



## **Emmi Investor Day**

**Ten years later**

Urs Riedener  
CEO Emmi Group

Lucerne, 7 November 2018



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## Challenges in today's economy

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Proof points of Emmi's development

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Current set-up of Emmi

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Success factors going forward

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## Switzerland

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- Milk consumption continues to decline
  - Competitiveness of Switzerland as a business location has slightly improved
  - Weakening CHF in 2018 improved export opportunities -> turnaround in exports
  - However, imports are also increasing. Niches are interesting for foreign players
  - Swiss competitors are struggling to reach profitability in the Swiss market
  - Quite a lot of new capacities are being created (Diemtigal)

**How long can the price erosion of generic dairy products continue?**



## International markets



- Milk consumption under pressure in developed markets
  - Strong growth of milk alternatives, especially USA
  - New players are also entering the market
  - pressure on niche concepts
- Challenging new sales concepts and players, even if the industry is not very susceptible to disruption
- Consumer trends are being played on more aggressively and rapidly by a large number of competitors
- The trends towards regional, natural, fresh, transparent and sustainable concepts are becoming stronger
  - Focus on economies of scale often ignores consumer trends

## Challenges: Concentration



The world's 10 largest retailers: sales of approx. USD 1,500 billion

“ The answer:  
differentiating  
product offerings ”

Wal-Mart  
Costco  
Kroger  
Schwarz Group  
Walgreens Boots

The Home Depot  
Carrefour  
Aldi  
Tesco  
Amazon



**8 of the 10 largest retailers  
are Emmi clients**

## Examples of current discriminations compared with cheese from the EU

### Canada

**EU:** CETA increases duty-free cheese quota by 140% (total 31,500 tons)

**CH:** duty-free import only within WTO quota of 6,940 tons

### Mexico

**EU:** 20% tax on cheese  
From 2019: 25,000 tons will be duty-free

**CH:** 45-70% tax on cheese

### Mercosur

**EU:** open market for cheese from 2019?

**CH:** 28% tax on cheese

### South Korea

**EU:** open market for cheese

**CH:** duty-free quota of 60 tons for AOP cheese

### Japan

**EU:** duty-free market access for cheese from 2019

**CH:** duty-free quota for 1,000 tons of AOP cheese

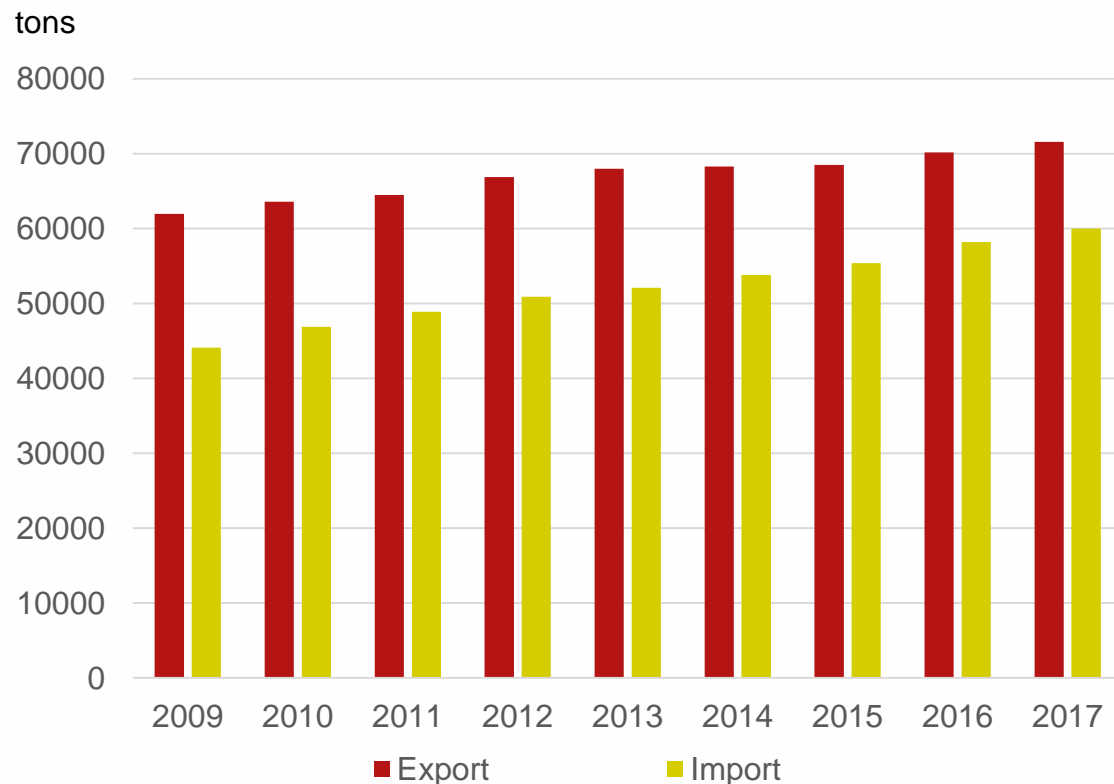
### Egypt

**EU:** open market for cheese

**CH:** duty-free quota for 200 tons of cheese

“ The answer:  
fight for equal  
conditions ”

## Development of cheese exports and imports in Switzerland



“ The answer:  
strengthen local  
footprint ”

### Industry, 2009 - 2017:

Exports from CH: +15%

Imports into CH: +36%

Production: + 6 %

### Emmi, 2009 - 2017:

Exports 2009 - 2017 total\*: +15%

Emmi exports 2009-2017 USA: +90%

Per Capita Consumption CH: stable

\* Excluding fondue and processed cheese



“ The answer:  
push geographic  
diversification ”

	11/2008	11/2018
Euro	1.52	1.13
US dollar	1.19	1.02
UK pound	1.84	1.28

EU anger over May's  
post-Brexit  
immigration plan

Global Economy to Expand by 3.1 percent in 2018, Slower  
Growth Seen Ahead

Erdogan comes back begging:  
Turkey leader meets Merkel for  
tense talks amid lira crisis

China will not 'surrender' to US  
demands in trade talks — state  
media

Italy Needs to Wake Up and Fix Its  
Banks  
The euro area's most vulnerable economy is heading into a storm.





