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**Barry Callebaut**

3-Month Key Sales Figures, Fiscal Year 2025/26

21 January 2026



**Operator:** Hello and welcome everyone to the Barry Callebaut Q1 Key Sales Fiscal Year 2025 and 2026. My name is Becky and I will be your operator today. All lines will be muted throughout the presentation portion of the call with a chance for Q&A at the end. If you wish to ask a question in this time, please press \* followed by 1 on your telephone keypad. I will now hand over to your host, Sophie Lang, Head of Investor Relations to begin. Please go ahead.

**Sophie Lang**

Head of Investor Relations

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Good morning, everyone, and welcome to our three-month Key Sales Figures Conference Call for 2025-2026. I'm Sophie Lang, Head of Investor Relations, and I'm joined today by our Chairman, Patrick De Maeseneire, and our CFO, Peter Vanneste. Given our additional announcement this morning on the CEO transition, Patrick will join us for the first 15 minutes of the call only to share a few words on the transition and to take a few questions.

Peter and I will then proceed with the usual Q1 presentation followed by Q&A. I'd like to remind you that the session is focused on our Q1 volume sales update, and we will keep that Q&A session focused on discussion of those key figures.

As usual, please limit yourself to no more than two questions. I'd also like you to take note of the disclaimer on slide 2 and remind you that the conference call and webcast are being recorded.

I will now hand over to our Chairman, Patrick De Maeseneire. Please go ahead, Patrick.

**Patrick De Maeseneire**

Chairman

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Thank you, Sophie. Good morning to all of you. And thank you for joining this call. You indeed received our press release this morning about our CEO transition, effective January 26. A couple of words to this change. Peter joined Barry Callebaut as CEO in April 2023 with the clear mandate to transform our company into a simpler, leaner and more agile organization.

Next to leading BC Next Level, Peter has navigated our company through the perfect storm with unprecedented cocoa bean prices, market turbulence, and a challenging geopolitical situation. Now, with this unprecedented cocoa crisis behind us and BC Next Level nearly completed, it is time for us to embark on a new chapter of growth, value creation, and industry leadership.

The board and I are therefore happy to welcome Hein Schumacher as our new CEO. With over 25 years of experience in the industry, Hein is a clear veteran in the food sector. Hein is indeed a seasoned and a decisive leader with a unique blend of expertise in food, business to consumer, business to business, and ingredients. As well, as a proven track record in creating significant shareholder value from two CEO positions with Unilever and Royal FrieslandCampina.

Hein has lived and worked in various countries and regions, including the US, the UK, Europe, Singapore and China. In other words, he has experience from developed and developing countries.

We came to the appointment of Hein after an extensive search process. During his time as CEO of Unilever, Hein implemented a comprehensive growth plan that allowed the company to



sharpen its focus, increase execution discipline, run power brands and key geographies, and achieve shareholder value growth.

Prior to Unilever, Hein led Royal FrieslandCampina as CEO during times of very volatile commodity prices and he strengthened the company through major restructuring initiatives, which resulted in a more focused business and a significant revenue increase. Previously, Hein worked for Kraft Heinz for a decade, first as Chief Strategy Officer, before moving to Heinz, China, and later on as EVP of Heinz Asia-Pacific Region Business, where he did a successful turnaround of the business which spanned China, Indonesia, India, Japan, and Australia.

While our business continues to navigate market and volume pressures, we have a clear opportunity for future growth. Barry Callebaut is the world's largest chocolate and cocoa ingredients producer, supported by unmatched scale, a deeply integrated value chain, a strong innovation track record, and close customer relations.

We agreed with Hein on the following three priorities. First, return to growth with increased customer focus to re-energize also Gourmet and go for a bigger share in the emerging markets. Second, drive the people agenda to create a customer-centric and winning culture as the engine of that growth. Third, strengthen further our balance sheet. The key word here is, of course, deleveraging.

As said, Hein will start already next week, Monday, January 26th. To ensure a smooth handover and continuity, Peter will be available for the transition to Hein. More than 30 of the 36 BC Next Level initiatives have been implemented. And the last steps are targeted to be completed by the end of the fiscal year.

Last point, the Board wants to thank Peter, who will pursue other career opportunities, for his immense work and leadership during challenging times and wishes him all the best for the future.

Before leaving the call now and handing over to Peter Vanneste for the update on Q1, I'm happy to take your questions on our CEO transition.

**Sophie Lang:** Operator, please go ahead for the Q&A on this session.

#### **CEO Transition - Questions and Answers**

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**Operator:** Thank you. We will now move to the Q&A for the CEO transition. If you would like to ask a question, please press \* followed by 1 on your telephone keypad now. If you feel your question has been answered or for any reason you would like to remove yourself from the queue, please press \* followed by 2. When preparing to ask your question, please ensure your device is unmuted.

Our first question comes from Alex Sloane from Barclays. Your line is now open. Please go ahead.

