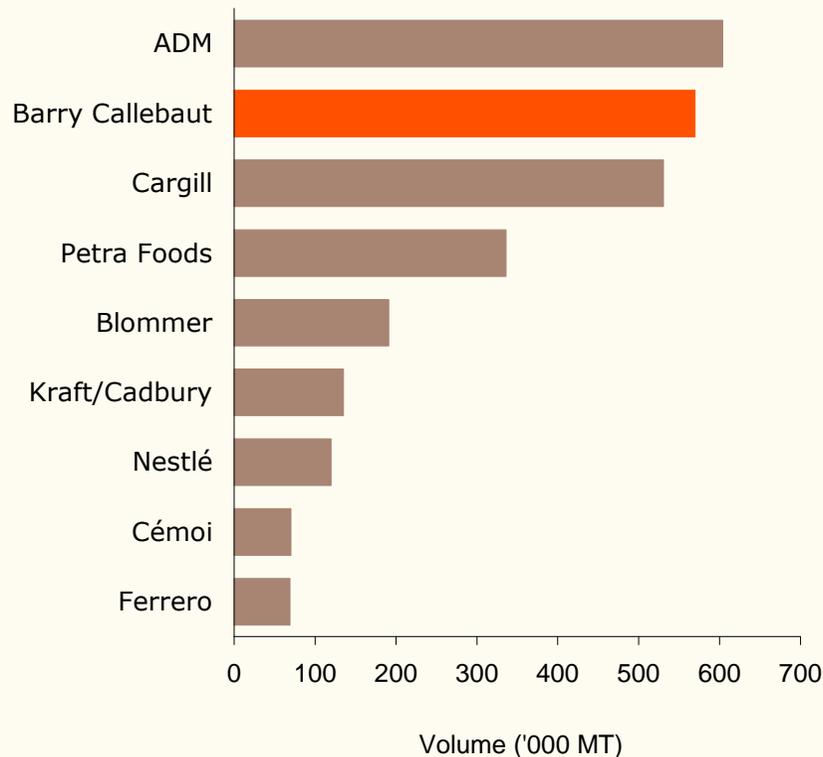
\*BC estimates

# Global leader in chocolate manufacturing

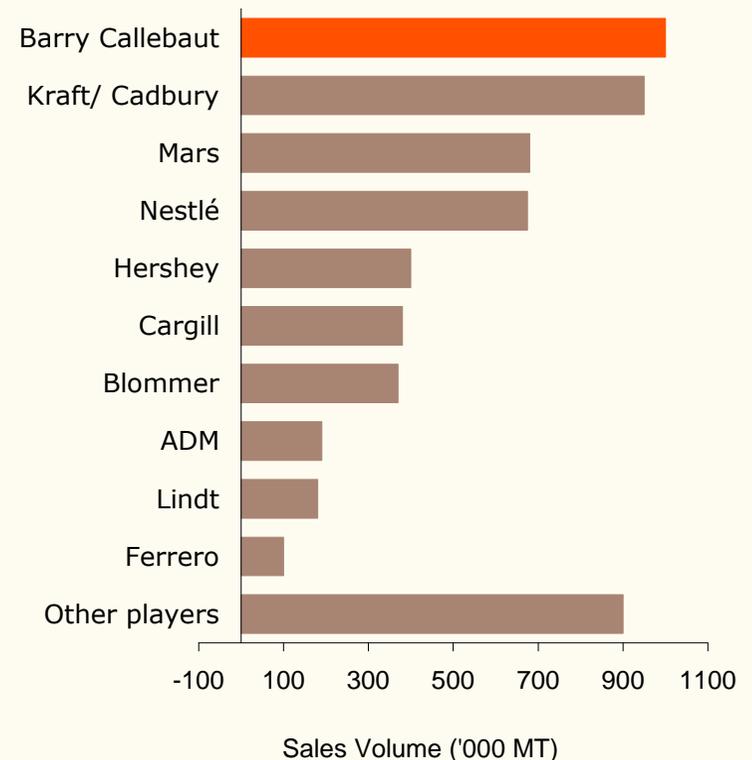


- ▶ Barry Callebaut is one of the top three cocoa grinders and the largest manufacturer of industrial chocolate, with estimated market share of 40% of sales volumes in the open market for industrial chocolate

### Cocoa Grinders

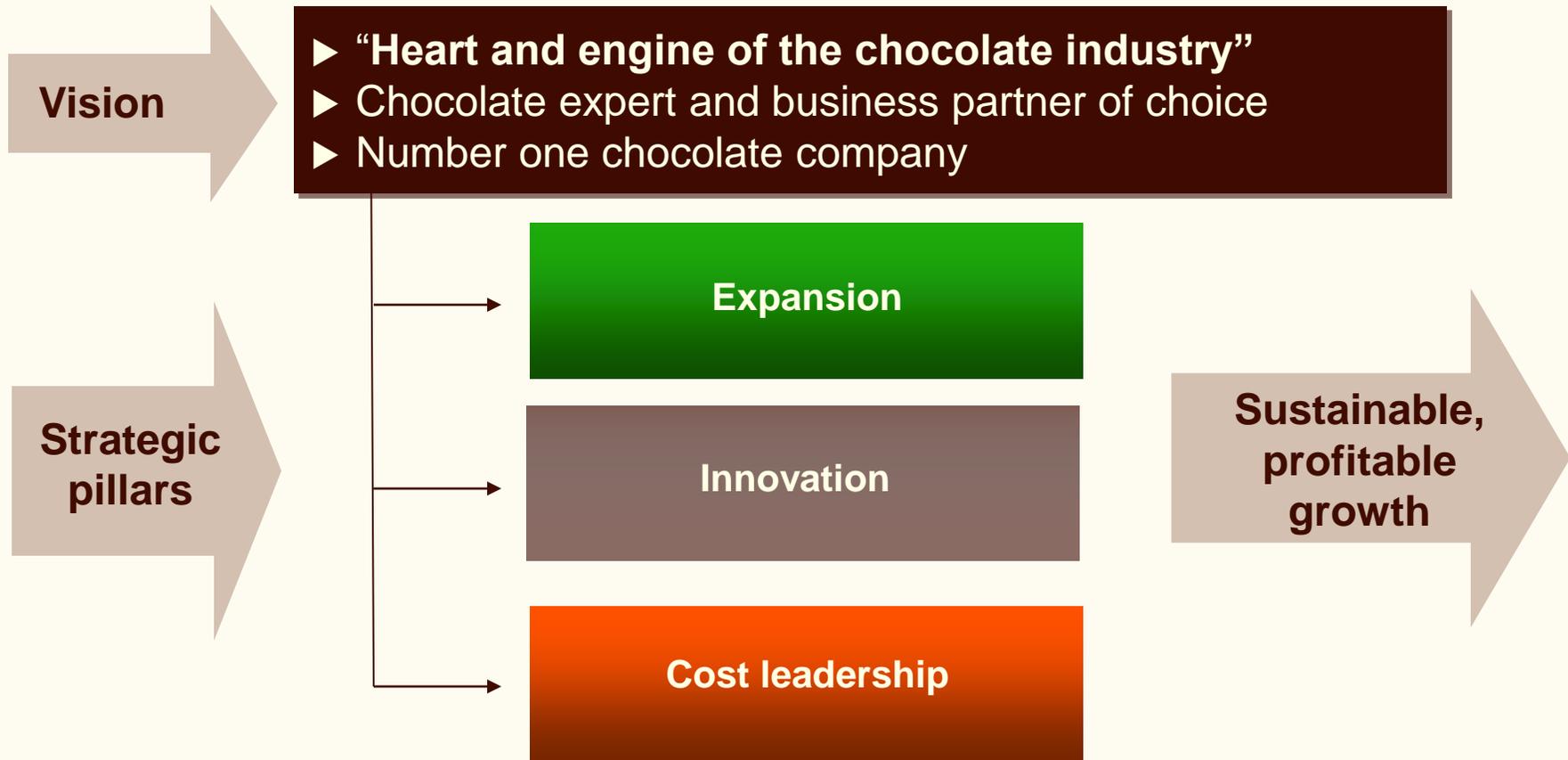


### Open Market for Chocolate



Source: Barry Callebaut 2009/10 estimates (both charts).

