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**Barry Callebaut**

Half-Year Results Presentation

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**Barry Callebaut**

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**Peter Vanneste, Chief Financial Officer**

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**Introduction**

**Sophie Lang, Head of Investor Relations**

Good morning, everyone, and welcome to Barry Callebaut's Half-Year Results presentation for 2025-2026. I'm Sophie Lang, Head of Investor Relations, and today's session will be hosted by our CEO, Hein Schumacher, and our CFO, Peter Vanneste.

Our presentation today will start with Hein's initial reflections and observations, then Peter will go into the Half Year Results and the outlook, and finally, Hein will conclude with the preview of the Focus for Growth plan.

Following the presentation, we'll have a Q&A session for analysts and investors. Please do limit yourself to no more than two questions.

Before we start, take note of the disclaimer on slide two, and I'd also like to inform you that today's session is being recorded. And with that, I hand you over to our CEO, Hein Schumacher.

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**Key Highlights**

**Hein Schumacher, Chief Executive Officer**

Thank you, Sophie, and good morning, everyone. It's my pleasure to be speaking with you as part of my first results presentation here at Barry Callebaut. And I'm now approaching my first 100 days, and I wanted to start by sharing my initial observations and reflections before I hand it over to Peter to cover the results.

So far, I've been in a 'listen and learn' mode and spending a lot of time across the business to gather a broad range of perspectives from our people. And I've had the opportunity to visit a number of our factories and offices around the world and gain insights into our operations and the culture of the Company.

What has stood out most to me is the passion, the expertise, and the resilience that defines this organisation.

I've also met with several of our key customers, which has sharpened my understanding of what truly matters for them and how we can support them on their growth journey.

Back in February, we formed the Growth Accelerator Coalition, which is a diverse group of around 30 deeply experienced colleagues, talents from around regions, functions and nationalities. And this working group from within is designed to advise, challenge and co-shape our path back to volume growth.

And through a series of focus sessions, this group has developed a unified view of where we stand today, identified key bottlenecks that hold us back, and is helping define a set of high-impact priority initiatives. And collecting these insights from across our organisation is enabling me to shape a clear and decisive action plan that will sharpen our strategic direction and set our key priorities.

Now, I will come back to that later in more detail, but first, let me share some initial observations.

Over the past years, the Company has been navigating a very turbulent period marked by transformation, significant industry volatility, as well as supply disruptions. The Barry Callebaut Next Level programme was launched with all the right intentions. However, the sheer number of initiatives proved too ambitious for the organisation to absorb at once, and particularly against the backdrop of unprecedented industry disruption. And frankly, without sufficient course correction in priorities, this created a perfect storm.

Now, that said, several important steps were taken on the Next Level because the programme did deliver savings of around CHF 150m, and these enabled much-needed capability investments in core fundamentals, such as digital, quality and supply processes.

But at the same time, these savings were more than offset by the impact of volume declines, higher operating costs, particularly from the cocoa market and supply disruption as well as from a more competitive environment. And the combined effect was an organisation that had become overstretched and quite internally focused. And with too many quality incidents, the business also began to lose market share.

And as a result, we find ourselves in a position today with clear improvement areas that need to be addressed. I'm calling out three areas. First, our manufacturing network – we do have capacity constraints in key growth areas, with site upgrades that are still work in progress. A lot has happened, but it's still work in progress. It has contributed to quality incidents with longer recovery times due to limited business continuity plans. And we have made progress on the Next Level, without a doubt, especially in strengthening quality foundations, but more work is to be done, and our service levels are currently below industry benchmarks. We need to improve.

Second, our digital transformation, a good direction, but initiatives were decoupled from core business priorities, and the scope was very broad. We moved very quickly before co-processes were sufficiently stabilised and before our data and operating systems had reached the required level of maturity.

And third, our operating model and the organisation – historically, Barry Callebaut was highly decentralised, and the intention of Next Level was to introduce a greater degree of centralisation and standardisation. And that was the right direction. But in some areas, for example, in customer service, we went too far and probably too quick. In others, we ended up with a hybrid central regional model, and that has created an ambiguity in accountabilities. It added

complexity to the organisation and it limited regional empowerment where, essentially, the customer is, where the market is, and where we need to drive local decisions because I believe that food is fundamentally a local business, and our regions should define the what, whilst global functions should support the how, with scale, expertise and, obviously, consistency, and that makes the value of the corporation essentially bigger.

Now, importantly, while there is work to be done, as I said, we are building from a position of strength because Barry Callebaut has strong and solid foundations, and I'm confident that we can return to growth and reinvigorate ourselves as a reliable industry leader because we have a truly unique market position with leading relationships, strong customer relationships and a strong portfolio with benefits from our integrated end-to-end cocoa and chocolate model. Very important for our Group. And in turn, this gives us deep expertise across R&D, innovation, cocoa and sustainability, and these are capabilities that are highly valued and appreciated by our customers around the world.

And my conversations with CEOs of our largest customers have reinforced this view. And they see Barry Callebaut as an important partner, and they want to grow with us. They expect us to step up and play a key role in unlocking and supporting their growth agendas.

And let's not forget that we operate in a fantastic category with strong underlying fundamentals. And as a market leader, we are well-positioned to capture significant long-term growth opportunities. And underpinning all of this is our people. As I said in the very beginning, people with deep commitment and passion for what we do. And that's critical to ensure that we can fully deliver on the fundamental opportunities ahead.

Now, bringing all of this together – clearly, we have strong foundations from our unique market position to the depth of our expertise. And that positions us to win in this industry. And at the same time, to fully deliver on the opportunity ahead, we must refocus behind a reduced set of priorities, to stabilise key fundamentals, as well as to step up execution. And in turn, if we do that well, it will unlock sustained profitable growth and it will reinvigorate Barry Callebaut as a reliable, innovative global leader. And that is the objective of our Focus for Growth action plan. And I will share a preview of the plan later. But before I go there, let me hand it over to Peter to walk you through the first Half Year Results. Peter, here you go.

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## **Financial Results**

### **Peter Vanneste, Chief Financial Officer**

Thank you, Hein. Good morning, everyone. Let me walk you through the half year performance first. And I'll start with a short summary. Cocoa bean prices have decreased strongly in H1, and especially in the last few months, and this is surely positive for the recovery of the chocolate demand.

On volumes, we saw a sequential quarterly improvement to -3.6% in the second quarter, supported by double-digit growth in Asia and continued momentum in Latin America.

Recurring EBIT decreased by 4.2%, and strong cocoa profitability was more than offset by the impact of lower volume, supply disruption and a highly competitive overcapacity environment.

In Gourmet, margins were pressured with the context of the very rapid drop of bean prices, and I will come back to that a bit later in the presentation.

Despite the decrease in EBIT, however, we grew recurring profit before tax and net profit thanks to lower finance costs and income tax. And very importantly, despite the peak harvest and heavy cocoa buying season, we generated strong free cash flow and further deleveraged to 3.9x that over EBITDA.

Let me get into some details now, starting with the cocoa market. The cocoa bean prices have decreased very, very rapidly, falling by 53% in just eight weeks in January and February, and closing at £2,057 at the end of February, and that's driven by good main crop arrivals in West Africa over the past few months, and favourable recent weather conditions that are supporting output for the mid-crop. At the same level, the market is still seeing some demand softness, so global stocks have replenished to healthier levels. Overall, this means we expect a surplus this year for the second year in a row.

Importantly, the structure of the cocoa futures markets has also improved significantly. We now have a carry structure, meaning that the cost of buying spot cocoa today is cheaper than buying cocoa in the future. This means it is less costly for the industry to carry physical stocks, and it's indicative for a more stable outlook.

In the short term, given that this is demand-driven surplus, we expect bean prices to remain in the £2,000, £3,000 range. That said, we continue to monitor the market very closely as the demand recovers, and as we assess potential supply risks linked to El Niño, and potentially speculative volatility, as we have seen in the past.

Over the medium term, depending on supply and demand dynamics, we believe prices could move back into the £3,000 to £5,000 range.