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Challenges in today's economy

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**Proof points of Emmi's development**

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The current set-up

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Success factors going forward

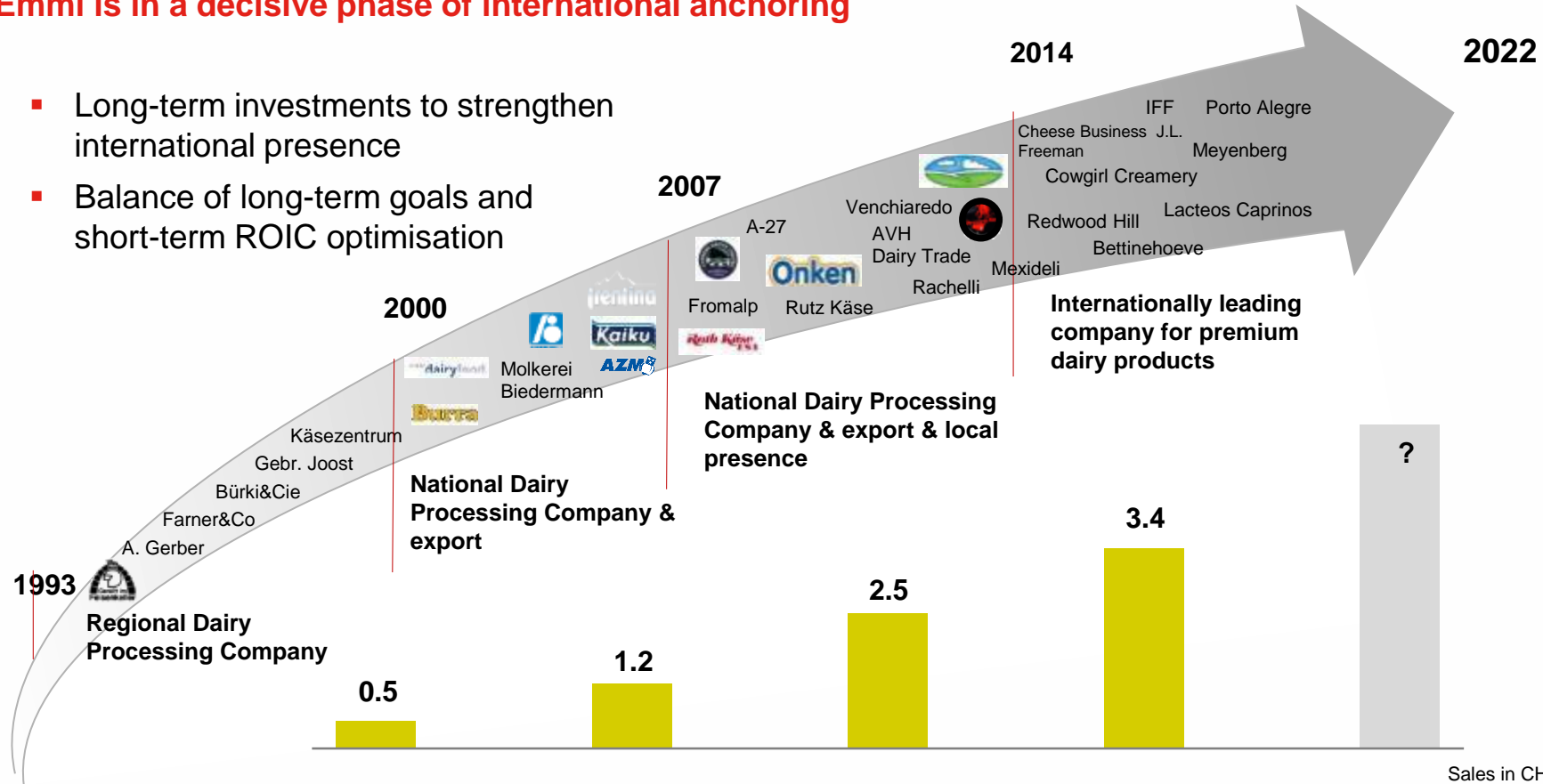
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# Emmi is well on the way to becoming a strong international player



## Emmi is in a decisive phase of international anchoring

- Long-term investments to strengthen international presence
- Balance of long-term goals and short-term ROIC optimisation