# Our Strategy

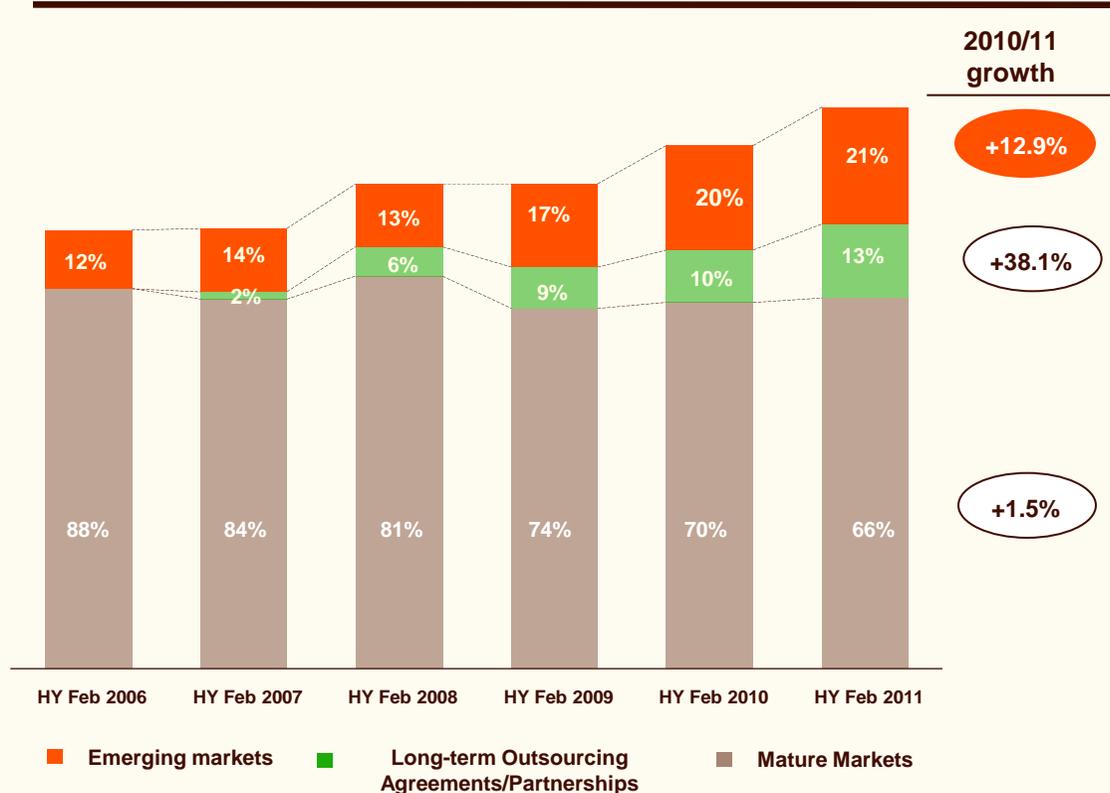


# Early movers in emerging markets



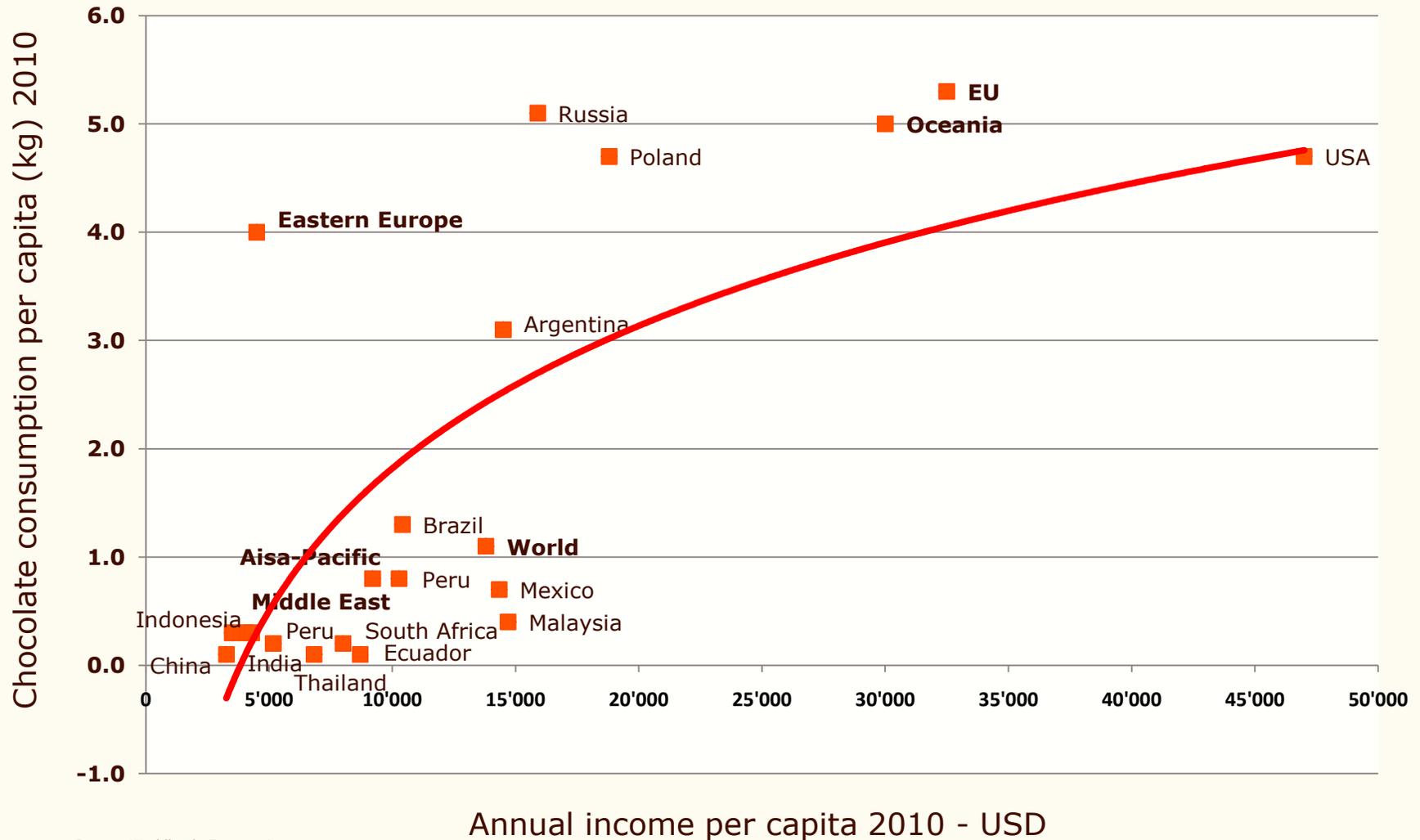
- ▶ Ongoing selected investments in emerging markets are paying off

**Emerging markets in % of total sales volume  
(6 months figures)**



- ▶ Poland: Line extension completed
- ▶ Mexico: Volume increased, gained market share with local customers, growth +19%
- ▶ Russia: Volume increased, +21%
- ▶ China: increased market share with local food manufacturers

# Chocolate consumption is linked to income per capita, growth to come from emerging markets



Source: Worldbank, Euromonitor

# Outsourcing and Strategic Partner of choice



## Nestlé (February 2007)

- ▶ Barry Callebaut to acquire 100,000 MT production capacity from Nestlé in Italy and France
- ▶ Long term agreement for the supply of ca. 70,000 MT of chocolate and the production of some Nestlé consumer products



## Hershey (April 2007)

- ▶ Long-term supply agreement of min. 80,000 MT of chocolate and finished products to Hershey to make Barry Callebaut the No.1 industrial chocolate maker in the United States. Total investment USD 50 mn

## May 2011

- ▶ Volume extension on top of original volume for long-term. Investment of USD 15 mn



## Cadbury Schweppes (June 2007)

- ▶ Barry Callebaut to double supply volumes to Cadbury Schweppes through the supply of 14,000 MT of incremental cocoa liquor and liquid chocolate to their production facility in Poland
- ▶ Increased cooperation in other areas such as sourcing, innovation and social responsibility



## Morinaga ( September 2007)

- ▶ 10-year supply agreement for 9,000 MT a year – doubling Barry Callebaut's sales volumes in Japan



## Kraft Foods (September 2010)

- ▶ Barry Callebaut to become Kraft Foods' key global cocoa and industrial chocolate supplier under a long-term global master product agreement. Investment of USD 65 mn



## Green Mountain Coffee Roasters (Oct 2010)

- ▶ New long-term contract to serve cocoa based products to the Beverages business in North America out of our Swedish production site