Lower cocoa bean prices are certainly positive for the future recovery of both the cocoa and the chocolate markets. We're seeing indications of this through our forward bookings. As you know, we contract several months in advance for our customers, and in recent months, we've seen a greater willingness to book further ahead again. At the end of February, our futures booking portfolio was much, much higher than at the same time last year when cocoa bean prices were spiking.

At the same time, our customers have priced through to their end consumer. As a result, consumer pricing and the rate of end consumer volume declines have started to stabilise. In the most recent quarter, Nielsen global chocolate confectionery volumes decreased by -6.3%, with +13.7% pricing. And importantly, we're now seeing our customers gradually shift their focus back towards category investment to stimulate growth. I'll just quote a few examples.

In North America, Ferrero launched their Go All In promotion from 1st April, backed by a \$100m investment. It marks their first portfolio-wide campaign and largest marketing commitment in the company's history.

Another example is Hershey, who's boosting media investments by double digits this year with a new Quarter One media campaigns on Reese's and Hershey's, the first launches of this nature in eight years.

Beyond promotions, we're also seeing increased interest in innovation from our customers. In Half-Year One, we saw a significant increase in the number of projects in Western Europe for ChoViva, our non-cocoa chocolate offering, as well as a growing traction on Vitalcoa, our high flavanol solution, especially in AMEA.

Beyond these benefits, the magnitude and the pace of the decline in the cocoa bean prices, as mentioned just now, more than 50% down in the last eight weeks, helps, of course, the demand and the cash front, but has also created some challenges on the short term as well, and mainly on profitability. And there's five key impacts I just would like to highlight.

First, in the past few months, we've seen very favourable margin environment for Cocoa. In Half-Year One, this helped to offset some headwinds we saw in Chocolate. Looking ahead, we expect this Cocoa margin tailwind to normalise in the second half, as market conditions have become less favourable.

Second, as we just saw from the Nielsen data, demand has been down for some time and given the high prices that have been put into the market in the past, this has resulted in some industry overcapacity, which is intensifying competition with more aggressive pricing and commercial actions.

In this competitive environment, we've seen a temporary margin effect in Gourmet. The Gourmet business typically works with a three to six-month pricelists, where forecasted sales are covered, and then a pricelist is determined. Given the unique speed now we've seen of the cocoa bean price decreases in Half-Year One, the result was a long position in a declining market, creating a high pricelist, with not all players following the same approach. And this impacted our volume and profitability through the need for some short-term commercial investments.

Also, next to that, there's a more technical effect related to the shift between EBIT and profit before tax due to lowering financing costs. The opposite, if you want, of what we've seen last

year. This is a reversal of the finance cost pass-through, again, as we saw last year, and we now have lower finance costs as the bean prices come down, and it also means then a lower pass-through at the EBIT level. But importantly, it is neutral at the profit-before-tax level.

Finally, there's also a BC-specific headwind in supply disruption. We had operational incidents in North America in the St Hyacinthe factory, resulting in some volume losses and higher operating costs.

Before we move to the Half-Year One figures specifically, I'd like to spend also a moment to highlight potential implications from the Middle East situation. As many, many industries, the primary impact for us is on the supply chain side. It includes shipping disruptions, increased transit times, resulting from port closures or limited container availability. And of course, as we all know, there's a sharp increase in energy prices. In some markets, fuel rationing has been introduced, combined with higher freight and insurance costs, and all of that is adding complexity and costs across our supply chain.

Next to the supply side, we've also seen some regional demand effects. Within AMEA, the Middle East and North Africa cluster represents about 10% of the volume there. This cluster has a specific high Gourmet exposure and is experiencing, therefore, disruption to imported premium products. Clearly, Horeca, food service segments are negatively impacted by the tourism levels in those areas, as well as the closure of the schools, offices, rules on working from home, and so on.

Beyond directly in the Middle East and North Africa, we also see an indirect impact in India, where we have an important business where LNG imports are disrupted and constraining the energy availability for food manufacturers, commercial kitchens has been impacting their operations and therefore also ours. Overall, this obviously remains a highly dynamic and uncertain situation that we are monitoring, obviously, as per the latest developments every day.

Now, let me get into the numbers in a bit more detail, starting with volume. Overall, the Group saw a sequential volume improvement in the second quarter to -3.6%, meaning we landed the first half with a decrease of 6.9%.

Looking to the left of the chart, by segment, Food Manufacturers continued to be impacted by negative market dynamics, with our customers adapting behaviours in the context of high prices and lower demands, and there was the supply disruption in North America that impacted this segment for us.

Gourmet, while more resilient, our competitiveness was temporarily pressured by the high pricelist in a sharply declining bean price environment, as I just explained. And also here, there was some impact of the St Hyacinthe closure we saw in the first quarter.

Global Cocoa declined as a result mainly of a negative market demand, especially in AMEA, and secondly, also due to our choice to prioritise higher profitability segments, which did have its impact on volumes in certain areas. This business, the Cocoa business, saw early signs of market improvement in the second quarter with a sequential volume improvement of -5.2%. So, significantly better than in the first quarter.

Now moving to the right-hand side of the chart, to Global Chocolate. Globally, we've seen chocolate volumes decline by 5.1%, which is ahead of the 6.5% decline of the market, as reported by Nielsen.

In Western Europe, we saw a 4.2% volume decline as demand continued to be impacted by market softness. Central and Eastern Europe declined for us by 3.6%, way better than the market, as our local accounts saw solid growth, especially in Türkiye.

North America decreased by 12.6%, impacted by a strongly declining market as well, but as well as a network supply disruption, we've seen from the temporary closure in St Hyacinthe in the first quarter. Importantly though, North America saw recent months improvement as the business is rebuilding inventories and meeting increasing customer orders.

Latin America grew by 1.5%, well ahead of the market, driven by a strong momentum in Gourmet that we've seen multiple quarters in a row now.

Finally, volumes in AMEA grew by a strong 8.5% and reached double-digit growth in the second quarter, driven by strong market share gains in China, momentum with key customers in India and additional businesses that we secured in Australia.

Moving to EBIT now. Recurring EBIT decreased in local currencies by 4.2% to CHF 316m. The EBIT bridge on the page shows the respective moving parts. Cocoa, first of all, the green block on the chart, saw strong profitability in Half-Year One, given a more favourable margin environment and market volatility, where we're able to capture the volatility and increases of the prices and decrease of the prices that we have seen. In Half-Year One, this has helped to offset some of the other headwinds that we're facing in Chocolate.

The impact of the Half-Year One volume decrease was meaningful. This is clear when we look at our EBIT per tonne as well, which increased by 3%, whereas our EBIT in absolute declined by 4%. So, the impact of volume was meaningful in the first half, and this is something that we'll see turning around in the second half.

Next, there was an impact of the intense competitive environment, and particularly within Gourmet. As I explained earlier, our high Gourmet pricelist and long position in the context of this very rapid decline of bean prices required temporary commercial investments. In addition, supply disruption resulted in higher operating costs to maintain service and deliver products to our customers.

Finally, we also saw this shift between EBIT and profit before tax that I explained as a result of a lower financing cost year-on-year, and therefore a lower pass-through on the EBIT level. And this effect will get bigger in the second half of the year.

While our recurring EBIT decreased, it's important to note, we were able to grow the absolute profit before tax and our net profit. And to be more precise, as you can see on the left-hand side of this chart, our recurring EBIT in local currencies was CHF 14m lower than last year. This is the -4%. In the middle, our profit before tax increased by CHF 2m, or +1.3%, as a result of a CHF 16m decrease in financing costs in local currencies, driven by our actions to reduce debt and, of course, in the lower bean price environment.

To the right, our net profits increased even further by CHF 42m, or by 66%, given significantly lower income tax expense compared to what we saw last year.

Recurring income tax expense decreased to CHF 29.6m versus the CHF 69.4 we saw in Half-Year One last year. This corresponds to an effective tax rate of 21.4%, which mainly resulted from a more favourable mix of profit before taxes and much lower non-tax effective losses in some of the countries.

