



# Barry Callebaut

Roadshow presentation - Q1 2011/12

January 2012



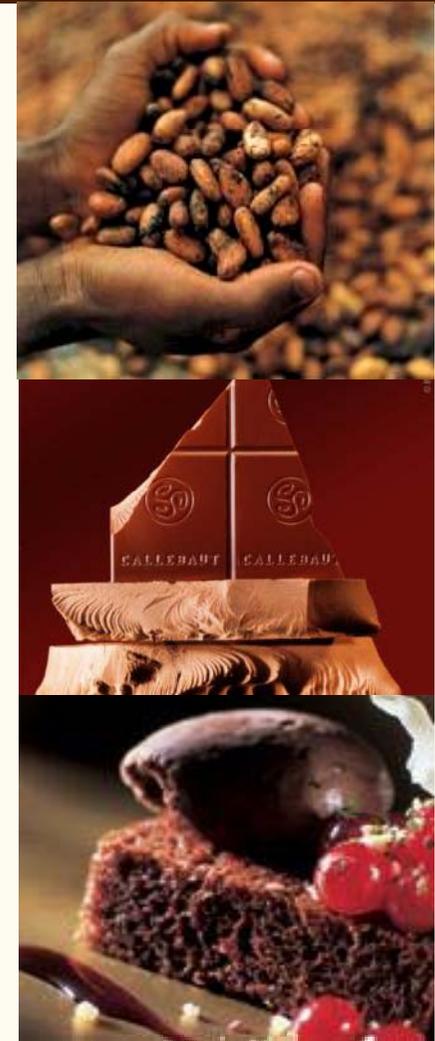
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**BARRY CALLEBAUT**

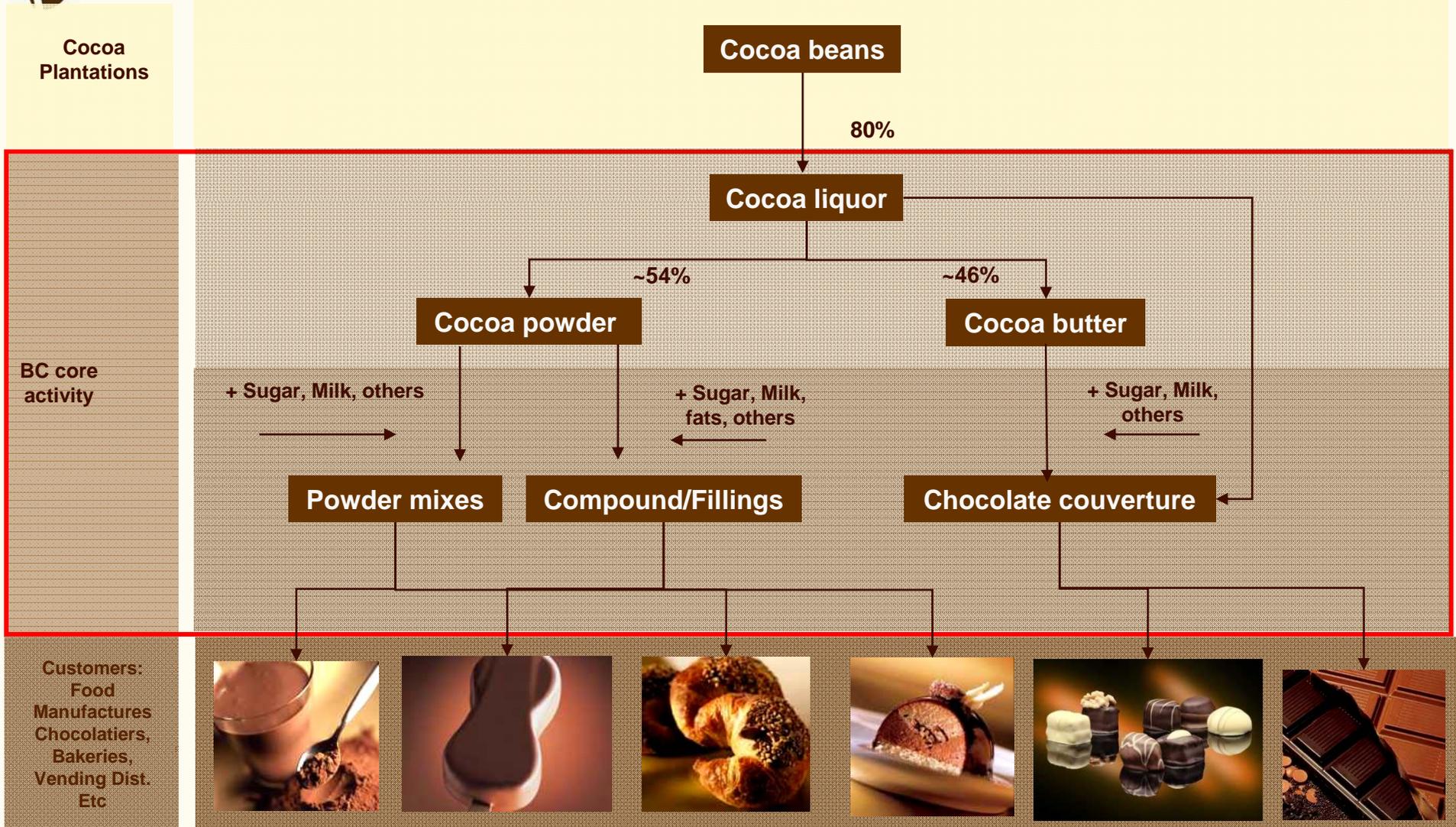


# Agenda

- ▶ **BC at a glance**
- ▶ Q1 Key Sales Figures
- ▶ Strategy & Outlook
- ▶ Q & A



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





# Main raw materials and business model

## Main raw materials

BC sourced in 10/11:		% of total raw material value
Cocoa	650 KT	52%
Dairy	110 KT	9%
Sugar	464 KT	9%
Oils and Fats	85 KT	2%
Other		28%

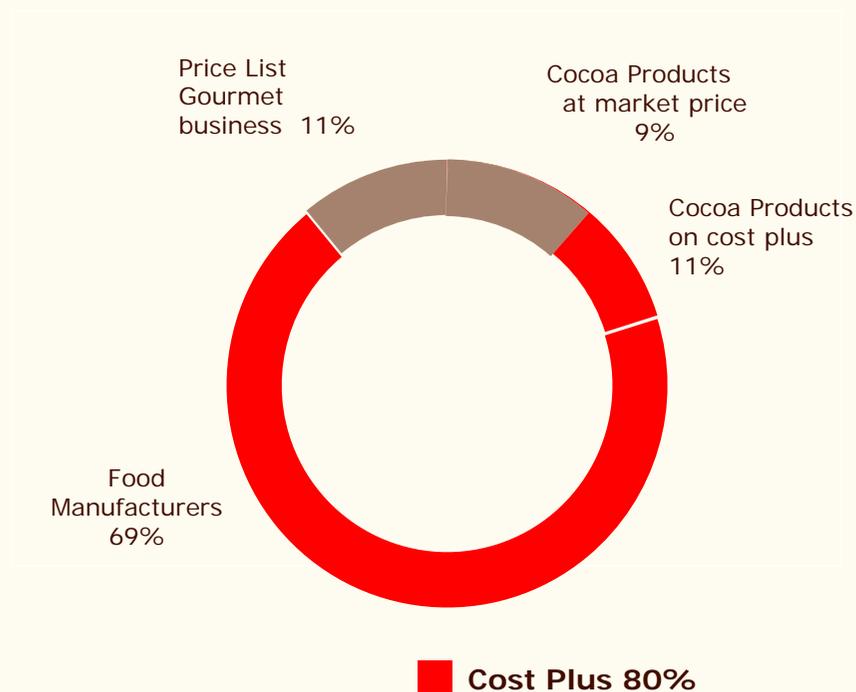
- ▶ **Raw materials represent about 80% of our total costs**