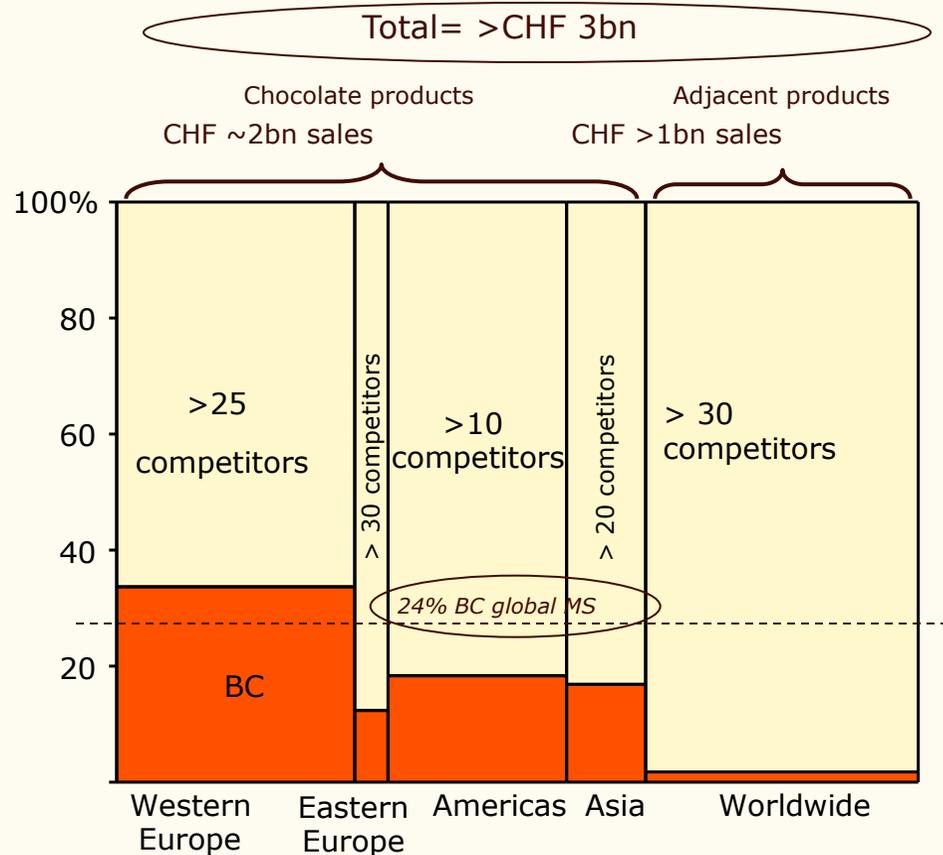
## Chocolates Turin (June 2011)

- ▶ Long-term contract to supply all industrial chocolate to Turin in Mexico. Investment USD 30 mio.
- ▶ Exclusive distribution agreement for our global Gourmet brands.

# World's largest supplier of Gourmet & Specialties chocolate for artisanal customers



## Gourmet global market and BC presence



BC Market share >30% >10% >15% >15% <5%

## Market

- ▶ Highly fragmented market with more than 100'000 end-customers
- ▶ Three main segments:
  - ▶ Confectioners: artisanal chocolate shops
  - ▶ BAPA: bakery and pastry shops
  - ▶ HORECA: restaurants, hotels and caterers
- ▶ Main competitors: Valrhona, Felchlin, Belcolade and many local players

## Key trends

- ▶ Consolidation (distribution, end-customers)
- ▶ Differentiation
- ▶ Convenience

# Developments of our 6 strategic actions

## Gourmet & Specialties Products



1. Sharpen focus on two global brands Cacao Barry and Callebaut
  - ▶ Centralization of brand management completed
  - ▶ Regional brand Managers put in place in U.S. and Western Europe
2. Move from a product to a segment focus
  - ▶ Introduction of segment-marketing in progress
3. Increase adjacent product offering
  - ▶ Expanded range will soon be launched (e.g. decorations)
4. Accelerate geographic expansion
  - ▶ Accelerated growth efforts in Asia
5. Growth through acquisitions
  - ▶ On-going discussions with potential targets
6. Dedicated Gourmet organization with own P&L / "independent but interdependent"
  - ▶ New organizational principles implemented in Western Europe and North America



Decorations  
(Confectioners)



Fillings  
(BAPA)



Frozen  
(Foodservice)

# Recognized innovation leader with focus on market trends



	Cost Focus	Indulgence	Permissibility	Regulation	Sustainability
Market Trends	<ul style="list-style-type: none"> <li>▶ Same quality, lower costs</li> <li>▶ Growing interest for compounds and fillings</li> </ul> 	<ul style="list-style-type: none"> <li>▶ Increasing interest for inclusions, texture elements, decorations</li> </ul> 	<ul style="list-style-type: none"> <li>▶ Demand for healthy alternatives</li> <li>▶ All natural, no additives</li> <li>▶ Probiotics</li> </ul> 	<ul style="list-style-type: none"> <li>▶ Chocolate alternatives with fewer calories</li> <li>▶ Rebalanced chocolate</li> </ul> 	<ul style="list-style-type: none"> <li>▶ Quality Partner Program (QPP)</li> <li>▶ UTZ, Rainforest Alliance, Fair Trade, Organic, Fair for Life</li> </ul> 
Innovations to market in FY 2009/10	980 recipe optimization projects	Controlled fermentation for premium products	100% dairy-free alternative to milk chocolate	First chocolate sweetened with Stevia	QPP chocolate for international premium products

# Barry Callebaut achieves cost leadership along the value chain



## Benefits from sourcing & processing in origin countries

- ▶ Centralised sourcing of all raw materials and purchasing power
- ▶ Physical presence
- ▶ Strong direct sourcing activities
- ▶ Raw material optimisation

## Low factory costs per tonne

- ▶ Dedicated factory approach
- ▶ Size and economies of scale
- ▶ Lean production processes
- ▶ Optimised use of production capacities

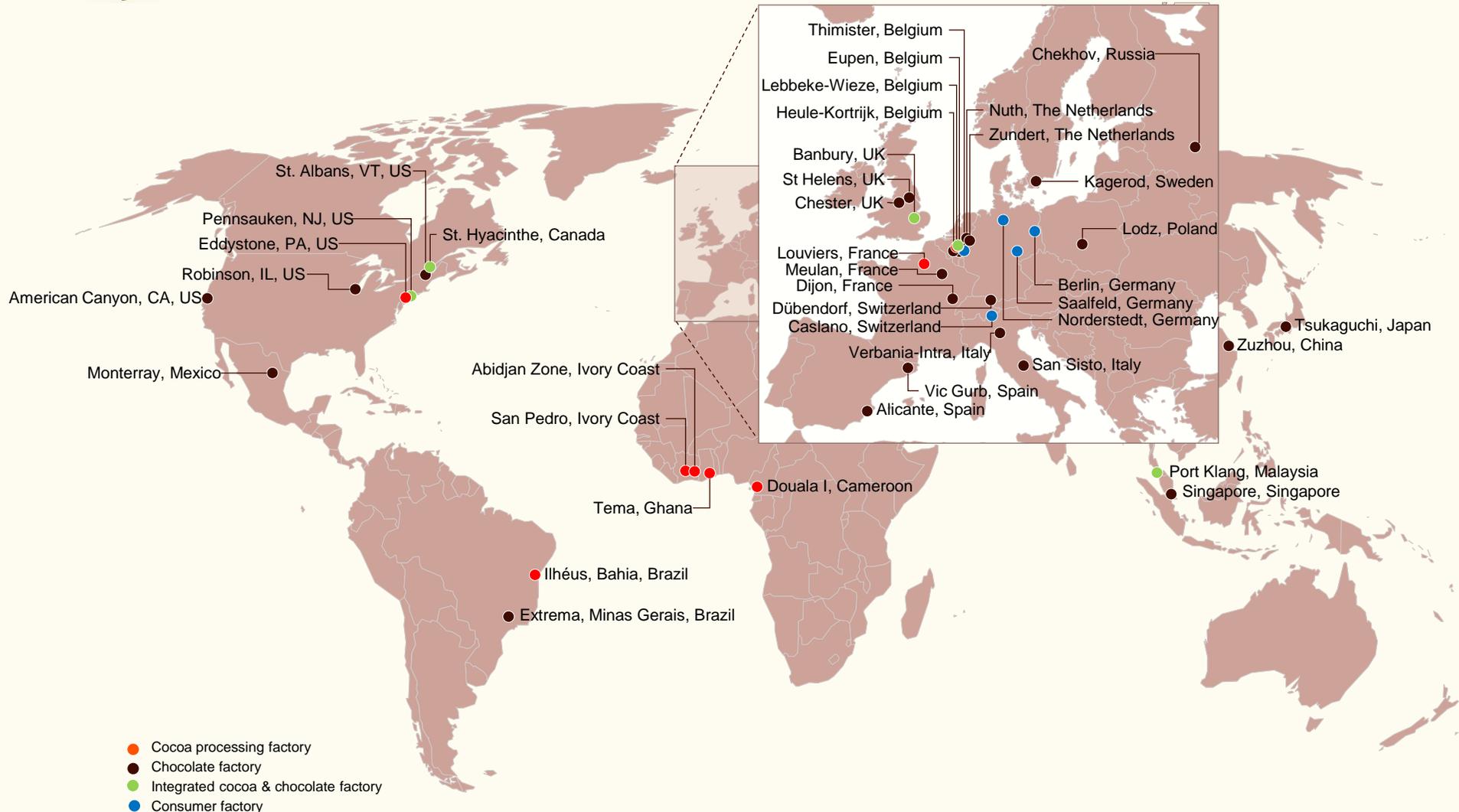
## Optimal supply chain network

- ▶ Minimal logistics costs
- ▶ Complementary distribution network in Europe and USA
- ▶ Integrated forecasting and planning