Free cash – free cash flow delivered strongly in the half year at CHF 802m across the six months, despite the peak buying season that we're having always this time of year. Now, when we look, as always, at the moving parts behind this cash generation – and that's the dark black bar – we saw CHF 1.5bn positive impact from the cocoa bean price this half year. Bean prices decreased significantly in Half-Year One, especially in the second quarter, as I mentioned, and this has benefited us during the peak buying period, particularly in non-West African origins, which do not have the same forward contracting model as Ivory Coast and Ghana have.

There was, next to that, a CHF -472m negative impact on operational free cash flow, as you can see in the green bar. This has all got to do with the peak buying season. Half Year One is always operationally like that with a negative cash out for the bean buying, given the timing of the cocoa harvest. This was offset, however, partly by continued operational benefits from actions on the cash cycle reduction that we explained largely already in the previous communications. We continue to do so with our efforts to diversify our origin mix, reduce forward contracting, and so on.

As a result, actually, our inventory was, now this time of year, in February, 10% lower than February last year. So, that also helped to generate the cash up to this level.

And finally, there was a CHF 183m capex investments, as you can see in the yellow bar in the chart.

Leverage – leverage came down strongly to 3.9x, and that's significantly below the 6.5x we saw in February last year, and also well below the 4.5x we saw last August, despite, again, the seasonality we always have in Half-Year One, with an important net debt reduction of CHF 2.5bn, enabled by the strong cashflow that I've been talking about before. So, leverage landed at 3.9x, but in fact, if you would exclude cocoa bean inventories from the net debt, and I'm talking only cocoa bean inventories, so not even correcting for cocoa products or chocolate stocks, our adjusted leverage, RMI, would be 2.7x.

This progress mostly came from a lower inventory value given significantly lower bean prices, which is about 1.3x leverage in this decrease, but also through the actions to reduce our inventory volume, as I talked about, which made up about 0.6x in this reduction of leverage.

In terms of gross debt reduction, we repaid €263m term loan in September 2025, so a few months ago, and €191m in February on the Schuldschein. We've also reduced significantly our commercial paper and bilateral facilities over this time. Obviously, all of this has been an important contributor to the lower net year-on-year finance costs that we've seen in the first half already, and we will certainly continue to focus strongly on the leverage in Half-Year Two. It remains a key priority. We want to end much lower than where we are even today.

So, it's the further actions that we're defining on the cash cycle will bear further fruits going forward. This could be, and this will be, partly offset to some degree because of the safety stocks that we will be watching and potentially reinforcing a bit in a few key segments, again, back to the support we need to have on the service levels following some disruptions that we have seen over the last months.

So, before I conclude the Half-Year One section and staying on the financing. Earlier this week, we signed a €2bn sustainability-linked borrowing base facility. The borrowing base is linked to our underlying inventory asset base and represents an important step in the diversification of our funding sources. The facility strengthens our funding flexibility, particularly in periods of prolonged higher or lower bean price environments. It increases our agility and the agility of our capital structure and our ability to actively manage financing costs more in sync with cocoa price moves.

Just to share a few additional details, the facility comprises of €1.6bn of committed financing complemented by an uncommitted tranche of €400m, which is providing additional liquidity flexibility.

So, moving now to the outlook of the fiscal year – we've updated our guidance, reflecting our focus on volume and leverage while taking short-term action to protect our market share and drive growth. We have, first, raised our expectations on volume. We now expect a decrease for the Group between -1% to -3%, and this implies a return to positive growth overall in the second half.

We've also raised our guidance on leverage. We now expect net debt/EBITDA below 3x using a working bean price assumption of £3,000, so with a continued high focus on this and further progress despite our updated profit assumptions.

At the same time, we've lowered our outlook on EBIT. We now expect a mid-teens decrease on a recurring basis in local currencies. And this reflects short-term actions to protect market share and prioritise growth in the context of the rapidly declined cocoa bean prices.

Important to note that a significant reduction in financing costs in Half Year Two is an important factor in the reduced EBIT guidance. We expect to recover more than half of the absolute decrease in EBIT at the profit-before-tax level. Clearly, this outlook is subject to potential impacts from the ongoing disruption in the Middle East that I commented on a little bit earlier.

Now, before I hand back to Hein, I want to take a moment to explain the Half-Year Two moving parts on EBIT. Our return to positive volume growth will be a clear tailwind for Half-Year Two, of course. However, this will be upset by a number of factors. One is short-term actions in Global Chocolate. We are prioritising restoring Gourmet share following this unique and temporary long position impact that I talked about. We're also taking some temporary customer-centric interventions to restore service levels, and Hein will talk about it a bit more later, but action is needed to stabilise supply after a number of incidents that we've seen. Customer centricity is our number one focus going forward, and we're taking action to reclassify lines, increase spend on staffing, maintenance and quality.

Second, as already discussed, Cocoa profitability is expected to now normalise in Half-Year Two following an exceptional Half-Year One.

Third, we are taking further actions to reduce finance costs. This means significantly lower year-on-year pass-through in finance costs at the EBIT level while neutral on profit before tax.

And finally, we have the uncertain and volatile situation in the Middle East, which is bringing additional cost and supply chain disruption depending on how it will evolve further.

Finally, the uncertain and volatile situation in the Middle East brings additional costs and supply chain disruption. And I will now hand over to Hein to share more of our Focus for Growth.

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**Outlook**

**Hein Schumacher, Chief Executive Officer**

Thank you, Peter. Now let's talk about Focus for Growth. And this has been shaped, as I said before, by the insights and learnings from our Growth Accelerator Coalition that I mentioned earlier. And at this stage, me being in the company now for two months plus, the plan is

directional as we continue to refine and deepen our assessment of the actions as well as the opportunities ahead of us. And I'm looking forward to sharing the full detailed updates with all of you in early June. And in the meantime, I wanted to be transparent and, therefore, share the direction that we are heading in.

Now, before we go into details, let me start with why focus is so critical for Barry Callebaut, because what really struck me when I started engaging with the team on our business portfolio, is actually how concentrated we are, and as you can see here on the chart, a few examples.

So, if we look at our top seven, top seven markets represent 56% of our total volume. And of course, if you would extend that to 10 markets, the concentration increases even further.

Similarly with customers, our top seven global customers are approximately a third of our volume.

In our Gourmet-branded business, our top seven brands, or top seven propositions, generate 85% of our volume. And on the sourcing side, 90% of our cocoa is sourced from our seven origin countries.

And finally, although we operate around 30 Specialty categories around the world, the top seven represent approximately 90% of the growth opportunities that we see today.

So, as we focus on stabilising the fundamentals, which we talked about, and focusing our resources behind reduced priorities, getting these top seven really right already moves the needle meaningfully. And this is why focus sits at the heart of our growth agenda for the future.

Now, turning to our Focus for Growth action plan. We do see that compelling need to increase focus across three areas – first one is commercially, so concentrating on a defined set of distinct growth opportunities and prioritising key markets and segments where we see the greatest potential.

Second, operationally by restoring fundamentals. I talked about that, and particularly in the areas that matter most for our customers in terms of reliability, quality and service. Customer centricity is absolutely vital.

Third is organisationally, by prioritising a reduced number of the most impactful initiatives and restoring that customer-centric winning culture. And, by driving focus, restoring fundamentals and putting the customer firmly at the centre of what we do, our objective is to reinvigorate the company and return to sustained profitable growth and market share gains, and therefore unlock strong financial performance going forward.

Now, let me share some details on each. I'm starting with Commercial Focus, and we are defining a clear and distinct set of growth opportunities where we will intentionally concentrate

our resources and our attention, and this starts with markets. And as we discussed earlier, our top markets truly move the needle, not only in terms of volume, but also in profitability.