**Alex Sloane:** Yeah, hi. Thanks, Patrick, for taking the questions. I guess from my side, you know, while the Next Level saving actions, as you've laid out, are largely complete, the fruits of those actions are kind of yet to accrue to the bottom line. So is the CEO change and pivot to, you know, focus on growth and customer service may be an acknowledgement that some of the actions that



have been taken have gone too far from a customer service level perspective and reinvestment might be required to reignite that growth.

I guess put another way the message on the conference call in November and the full-year results was you know there was likely 100 million Swiss francs of net savings that could accrue in fiscal '27 from next level that weren't visible yet but were going to accrue. Do you think that's still realistic or do we think that, you know, maybe some of that will need to be reinvested? Thank you.

**Patrick De Maeseneire:** Alex, thanks for the question. I wouldn't say that this change will require reinvestment. I would say it's more a shift of focus in the organization. As you know, we have gone through, and I mentioned it, through the biggest transformation in the history of the company in the past more than two years. And what we had not foreseen was, of course, these cocoa market price increases and volatility and a difficult, very geopolitical environment. That required a lot of focus internally into the company. And I would say the focus will now, with Next Level, almost being totally completed, like I said, with 30 of the 36 work streams being done, which I cannot say a bit more stable environment, but at least on the cocoa side, we have a much more stable environment. We can really shift the focus now outside being closer to our customers, increasing volumes with our customers again. And that's absolutely the objective of this change.

**Alex Sloane:** Thank you.

**Operator:** Thank you. Our second question comes from David Roux from Morgan Stanley. Your line is now open. Please go ahead.

**David Roux:** Thank you very much. I think much of my question was actually answered there. I think I would just be quite interested in terms of timing, whether we should expect, given the fact that we're coming to the end of the Next Level savings program, whether we should expect or when we could expect another strategic update. Would that be over the course of this year, or do we wait until next year for potentially a CMD, et cetera? Thank you.

**Patrick De Maeseneire:** David, as I said, we agreed with Hein on 3 priorities. And of course, there are always many more in a company. But the return to growth is our first priority, driving the people agenda, our second one, and strengthening the balance sheet. That's more in the camp for our CFO, Peter Vanneste, but he's working hard on that one. So those are our three priorities. So I don't think that there is much need for a different strategy or a different focus. It's just that we're shifting the focus from the inside to the outside.

**David Roux:** Thank you.

**Operator:** Thank you. Our next question comes from Jon Cox from Kepler Cheuvreux. Your line is now open. Please go ahead.

**Jon Cox:** Yeah, good morning, Patrick and guys. Hope you're all well. Couple of questions on my end. One on just the overall shape of the group. There's been the reports about maybe the owners have been looking to split the company into maybe cocoa and a chocolate component. And clearly, the management have been very public, saying we prefer being integrated. And I'm just wondering if this had any part of the reason for the change in CEO and potentially Mr Schumacher would be more interested in a group running a group focusing on the chocolate more on towards an FMCG rather than the sort of a commoditized cocoa business. That's one question for you.

The second question, you know, it's Peter Feld's bailing out, you know, not yet completed this savings program, when it started, your EBIT was around 650 odd, and you said you're going to be giving CHF 250 million savings over a few years, of which CHF 188 million would be dropping into the EBIT line. I'm just wondering where we are on that whole program because it looks like you're saying he's gone now we're focusing on growth. Does that mean we shouldn't expect, you know, this 188 million to come down anytime soon. And actually, maybe we're looking at, you know, half of that amount coming through. You know, this year consensus is like 720, I think next year is about 770.

And then just lastly, on that, you say a growth strategy, you had these sort of weird targets about, oh, you know, post the whole restructuring, you're going to grow low single digit mid and then EBIT doing low single digit mid. Do you think you're going to give any clarity on those targets now that you're going for growth in the future? Thank you.

**Patrick De Maeseneire:** Thank you, Jon, for your questions. On your first question, Barry Callebaut has since going public and since the merge with Cacao Barry being a fully integrated company, and we have the absolute intention to stay that way. When I was of course aware of the Reuters article that went out there and we immediately stopped that internally or contradicted that rumour internally saying we've been always a fully integrated company that gives us a tremendous cost advantage. It gives us full control over the quantity of the beans, the quality, the sustainability, the traceability. We have, as one of the few companies, our people on the ground in the origin countries to ensure that quantity, quality, sustainability, stability. So there is no reason, absolutely no reason why we would change that model. It would give us a competitive disadvantage if we would change that model. So no difference on that one.

On your second and third question, if I would be the CFO, I would redirect you to the first half results, but I'm not a CFO, so I am handing over to Peter.

**Peter Vanneste:** Yes. Hi, everybody. Good morning. I mean, we in next level, basically, we, as Patrick already said, I mean, the majority of the projects have been hardwired into the organization. They have been implemented. It's more about now making it part of the running business. GBS, just to give an example, GBS is in place. So it's in the four hubs that we have. So now it's really about standardizing, ensuring the effectiveness and the efficiency. We do the, you know, the BCOS program in the efficiency and the KPI's of the factory is about rolling out and embedding it again in the daily running operations and having additional, you know, SKU reductions behind us. But it's of course, as we generate new SKUs, through innovation is of course getting into making sure we apply the discipline of the one in, one out. So it's more about finalizing and embedding it.