## 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

## Barry Callebaut business model

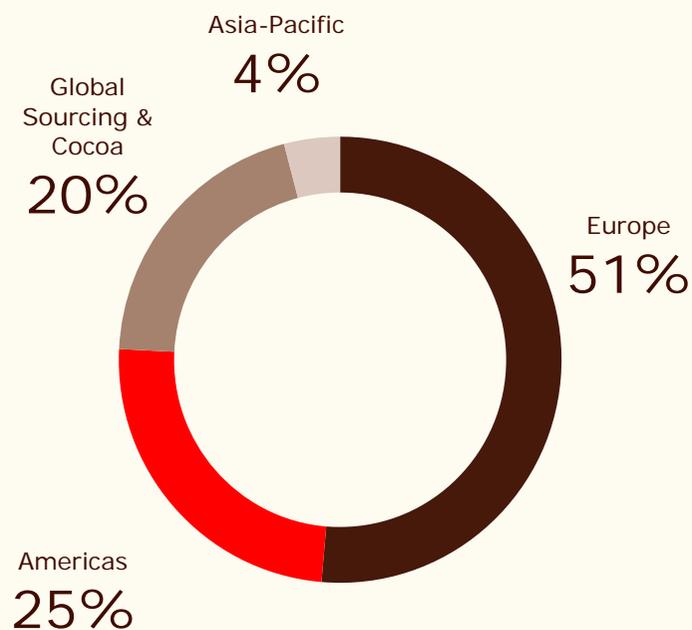


- ▶ **Through our cost plus model, we are able to pass on the higher raw material prices to customers**

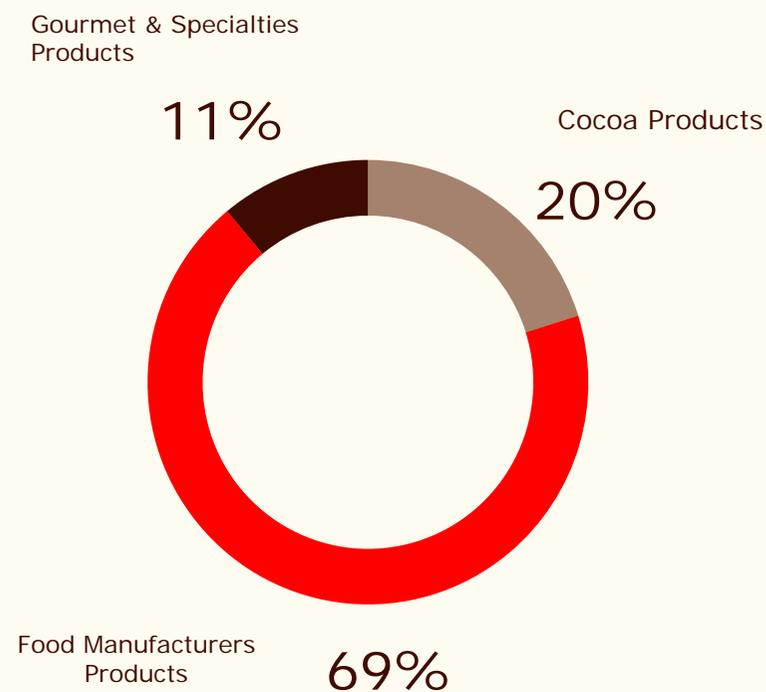


# Our Geographic and Product Group diversification

Sales Volume per Region - FY 2010/11



Sales Volume per Product Group - FY 2010/11





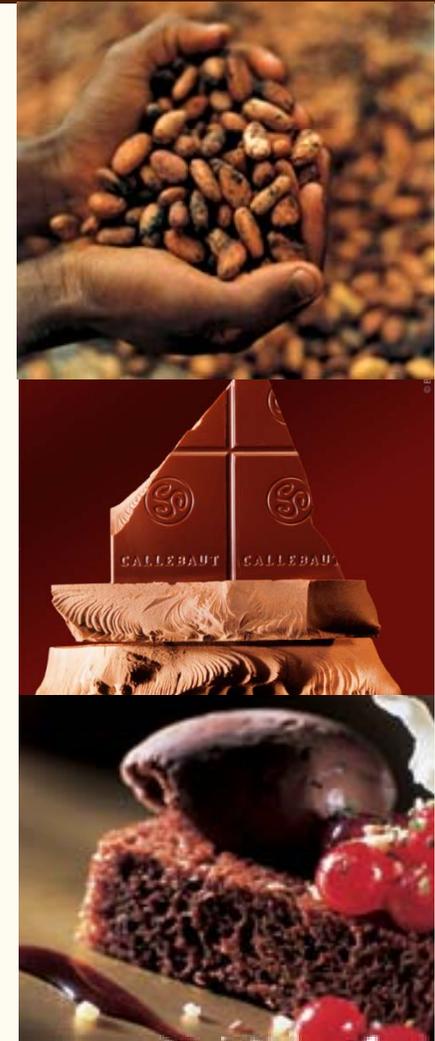
# Our global footprint- 40 factories in 4 continents





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# Outperforming the market in a challenging environment

		Change (%)	Three months up to Nov 30, 2011	Three months up to Nov 30, 2010
<b>Sales volume</b>	mt	2.6	362,637	353,277
<b>Sales revenue</b>	CHF m	(4.1)	1,273.1	1,326.9
<b>Sales revenue</b>	in local currencies	5.0		

- ▶ Sales volume up 2.6% vs. a global market which declined by 0.7%\*
- ▶ Sales revenue up 5% in local currencies
- ▶ Good sales performance of Americas, Food Manufacturers and Gourmet

\* Nielsen figures Sep-Nov 2011



# Volume growth driven by Americas, FM and Gourmet

## Europe



### Difficult market environment in Western Europe, good growth in Eastern Europe

- Volume decrease 0.8%
- Sales revenue +1.2 in loc. currencies; -8.2% in CHF
- Debt crisis affected consumer sentiment mainly in Southern Europe
- Eastern Europe grew strongly (Poland, Russia and Baltic States).

## Americas



### Strong growth across all regional markets and segments

- Volume up: +17.6%
- FM rose double-digit driven by National accounts and Corporate accounts
- Gourmet increased sales volume due to market share and new customers gains

## Asia-Pacific



### Industrial growth limited by available capacity, strong Gourmet performance

- Volume up: +2.7%
- FM business constrained by tight capacity. Recent investments in increasing capacity also caused temporary production downtimes.
- Gourmet increased its sales volume driven by Global brands at double digit rate

## Global Sourcing & Cocoa



### Higher internal demand and capacity extensions

- Volume down: -4.5%
- Due to higher internal demand for cocoa powder and on-going capacity expansions at existing factories, which led to some downtime

# Highlights Q1 2011/2012

## Further delivering on our strategic direction



September 2011

Barry Callebaut **successfully closes the divestiture of its European consumer business** to the Belgian Sweet Products/Baronie Group



Novembre 2011

**Joint Venture with P.T. Comextra Majora**, building a new cocoa processing facility in Makassar (Indonesia), including a long-term cocoa supply agreement



January 2012

**Long-term outsourcing agreement with Mexican Grupo Bimbo** to supply the Mexican plants of the leading baking company in the Americas



Unilever

January 2012

**Global long-term partnership agreement** with Unilever for cocoa and chocolate, doubling its current Unilever volumes



Sep – Jan 2012

**Capacity extensions in different parts of the world**, incl Asia, Africa, North America and Europe



December 2011

Standard & Poor's Ratings Services **upgrades Barry Callebaut to investment grade**. From BB+ to BBB-credit rating. The rating's outlook is stable.