Let me start with the US, our largest market, representing approximately 17% of our revenue and ensuring the right level of focus and execution in such markets is critical to deliver growth, but also other markets stand out with clear growth potential. For example, Brazil, where we have a meaningful presence, Indonesia, India – Peter talked about that – and China, where we're experiencing strong growth right now. And it is, therefore, clear that our resources need to over proportionately support these priority markets, a distinct set. And importantly, this focus must be actionable, value added, defining a set of focus markets within AMEA rather than spreading our attention across that vast region thinly.

The same logic applies with Gourmet and Specialties, where we need to concentrate on the right segments and opportunities. And I will come back to that in some detail in the next charts.

In Cocoa, in itself, we see clear opportunities to unlock growth by increasing our focus on high value-added powders whilst ensuring that we have the right growth capacity, of course, in place.

So, across all of these areas, a key enabler will be strong innovation platforms. Not many, but a few strong platforms that will allow us to lead in the market and that we can leverage across the portfolio to drive growth, greater level of differentiation versus our competitors, and of course, to support our customers around the world.

Now, let me talk about Gourmet, such an important segment for our profitable growth. And we are reintroducing here a clear brand hierarchy and customer propositions. Callebaut, Masters of Taste, that will continue to be our group commercial identity. And then we have a clear brand tiering after that to serve the different customer needs with a greater impact. And as you can see here on the top of the pyramid, we anchor the portfolio around our super premium global brands led by the Callebaut Signature Collection and Cacao Barry.

Now, Callebaut brings over a century of Belgian craftsmanship and unrivalled bean to bar expertise. And Cacao Barry brings two centuries of cocoa origins mastery and French pastry heritage – important brands on top of the pyramid at a higher price level, strong quality focus.

Now, beneath that, our core Gourmet portfolio is firmly positioned in that premium segment with the Callebaut core section. And here the focus is on delivering consistent quality, reliability and strong performance for professional customers in their day-to-day operations.

Complementing these, we continue to develop strong regional propositions, typically one per region, such as Sicao, Chocovic or Van Houten in Asia, for example, ensuring that local relevance.

And across all these tiers, our brands are supported by end-to-end services, from the Chocolate Academies that we have around the world to innovation and technical expertise. These help our

customers to succeed. And the objective is simple and clear – a more focused Gourmet portfolio with clearly differentiated propositions and price tiers that enable to serve our customers better. And it will allow us to allocate resources more effectively and drive that profitable growth in this important segment.

Now let's turn to Specialties – our plan here is to be a bit more selective, focused on a defined number of margin accretive Specialty categories that we believe we can integrate in the Company, in the core of the Company, and by doing that, scale them first regionally and then globally. And while the final list is currently being defined, we already see clear and compelling opportunities in a number of areas, such as filled and baked inclusions, which you find in products like ice cream, where we have a very strong presence in that segment, but also both chocolate decorations, including toppings for bakery applications and fillings and coatings, for example, solutions with reduced sugar functionality. And once this prioritisation is finalised, the intent is to bring these selected Specialties much closer to the core under regional responsibility, including, therefore, a tighter system integration.

At this moment, they're not that fully integrated in our operating system. And that means we will invest behind them to ensure there is sufficient growth capacity, clear ownership, P&L ownership within the region, and stronger category management. And we believe that this more focused approach will allow us to scale what really works. It will simplify their Specialty portfolio, and it will concentrate resources where we see the strongest combination of growth, of margin expansion, and of course, customer relevance.

Now, moving to Operational Focus, where the clear goal is to restore some of the fundamentals. And Peter talked about the disruptions. Our number one priority is to restore service levels and on time in full performance. That we are now measuring consistently every day, every week, every month. I'm absolutely determined to get us there and to improve on that particular KPI.

And as I mentioned earlier, a combination of transformation complexity, industry disruption that we've had and many operational incidents, this has taken our focus a bit away from the basics. And as a result, service levels have been below industry standards. Now, that's something that I'm keen to turn around for the Company. We have to get this right.

Now, beyond service, we also need to ensure that our network, our factory network is fit for purpose, both for the portfolio that we operate today, but also where our customers will go tomorrow. And at the factory level, we see, currently, mismatches between line utilisation, so specific line utilisation, and the overall capacity available in our network. So, in the short term, that means we will make targeted and tactical adjustments to unlock available capacity.

On the mid-term and the long-term, we will invest selectively behind those growth capacities that I talked about when we talked about the focus areas, for example, ensuring that we deploy, therefore, our capital towards the right opportunities.

And finally, restoring the fundamentals also means strengthening the core processes and enablers of the organisation, very much the intention of Next Level, and we will build on that. We do need better data visibility, more effective end-to-end decision-making on a number of processes, and, therefore, the priority for us is to focus on the core process of the Company first, get them really right, such as the overall demand and supply planning processes, customer service processes and, of course, the quality and the usability of our data. We made strong progress, but now we need to finish it behind those few big priorities.

Going into more detail, there are a few areas where we need to focus operationally. So, North America, as I said already, this region contains our largest market, the US, and we need to get it right. And as Peter has described, we've seen broad supply disruption across the network, and that resulted in longer lead times for our customers and capacity constraints in several high-demand product categories. Network investments under Next Level were there, but some of them were postponed given the macro backdrop.

Now, there's an immediate need to stabilise the network and rapidly improve service levels, focusing over the coming months on increasing staffing and adapting shift patterns at relevant sites, as well as targeted initiatives to stabilise critical facilities, particularly across maintenance, quality, infrastructure and planning processes.

In parallel, we are reclassifying and redeploying existing product lines across the network to better utilise the available overall capacity. We're developing a mid-term plan to future-proof the network in order to sustainably support future growth.

On emerging markets, here, our focus will be on a select number of key growth markets, large markets, though, but where we have a meaningful presence already and where we intend to invest to support evolving customer needs. Think of countries like Indonesia and Brazil. On this, we will update you in much more detail in June.

Service OTIF. On time and full, we are taking targeted actions, not only in North America, but also in Europe, to immediately improve reliability and to step up our safety stocks in selected categories. Peter talked about that. This will stabilise our key business processes and, in turn, it will improve customer service in the months to come.

And then finally, core processes. I talked about digital efforts before. We need to focus our digital efforts and investments behind those core processes, such as planning as well as customer service, driving better data visibility and transparency, and this will therefore strengthen these processes and therefore increase service levels for our customers.

Now, turning finally to organisational focus – our objective is to reestablish that winning culture with customers at the heart of everything that we do while refocusing the organisation, as I said, on a set of impactful initiatives that truly matter. And a key priority here is to increase the empowerment and accountability of our commercial regions, because these regions are the

closest to our customers and our markets, and they should clearly drive what needs to be done to win locally. And of course, supported by global functions, they provide the how, they provide the scale, the expertise and the consistency behind those core processes that I talked about.

By doing that, we need to be, therefore, more disciplined on prioritisation because the organisation, as I said, has been overloaded by a significant number of initiatives during a time of also intense industry disruption, and that in itself dilutes the focus and the execution capacity.

So, by intentionally reducing the number of priorities on the table, we will free up time, energy and resources, and this will allow us to focus on what truly matters. That's what we're going to do in the next couple of months.

Before closing, let me briefly highlight some of the initial steps that we have already taken as we start to put the Focus for Growth strategy into action. We've reduced the Executive Leadership Team. I had a team of 20, we've reduced it to 12 members. This creates a smaller, more agile and, more importantly, a more commercially focused leadership team in the Company, which will enhance the speed of decision-making that we need.

We also removed the Global Transformation Office related to Next Level, and we significantly reduced our consultancy spend for the months to come. And this reflects a shift away from a separate Transformation Office towards a more integrated business ownership and execution. And as such, we have fully integrated the remaining Next Level initiatives into our global functions as well as into our regions. And that has stopped a standalone programme tracking savings, for example, and, therefore, we're now much more focused on the bottom-line delivery, and, therefore, the net impact of these changes.

We've also strengthened our global customer account alignment. And the global seven accounts that I've talked about before are now reporting directly to me. And this is designed to reinforce regional execution, actually, but also to accelerate the deployment of global innovation, where it matters most for our customers.