In terms of savings, which was part of your question, as we already also addressed that in the year-end communication in November, these initiatives are delivering savings. I mean, we have been, just an example, BCOS and the GBS centres are clearly having those savings. At the same time, we also face some exceptional costs more related to the market disruption in cocoa, which we are very focused on cycling out to make sure that we can make those steps into the direction of our long-term ambition in terms of stepping up the profitability. You know, we'll come back on that in due time, but that's, I think, what we are working on.



**Operator:** Thank you. Our next question comes from Tom Sykes from Deutsche Bank. Your line is now open. Please go ahead.

**Tom Sykes:** Morning. Thank you. Morning, everybody. Morning, Patrick. Just one question on your IT and digital, because it's been a relatively small amount of BC Next Level expenditure. And as you become more customer centric, then those customers would have spent a lot on their IT and digital transformation themselves, do you believe that you've spent enough on that to be a modern business dealing with the volatility that you're likely to see because it does feel like quite a low amount that you've spent on that side of the transformation please.

**Peter Vanneste:** Maybe I'll take that one. I mean, it's not that much of a low amount, and I'm not sure where you get your information from, but we've stepped up very significantly on the digital spend and investments as part of this whole program, the OPEX that we have reinvested, that we have invested in Next Level. Barry Callebaut does have an important digitization journey ahead of it. It's been part of the pillars of Next Level, and we are going to continue on that journey, obviously, focused in the direction, as Patrick has been mentioning, in terms of internal versus external focus, but it's clear that, is not leaving our agenda.

**Patrick De Maeseneire:** I mean, it's almost doubling in the mode, CAPEX, CAPEX and OPEX. So it's really a substantial investment.

**Tom Sykes:** I guess it's just as a proportion of that spend in absolute amounts, it doesn't feel that large given the size of the business, but I take the point on the percentage increase. Thank you.

**Operator:** Thank you. The final question that we have time for on this topic comes from Ed Hockin from JP Morgan. Your line is now open. Please go ahead.

**Ed Hockin:** Hi, all. Thank you very much for taking my last question. It's really on the BC Next Level programme. I think that when it was communicated at the time, there was a growth agenda embedded in that programme as well with the focus on growing in Asia, focus on growing in Gourmet and focus on growing in compound chocolates discussed recently. So what I wanted to clarify was why was Peter not the person to lead this second part of the Next Level programme and to embark on that growth agenda? And should any of those priorities on growth, be it Asia, Gourmet, compound chocolate, is any of that changed and is it just a refocus or will there be some other tangible changes in the growth agenda as well? Thank you.

**Patrick De Maeseneire:** I would say there's no change, but like I said, we went through the biggest transformation in the history of the company, didn't foresee the volatile geopolitical organization, nor did we have or did we foresee at that moment that cocoa prices would grow above 10,000 pounds per tonne. And so you have to take that into account. And as a consequence, as you have seen, the demand, the consumer demand also went backwards. Putting leaders in a position, but people often forget is the right leader in the right position at the right time. And the right time is often forgotten. And doing a transformation requires a certain profile of leader. Going for a growth trajectory requires another profile. And that's what we have been looking at since a number of months. And that's what we have also openly discussed with Peter. And that's why we came to this conclusion.

**Ed Hockin:** Okay, thank you.

**Operator:** Thank you. I will now hand the call back over to Patrick to continue.



**Patrick De Maeseneire:** Thanks again for attending this call. If you would have more questions, you can always contact me either over Sophie or directly. And with this, I would like to leave you now in the good hands of our CFO, Peter Vanneste. Thank you all and have a great day.

**Peter Vanneste**

Chief Financial Officer; Member of the Executive Committee

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Thank you, Patrick. Let me start with a short summary of the quarter one key figures. As anticipated, we started this fiscal year softly. Our Global Chocolate volumes were in line with the declining and challenging markets and additionally impacted by the production pause in our St. Hyacinthe factory in Canada, which we informed you about in November.

At the same time, volumes declined significantly in Global Cocoa due to a negative market demand and the continued prioritization of our volumes to higher return segments within global cocoa.

Overall, our group volume therefore landed at minus 9.9% with more resilience in strategic areas like cacao coatings and AMEA. Importantly, we see resilience in strategic growth areas, and we believe that the continued lowering of cocoa bean prices is an encouraging sign for market stabilization. And in that context, we reiterate our guidance for the fiscal year and are very focused on preparing for return to growth. Let me get into some more details.

Starting first with an update on what has been happening in the cocoa markets. Cocoa bean prices have come down significantly, as no doubt you've seen over the past months, with prices 30% lower since the start of our fiscal year and even falling below 4,000 GBP last week and some more yesterday.

Importantly, the structure of the cocoa futures market has also improved significantly. The forward curve is now in a flat to slight carry structure. This means that the cost of buying cocoa today is the same or cheaper than buying cocoa in the future. And this contrasts with the steep backwardation we saw in the market this time last year, which significantly increased the rolling costs associated with our hedging. Importantly, the flat curve also incentivizes our customers now to book today rather than wait for lower prices in the future.