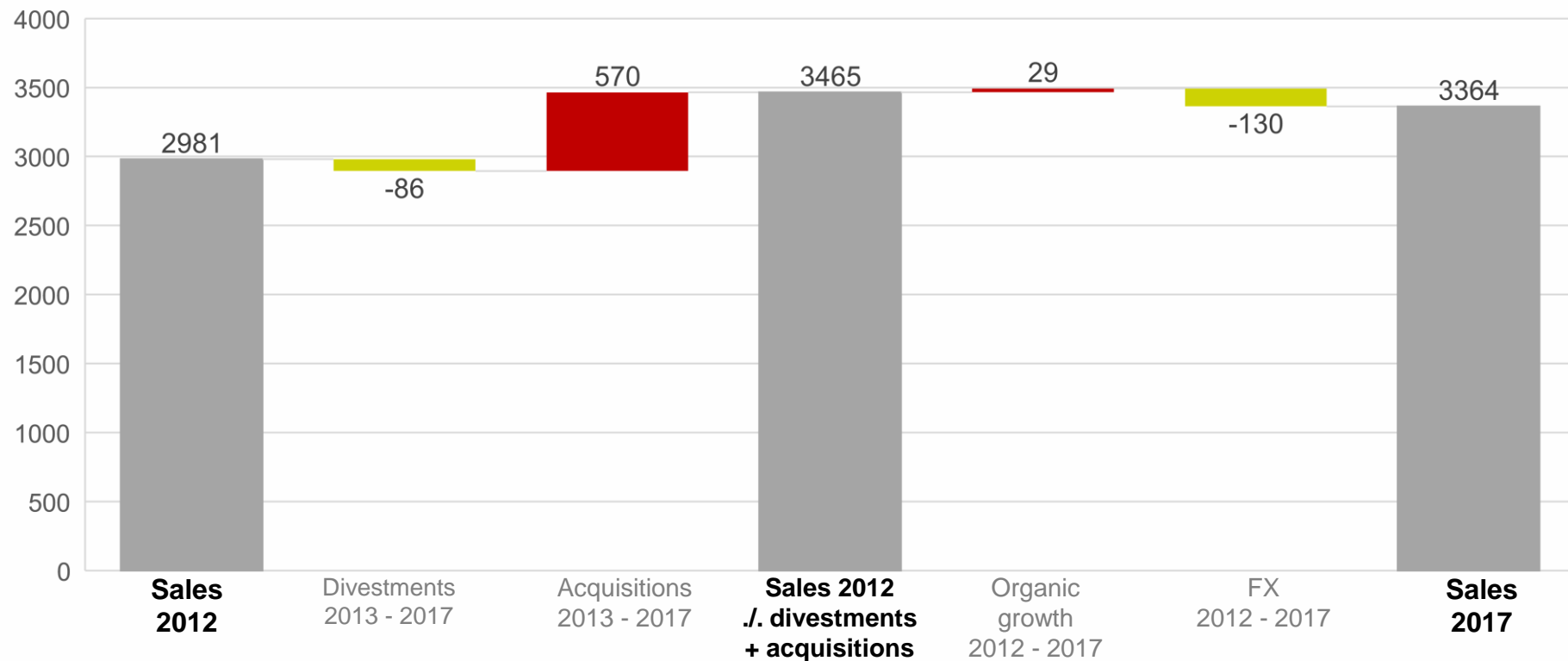


	2008	2017
Sales	CHF 2.7 bn	CHF 3.4 bn
EBIT ratio	3.8%	6.1%
No. of employees	3400	6100
Share of international business	23%	49%
International presence (countries)	11	15
Perception	Swiss	International
Scope	Switzerland+	International



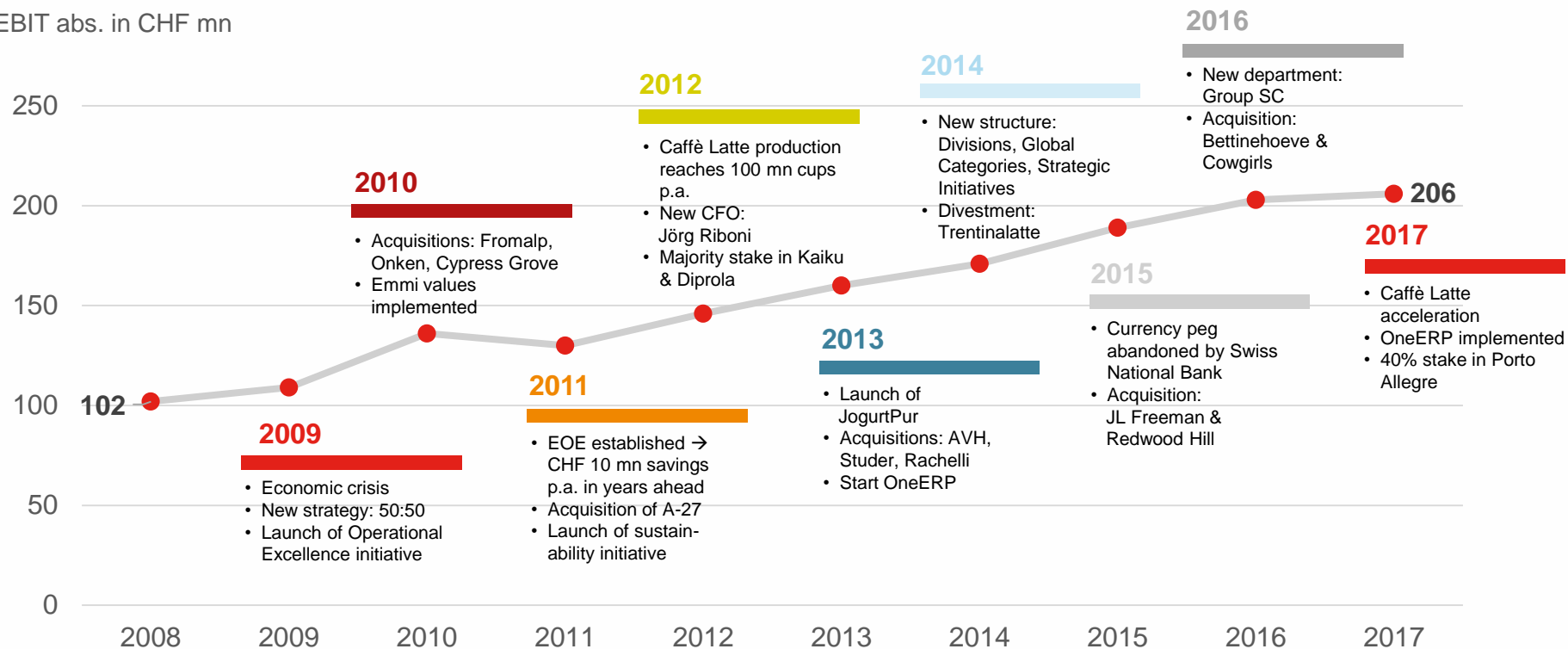
## The development is not linear

In KCHF



## EBIT development affected by specific events

EBIT abs. in CHF mn





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Challenges in today's economy

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Proof points of Emmi's development

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**The current set-up**

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Success factors going forward

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## Strategy and vision

**Vision** The best dairy moments are Emmi moments

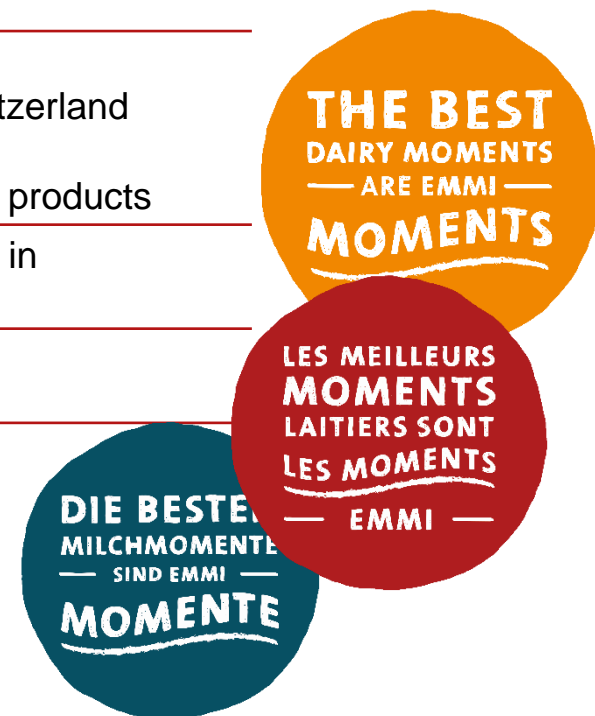
**Market positioning**

- No. 1 among Swiss milk processors
- The top company for Swiss cheese, both in Switzerland and abroad
- A leading company in Europe for premium dairy products