## Close partnership with customers

- ▶ Just-in-time delivery
- ▶ Proximity to customers
- ▶ Network of brokers, distributors and direct sales force
- ▶ Customer satisfaction

# Truly global manufacturing footprint with 43 production facilities in 26 countries worldwide



# Ivory Coast – situation as of June 2011



- ▶ As a result of management's effective contingency planning, Barry Callebaut has been able to continue to supply all of its customers without interruption

	<b>Risks</b>	<b>Mitigation strategy</b>
<b>Local presence and concentration risk</b>	<ul style="list-style-type: none"><li>▶ Ivory Coast is the world biggest cocoa producer with 33% of the world crop</li><li>▶ Barry Callebaut has two large production facilities in the country</li></ul>	<ul style="list-style-type: none"><li>▶ Increased proportion of sourcing from other cocoa origin countries and future supply secured through our "Cocoa Horizon program"</li><li>▶ Potential to further step-up production in the other 11 cocoa processing factories around the world</li><li>▶ Local operations mainly run by local employees who continued working throughout the unrest</li></ul>
<b>Raw materials supply</b>	<ul style="list-style-type: none"><li>▶ Interruption in supply of beans from Ivory Coast due to export bans, civil war, etc.</li><li>▶ Impact on cocoa bean prices and increased volatility</li></ul>	<ul style="list-style-type: none"><li>▶ Through our highly sophisticated Global Sourcing &amp; Cocoa business unit, we are very well positioned to react to such events and cover our foreseeable needs through increasing our purchases from other origin countries and terminal markets</li><li>▶ Our "cost plus" model minimizes any direct negative impact from raw material price increases</li></ul>
<b>Financial impact</b>	<ul style="list-style-type: none"><li>▶ The incurrance of additional expenses in relation to securing supply will impact the 2010/11 operational result of Barry Callebaut</li></ul>	<ul style="list-style-type: none"><li>▶ The company is confident of being able to compensate to a large extent for these extra costs. The impact for the full year should be modest</li></ul>

# Agenda



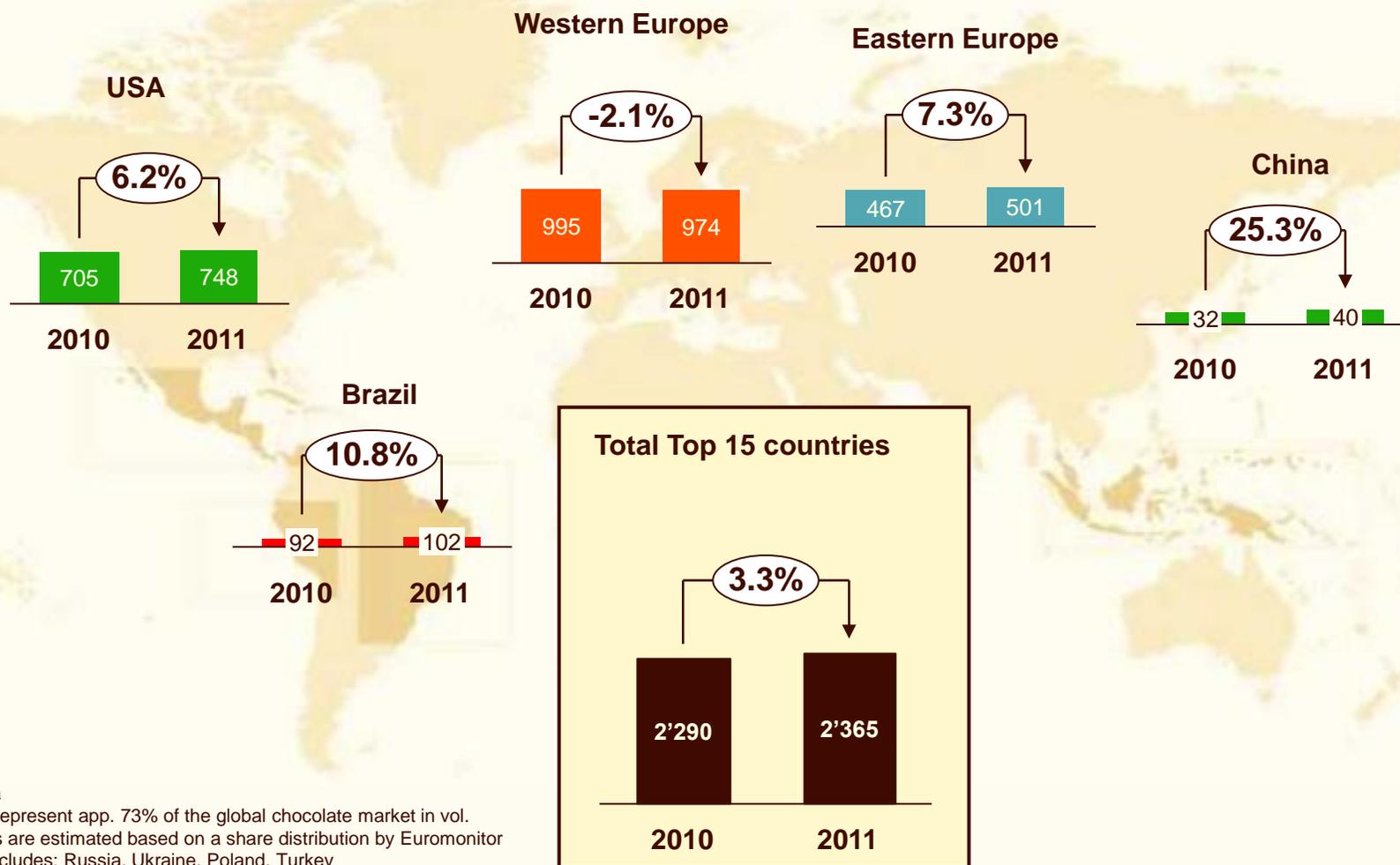
- ▶ Company and Industry Overview
- ▶ **First 9 months highlights**
- ▶ Outlook





# Global chocolate confectionery market in a recovery path

9 months Sep 2010 – May 2011 ('000 tonnes)

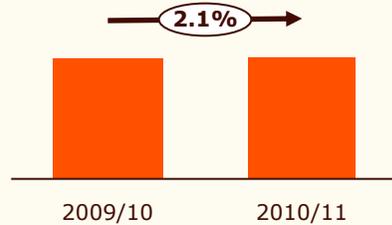


Source: Nielsen data

1. Top 15 countries represent app. 73% of the global chocolate market in vol.
2. USA total volumes are estimated based on a share distribution by Euromonitor
3. Eastern Europe includes: Russia, Ukraine, Poland, Turkey

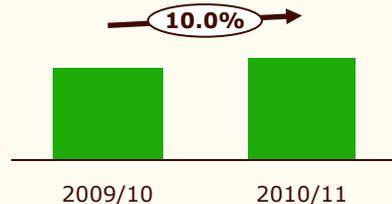
# Barry Callebaut growth momentum continued

## Key Sales Figures -9 months 2010/11



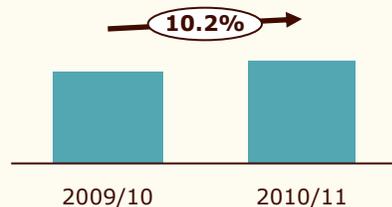
### Europe

- Western Europe growth flat vs. prior year, in a declining market.
- Eastern Europe with double digit growth mainly Russia and Poland
- Consumer volume growth has stabilized in Q3



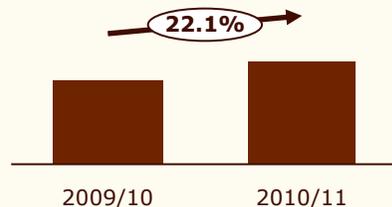
### Americas

- Within the Food Manufacturers Products business, Corporate Accounts continued to perform strongly
- Gourmet recovered from a weaker business in the first six months
- Growth in emerging markets above average, led by Mexico with double digit growth in sales volume



### Asia

- Strong market growth, led by China and India with double digit growth rates
- Barry Callebaut's sales volume supported equally by double digit growth in the Food Manufacturers Products as well as Gourmet & Specialties



### Global Sourcing & Cocoa

- Positively impacted by strong powder sales and Cocoa Products for strategic partners.