**la Morella nuts**

January 2012

**Acquisition of La Morella Nuts S.A.**, a Spanish manufacturer of nut ingredients



## New outsourcing agreement – Bimbo



- On January 16th, Barry Callebaut signed a long-term outsourcing agreement with Bimbo for close to 32,000 tons.
- Bimbo is one of leaders in the Food Industry in Latin America
- Barry Callebaut to supply the plants of Grupo Bimbo in Mexico with compound and chocolate from existing factories in Toluca and Monterrey
- Total investment CHF 15 mio. Investments to be made in the current Barry Callebaut factory in Toluca, Mexico
- Projected volumes to start immediately



# New global long-term partnership– Unilever



- On January 27th, Barry Callebaut signed a global long-term partnership agreement with Unilever
- Barry Callebaut to become the strategic global supplier and innovation partner of choice for Unilever's cocoa and chocolate needs
- Barry Callebaut to supply 70% of Unilever needs
- Total investment CHF 22 mio. Investments to be made worldwide
- Ramp-up 12 months, starting immediately





# Raw material price development

## Raw materials at high levels, volatility increased

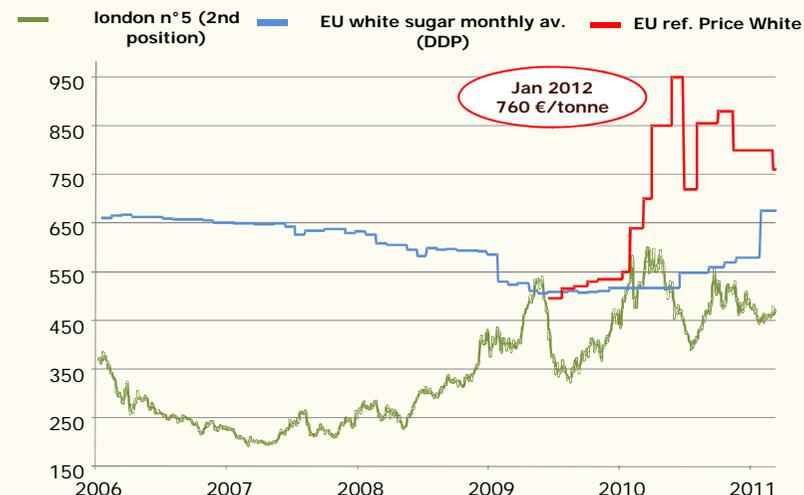
### Cocoa bean price (GBP/tonne)



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



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

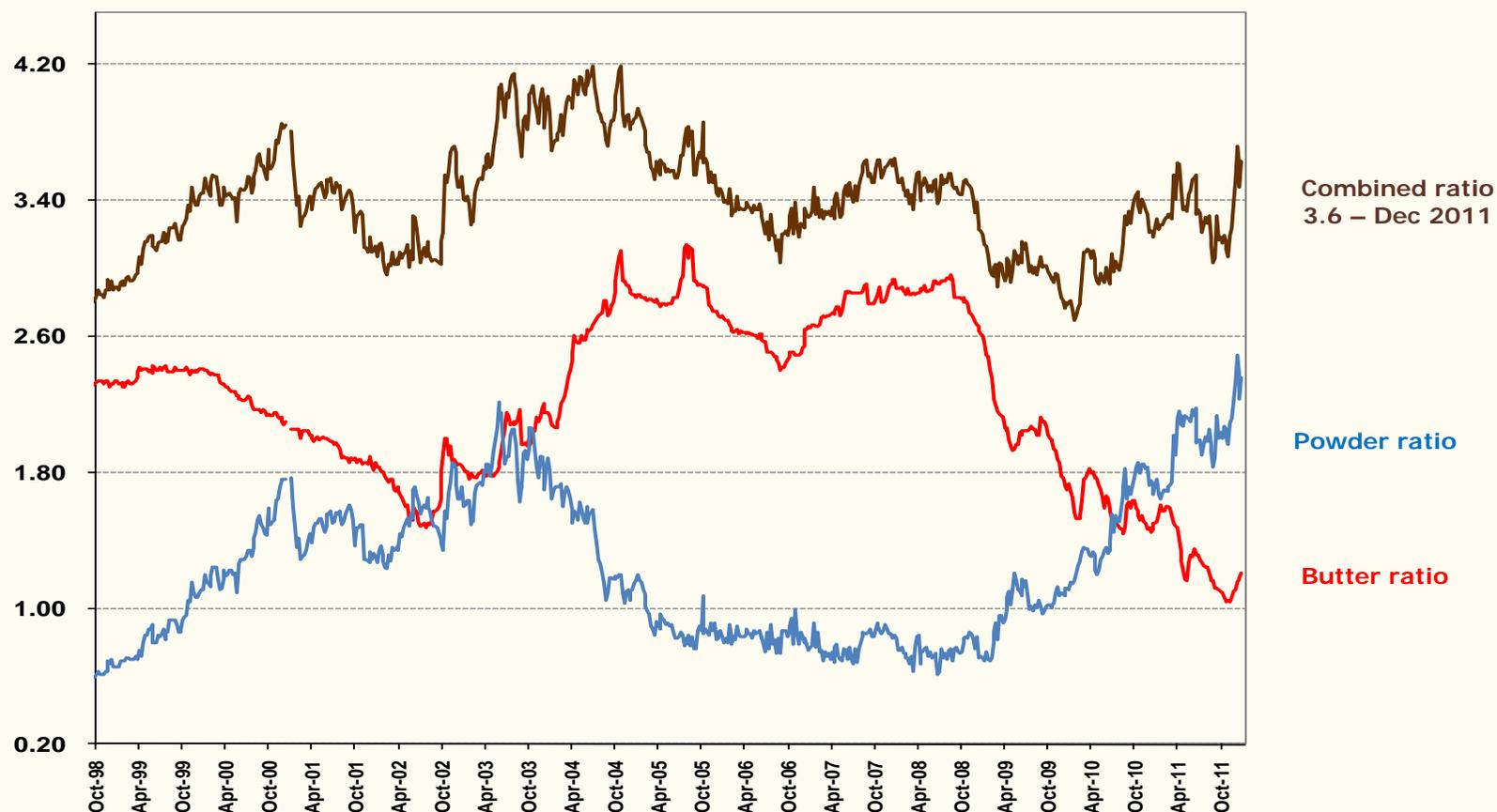


- ▶ BC through its "cost plus" model passes on the cost of raw materials to customers (80% of our business)
- ▶ Cocoa prices moved downwards to 2008-09 levels, due to a bumper crop in 2010/11 and good prospects for this year. Financial investors took short positions and the industry is well covered
- ▶ Sugar had a downward correction worldwide. In Europe stayed at high level recently moving down.
- ▶ Milk powder prices moved sideways at historically high average levels



## Raw material price development Combined cocoa ratio, holding well

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

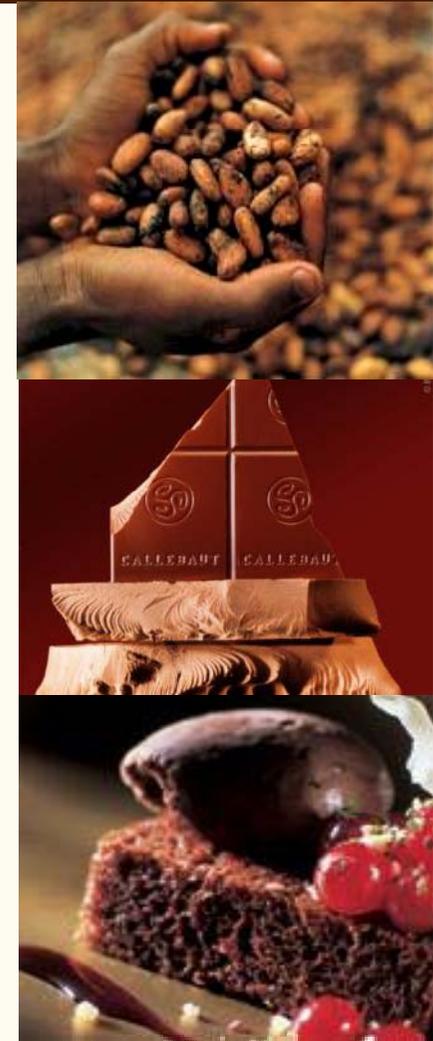


- ▶ Combined cocoa ratio\* was favorable in FY2010/11. Combined ratio came down, but it is up again still driven by high cocoa prices and slightly improved butter ratio
- ▶ Low combined cocoa ratios = negative impact on BC cocoa (semi-finished products) business