**Growth** 2% – 3% (innovations, small acquisitions and gains in market share)

**Profitability** 4.5% – 5.0% net profit margin

**Shareholders' equity** Equity ratio of at least 40%



## Background

- Swiss market saturated; international market growing
- Market liberalisation in all segments
  - > Pressure with imports
  - > Growth of exports
  - > Reduction in subsidies
- CH suppliers
  - > Discrepancy vis-à-vis EU milk price
- Competition consolidation
- Customer consolidation
- Intensified price pressure nationally / internationally

## Success factors

- Critical company size / key international player
- Early, proactive adjustment to market developments
- Close customer relationship beyond price; reduction of interchangeability
- Competitive pricing / "Fitness for European market"

## Strategic pillars

**Strengthen position in Switzerland**

**International growth**

**Cost management**

## Suhr | 370 employees

Milk, cream & butter

## Frenkendorf | 10 employees

Cheese, dairy & fresh products

## Kirchberg | 320 employees

Pre-packing of cheese, export

## Moudon | 30 employees

Cheese ageing

## Ostermundigen | 630 employees

Fresh products

## Schlieren | 125 employees

Supplies for catering & retail business

## Bischofszell | 120 employees

Dairy & fresh products  
(primarily organic, from cow's milk, sheep's milk & goat's milk)

## Lucerne | 250 employees

Headquarters

## Emmen | 570 employees

Fresh products & cheese

## Kaltbach | 60 employees

Cow's and goat's milk cheese

## Landquart | 45 employees

Cheese

## Dagmersellen | 200 employees

Mozzarella,  
milk powder

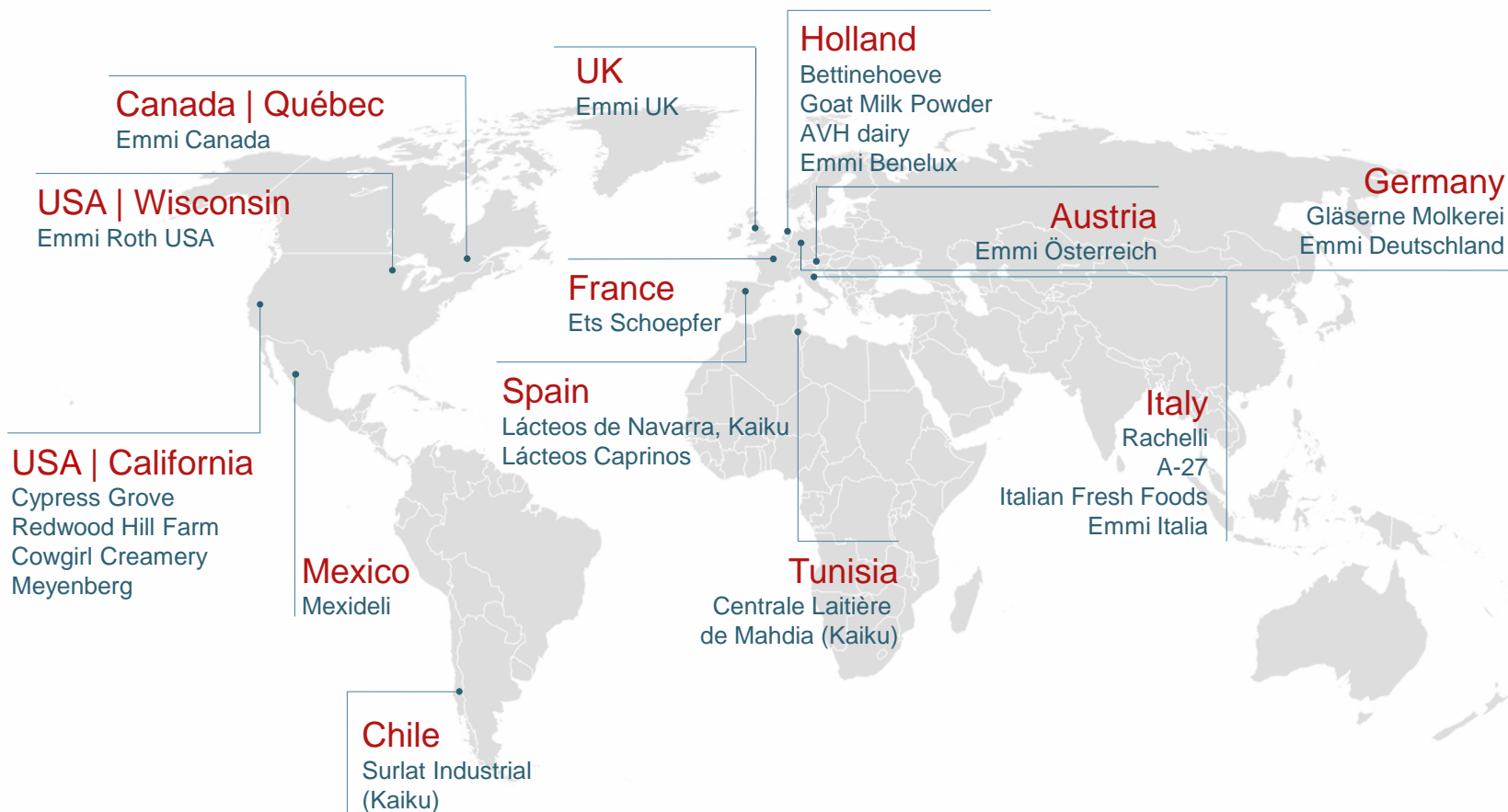
## Langnau | 150 employees

Fondue, processed cheese

## Bever | 20 employees

Cheese, dairy & fresh products





## Facts and figures about Emmi

**1,000,000,000**



kilograms of Swiss milk processed

**100,000,000**



investments per year (CHF)