The 25-26 scope is developing in line with our expectations, with strong early arrivals in Cote d'Ivoire and Ecuador. And since cocoa farmers outside West Africa have been benefiting from higher cocoa prices, we also have seen those origins increasing investments in items such as fertilizers and seedlings, which is clearly positive for future supply. Alongside weak cocoa bean ridings, this is helping to bring some replenishment of global stocks of cocoa, and the market should be entering its second consecutive year of cocoa surplus.

Of course, these movements in the cocoa market have been creating a knock-on effect on both the B2B chocolate market and also the B2C market. The historic cocoa bean prices of last year resulted in a significant B2B pricing in fiscal '25. And in turn, our customers have been reacting through destocking, pack sizing, reformulations, et cetera, to prevent and protect the consumer from the full price increases. Some large brands have also reacted to their volume pressure by filling their own excess capacity first.



Now, with bean prices lowering, pricing in BC has also started to sequentially lower. And in fact, we already passed our pricing peak in quarter two last year. This is positive and for stimulating future B2B demands, and we are starting to see early signs of that through our forward bookings. As you know we contract several months in advance with our customers, and we have seen our customers more willing to book further in advance again. At the end of November, our future booking portfolio was at 20% higher level than at the same time last year, when the cocoa bean prices were spiking.

At the same time, it takes customers some time to price through to end consumers, which has now happened, with Nielsen data showing that global chocolate pricing in the market are now more than 30% higher than the pre-cocoa market spikes.

As a result, there's clearly some price volume elasticity given the extent of pricing. However, we believe consumers will adapt and adjust to these new price levels and ultimately continue to buy chocolate given the high engagement of the category. The category has seen a similar short-term reaction like this in the past.

We also see upside because our customers have mostly priced through higher bean prices, and with bean prices now lowering, this will incentivize category reinvestments and promotions, which should help to drive back consumer demand and volume.

After those market dynamics, let's now move to how those and other factors have been impacting our quarter one performance. Of course, we faced short-term headwinds in quarter one. As discussed, the market dynamics have been very challenging, with Nielsen B2C market volumes declining by 6.1% in our first quarter. In addition, volumes were impacted by the temporary pause in production at our St. Hyacinthe plant in Canada due to a technical malfunction with one piece of roasting equipment. This factory is a significant contributor to our overall North American production and was closed for around 3 weeks in September-October, with the issue now resolved.

In Global Cocoa, we sharpened our focus on returns to prioritize volumes within cocoa to segments where we see the better returns. And that, of course, in the context of our agenda of deleveraging.

At the same time, it's clear also that our growth foundations remain resilient. Our compound business, which we now call Cacao Coatings, saw flat growth overall within a declining market. We've continued to support our customers with innovation and reformulation with around 600 R&D projects currently underway on Cacao Coatings. We're also exploring non-Cocoa solutions with ChoViva, the chocolate alternative without Cocoa, with the faced international commercial rollout in process.

The AMEA region saw positive growth, well ahead of the markets, and with good expected momentum ahead of us. And finally, as mentioned, across all regions, we're seeing our customers increasing their forward bookings, which is an encouraging sign for stabilization and future growth.

Now, let me dive into our volume growth in a bit more detail by region and segment now, starting with Global Chocolate, where volumes declined 6.8%, largely in line with the 6.1% decline of market volumes as per Nielsen.



First, to the left of the page, by chocolate region, Western Europe saw a 5.2% volume decline as demand continued to be impacted by higher prices and knock-on effects on customer behaviour that were relatively a bit larger in that region.

Central and Eastern Europe declined by 2.7%, significantly better than the market, as local accounts saw solid growth, especially in Turkey, while the large food manufacturer customers saw some challenging environment.

North America reported a decrease of 14%, heavily impacted by the St. Hyacinthe plant closure, as I just discussed, as well as a continued challenging customer and macro backdrop.

Latin America saw slightly negative development at minus 1.4% ahead of the market as strong momentum in Gourmet was offset by large food manufacturing navigating the impact of the higher prices.

Finally, in AMEA, volumes grew by 0.6% with improved demand in China, continued momentum in India, and additional business security in Australia, partly offset by market pressures we've seen in Japan and South Korea.

To the right of the page, by segments, Gourmet, while Gourmet market has been more resilient also now, it has been impacted also by the higher prices and knock-on customer demand impacts, with customer reducing elevated stock levels. And there was also here some impact from the St. Hyacinthe closures.

Meanwhile, as we have discussed, Food Manufacturers were impacted by customer behaviour shifts in the context of those significantly higher prices. And global cocoa, I already talked about.

Now, as this is a sales and revenue update only, I will not go into reporting beyond that, but I briefly wanted to talk about leverage, given that this is one of our key focus areas yesterday, today, and tomorrow. We are certainly working further on the key actions we have already started to implement last year, and then I talked about the November communication.

In particular, first of all, reducing working capital, especially inventory, with key actions to maximize our bean blending capabilities, diversify to origins with shorter cash cycles, working on the underlying processes.