Now, these are early, but important steps. Obviously, there's more to come, but the momentum in the Company has started.

So, that concludes my preview of Focus for Growth. And we're not reinventing our strategy, as you've seen. What is different is the level of focus, the level of energy and depth, supported by clear choices and strong resource prioritisation.

So, to summarise, our priorities are clear, drive focus and discipline, and put the customer back at the centre of everything that we do. And I'm confident that our unparalleled industry leadership that we have and our truly unique business model will provide that strong foundation to sharpen that customer focus and return to profitable growth.

I'm looking forward to coming back to you in early June with a more detailed plan and to share our financial ambitions in parallel. And in the meantime, this concludes today's results presentation, and we are delighted to now take your questions. And with that, I will hand over to the operator to open the Q&A.

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**Questions and Answers**

**Telephone Operator**

Thank you, Hein. To ask a question, please press \* followed by 1 on your telephone keypad now. To change your mind, please press \* followed by 2. When preparing to ask your question, please your device is unmuted locally. In the interest of time, we ask you to please limit yourself to two questions per person.

Our first question comes from Alex Sloane from Barclays. Alex, your line is open. Please go ahead.

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**Alex Sloane, Barclays**

Yeah, hi, morning all. Thanks for taking the questions. I'll have two, please. I guess, yeah, overall, you know, you previously guided to double-digit PBT growth in fiscal 2026, based on today's guidance. Is it fair to assume you're now expecting PBT in constant FX to decline as a sort of mid-single-digit rate for this year? And I guess, if that's the case, you know, within that potential 15% plus downgrade, how much do you see as 2026 specific or transitional versus, perhaps, you know, more structural, and put another way, you know, how much of that do you think investors should reasonably expect to sort of bounce back in fiscal 2027 would be the first one?

And I guess the second one, somewhat related, but, you know, in terms of the commercial investments that you've talked about to restore competitiveness in Gourmet, can I just check, does this purely relate to price gaps or, in Gourmet, are you also, potentially, suffering from some of the service level issues highlighted at the beginning of the presentation? Thank you.

.....

**Hein Schumacher, Chief Executive Officer**

Thank you, Alex, and good morning. For the first question on PBT and, you know, this year's guidance, I'll let Peter answer. I'll come back to some of the points on structural as well as take your second question on Gourmet. So, Peter first on PBT.

.....

**Peter Vanneste, Chief Financial Officer**

Yeah. So, hi Alex. Thanks for the question. We will have a significant reduction of finance costs over the year, up to CHF 50m to 60m versus last year, which means that a very significant part of the gap that we see on EBIT, it will be offset towards the PBT level.

So, profit before tax will be down for the fiscal year, but to a lesser extent than EBIT because of that recovery on the finance cost.

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**Hein Schumacher, Chief Executive Officer**

And Alex, I think a few remarks on the structural nature of the guidance for this year. Look, you know, there are a few things that I would call pretty temporary. You know, these are, for example, the Gourmet positions that you talked about. The other one is, you know, supply disruptions that we have seen as well as, you know, the volume declines that we've seen in the first half. I expect those to, over time, of course, to come back. Some of that will go faster than others.

But, you know, more structurally, and Peter talked about that, our finance costs with a lower bean price overall, these finance costs, you know, are not as high as in the EBIT definition, but, you know, they will come back and they will be neutralised on a PBT and on a net profit level.

So, some aspects are structural and some are temporary, but I wouldn't call it overall a rebasing of the Company.

I think your second question on Gourmet, yeah, so, we had long positions out there and, in Gourmet, which is partially a price-listed business, you know, we are seeking to retain market share. Obviously, we're going to drive volume. I think that's super important for us. You know, we have, of course, fixed costs, but also, we want to retain our customers after, you know, having had some years of disruption. So, we're very keen to put the customer right, you know, front and centre of everything that we do. So, that's something that we're investing in.

But if you look at Gourmet, yes, there have been disruptions also for Gourmet. You know, some of that in the North American part, but some of that, you know, in Europe, obviously, from some somewhat longer time ago, but we're still sort of rebuilding capacity or we're still rebuilding customer service.

So, this is something that we're now going to do on an accelerated pace. You know, all the key factories are under hyper care. We've added some resources to make sure that we can deliver. We're also pushing some, you know, some tactical investments through the sites because the customers have evolved their portfolio needs. We were a bit behind. You know, we're really stepping that up and going fast after that. And therefore, I'm quite confident that, in the second half of the year, overall as a company, we are going to return to growth and that will then,

sequentially, improve the volume picture by quarter, including Gourmet, which, of course, is an important profit segment for us. Next question, please.

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**Telephone Operator**

Thank you very much. Our next question comes from Joern Iffert from UBS. Your line is open. Please go ahead.

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**Joern Iffert, UBS**

Good morning and thanks for taking my questions. The first one would be, please, on the reinvestment needs to restore customer service levels. For how long do you think it will last, that this is more pronounced, and do you think, despite this reinvestment, there could be operating leverage benefits for EBIT in fiscal year 2027? So, just to get a feeling for the timeline here.

And the second question, please, a technical one. In the core segment, I assume it is in particular the spread, not the combined ratio, which was beneficial in the first half. I mean, what do you expect as a more normalised profitability on the current core bean versus butter and powder spread going forward from here? Thank you very much.

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**Hein Schumacher, Chief Executive Officer**

Thanks, Joern. I'll take the first question. Peter, if you could take the second one, that would be good. Yeah, on the investments, look, as I said, there's a few different types of investment, Joern. So, the first one, as I said, it's around evolved customer needs, of what they need in their portfolio, and I think, whilst we have an overall capacity that is sort of sufficient given, of course, the volume reductions that we had and the existing capacity that we had, on a line basis, the capacity wasn't always keeping pace with the changes of what customers really wanted. And therefore, we're doing a number of tactical investments, predominantly in North America, to keep pace and to satisfy the evolving customer needs. Some of that is in compound production. Some of that is in inclusions, for example. We need to step it up there. And so that's part number one. And that's partially capex, but of course, with quite a number of changes that we're doing, and these are happening literally to date.

I was in North America in the last couple of days and witnessing it firsthand of what we're doing to step up that customer service in change portfolio. So, that's number one. And that, of course, comes with some extra cost.

The second one, given the disruptions that we had, we absolutely want to make sure that food quality and food safety is paramount. So, yes, we are investing a bit extra also in manual

operations to secure that. We've had incidents over the last couple of years. We simply cannot repeat that. The reputation of the Company is essentially what safeguards the value of the Company. So, I'm very, very keen to focus on that as well.

And then thirdly, as I talked about investments, when it comes to the long positions that we, and we already mentioned that a few times, the long positions that we've had on cocoa and the impact on price-listed business, so, we're making here the right trade-offs, but we want to stick with our customers and we prioritise volume and we prioritise market share now. And that's a third area of investment that we're making.

Yeah, I mean, those are the main ones, but clearly, again, customer centricity and stepping up our efforts to evolve our capacity to the exact needs of the customer, that, for me, is really a priority now. And that's pretty short term, but I think in the mid-term, that means that we need to continue to evolve our network, our supply chain to changing needs, and I think we can do that, and obviously more to come on that in June. Peter.

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**Peter Vanneste, Chief Financial Officer**

Hi, Joern. Thanks for your question on Cocoa. We've seen a strong EBIT growth on Cocoa in the Half Year One year on year in local currencies, and very much linked to the fact that we're able to profit in Cocoa and benefit from a more favourable margin environment and also the market volatility, considering the speed of the market movements we've seen some time ago already, with higher butter, higher powder prices, and we were able to capture that.

We expect this to normalise in Half-Year Two going forward, because the butter ratios have continued to drop in line with the terminal markets evolutions. Butter is now below powder, butter, and trading at a discount actually to CBE, which means that some of those benefits that we've seen linked to that volatility and the whole market that we captured in Half Year One, and, to some extent, a bit as well in Half-Year Two last year is, at least for the short term, not coming back. And then of course, we'll see how the market evolves further to be more specific about that.