**100,000**



wheels of cheese in Kaltbach

**6,000**



employees worldwide

**300**



cheese dairies

**100**



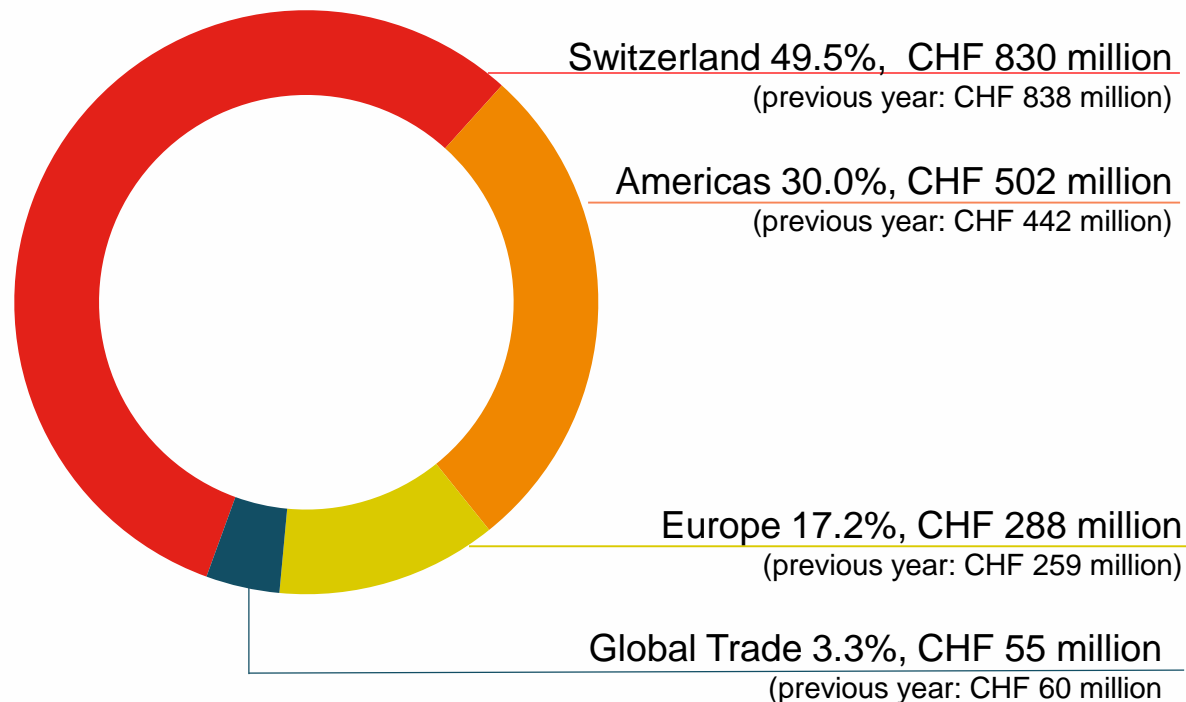
nationalities

**20**



acquisitions within 10 years

For the first time, international markets account for the largest part of sales



## Top 5, sales:

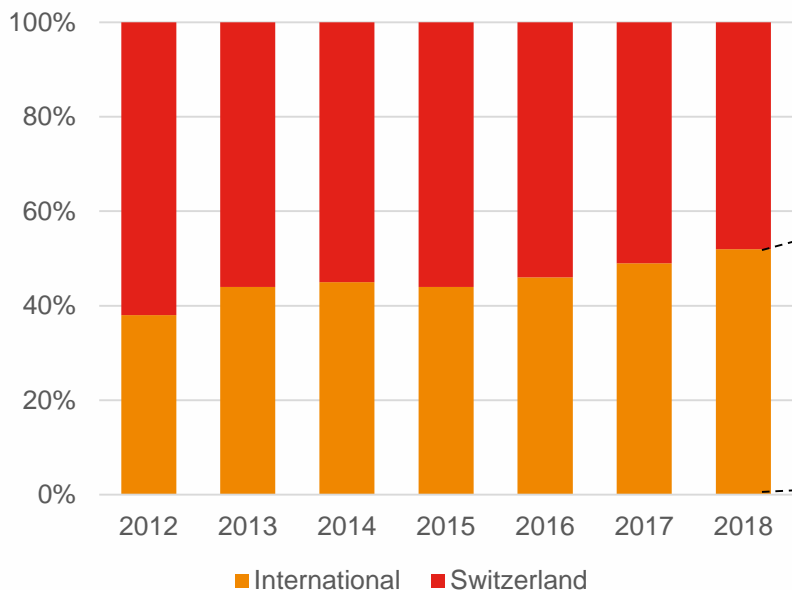
-  Switzerland
-  USA
-  Spain
-  Germany
-  Tunisia

Group net sales in first half of 2018:  
CHF 1,675 million

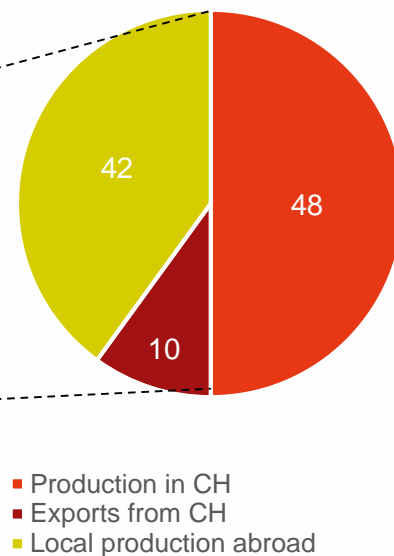


## Local production abroad and exports from Switzerland

### Sales development, 2012 - 2018



### 2018, estimated share of sales





### 10 years of Emmi Operational Excellence

**30** plants in **9** Emmi countries (CH, D, A, NL, F, E, USA, Chile, Tunisia)

**3,500** employees use EOE

**10** EOE trainers, **25** EOE coordinators, **100** EOE coaches, **100** EOE supporters

**6,000** identified opportunities for improvement

**4,000** ideas submitted by employees, **90%** of which have been implemented





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# Agility

is a key quality in today's  
fast-moving consumer world



## A consumer centric approach is crucial for generating sustainable concepts

**Understanding the fundamental needs, drivers and barriers of the consumer**



**Generating ideas and concepts – with the right balance of speed and maturity**



**Investing in infrastructure and marketing**





## Growth opportunities



### Global concepts

- Trend-oriented concepts such as drinks (cold coffee), enjoyment (desserts), convenience (cheese snacks, muesli), protein, vegan, etc.
  - Organic or lactose-free can't be the only point of differentiation

### Regional concepts

- Transparent regionality, interpreted in a modern way and communicated via new media, offers opportunities and puts established players under pressure

### Acquisitions

- Acquisitions are still possible, but more difficult and more expensive
- Concentration on Americas and, to a lesser extent, Europe
  - Entire regions have become less attractive (e.g. Russia, Turkey)
- Companies in niches are particularly sought after
  - Emmi has lost some exciting targets for price reasons

## Margin, market relevance and momentum

### Margin & return



#### Is the business profitable?

- Sustainable and competitive advantage to ensure the margin?
- Do we create value or burn money?