# Other developments



- On May 27th, Barry Callebaut achieved investment grade for the first time in history, with an upgrade from Ba1 to Baa3 by Moody's
- On June 15th, we successfully placed a EUR 250 million Bond with a tenor of 10 years and a coupon of 5.375%.
- At the same time we renewed and amended the credit revolving facility.



# New outsourcing agreement - Turin



- On June 27th, Barry Callebaut signed a long-term outsourcing agreement with Chocolates Turin for close to 10'000 tons. Expect to achieve in the near future 20,000 tons with Turin plus other third party customers
- Acquisition of a production facility from Turin in Toluca, southwest from Mexico city. Total investment CHF 28 mio
- With this additional production facility, combined with the one in Monterrey we are well positioned to serve the Mexican market, as well as other emerging markets in Latin America
- Exclusive distribution agreement in the Gourmet market of Barry Callebaut's (Cacao Barry and Callebaut) global and local brands in México

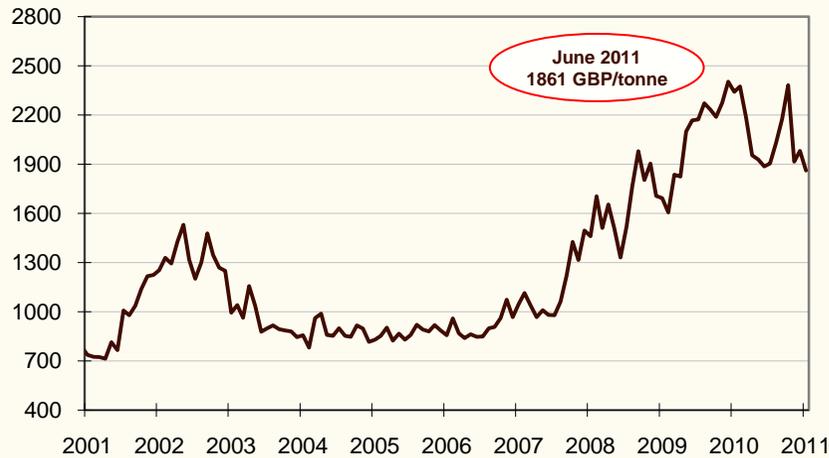


# High raw material prices with increased volatility

## Barry Callebaut "cost plus" model has proven to be robust



**Cocoa bean price (GBP/tonne)**



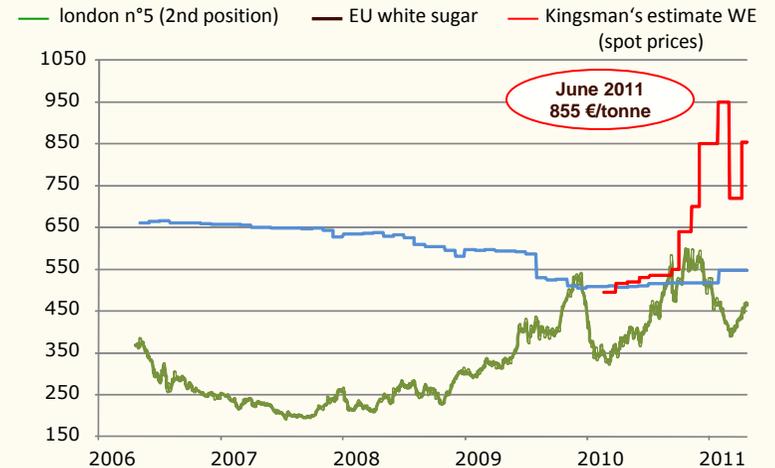
Note: Cocoa bean - Ldn 2nd Position

**Skimmed milk powder price (EUR/tonne)**



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**White Sugar average price (EUR/tonne)**



- ▶ BC is able to directly pass-on the cost of raw materials to customers in 80% of its business through its "cost plus" business model
- ▶ Cocoa prices adjusted downwards after the crisis in Ivory Coast came to an end
- ▶ Sugar markets suffered of a tight supply keeping prices very volatile and at high levels (+60% over the last 9 months)
- ▶ Milk powder prices came down with positive production prospects, but started to go up in May. (+11% over the last 9 months)

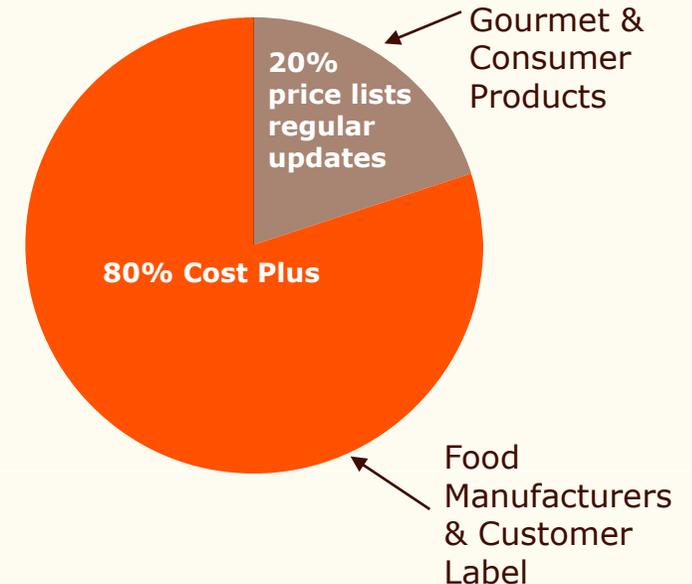
# Main raw materials and business model



## Main raw materials

BC sourced in 09/10:		% of total raw material value
Cocoa	570 KT	51%
Dairy	125 KT	10%
Sugar	480 KT	8%
Oils and Fats	82 KT	4%
Other		27%

## Barry Callebaut business model



## 100g chocolate tablet contains:

Cocoa liquor  
Cocoa butter  
Milk powder  
Sugar  
Other

	Milk	Dark
Cocoa liquor	11 g	44 g
Cocoa butter	24g	12 g
Milk powder	22 g	-
Sugar	42 g	43 g
Other	1 g	1 g