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**Hein Schumacher, Chief Executive Officer**

Thank you. Next question, please.

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**Telephone Operator**

Thank you very much. Our next question comes from Ed Hockin from JP Morgan. Your line is open, Ed. Please go ahead.

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**Ed Hockin, JP Morgan**

Morning, morning, hi. Thank you very much for taking my questions and thank you, Hein, for your preview on your Focus for Growth strategy. I look forward to learning more in June. But on the Focus for Growth strategy, what I wanted to clarify a little bit following on from the last question is, on some of these initiatives you've outlined, so on capacity investments, on focus and scaling of innovations, whether these are a refocus of existing resource or whether these are incremental investments. And within that, how we're thinking about the cashflow, should we be there for presuming that capex is higher for longer? And of your higher safety stocks in H2 that you mentioned, should we also expect that this is something longer lasting? So, will you be holding higher inventory levels as a norm going forward or is this specifically an H2 comment?

And then my second question, please, is on your volumes outlook for H2 and the return to volume growth. The industry, as you noted, is currently tracking -6.5% volumes. For it to return to volume growth in the second half of the year, can you try and help me to bridge that? Is it that the industry volumes, you should expect some improvement in the second half of the year? How significant a contribution should the actions you're taking in Gourmet have? Is it some reversal of shrinkflation or some reversal of the temporary insourcing that you've seen in previous years? Just if you could help me bridge that gap between the current industry volumes and an improved picture for your volumes in the second half, thank you.

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**Hein Schumacher, Chief Executive Officer**

Thank you, Ed, and let me take first go at it and, Peter, please add where you see fit.

So, I mean, first of all, this is not about incremental resources. I talked very much in Focus for Growth around galvanising and rallying our people and that is people's component, but also indeed capital expenditure as well as costs behind less initiatives.

We're choosing, essentially, six to eight initiatives in the Company right now to focus our resources on. We've been looking at many, many process improvements as a Company over the last couple of years, ranging from HR processes to supply chain processes to essentially covering absolutely everything. What I'm really keen now is to focus our resources behind those processes that touch the customer first, and that is planning, so demand planning, supply planning, and making sure that we link up with our customer seamlessly and that we optimise our planning processes. So, that means also digital efforts behind that. So, that's the number one.

Number two, customer service. Over the last year, customer service has been pretty much standardised and, in some cases, has been moved from a decentralised model to a more

centralised global shared services model for customer service. That was a decision taken. It didn't always go well. So, we absolutely have to nail it now and be there for the customer and make sure that that customer service process runs extraordinarily well.

So, this is not about incrementalism. No, it's about from everything that we were doing under the Next Level programme is to choose those things that are meaningful and impactful and putting our people behind those. So, that's very much the mantra. Not an extra. We're not going to expand on that.

When it comes to capital expenditure, also for this year, we're not increasing the guidance. We have redirected some of the capital expenditure spent to the tactical investments that I talked about.

And on the medium term, whether that's going to lead to a higher level, I'm going to come back to in June, however, we are very, very committed to deleveraging the Company, as Peter has talked about, so, that will remain an important priority.

We will live within our means, but at the same time, I want to make sure that we spend the capex behind tangible, thought through, thorough growth initiatives in a select number of markets in our most meaningful segments – Gourmet, I talked to a few Specialty categories, for example, and then of course, in customer processes related to our food manufacturing segment. So, more focused, clear and not incremental. So, that I think hopefully answers your first question.

When it comes to the volume picture in the second half, a few comments. Obviously, with lower bean prices, what we're seeing is that customers ordering for longer, that's clear and that's helping the volume picture for us.

We also see that customers, and we said that in the presentation, customers themselves are going for growth. And we've seen a number of initiatives from Hershey's, for example, we've seen initiatives from Nestle. And I think that's really important. We are seeing an enhanced growth picture in some of our key markets. In ice cream, for example, in North America, we're seeing overall an increased demand picture. And again, I think the lower bean prices help.

At the same time, and I think this is very important for us, when I talked about our efforts to restore growth, we believe that, in the very recent months, we are growing a bit ahead of the market with a reinvigorated focus on growth. And if we keep the pace, we make those necessary investments, we restore our processes and our credibility and stability, I'm actually very convinced that we will continue to do that in the very near future. So that's going to help us. So, with less disruptions, we should see some growth.

There's one important caveat, and that's, of course, the situation in the Middle East. At this moment, I mean, that's the latest from this morning, we believe that, in the next week or so, business activity in the Middle East will resume somewhat, but obviously it's very, very volatile.

So, that's something that we need to manage. So that's more on a high level basis. I don't know, Peter, if you want to make some further comments on volume picture.

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**Peter Vanneste, Chief Financial Officer**

I'm risking repeating a lot of what you said, so no.

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**Hein Schumacher, Chief Executive Officer**

Okay. Next question, please.

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**Telephone Operator**

Thank you very much. Our next question comes from Jon Cox from Kepler Cheuvreux. Your line is open, Jon. Please go ahead.

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**Jon Cox, Kepler Cheuvreux**

Good morning, guys. Thanks for the call. I have two questions, really. One, just on what's happened in the last couple of years and what you're doing now to sort of maybe unwind some of that, maybe it went too far. Now, I think under the first programme, you laid off about 20% of your workforce and did a couple of factory closures and that sort of stuff. Just wondering, should we assume that maybe you're going to unwind the staff by about 10%, so maybe going back a little bit or halfway from what you've done? As an add on that, do you think there's anything more needed to be done in terms of a factory network or is it more, as you mentioned, it's more about quality issues and maybe some lines are not working as well as you want to? So, that's the first question.

The second question, more on the top line outlook. I'm quite surprised that we're not really seeing volumes recover given the fact that cocoa prices have declined, and I know there's a lag and so on and so on, but I'd imagine the whole industry is short chocolate in various places. Are you worried that maybe, structurally, the chocolate market's changed in the last few years? Maybe with GLP-1s and we see various data points suggesting that maybe chocolate demand volume growth won't come back to that, on average, 1% or 2% we've seen historically, maybe it's going to be closer to flat going forward. Any thoughts on that sort of long-term chocolate market outlook? Thank you.

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**Hein Schumacher, Chief Executive Officer**

Thanks, Jon. I mean, first of all, on the Next Level programme, as I said, in the plan, on the Focus for Growth plan, look, I think that the Next Level programme, again, the intentions to standardise more in the Company, to reduce our costs by progressing our network into fewer, bigger sites, into doing more with digital, intentionally, definitely the right programme. But what I'm saying is, therefore, we will build on that, and I have no intention to unwind necessarily what was going on, but I feel that efforts in the Company were quite diluted. We have lost a lot of people. We have had quite some incidents and disruptions, and we have let customers down on customer service.

So, hey, I'm just very keen now to restore that confidence, go back behind the number of core priorities. So, that means that we're not going to unwind, but we're going to face and pace it. We'll go deeper. We're going to finish a number of initiatives and we're going to do it well, but always with the customer in mind.

So, yes, we will continue to evolve our network and that may end up in less factories, but before you close a factory, you need to make absolutely sure that the volumes that you provide to a customer from that factory are then, of course, transferred to another place and you can help the customer to succeed.

So, I'm very keen to progress, but again, in a thoughtful manner. There's no point in adding necessarily resources. As I said, we are making some selective investments now in the supply chain, particularly North America, as well as in quality assurance, but, overall, I do not foresee that we're sort of adding costs on a structural basis. That is definitely not the intention, and I don't want to talk about unwinding. I want to talk about focus, and I want to talk about fewer, bigger and better with a strong focus on operations, discipline, and customer centricity.

I think, when you talk about volumes, actually, we are pointing towards a volume recovery in the second half. So, of course, progressively, Quarter Two was a little bit better than Quarter One in terms of volume, still negative. But going forward, as you sort of follow the algorithm, we're guiding to -1% to -3%, and that means, mathematically, that we're going to have to see a positive territory in Half Two.