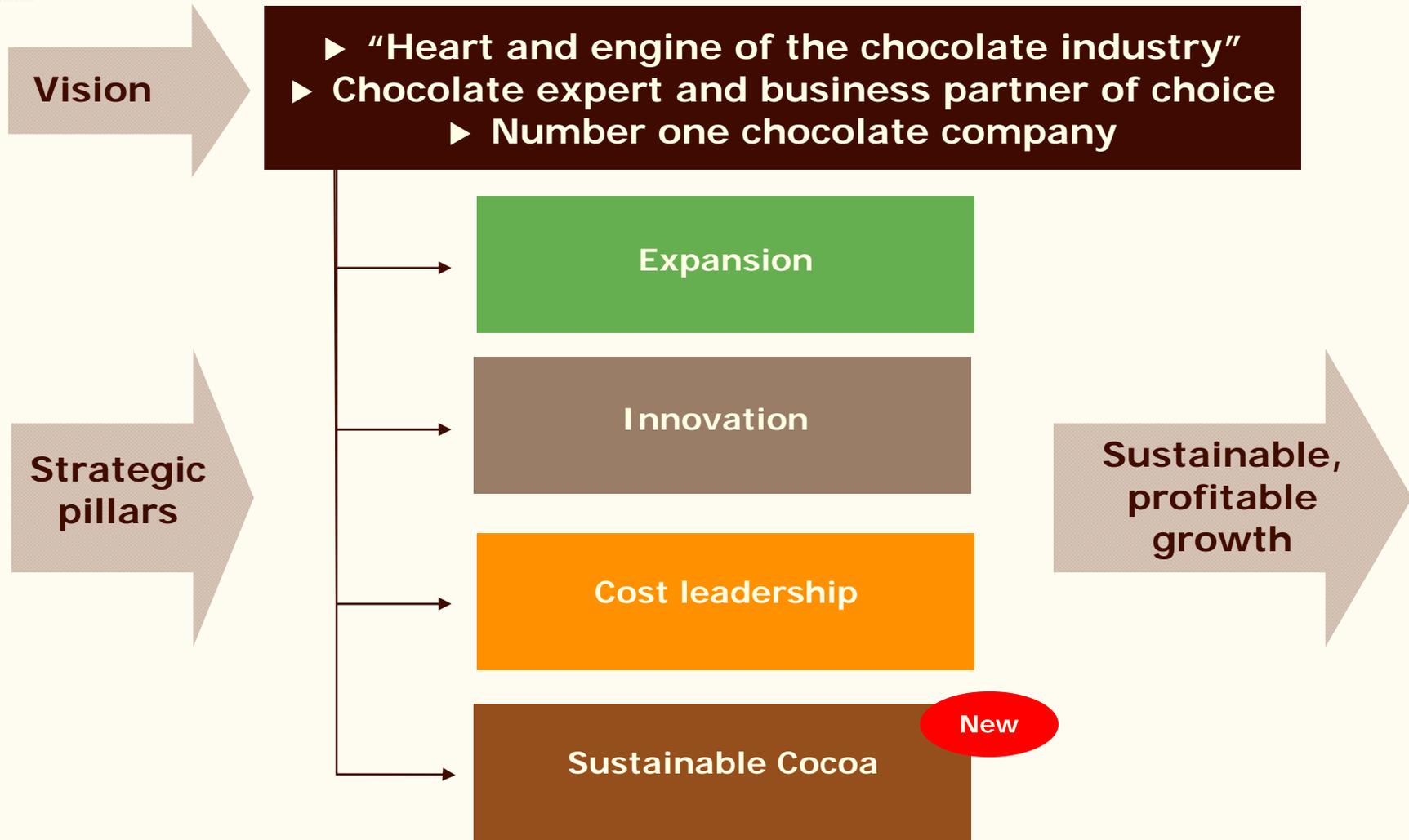
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# Our Strategy



# "Expansion" in its three dimensions



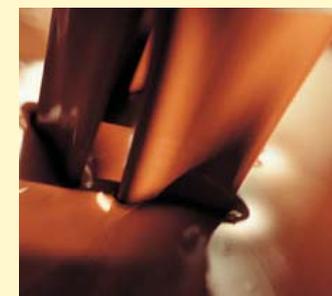
## Geography

- Drive consolidation and grow profitably in mature FM markets
- Achieve full potential in recently entered emerging markets
- Further expand in new emerging markets



## Outsourcing & Strategic Partnerships

- Strengthen our current partnerships
- Implementation of Kraft deal
- New outsourcing deals with local/regional players



## Gourmet & Specialties Products

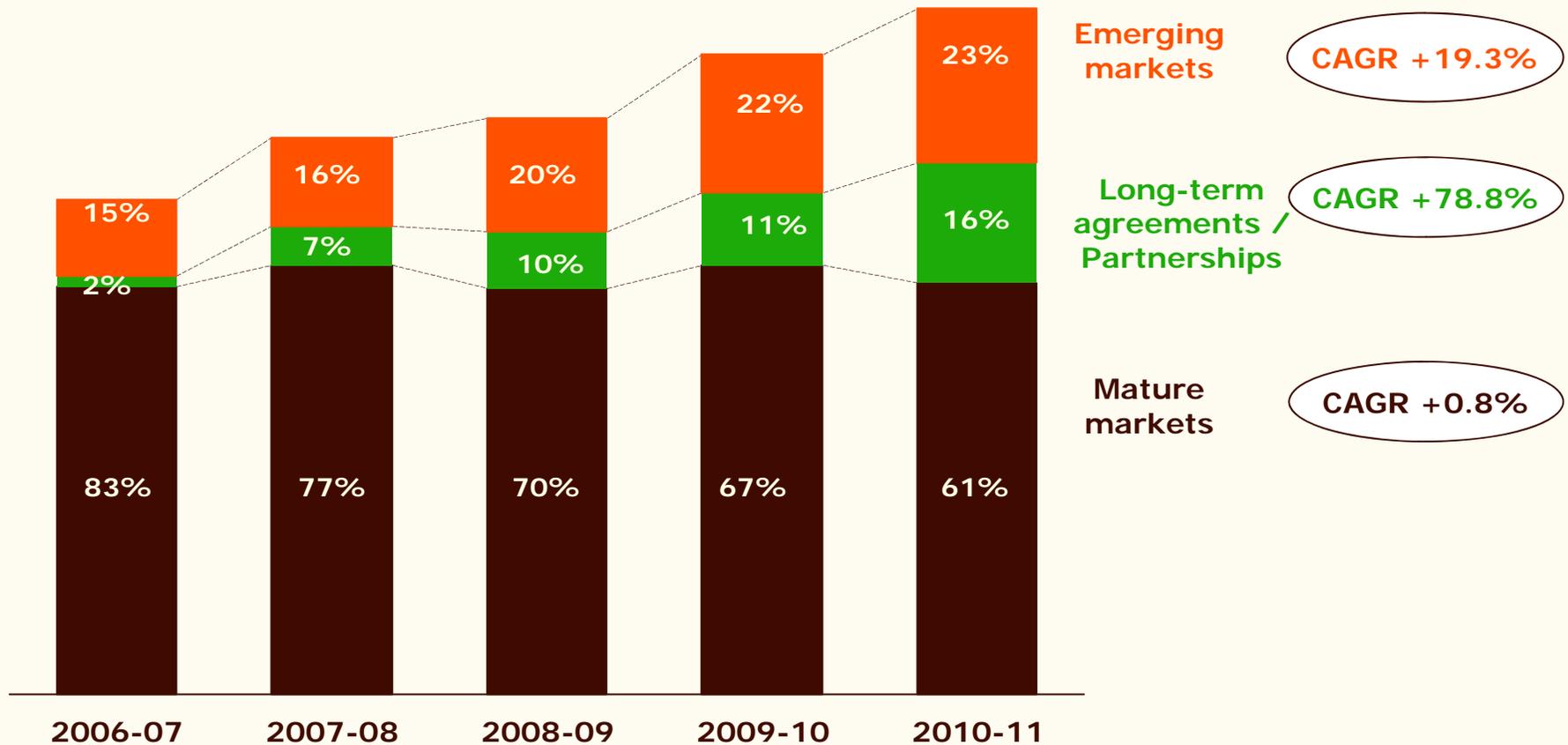
- Accelerate growth of Gourmet & Specialties Products business



# Focus on the growing emerging markets as well as on long-term agreements/partnerships



% of total consolidated sales volume



Note: For comparison reasons, all figures exclude Consumer business

# Outsourcing and Strategic Partner of choice



2006-07



Nestlé  
(February 2007)

*Cadbury Schweppes*

Cadbury  
Schweppes  
(June 2007)