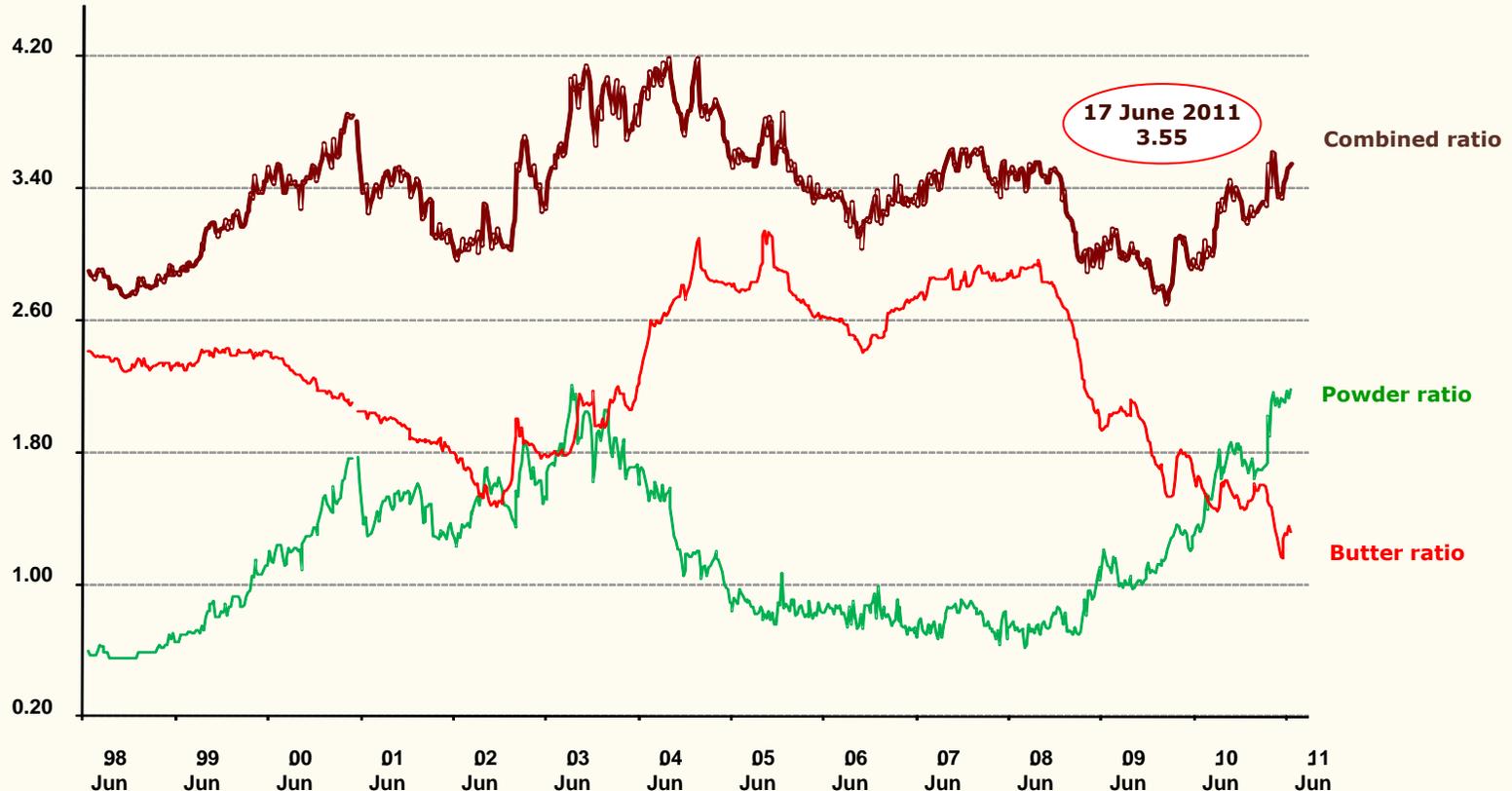
- ▶ Through our cost plus model, we are able to pass on the higher raw material prices to customers



# Cocoa processing profitability

## Improved combined cocoa ratio

Cocoa powder-butter combined ratio\* – European ratios 6 months forward against LIFFE



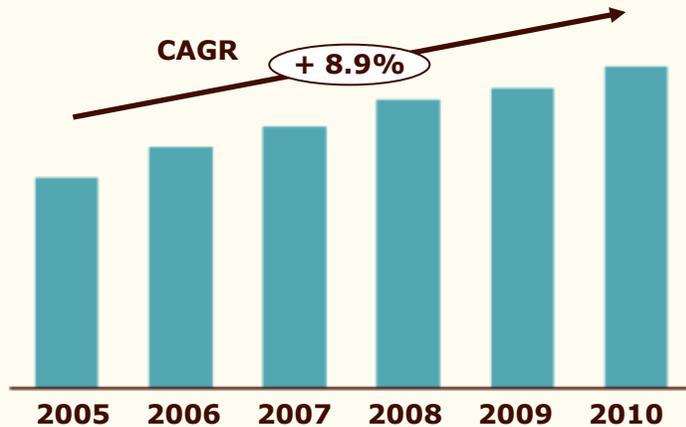
Combined cocoa ratio improved and it is still on a positive trend, mainly driven by higher demand of powder, offset somewhat by with higher cocoa bean prices

\* Price charged for semi-finished products compared to cocoa bean price

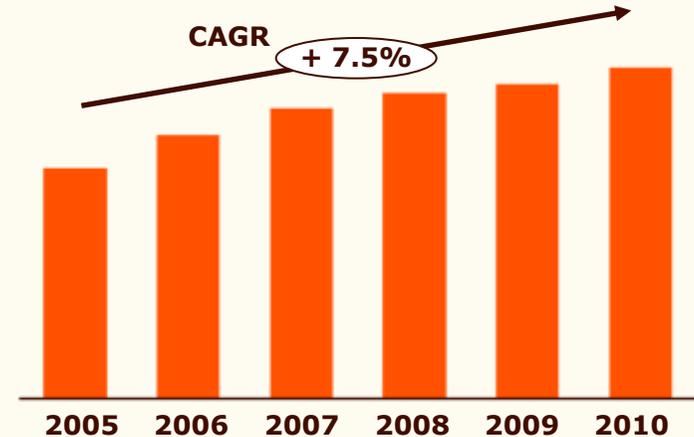


# BC's sustainable and solid top-line and bottom-line growth over the last 5 years

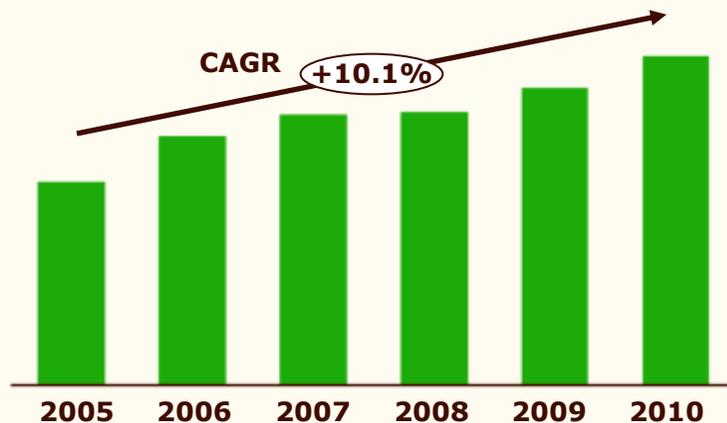
### Sales Volume



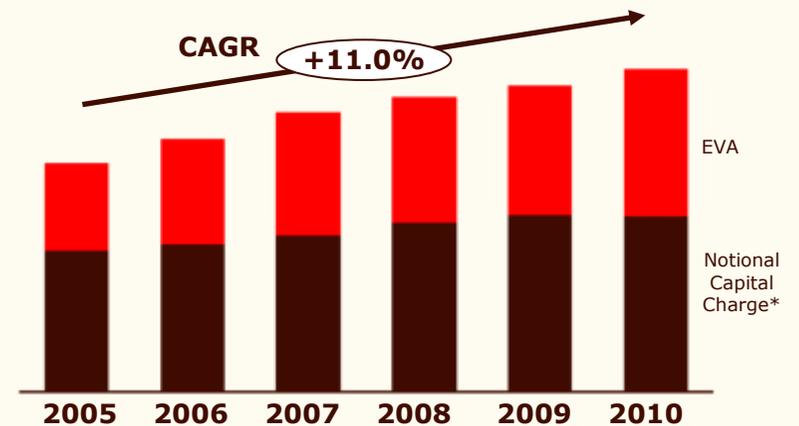
### EBIT



### Net profit\*



### Economic Value Added



\* Continuing operations.  
Note: All metrics in CHF.

\* WACC= 8%

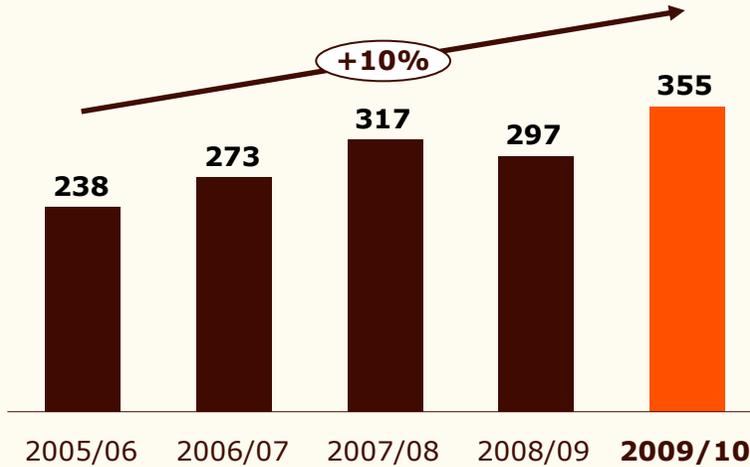
# Improved cashflow decisive for the growth speed