Secondly, enhancing our financial agility with less cash-consuming solutions for margin goals that we have established with the network credit facility and making progress on inventory financing solutions, and also several end-to-end value chain projects like demand planning improvements and contracting flexibility.

In the first quarter so far, we reduced our gross debt by prepaying the 262-million-euro term loan in September, as well as reducing our commercial paper outstanding and bilateral facilities. As we already discussed in November, we do expect a temporary step up in leverage in Half-Year one due to the fact that this is the peak buy-in period given the cocoa seasonality.

Historically, we have seen bean prices, when the bean prices were back at 2000 GBP range, we saw around the 0.4x historic leverage step up in H1 versus the end of the prior fiscal year. Again, linked to the seasonality. Of course, with higher bean prices, that increases that magnitude of this step up. However, obviously also offset by the operational actions we are taking to reduce working



capital every single day. Through this initiative for the full year, we do aim to reach the below 3.5x leverage by the end of August 2026.

And finally, we have reiterated our guidance for fiscal 25-26. Let me remind you of the volume elements in this particularly, given this is a sales update. We do expect to see the mid-single digit decrease at a group level and within Global Chocolate. In Global Cocoa, we expect the mid to high single digit decrease as the business enhances its focus on higher return segments, especially powder.

The first half year is expected to be challenged as customers and consumers continue to manage their high prices in a soft market. And we are expecting an improvement in the second half, with lower bean prices being an encouraging sign for market stabilization, as I mentioned before.

Let me conclude with the following key takeaways before opening for Q&A. First, our key focus is on returning to a growth trajectory with strong customer focus, as you have understood from Patrick as well. Second, what we see in the cocoa markets today is already starting to reflect an increased forward contracting, which is an early sign of market stabilization. And third, we are driving innovation and enhancing customer experience to that future growth.

And on that note, thanks a lot for listening. We will now move to the Q&A session, and I will hand over to the moderator to start that Q&A.

## Questions and Answers

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**Operator:** Thank you. We will now have our Q&A for the Q1 key sales figures. If you wish to ask a question, please press \* followed by 1 on your telephone keypad now. If you feel your question has been answered or for any reason you would like to remove yourself, please press \* followed by 2. In the interest of time, we ask that you limit yourself to two questions today. When preparing to ask your question, please ensure your device is unmuted locally.

Our first question comes from Daniel Buerki from ZKB. Your line is now open. Please go ahead.

**Daniel Buerki:** Thank you very much, and welcome, everyone. Regarding pricing, it was still pretty significant in the first quarter. When do you expect your pricing impact, let's say, go into negative territory, then that's the first one.

And then regarding the volume recovery, what phasing do you expect, or you already expect positive volumes in the second-half, or we just have to think about the 26-27. Thank you very much.

**Peter Vanneste:** Thanks for your questions, Daniel. On the first question on pricing, we, as I mentioned in my presentation, we have seen our peak pricing in the second quarter of last year, which was then 70% up versus the year before. We've seen a sequential slowing down in Q1. Our pricing is still 25% up versus, again, same quarter last year, but prices will be coming down in absolutes.

As we are, and as we are typically contracting several months in advance, we expect to turn negative at some point during the quarter two, the existing quarter, assuming again the bean prices stay at the level or go down versus the level that they are today. We, therefore, we do expect



H1 pricing to remain positive in general, but H2 should be in terms of pricing negative versus H2 as we follow the market in a forward selling mode. So that was your first question.

Your second question on the volume recovery, as I mentioned to you, and we have reiterated our guidance for the full-year with mid-single digit volume decrease. There is still some consumer reaction in the market. Today, we do believe that this is temporary. As I mentioned, we've seen this kind of pattern before, maybe a bit less disruptive than this time around. But the market recovers after consumers have adopted and customers in terms of promotions and so on have adopted and accepted the hiccup.

We do expect some customers to start reinvesting in the category. We see our order book and forward selling book improving. So in Q2, we do expect an improvement versus Q1, but still in a soft market. And H2, we will see a further improvement versus the first half for sure to the extent of which, of course, we'll have to, well, go back later. We're still doing a bit of an uncertainty on how the market will react, but certainly an improvement versus H1.

**Operator:** Thank you. Our next question comes from Matteo Lindauer from Vontobel. Your line is now open. Please go ahead.

**Matteo Lindauer:** Yes, thank you very much. Good morning, everyone. I have a question on the bigger picture of Barry Callebaut. My question is on customer relationship. Could you tell me how is the sentiment with your large outsourcing contracts? Because you said you want to increase volumes with customers. And my question is how you try to tackle them because we have been analysing potential upcoming renewals and I would like to get a view from your side. Thank you very much.

**Peter Vanneste:** Thanks for the question, Matteo. On the large customers and the outsourcing, I mean, this is still, this has been a bit soft over the last, let's say, year, year and a half, though the whole market, our customers, the whole markets have obviously been focusing a lot on the disruption, pricing and the volatility that has been happening in the market. So big shift. So admittedly, the focus has been a bit less on the short term on outsourcing.

Now we do see that it's still quite high on the agenda and the top of mind and the trends in outsourcing. The long-term trends for outsourcing in our view and with the discussion that we have remained very intact because the underlying dynamics have not changed. If anything, they have been aggravated or enlarged with what's happening in the market.