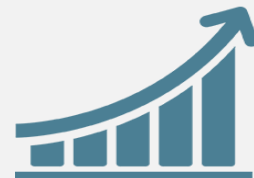
### Market relevance



#### Is it big enough?

- Business relevance in the market?
- Business relevance for us?

### Momentum (growth)



#### Is it growing?

- Factors which support the growth?
- Factors which impede the growth?

#### The benefit:

- Focus on the most promising segments
- Set the right priorities
- Allocate the resources efficiently

## Goat milk market

### Margin & return



**Is the average margin above Emmi Group level?**

- The goat milk players have on average an EBIT margin of 5-10%
- Since the market is growing, this margin is regarded as sustainable over the coming years

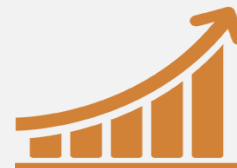
### Market relevance



**Is the market still fragmented?**

- The top five players in Europe have a combined market share of 57%
- The No. 1 player (Eurial) has only around double the sales of Emmi in the goat's milk market

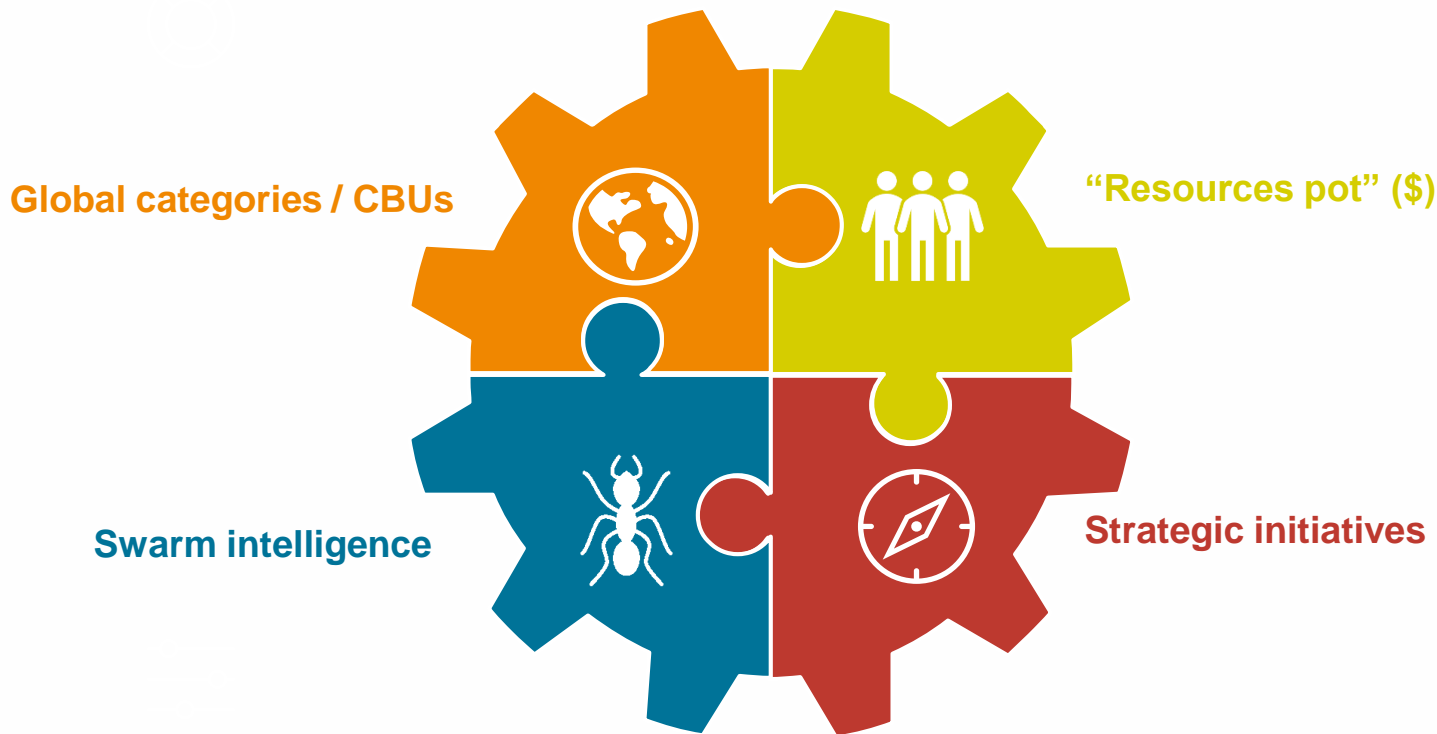
### Momentum (growth)



**Is the market growing above Emmi Group level?**

- The goat milk market has grown by around 5% p.a. in the past
- Market researchers predict a growth rate of 3-5% p.a. over the next 5 years