Hershey  
(April 2007)



Morinaga  
(September 2007)

2010-11



Kraft Foods  
(September 2010)



Green Mountain  
Coffee Roasters  
(Oct 2010)



Hershey Extension  
(May 2011)



Chocolates Turín  
(June 2011)



Baronie Group  
(July 2011)

2011-12



Bimbo  
(Jan 2012)

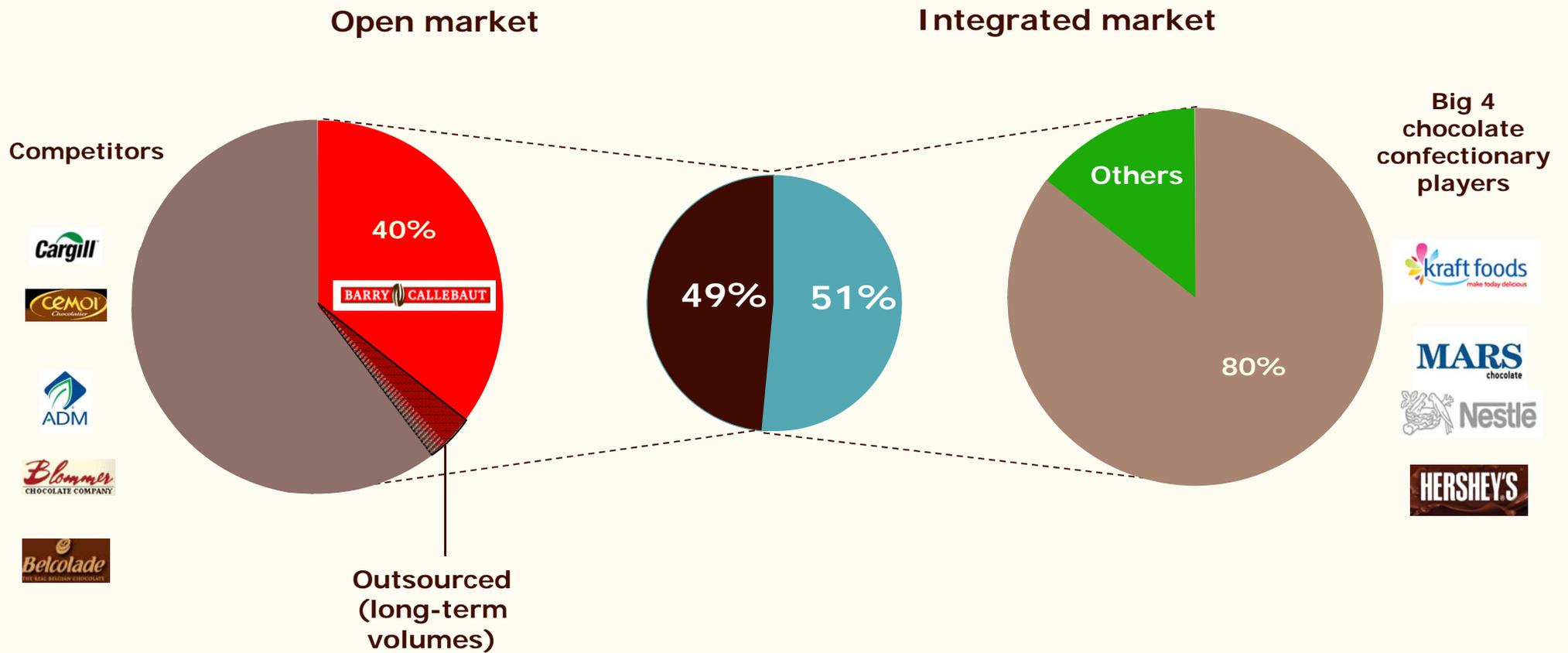


Unilever  
(Jan 2012)



# BC market leader in the open market

Global Industrial Chocolate market in 2010/11 = 6,021,000 tonnes\*



\*BC estimates

Gourmet

## 6 actions to accelerate Gourmet growth


**Sharpen focus on global brands**

- Centralized brand management for our global brands


**Increase adjacent product offering**

- Large potential for growth identified with (non-)chocolate products
- Decorations, compound coatings, fillings


**Independent but Interdependent**

- Dedicated organization with full P&L responsibility is in place in Western Europe and in North America

**From product to segment focus**

- Segment-specific solutions: ingredients, ready-to-use, ready-to-serve

**Growth through acquisitions**

**Accelerate geographical expansion** - Initiatives in mainland China, Nordic Countries, Russia, Central & South America

## Cost Leadership

# Supporting growth while staying cost leader



- ▶ Flow and footprint optimization
  - ▶ Capacity utilization liquid chocolate: from 82.6% to 84.7% (Target: 82–85%)
  - ▶ Capacity utilization cocoa processing: from 91% to 86% (Target: 90-95%)
- ▶ Continuous improvement: One+
  - ▶ Objective: Install a common continuous improvement process and way of working for the group
  - ▶ Implemented in 4 sites and rolled out to 3 additional factories
  - ▶ Results: At 4 pilot sites yearly savings of about CHF 7 million
- ▶ Process and technology development
  - ▶ Main focus: Rebuilding existing equipment to get more output, reduce energy consumption or improve process yields
- ▶ Raw material optimization
  - ▶ Projects in Americas and Europe resulted in annual savings > CHF 14 million
- ▶ Energy savings & CO<sub>2</sub> reduction
  - ▶ Results at end of year two: -11.8% energy consumption per tonne

▶ **Costs per tonne -2.2% (Target: -2%)**



# 72% of sales volume with new products made in past 5 years



- ▶ R&D
  - ▶ Pro-active innovation: new product development, fundamental research on cocoa/chocolate, clinical studies, farmer productivity & quality
  - ▶ Applied R&D: renovate products/recipes, apply new technologies to finished products
  
- ▶ Performance in 2010/11
  - ▶ 1,918 projects started, up 16% vs prior year
  - ▶ 850 successfully closed projects – success rate of 50% (+10%)
  - ▶ Successful at premium specialties: Terra Cacao™, certified products, nut fillings
  - ▶ Deep new product funnel: 83 new products under development
  - ▶ Award-winning agronomic research: Selborne cocoa plantation
  - ▶ Request for approval of a health claim for products high in cocoa flavanols

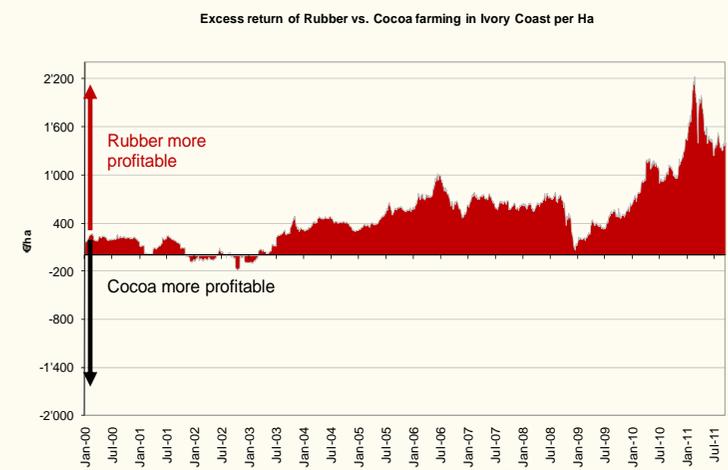
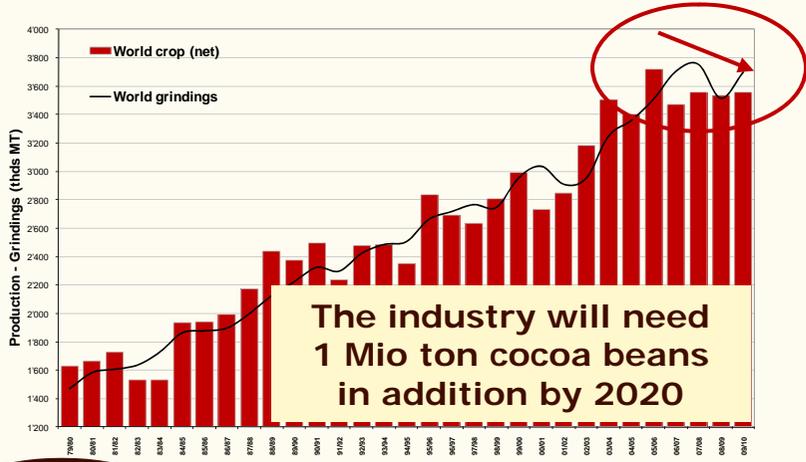