It has become an even higher capital-intensive environment with the bean prices in our mind there to stay at high levels than they have historically been and some of our customers do have other priorities than investing in the next chocolate line. On top of that, the complexity of the industry is really not decreasing. Sustainability regulation, EUDR, despite the changes in the timing, I mean, these complexities continue to increase. In terms of assortment as well, specialties, innovation, cacao coatings, the industry becomes more complicated, which is where we can, play a key role because of our scale and reach in all of that.

So, the topic is absolutely not off the agenda for the next years, but admittedly, of course, it's been a bit off focus in the last year, year and a half.

And you talked about contract renewals. Obviously, this is part of general business, right? We have long-term contracts with key partners. We have a lot of key partners, so it's a normal course



of business that every so many years we have a renegotiation happening on some of those contracts, which also is an opportunity for us and for them to adjust to the new market reality.

**Operator:** Thank you. Our next question comes from Samantha Darbyshire from Goldman Sachs. Your line is now open. Please go ahead.

**Samantha Darbyshire:** Morning, thank you. I just want to stick with the outsourcing topic. Can you talk a little bit more about the pipeline itself? You've given some really good ideas about structural reasons why outsourcing should still be a priority for customers but given we've had a lot of disruption in the last few years, there have been disruptions at your factories as well. How are you thinking about customer appetite working with Barry Callebaut specifically?

And then also just kind of coming back to the stabilizing trends in H2. What are you seeing in terms of visibility for customer contracting? The last couple of years has been less visibility as customers haven't committed as much further out. You have said, you know, the cocoa curve dynamics are more conducive to those longer-term commitments. But where are we at in terms of visibility in those commitments versus what you might have had, say, three years ago?

And then just kind of sticking with that as well. When you think about customer pricing, cocoa is now significantly below 4,000 GBP a tonne. In theory, could we see some customer promotion starting to step up in H2? So not just thinking about the brand investments from marketing, but in terms of consumers seeing lower prices as well. Thank you.

**Peter Vanneste:** Thanks, Samantha, for your questions. I will also look at Sophie to keep me honest to the different questions that you asked. So if you forget one, let me know, Sophie. The first one, I think, was still on the outsourcing. You know, we have been making, and you were referring to some of the, like, I guess, St. Hyacinthe and incident that we had. We've been making very significant investments into a new quality rigor, and we certainly have levelled up our game. With the Next Level investments to when it comes to product quality and product safety. The tightened regimes and firewalls that we have established for our customers, they work. We handle those potential issues with a lot of prudence and daily actions to measure, protect our customers at all time. Sometimes that lead to delay of shipments, sometimes that leads to some hiccup. But overall, I think we are proving and we're getting a very good feedback from our customers on what the massive progress we're making there. At the end of the day, I think that will give a strong asset in the continued discussions we're going to have on outsourcing with our customers.

In terms of visibility forward, we have seen a very significant improvement in customer coverage levels and forward bookings during the quarter as the bean price have been lowering. You will remember me talking about the opposite more than a year ago as we saw the bean prices going up in a very backwarded market, consumers, customers holding back on ordering, holding stocks lower. We've seen the opposite right now and our November portfolio has been 20% higher than the portfolio in the same time a year ago. So this is a very encouraging sign for next quarters as we believe the market is going to recover.

Which is also a little bit back to your third question, right, around the 4,000 GBP barrier on the market that has been reached. As I mentioned, the customers on average have priced up 30% versus the peak cocoa prices, which is on average, again, I'm not going to talk about the individual customers, which is on average, again, sufficient to cover price levels where they are today. That



will give oxygen to the business and the chocolate market. So we do believe we will see some increased activity promotion in the market together with, again, customers adopting and adjusting to the increased prices. So that's part of the increased momentum that we see happening towards the Half Year 2.

**Operator:** Thank you. Our next question comes from Joern Iffert from UBS. Your line is now open. Please go ahead.

**Joern Iffert:** Thank you very much. Two questions please. The first one is coming back what the industry is doing to stimulate the chocolate market volumes. According to your market intelligence, I mean, would you be surprised if these structured lower list prices of the consumer players in the next monetary years? So would you expect really more its marketing budgets going up and you see here and there some temporary promotions? This would be the first question, please.

And the second question, if you allow me, sorry, I was a little late to the call and sorry when you have elaborated on this, but the midterm targets after the CEO change? I mean, are the midterm targets confirmed? Or could also be the case that maybe here and there, some contracts are not prolonged in outsourcing, that there's a setback first before the midterm targets could start to kick in again? Thank you very much.

**Peter Vanneste:** Thanks for your questions. On the first one, you know, we have a very diverse group of customers, as you know very well, from artisans to the big FMCG companies. I am not going to talk on their behalf of what they can or should be doing. But I do expect, as I mentioned, that they will continue to put investments into the chocolate category. I mean, at the end of the day, even if some promotions were dialled back, you know, chocolate is a category where consumers react and respond on promotions. So, you know, once the margins have been restored, also for them, I'm sure they will reorient to those categories that are the most engaging for the consumers. How and which tools and levers, I mean, I think I will leave it to them.