## The Group as a “strategic guide”

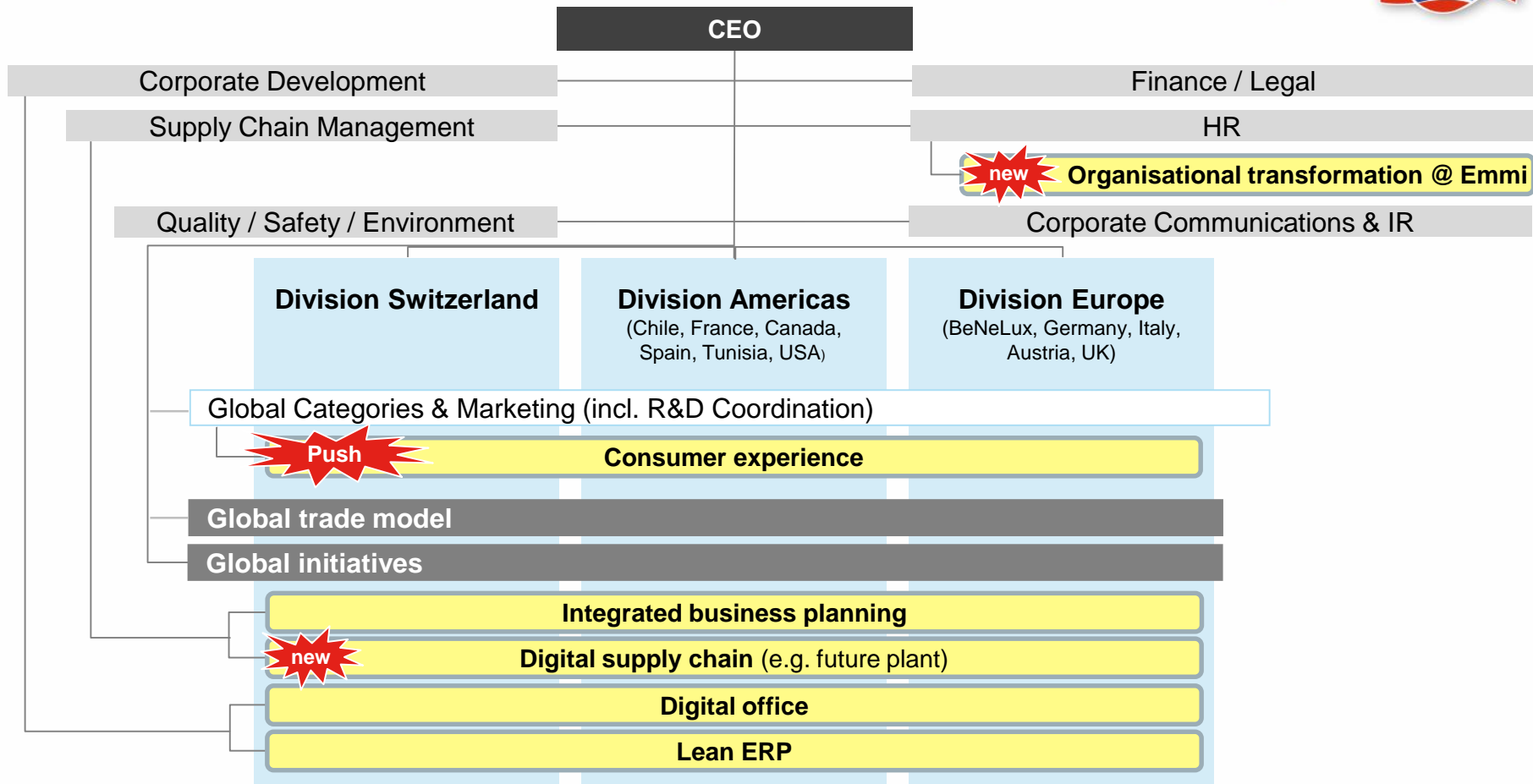


# Strategic initiatives & programmes

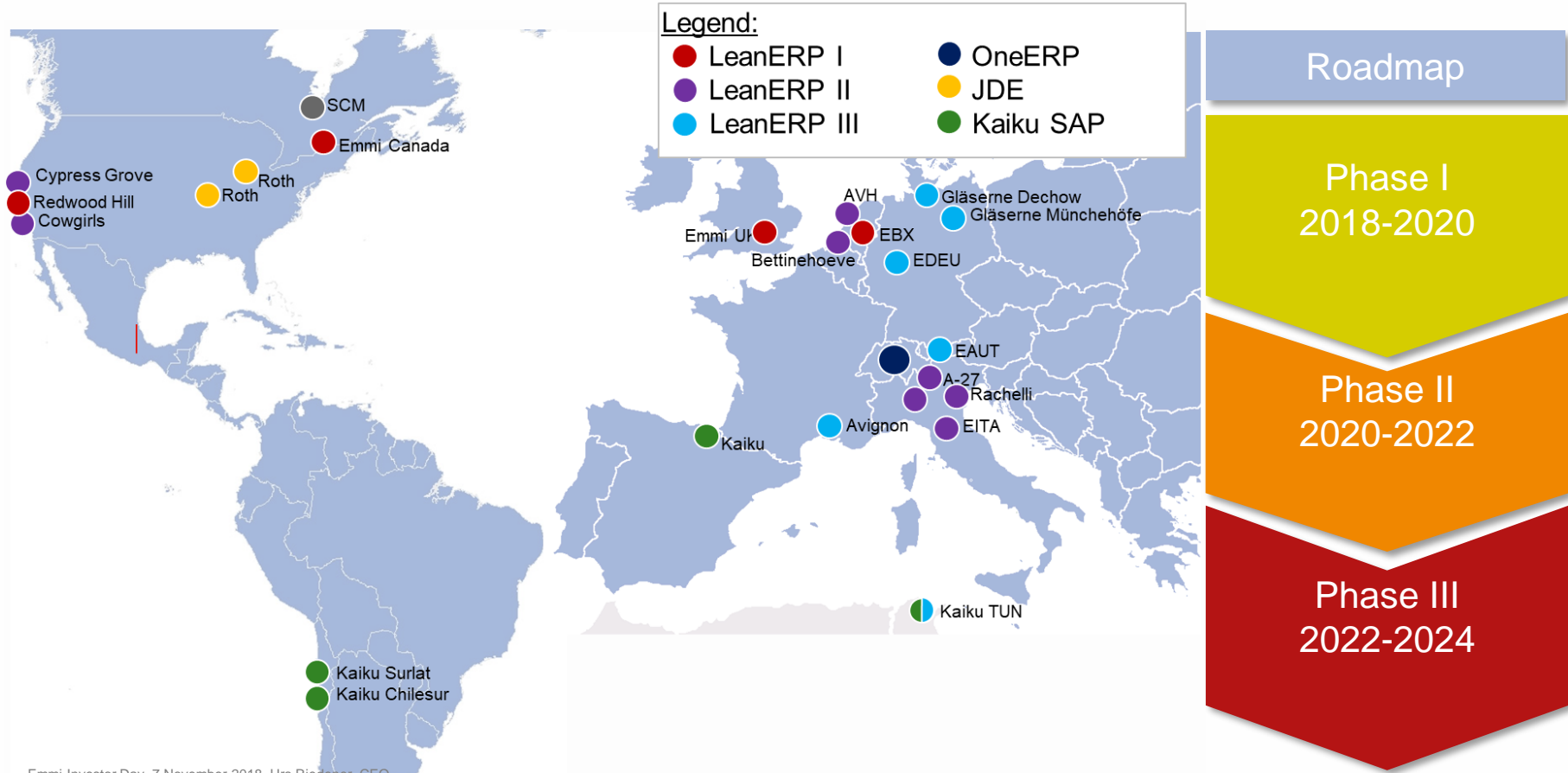


"7S dimensions" (core variables)		2017	2018	2019	2020	2021
Strategic initiatives/projects	Strategy & Structure	"Seed to grow"		Organic growth		
	System & Process	<i>Digitisation</i>	<div>Consumer experience</div> <div>Preparing next steps</div>	Further digitisation topics		
		One ERP ✓	Gipfelstürmer CH			
		Learn ERP				
		Failure costs ✓				
		Emmi Net				
	Shared Values & Style		Emmi Vision			
Strategic programmes	Strategie & Structure	ProcureNet				
	System & Processes	EOE operations (CH & International)				
	Shared Values & Style	Sustainability				
	Skills & Staff	Talent and succession management				