Now, where does that come from? And I talked about that lower beam prices. Yes, from our end, a better competitive position, a strong focus, and, of course, with the caveat that I already talked about in the Middle East, but, overall, we are actually seeing good signs of restored volume. So, in that sense, certainly on the mid-term, we're looking more positively.

On GLP-1, I think, you know, yes, I mean, several of our customers have also talked about that, and I just wanted to highlight that, you know, quality chocolate, the more premium-style chocolate, we believe that's actually, you know, benefiting in some cases. We're seeing that also in interest for our Gourmet products. So, you know, I think, yeah, look, there will be some impact, but, at this point, it will not be significant for the Company.

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**Peter Vanneste, Chief Financial Officer**

And maybe just to add, there's some reassurance, of course, from the past on the market rebounding. I mean, the market pricing has been significant, of course, this time, but also a few years ago, on the back of COVID, there was a 20% pricing up in the market, and you could see the Chocolate category bounce up well after that. And maybe last, as you said yourself, I mean, there is this lack, right? We had ourselves, for the first time now, a quarter, in Q2 where our pricing was negative year on year. So, we had our peak pricing plus 70% a year ago. We had still 25% pricing from us to our customers in Quarter One. Quarter Two was the first quarter where it started to come down. So, there is this lag that the market needs to cycle through before it starts hitting the consumer.

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**Hein Schumacher, Chief Executive Officer**

I think, Peter, and I think on your question, or the question before, I want to come back on one point, which are inventory levels. You know, you've obviously seen inventories coming down, and that's partially being priced, but also operationally our inventories are showing a healthy development.

What I do believe, towards year end, again, tactically, and particularly on what I call the runners in our portfolio, Gourmet products that are pretty standard, we are increasing the inventory levels somewhat to make sure that we have a very positive start into the new year.

I believe, by the end of last year, the inventory levels were very, very low, and it hampered us a bit in satisfying customer needs. And, again, with the positive signs that we're seeing in the market, we believe there is room, again, tactically, and in a few areas, to increase the safety stocks a bit to safeguard service. Again, a major priority for us going forward. Next question, please.

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**Telephone Operator**

Our next question comes from David Roux from Morgan Stanley. Your line is open, David. Please go ahead.

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**David Roux, Morgan Stanley**

Good morning, Hein and Peter. I just want to come back to Alex's question on the guidance. Can you, perhaps, quantify how much of the cuts in the PBT guidance was attributed to the investment in Gourmet, Middle East conflicts, and then other factors?

And then my second question is on Global Chocolates. On the Food Manufacturer, client cohort specifically, do you see any need or any risk here that you need to invest in pricing here? I appreciate there's a mechanical cost-plus model with this cohort of customer, but I mean, how robust are these agreements?

And then just my follow-up question on Global Chocolates is where do you see manufacturer inventory levels at the moment? Thank you.

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**Hein Schumacher, Chief Executive Officer**

Peter, can you take it first? I'll come back on the food manufacturing.

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**Peter Vanneste, Chief Financial Officer**

Yeah. So, hi, David. The first question on the moving parts on EBIT and then PBT and versus the guidance that we now put into the market. Overall, as we said, there's a, still for the Full-Year, there's a positive on cocoa considering the high and the strong benefit that we took on the volatility and the increases of the market in the past, normalising Half-Year Two, as I mentioned.

Now, if we look at then where the delta comes from in terms of the negative impacts, you could, basically, argue that about 70% or two thirds, is triggered by this very rapidly declining bean price, which had an impact on, first of all, our financing costs that's passed through, has reversed, basically, on the EBIT line. Secondly, the impact that we've seen on Gourmet, where our long position and high price lists forced us to do some commercial investments to secure the volumes that we have. So, two thirds is really coming from that rapid decline of the bean price. The remaining parts, basically, there's two components. One is volume that, over the year, will still be slightly negative. And secondly, some of the increased costs that we are taking to manage through the supply disruption, making sure that we can deliver our customers despite some of those disruptions that we've seen. So, this is, basically, the different blocks that you should be considering within our guidance.

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**Hein Schumacher, Chief Executive Officer**

When it comes to the Food Manufacturing segment, you're right, I mean, most of our contracts, they follow the price of cocoa. So, I'm not overly – from everything that I'm seeing margin wise and so forth, I don't see major volatility in that. I feel pretty confident about the segment going into the second half, and we will move with customers and, of course, based on the contracts that we have. So, when I talked about the major impact from the long position, that is more related to price listed businesses.

When it comes to global stock levels, as I said, we see customers buying a bit longer. I can't comment on exact stock levels. I'm not long enough here to give a really educated answer on that. But it's a fact that, at this point, with the current bean prices, there was room for some increases globally. That's all I can say at the moment unless Peter, you would have further comments.

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**Peter Vanneste, Chief Financial Officer**

No, that's clear.

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**Telephone Operator**

Our next question comes from Tom Sykes from Deutsche Bank. Your line is open, Tom. Please go ahead.

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**Tom Sykes, Deutsche Bank**

Thank you. Good morning, everybody.

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**Hein Schumacher, Chief Executive Officer**

Hi, morning, Tom.

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**Tom Sykes, Deutsche Bank**

Firstly, just on the capacity expansion that you're putting into North America and your comment to the earlier question around longer-term demand. I mean, if you're investing into compounds, which is the majority, I believe, if you're a food manufacturing business, are you not just signalling that there is a permanent reduction in cocoa demand even if it's not chocolate demand and that's coming from compound growth rather than cocoa content, if you like?

And then just on Gourmet, where was your gross profit per unit be per tonne of bean versus 12 months ago? And are you saying that you're going to be cutting that even more? Because if you do have this shift towards more compounds and we're in a sort of excess capacity, I suppose, are we not just going to see a rebasing of Gourmet pricing? And indeed, is it still going down? Thank you.

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**Hein Schumacher, Chief Executive Officer**

Thanks, Tom. I mean, first of all, in investing in North America, as I said, I think the network, overall, probably didn't keep the sort of the pace with evolving customer needs. So, I think it's more that we were a bit behind and we were very, very keen to fill in some of the blanks.

We have very good relationships with many customers, obviously, in North America. We are the market leader, but I want to make sure that for particular needs, and indeed, that could be compound production, that they don't go to alternative suppliers.

So, what we're doing is we fill in tactical needs, and I believe that that will strengthen our position with customers significantly.

At this point, with the bean price where it is now, we don't see compound necessarily growing faster than chocolate. We're seeing some movements that chocolate is actually back, and we're seeing some customers going back to chocolate. And again, with the current bean price, I believe that is, overall, probably even beneficial for them. We're sort of at that inflection point.

So, no, I don't think that compound will continue to always gain. I think what is more important for companies like us is that we're agile and that we can fill in the blanks for the portfolio that customers need. You know, and they will have a need for compound in their portfolio, and they have a need for chocolate. And of course, there's the volatility of the bean price.

So, I think what is important for us, given our role in the industry, is that we are agile, that we have the ability to supply what is needed, and that is exactly what we're going to do in North America with a number of shorter-term investments. So that's, I would say, for the next four to five months or so.

I want to come back in June, as I said, with a more mid-term picture for North America, as well as, you know, coping with growth in a select number of large emerging markets, and I'm talking mainly Brazil, Indonesia, for example.

India, we have ample capacity. We can continue to grow. I mean, we've done that double digit, and I feel that's going to happen, that will happen going forward, but I want to choose a few of the bigger markets where we have an emerging presence, where I think we can succeed, but where we have some bottlenecks that we need to resolve. So, I hope that answers the first question on investments.

On Gourmet profit, I wasn't exactly sure on the precise question, but, you know, I would say, you know, there's no rebasing on profitability as such. As I said, you know, there were long positions out there, and then you need to determine what you do, what is your priority. And, you know, we feel that retaining customers, driving growth, whilst, at some point, you know, these positions

will unwind, there will be, you know, and we will be returning to normalised profitability on Gourmet. That's at least what I'm seeing going forward. But in the meantime, we want to make sure that we keep the customer connection, that we can compete in our geographies, and, yeah, that's what we're doing.