# Sustainable Cocoa

## We need more, sustainable cocoa in the future



- ▶ Consumption outpaces bean production
- ▶ Competitive crops more profitable



No more cocoa, no more chocolate

Cocoa powder shortage

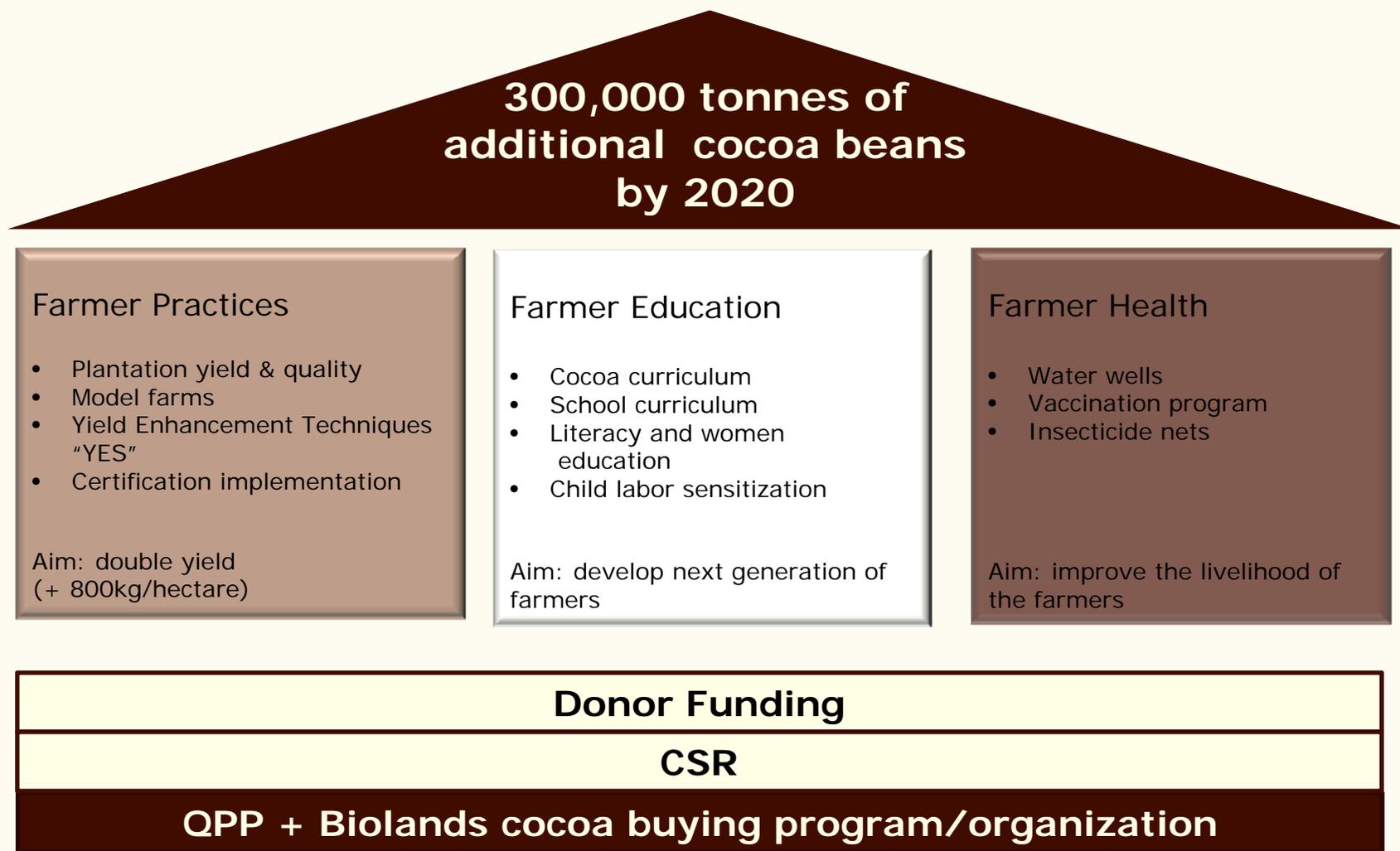
### ▶ Cocoa bean price volatility



Combined chocolate/ cocoa sales/ deals



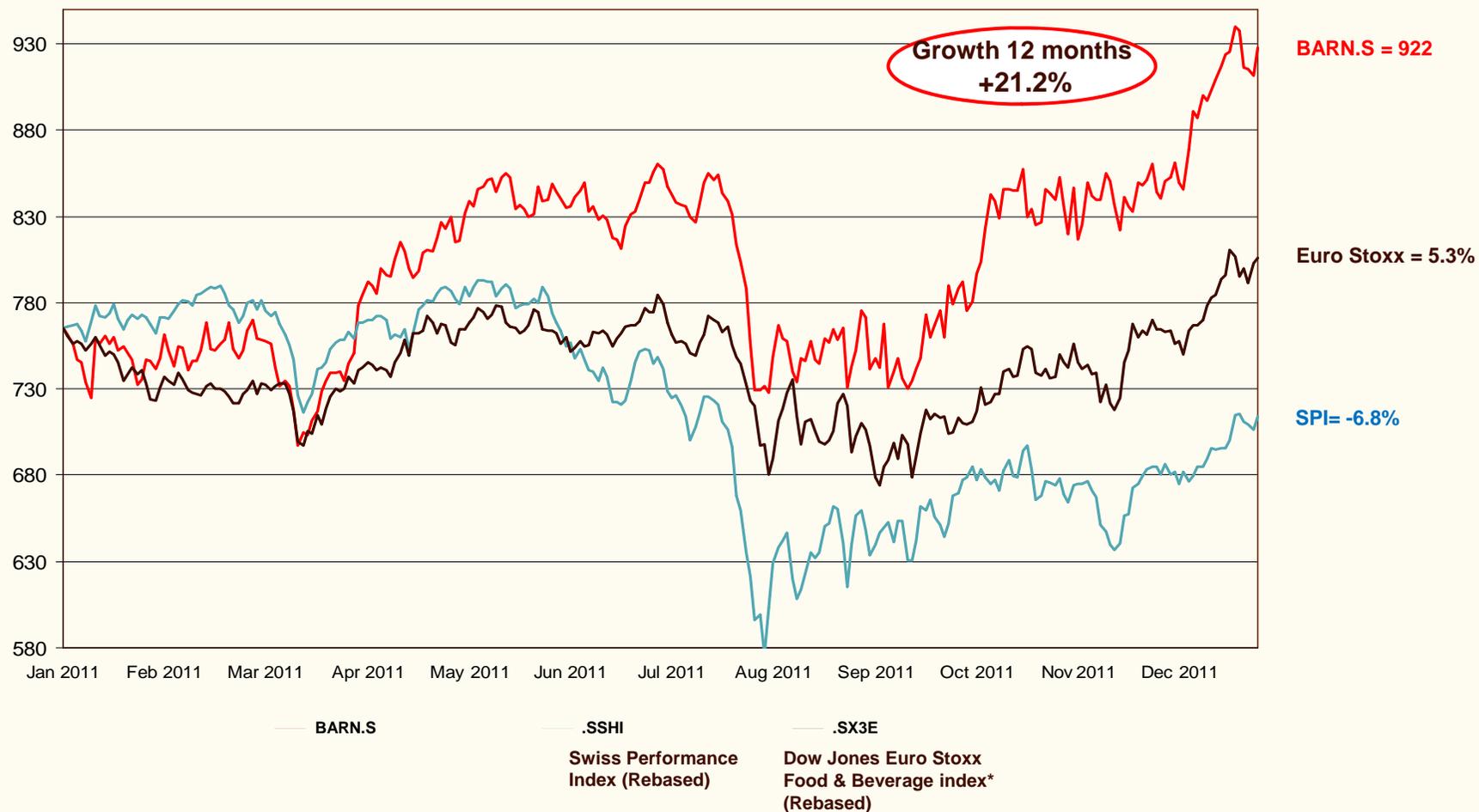
# Yield & quality initiative for more quality-grade, responsibly grown cocoa





# BC share price development over last 12 months above relevant indices

BC share development Jan 11th, 2011 to Jan 11th, 2012



\*Included companies: InBev, Unilever, Danone, Heineken NV, Pernod Ricard SA, Heineken Holding NV, Coca Cola Hellenic Bottling Company, Suedzucker, Kerry Group PLC, Parmalat, Ebro Puleva, Nutreco, CSM



## Outlook

# Financial targets confirmed

- ▶ Four-year growth targets for 2009/10 –2012/13
- ▶ 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.