## LEAN ERP «Roadmap & milestones»



## *Steering / Compliance Digital@Emmi*

- Steering of initiatives through regular reportings to the Executive Management Board
- Steering of the portfolio through the strategy process
- Installation of a network to encourage the know-how transfer between departments/initiatives → «Digital Panel»

### *Back-end (Value chain)*

**Integrated business planning**

**Digital supply chain (e.g. Future Plant)**

### *Front-end (Digital marketing)*

**Consumer experience**

### *Backbone*

**Digital office**

**Lean ERP**

### *People*

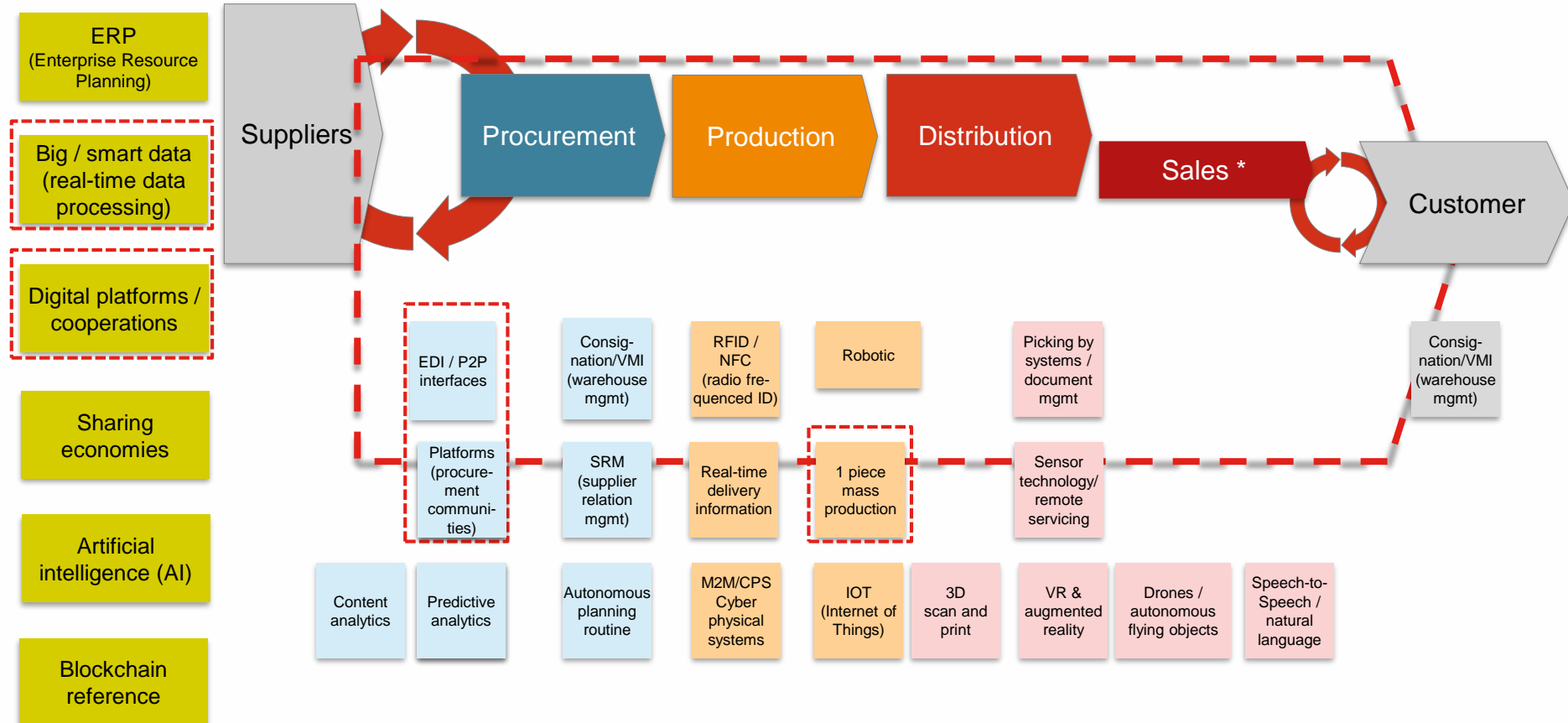
**Organisational transformation @ Emmi**

Values / Culture / Mindset

Understanding of technologies

Skills & capabilities

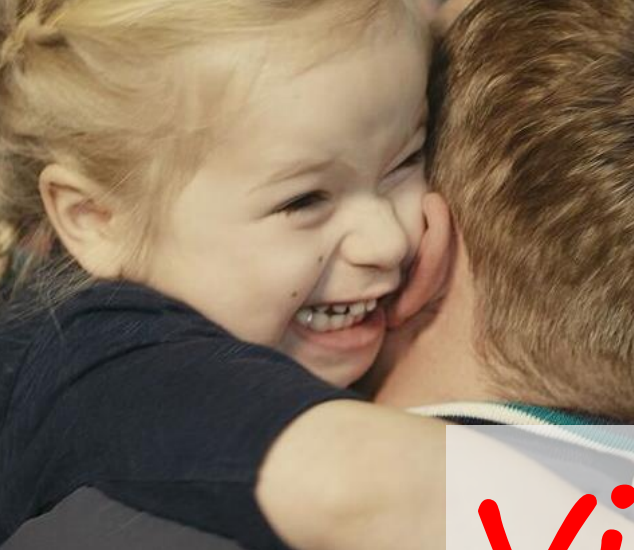
We need to assess our gaps and chose our focus to create best possible value



- Sustainable return to growth
- Safeguarding of earnings
- Increasing volatilities and inflation (e.g. raw material prices, politics, fluctuating prices, instant demand shifts)
- Suitable acquisition targets, balancing ROIC and building strategically strong positions
- The right proportion of organisational development (balance between costs and benefits) and the launch of strategic initiatives
- Sensible pre-investments in securing and expanding future profitability potential
- Seeing and solving the problems, managing the opportunities!







THE BEST  
DAIRY MOMENTS  
— ARE EMMI —  
MOMENTS

Vielen Dank