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**Peter Vanneste, Chief Financial Officer**

Yeah. And maybe just one addition, because I think I might've understood in your message that, for compound production, we need an entirely new setup of factories, which is not the case, right. We can produce from our existing factories. There are a few interventions you need to do in terms of tanks, but overall, I mean, we can convert our lines. So, it's not that if any move happens to compound, that is an entirely new network that we need.

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**Hein Schumacher, Chief Executive Officer**

Thanks Tom. Next question, please.

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**Telephone Operator**

Thank you very much. Our next question comes from Antoine Prevot from Bank of America. Your line is open. Please go ahead.

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**Antoine Prevot, Bank of America**

Hi, Hein. Hi, Peter, and good morning everyone.

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**Hein Schumacher, Chief Executive Officer**

Hi, Antoine.

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**Antoine Prevot, Bank of America**

Thank you. So, I have two questions, please. First, so on coatings. So, we've been talking about chocolate. I mean, could you quantify the volume growth of coatings versus real chocolate? And especially considering that now CBE is more expensive than cocoa butter, are you seeing maybe some pressure there overall, especially as coatings is a pretty good buffer and volume for the past couple of years?

And second, on Gourmet. So, could you quantify a bit how much of your chocolate profits comes from the Gourmet side? It's about 20% of your volume, but I would suspect it's much higher on the profit. And considering the reinvestment and, like, the price change you're doing into like stage two, how quickly do you expect a situation to improve there on volume? Thank you.

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**Hein Schumacher, Chief Executive Officer**

Thank you, Antoine. Well, I think Peter takes the second question on the composition of the profit, if I got it right.

I think, on your first question, overall on compound, by the way, we call it cacao coatings, we saw flat growth in the first half, but with a double-digit growth for particular super compound products. Don't forget that I'm talking about investments in compound and, yes, we need to follow the customer, but we are the leader actually, globally, in cocoa coatings, and we have quite a few R&D projects with many of our customers on the way to continue to compete in that well.

So, if I sort of take a step back, as a company, what we are offering, we're offering the chocolate solution, we're offering the cacao coatings, but also non-cocoa solutions. And in that sense, we are partnering with Planet A Foods. We're working on what we call ChoViva, which is a non-cocoa product, which also has its own cost structure. And we will continue to invest in those types of alternatives. So, we're very keen to provide the whole portfolio.

Now, again, flat growth in the first half with particular double-digit growth in a sub-segment what we call super compound products.

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**Peter Vanneste, Chief Financial Officer**

Yeah, and on Gourmet, Antoine, yes, it's about 20% of our volumes and it's so over-proportional in terms of our profit splits. We're not really disclosing a lot of details on it, but, as you mentioned, it's a lot more accretive than the FM business.

Volume-wise, the 20%, it's still actually, despite the challenges, it's still performing relatively better than the FM business. So, as we speak, and also in H2, I mean, we will invest, as we said, some of that long position, but it does mean that we'll be cutting even more. We expect, actually, positive evolution in our business in Chocolate, both on the FM and the Gourmet side going forward in the second half.

Yeah, I think that's where we are on the Gourmet side than everything else, I think we said before. As it is linked to the very steep decline of the bean price, we do expect this to be a temporary phenomenon.

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**Hein Schumacher, Chief Executive Officer**

Next question, please.

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**Telephone Operator**

Our next question comes from Samantha Darbyshire from Goldman Sachs. Your line is open, Samantha. Please go ahead.

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**Samantha Darbyshire, Goldman Sachs**

Good morning, everyone. Thanks for the really detailed responses to everything so far. My first question is just around the end markets. It would be really helpful to get some context from you around how you're expecting them to progress from here. You've got pretty good visibility on the order book, it seems. How much of this is kind of because your customers are innovating, having to bring out new products to kind of support that volume growth, and how much of it is that you think that consumers are adjusting to the price levels of chocolate products right now?

And kind of along those lines, are you starting to see any appetite from your customers to reduce prices or increase promotions, increase pack sizes to get the volume coming back in the market? And if there's any regional context as well, that would be super helpful.

And then just switching track, just thinking about your service levels, can you, perhaps, contextualise where they are versus history? I know that it's been quite volatile. There's been a lot of disruption, but if we think about where Barry Callebaut used to be, say, five years ago, how significantly below that are we? I know that the Company is below industry levels, but any kind of indication of the delta would be really helpful. Thank you.

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**Hein Schumacher, Chief Executive Officer**

Thanks, Sam, for the questions. First, I would like to talk a bit about the market and our customers and what consumers are doing. Let me just make a few points here. So, first, and some of it will be repetitive, I hope you don't mind, but obviously there are lower bean prices and we're seeing a flattening as well over the future curve. So, there are some early signs, as I said, of market stabilisation for our customers. So, customers are, therefore, also willing to book

further in advance. As I called it, these are longer positions and there are some room for higher inventories overall.

I think we're seeing that customers are pricing through to some extent, obviously that's a customer decision. I don't want to go too deep on that, but I'm very encouraged by what I'm seeing with some of our large customers, in particularly North America. You know, Ferrero, and we said it in a presentation, they launched their "Go All In" promotion, lasting from April to July, and that's backed up by significant investments. They've made a very public statement about that, \$100m investment. Sorry, that was Ferrero. Hershey also making significant media investments in this year with a very big launch around Reese's and Hershey. It's the first launch for them since a number of years that is sort of at this magnitude. So, we're seeing restored confidence. Obviously, the margin profile will help given the lower bean prices. So, you know, these are, I think, very positive signs for recovery going forward.

We're also seeing, therefore, some increased innovation interest from our CPG customers. And, you know, as I said, that we do across the whole portfolio. We're seeing, particularly in Western Europe, we're seeing interest in the non-cocoa solutions, for ChoViva, the brand that I talked about before, but also the high flavanol opportunity, the high flavanol innovation in AMEA. And this is gaining really good traction in Japan as well as in China.

So, you know, if I sort of summarise lower bean prices, so therefore, you know, long, customers going a bit long. Secondly, very specific, big initiative from some of our large customers, that will help the market. And third, we're seeing, if we are focusing our efforts behind scalable innovation platforms. We believe that particularly on a regional basis, we're seeing increased interest. So, these are, I would say, you know, these are very positive signs and, therefore, we believe that the second half, we can return to a growth picture.

On customer service levels, look, yes, I look back to a number of years ago. And, you know, particularly in the last one-and-a-half year or so, we have been below our historical averages. I don't want to call out one customer service level because you need to drill down a little bit and customer service can, for example, become low if your portfolio is not exactly in the customer needs. So, you know, can you deliver against an unconstrained demand? That's a question. And in many cases, we haven't been able to do so, and that's why we're making these investments. The second one is, you know, due to disruptions, do you need to cancel contracts or cancel deliveries that the customer has asked for?

So, in some of our key segments, we've seen customer service levels even, you know, somewhat below 80%. They are now improving fast. And again, that's where we're laser focused on to get them to the highest possible level now. And I think that's something that we do progressively well.

So, without, you know, calling particularly percentages too much, I would say we weren't at the level that we were a number of years ago due to disruptions, due to, you know, many process

changes, due to the whole transformation impact. We're now going back to fewer initiatives, restoring customer service on those areas where we really need it and preparing for a mid-term picture. And, you know, obviously I'd like to come back to you in June on what that looks like.

I think that concludes the overall, if I'm not wrong, this was the last question?

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**Telephone Operator**

Correct, we currently have no further questions.

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**Hein Schumacher, Chief Executive Officer**

All right, thank you everyone for spending time with us this morning. We are looking forward to coming back to you in June with a full update on the Focus for Growth programme and to have more interactions with you in the next couple of days as well as after the June conference. Thanks a lot and speak soon.

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**Peter Vanneste, Chief Financial Officer**

Thank you.

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