## Cash flow analysis FY 2009/10

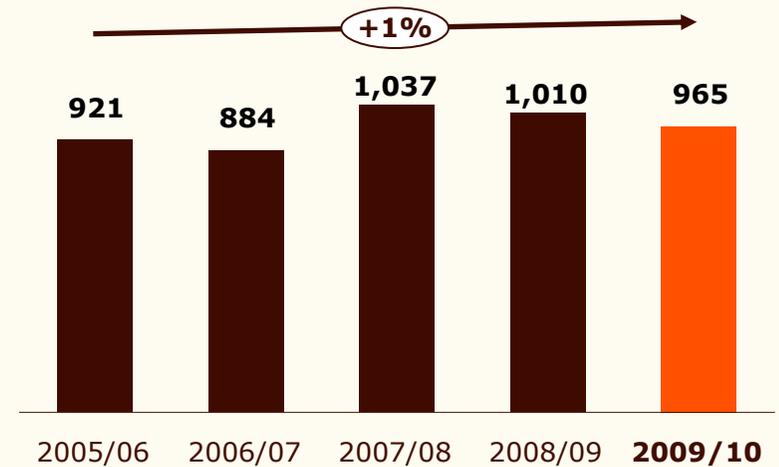


In CHFm

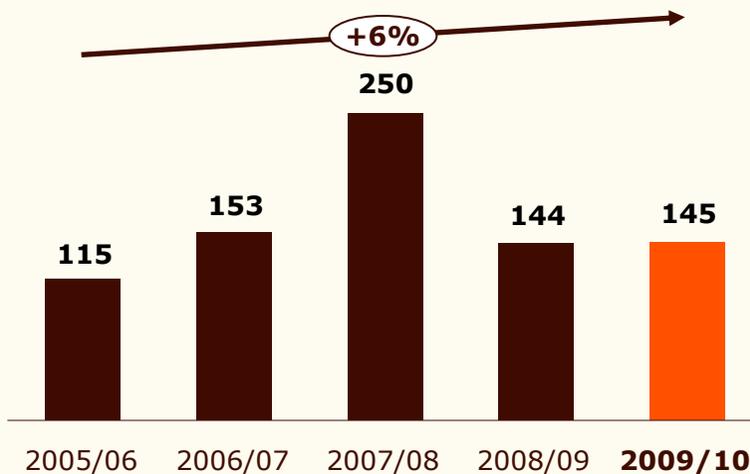
Operational cash flow\*



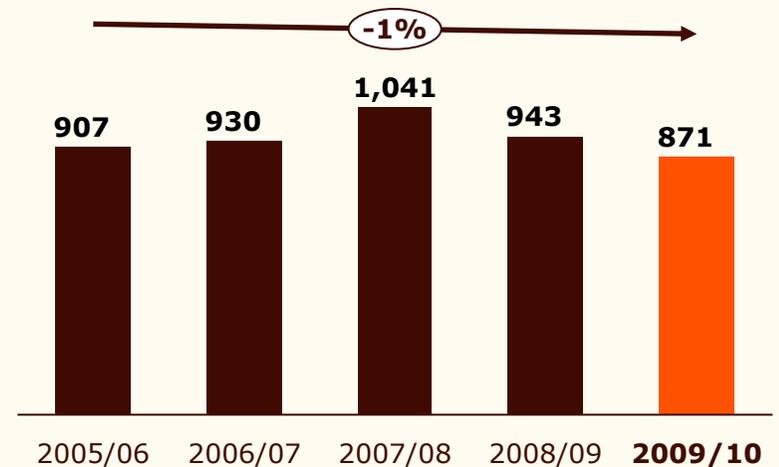
Working Capital



Capital Expenditure



Net Debt



\* Before changes in working capital, after interest and taxes.

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# Financial targets confirmed



- ▶ Annual growth targets on average\* for 2009/10 through 2012/13:
  - Volumes: 6-8%
  - EBIT: at least in line with volume growth

\* Our view for the 2009-2013 period reflects current economic forecasts for the markets we operate in as well as internal developments and their assumed impact on our performance, barring any major unforeseen events and based on local currencies.

# Barry Callebaut at a glance



- ▶ **World leader** in high-quality cocoa and chocolate products. **40% global market share** in the open industrial chocolate market
- ▶ **Early mover in emerging markets**
- ▶ **Outsourcing & strategic partner** of choice
- ▶ World's **largest supplier of Gourmet & Specialties chocolate** for artisanal customers.
- ▶ Recognized **innovation leader**, with **close to 2,000 recipes** to cater for a large variety of individual customer needs
- ▶ **Global chocolate service and production** footprint, across 43 production facilities in 26 countries and 5 continents, with a strong footprint and local presence in key cocoa origin countries and 7500 employees
- ▶ **Cost Leadership** along the entire value chain with a continuous improvement structure
- ▶ Strong track record of **consistent earnings** and **cash flow generation**



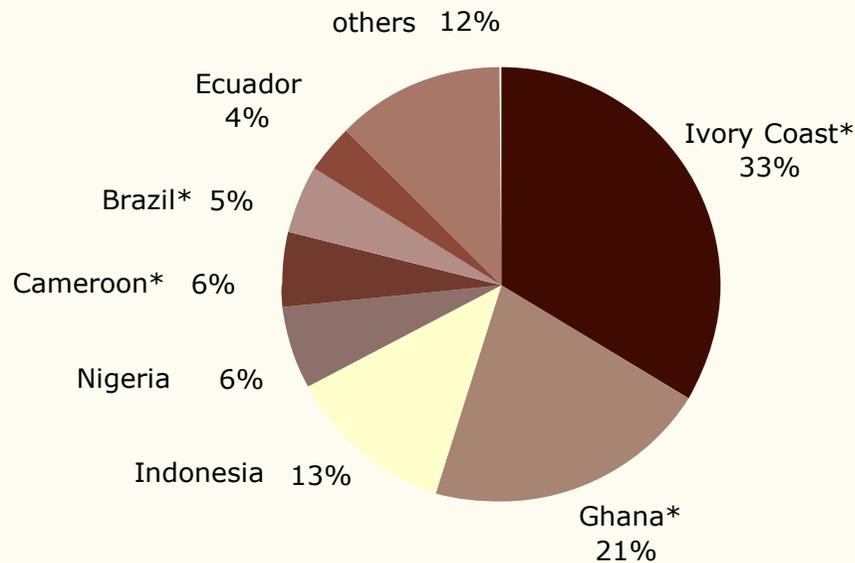


# Q&A



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

Total world harvest (10/11): 3 938 k MT



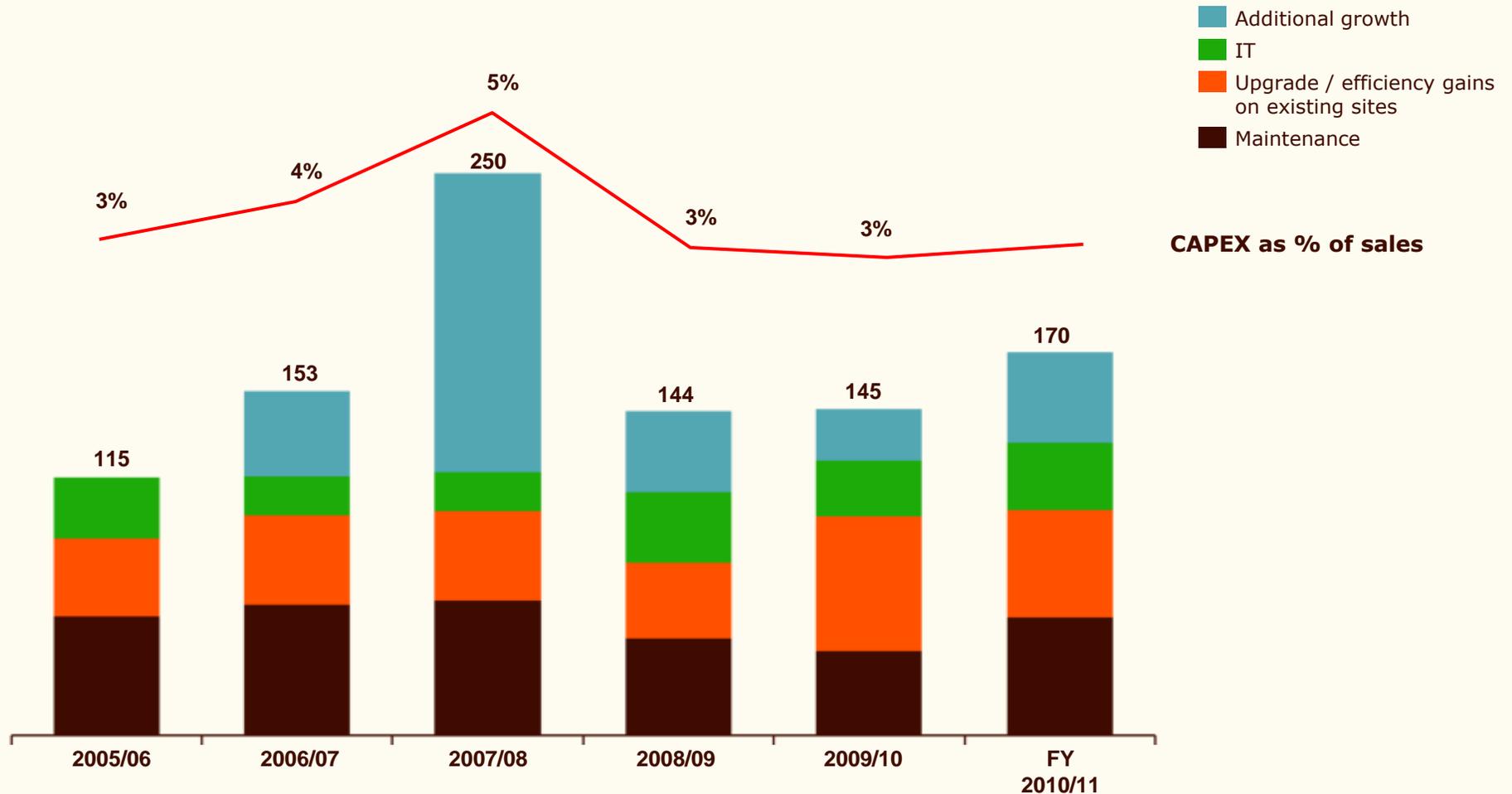
- ▶ In FY 2009/10 BC sourced ~570,000 MT of cocoa beans, thereof 65% directly from farmers, cooperatives & local trade houses
- ▶ BC has various cocoa processing facilities in origin countries\*, in Europe and in the USA