# 10 Reasons to invest in Barry Callebaut

- ▶ World leader in high-quality cocoa and chocolate products
- ▶ Proven, focused and long-term oriented strategy
- ▶ Leader and growing presence in emerging markets
- ▶ Superior growth opportunities through strong positioning in outsourcing and long-term strategic partnerships with major food companies
- ▶ World's largest supplier of Gourmet & Specialties chocolate for artisanal customers.
- ▶ Recognized innovation leader
- ▶ Global chocolate service and production footprint, across 40 production facilities in 27 countries, with a strong footprint and local presence in key cocoa origin countries
- ▶ Cost Leadership along the entire value chain with a continuous improvement structure
- ▶ Experienced, international and proven Management team
- ▶ Strong track record of consistent earnings and cash flow generation



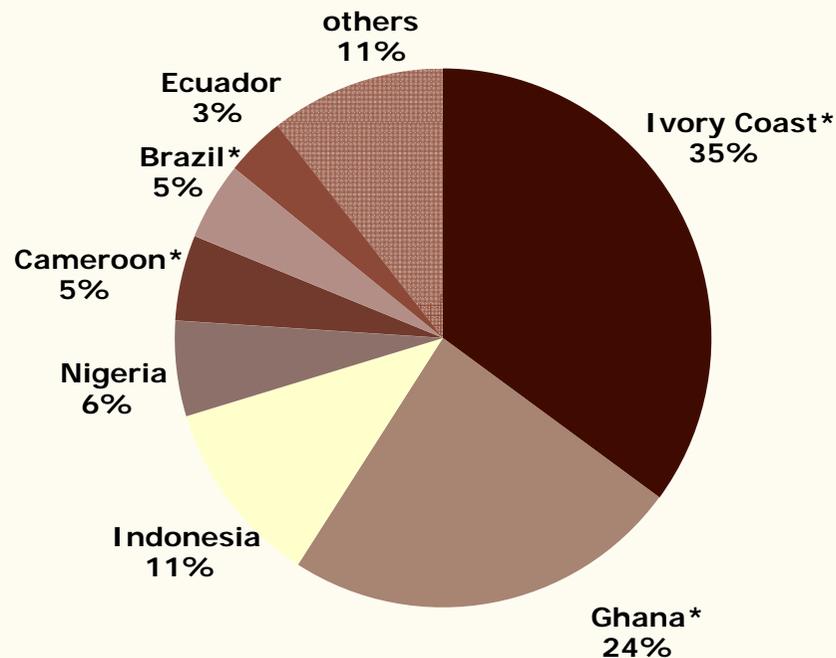


# Appendix



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

Total world harvest (10/11): 4,195k MT



- ▶ 70% of total cocoa beans come from West Africa
- ▶ BC processed ~540,000 cocoa beans or 13% of total world harvest, thereof 61% sourced directly from farmers, cooperatives & local trade houses
- ▶ BC has various cocoa processing facilities in origin countries\*, in Europe and in the USA