In terms of the mid-term guidance, we absolutely believe, and you will remember that in the past we talked about, you know, the 3 to 4% market growth and then a 10% EBIT margin. The 3 to 4% market growth, we absolutely believe we're returning back to that. The question, of course, how fast now? And it's, but I do think we do believe that the turn has been set there. So we certainly believe that we're going there. After the delay, of course, we've seen in the last few year, year and a half.

In terms of profitability, this business absolutely can step up profitability. There is no change in that belief or ambition. Now, when you talk about the 10%, of course, we have to nuance the metric a little bit, because we used to be a year and a half, Barry Callebaut was an 8 billion company, now we're in a 15 billion company. So as a percentage, of course, that has a different meaning. So it's also important to look at the EBIT or profit before tax per tonne, but the profit step up ambition is certainly still there. There is a lot of opportunity in this business to move ahead, and that's one of the things I have in mind as well as we are navigating through the end, hopefully, of the market disruption as we've seen it.

**Operator:** Thank you. Our next question comes from Antoine Prevot from Bank of America. Your line is now open. Please go ahead.



**Antoine Prevot:** Yeah, hi. Good morning, everyone. With cocoa price falling down, how are you seeing in terms of your ability to pass on financing costs still to your customer? I mean, ultimately, your bonds and balance sheets are a bit, have a kind of like long duration, right? And so, with cocoa price falling, is it still kind of like an easy discussion on the financing cost? Thank you.

**Peter Vanneste:** Yeah, as you know, we have in the majority of our business, we have a real-time costing and financing cost is part of what we are pricing through. That counts both ways, right? That counts up and down. So as we are decreasing our debt and our exposure on that front and our financing cost, that obviously has also repercussion there. And that's, you know, so you can reimagine that we continue to do that going forward. And at the same time, we are working with our customers, and that's probably the most important thing. We're working with our customers really to work on the cash cycle in general, which is where we really have the big wins. Working on bean blending, diversifying origin mix for both us and our customers. The differences in differentials, the differences in cash intensity of different origins has increased over the last year and a half. So there is a key optimization to be done by being more flexible on origins and on blending. And that's where Barry Callebaut absolutely has a big advantage as we are presence as a market leader in all the origins. We have been stepping up our bean blending capabilities. So that's first of all the first lever that we play and discuss about with our customers to seek that win-win from that angle.

**Operator:** Thank you. Our next question comes from Alex Sloane from Barclays. Your line is now open. Please go ahead.

**Alex Sloane:** Oh, yeah. Hi. Thanks for taking the question. Just one, Peter, just you referenced a few times customer orders being 20% higher. Do you mind just explaining what exactly you mean by that and when and how that translates to your kind of reported volume growth.

And then just on the free cash flow, I appreciate, you know, you're not going into detail today, but you know, you historically gave that rule of thumb, you know, 100, 100 GBP per tonne moves, circa 75 million Swiss francs change in working capital. I mean, if we applied that to the kind of current spot levels, it would look like the free cash flow for the full year could be quite a bit higher than the guide you gave in November, maybe closer to 2 billion versus that 1 billion guide. I appreciate that's going to be H2 weighted, but you know, is there anything else we should consider with regards to that rule of thumb as to why it might be different this year? Thank you.

**Peter Vanneste:** Yes.

**Sophie Lang:** It was around how the customer coverage being higher translates...

**Peter Vanneste:** Oh yeah, sorry, yes, I forgot your first question, sorry. Yes. So as we are forward selling business, right? So we have basically six months, you can say, forward selling. And then, we close contracts with our customers on that horizon. Now it's, there's no longer with the flat market basically now. So the outward prices 6, 12 months from now are at the same level as the nearby prices. So there's no incentive for our customers to wait for lower prices. We've seen this increase of portfolio that I have been talking about. So that's the visibility that we have. Of course, there is still some flexibility to call off orders. You know, there's some flexibility in the market with our customers to do that. So this is part of the answer. Calling it off is then the next step in doing all of this. But that's how it basically then translates in the actual sales that we are driving forward. But it's for sure an encouraging sign of the future market and sales evolution for BC.



On your question on cash flow, I obviously was expecting that. Now, this is a sales and revenue update, so I'm not going to get into a lot of new details. But yes, we've guided the market to CHF 1 billion positive cash for the fiscal year assuming a price range close to the 5,000 GBP range, that then should deliver us this leverage below 3.5x in combination with all our efforts that we're doing that I talked about in the call as well.

Now, we also said that Half Year 1 would be negative free cash and Half Year 2 would be the moment where we generate the positive free cash. That phasing is still there, obviously, because of seasonality is certainly there. We've been buying a lot of beans in November, December and right now.

Now with the bean price going down, obviously that helps, right? So that will improve that position that we've been talking about before. It will also improve to some extent what we had forecasted for Half Year 1, be it that there's a bit of phasing, right? It doesn't happen immediately and we have also this letter of credit facility that I talked about before, which helps to smoothen the impact of cash when it goes out. We're not no longer exposed to margin calls when the bean price goes up to an immediate magnitude. It also faces the bit backwards into when the bean price has come down. But overall, I mean, yes, the rule of thumb and the lowering of the bean price obviously helps in reducing especially our inventory values.