Source: ICCO estimates

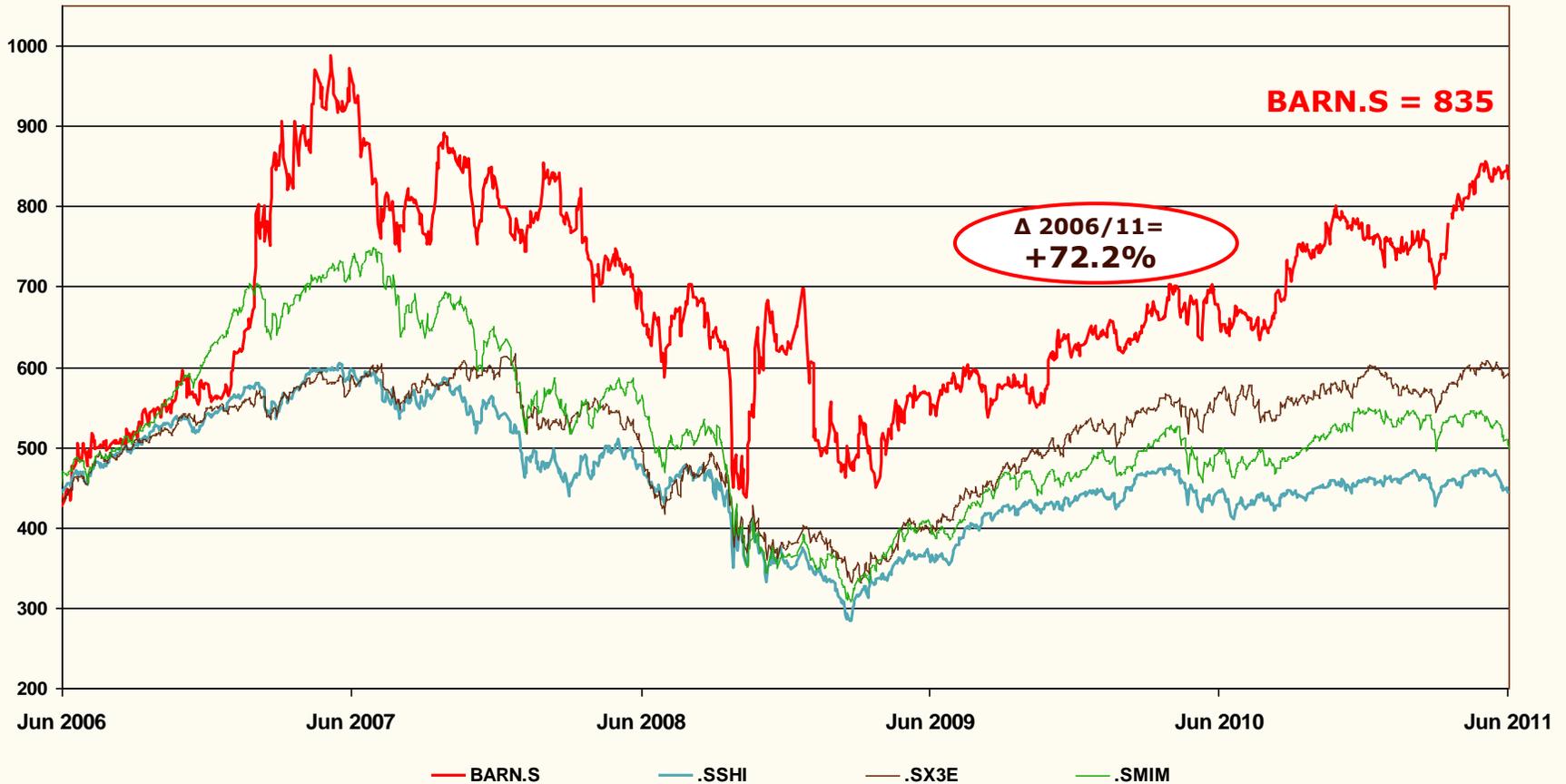
# Investments support the growth of our business



In CHFm



# BC share price development over last 5 years vs. relevant indexes



Swiss Performance Index (Rebased)

Dow Jones Euro Stoxx Food & Beverage index\* (Rebased)

Swiss Market Index Mid Cap (Rebased)

# Growth twice as fast as the market and improved profitability



	Change in % In local currencies	Change in %	H1 2010/11	H1 2009/10
<b>Sales volume</b> [in tonnes]		<b>7.1%</b>	<b>706'570</b>	<b>659'536</b>
<b>Sales revenue</b> [CHF m]	<b>13.2%</b>	<b>3.1%</b>	<b>2'737.9</b>	<b>2'656.5</b>
<i>CHF per tonne</i>	<i>5.7%</i>	<i>-3.8%</i>	<i>3'875</i>	<i>4'028</i>
<b>Gross profit</b> [CHF m]	<b>9.8%</b>	<b>1.6%</b>	<b>396.4</b>	<b>390.3</b>
<i>CHF per tonne</i>	<i>2.5%</i>	<i>-5.2%</i>	<i>561</i>	<i>592</i>
<b>EBITDA</b> [CHF m]	<b>9.2%</b>	<b>1.4%</b>	<b>264.1</b>	<b>260.5</b>
<i>CHF per tonne</i>	<i>1.9%</i>	<i>-5.4%</i>	<i>374</i>	<i>395</i>
<b>Operating profit (EBIT)</b> [CHF m]	<b>11.4%</b>	<b>4.0%</b>	<b>217.1</b>	<b>208.8</b>
<i>CHF per tonne</i>	<i>3.8%</i>	<i>-2.9%</i>	<i>307</i>	<i>317</i>
<b>Net profit for the period</b> [CHF m]	<b>17.1%</b>	<b>9.0%</b>	<b>158.8</b>	<b>145.7</b>
<i>CHF per tonne</i>	<i>9.3%</i>	<i>1.7%</i>	<i>225</i>	<i>221</i>

# Solid Financials with improvement of all key ratios



	Change in %	Feb 11	Feb 10
<b>Total Assets</b> [CHF m]	-2.2%	<b>3'979.1</b>	<b>4'068.0</b>
<b>Net Working Capital</b> [CHF m]	-13.5%	<b>1'054.1</b>	<b>1'218.4</b>
<b>Non-Current Assets</b> [CHF m]	-3.3%	<b>1'408.4</b>	<b>1'457.2</b>
<b>Net Debt</b> [CHF m]	-12.5%	<b>956.2</b>	<b>1'093.4</b>
<b>Shareholders' Equity</b> [CHF m]	1.7%	<b>1'338.9</b>	<b>1'316.2</b>
<b>Debt/Equity ratio</b>		<b>71.4%</b>	<b>83.1%</b>
<b>Solvency ratio</b>		<b>33.6%</b>	<b>32.4%</b>
<b>Net debt / EBITDA</b>		<b>2.0x</b>	<b>2.4x</b>
<b>Interest cover ratio</b>		<b>6.5x</b>	<b>5.3x</b>
<b>ROIC</b>		<b>14.6%</b>	<b>13.4%</b>
<b>ROE</b>		<b>19.8%</b>	<b>17.4%</b>