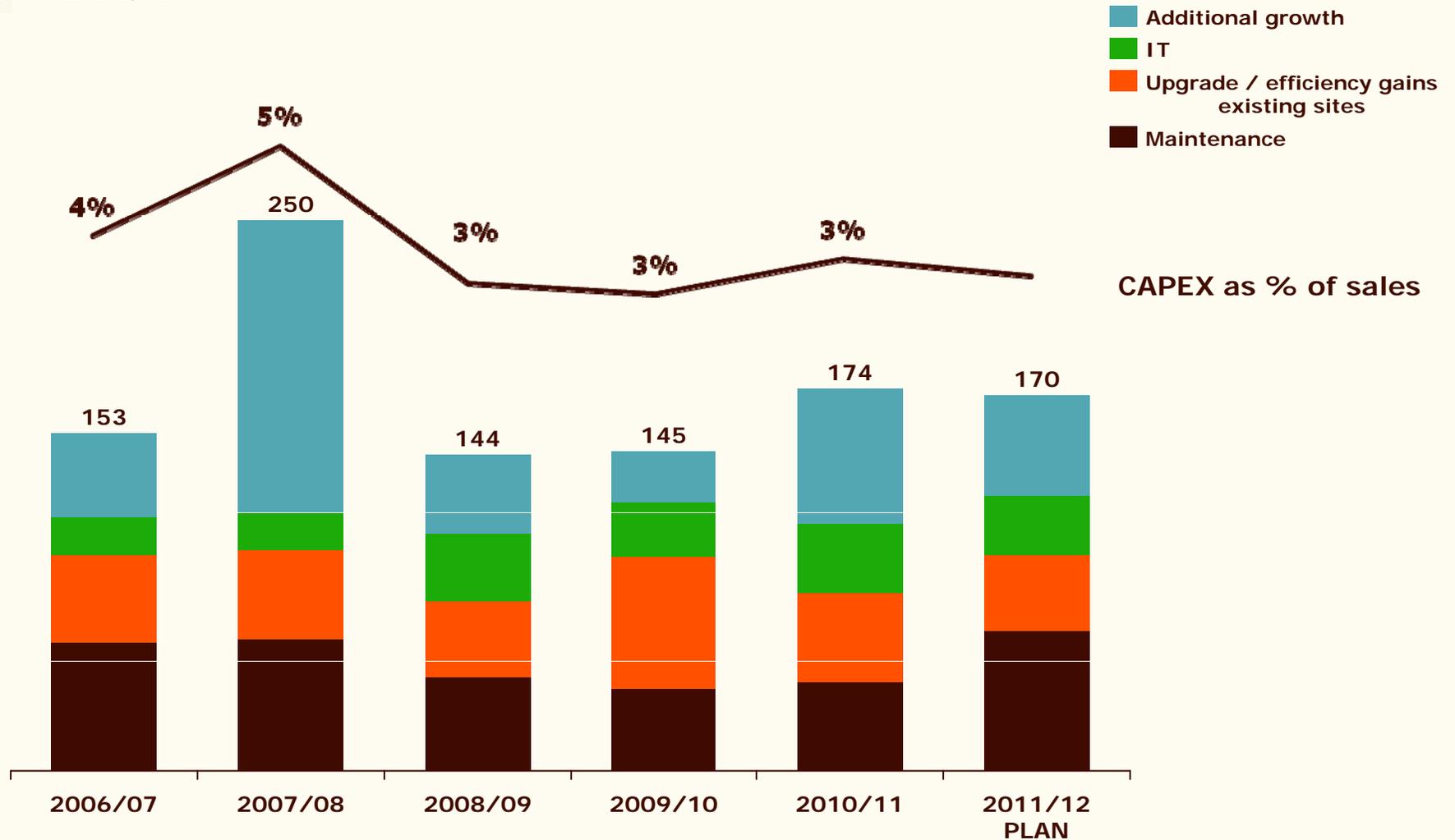
Source: ICCO estimates



## CAPEX development

# Investments support the growth of our business

in mCHF





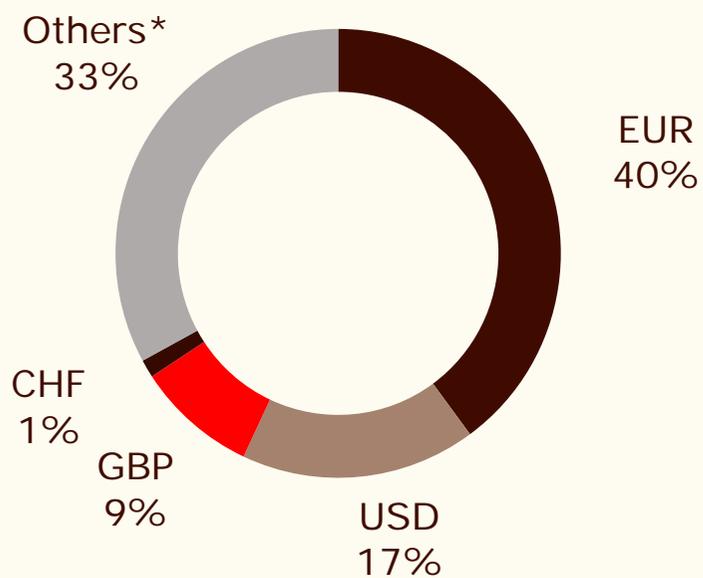
# Exchange rates

vs. CHF2	Aug 2010	Aug 2011	% 2011/2010
<b>Closing rates</b>			
EUR	1.2924	1.1576	-10%
USD	1.0210	0.8037	-21%
CAD	0.9629	0.8218	-15%
GBP	1.5739	1.3073	-17%
<b>Average rates</b>			
EUR	1.4481	1.2681	-12%
USD	1.0577	0.9128	-14%
CAD	1.0121	0.9226	-9%
GBP	1.6560	1.4642	-12%



# Revenue by currency

FY 2010/11 Sales Revenue



\* Others include: Canadian Dollar, Mexican Peso, Brazilian Real, Japanese Yen, Russian Ruble, Australian Dollar, Chinese Yuan, Malaysian Ringgit, Polish Zloty, Czech koruna, Swedish Krona, Indonesia, Rupiah, etc



## Key Figures 2010/11 – from continuing operations

### Solid and profitable growth

	Change in % In local currencies	Change in %	FY 2010/11	FY 2009/10 (restated)
<b>Sales volume [in tonnes]</b>		7.2%	<b>1'296'438</b>	<b>1'209'654</b>
<b>Sales revenue [CHF m]</b>	<b>13.3%</b>	<b>0.7%</b>	<b>4'554.4</b>	<b>4'524.5</b>
<i>CHF per tonne</i>	<i>5.7%</i>	<i>-6.1%</i>	<i>3'513</i>	<i>3'740</i>
<b>Gross profit [CHF m]</b>	<b>11.4%</b>	<b>1.5%</b>	<b>659.0</b>	<b>649.5</b>
<i>CHF per tonne</i>	<i>3.9%</i>	<i>-5.3%</i>	<i>508</i>	<i>537</i>
<b>EBITDA [CHF m]</b>	<b>14.3%</b>	<b>4.2%</b>	<b>432.1</b>	<b>414.6</b> <sup>1</sup>
<i>CHF per tonne</i>	<i>6.6%</i>	<i>-2.8%</i>	<i>333</i>	<i>343</i>
<b>Operating profit (EBIT) [CHF m]</b>	<b>15.3%</b>	<b>5.7%</b>	<b>360.6</b>	<b>341.1</b>
<i>CHF per tonne</i>	<i>7.6%</i>	<i>-1.4%</i>	<i>278</i>	<i>282</i>

Note: Due to the discontinuation of the European Consumer Products business certain comparatives have been restated to conform with the current period's presentation.



## Balance Sheet

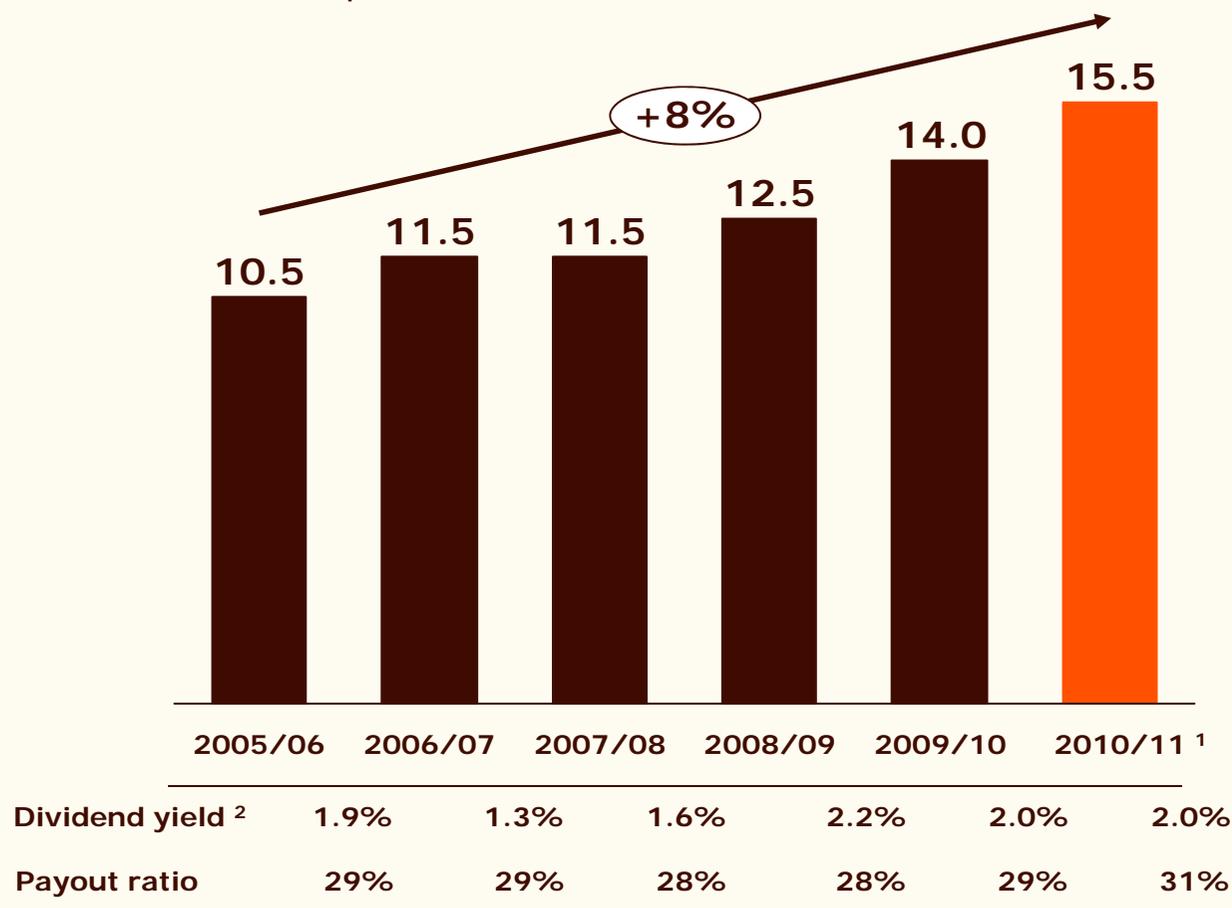
# Solid Balance Sheet with improvement of all key ratios

	Change in %	Aug 11	Aug 10
<b>Total Assets</b> [CHF m]	-8.6%	3'263.1	3'570.8
<b>Net Working Capital</b> [CHF m]	-8.0%	888.1	964.9
<b>Non-Current Assets</b> [CHF m]	-14.0%	1'208.4	1'405.8
<b>Net Debt</b> [CHF m]	-9.3%	789.8	870.8
<b>Shareholders' Equity</b> [CHF m]	-6.5%	1'217.1	1'302.3
<b>Debt/Equity ratio</b>		64.9%	66.9%
<b>Solvency ratio</b>		37.3%	36.5%
<b>Net debt / EBITDA</b>		1.8x	2.1x
<b>Interest cover ratio</b>		5.9x	5.8x
<b>ROIC</b>		15.5%	14.8%
<b>ROE</b>		20.6%	19.6%



## Proposed dividend Increased pay-out in a tax efficient way

Dividends per share (CHF)



<sup>1</sup> As proposed by the Board of Directors to the Annual General Meeting

<sup>2</sup> Dividend yield based on share price at year-end

### Key Facts:

- Average annual dividend increase of 8% (2005-2011)
- 11% dividend increase vs. prior year proposed
- Payout ratio of 31% in 2010/11
- Paid out from paid-in capital reserves (tax efficient for Swiss investors)