**Operator:** Thank you. Our next question comes from David Roux from Morgan Stanley. Your line is now open. Please go ahead.

**David Roux:** Hi, Peter. I've just got two questions. So the first one is just on the impact from the factory closure in North America. Can you quantify the volume impact from the St. Hyacinthe closure? I mean, my understanding was its sort of limited to three weeks and the factory has about three to 400 kilotons of annual chocolate capacity. So, suggests to me that excluding the impact North America volumes were actually closer to flat. Perhaps you can just confirm this.

And then the second point is just going back to your comments around the guidance, which as you pointed to was underpinned by an assumption of the bean pot price around 5,000 sterling per tonne. I mean, given that we're now near a 3,000 GBP level, is there not upside risks to this guidance? I mean, notably on free cash flow and also profit before tax. Thanks very much.

**Peter Vanneste:** Thanks, David. On the North American volume, yeah, so St. Hyacinthe, I think it's probably about half of what we've seen in North America in the quarter has been driven by, of the decline that we've seen in North America, so remember the minus 14% year on year in quarter one. About half is linked to this temporary pause of the St. Hyacinthe plant, which again, as I mentioned, is behind us. So we don't expect significant impact in Q2, maybe some residual effect of ramping up with some customers, but it's mainly been in Q1. About 50%.

Don't forget that the American, the North American market as such is also still down. If you look at Nielsen, it's about 6% down in the first quarter. So, you could argue that without St. Hyacinthe, we're more or less in line with the market in North America. So about half is St Hyacinth, but the other half is more general market and macro, which continues to be complicated still in North America.

On the second question, I think you came back on the free cash flow guidance for the full year around the 5000 GBP level. I mean, I can just repeat maybe what I mentioned before, right? I'm



not going to give a more specific guidance at this point, but obviously we do see that as a tailwind and it will help to get our inventories down, be it a bit of phasing and again with the bulk of our cash flow generation being in the second half of the year.

**Operator:** Thank you. Our next question comes from Tom Sykes from Deutsche Bank. Your line is now open. Please go ahead.

**Tom Sykes:** Yeah, thank you. So just on the volume guidance, what are you assuming about the Nielsen market sell out, if you like, and what are you assuming about customer inventory levels? I mean, you've said before that some customer inventories are low, and then you say that Gourmet is coming off high levels of customer inventories. So if you do see an improvement in restocking, do you think that'd be in food manufacturing? And interestingly, do you think that'll also be in cocoa?

And then could you just help in terms of the SG&A reduction, because a lot of the temporary increase in SG&A was because the pricing was going up so quickly and you needed people to reprice contracts. So given the price is falling so quickly, why do you not need those people to remain in the admin position to reprice things on the way down? What is it you're not doing on the way down that you were doing on the way up, please.

**Peter Vanneste:** Yeah. Thanks, Tom, for those questions. On Nielsen, yes, in general, we have seen lower stock levels at some of our customers, which is probably also linked to having people like me as their CFO trying to keep stocks down when the value is really up. So I don't think they will immediately go back to that. And we're not, long story short, I'm not calculating that we're going to have a big effect on stocking up again, but much rather from the markets turning into more positive territory and consumers again adjusting to the bean prices that are now translated into the markets.

In Gourmet, indeed, we had a bit of a slightly different story where, or situation where some of our Gourmet customers really had high stocks and then, cycling them out has impacted the Gourmet business a bit over the last few quarters. But yeah, I think that's what we see. So looking forward to that news, and it's really about consumer adjusting to the higher prices and our customers having and seeing more space given the lower bean prices.

On SG&A, yeah, I mean, we had some offsetting costs, as I did mention in previous calls, in some of the saving programs that we had that we needed. I think we fundamentally, our pricing mechanics are similar, pricing up going down, but there's of course a few elements that have been quite disruptive over the last year, and I just want to quote two.

One is the whole tariff situation in North America, which required exceptional interventions. Now, I assume that's not going to be the same in the next year than it has been in the last year. Secondly, also, we had to do some upgrades in the way we do it and to make our systems and our process a bit more robust to enable the frequency of pricing up or down in some of those extra areas. So there's a few areas that I believe we can, we've implemented that we can cycle out. But obviously, we, have similar dynamics in pressing up and pressing down in general.

**Operator:** Thank you. This concludes our Q&A session for today. So I'll hand back over to you, Peter, for closing remarks.





**Conclusion**

**Peter Vanneste**

Chief Financial Officer; Member of the Executive Committee

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All right. Thank you everybody for joining our call today and for your questions, both on the part that Patrick presented and myself. Appreciate that. The IR team is available for any further questions you might have, as always. And we are looking forward to seeing some of you at the Innovation Day we have in Wieze a few weeks from now. So thanks for your attention and have a good day.

**Operator:** This concludes today's call. You may now disconnect your lines.

END.

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